



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

ACTIVITIES UPDATE—22.01.04

Positive Diamond Indicator Results from Adelaide Hills and Hamersley Projects

22 January 2004

The Manager
Companies Announcements Office
Australian Stock Exchange
20 Bridge Street SYDNEY NSW 2000

Dear Sir

Flinders Diamonds Limited (FDL) has recently received significant diamond indicator mineral results from the two Projects described below:



Project locations.

1. Adelaide Hills Project, SA.

Recent results point to several undiscovered kimberlites

Results have been returned from the 16 diamond indicator mineral samples collected by FDL from two principal target areas in November 2003. Mineral chemical analysis by electron microprobe is being undertaken to confirm the preliminary results reported here.

At Echunga follow up samples were collected in the area where numerous diamonds (up to 5.2 carats in weight) were discovered as a by-product of alluvial gold mining in the 1860s. Since 1979 three companies using modern sampling techniques have failed to locate any definite kimberlitic indicator minerals. They therefore concluded that the Echunga diamonds were from a distant source. FDL's sampling has now located five positive results. Four contain weathered to fresh kimberlitic pyrope garnet and recent sample AG 31 had 12 picroilmenite grains. These results suggest the likelihood of a diamondiferous kimberlite near Echunga.

In the Lyndoch area samples were collected upstream of FDL sites AG 12 and 13 in the North Para River which had previously reported kimberlitic indicator minerals. New sample AG35 was found to contain 13 kimberlitic picroilmenites. Together with the non-diamondiferous kimberlite at Angaston, discovered by Rio Tinto in 1995, and some encouraging pyrope/picroilmenite results near Moculta, FDL believes it is on track to locate undiscovered kimberlites in the Lyndoch area. The diamond content of any new discoveries would be determined after they are located.

2. Hamersley Project, WA.

Pyrope Indicators from Iraklis drill hole indicate second kimberlite target, 5km SW of Caduceus

In 2003, FDL reported encouraging results from the Caduceus target in EL 47/882 located about 75 kilometres north of Tom Price in the Pilbara Region of Western Australia. Using a new iron dissolution technique 13 positive results have been obtained from 26 drill samples treated from the Caduceus target. Indicators recovered include two microdiamonds and pyrope/picroilmenite indicating high diamond potential.

In 1999 FDL's co-venturer, Prenti Exploration, had drilled three holes on the nearby Iraklis target. The original analytical work on these drill samples did not produce any positive results. The new iron dissolution technique was used to treat two samples from hole PD 03 at Iraklis. Sample PD 03/30-31 m gave three kimberlitic pyrope garnets. The JV has therefore demonstrated the presence of kimberlitic minerals indicating high diamond potential in drill holes from target bodies located 5 km apart in EL 47/882. Each body is approximately 500 m in diameter and detailed geological mapping followed by core drilling is planned for 2004.

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