



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

DRILLING CONFIRMS LARGER KIMBERLITE PIPES AT FRANKLYN

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The Manager
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Highlights

- *Drilling confirms kimberlite from larger pipes as source of Magnetic anomalies at Franklyn*

Summary

An air-core drilling program commenced at the Franklyn Target on Wednesday 12 July. To date nine shallow holes have been completed for 398 metres of drilling. Most of these holes have intersected kimberlite under shallow Tertiary sediments.

Franklyn Target Drilling

The Franklyn Target, located about 11 kilometres east of Terowie, was detailed by the recent Peterborough helimag survey in April. Following a detailed ground magnetic survey, shallow targets were tested by excavating trenches. This resulted in the discovery of kimberlite pipes Franklyn 1 and 2 was announced on 6 June, 2006.

As the excavator had been unable to dig deep enough to test the two larger magnetic targets, Franklyn 3 (estimated area 300 by 200 metres) and Franklyn 4 (estimated area 400 by 300 metres) a drill rig was sought to test beneath the sediments. This work is currently in progress and the exact size of Franklyn 3 and 4 has yet to be confirmed. However it is now clear that the major source of magnetic anomalies at Franklyn is kimberlite and that two large kimberlite bodies have been identified.

Drilling is now detailing contacts and testing depth extent of the kimberlite. If an area of shallow kimberlite can be located it may still be possible to collect a bulk sample for treatment in the current bulk sampling program. 20 kilogram samples are being collected from each drill hole for microdiamond

determinations. A further announcement, with maps, will be released after the completion of the drilling program.

Bulk Sampling

The current bulk sampling program is proceeding well with all eight 100 tonne diamondiferous kimberlite samples collected and transported to the treatment site. To date four of the eight have been treated and concentrates from two have been sent to Perth for X-Ray diamond recovery. First results are expected in early August.

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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".