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# NEWS

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For immediate release  
Monday 26 September, 2005

### **DE BEERS – FLINDERS DIAMONDS ALLIANCE OVER**

#### **HAMERSLEY PROJECT IN W.A.**

Flinders Diamonds (ASX code 'FDL') announced today that it had signed an alliance agreement with De Beers Australia Exploration Limited (DBAE).

The alliance initially involves a data exchange.

However, it subsequently allows the South African-based group to ultimately earn up to 70% equity on any project area within Flinders Diamonds' Hamersley Project tenements in northern Western Australia, but only after the Australian company has itself moved to 100% control of the acreage concerned.

The alliance could potentially lead to formal diamond exploration, production and marketing joint ventures between the two companies, depending on future exploration results.

Flinders Diamonds' Managing Director, Dr Kevin Wills, said the agreement covered the Australian company's highly prospective Hamersley tenements located in an area which has recently produced encouraging drilling results, including the recovery of diamonds and indicator minerals.

"The alliance creates potentially significant benefits for both parties," Dr Wills said.

"It allies Flinders Diamonds to the technical, financial and marketing resources of the De Beers Group and it provides DBAE with the opportunity to enter a joint venture to evaluate and develop any diamondiferous kimberlite discovered in the alliance area," he said.

The Hamersley project – one of Flinders Diamonds' flagship exploration projects located in the Archean Pilbara Craton of WA – has geological similarities to the Kaapvaal Craton of South Africa, host to many of the world's major diamond deposits.

The current Hamersley Project structure is an ongoing joint venture between Flinders Diamonds and Prenti Exploration Pty Ltd and includes diamond exploration rights on adjacent tenements held by Fortescue Metals Group.

Under the agreement announced today, Flinders Diamonds must first earn a 100% interest in the Hamersley Project tenements by fully expending its current farm-in commitments with Prenti Exploration of about \$1.5 million expenditure.

Prenti will retain a 5% net profit interest, which will be deductible from Flinders share of production.

Thereafter, at its discretion, DBAE may earn an interest of 70%, by expending 3.5 times Flinders Diamonds' expenditure in the area, leaving Flinders with a 30% participating interest.

Dr Wills said the alliance with De Beers would initially involve the exchange of historical drilling data and information flowing from Flinders Diamonds' current and future exploration programs.

Other elements of the alliance include:

- When DBAE and Flinders Diamonds interests reach 70% and 30% respectively, the parties will contribute to ongoing exploration of each project joint venture on a pro-rata basis or dilute according to a standard industry formula. If Flinders Diamonds dilutes to 15%, that interest shall be free carried to a decision to mine.
- Development and production of any diamond ore body delineated by any project joint venture shall be undertaken pursuant to an agreed production agreement.
- In the event of any project joint venture producing diamonds on a commercial basis, DBAE, or its appointed affiliate, will market the joint venture's production at prices that will be no less favourable than the prices paid by the Diamond Trading Company for similar diamond production from comparable size mines.

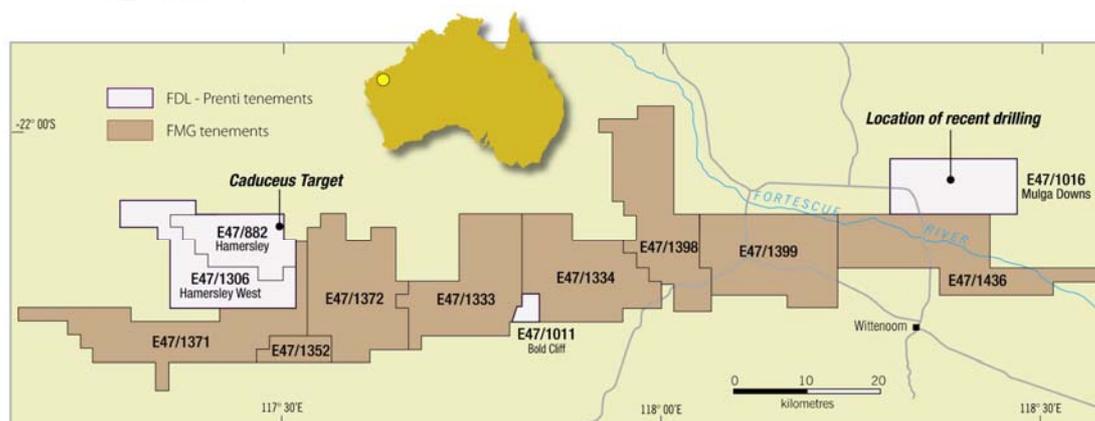


Figure 1 Hamersley Project Tenements.

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