

FLINDERS DIAMONDS LIMITED

ABN 46 091 118 044

PROSPECTUS

For a non-renounceable rights issue of approximately 486 million New Shares at an issue price of 1.2 cents each on the basis of 1 New Share for every 1 Ordinary Share held to raise approximately \$5.8 million.

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker or other professional adviser.

Please read the instructions on the accompanying Entitlement and Acceptance Form if you wish to subscribe for the New Shares to be issued pursuant to this Prospectus.

CORPORATE DIRECTORY

Directors/Senior Management

Mr Robert Kennedy (Non Exec. Chairman)

Dr Kevin Wills (Managing Director)

Mr Ewan Vickery (Non Exec. Director)

Secretary/CFO

Mr Richard Willson

Registered Office

62 Beulah Road
Norwood, South Australia, 5067

Telephone – (08) 8362 5900

Facsimile – (08) 8362 5966

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia, 5000

GPO Box 1903
Adelaide, South Australia, 5001

Enquiries (within Australia): 1300 556 161

Enquiries(outside Australia):+613 9415 4000

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Stock Exchange Listing

Australian Stock Exchange Limited

ASX Code: FDL

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IMPORTANT NOTICES

This Prospectus is dated 4 May 2007. A copy of this Prospectus was lodged with the ASIC on 4 May 2007. The ASIC takes no responsibility as to the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus after the expiry date of 30 May 2008.

This is an important document. Before deciding to apply for the New Shares you should consider whether they are a suitable investment for you. Persons wishing to subscribe for New Shares should carefully read this Prospectus and consult their professional advisers for the purpose of making an informed assessment of the effect of the Rights Issue on the Company and the rights and liabilities attaching to, and the nature of, the New Shares offered by this Prospectus.

A copy of this Prospectus can be downloaded from the website of the Company at www.flindersdiamonds.com. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be a Shareholder with a registered address in Australia or New Zealand and must only access the Prospectus from within Australia or New Zealand. The Corporations Act prohibits any person distributing the Entitlement and Acceptance Form or Shortfall Application Form unless it is included in or accompanies a paper copy of this Prospectus, which may be obtained by contacting the Company.

SUMMARY OF IMPORTANT DATES

Announcement of Rights Issue	1 May 2007
Securities quoted on an ex-basis	8 May 2007
Record Date to determine entitlements to New Shares	14 May 2007
Despatch of Prospectus and Acceptance Forms	17 May 2007
Opening of Offer	18 May 2007
Last day for acceptance and payment in full	15 June 2007
New Shares quoted on a deferred basis	18 June 2007
Allotment and dispatch by the Company of holding statements for New Shares	22 June 2007

NOTE

These dates are indicative only. Subject to the Corporations Act and the ASX Listing Rules, the Company reserves the right to vary the Closing Date without prior notice.

1. **KEY TERMS OF THE RIGHTS ISSUE**

1.1 **The Offer**

This is an offer of approximately 486 million New Shares to the Shareholders of the Company who are registered on the register of members of the Company on the Record Date. The New Shares are being offered on the basis of one New Share for every one Ordinary Share then held.

Under this Prospectus, the Company is seeking to raise approximately \$5.8 million (before costs).

The Rights Issue is not underwritten.

1.2 **Issue Price**

The issue price is 1.2 cents per New Share and is payable in full on application.

1.3 **Entitlements**

The number of New Shares to which Eligible Shareholders are entitled is shown on the accompanying Entitlement and Acceptance Form.

The Rights Issue is non-renounceable meaning that Rights may not be traded.

Eligible Shareholders may take up any Shares offered on the basis of this Prospectus which are not taken up by other Eligible Shareholders. To do this, Eligible Shareholders must, in addition to completing the portion of their Entitlement and Acceptance Form that relates to their entitlement, complete the portion of the Form relating to the additional shares they wish to take up.

Any Shares offered on the basis of this Prospectus that are not taken up by Eligible Shareholders may also be taken up by investors that are not Eligible Shareholders. To subscribe for any shortfall, these other investors must complete and return a Shortfall Application Form.

The Directors reserve the right to accept, scale back or refuse any application for additional New Shares in excess of a Shareholder's entitlement or any application in excess of the shortfall available for issue under the Rights Issue. Any excess application money will be refunded without interest.

The Company currently has 381,653,978 listed options on issue. Option holders may participate in the Rights Issue by exercising any or all of these options before the Record Date. The exercise of any options prior to the Record Date will increase the issued capital of the Company and may increase the number of New Shares issued under the Rights Issue and the total amount raised under the Rights Issue. Option holders cannot participate in the Rights Issue without first exercising their options.

1.4 Purpose of the Rights Issue

The net proceeds from the Rights Issue will be used as working capital to finance the exploration and development of tenements in the Company's existing portfolio as well as to look for new opportunities in acquiring proven or producing assets to which the Company can add value through technical enhancements.

1.5 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances on 18 May 2007 and will close at 5:00 pm (Adelaide time) on 15 June 2007. The Directors reserve the right to close the Rights Issue early or to extend the Closing Date. Investors are urged to lodge their Entitlement and Acceptance Forms (and any Shortfall Application Forms) as soon as possible.

1.6 Stock Exchange Listing

Application has been made for the New Shares offered under this Prospectus to be granted official quotation by the ASX.

If the New Shares are not admitted to quotation on the ASX within 3 months after the date of this Prospectus, none of the New Shares offered under this Prospectus will be issued and allotted. In these circumstances, the Company will refund all application monies without interest within the time prescribed by the Corporations Act.

The ASX takes no responsibility for the contents of this Prospectus.

1.7 Rights Attaching to Shares

The New Shares issued will rank equally with existing Ordinary Shares on issue. The rights and liabilities attaching to the New Shares offered under this Prospectus are set out in the Constitution of the Company and in the Corporations Act.

The principal rights and liabilities attaching to the New Shares and existing Ordinary Shares are summarised in section 4.

1.8 Minimum Capital Raising

There is no minimum limit to the amount of capital to be raised under the Rights Issue.

1.9 Shortfall in subscription

The Directors reserve the right to issue any shortfall in subscription for New Shares at their discretion within 3 months after the close of the Rights Issue. The Company will pay a placement and handling fee of 5% to licensed dealers in securities who assist the Directors in placing any shortfall in subscription for New Shares.

1.10 **Brokerage**

The Company will pay a brokerage fee of 5% to any licensed dealers in securities who place their stamp on any Entitlement and Acceptance Forms resulting in a successful application for new shares.

1.11 **Overseas Shareholders**

This Offer is only being extended to Shareholders with registered addresses in Australia and New Zealand. All other Shareholders (**Non-Resident Shareholders**) will not be offered Rights under this Prospectus. The Company has determined, in accordance with the Listing Rules, that it would be unreasonable to make an offer under this Prospectus to Non-Resident Shareholders having regard to:

1.11.1 the number of Shareholders in the places where the offer would be made;

1.11.2 the number and value of the rights that would be offered; and

1.11.3 the cost of complying with the legal requirements in those places.

No Entitlement and Acceptance Forms are being sent to Non-Resident Shareholders, and this Prospectus may be sent to them for information purposes only.

Neither this Prospectus, the Entitlement and Acceptance Form nor the Shortfall Application Form constitute an offer of, or an invitation by or on behalf of the Company to subscribe for or purchase any of the New Shares in any jurisdiction or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and Entitlement and Acceptance Form, and the offering of New Shares, in certain jurisdictions may be restricted by law. Persons into whose possession such documents come should inform themselves about and comply with those restrictions.

1.12 **Taxation**

Shareholders should be aware that there are taxation implications for subscribing for New Shares. These taxation implications will vary between different Shareholders and Shareholders should consult their own professional tax adviser in relation to the taxation implications.

2. HOW TO PARTICIPATE IN THE RIGHTS ISSUE

2.1 What you may do

The number of New Shares to which an Eligible Shareholder is entitled is shown in the accompanying Entitlement and Acceptance Form. Eligible Shareholders may:

- 2.1.1 take up all of their entitlement to New Shares;
- 2.1.2 take up all of their entitlement to New Shares and apply for any entitlement not taken up by other Eligible Shareholders;
- 2.1.3 take up part of their entitlement and allow the balance to lapse; or
- 2.1.4 not take up any of their entitlement and allow it to lapse.

2.2 Complete and return the Entitlement and Acceptance Form

Refer to the Entitlement and Acceptance Form for instructions on its completion. Please send your completed Entitlement and Acceptance Form together with your cheque or bank draft for the total amount payable to reach the Company's share registry by 5:00 pm (Adelaide time) on the Closing Date to:

Flinders Diamonds Limited Rights Issue
C/- Computershare Investor Services Pty Limited

In person:

Level 5, 115 Grenfell Street
Adelaide SA 5000

Or by post:

GPO Box 1903
Adelaide SA 5001

Payment must be made by cheque. Cheques must be made payable to "Flinders Diamonds Limited Rights Issue Trust Account".

Entitlement and Acceptance Forms must be accompanied by payment of 1.2 cents per Share. Receipts will not be issued.

2.3 Taking up any shortfall

If an Eligible Shareholder wishes to take up any New Shares offered on the basis of this Prospectus which are not taken up by other Eligible Shareholders, Eligible Shareholders must, in addition to completing the portion of their Entitlement and Acceptance Form which relates to their entitlement, complete the portion of the Form relating to the additional shares they wish to take up.

Investors other than Eligible Shareholders that wish to take up any New Shares offered on the basis of this Prospectus which are not taken up by other Eligible Shareholders must complete a Shortfall Application Form.

Shortfall Application Forms will be provided to investors on request. Refer to the Shortfall Application Form for instructions on its completion.

Shortfall Application Forms together with payment for the Shares by cheque must also be sent to the address in 2.2 before the Closing Date. Receipts will not be issued.

The Directors reserve the right to accept, reject or scale back any shortfall application in their discretion.

Any application money returned by the Company in relation to a shortfall application will be returned without interest.

3. INFORMATION ABOUT THE COMPANY

3.1 Disclosing Entity

This Prospectus is issued pursuant to section 713 of the Corporations Act as a prospectus for the offer of continuously quoted securities.

The Company is a "disclosing entity" for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, the Company is subject to the Listing Rules of the ASX which require continuous disclosure to the market of any information the Company has which a reasonable person would expect to have a material effect on the price or value of the Company's shares.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at the ASX in Adelaide during normal working hours. In addition, copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, any Regional Office of the ASIC.

3.2 Information Available to Shareholders and Prospective Investors

The Company will provide a copy of each of the following documents free of charge, to any Shareholder or prospective investor who so requests during the application period under this Prospectus:

- 3.2.1 the 2006 Annual Report of the Company;
- 3.2.2 the 2007 Half Year Report of the Company; and
- 3.2.3 the following announcements lodged with the ASX since release of the 2006 Annual Report:

Date	Announcement
1/05/2007	SAREIC Presentation
1/05/2007	TAS:Correction to Announcement 30/04/07 re Flinders Diamonds
1/05/2007	News Release: Flinders Rights Issue
1/05/2007	1:1 Non-Renounceable Issue
30/04/2007	Third Quarter Activities & Cashflow Report
30/04/2007	TAS: Agreement with FDL to advance diamond exploration
30/04/2007	Diamond Exploration on the Gawler Craton
12/04/2007	Appendix 3B
29/03/2007	Bulk Sampling of Monks Hill Kimberlite Commences
16/03/2007	Bulk Sample for Diamonds Collected
14/03/2007	Half Year Accounts
7/03/2007	CRJ ann: Significant Adelaide Fold Belt Expansion
7/03/2007	News Release - Flinders Maintains Diamond Focus
7/03/2007	Flinders Diamonds Enters Agreement with Copper Range Ltd
21/02/2007	Monks Hill Kimberlite Pipe/Flinders Ranges Explor.Update
30/01/2007	Second Quarter Activities & Cashflow Reports
20/12/2006	Monks Hill Kimberlite Pipe (SA) Confirmed as Diamondiferous
30/11/2006	Results of AGM
30/11/2006	Chairman's Address to Shareholders
30/11/2006	AGM 2006
29/11/2006	Appendix 3B
28/11/2006	Additional Information to Notice of AGM
24/11/2006	IDO: Sale of Bird-In-Hand Gold Mine SA
24/11/2006	MXR: Secures 100% ownership of Bird-In-Hand Gold Resource
24/11/2006	Flinders Secures 100% of Diamond Rights for Lobethal EL
20/11/2006	High Microdiamond Count in Kimberlite Pipe from Monks Hill
20/11/2006	World Diamond Conference Presentation
20/11/2006	Trading Halt
1/11/2006	Notice of Annual General Meeting
1/11/2006	Annual Report 2006

3.3 Market Prices of the Company's Shares on ASX

The highest and lowest market sale price of the Company's shares on the ASX during the 3 months immediately preceding the date of this Prospectus, and the respective dates of those sales, and the last sale on the ASX trading day immediately preceding the date of this Prospectus were as follows:

	Price	Dates
Highest	\$0.018	21 February 2007
Lowest	\$0.013	6 March 2007 13 April 2007 16 April 2007 17 April 2007 18 April 2007 19 April 2007 20 April 2007 23 April 2007 30 April 2007 2 May 2007 3 May 2007
Latest	\$0.013	3 May 2007

3.4 Risks

As with all investments, investors should be aware that the market price of securities may fall as well as rise. It is recommended that investors read the entire Prospectus to assess the risks of investing in the Company.

The potential returns of the Company will be exposed to risks specific to the Company and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the following particular risks.

3.4.1 Mining and Exploration

Mining and exploration are high risk endeavors which can create high returns. The Company's projects are at an exploration stage and it is uncertain if further exploration will lead to economic production of minerals.

3.4.2 Tenancy

The Company could be forced to relinquish an area it did not want to relinquish either by ministerial direction or because it had not met its statutory minimum expenditure commitments. In the process of area reduction to reduce statutory expenditure commitments, the Company could inadvertently relinquish ground where a mineral deposit was present, but remained undiscovered.

3.4.3 Resource Estimates

Resource estimates are not precise and involve expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates depend to a significant extent on interpretation of geological boundaries, which may prove to be inaccurate. Should the Company encounter unusual mineralization to that predicted by past drilling and mining, resource estimates may have to be adjusted and feasibility studies may have to be altered in a way which could either benefit or adversely affect the Company's financial projections.

3.4.4 Commodity Prices and Exchange Rates

Future sales of commodities produced by the Company will expose the potential income of the Company to commodity price and exchange rate risks. The international prices of various commodities are denominated in United States Dollars, whereas the income and expenditure of the Company will be taken into account in Australian currency. The potential revenues of the Company will be exposed to the fluctuations and volatility of commodity prices and the rate of exchange between the United States dollar and the Australian dollar as determined in Australian markets.

3.4.5 Valuation of Tenements

This Prospectus does not rely upon any valuation of the tenements and makes no representation as to the value of the tenements. Intending investors and their advisers should make their own assessment as to the value of the tenements.

3.4.6 Funding

The Company may be dependent upon obtaining future equity, debt or joint venture financing to support long term exploration, evaluation and development of its projects.

3.4.7 **Economic Factors**

Demand for diamonds and factors such as inflation, exchange rate fluctuations, interest rates, industrial disruption, political decisions, cost over-runs and technical problems all affect the ability of the Company to profit from any discovery. The international market price of diamonds is beyond the control of the Company.

3.4.8 **Share Market Conditions**

The price of the Company's Shares, when quoted on the ASX, will be influenced by international and domestic factors which generally affect equity, financial and commodity markets. The value of its Shares and options may also affect the Company's ability to raise equity capital.

3.4.9 **Native Title**

The directors are aware of a number of native title claims which wholly or partially cover the Company's exploration project areas. These claims may impact upon planning and implementation of future exploration programs. The potential also exists for further native title claims to be lodged over any existing or future tenement area. Native title claims have the potential to cause significant delays to exploration.

The Directors have undertaken some limited investigations to assess the likelihood of the success of a native title claim over any areas in which the company presently holds an interest. However, the Directors are not in a position to assess in detail the impact of native title on the Company's planned operations.

The Directors therefore consider the potential for native title claims to be lodged over the areas containing exploration projects to be a risk to investment.

3.4.10 **Aboriginal Significant Sites**

Commonwealth and State legislation obliges Flinders to identify and protect sites of significance to Aboriginal custom and tradition.

It is likely that, due to the substantial area held, some sites of significance will be identified within the Company's tenements. It is therefore probable that one or more sites of significance will exist in an area which the Company considers to be prospective. The Company's policy is to carry out clearance surveys prior to conducting exploration which would cause a disturbance to the land surface.

3.4.11 **Land Access**

Immediate access to tenements cannot in all cases be guaranteed. The Company may be required to seek consent of landholders or other persons or groups with an interest in real property encompassed by tenements. Judicial decisions and Commonwealth or State legislation could unforeseeably restrict access to tenements.

3.4.12 **Environmental Conditions**

The operations and proposed activities of the Company are environmentally sensitive and cannot be carried out without prior approval from and compliance with all requirements of the relevant environmental authorities. The Adelaide Hills and Springfield Project areas surround several conservation reserves which are excised from the tenements. The Company intends to conduct all of its activities in an environmentally responsible manner and in accordance with all relevant laws.

3.4.13 **General Investment Risks**

There is a risk that the price of Shares and returns to shareholders may be affected by changes in:

- (a) local and world economic conditions;
- (b) interest rates;
- (c) levels of tax, taxation law and accounting practice;
- (d) government legislation or intervention;
- (e) inflation or inflationary expectations; and
- (f) natural disasters, social upheaval or war in Australia or overseas.

4. **RIGHTS AND LIABILITIES ATTACHING TO SHARES**

Full details of the rights and liabilities attaching to the New Shares and existing Ordinary Shares are set out in the Company constitution (**Constitution**), a copy of which can be inspected at the Company's registered office during normal business hours. A broad summary (although not an exhaustive or definitive statement) of the rights and liabilities attaching to the New Shares and existing Ordinary Shares is outlined below. All New Shares issued under this Prospectus are of the same class and rank equally in all respects with the existing Ordinary Shares on issue.

4.1 **Voting**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed two proxies) and one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in the Company's register of members.

4.2 **Issues of further shares**

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the ASX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

4.3 **Variation of rights**

At present, the Company has on issue one class of shares only, namely ordinary shares. Unless otherwise provided by the Company's constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

4.4 **Transfer of Shares**

Subject to the Company's Constitution, the Corporations Act and the ASX Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with the ATSC Business Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is permitted by the Corporations

Act. The directors may decline to register a transfer of shares (other than a proper transfer in accordance with the ATSC Business Rules) where permitted to do so under the ASX Listing Rules. If the Directors decline to register a transfer, the Company must, within five business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal. The Directors must decline to register a transfer of shares when required by law, by the ASX Listing Rules or by the ATSC Business Rules.

4.5 Partly Paid Shares

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. Such shares will have limited rights to vote and to receive dividends.

4.6 Dividends

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding any amount paid in advance of calls) bears to the total issue price of the shares.

4.7 Winding Up

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members will be entitled to participate in any surplus assets of the Company in proportion to the percentage of the capital paid up on their shares when the winding up begins.

4.8 Share Plans

The members of the Company, in general meeting, may authorise the Directors to implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of fully paid shares).

4.9 Directors

The Company's Constitution states that the minimum number of directors is three.

4.10 Powers of the Board

Except as otherwise required by the Corporations Act, any other law, the ASX Listing Rules or the Company's Constitution, the Directors have power to manage the business of the Company and may exercise every right, power or privilege of the Company to the exclusion of the members.

4.11 Officers Indemnity

The Company, to the extent permitted by law, indemnifies each director and other officer of the Company (and any person who has previously served in any of those capacities) against any loss or liability incurred by the person in his or her capacity as an officer of the Company, provided that the liability is not owed to the Company or its related bodies corporate and has not arisen out of conduct involving a lack of good faith. The Company also indemnifies such persons, to the extent permitted by law, against liability for costs and expenses incurred in successfully defending proceedings or in connection with an application in relation to such proceedings in which the Court grants relief to the person under the Corporations Act.

The Company, to the extent permitted by law, may insure a Director, or other officer of the Company against a liability incurred by the person in the person's relevant capacity, in the course of acting in connection with the affairs of the Company or a subsidiary or arising out of the person holding office, unless the liability arises out of conduct involving a wilful breach of duty in relation to the Company or a contravention of sections 182 or 183 of the Corporations Act. The Company may also insure such person for costs and expenses incurred by such person in defending or resisting proceedings whatever the outcome.

4.12 Share Buy-Backs

Subject to the provisions of the Corporations Act and the ASX Listing Rules, the Company may buy-back shares in itself on terms and at times determined by the Directors.

5. EFFECT ON THE COMPANY OF THE RIGHTS ISSUE

5.1 Effect of the Rights Issue

The principal effect of the Rights Issue on the Company will be, if it is fully subscribed, to:

5.1.1 increase cash reserves by approximately \$5.8 million (before expenses of the Rights Issue) to enable the Company to pursue its objectives;

5.1.2 increase the number of issued shares by approximately 486 million to 972 million.

These amounts do not take into account the effect of the exercise of any options over unissued Shares that may occur prior to the Record Date.

5.2 Statement of Financial Position

Set out on the following page is a Pro Forma Statement of Financial Position of the Company taking into account the Rights Issue. It is based on financial statements for the year ended 31 December 2006 as lodged by the Company with ASX on 14 March 2007. The Pro Forma Statement of Financial Position illustrates the effect of the Rights Issue as if the Rights Issue had occurred on 31 December 2006, fully subscribed.

FLINDERS DIAMONDS LIMITED
ACN 091 118 044

PRO FORMA BALANCE SHEET
AS AT 31 DECEMBER 2006

	31 December 2006 \$	Rights Issue Changes \$	Pro Forma 31 December 2006 \$
CURRENT ASSETS			
Cash & cash equivalents	1,295,402	5,525,442	6,820,844
Trade & other receivables	116,609		116,609
Other current assets	27,000		27,000
TOTAL CURRENT ASSETS	1,439,011		6,964,453
NON-CURRENT ASSETS			
Property, plant & equipment	104,740		104,740
Exploration & evaluation expenditure	8,672,753		8,672,753
Financial assets	881,125		881,125
TOTAL NON-CURRENT ASSETS	9,658,618		9,658,618
TOTAL ASSETS	11,097,629		16,623,071
CURRENT LIABILITIES			
Trade & other payables	73,020		73,020
TOTAL CURRENT LIABILITIES	73,020		73,020
TOTAL LIABILITIES	73,020		73,020
NET ASSETS	11,024,609		16,550,051
EQUITY			
Issued capital	14,190,646	5,525,442	19,716,088
Reserves	(268,875)		(268,875)
Retained earnings	(2,897,162)		(2,897,162)
TOTAL EQUITY	11,024,609		16,550,051

6. INTERESTS AND FEES OF CERTAIN PEOPLE INVOLVED IN THE OFFER

6.1 Directors' Interests

Other than as set out below or elsewhere in this Prospectus:

- (a) no director or proposed director has, or has had in the two years before the date of this Prospectus, any interest in:
- the formation or promotion of the Company;
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
 - the Offer; and
- (b) no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to:
- any director or proposed director to induce him or her to become, or to qualify as, a director of the Company; or
 - any director or proposed director for services which he or she has provided in connection with the formation or promotion of the Company or the Offer.

Interests in securities

The securities of the Company in which Directors have Relevant Interests are:

Director	Shares	Options
R M Kennedy	12,000,000	5,154,958
K J A Wills	7,258,000	2,950,000
E J Vickery	1,373,299	438,370
M R Billing (alternate for Dr Wills)	270,000	200,000
G M May (alternate for Mr Vickery)	342,696	222,753

Director fees

The Company has agreed to pay annual director fees to the Directors as follows:

Director	Remuneration (inclusive of superannuation) (2006 – 2007 Financial Year)
R M Kennedy	\$80,000
K J A Wills	\$1,000 per day
E J Vickery	\$45,000
M R Billing (alternate for Dr Wills)	\$Nil
G M May (alternate for Mr Vickery)	\$Nil

6.2 Interests of persons involved in the Offer

Other than as set out below or elsewhere in this Prospectus:

- (a) no promoter of the Company or person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or has in the two years before the date of this Prospectus had, any interest in:
- the formation or promotion of the Company;
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
 - the Offer; and
- (b) no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any promoter of the Company, underwriter to the Offer or a financial services licensee involved in the Offer or other person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus or provided in connection with the formation or promotion of the Company, or the Offer.

6.3 Expenses of the Rights Issue

On the assumption that the Rights Issue is fully subscribed, the total expenses connected with the Rights Issue, including legal and other advisory fees, listing, printing and other miscellaneous expenses (excluding broker commissions) are estimated to be approximately \$120,000.

7. DEFINITIONS

In this Prospectus, unless the context otherwise requires:

\$ means Australian dollars (and references to cents are to Australian cents);

Adelaide time means South Australian Standard Time;

ASIC means the Australian Securities and Investments Commission;

ASX means Australian Stock Exchange Limited;

ASX Listing Rules means the Listing Rules of the Australian Stock Exchange Limited;

Corporations Act means *Corporations Act 2001* (Cth);

Directors means the Directors of the Company;

Eligible Shareholders means on the Record Date, Shareholders recorded on the register of members of the Company as holders of Ordinary Shares;

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Prospectus;

New Shares means Ordinary Shares in the Company issued pursuant to the Rights Issue;

Offer means the offer of New Shares under this Prospectus;

Ordinary Shares means fully paid ordinary shares in the Company;

Prospectus means this document dated 4 May 2007;

Record Date means the record date to determine the Shareholders entitled to participate in the Rights Issue, being close of business on 14 May 2007;

Relevant Interest has the meaning given in the Corporations Act;

Rights means the rights to subscribe for New Shares under this Prospectus;

Rights Issue means the non-renounceable rights issue the subject of this Prospectus; and

Shareholders means a holder of Ordinary Shares.

8. **CONSENTS**

Computershare Investor Services Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to being named in this Prospectus as the Company's share registry. Computershare Investor Services Pty Ltd has not authorised or caused the issue of, and takes no responsibility for, any part of this Prospectus.

Each Director has consented to the lodgment and issue of this Prospectus.

Signed in accordance with a resolution of the Directors.



Kevin J A Wills

Managing Director