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# NEWS

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Thursday 17 March 2005

### **\$3.6M RIGHTS ISSUE SUPPORTS GEM SEARCH**

#### **BY FLINDERS DIAMONDS**

Flinders Diamonds Limited (ASX code: "FDL") is raising \$3.65 million to continue its successful search for diamonds in South Australia's mid-north.

The Company, which earlier this month reported the discovery of ten new kimberlites – the host rock for potential commercial diamond yields – today announced a one-for-one, non-renounceable rights issue at 2.5 cents a share.

Directors said that after the rights issue, which is not underwritten, shareholders would be asked to approve a four-for-one capital consolidation as part of the Company's focus on prudent capital management.

As an incentive for shareholders, approval of the capital consolidation would be followed by a one-for-two bonus options issue.

If fully taken up, the rights issue will add 147 million ordinary shares to the Company's shares on issue, for a total of 294 million shares, which will reduce to 73.5 million ordinary shares under the proposed consolidation.

The prospectus will be forwarded to shareholders on 5 April, with the offer closing on 29 April.

Shareholders should refer to the prospectus for full details of the rights and bonus options issues.

A shareholders' meeting has been scheduled in Adelaide for 11 May to approve the capital consolidation.

"Our exploration program is producing some exciting results and the capital raised by the rights issue will allow us to continue our efforts," the Company's Managing Director, Dr Kevin Wills, said today.

"I believe the success of our drilling program in February, underscored by the discovery of our first kimberlite pipe, shows that we have cracked the code in discovering kimberlites, particularly diamondiferous kimberlites," Dr Wills said..

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“The rights issue funding will allow us to complete our exploration up to the bulk sampling stage when we can more fully determine the prospects for a commercial diamond mine.

“The proceeds will also assist Flinders Diamonds consider the acquisition of proven or producing assets to which the Company can add value through technical enhancements.”

Flinders Diamonds is planning to undertake in May, a detailed airborne magnetic survey of the more prospective areas of the Company’s tenements stretching between Peterborough and Port Augusta in South Australia’s mid-north.

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