



FLINDERS
DIAMONDS

Australian Securities Exchange Announcement

FLINDERS DIAMONDS AND LUZENAC AUSTRALIA IN ADELAIDE HILLS TALC EXPLORATION AGREEMENT

6 September 2007

The Manager

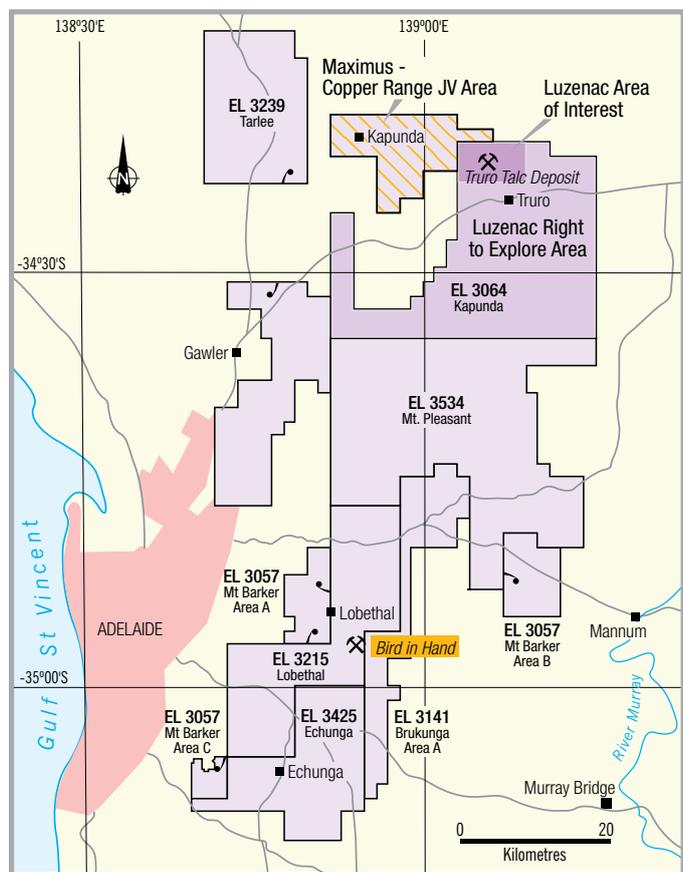
Companies Announcements Office

Australian Securities Exchange

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HIGHLIGHTS

- *Flinders Diamonds, Maximus Resources and Luzenac have executed an option to explore and royalty agreement that provides Luzenac with the exclusive right to explore for and if successful to mine talc on exploration licence (EL) 3064 located in the Adelaide Hills of South Australia*
- *Flinders (75%) and Maximus (25%) will share an initial \$40,000 cash payment and a 1% net smelter return royalty from any talc production*
- *Luzenac is planning an exploration program in the vicinity of the Truro talc deposit (Figure 1) which will involve drilling and metallurgical investigations.*
- *Flinders and Maximus have entered a fee sharing agreement to cover the Luzenac Agreement and other situations where income needs to be shared*



□ ELs in which Flinders Diamonds holds diamond and industrial mineral rights and Maximus Resources holds base metal mineral rights

Figure 1 Location of Luzenac's Area of Interest in EL 3064 and the Adelaide Hills Project Area.

Background

Flinders Diamonds Limited (Flinders) commenced diamond exploration in the Adelaide Hills in 2001. In 2005, as part of the Maximus Resources Limited (Maximus) IPO, Maximus acquired base and precious metal rights from Flinders. Flinders retained diamond and industrial mineral rights

and has entered a number of industrial minerals agreements with third parties. Flinders was approached by Luzenac Australia Pty Ltd (Luzenac) which is interested in exploration for talc in exploration licence (EL) 3064 (Figure1).

Luzenac is a 100% owned subsidiary of Rio Tinto Limited and is Australia's main talc producer through its Three Springs operation located 330 km north of Perth in Western Australia.

Agreement

An agreement has been executed between Flinders, Maximus and Luzenac whereby Luzenac, after receiving access and Mining Act approvals, can commence a two-year (renewable) option period to carry out an exploration program within the defined EL 3064 (Figure 1). In a specific "area of interest" (Figure 1), Luzenac can also excise 5 sq km areas and apply for separate mining titles to be owned 100% by Luzenac. Flinders and Maximus have consented to Luzenac's right to explore inside areas of interest and also agreed to waive their rights to mine in any excised area.

In return, Luzenac will make an initial payment to Flinders and Maximus totalling \$40,000 at the commencement of the Option period and if talc mining is undertaken, will pay Flinders and Maximus a total 1% net smelter return royalty. Luzenac has the right to withdraw from the agreement at any time during the option period. Additional areas of interest may be agreed by future

negotiations. The parties have agreed to cooperate in all matters relating to tenement management and exploration activities and to inform each other if minerals of interest to another party are encountered during exploration programs.

Talc Exploration Program

Talc in the Truro area has been developed by hydrothermal alteration of Cambrian marbles and has been described by Johns in 1962 (reference available on request). Luzenac is proposing to conduct an exploration program involving drilling and metallurgical testwork. Talc has a wide variety of industrial and cosmetic uses with numerous specific properties needing to be tested. However, the main determinants of grade are purity and colour.

Fee Sharing Agreement

Flinders and Maximus have entered a separate fee-sharing agreement, which enables payments and royalties to be shared in the event of agreements with third parties on their combined exploration areas. As both Flinders and Maximus have to forgo their own mineral rights over small excised areas, it is appropriate that both receive some consideration. It has been agreed that the party which owns the mineral rights will receive 75% of any consideration and the other party will receive 25%. This arrangement can be applied to any future agreements. In the current case, as Flinders owns the industrial minerals rights to EL 3064, it will receive 75% of any consideration.



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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 KWills 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".

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