



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

FLINDERS DIAMONDS COMMENCES FIRST DRILLING IN THE PILBARA

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



Figure 1 Flinders Diamonds project locations.

HIGHLIGHTS

- *Flinders Diamonds Limited (FDL) today commenced its maiden drilling on kimberlite targets at the Hammersley Project in the Pilbara Region of Western Australia.*
- *Five reverse circulation drill holes will test a target area containing prospective diamond indicator and geophysical anomalies on the Mulga Downs EL.*
- *Nine additional new kimberlite samples from the Flinders Ranges in South Australia sent for diamond determinations.*

HAMERSLEY PROJECT

The Hammersley Project is located in the Pilbara Region of Western Australia as shown by Figures 1 and 2. The project involves two agreements, one with Prenti Exploration Pty Ltd (Prenti), and another with Fortescue Metals Group (FMG). Prenti and FDL are exploring for and own 100% of the diamond rights and FMG are exploring for and own 100% of the iron ore rights.

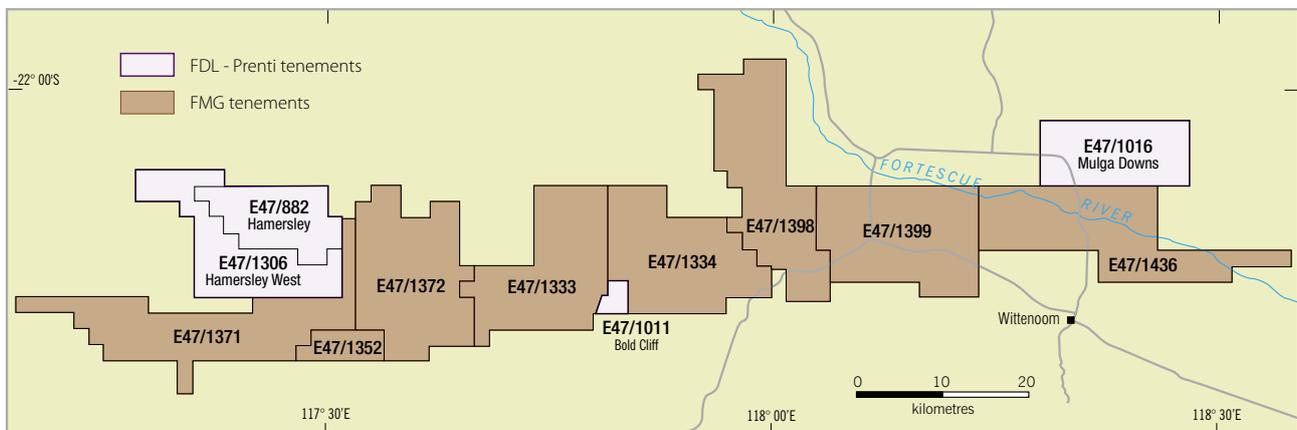


Figure 2 Hammersley Project Tenements. New drilling will be on Mulga Downs E47/1016.

Flinders Diamonds Limited
ABN 46 091 118 004
www.flindersdiamonds.com

20 Boskenna Avenue
Norwood
South Australia 5067

PO Box 3126
Norwood
South Australia 5067

telephone 61 8 8362 5900
facsimile 61 8 8362 5966
email info@flindersdiamonds.com



Figure 3 *Mulga Downs gravity anomaly from the north.*

Diamonds in stream samples have been found on the property by previous explorers. Follow up sampling by Prenti and FDL has located diamond indicator minerals in bedrock samples. Pyrope garnet and picro ilmenite with compositions suggesting high diamond potential have been located near the drill targets as shown on Figure 4. Targets to be drilled include a gravity low and a magnetic high which are also shown on Figure 4. The area containing the gravity anomaly is shown by Figure 3.

A total of up to five 150 metre reverse circulation percussion holes will be drilled on the Mulga Downs exploration licence over the next week (Figure 4).

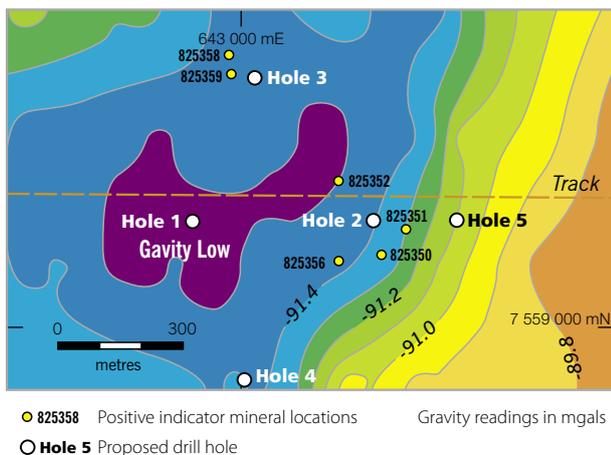


Figure 4 *Mulga Downs gravity anomaly and proposed drill holes 1-5.*

FLINDERS RANGES PROJECT

During a recent two-day phase of kimberlite target excavation (Figure 5) one definite and two probable kimberlites were located. These consist of one pipe and



Figure 5 *Kimberlite rubble at left of heap from trench 61 near Peterborough, 18 August 2005.*

two dykes. Together with other kimberlites which had been previously discovered but not tested for diamonds, a total of nine new kimberlites has been sent to the Perth laboratory for micro diamond determinations.

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.