



FLINDERS
DIAMONDS



31 January 2008

The Manager
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Australian Securities Exchange Announcement

NUMEROUS KIMBERLITE PIPE TARGETS LOCATED BY NACKARA 2 HELIMAG SURVEY

HIGHLIGHTS

- *First of two major new helimag surveys in the Flinders Ranges has been completed.*
- *The first survey at Nackara 2 has identified multiple kimberlite pipe targets in an area where numerous secondary and some primary diamonds have previously been located.*
- *A second major helimag survey has commenced over the Springfield region which has also previously produced numerous secondary diamonds and indicators.*
- *A joint venture has commenced with Primary Resources Limited over tenements containing pipe-like targets in the Nackara 2 survey.*

Flinders Ranges Surveys

Flinders Diamonds Limited (FDL) is in the process of carrying out two large new helimag surveys in areas where numerous secondary source diamonds have previously been located (Figure 1). The first survey of some 15,000 square kilometres has been completed over the Nackara 2 area (Figure 2). Data interpretation has identified several clusters of magnetic anomalies, such as that shown on Figure 3, with similarities to known diamond bearing kimberlite pipes to the south and west. Loam sampling to help rank targets has commenced on those anomalies within the Beatrice Prospect.

A second major helimag survey has commenced over the Springfield project area. This survey is also of about 15,000 km, and will utilise knowledge gained from previous hi-resolution airborne magnetic surveys to identify the very subtle magnetic responses of buried kimberlites.

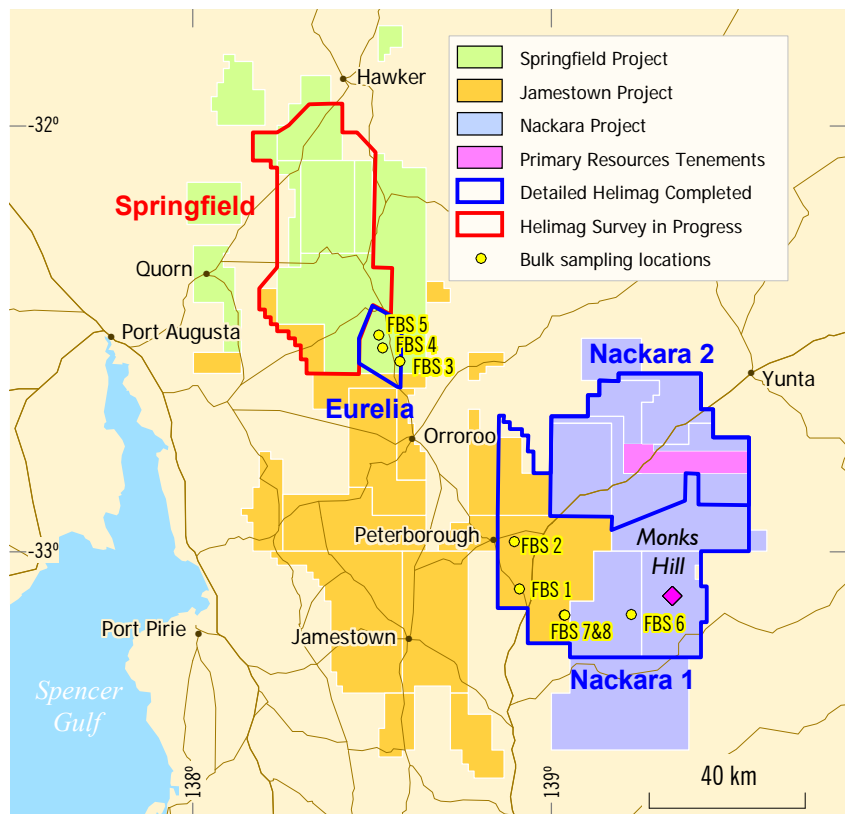


Figure 1 Location of new helimag survey areas and the Primary Resources project area in the Flinders Ranges project.

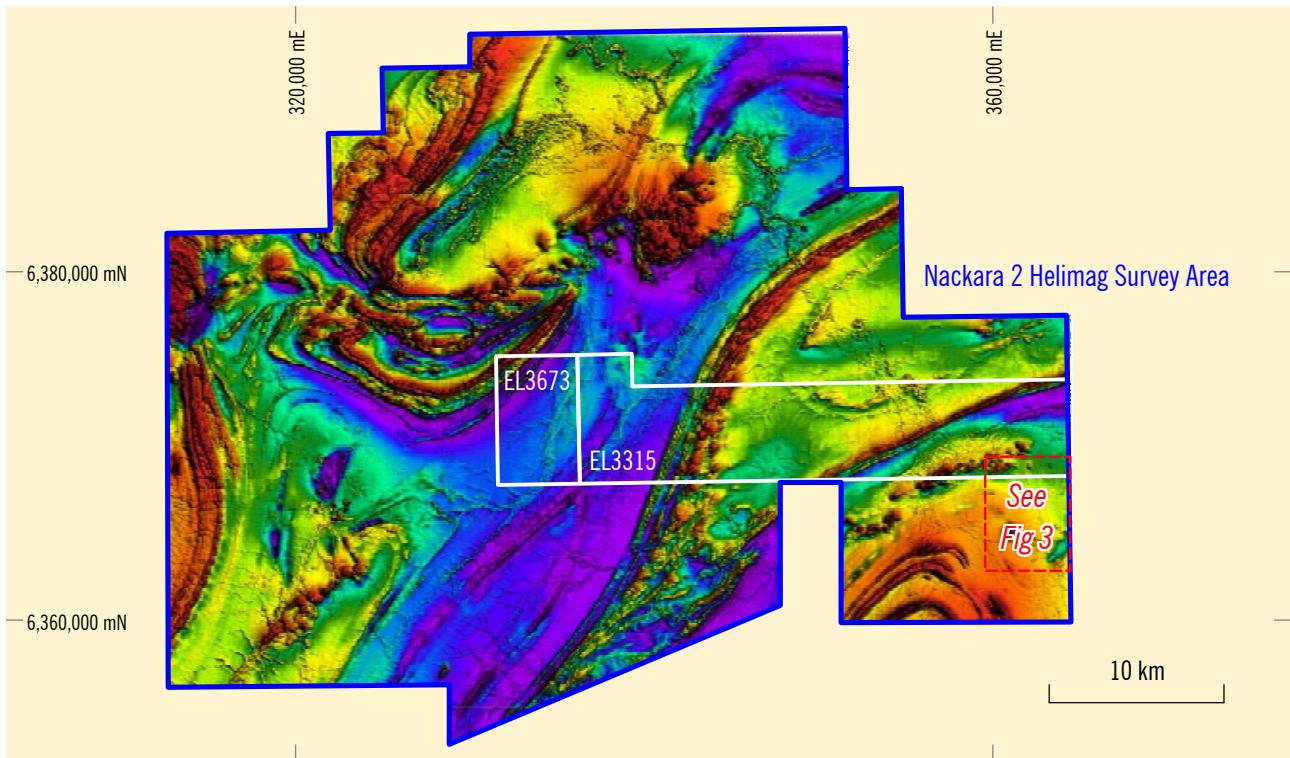


Figure 2 Total Magnetic Intensity image from the recently-completed Nackara 2 Helimag survey. Red areas are highly magnetic and blue-purple areas have low magnetic intensities. ELs 3315 and 3673 form the new joint venture with Primary Resources Limited.

Flinders Diamonds Limited / Primary Resources Limited Joint Venture:

Flinders Diamonds Limited (FDL) and Primary Resources Limited (PRZ) have negotiated and executed a joint venture agreement relating to tenements EL 3315 and EL 3673 in the east Flinders Ranges of South Australia (Figure 2). The tenements are held by the Colonial Copper Company (CCC), of which PRZ owns 50% with an option to take its equity to 100%. The agreement allows FDL to earn 100% of the diamond rights over the PRZ tenements.

To earn 100% of the diamond rights FDL has agreed to:

- Undertake airborne magnetic surveys at 100 metre line spacing over PRZ Nackara tenements and provide PRZ with a copy of this data.
- Spend a minimum of \$120,000 on diamond exploration on ELs 3315 and 3673 over a four year period.
- Pay CCC a 2.5% net profit royalty

on any future diamond production by FDL within the project area.

Results for part of the joint venture area are shown on Figure 3. These results confirm the area's prospectivity and justify the formation of the joint venture.

Dr Kevin Wills
Managing Director
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For further information please contact:
Kevin Wills on 08 8132 7950 or 0419 850 997
Duncan Gordon - Investor relations on 08 8232 8800 or 0404 006 444
Email: kwills@flindersdiamonds.com

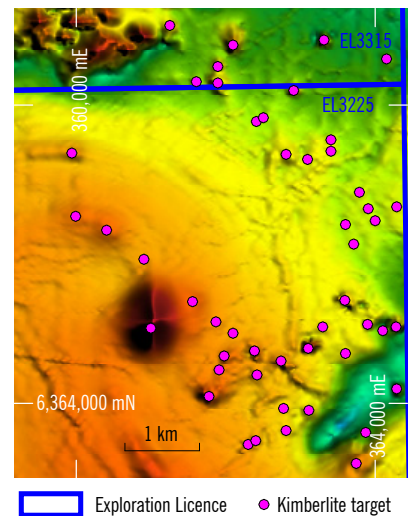


Figure 3 Detailed image showing kimberlite pipe targets from the south east corner of the new Nackara 2 helimag survey.

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 member of the Australasian Institute of Mining and Metallurgy. He has more than five years 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. He qualifies as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

Flinders Diamonds Limited
ABN 46 091 118 044
www.flindersdiamonds.com

62 Beulah Road
Norwood
South Australia 5067

PO Box 3126
Norwood
South Australia 5067

telephone 61 8 8132 7950
facsimile 61 8 8132 7999
email info@flindersdiamonds.com