



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

MONKS HILL KIMBERLITE PIPE (SA) CONFIRMED AS DIAMONDIFEROUS WITH POSSIBLE INCREASE IN SIZE

20 December 2006

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Highlights.

- *Six microdiamonds recovered from the Monks Hill Kimberlite in SA's midnorth confirm pipe H77a is diamondiferous*
- *Pipe H77a appears more complex and potentially larger than previously expected*
- *Follow up exploration involving mapping, trenching and sampling. Drilling and bulk sampling (subject to results) is planned for early in the New Year*

Monks Hill Diamond Exploration Results.

Kimberlite pipe H77a from the Monks Hill area is located about 40 kilometres east of Terowie in the Flinders Ranges Project area (Figure 1). A microdiamond result of 43 microdiamonds, on a 7.8 kg sample analysed in Canada, was reported on 20 November. Further field and laboratory work has been recently carried out on H77a.

A new trench was opened (Figure 2) to expose the westerly contact of the H77a kimberlite pipe. A photo of the kimberlite from this trench is shown in Figure 3. A forty kilogram sample from the trench was tested at North Australian Diamonds Limited's laboratory in Perth yielding

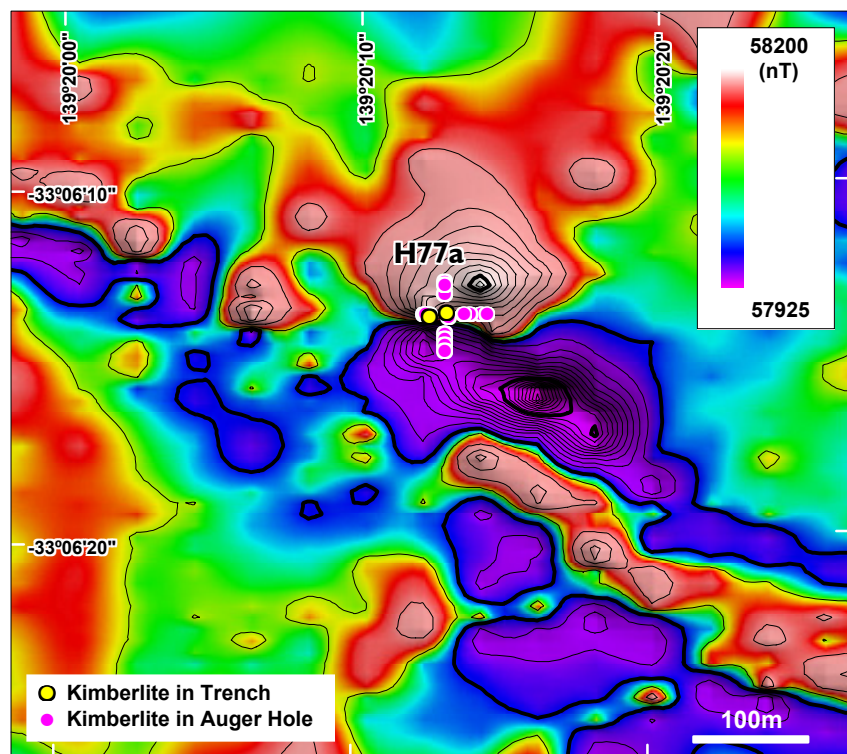


Figure 1 50 metre ground magnetic survey showing H77a target and kimberlite locations.

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Figure 2 Trenching at H77a - 1 December 2006.

six microdiamonds in the 0.1 to 0.14 mm range. When normalised to a 20 kg sample weight the result is equivalent to 3 microdiamonds per 20 kg compared to 110 microdiamonds per 20 kg in the original sample.

This variation in microdiamond results is not unusual. Significant diamond variability is common



Figure 3 Northern face of new trench showing kimberlite with country rock xenoliths - 1 December 2006.

within kimberlite pipes. The confirmation of microdiamonds from a new sample analysed at a different laboratory is viewed by the Company as highly encouraging.

A suite of high quality diamond indicator minerals have also been recovered and include: purple, lavender and pink pyrope garnets, chrome diopside, chromite, olivine, phlogopite and picroilmenite. These minerals are being microprobed to determine their diamond association.

Ground Magnetic Survey

A 50 metre line-spaced ground magnetic survey covering an area of 42 hectares has recently been undertaken surrounding the H77a kimberlite target to provide additional control for further exploration (Figure 1).

Results from this survey indicate that the kimberlite pipe is potentially larger than originally thought. Also, the two trenches excavated, and a number of auger holes drilled to date, appear to have only tested

the south western portion of the magnetic anomaly. It is now thought possible that the pipe may cover an area of approximately 1.5 hectares (compared to an original estimate of 0.25 Ha).

Future Exploration in New Year

Further testing of the H77a kimberlite, and of additional targets within the proximity of H77a, is programed to recommence early in the New Year. This work will include geophysical surveys, mapping, trenching, sampling, microdiamond determinations and possibly drilling and bulk sampling for macrodiamonds.

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 20 December 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, through his company KJ Exploration Pty Ltd, 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".