



Quarterly Report

Period ending 30 June 2007

HIGHLIGHTS

Bulk Sampling Plant

- Agreement reached with NTF to purchase their bulk sampling plant for delivery in October.

Gawler Craton

- Ground Gravity and airborne electromagnetic surveys planned to search for kimberlite targets upwind of the eight diamonds located on Flinders Island in the FDL-Tawana Joint Venture.
- Existing airborne magnetic data used to locate kimberlite pipe targets in the Central Gawler Craton Joint Venture with Tasman Resources.

Flinders Ranges

- Seventeen new kimberlites from the Peterborough and Nackara areas sent for microdiamond processing.

Hamersley Ranges

- A 49 sample helicopter and 4WD based diamond indicator mineral survey was carried out to follow up previous diamond locations.

Corporate

- The Company raised \$1.31 million in a one for one non-renounceable rights issue and is expecting to sell the shortfall which will raise an additional \$4.53 million.

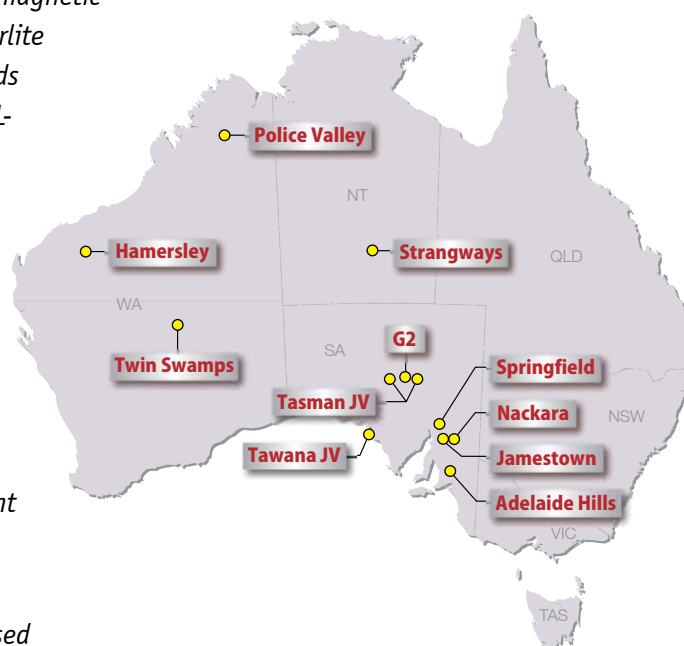


Figure 1 Flinders Diamonds project locations.



Figure 2 Bulk Sampling Plant during recent Operations

EXPLORATION ACTIVITIES REVIEW

A highlight during the quarter was an agreement to purchase from NTF Mineral Processing Pty Ltd (NTF) their heavy mineral bulk sampling plant No 21. The plant will be used to determine the diamond contents of new kimberlites and gravel samples located in Flinders Diamonds Limited's Flinders Ranges and Gawler Craton exploration programs. The agreement includes a non-refundable \$40,000 deposit and payment of the balance of \$185,000 prior to 31 October 2007. Between 1 July and 31 October NTF are using the Plant on other jobs. The plant is currently in good condition and has been recently used on FDL's kimberlite bulk sampling activities (Figure 2).

Another highlight of the quarter was capital raising activities. Through a one for one non-renounceable Rights Issue, the Company raised a total of \$1.31 million by 21 June and is expecting to sell the entire

shortfall to the issue of about \$4.53 million which will take the total capital raising to about \$5.84 million. Together with possible income from its other share and royalty assets, FDL expects to have sufficient funds to continue its diamond exploration activities for 3 or 4 years without further major share issues.

Work on the Company's projects in South Australia consisted of research and planning for the Gawler Craton programs and further ground magnetic surveys and trenching in the Flinders Ranges. A total of 96 targets were followed up involving 226 line kilometres of ground magnetics. Seventeen outstanding new kimberlite samples were sent to the laboratory for microdiamond analysis. In Western Australia a ground and helicopter borne heavy mineral sampling program was carried out on the Hamersley Project. Forty-nine diamond indicator mineral samples were collected and have been sent for laboratory analysis.

SOUTH AUSTRALIA

GAWLER CRATON PROJECT

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 1). 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.

Work during the quarter focussed on an analysis of previous exploration results and planning of future activities. On Flinders Island, it is thought that there remain prospective areas to the south of the area where eight



Figure 3 Recent excavator work in the Flinders Ranges

diamonds and high quality diamond indicator minerals have been found. FDL's strategy will be to look in the upwind direction for a possible source to anomalies in the northern sand dunes. Prior to any new target selection, FDL is planning to complete coverage of ground based gravity and to fly a detailed airborne electromagnetic survey over Flinders Island. This work will be carried out in the September and December quarters. If interesting targets are located they will be drill tested in the March quarter of 2008.

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.

Work during the remainder of the June quarter has consisted of an analysis of existing airborne magnetic data in an

attempt to locate all the most interesting possible kimberlite pipe type anomalies on the joint venture tenements. It is intended to commence "postage stamp" type helimag surveys in September and to drill test any resulting interesting anomalies in the December quarter. The "postage stamp" surveys will be over approximately one square kilometre at 50 metre line spacing and a flying height as low as possible, probably about 30 metres.

FLINDERS RANGES PROJECT

Monks Hill Bulk Sampling

Bulk sampling of the Monks Hill H77a kimberlite pipe commenced on 30th March 2007. Processing was completed on the 5th April, and the plant was decommissioned on the 7th April. Four individual samples totalling 120.66 tonnes produced a heavy mineral concentrate of 377.1 kg. The four concentrates were sized into four different fractions, between -10 mm and +0.5 mm, and sent to a professional laboratory in Perth. The material was processed by x-ray sorting, and then observed in the Adelaide office. No diamonds were recovered.

Ground Magnetic Surveys and Trenching

A total of 96 targets identified by helimag data were followed up with 84 detailed ground magnetic surveys, totalling 226.04 line km. These surveys were spread over the Jamestown and Nackara Project areas. Five of these targets have already been trenched (Figure 3) with one kimberlite dyke found. A 20 kg sample has been set to Perth for microdiamond analysis. Six additional targets identified as possible kimberlites from the ground magnetic surveys will be trenched in the near future. A further 19 targets have been defined as deep, pipe targets, unable to be adequately tested by trenching. It is intended that these targets will be drill tested in the December quarter.

Aeromagnetics Interpretation

Flinders' Consultant Geophysicist has continued interpretation of the fixed winged magnetic data previously collected over the Eurelia area. A number of kimberlite targets have been identified, and will be followed up by the detailed ground magnetic surveys over the next quarter, with trenching expected to follow.

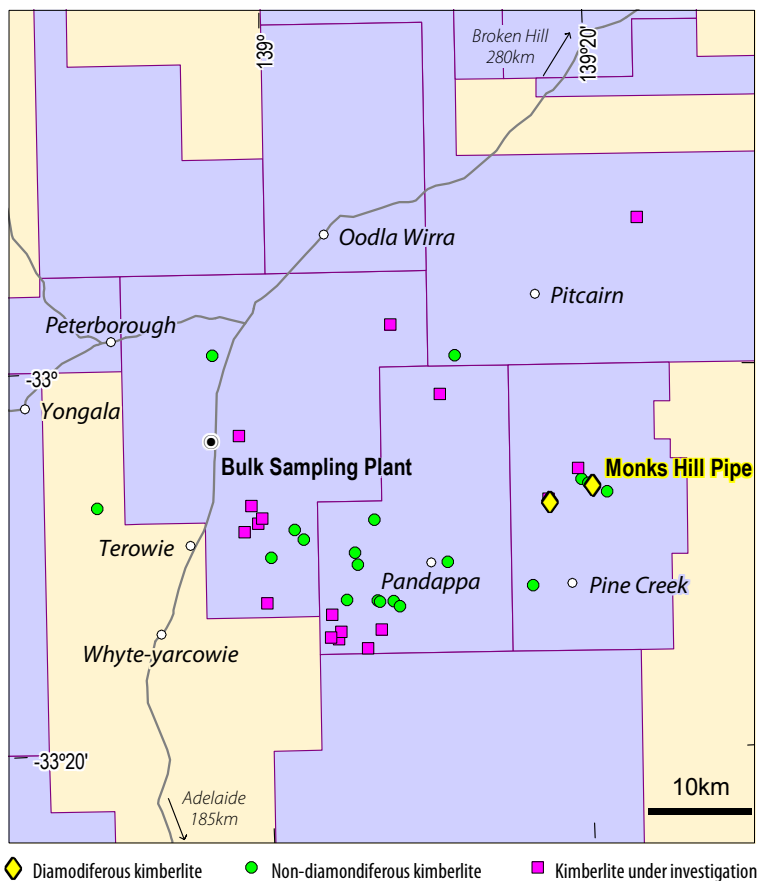


Figure 4 Location of recently-discovered kimberlites.

New Kimberlites

Sixteen outstanding new kimberlite samples (and 1 recently discovered kimberlite) have been sent to a professional laboratory in Perth for microdiamond analysis. The locations of these kimberlites are shown in Figure 4. Kimberlites with interesting microdiamond results will be tested for macrodiamonds with a bulk sampling campaign using the recently acquired plant.

Future Exploration

Ongoing exploration over the Flinders Ranges Project area will focus on detailed ground magnetic surveys, over the Jamestown and Nackara project areas. This will effectively complete work on the current helimag area. A program of trenching will follow up

kimberlite targets identified from the detailed ground magnetics.

Previously, initial sampling of newly discovered kimberlites involved the collection of approximately 20 kg sample. Larger samples, between 2 and 5 tonnes, will now be taken, utilising the bulk sampling plant. This larger sample size will be more cost-effective and increase the confidence in the accuracy of the diamond analysis.

A review of previous results from trenching activities has highlighted a number of targets which were too deep to be sufficiently tested by trenching or shallow auger drilling. Approximately 15 deep targets have been identified, throughout the Jamestown and Nackara projects, in addition to the

recently identified deep targets from this quarter's ground magnetic surveying. A drill rig will be sourced for the testing of these targets in the December quarter.

ADELAIDE HILLS PROJECT

Further assessment of the Adelaide Hills diamond data base has led to the conclusion that further sampling of the diamodiferous Tertiary gravels in the Echunga area should be undertaken after FDL takes possession of the NTF bulk sampling plant in October. Gem quality diamonds up to 5.2 carats in weight have been found from the Echunga area, but previous exploration has not been able to locate a diamond indicator mineral trail. It is thought that utilisation of FDL's high quality DMS bulk sampling plant with larger samples may solve this problem.

G2 PROJECT

A helimag "postage stamp" survey is planned in the September quarter over an interesting magnetic anomaly recognised from the government's SAEI data. This will hopefully lead to drill testing in the December quarter.



Figure 5 Helicopter used for sampling in the Hamersley Ranges

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 current expenditure since inception is approaching \$1 million which will entitle the Company to a 75% interest.

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.

Heavy Mineral Sampling Program

During the period 1 to 11 June a heavy mineral sampling program was carried out in the Hamersley Ranges over tenements in the Hamersley Project. The aim of the sampling was to try to duplicate the diamond-bearing results from previous sampling programs and to test a series of structural targets identified on the Hamersley EL. The program started on 1 June, initially by 4WD vehicle and was completed by helicopter (Figure 5) for the more inaccessible areas.

In total forty-nine (49) heavy mineral samples were collected (Figure 6). Nineteen samples were from the Hamersley EL, 14 from the Bold Cliff EL and 16 from the Mulga Downs EL. All samples were sieved on site to minus 2 mm and consisted of about 20 kg of material. Samples have been sent to the laboratory for diamond indicator mineral analysis. Results are expected in August.

TWIN SWAMPS PROJECT

Due to the negative results of last November's drilling program Flinders Diamonds has decided to terminate its activities in this project. Joint Venturer Prenti Exploration Pty Ltd have been advised and a 100% interest in the tenement has been transferred to them.

NORTHERN TERRITORY

STRANGWAYS PROJECT

No work was undertaken during the June quarter.



Figure 6 Sample site from recent Hamersley Ranges sampling

CORPORATE

On 1 May the Company announced a one for one non-renounceable Rights Issue to raise funds for its ongoing exploration programs and its new direction, diamond exploration on the Gawler Craton. The issue closed on 15 June and on 21 June the Company advised that it had issued 109,101,211 new shares in relation to the Rights Issue. The take up rate was about 22% and a total of \$1.31 million was raised. At the end of June the Company had 595,550,919 shares on issue. The Company is now actively placing the shortfall with interested parties and expects to fill the issue and raise an additional \$4.53 million.

FINANCE

On 30 June 2007 the Company had available funds of \$1.7 million. Exploration expenditure by the Company during the June quarter was \$372,000 and forecast expenditure for the September quarter of 2007 is \$400,000.

Dr Kevin J A Wills
Managing Director

31 July 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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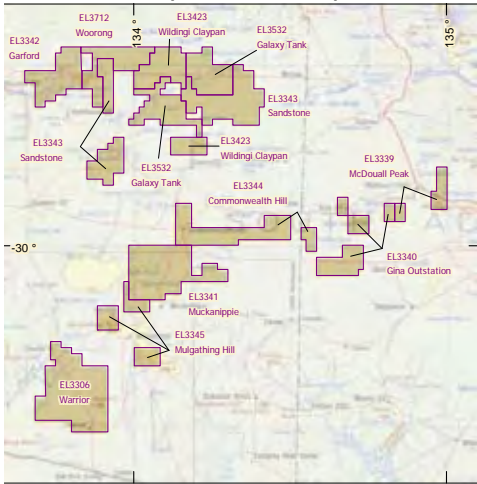
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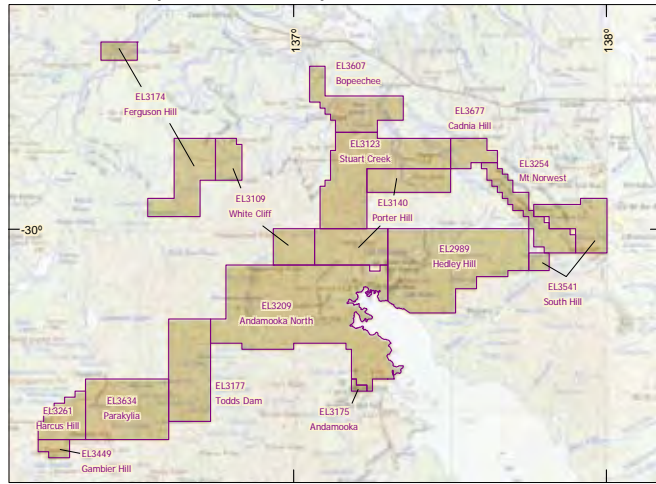
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Central Gawler (FDL/Tasman JV)



Lake Torrens (FDL/Tasman JV)



Legend

As at 30 June 2007

- Central Gawler Craton JV (Tasman Resources)
- Southern Gawler Craton JV (Tawana Resources)



Note:
All tenement maps shown
at the same scale

Southern Gawler (FDL/Tawana/Orogenic JV)



Figure 7 Tenement locations at 30 June 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 (öcurrent quarterö)

30 June 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$Aö000	Year to date (12 months) \$Aö000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(372)	(1,948)
(b) development		
(c) production		
(d) administration	(206)	(731)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	18	93
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	(560)	(2,586)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects		(55)
(b)equity investments		
(c) other fixed assets	(40)	(73)
1.9 Proceeds from sale of:		
(a)prospects		100
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities	(20)	
1.11 Loans repaid by other entities		103
1.12 Other (provide details if material)		
Net investing cash flows	(60)	75
1.13 Total operating and investing cash flows (carried forward)	(620)	(2,511)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(620)	(2,511)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,309	1,309
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	1,309	1,309
Net increase (decrease) in cash held			
		689	(1,202)
1.20	Cash at beginning of quarter/year to date	1,047	2,938
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,736	1,736

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	89
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 \$Aø000	Amount used \$Aø000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$Aø000
4.1 Exploration and evaluation	400
4.2 Development	
Total	400

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 \$Aø000	Previous quarter \$Aø000
5.1 Cash on hand and at bank	34	27
5.2 Deposits at call	1,702	1,020
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,736	1,047

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	EL47/1013	Surrendered	50%	Nil
	EL38/1343	Granted Tenement	50%	Nil
6.2 Interests in mining tenements acquired or increased	EL3741	Granted Tenement	Nil	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	595,550,919	595,550,919		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	109,101,211	109,101,211	\$0.012	\$0.012
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 4,025,000	381,653,978	<i>Exercise price</i> \$0.10 \$0.017	<i>Expiry date</i> 29/9/2008 20/3/2012
7.8 Issued during quarter				
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: 30 June 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.