



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

FLINDERS DIAMONDS LOCATES FIVE DIAMONDFEROUS KIMBERLITES NEW FOCUS ON EIGHT NEW KIMBERLITE PIPE TARGETS

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The Manager
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Australian Stock Exchange
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HIGHLIGHTS

- Five kimberlites from the Nackara and Peterborough areas returned diamonds
- One small sample had five microdiamonds, a potentially economic result which is being checked with further laboratory work
- Flinders has now located 20 diamondiferous kimberlites in the Flinders Ranges in the last year—the highest discovery rate in Australia since the discovery of Ellendale (WA) in 1976
- Follow up of magnetic anomalies from the Nackara Helimag survey has led to a batch of eight new kimberlite pipe targets

Flinders Ranges Project

Flinders Diamonds Limited (FDL) has been exploring for diamonds in the Flinders Ranges of South Australia using airborne and ground magnetics. The project area is large, covering 11,898 square kilometres as shown in Figure 1. An area of 10,046 square kilometres is owned 100% by FDL and the remaining 1,852 square kilometres can be owned 100% by exercising an Option with Mr John Simnovec. Recent activities have focussed on the Peterborough

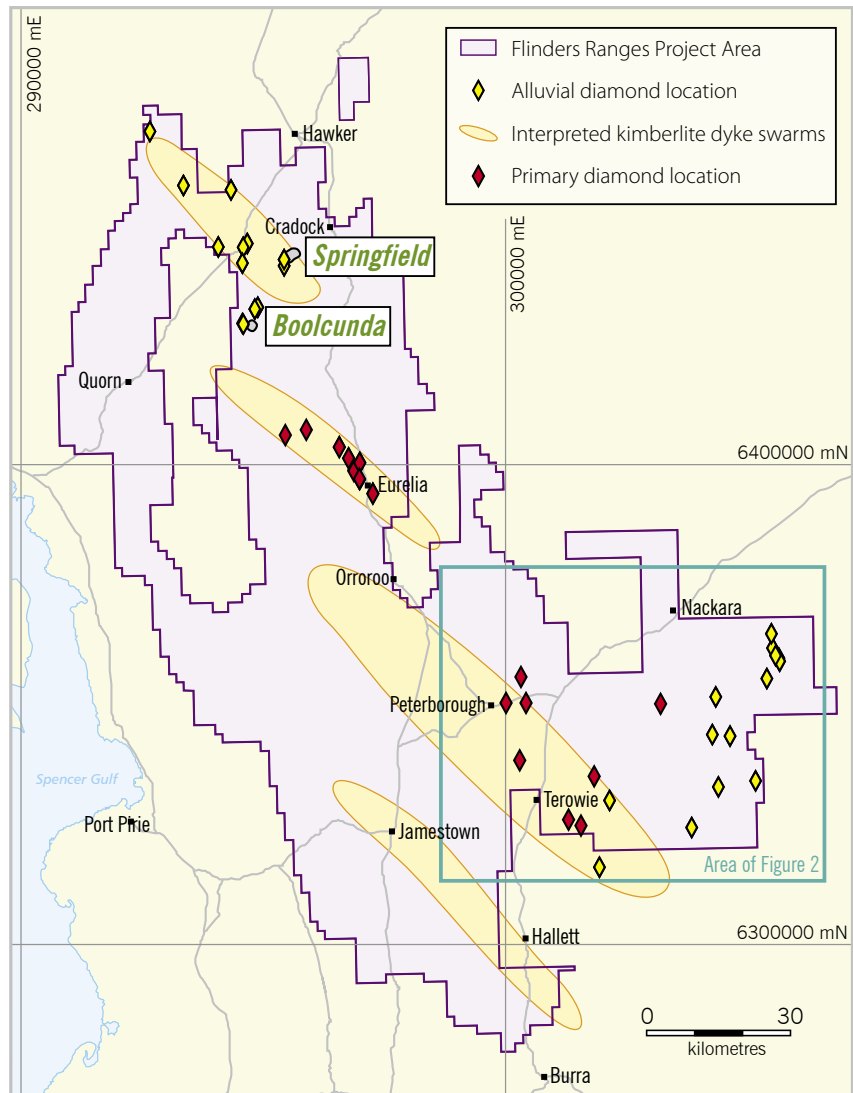


Figure 1 Flinders Ranges project with primary and secondary diamond locations.

and Nackara areas and work in the Springfield/Boolcunda area is on hold.

New Microdiamond Results

Results have been received for eight kimberlite samples submitted to the Laboratory in August. Five of the eight samples contained diamonds as tabulated on the right with locations shown on Figure 2.

Sample No	Total Microdiamonds
DK1	1
WK1	-
WK2	1
WK8	1
WK15	2
WK16	-
WK17	-
61d	5

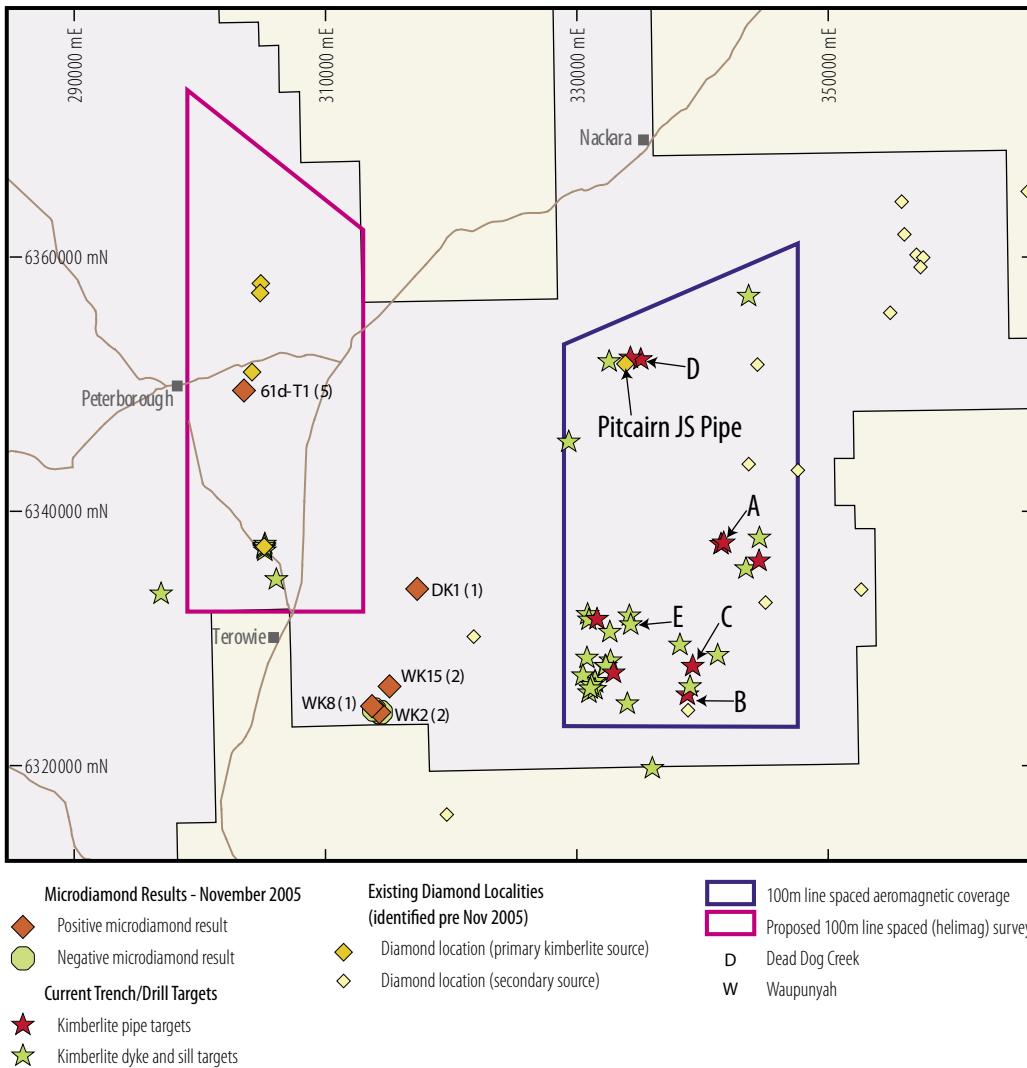


Figure 2 Location of diamondiferous kimberlites reported and current kimberlite targets.

The sample from Trench 61 (Figure 3) contained 5 microdiamonds in a 1 kg sample, and no diamonds in a 20 kg sample from the same trench. Five microdiamonds in a 1kg sample is a potentially economic result but as the other larger sample was negative it has been decided to run two more samples from the same trench through the laboratory. These types of results can be caused by small nodules containing large numbers of diamonds or by laboratory contamination, though FDL does not suspect this, the samples need to be checked.

The first seven samples are from kimberlite dykes previously located by other explorers and from geological



Figure 3 Kimberlite rubble at left of heap from trench 61 near Peterborough, 18 August 2005.

mapping by Primary Industries and Resources South Australia (PIRSA), but to FDL's knowledge had not been previously systematically analysed for diamonds. They are mainly from the

western Naclara area. Four diamond bearing kimberlites from seven kimberlites is a high rate as generally only about 30% of kimberlites contain diamonds.

Flinders Discovery Rate

From 50 new kimberlites sampled in the last year FDL has now located 20 diamondiferous kimberlites. FDL has researched the discovery rate for primary diamond host rocks in Australia for the last 40 years and found that the discovery of 20 diamondiferous kimberlites in about one year is the highest discovery rate since the Ashton joint venture discovered the Ellendale Lamproites Field in Western Australia in 1976 and 1977.

FDL believes from the exploration context of the Flinders Ranges it will be able to significantly increase the 2005 discovery rate as it has now fine tuned the techniques it needs to continue the process. Currently about 25 targets are awaiting trenching or drilling and 75 targets have been identified on airborne magnetic data and are ready for ground magnetic follow up.

New Kimberlite Pipe Targets

Recent ground magnetic work has led to a new suite of kimberlite pipe targets which are now the priority for target testing. Four of these pipe targets are shown in Figure 4 as insets A to D. Figure 4E is one of the better kimberlite dyke targets trending northwest and also shows a sill target intersecting it trending northeast. The pipe targets can be

compared with the image from the JS kimberlite pipe which was proven by trenching in March 2005 and is also shown in Figure 4. FDL expects that its new focus on pipe targets will lead to some pipes with sufficiently high microdiamond results to commence bulk sampling for macrodiamonds in 2006. FDL also plans to commence a new Helimag survey in the Peterborough area as soon as possible (see Figure 2).

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The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Dr K Wills who is a Fellow of the Australasian Institute of Mining and Metallurgy and acts as a geological consultant to Flinders Diamonds Limited. Dr Wills has more than five years relevant experience in the style of mineralisation and types of deposit under consideration and consents to inclusion of the information in this report in the form and context in which it appears. He qualifies as Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

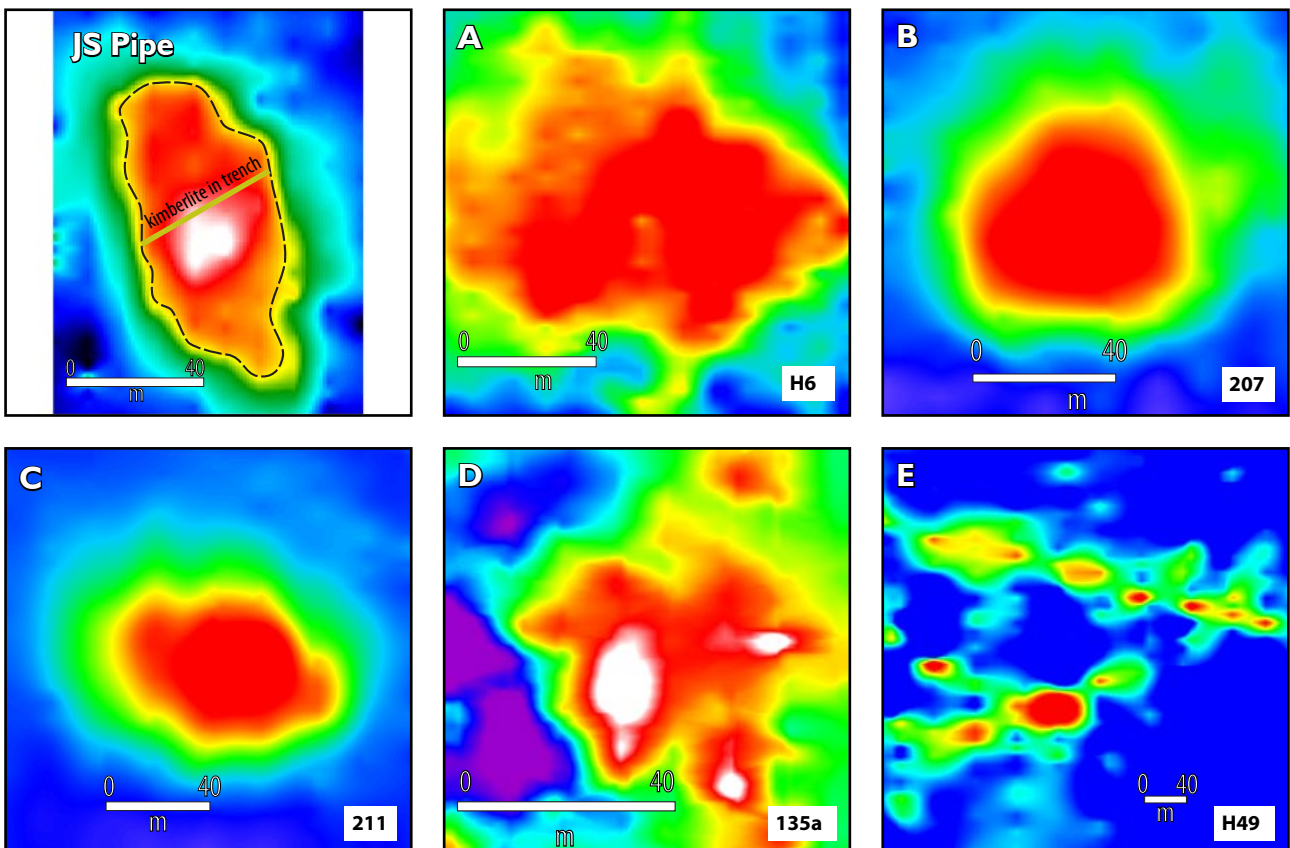


Figure 4 Ground magnetic images of kimberlite pipe targets.