



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

BULK SAMPLING FOR DIAMONDS COMMENCES

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The Manager

Companies Announcements Office

Australian Stock Exchange

20 Bridge Street SYDNEY NSW 2000

Highlights

- Bulk sampling commenced on 22 June
- Eight 100 tonne kimberlite samples being treated
- Diamond contents expected during August

Summary

Flinders Diamonds Limited (Flinders) has established a diamond bulk sample treatment plant at a location about half way between Terowie and Peterborough (Figure 1). Treatment of the first of eight 100 tonne kimberlite samples commenced on 22 June. It is expected to take about one month to treat the samples and about another three weeks to recover diamonds from the heavy mineral concentrates.

Kimberlite Sample Location

Since mid 2004 Flinders has located over 75 new kimberlite bodies with 21 to date containing microdiamonds. The most interesting eight samples have been selected for bulk sampling for larger diamonds. Location sites of the samples chosen are shown on Figure 1. It is already known that

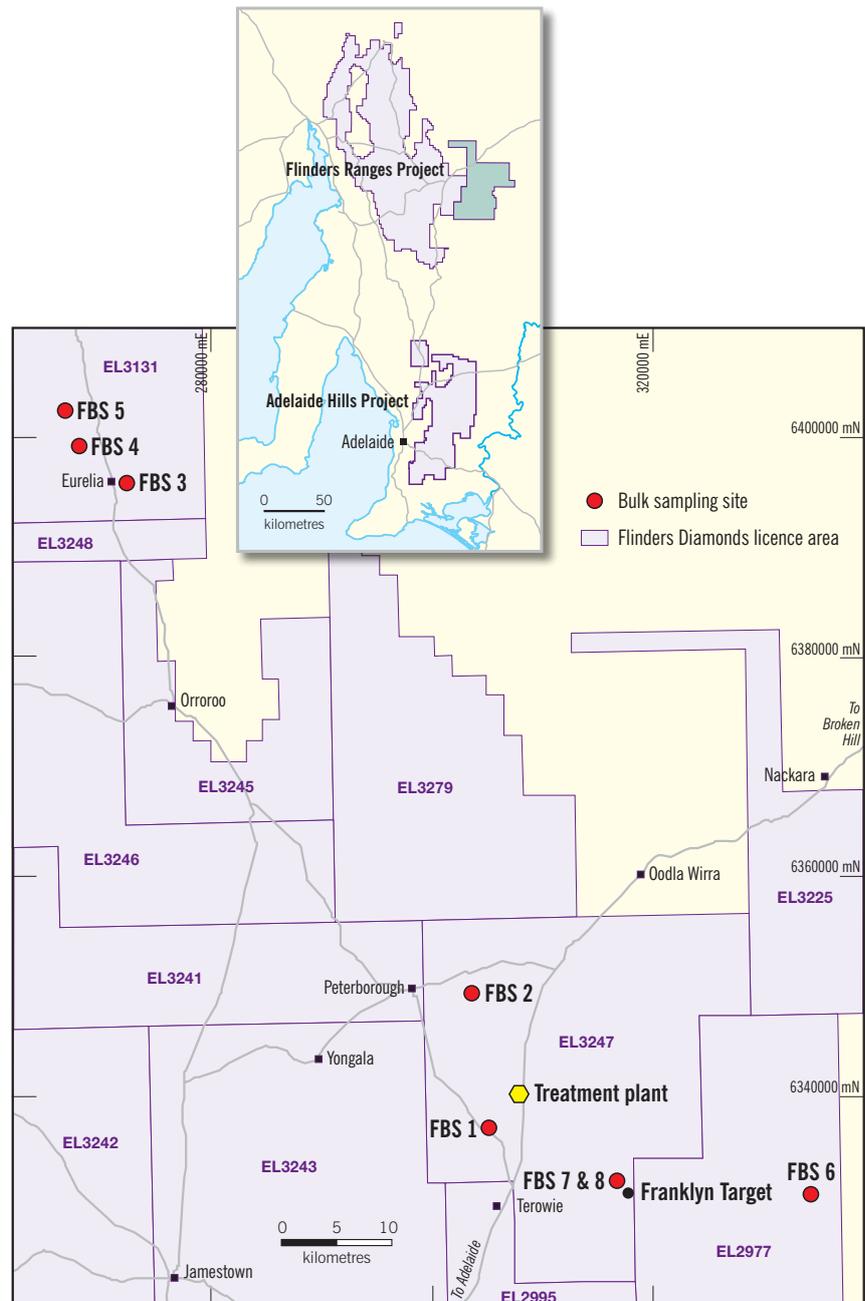


Figure 1 Bulk sample and treatment plant locations.

several of these kimberlites do contain macrodiamonds (diamonds over 0.5 mm in size), as some macrodiamonds were recovered from the 20 kilogram samples sent for microdiamond treatment. However, for a meaningful estimate of macrodiamond contents much larger samples are required and Flinders has chosen to treat 100 tonne samples. Photos showing the collection of the 100 tonne samples are shown on Figure 2.

Bulk Sampling Treatment

Flinders has contracted Ntf Mineral Processing Pty Ltd (Ntf) to carry out the bulk sampling with a Dense Media Separation plant (DMS) which arrived on site (Figure 1) on 19 June, and commenced treatment on 22 June. The program was proposed in an Exploration Work Approval report which was approved by Primary Industries and Resources South Australia (PIRSA) on 8 June. An old roadside pit was chosen

for the treatment site water and tailings storage which will be rehabilitated after use. Compensation agreements have been negotiated with the landowners on whose land samples have been collected. Photos of the kimberlite stockpile and DMS plant are shown on Figure 3. It is expected to take about 3 to 4 days to treat each sample so the whole program will last about one month.



Figure 2 Collection of kimberlite bulk samples.

The DMS plant operates by passing disaggregated kimberlite particles in the size range of 0.5 to 10 mm through a dense media (ferro-silicon slurry). Heavy particles, which include any diamonds, sink and are collected as a Heavy Mineral Concentrate (HMC). Light particles float and are sent to the tailings pond. The tonnage of kimberlite passing through the plant is weighed so that final diamond numbers and total weights can be reported against weight of kimberlite treated. The amount of HMC produced will vary but is expected

to be in the range of 0.1 to 0.5% of material treated, in the range of 100 to 500 kilograms.

Heavy Mineral Concentrate Treatment

Once collected, the HMC will be sent to a specialist diamond recovery laboratory in Perth. Here the concentrates are sorted into size fractions and treated by an X-Ray sorting process which recovers individual diamonds. Diamonds have the property of emitting fluorescent light when showered with X-Rays

and this identifies their location on a conveyor belt. The diamonds are displaced by a jet of air or a trap door and the final concentrate is checked by hand sorting. It is expected to take from two to three weeks to treat each sample.

Franklyn Target Update

Recent work at the Franklyn Target (Figure 1) has included a completed detailed ground magnetic survey and a gravity survey is underway. Results to date show that the Franklyn 1 and 2 kimberlite pipes have co-incident magnetic high and gravity low anomalies. The Franklyn 3 and 4 targets are also being surveyed. A drill rig has been contracted and is expected to commence work about 5 July by drill testing the Franklyn 3 and 4 targets which were not able to be reached by excavator trenching.

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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".

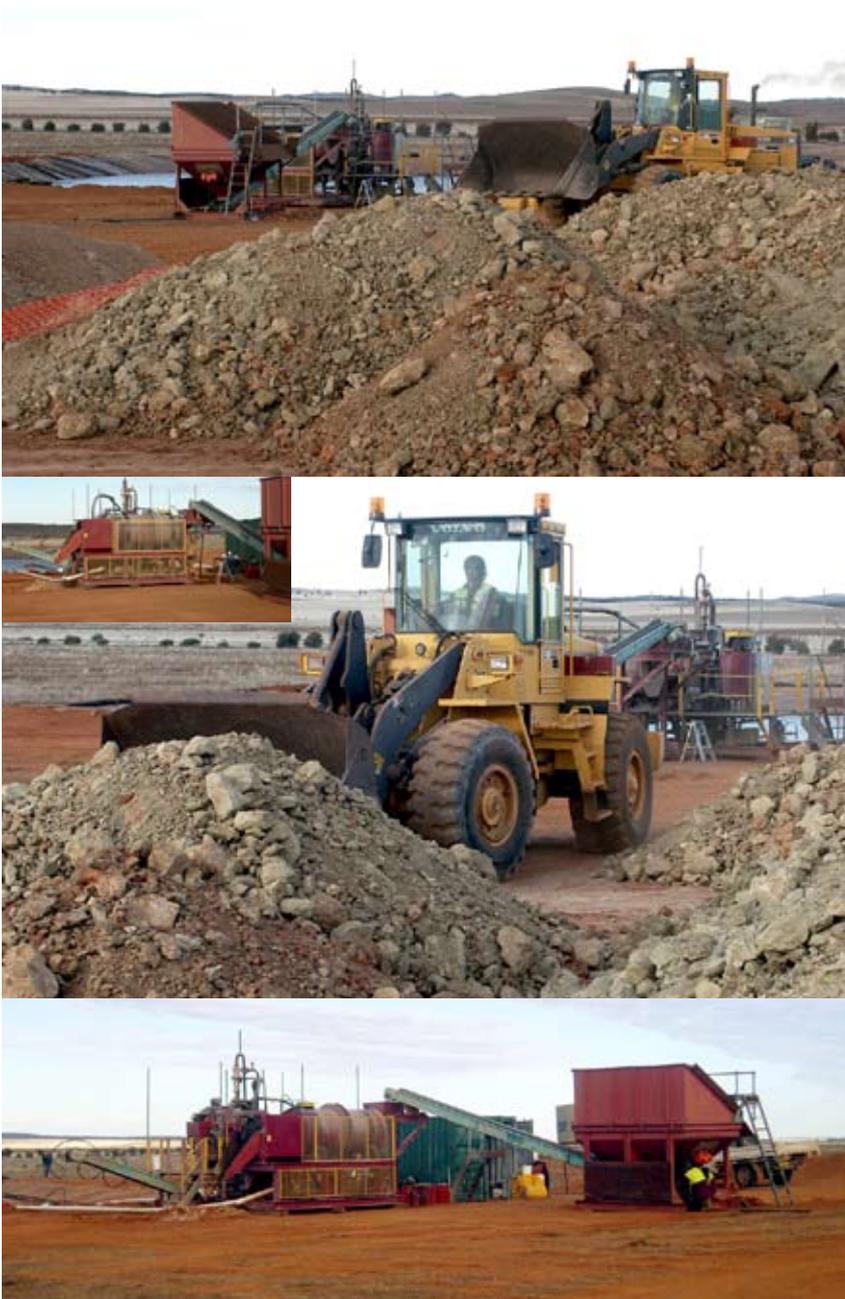


Figure 3 Kimberlite stockpiles and the DMS plant at the treatment site.