



FLINDERS
DIAMONDS

Australian Securities Exchange Announcement

HIGH TECH AIRBORNE ELECTROMAGNETIC SURVEY COMPLETED ON FLINDERS ISLAND

10 October 2007

The Manager

Companies Announcements Office

Australian Securities Exchange

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HIGHLIGHTS

- A high-resolution airborne Electromagnetic survey has been completed over the highly diamond prospective Flinders Island — offshore from Elliston, South Australia.
- This survey heralds a thrust to use new concepts and technology to locate buried diamondiferous kimberlite pipes beneath the sands covering Flinders Island.

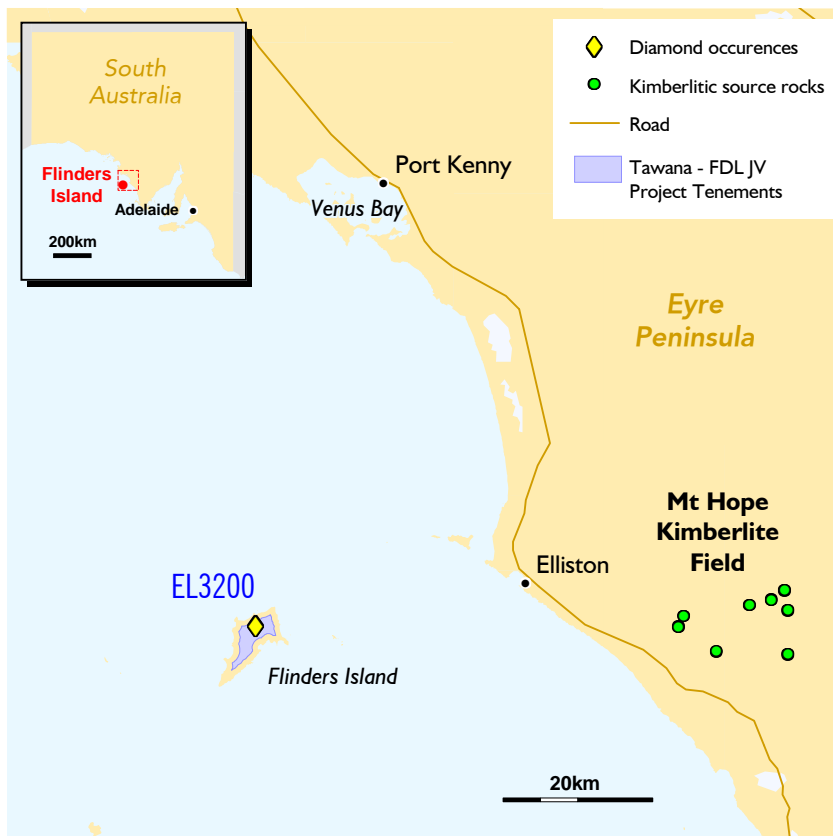


Figure 1 Location of Flinders Island.

Background

Flinders Island in South Australia is located about 30 kilometres offshore from Elliston on the west coast of Eyre Peninsula (Figure 1). The diamond exploration project is a joint venture between Flinders Diamonds Limited, Tawana Resources NL and Orogenic Exploration Pty Ltd. Flinders Diamonds can earn 70% equity by the expenditure of two million dollars over a period of up to eight years. The project area was previously explored by Orogenic, Tawana and De Beers between 2000 and 2005. Flinders Diamonds has commenced a new phase of exploration based on new concepts and the application of new high-tech survey methods (Figure 2).

The Model

Flinders Island has an area of some 40 square kilometres. Basement consists mainly of granite and is overlain by undulating transported aeolian sands, up to 30 meters thick. The exploration model being applied



Figure 2 Electromagnetic loop slung below helicopter during surveying.

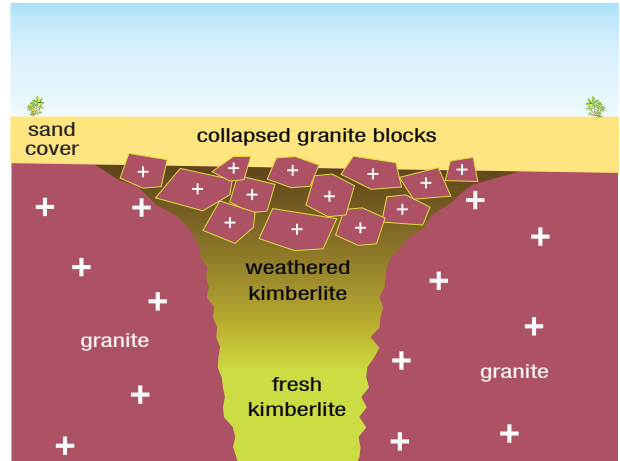


Figure 3 Kimberlite Model for Flinders Island.

is of a target comprising a collapsed crater of a kimberlite pipe or dyke concealed beneath the sand cover and possibly infilled with large blocks of granite (Figure 3).

Exploration by previous operators has found highly anomalous quantities of diamond indicator minerals and eight microdiamonds within the sands (Figure 4). These results indicate there is a strong possibility of a kimberlite source on the island. However, this primary source has so far proved elusive to discover.

Significance of Indicator Results

The range and quality of kimberlitic minerals recovered is extremely encouraging, with chromite, pyrope, picroilmenite, olivine, diopside, phlogopite, and diamond all recovered. Even soft minerals such as olivine and diopside show little wear on their surface, while most grains show only slight wear indicating proximity to source. The indicator grain chemistry indicates a

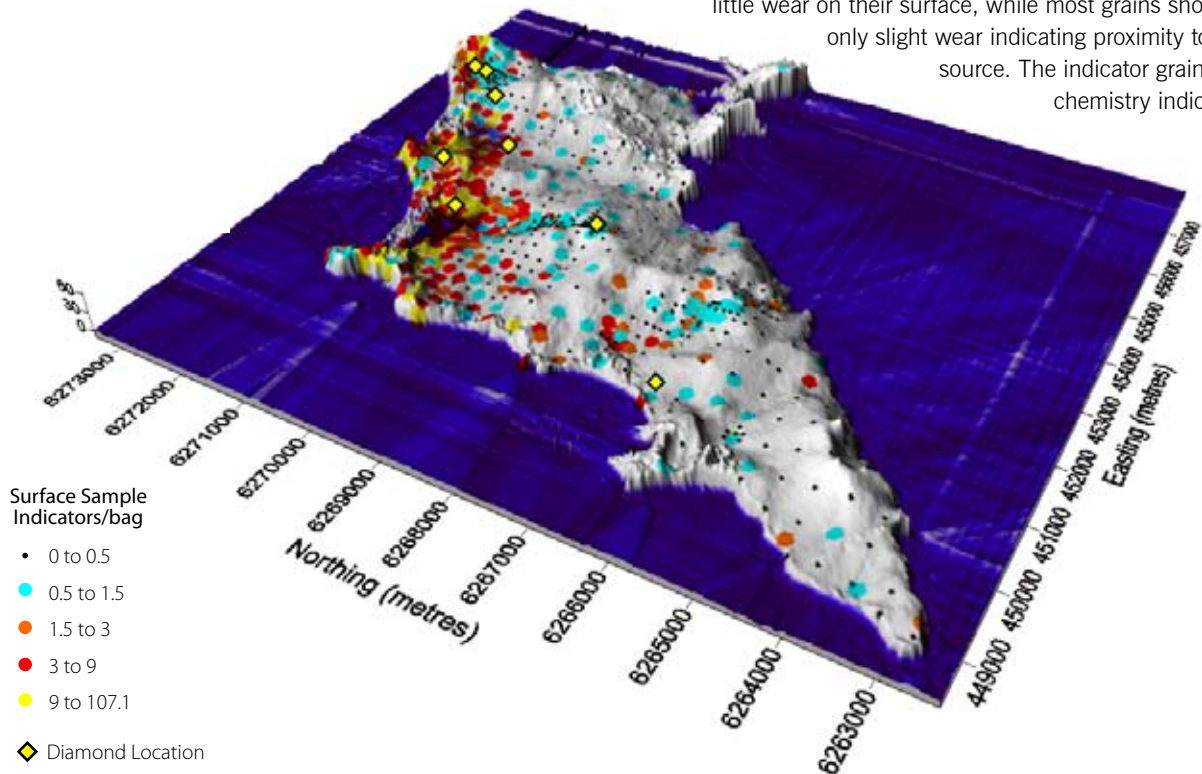


Figure 4 Perspective view of Flinders Island showing diamond and indicator results.

diamondiferous kimberlite source, and the recovery of eight diamonds supports this interpretation. The samples across the surface of the island were not collected specifically for diamonds, and the recovery of so many in the size fraction examined provides confidence more will be found (Figure 4).

Completion of the Airborne Survey and Follow up

High resolution airborne magnetic surveys over Flinders Island have shown that the granite basement is criss-crossed by sets of linear fractures, any one of which could contain a kimberlite dyke or pipe. The remnants of such features could easily be concealed either by collapse of the wall rocks or by sand cover or both (Figure 3). However, without further vectoring tools there are too many targets to economically drill-test.

It was therefore decided that the airborne electromagnetic method, probably followed by a gravity survey, offered the most cost-effective vectoring tools, and the REPTM system was chosen. A photograph of the helicopter with the electromagnetic loop and sensor slung beneath is shown in Figure 2. The effective loop and sensor ground clearance was approximately 30 metres, and the line spacing 50 metres. In addition to the EM equipment, a magnetometer also operates to produce a detailed aeromagnetic map.

Approximately 800 line kilometres of data were acquired over a three day operation based in Elliston in early October. The results will be analysed over the next two months for targets warranting further detailing and drilling.

The survey has been, and initial data processing will be, conducted by a South Australian contractor.

Ground Follow up and Drilling

It is intended that identified EM targets will be followed up with an optimised gravity survey to give further refinement. Geological mapping will also be carried out to determine the paleo wind directions at the time the aeolian sands were laid down. All data will then be analysed and the most promising targets will be drill tested in early 2008.



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10 October 2007

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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. 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".

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