



FLINDERS
DIAMONDS

FLINDERS DIAMONDS LIMITED

CHAIRMAN'S ADDRESS 2006

Since the last Annual General Meeting when shareholders approved the sale of Non-Diamond Mineral Rights to Maximus we have seen the formation and listing of Eromanga Resources Limited, in which Maximus holds approximately 35% of the equity and the joint venture between Maximus and Eromanga of Billa Kalina and the Eromanga Basin tenements. Flinders by its approximate 10% holding in Maximus is set to benefit from the activities of both these companies.

Our objective is to retain our interest in Maximus in order to gain the benefit of any discoveries in either Maximus or Eromanga in the medium to long term.

Since the issue of the Annual Report your board has been pleased to report the high microdiamond count in a new kimberlitic pipe from the Monk's Hill, area in the Flinders Ranges project in South Australia. Further it has also been able to report the strategic acquisition of 100% of the diamond rights in the Lobethal Joint Venture.

It is hoped that further testing of the Monk's hill tenement will lead to bulk sampling and the eventual feasibility study for a mine. There is a lot of work to get to that stage but I'm sure Kevin Wills will tell us in his address how the company will be diligently working towards that end from hereon in. Although we have our main focus on the Flinders Ranges Project we are pursuing our Hamersley Target.

In an exploration company until there is a cash flow from discoveries it is necessary from time to time to raise capital for ongoing exploration. Two placements and a rights issue occurred last year raising a total of \$4.45million. Your board ensured the participation by shareholders through the one for one rights issue.

I thank Kevin Wills for his persistence and dedication in the pursuit of an economic diamond discovery. Kevin and his team have taken innovative approaches to discover the number of kimberlites which have been discovered by the company.

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.

I look forward to furthering our objective of an operating diamond mine with commercial production.

Thank you Ladies and Gentlemen.