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Australian Stock Exchange Announcement

KIMBERLITE PIPES LOCATED AT FRANKLYN TARGET

6 June 2006

The Manager
Companies Announcements Office
Australian Stock Exchange
20 Bridge Street SYDNEY NSW 2000

Highlights

- *Two kimberlite pipes located by trenching at Franklyn Target*
- *Two larger pipes suspected under shallow sedimentary basins*
- *New pipes to be bulk sampled for diamonds in June/July*

Summary

Excavation of 35 trenches at the Franklyn kimberlite target over the last two weeks has led to the discovery of two new kimberlite pipes and the suspicion that two larger pipes are present. The two confirmed pipes have been called Franklyn 1 and 2, and two suspected pipes, Franklyn 3 and 4 (Figure 5). It is intended to bulk sample pipes 1 and 2 for macrodiamonds in the June/July bulk sampling Program. Franklyn 3 and 4 are thought to be covered by shallow Tertiary sediments and will be further explored by detailed ground magnetics, gravity and drilling. If sufficiently shallow kimberlites can be located they can also be bulk sampled in the June/July program.

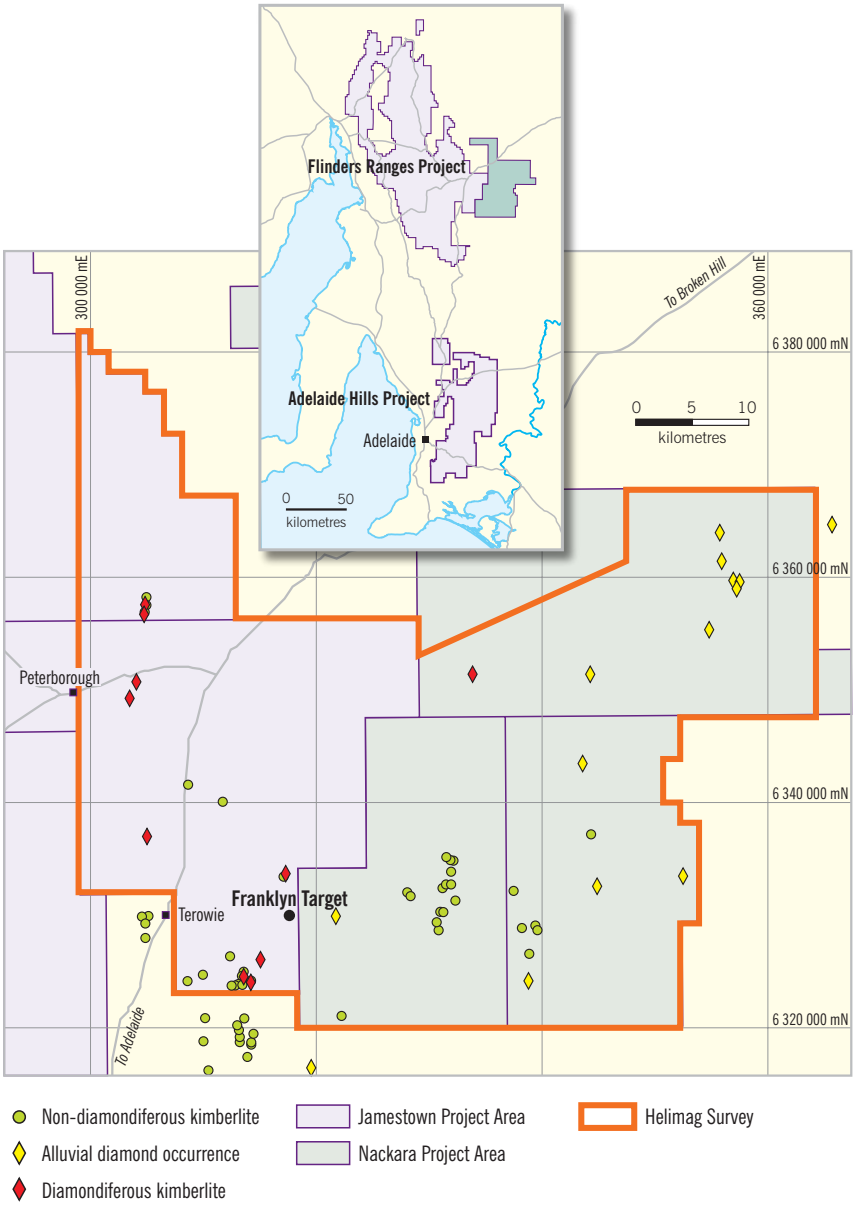

Figure 1 *Location of the Franklyn Target in relation to the Nackara and Peterborough Helimag Surveys.*

Franklyn Target Exploration

The 48 hectare Franklyn Target was detailed by the Peterborough Helimag survey in April and is located about 11 kilometres east of Terowie as shown on Figure 1. Tenure is under EL 3427, held 100% by Flinders Diamonds Limited (Flinders). A previous explorer had drilled eight shallow holes to test the southern part of the anomaly but did not find any magnetic rock to explain the airborne anomaly. These holes have

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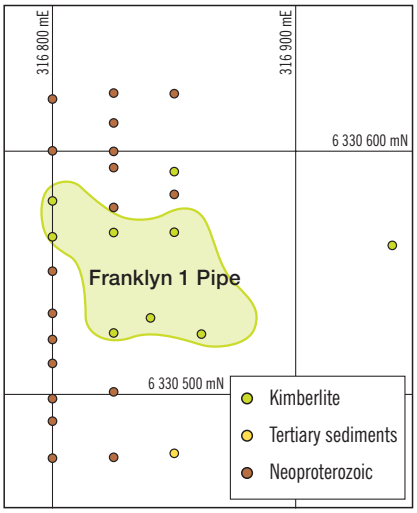

Figure 2 *Results of trenching near the Franklyn Kimberlite Pipe*

been located from drill spoil and are thought to have intersected Tertiary sediments and Neoproterozoic country rock.

In the last two weeks, Flinders has excavated 35 trenches to explore the target. Nine trenches intersected kimberlite, 8 intersected Tertiary sediments and 18 intersected Neoproterozoic country rocks as shown by Figure 2. To date one kimberlite pipe (Franklyn 1) has been outlined and one (Franklyn 2) has been intersected. Franklyn 1 has dimensions of about 100 metres by 60 metres. If the pipes are related to the size of the most intense magnetic anomalism, Franklyn 2 may have dimensions of 200 by 100 metres. There are two larger targets under Tertiary sedimentary cover which have been called Franklyn 3 and Franklyn 4 on Figures 3, 4 and 5 with sizes of about 300 by 200 and 400 by 300 metres respectively.

Trenches to a maximum of seven metres depth have been dug as shown on Figures 6 and 7. Magnetic kimberlite has been found at Franklyn 1 and 2, but no magnetic source was located under Franklyn 3 and 4 where Tertiary sediments were located. The magnetic source, which is thought

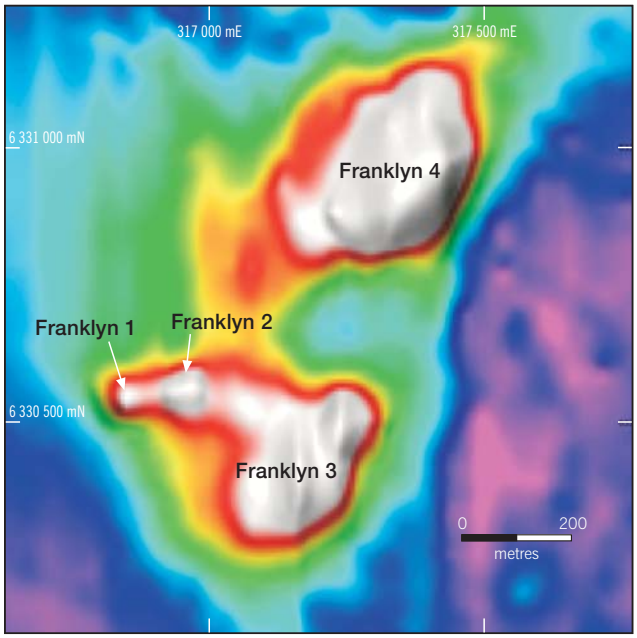

Figure 3 *Helimag image from the Peterborough survey showing anomalies related to kimberlite pipes 1 and 2 and kimberlite targets 3 and 4.*

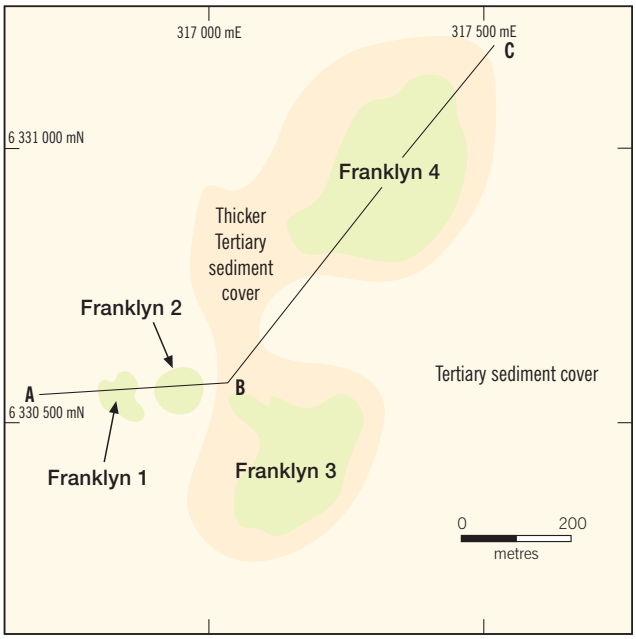

Figure 4 *Geological plan interpretation of the Franklyn Target Area.*

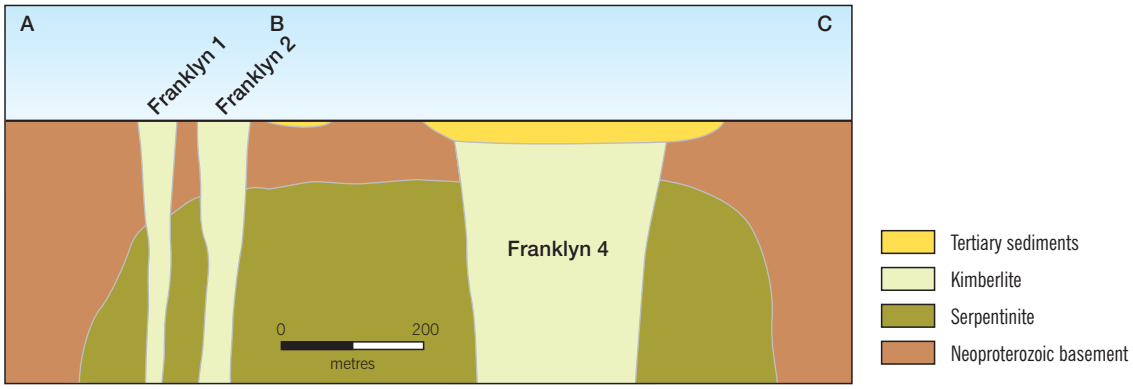

Figure 5 *Geological section interpretation across the Franklyn target*

Figure 6 *Kimberlite rock by Trench 9 at the Franklyn 1 kimberlite pipe.*

to be kimberlite, has not yet been located. These sediments are thought to be part of shallow local sedimentary basins developed over topographic lows formed during prior erosion of soft kimberlite. An interpreted geological map and section consistent with observations to date is shown by Figures 4 and 5.

The Franklyn Pipes 1 and 2 contain common xenoliths (foreign rocks) which show evidence of rounding and milling which is typical of kimberlite diatremes. The xenoliths in Franklyn 1 are mainly quartzite whereas those in Franklyn 2 contain common highly magnetic serpentinite. This suggests that the overall Franklyn magnetic anomaly may be caused by the intrusion of a dunnite (olivine-rich rock) which has been serpentinised. This body will need to be drill tested to prove its lithology and it may contain associated nickel mineralisation.

Future Exploration

Exploration of the Franklyn Target is at an early stage and a considerable amount of further exploration is necessary to properly evaluate the four targets. As Flinders had previously planned to commence bulk sampling in June, it is possible to run a bulk sample of Franklyn 1 and 2 to check directly for macrodiamonds.

Flinders have commenced a detailed ground magnetic survey over the entire Franklyn Target and a gravity survey is also planned. The gravity survey in particular is likely to provide strong evidence about the presence and location of additional kimberlite pipes.

It is also necessary to drill a number of holes to establish the depth of Tertiary sediments and confirm the type of bedrock beneath them. If Franklyn 3 and 4 are confirmed to be kimberlite they can be evaluated by microdiamonds on drill samples or, if kimberlite can be found within excavateable depth, a bulk sample can be collected.

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Figure 7 *Excavator "benching down" to reach a depth of seven metres at the Franklyn Target.*

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 Fellow of the Australasian Institute of Mining and Metallurgy and acts as a geological consultant to Flinders Diamonds Limited. Dr Wills has more than five years relevant experience in the style of mineralisation and types of deposit under consideration and consents to inclusion of the information in this report in the form and context in which it appears. He qualifies as Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".