FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

RESULTS CONFIRM PETERBOROUGH AREA AS A SOURCE OF DIAMONDIFEROUS KIMBERLITES

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HIGHLIGHTS

- *Two positive microdiamond results, one confirming the Peterborough area as a source of diamondiferous kimberlites.*
- *Helimag surveying providing clear definition of kimberlite targets.*

Microdiamond Results

Following a trenching program in April/May 2005, Flinders Diamonds Limited (ASX:FDL) has received laboratory microdiamond results for fourteen 20 kg samples of newly discovered kimberlites. Kimberlite locations are shown in Figure 1. Two of the fourteen samples submitted contained a positive microdiamond result of a single diamond. The latest positive result from the Peterborough area (74d-T1) continues to prove the Peterborough region is a new source of diamondiferous kimberlites. This is especially encouraging, since most kimberlites located in this area so far have been of substantial widths, making them a realistic mining proposition should economic quantities of diamonds be found. This economic potential has also been increased by recent ground magnetic surveys over new targets in the Peterborough area, which have identified multiple new targets still requiring follow up trenching.

Helimag Survey

Helimag surveying of Area 2 commenced on 28 June with 2700 line km completed to date. The survey has been suspended due to heavy rainfall in the northwest pastoral district and will recommence once the current weather system has cleared.

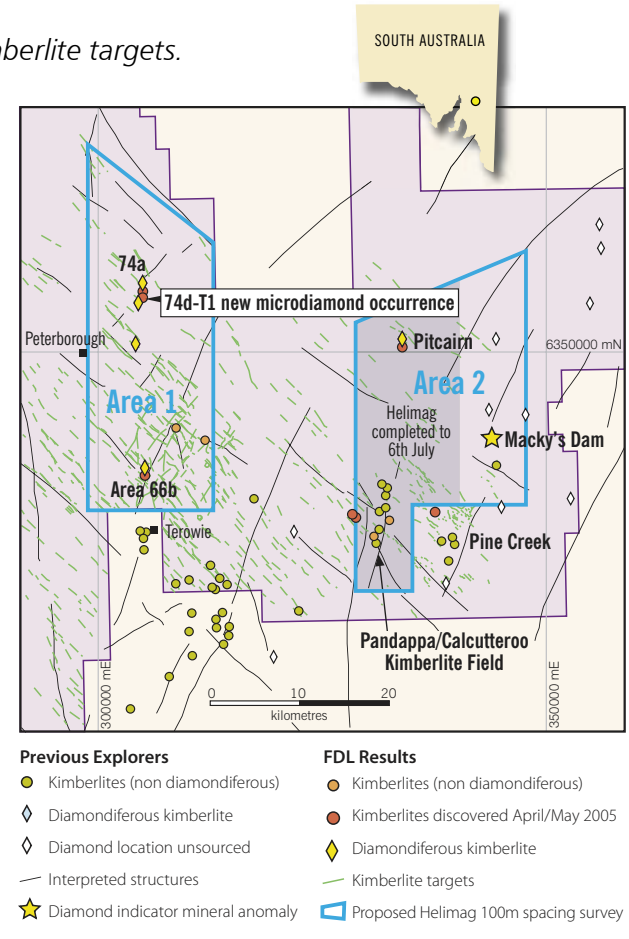

Figure 1 *Location of Helimag Survey.*

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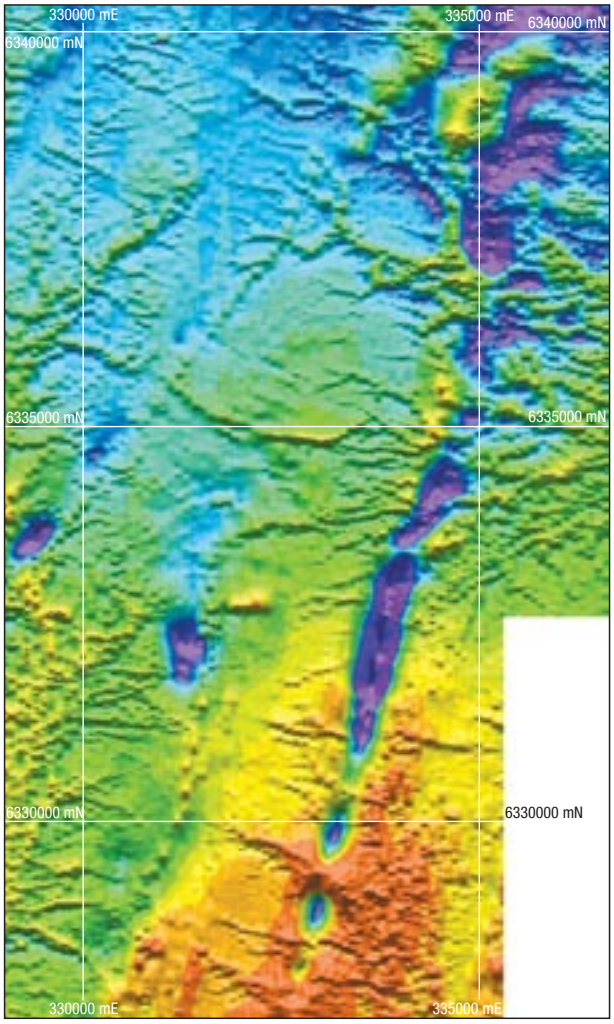

Figure 2a *Helimag data July 2005.*

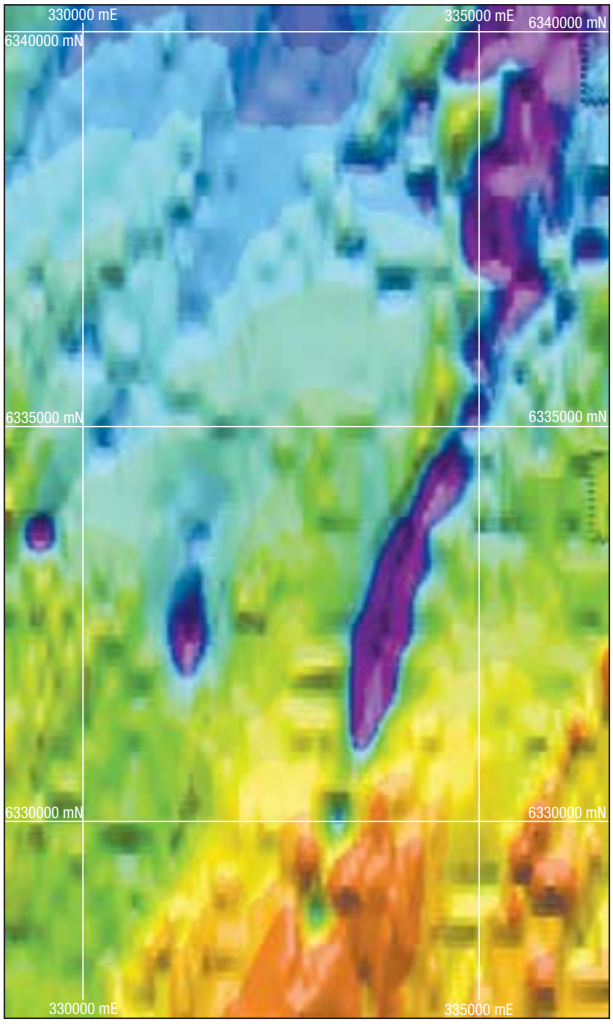

Figure 2b *Aeromag data - South Australian Exploration Initiative (SAEI) 1994.*

Results of new high resolution helimag data collected to date are shown in Figure 2a, with previous aeromagnetic coverage of the same area shown in Figure 2b.

The helimag data is of substantially higher resolution due to its faster sampling, lower flying height and slower survey speed. Compensation for magnetic field effects caused by the aircraft is not required for helimag, enabling retention of fine detail in the data. This is helping FDL clearly define structures and magnetic anomalies, not evident in previous data, which may be associated with new kimberlite occurrences.

It appears likely that all undiscovered kimberlites with a magnetic response can now be identified. FDL anticipates that new high quality data from the eastern half of Area 2 may finally identify the source of the numerous diamond and intensive diamond indicator mineral anomalies identified by previous explorers. This applies particularly in the area east of Macky's Dam, for which no sources have yet been identified (see Figure 1).

The precise location of all new magnetic anomalies will enable more kimberlites to be easily and cost effectively located. It will also significantly reduce the time required to locate and evaluate a potential economic source of the numerous diamond occurrences that occur within the current helimag survey area.

Comparison between helimag and ground magnetic surveys

Current helimag data is being collected at 100 m line spacing. Closer spaced lines would provide even greater resolution than currently shown in Figure 2a. FDL will undertake infill helimag surveying over a number of selected areas where this greater detail may be useful, such as definition of the Pitcairn area, where a kimberlite pipe was located in February 2005.

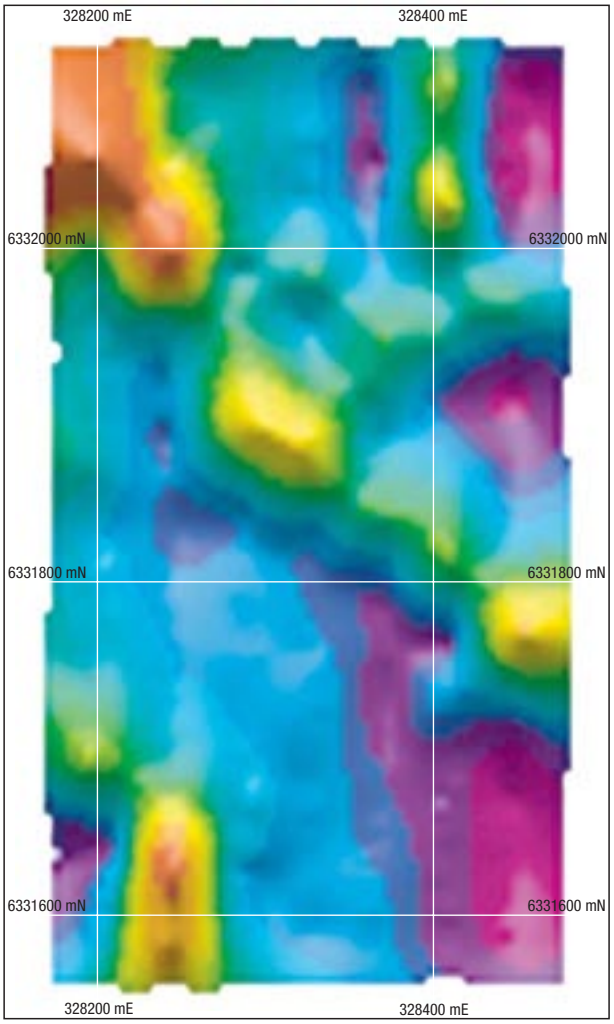

Figure 3a *Ground magnetic data April 2005.*

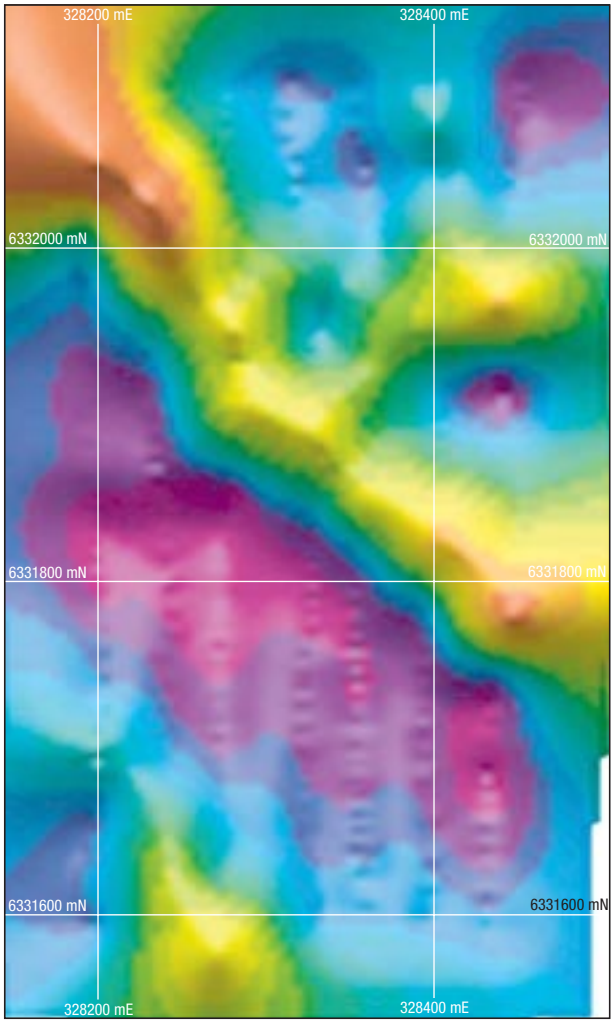

Figure 3b *Helimag data July 2005.*

Figure 4 *Helimag survey July 2005, from left, Ryan Greenhalgh and Andrew Aouad with magnetometer bird, helicopter taking off with bird to commence survey.*

An example of the benefit of the higher resolution data is shown in Figures 3a and 3b. A small test survey at 40 m line spacing was flown over an area where high resolution ground magnetic data had been collected. The ground data has been reproduced at 40 m line spacing to provide a comparison between ground magnetic and helimag surveying. The result shows the quality of 40 m line spaced helimag is equivalent to that of 40 m line spaced ground magnetic data. Over a large survey area helimag is significantly more cost effective than ground magnetic surveying.

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