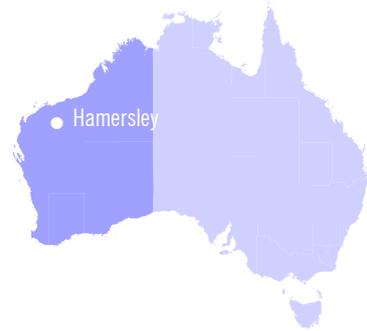




FLINDERS
DIAMONDS



22 November 2007

The Manager

Companies Announcements Office

Australian Securities Exchange

20 Bridge Street SYDNEY NSW 2000

Australian Securities Exchange Announcement

325 to 390 MT IRON ORE EXPLORATION TARGET IDENTIFIED AT FDL'S PILBARA PROSPECT ADJACENT FMG'S DEPOSITS

HIGHLIGHTS

HAMERSLEY TENEMENT E47/882 (FDL earning 100%)

- Flinders Diamonds Limited (ASX: FDL) has carried out an independent review of the iron ore potential on its Hamersley tenement E47/882 (FDL earning 100%).
- This review has outlined an exploration target of between 325 and 390 million tonnes of iron ore averaging 56% iron.
- FDL is carefully considering its options on the best way to structure its forward activities to maximise future shareholder benefits.

FMG-FDL HAMERSLEY JOINT VENTURE (FDL owns a 1% FOB iron ore royalty, capped at 8 Mt)

- Fortescue Metals Group (ASX: FMG) has advised FDL that it has recently discovered an inferred resource of 220 million tonnes of iron ore averaging 56% iron on the FMG-FDL JV tenement E47/1306, Hamersley West.
- FMG's expectation is that their obligation to pay FDL a 1% Freight On Board (FOB) royalty capped at 8 million tonnes of ore will now be fully met by a development on either E47/1306 or E47/1016.

IRON ORE EXPLORATION TARGET ON E47/882 (FDL Earning 100%)

FDL has been exploring the Hamersley E47/882 licence for diamonds since June 2003. In 2007, FDL began to take a more active interest in the iron

ore potential of its 100% owned area and commissioned an initial study by independent iron ore consulting geologist/geomorphologist Dr Richard Russell on the Iron ore exploration potential of E47/882 in June 2007.

Dr Russell has carried out field assignments for FDL on E47/882 over the last 3 years and is familiar with the geology and geomorphology of the area. Following the recent announcements by FMG, Dr Russell

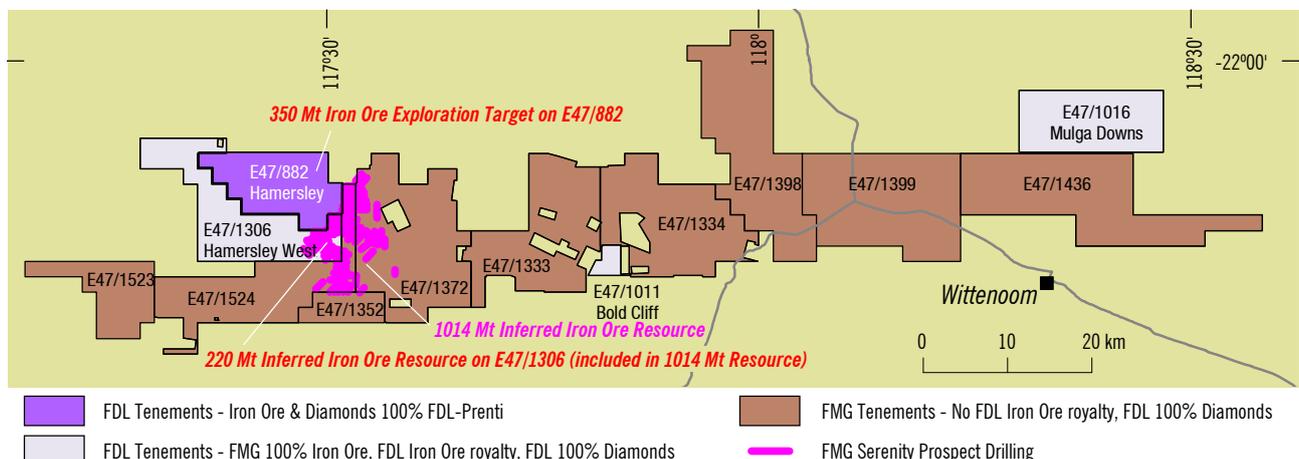


Figure 1 Tenements, iron ore and mineral ownership in the FDL-FMG JV area.

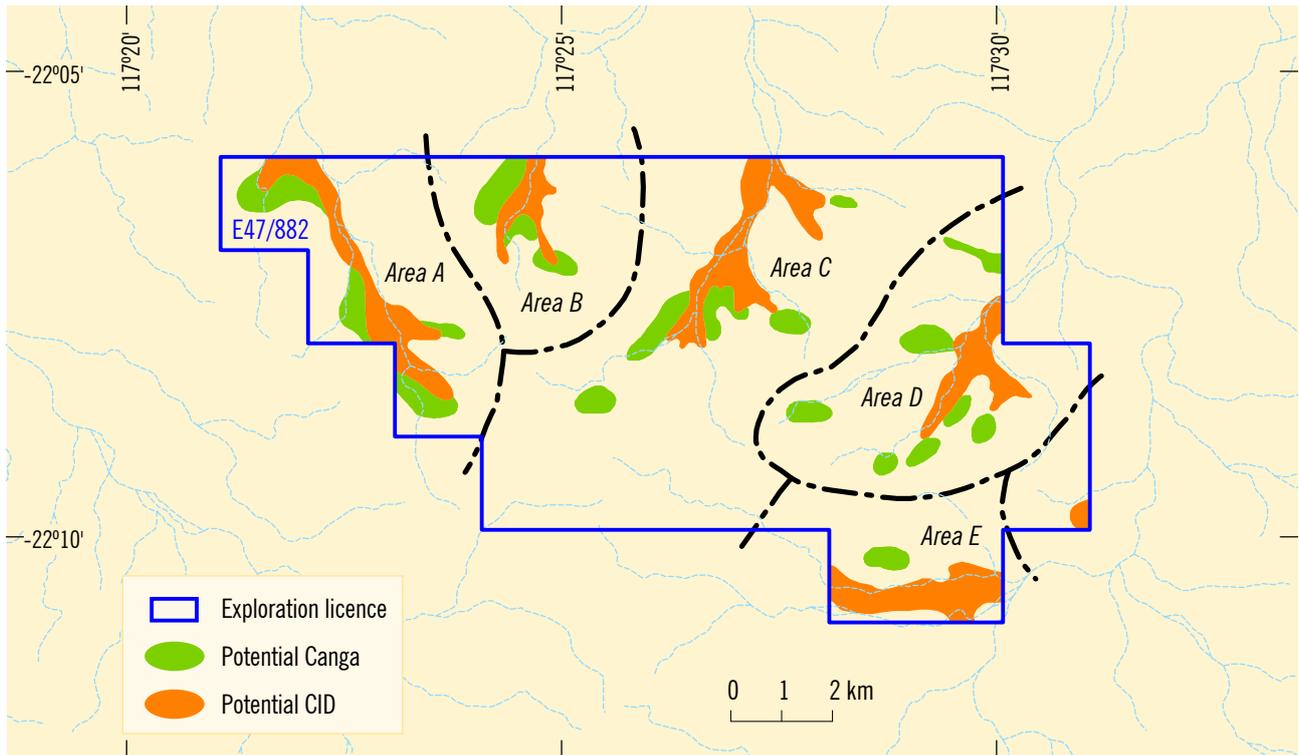


Figure 2 Location of potential Canga and CID iron ore defining exploration target on Hamersley E47/882.

has updated his assessment of both CID iron ore and Canga type iron ore exploration targets on the Hamersley tenement. The results of this work are shown on Figure 2.

Dr Russell has divided the tenement into five main areas of potential (A to E on Figure 2) then from the surface area and probable average thickness estimated a total tonnage of CID at between 283 and 340 million tonnes. For the Canga type iron ore which is detrital ore on valley flanks, a similar

estimation method has been used resulting in a target of between 42 and 50 million tonnes. Estimated grades of this material are similar to those located in the area by FMG at 56% iron.

The total exploration target is estimated at between 325 and 390 million tonnes. It is emphasised that, although based on the best available local experience, this exploration target is conceptual in nature and there has been insufficient exploration carried out to estimate a Mineral Resource.

It is also therefore uncertain whether further exploration will result in a larger, smaller or any Mineral Resource.

FUTURE PROGRAM

FDL is currently undertaking a review of the options available to it with respect to future exploration and corporate activities at the Hamersley Licence E47/882. The Company believes this tenement will have the potential to offer significant value to its shareholders and will update the market on any material developments regarding its iron ore assets.

IRON ORE RESOURCES ON E47/1306 (FDL owns a 1% FOB iron ore royalty, capped at 8 mt)

On 19 November co-venturer FMG advised as follows:

“Re: Joint Venture between FMG and FDL

This joint venture includes Exploration Licences 47/1011, 47/1016 and 47/1306 and provides that FMG has the rights to all iron ore on the tenements subject to a royalty on production to be paid to FDL. The royalty is equal to 1.0% of FOB value of ore produced, subject to a cap at



Figure 3 Exploration Managers from FDL and FMG, Mr John Ceplecha and Mr Stuart Robinson examining drill cuttings from a hole in E47/1306 on 17 October, 2007

8 million tonnes after which no royalty is payable.

On 15 November 2007, FMG announced an estimate of Inferred Resources on its Serenity Project of 1,014 million tonnes. A portion of these resources are located on E47/1306. It is estimated that this portion is approximately 220 million tonnes averaging 55.7% Fe, 7.7% SiO₂, 3.9% Al₂O₃, 0.077% P and 8.1% LOI. This overall tonnage includes detrital iron deposits (DID), channel iron deposits (CID) and bedded iron deposits (BID) in roughly the same proportions as the overall resource. Drilling is continuing to better define the extent of each mineralisation style.

Previously, FMG has estimated an Inferred Resource on E47/1016 of 47 million tonnes averaging 58.8% Fe, 4.37% SiO₂, 2.29% Al₂O₃ and 0.06% P. There has been insufficient



Figure 4 Looking northwest along the valley with CID iron ore in the southeast corner of E47/1306.

work completed to estimate an Indicated Resource from which a Reserve might be estimated. Firm development plans have not been made for either deposit. However, it is

expected that the royalty obligations would be fully met by whichever of these deposits happens to be developed first."

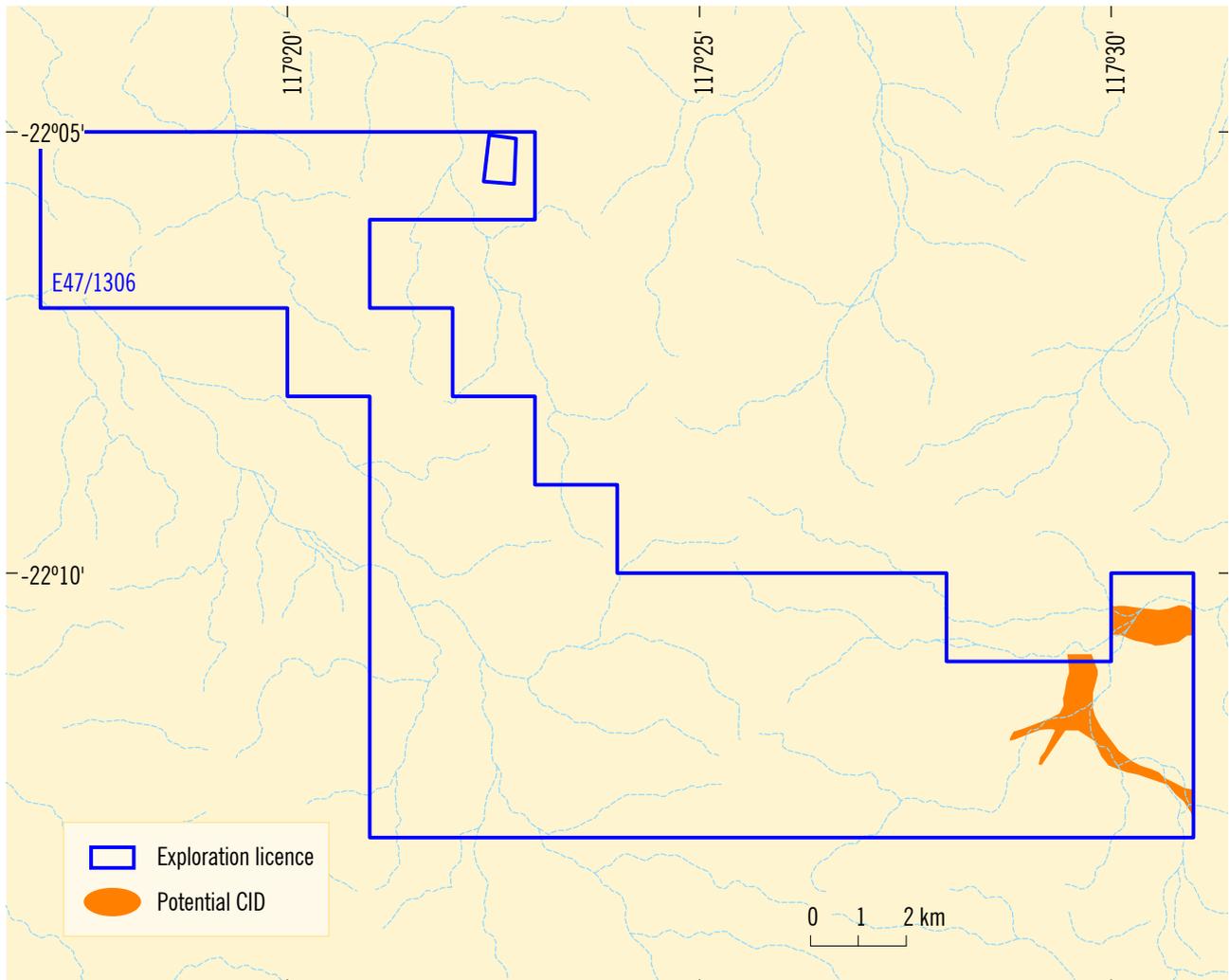


Figure 5 Location of Inferred Iron Ore Mineral Resource discovered by FMG on Hamersley West E47/1306.

A plan showing the location of the Inferred Resource located by FMG on E47/1306 is shown as Figure 5. This plan shows that only the southeast corner of E47/1306 has so far been explored and that the CID iron ore passes to the east into FMG's Serenity prospect on tenements E47/1524 and 1372. To the North the CID iron ore passes into FDL's Hamersley tenement E47/882.

On a recent field visit to the area, FDL personnel K. Wills and J. Cepelca were able to examine drill sites (Figure 3) and view the valleys where the CID are located (Figure 4).

BACKGROUND INFORMATION

This project area is located in the Hamersley Ranges, about 50 kilometres north of Tom Price, in the Pilbara Region of Western Australia (Figure 1). The main geological formation over most of the project area is the Brockman Iron Formation. Elsewhere in the Pilbara, this formation is host to major iron orebodies at Tom Price and Mount Newman. Recent exploration in the area by FMG has discovered significant new Channel Iron Deposits (CID's) in Tertiary valleys draining the project tenements. (FMG announced an inferred resource estimate of one billion tonnes of iron ore on 15 November 2007).

FDL announced the commencement of its diamond exploration in this area on 2 June 2003 when it completed a JV agreement with Prenti Exploration Pty Ltd by purchasing 50% of exploration licences E47/882, E47/1011 and E47/1016 for \$50,000 (Figure 1). In addition, FDL could earn two additional tranches of 25% equity for the expenditure of \$1 million each over two consecutive five-year periods. In November 2007, FDL has expended nearly \$1 million and is soon to claim 75% equity. FDL then plans to continue exploration to earn 100% equity. At that stage Prenti Exploration Pty Ltd will own a 5% net profit interest from any production. Any reference to

FDL equity in this announcement is a reference to the FDL-Prenti JV equity.

On 31 March 2005, FDL announced that it had formed a commodity swap joint venture with FMG on the tenements in the Prenti JV and on eight 100% owned FMG tenements in the area (now converted to nine tenements as shown on Figure 1). In this JV, FMG had ownership of iron ore rights with FDL retaining a 1% FOB royalty on production from the first eight million tonnes of iron ore. FDL retained the diamond rights on the Prenti JV tenements and on the eight FMG tenements. No royalty is payable by FDL to FMG on any diamond production from the project tenements. Licence E47/882, where FDL is earning 100% is not part of the existing FMG agreement.



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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 and Dr R Russell who are members of the Australasian Institute of Mining and Metallurgy. They have more than five years each of relevant experience in the style of mineralisation and types of deposit under consideration and consent to inclusion of the information in this report in the form and context in which it appears. They qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

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