



FLINDERS
DIAMONDS

FLINDERS DIAMONDS LIMITED

CHAIRMAN'S ADDRESS 2007

Fellow shareholders, since the issue of the Annual Report, your board has been pleased to report that an independent study has outlined the potential for 325-390 million tonnes of iron ore at the Company's E47/882 tenement in the Pilbara region of WA. We are pleased to announce that we intend to pursue the best possible outcome for this exciting prospect. To that end we are setting up two subsidiary companies Flinders Iron Pty Ltd and Flinders Diamonds Pty Ltd and will call a general meeting in the new year to change the name of the holding company to Flinders Mines Limited. We believe it is in the best interests of all shareholders to pursue both commodities.

Management have been asked to commence planning an iron ore program starting with a more detailed geomorphological study in the first quarter of the new year followed by the commencement of an initial drilling program in the second quarter of next year, based on the findings of that study, to be followed up with a second drilling program prior to the wet season in the third quarter next year. It is hoped that the result of this program will be the definition of an inferred resource. Once this stage has been reached we will review the options available to the company.

Ladies and gentlemen we have also been active on the diamond front. 2007 has marked a year in which Flinders Diamonds has embarked on a major change in exploration philosophy via which the focus of its diamond exploration activities has shifted to South Australia's Gawler Craton – an area long recognized for its potential to hold economic diamond deposits.

Flinders Diamonds has acquired three prospective projects on the Gawler Craton and exploration has commenced. In fact, Flinders Diamonds holds mineral title to the four main diamond prospects in South Australia where multiple diamonds have been located. These are at Echunga in the Adelaide Hills, at the Springfield Basin and Eurelia in the Flinders Ranges and at Flinders Island on the Gawler Craton.

In addition to exploration activities, Flinders has also benefited from its investment focus on non-core assets. A variety of agreements have been negotiated and assets now include:

- 7 million shares and 3.5 million options in Maximus Resources Limited
- 1 million shares in Copper Range Limited
- An iron ore royalty from FMG Limited capped at 8 million tonnes
- A 1% NSR talc royalty from Luzenac Australia Pty Ltd

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Flinders successfully completed a 1 for 1 non-renounceable rights issue during 2007 at 1.2 cents per share to provide funds for ongoing operations. Shareholder take up was \$1.31 million and the shortfall of \$4.53 million was fully subscribed for in the market. Used wisely this capital will see us through the early phases of the iron ore program and allow us to continue our diamond exploration program.

I would like to thank Kevin Wills and his team for their hard work and dedication in the pursuit of an economic diamond discovery.

My thanks also go to our contractors, staff and my fellow non executive Director Ewan Vickery for their support and dedication during the year. In particular I would again thank shareholders for their continuing support.

Thank you Ladies and Gentlemen.