



FLINDERS
DIAMONDS

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The Manager
Companies Announcements Office
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Australian Securities Exchange Announcement

PLACEMENT AND SHARE PURCHASE PLAN FOR WA IRON ORE AND SA DIAMOND EXPLORATION PROJECTS

HIGHLIGHTS

- *Share Placement to raise \$11 million*
- *Share Purchase Plan to raise up to \$3.61 million*
- *Strong support from domestic and international investors*

CAPITAL RAISING

Flinders Diamonds Limited (ASX Code: FDL) is pleased to announce details of a capital raising to provide funds for an exploration program dominated by resource delineation drilling at the Company's Hamersley iron ore project in the Pilbara Region of Western Australia as well as continuing work on diamond projects in South Australia.

Flinders completed an independent review of its tenement E47/882 (FDL earning 100%) in late 2007. This outlined potential for between 325-390 million tonnes of CID (channel iron deposits) iron ore mineralisation located immediately adjacent to the 'Serenity' iron ore resource owned by Fortescue Metals Group. It is intended that Flinders will conduct a comprehensive exploration drilling program with the aim of defining an inferred CID resource at Hamersley starting in the second quarter of 2008.

PLACEMENT

Flinders has successfully placed to sophisticated and professional investors, 110,000,000 fully paid ordinary shares in the Company at an issue price of 10 cents per share to raise \$11 million before costs. Support for the placement was very strong with a number of domestic and international institutions taking part.

Bell Potter Securities acted as Lead Manager to the Placement and Adelaide Equity Partners acted as corporate advisers to Flinders.

SHARE PURCHASE PLAN

Shareholders on the Register at the close of business today will also be given the opportunity to subscribe for Flinders shares pursuant to a Share Purchase Plan up to a maximum of \$3.61 million at the same price as the Placement participants. Shareholders will receive details of the plan and how to apply shortly.

USE OF FUNDS

The net proceeds from the Placement and share Purchase Plan will be used as follows:

| | \$ Million |
|--|-------------|
| Planning, drilling and resource estimation for the Hamersley Project | 8.0 |
| Ongoing diamond exploration | 4.0 |
| Working capital and costs of the Offer | 2.6 |
| Total | 14.6 |

GENERAL MEETING

Flinders will shortly provide a detailed notice of a general meeting of shareholders to be held in Adelaide in April. The main business of the meeting will be to seek shareholder approval for a name change in the Company from Flinders Diamonds Limited to Flinders Mines Limited. This will better reflect the broadening scope of the Company's exploration portfolio. The Company will also seek ratification of the Share Placement and Share Purchase Plan announced today.

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