



Quarterly Report

Period ending 31 March 2007

HIGHLIGHTS

GAWLER CRATON

- Two agreements announced today which enable commencement of a new vision for diamond exploration on the Gawler Craton (Figure 1)
- Together with its G2 project, FDL will have access to 33 granted exploration licences (ELs) covering 13,350 sq km of the prospective Gawler Craton
- In a JV with Tawana Resources NL, FDL gained the right to spend \$2 million to earn a 70% interest in highly prospective ELs at Flinders Island and Venus Bay on the Southern Gawler Craton (Figure 1)
- In a JV with Tasman Resources NL, FDL gained the right to spend \$750,000 to earn a 70% interest in the diamond rights only in 26 ELs on the Central Gawler Craton (Figure 1)

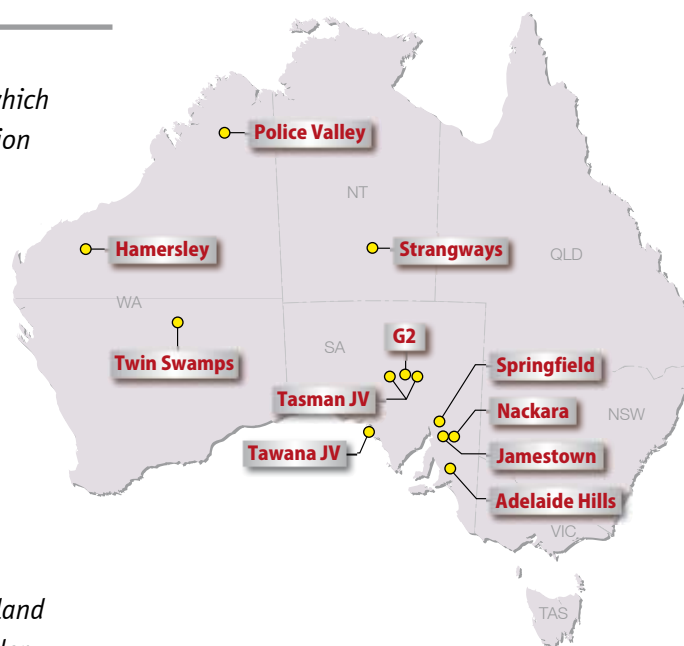


Figure 1 Flinders Diamonds project locations.

FLINDERS RANGES

- Processing of a bulk sample from the Monks Hill kimberlite partially completed - no plus 1 mm diamonds recovered (Figures 4 and 5)
- New Helimag surveys planned for May in Nackara and Springfield areas (Figure 6)
- Agreement to purchase Terowie DMS plant for future bulk sampling needs

COPPER RANGE AGREEMENT

- Agreement with Copper Range Ltd (CRL) whereby FDL received \$100,000 cash and will receive 1,000,000 shares in CRL for the right to earn 90% of the gold and base metal rights on 17, 100% FDL-owned EL's in the Flinders Ranges (Figure 7).

EXPLORATION ACTIVITIES REVIEW

During the March quarter, activities focused on continuing evaluation of kimberlites and kimberlite targets in the Flinders Ranges project while planning a new strategy for diamond exploration on the Gawler Craton.

Much of the work was conducted on the mapping, sampling and bulk sampling of the Monks Hill kimberlite pipe. Negotiations for an agreement with Copper Range Limited were successfully concluded. FDL has now farmed out most of the non-diamond rights on its tenements and has built up a portfolio of assets which include shares in Maximus and Copper Range, and an iron ore royalty with Fortescue Metals Group in the Pilbara.

Two new deals were negotiated with Tawana and Tasman Resources that give the Company the opportunity of exploring on advanced and grass-roots diamond exploration areas on the Gawler Craton. The Gawler Craton is generally regarded as a highly prospective location for diamonds with the exploration difficulty of thin sedimentary cover. Flinders expects to overcome this difficulty by the use of state of the art helimag surveys coupled with its experience gained from successfully utilising this and other techniques in the Flinders Ranges.

SOUTH AUSTRALIA

GAWLER CRATON PROJECT

Gawler Craton Diamond Potential

The Gawler Craton represents a geologically old and stable basement province which is similar to several parts of the world where "on-craton" diamond mines are concentrated

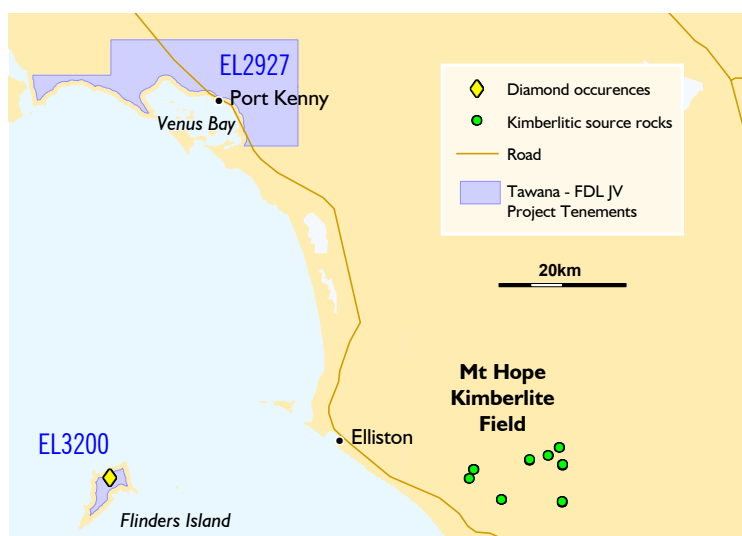


Figure 2 Location of Flinders Island and Venus Bay exploration licences.

(eg Kapvaal Craton in Southern Africa). From previous exploration, FDL is aware of at least 28 diamonds up to one carat in weight discovered from 11 localities on the Gawler Craton. Exploration has also discovered 16 kimberlites though none to date have been diamondiferous. Clearly, there are undiscovered diamondiferous kimberlites on the Gawler Craton.

Most the known kimberlites in South Australia have ages of between 220 and 160 million years (Jurassic to Upper Permian). Therefore, on the Gawler Craton, kimberlites are likely to be covered by younger sediments. This makes exploration, and also the chances of open-pitting a discovery, difficult if the sediments are over 100 metres thick.

FDL has utilized a technique of very high resolution helimag surveys, which together with ground magnetics, drilling and trenching has located 85 new kimberlites in the last two and a half years in the Flinders Ranges. These techniques will be applied to test numerous kimberlite-like magnetic anomalies that have been identified from PIRSA's

South Australian Exploration Initiative (SAEI) airborne magnetic surveys.

Southern Gawler Craton JV with Tawana Resources NL

On April 27 FDL, Tawana Resources NL (TAW) and Orogenic Exploration Pty Ltd (OEPL) executed an agreement which allows FDL to earn, over two four-year periods, a 70% interest in ELs 2927, Venus Bay, and 3200, Flinders Island, (Figure 2). The equity can be earned in two stages, firstly 50% for \$1 million with TAW and OEPL diluting to 30% and 20% respectively, and secondly FDL has an option to earn a further 20% by spending a further \$1 million with TAW and OEPL diluting to 15% each. FDL may withdraw after spending \$250,000, OEPL is free carried until a decision to mine and FDL can remain as manager while it is sole contributor.

On Flinders Island (EL 3200) a significant exploration program was carried out between 2001 and 2005 by OEPL, TAW and De Beers. Eight diamonds were discovered and numerous diamond indicator minerals located with chemical compositions suggesting high diamond contents in their

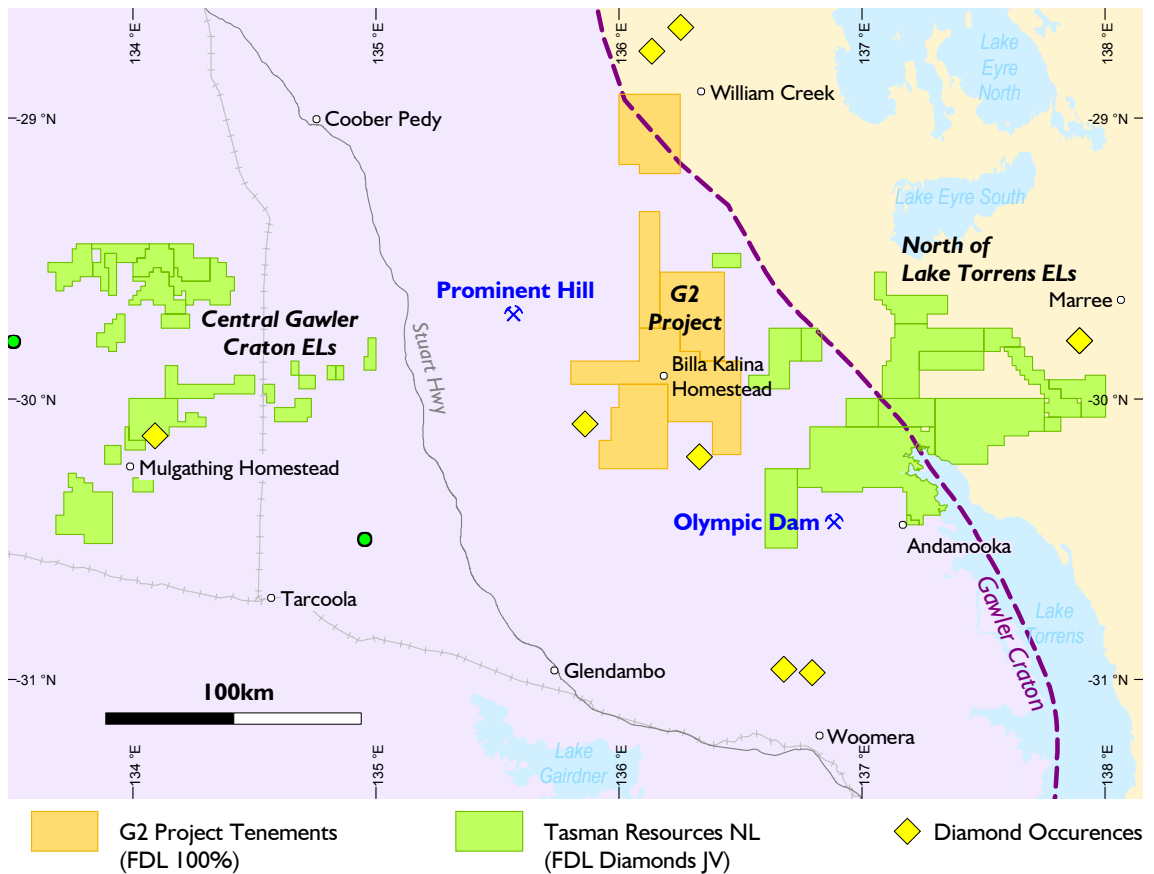


Figure 3 Location of Tasman Resources - FDL JV tenement areas on the Central Gawler Craton.

source rocks. Most of the holes drilled to test for kimberlites were directly under the indicator mineral anomalies, and no kimberlites were located. FDL's interpretation of the data is that the indicator minerals have been blown to their present position by the southwesterly prevailing winds which deposited their host Bridgewater Formation. FDL is intending to explore for source kimberlites to the southwest in an area that has not been previously drill tested.

In the Venus Bay area (EL 2927), a number of promising diamond indicator mineral anomalies, have been located again over shallow Bridgewater Formation cover. Here it is FDL's intention to fly a high-resolution helimag survey which it hopes will indicate kimberlite targets that can be drill tested.

Central Gawler Craton JV with Tasman Resources NL

On April 27 FDL and Tasman Resources NL (TAS) executed an agreement which allows FDL to earn, over a four-year period, a 70% interest in the diamond rights only on the following 26 ELs on the Gawler Craton: Central Gawler ELs: 3306, 3339-3345, 3423, 3532 and 3712. North of Lake Torrens ELs: 2989, 3109, 3123, 3140, 3174, 3175, 3177, 3209, 3254, 3261, 3449, 3541, 3607, 3634, 3677 (Figure 3).

FDL may withdraw after spending \$100,000 and TAS is free carried during FDL's farm-in period. A 70/30 contributing joint venture will then be formed. FDL can remain as manager during its sole contributor period or while it has a majority interest in the diamond rights. TAS will pay all necessary tenement rents and

FDL has agreed to cooperate with TAS and any other parties in their exploration for non-diamonds.

Several diamonds and diamond indicator minerals are known from the project areas and surrounds. However, they are not thought to be derived from primary basement diamond source rocks. FDL's initial strategy is to follow up single line magnetic anomalies identified from interpretation of airborne magnetic data from PIRSA's SAEI surveys at 400 meter line spacing flown in the 1990's. Once an anomaly is identified, it will be re-flown by a 1km square sized "postage stamp" low level helimag survey at 50 meter line spacing. Interpretation of the high-resolution data should enable a decision about if and where to drill a hole to test the target.

FLINDERS RANGES PROJECT

Monks Hill Kimberlite

The Monks Hill kimberlite pipe (H77a) and additional targets investigated during the quarter are located within the FDL/Novec Option area shown in Figure 4.

Exploration during the January to March period focused on trenching and shallow drilling on the Monks Hill kimberlite. Nine trenches defined the surface area of the pipe, and provided additional samples for testing for microdiamonds. The pipe extends over an area of 1.2 Ha under shallow sandy cover ranging from 0.5 to 4 metres in depth. Laboratory scale testing of 10 small samples had resulted in 6 positive microdiamond (defined as diamonds less than 0.5mm in size) results.



Bulk sampling Monks Hill kimberlite

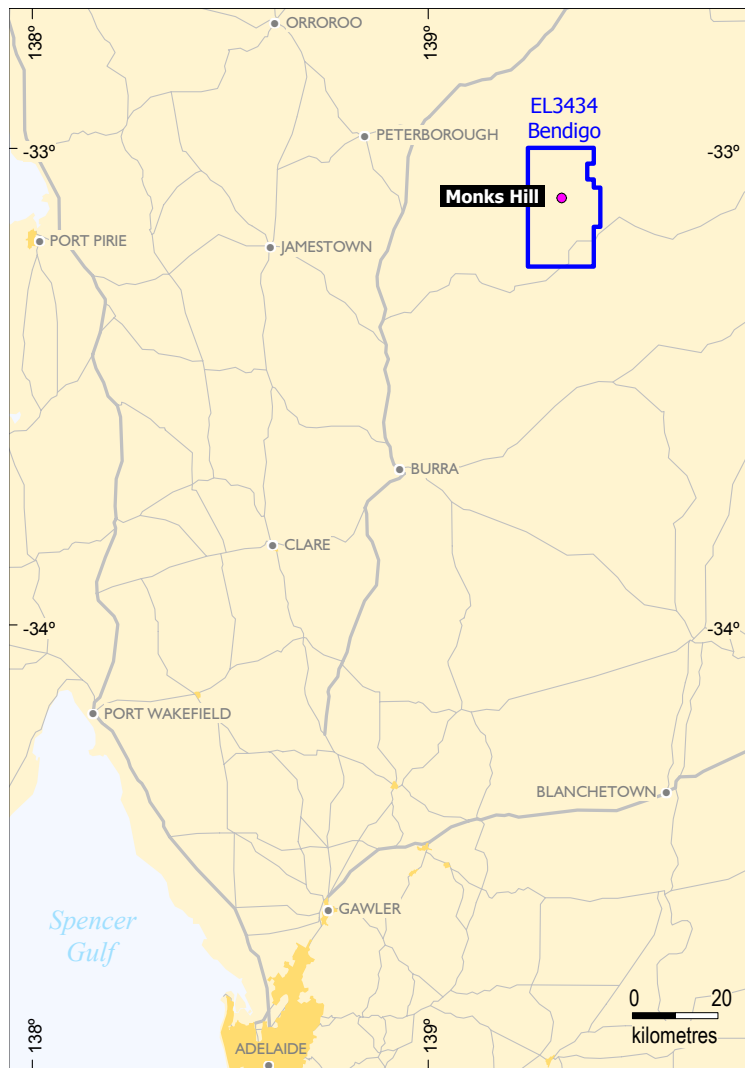


Figure 4 Location of Monks Hill Kimberlite Pipe.

In view of the series of positive, but variable, microdiamond results received by the Company a decision was made to bulk sample at an early stage of the evaluation process to resolve the contradiction. Four bulk samples, each of approximately 30 tonnes in weight, were collected during March from three bulldozer cuts within the pipe (Figure 5) and delivered to the DMS plant located near Terowie for individual testing.

Processing commenced on March 29 and was completed on April 5. Concentrates were sent to a Perth laboratory for processing by X-ray sorting. Final sorting and recovery of anticipated diamonds was carried out via hand sorting by FDL's trained observer. At the time of writing, only the plus 1 mm size fractions for the four samples have been observed and no diamonds have been recovered. This means that although carrying some small macrodiamonds, the Monks Hill pipe is not of commercial grade and no further work will be undertaken.

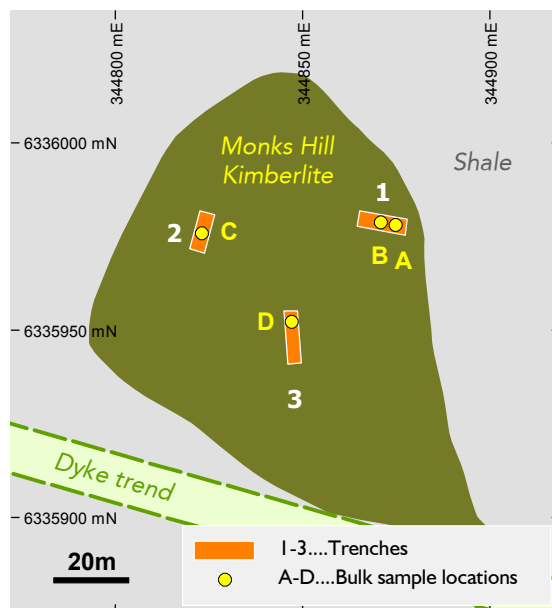


Figure 5 Bedrock geological interpretation of the Monks Hill Kimberlite Pipe.

Helimag Survey.

The Helimag Survey due to commence during the March quarter was further delayed due to operational constraints until May. Approximately 10,400 line km of data will be obtained covering an area of 1,037 sq km. These surveys, over areas shown in Figure 6, are designed to follow up encouraging 2006 bulk sample results from the Eurelia area (Springfield Project) and to further investigate the promising Nackara kimberlite province to the north of Monks Hill.

Ground Magnetic Surveys and Trenching

Fifteen new targets identified from the Helimag data were detailed by ground magnetic surveys and investigated by trenching. One new kimberlite was found on the Monks Hill structural trend and two additional kimberlite dykes were found within the general Monks Hill area. Seven of the targets investigated remain unresolved due to either excessive depths of cover or the presence of impenetrable cemented gravels. The remaining five targets proved to be related to non-kimberlitic mafic intrusives.

Future Exploration

The ongoing program within the Flinders Ranges Project area will consist of further analysis of the existing and new Helimag data to generate and prioritize targets for ground geophysical surveys with follow-up trenching where the targets are shallow. A suitable drilling rig is to be sourced to investigate a large number of unresolved targets under deeper cover.

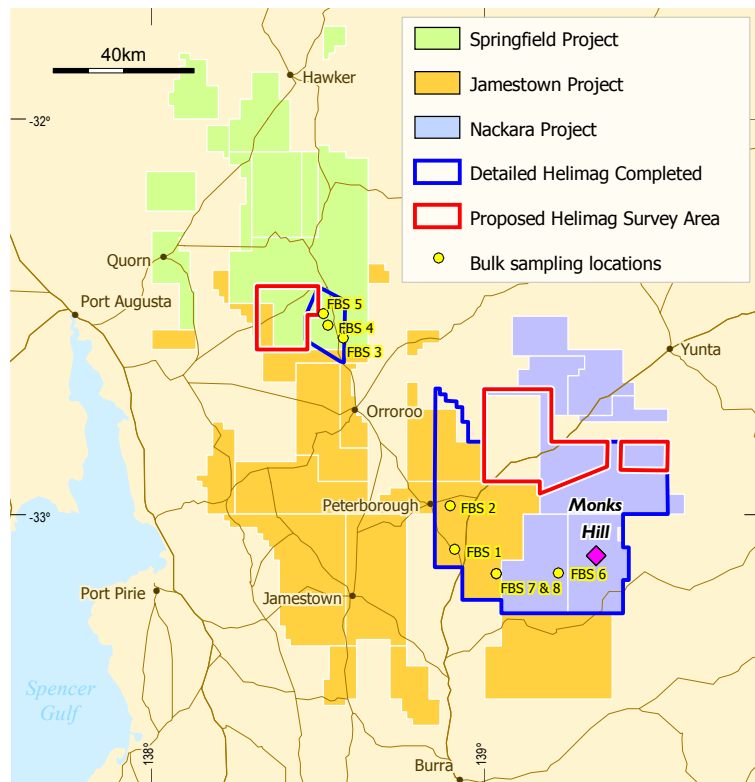


Figure 6 Flinders Ranges Project areas showing proposed new helimag surveys and bulk sampling locations.

Copper Range Limited Farm In

Flinders Diamonds (FDL) has executed an agreement with Copper Range Ltd. (CRL) whereby CRL has the right to explore for base and precious metals within 17 FDL exploration licences, covering an area of approximately 7,497 sq km in the Flinders Ranges. An additional 1,088 sq km, currently under two Exploration Licences Applications, shall be included within the agreement once granted. The tenements are shown in Figure 7. These tenements comprise all of FDL's 100% owned ELs in the Flinders Ranges Project.

FDL received \$100,000 from CRL on signing of the agreement and will be issued with 1,000,000 ordinary CRL shares upon receipt of ministerial approval. The farm-in agreement provides for a CRL expenditure of \$2,250,000 over a 3 year period on exploration

for base and precious metals within the tenements, with a minimum expenditure of \$750,000 per annum. CRL shall earn a 50% interest in the base and precious metals within the tenements after the expenditure of \$1,000,000 and a 90% interest once it has spent \$2,250,000. CRL may withdraw from the agreement at any time after a minimum expenditure of \$750,000. Once CRL has acquired a 90% interest, FDL will be free carried to completion of a bankable feasibility study. FDL may then contribute 10% to development costs, and retain its 10% interest, or transfer its interest to CRL and receive a 1.5% NSR royalty.

FDL is continuing with its focus on diamond exploration within the tenements. However, the Copper Range agreement is based on the potential for other types of mineralization within

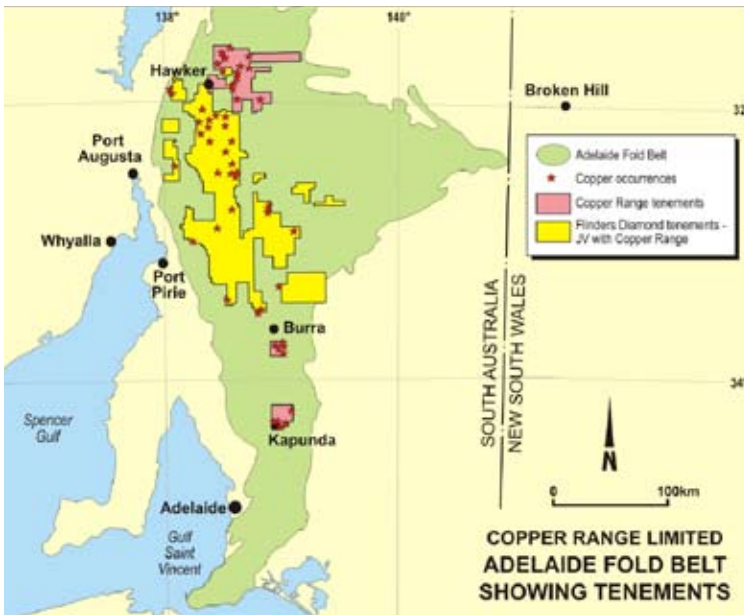


Figure 7 Location of Copper Range JV tenements.

the Company's tenements and the positive benefits to shareholders of additional assets. The arrangement with CRL introduces a company with both the expertise and resources to expertly explore the tenements for base and precious metals - while providing long term benefits to FDL and its shareholders in the event of a significant discovery.

ADELAIDE HILLS PROJECT.

The Adelaide Hills project consists of seven exploration licences covering an area of 3,419 square kilometres. Maximus Resources is exploring the area primarily for gold and currently drilling the Bird-in-Hand gold mine near Woodside. A review of previously-acquired data has been completed and results will enable exploration to recommence during the second or third quarter of 2007.

Although kimberlites are unknown in the southern portions of the FDL tenements, the area is prospective due to the significant number of high quality macrodiamonds (colourless and

yellow) found in the Echunga alluvials. Although the primary source of these diamonds remains unknown, there is geomorphological evidence that their provenance is to the north

within the FDL tenements. A number of non-diamondiferous kimberlites have however been identified in the northern portions of FDL's tenements in the Barossa Ranges area.

During 2004, FDL flew a 100 metre line-spaced airborne magnetic survey that covered 781 sq km within the Barossa Ranges. Follow-up work by FDL during 2004-2005 resulted in the discovery of two kimberlites in the Angaston region - but these proved to be non diamondiferous. Some additional anomalies were followed up, but over 100 targets remain to be tested including 37 of an original 50 identified in the field as first priority targets. A number of techniques are to be employed in the proposed work including additional diamond indicator mineral sampling, ground magnetic surveys and drilling or trenching (Figure 8).

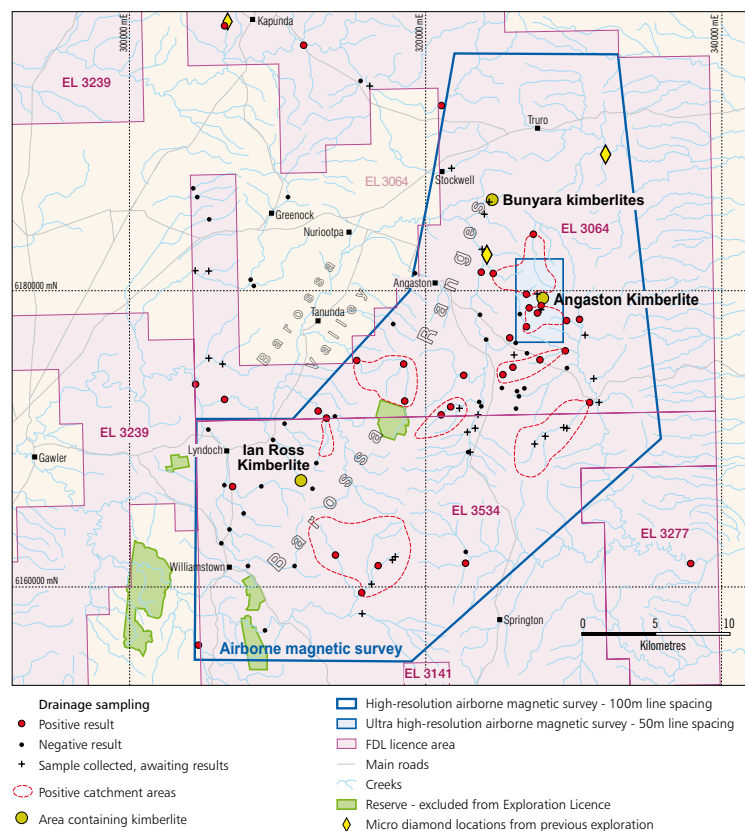


Figure 8 Barossa Ranges diamond indicator mineral results.

G2 PROJECT.

Microprobe analysis of mineral grains recovered from the 2006 drilling program confirmed that all of the garnets and the majority of the chromite and ilmenite grains were of non kimberlitic origin. Earlier drilling to the north of the recent program had recovered abundant fresh kimberlitic indicator minerals derived from the base of the Mesozoic cover. The contradictory results from different drilling programs and laboratories has led to a decision that future diamond exploration will focus on identifying and drilling magnetic targets generated by airborne and ground based surveys.

WESTERN AUSTRALIA

HAMERSLEY PROJECT

The Hamersley project is located in the Pilbara region of Western Australia and includes five Flinders-Prenti JV exploration licences and nine Fortescue Metals Group (FMG) exploration licences. In the Flinders-Prenti JV, Flinders previously purchased 50% and will own 100% after spending \$2 million. Flinders has a commodity rights exchange agreement with FMG whereby Flinders owns the diamond rights and FMG owns the iron ore rights on the Flinders-Prenti licences, with the exception of the Hamersley tenement (E47/882). Flinders will receive a royalty from FMG if the iron ore resources are developed within their tenements. Flinders also has a strategic data alliance with De Beers whereby, after Flinders has earned 100% in the Prenti JV, De Beers has the right to purchase 70% of the project for 3.5 times Flinders' expenditure.

A renewal of activity is planned for the June quarter when drainage diamond indicator mineral sampling programs are to be conducted within the Bold Cliff and Mulga Downs tenements. Samples from the December 2006 quarter drilling at the Caduceus prospect within the Hamersley tenement did not indicate the presence of kimberlite.

The Company is investigating the possibility of gaining value from its iron ore exploration rights within the Hamersley tenement where significant deposits of "canga-type" iron ore are thought to be present.

TWIN SWAMPS PROJECT

The tenement is the subject of a Joint Venture Agreement between Prenti Exploration Pty Limited and Flinders Diamonds Limited (FDL), in which FDL purchased a 50% interest and is earning 100%. During the December quarter Flinders Diamonds completed a thirteen-hole air core drilling program for a total of 533 metres. Samples from the program were processed for indicator minerals however results proved negative. FDL is considering withdrawing from the project.

NORTHERN TERRITORY

STRANGWAYS PROJECT

No work was undertaken during the March quarter. Maximus Resources is currently in discussion with a number of companies that have expressed interest in JV's in relation to the non diamond rights within the tenements. FDL currently hold three EL's totalling 1,710 sq km and one Mining Authorisation area of approximately 28 sq km within the project.

CORPORATE

Flinders Diamonds Limited (FDL) owns 7 million shares and 3.5 million options in Maximus Resources Limited (MXR) which together represent 9.56% of the fully diluted capital of Maximus. In turn, Maximus owns 44.4 million shares and 8.04 million options in Eromanga Uranium Limited (ERO) which represent 34.35% of its fully diluted capital. On the 30 March the implied value of Flinders' shareholding in Maximus was \$1.12 million. These shares remain in escrow until 26 October 2007.

FINANCE

On 31 March 2007 the Company had available funds of \$1.05 million. Exploration expenditure by the Company during the March quarter was \$255,000 and forecast expenditure for the March quarter of 2007 is \$350,000.



Dr Kevin J A Wills
MANAGING DIRECTOR

30 April 2007

The information in this report has been compiled by Dr KJA Wills who is a Fellow of the Australasian Institute of Mining and Metallurgy and who is bound by and follows the Institute's codes and recommended practices. He has a minimum of five years experience in the types of activities being reported.

Contact us

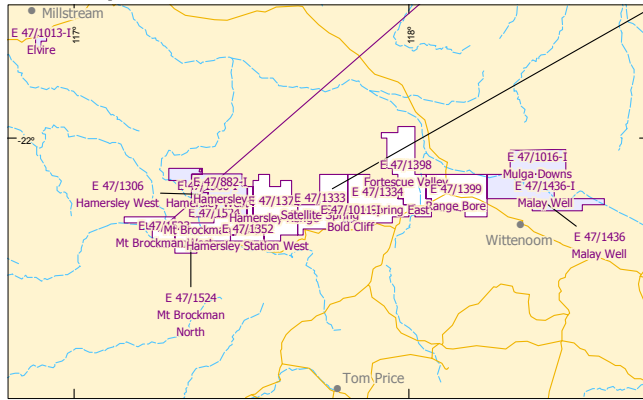
Enquires should be directed to Dr Kevin Wills, Managing Director on 1300 559 564 or 0419 850 997.

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Hamersley



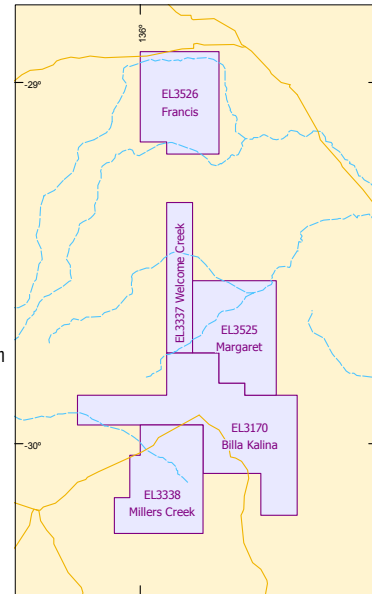
G2



FLINDERS DIAMONDS

0 20 40
kilometres

Note:
All tenement maps shown
at the same scale



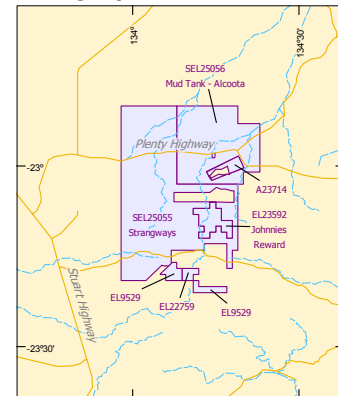
Legend

As at 31 March 2007

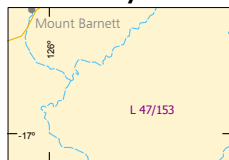
- FDL exploration licence
- FDL licence application
- Simnovec Option (diamonds only)
- Filsell Agreement (diamonds only)
- Copper Range JV
- Fortescue Agreement (diamonds only)
- Hillgrove Agreement (diamonds only)
- Road / Track
- River / Creek



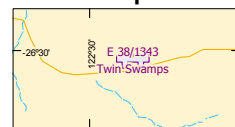
Strangways



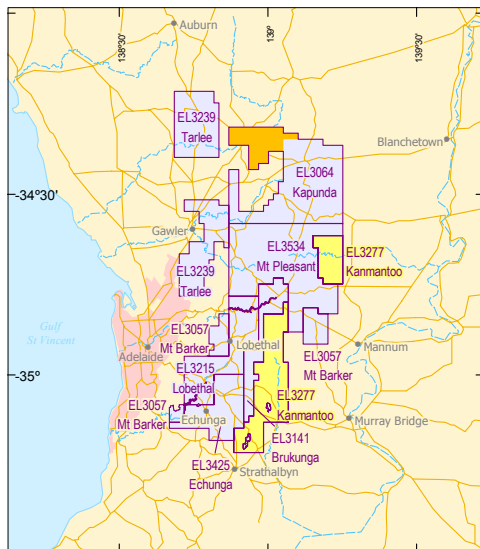
Police Valley



Twin Swamps



Adelaide Hills



Springfield/Jamestown/Nackara

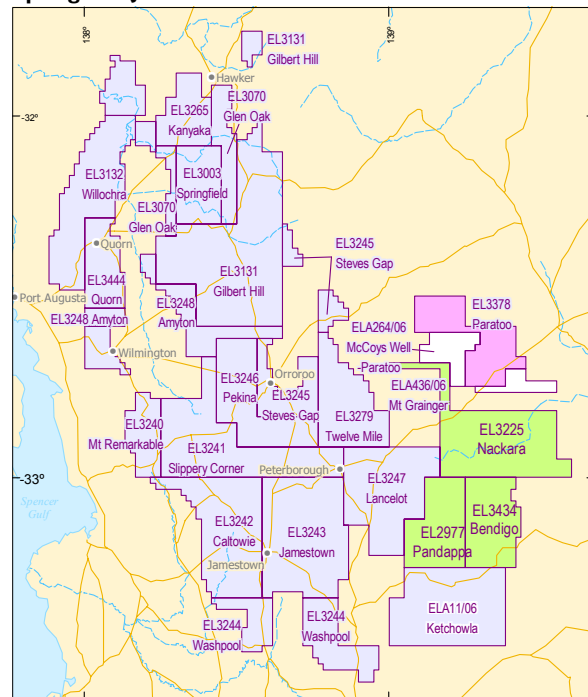


Figure 9 Tenement locations at 31 March 2007.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Flinders Diamonds Limited

ABN

46 091 118 044

Quarter ended ("current quarter")

31 March 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(255)	(1,834)
(b) development		
(c) production		
(d) administration	(115)	(252)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	17	60
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(353)	(2,026)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		(55)
(b) equity investments		
(c) other fixed assets		(33)
1.9 Proceeds from sale of:		
(a) prospects	100	100
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities	5	123
1.12 Other (provide details if material)		
Net investing cash flows	105	135
1.13 Total operating and investing cash flows (carried forward)	(248)	(1,891)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(248)	(1,891)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	(248)	(1,891)
1.20	Cash at beginning of quarter/year to date	1,295	2,938
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,047	1,047

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	31
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	
Total	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	27	34
5.2 Deposits at call	1,020	1,261
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,047	1,295

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	EL3693 EL3727	Nil Nil	100% 100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	486,449,708	486,449,708		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	381,653,978	381,653,978	<i>Exercise price</i> \$0.10	<i>Expiry date</i> 29/9/2008
	4,025,000		\$0.017	20/3/2012
7.8 Issued during quarter	4,025,000		\$0.017	20/3/2012
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Richard W C Willson
(Company secretary)

Date: 24th April 2007

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.