FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

FINAL RESULTS FROM BULK SAMPLING FOR DIAMONDS IN THE FLINDERS RANGES OF SOUTH AUSTRALIA

12 October 2006

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Highlights

- *Final results received from the Flinders Ranges Bulk Sampling Program - a total of 75 diamonds recovered.*
- *Eurelia area results encouraging and require follow up exploration*
- *Ground magnetics and trenching program continuing to locate new kimberlites in the Flinders Ranges.*

Bulk Sampling Program Summary

Flinders Diamonds Limited (FDL) has received the final results from its Bulk Sampling program within its Flinders Ranges tenements. All results of diamonds recovered during the program are summarised here.

Three separate areas of kimberlite occurrence were tested from the Company's Gilbert Hill Exploration Licence (EL 3131) in the Eurelia area north of Orroroo, two between Peterborough and Terowie (EL 3247) and three in the Nackara area (ELs 2977 and 3247). These tenements are located within the South Australian Flinders Ranges Project which encompasses an area of 12,321 sq km currently being explored for diamonds as shown on Figure 1.

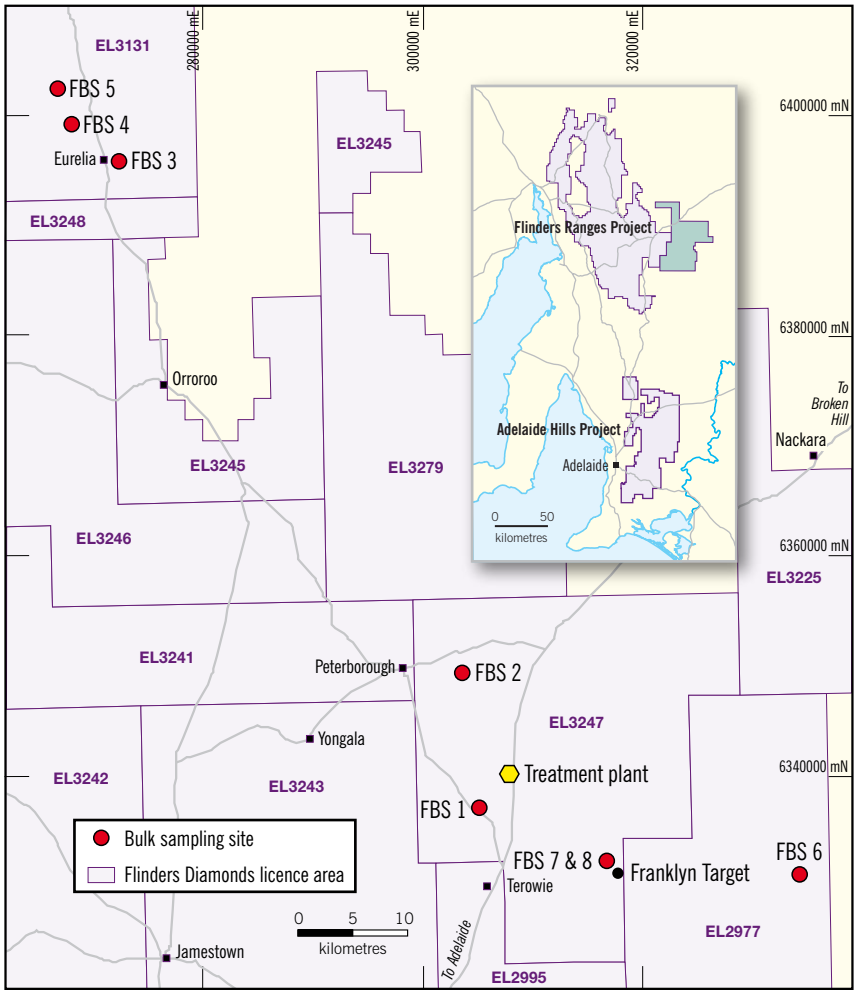

Figure 1: Bulk sample and treatment plant locations.

Processing was undertaken at Terowie (Figure 1), where a portable washing, screening and Dense Media Separation (DMS) plant was established. Treatment occurred between 22 June and 14 August, 2006.

FDL processed a total of 794 tonnes of weathered kimberlite (approximately 100 tonnes per sample) obtained from excavated trenches at various sites. After removal of oversized material (12.6%), 694 tonne of minus 50 millimetre material was processed for the recovery of 797 kilograms (0.1% of the minus 50 mm material) of heavy mineral concentrate (HMC) in four size fractions. A total of

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75 diamonds were recovered between 0.5 and 3mm in size as described in the following table:

Diamonds recovered in Bulk Sampling

Bulk Sample	1-3 mm	0.5-1 mm	Total Diamonds
FBS 1	-	-	-
FBS 2	-	1	1
FBS 3	7	17	24
FBS 4	3	15	18
FBS 5	8	23	31
FBS 6	-	-	-
FBS 7	-	1	1
FBS 8	-	-	-
TOTALS	18	57	75

NB - = no diamonds recovered, ct = carat = 1/5th gram.

None of the above results suggest that any of the bodies tested could be commercially exploited. The recovery of diamonds from all three samples tested within EL 3131 is however regarded as encouraging and supports previous results from the area that identify it as a diamondiferous province that warrants further detailed exploration.

Results from the Eurelia Area

Processing of the HMC resulted in the recovery of 31 diamonds from FBS 5 (EL 3131) of which 23 are between 0.5 and 1 mm in size and eight between 1 and 3 mm in size. The weights of the larger diamonds were, 0.09ct, 0.07ct, 0.07ct, 0.06ct, 0.04ct, 0.03ct, 0.02ct and 0.02ct (total 0.37cts).

The total weight of the 23 smaller diamonds recovered was 0.136ct of which 16 were colourless and 7 were pale colours (pale brown and one grey). One of the smaller diamonds was recovered after acid treatment of the 1 to 3 mm sized fraction to dissolve the carbonate.

FBS 4 (EL 3131) produced three diamonds between 3 and 1 mm in size. Two of the diamonds were colourless and one a pale brown. 15 diamonds were recovered from the 0.5 to 1 mm sized material. The largest of these stones was 0.02 ct.

A third sample, FBS 3 (EL 3131), from the same general area as FBS 4 and 5 produced 7 diamonds in the 1 to 3 millimetre size range totalling 0.157 cts. Two of the diamonds are colourless and 5 pale brown in colour. Individual stones ranged from 0.009 up to 0.040 cts. Following acid treatment to remove carbonate from the 3 to 6 mm sized concentrate a single 0.8 mm pale brown diamond was recovered weighing 0.03 cts. 17 diamonds were recovered from the 0.5 to 1 mm sized material.

Results from the Peterborough and Nackara Areas

Results from the Peterborough and Nackara areas were disappointing with only one diamond recovered from each area. Sample FBS 2 near Peterborough returned one diamond as did sample FBS 7 from one of the Franklyn kimberlite pipes. Samples FBS 2, 6 and 8 returned no diamonds.

Ground Magnetics and Trenching Programs.

FDL's program in the Flinders Ranges is continuing by working on the large numbers of kimberlite targets identified in recent helimag surveys.

Targets that may be attributable to kimberlite pipes and dykes are initially identified by FDL's consultants from the processed aeromagnetic survey data. Anomalies are subsequently visited by a FDL field team to determine if the anomaly may either be due to a cultural feature (generally man made), or identifiable rock or mineral occurrence that is non-prospective for diamonds. The remaining targets that require sub-surface investigation are then the subject of ground magnetic surveys to refine the target location and provide more detailed profile data used to assess its size, shape and overall prospectivity. If the results indicate that the target is a potential kimberlite it is investigated by trenching. If the target is not identified by trenching it is set aside for drilling at a later date.

This process is ongoing within the FDL Flinders Ranges tenements and continues to identify kimberlites and rocks of kimberlitic affinity, that are assayed for a wide range of rare earth and more common elements to confirm their origins. Where favourable, samples are sent for microdiamond analysis.

Recently, FDL has identified five new probable kimberlites, samples of which are currently being assayed. In addition, FDL is awaiting results from 25 kimberlites discovered over the past months that have been sent to Canada for microdiamond determinations.

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12 October 2006

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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".