



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

INTERIM BULK SAMPLING RESULTS AND EXPLORATION UPDATE

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The Manager

Companies Announcements Office

Australian Stock Exchange

20 Bridge Street SYDNEY NSW 2000

Highlights

- Further diamonds recovered from Flinders Ranges Bulk Samples FBS 3 & 4; results not yet complete
- No diamonds recovered from samples FBS 1, 2, 6, 7 & 8; results not yet complete
- DMS plant on site ready to treat next batch of bulk samples if justified by microdiamond results of 26 new Flinders Ranges kimberlites being analysed in Canada
- Ground magnetics and new trenching program continuing in the Flinders Ranges and a drilling program planned for the Hamersley Project in Western Australia.

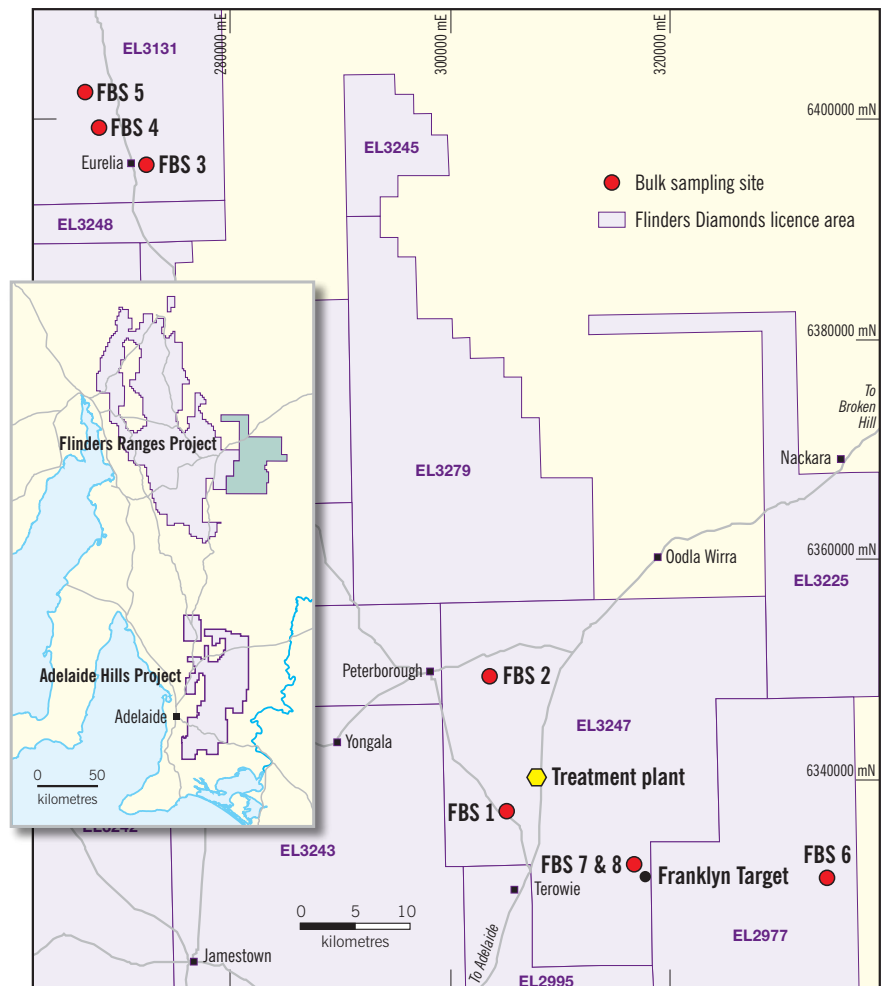


Figure 1 Bulk sample and treatment plant locations.

Significance of Results

While the Company is greatly encouraged by results to date from Eurelia, it has proved disappointing that the samples from the Franklyn target, FBS 7 and 8, have returned no

diamonds so far. Other dyke targets within the southern portion of EL 3247 have recently returned positive microdiamond results. Recent drilling in the near vicinity of the Franklyn target has

indicated a new kimberlite body which is currently in the process of analysis.

The DMS plant has been decommissioned for the time being but remains on-site. It is likely that additional

bulk samples will be processed once the Company receives the awaited microdiamond results from Canada on a batch of 26 recently discovered kimberlites.

Ongoing Exploration Programs

The Company is continuing with its ground magnetic surveying programs over identified Helimag targets within the Flinders Ranges Project tenements, and is planning in the next month to carry out its next phase of the trenching program over recently defined targets that have been approved for sub-surface investigation by the Mines Department.

In Western Australia, Flinders Diamonds is seeking a multipurpose drilling rig for the Hamersley, Bold Cliff and Elvire Tenements located within the Hamersley Ranges with a view to drilling as soon as a suitable rig is contracted. Due to the current difficulty in acquiring drilling rigs throughout Australia no firm date for commencement of the program is possible at this time. Should it not be possible to drill within the next few months, further ground surveys and heavy mineral sampling programs will be implemented to advance these Projects.

On Site Treatment Completed

The Company completed the treatment and recovery of concentrates from eight bulk samples from the Flinders Ranges Project Area (Figure 1) on Monday 14 August 2006. All of the Dense Media Separation (DMS) concentrates were dispatched to the Perth Laboratory of Diamond Recovery Services by the 22 August, 2006.

It was originally anticipated that all of the results from the program would have been available by the end of August. However, the later than expected completion of processing,

due in part to weather conditions and difficulties in processing some of the samples, together with prior commitments of the processing laboratory have adversely impacted upon the timing and the receipt of all relevant results by the Company.

Interim Bulk Sample Results

The Company was pleased to report to the Stock Exchange on the 3 August 2006 that 30 diamonds had been recovered from the first sample processed, FBS 5, from the Eurelia area (Figure 1).

In the release, Flinders Diamonds announced that further results were anticipated to be available within the next month. Accordingly, due to a number a queries from interested shareholders, and although a significant number of results are still outstanding, and quality control checks and further processing procedures are still in progress, the Company has decided to release the following interim results.

Each bulk sample concentrate is split into four size fractions for diamond recovery. These are 0.5-1 mm, 1-3 mm, 3-6 mm and 6-10 mm. The three coarsest fractions are treated by X-ray recovery and this proceeds fairly rapidly. The finer fractions need extra treatment and hand sorting, so take longer to complete.

HMS concentrates from bulk samples from the two remaining dyke targets within the same general area as FBS 5, referenced as FBS 3 and FBS 4, yielded seven diamonds and three diamonds in the coarse fractions respectively.

Diamonds recovered from FBS 3 were in the 1-3 mm size fraction. The combined weight of the diamonds recovered was 0.157 carats. The finer concentrate fraction, 0.5-1 mm sizing, is still waiting processing and the plus 1 mm fractions

are to be subjected to further treatment as the largest stone recovered (0.04 ct.) is extensively coated with carbonate material which has the potential to inhibit detection of the diamonds by the X-ray sorter.

Bulk sample FBS 4 yielded 3 diamonds in the 0.5-1 mm size fraction. No diamonds were recovered from the coarser sized material. One of the 3 stones was again reported to be in-part carbonate coated and the sample requires further treatment to ensure that diamonds, in all size fractions, have not been hidden from the sorter.

Of the five samples treated away from Eurelia, (Figure 1) FBS 1, 2, 6, 7 and 8, all of the results received to date have found no diamonds in fractions above 1 mm in size. While the 0.5-1 mm fractions from samples FBS 01 and FBS 07 returned no diamonds the finer 0.5-1 mm fractions of samples FBS 2, 6 and 8 have yet to be processed.



Dr Kevin Wills
Managing Director

For further information please contact:
Phone: 1300 559 564
Mobile: 0419 850 997
Email: kwills@flindersdiamonds.com

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, through his company KJ Exploration Pty Ltd, 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".