



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

FLINDERS RANGES KIMBERLITE DISCOVERY RATE ACCELERATES

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HIGHLIGHTS

- 14 new kimberlite dykes and sills discovered in the April/May period.
- Results confirm potential of Peterborough area to develop into a significant new kimberlite region with early indications showing strong diamond potential.

Trenching Activities

An 11 day trenching program carried out in two phases of operation between 23 April and 13 May has resulted in the discovery of 14 new kimberlite dykes and sills. The discoveries included four new kimberlites in one day on 6 May.

Figure 1 is a new compilation of exploration results over FDL's Flinders Ranges project area. The map shows all known diamondiferous kimberlites, non-diamondiferous kimberlites and unsourced diamond locations from exploration by numerous companies over the last 35 years. The map shows how FDL's recent work has significantly expanded the area of diamondiferous kimberlites, and the large number of kimberlite targets which are expected to lead to large numbers of new diamondiferous kimberlites.

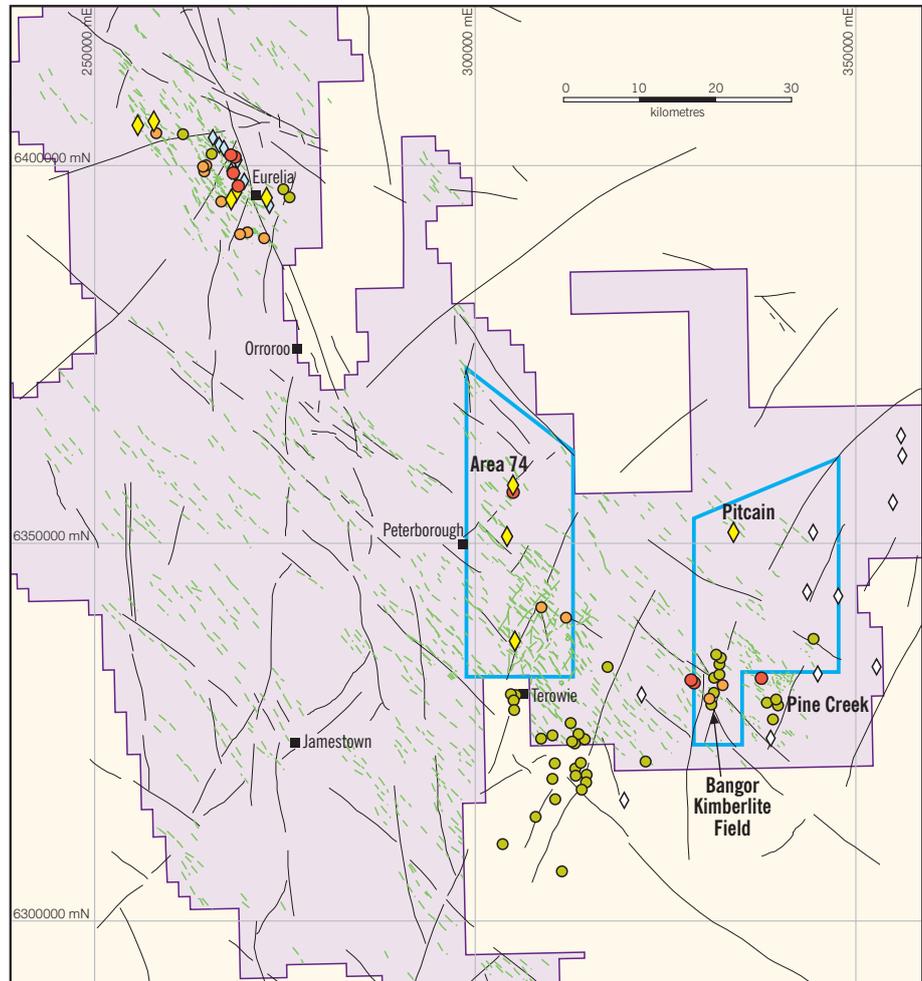


Figure 1
Diamond and kimberlite locations in the Flinders Ranges Project area.

Pre 2004 - Previous Explorers

- Kimberlites (non diamondiferous)
- ◇ Diamondiferous kimberlite
- ◇ Diamond location unsourced

Post 2003 - FDL Results

- Kimberlites (non diamondiferous)
- Kimberlites discovered April/May 2005
- ◇ Diamondiferous kimberlite
- Kimberlite targets
- Interpreted structures
- ▭ Proposed Helimag 100m spacing survey

In April and early May, follow-up ground magnetic surveys focused on locations in the Peterborough area and identified strong magnetic targets. Four new targets in Area 74 (Figure 2) were tested by trenching on 6 May, and all contained kimberlite sills of between 1 m to 2.8 m width. Kimberlite sill 74d of about 2.5 metres true width is shown on Figure 3.

Figure 2 highlights the ground magnetic anomalies that recently led to the discovery of kimberlite sills in Area 74. It also demonstrates the significant improvement in data quality obtained by ground magnetic surveying compared to existing aeromagnetic data shown as the background. Heli-mag surveying is commencing in June and will provide along-line data of similar quality to ground magnetics—significantly improving our ability to identify kimberlite anomalies.

Other targets were tested in the Eurelia and Pink Creek regions. At Eurelia new kimberlite dykes were located in the vicinity of known diamondiferous dykes. Kimberlites were also discovered at the 140a location which occurs on a trend NW of the Bangor kimberlite field, and at 145c NW of the Pine Creek field.

Fourteen 20 kg samples have been dispatched for microdiamond determination. Results are expected by mid June.

Peterborough Area Highlighted

To the best of FDL's knowledge, no kimberlites or diamonds have previously been recorded in the Peterborough area (Figure 1). FDL believes a new diamondiferous kimberlite region has been discovered with indications from February microdiamond results showing strong diamond potential. This makes Peterborough only the second location in South Australia, the other being Eurelia, where diamonds have been confirmed to occur in a number of primary kimberlite source rocks.

These recent results bring the total number of new kimberlites discovered by FDL since late 2004 to thirty seven. The majority of recent discoveries have been wider and longer kimberlite dykes and sills than initial discoveries in 2004.

Forward Program:

High resolution heli-mag surveying is anticipated to commence in early June in the Peterborough and Nackara regions (Figure 1). FDL will not undertake any further new target development in areas of proposed



Figure 3 Area 74 kimberlite sill 74d - hammer shaft is approximately 65 cm.

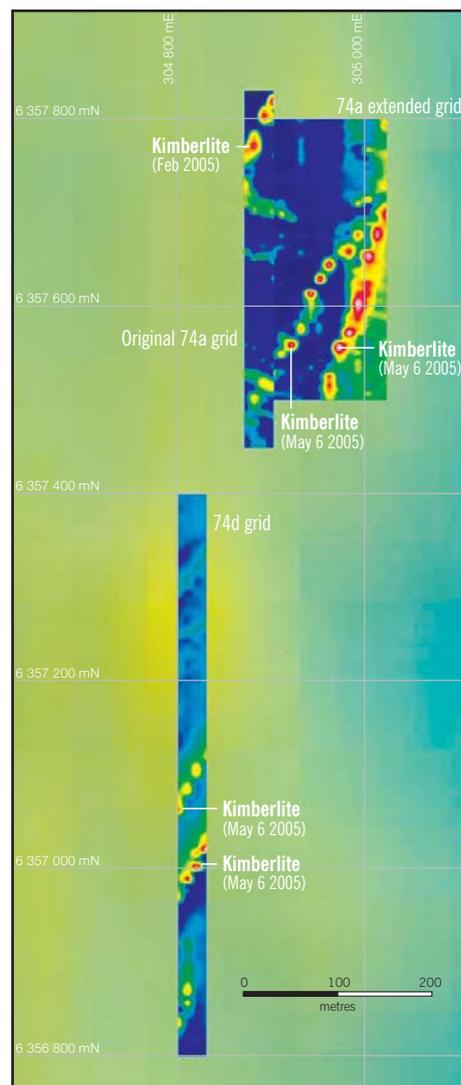


Figure 2 Area 74 - ground magnetic surveys over regional magnetics

heli-mag surveying until after the new high quality magnetic data becomes available.

Ground magnetic surveys are planned over currently defined targets in the Jamestown region which are not being covered by initial heli-mag surveying.

Dr Kevin Wills
Managing Director

The information in this report has been compiled by Dr K J A Wills who is a Fellow of the Australasian Institute of Mining and Metallurgy and is bound by and follows the Institute's codes and recommended practices. He has a minimum of 5 years experience in the types of activities being reported.

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