
NEWS

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FOR IMMEDIATE RELEASE
Friday 19 July, 2002

WORLD MAJORS FARM-IN TO FLINDERS DIAMONDS'

NORTHERN TERRITORY BASE METAL PROSPECT

An alliance of two major world resource companies has signed an agreement to farm-in to the base metals prospect of Flinders Diamonds Limited's Strangways project in the Northern Territory.

The Teck Cominco/BHP Billiton Alliance will assume all base metal exploration and mining rights for all tenements in the Strangways project, 85 kilometres northeast of Alice Springs.

"The Alliance will bring substantial exploration and project development expertise to this project and Flinders Diamonds can only benefit by such an association," the Company's Managing Director, Dr Kevin Wills, said today.

The Alliance will initially earn a 51% equity interest through the expenditure of \$2 million. It can then increase this to 80% by carrying Flinders Diamonds through to the completion of a bankable feasibility study.

Flinders Diamonds can then choose to contribute to further expenditure and development at a 20% equity level, convert to a 10% free-carried interest with development costs repaid from the project's free cash flow, or convert to a 1% net smelter return (NSR) royalty.

"However, Flinders Diamonds will remain focused on diamond exploration and will retain full rights to explore for and develop diamond deposits at Strangways," Dr Wills said.

The Strangways project area covers 1,711 square kilometres of tenement straddling the Plenty Highway northeast of Alice Springs and is Flinders Diamonds' only Northern Territory tenement.

South Australian-based Flinders Diamonds listed on the ASX in February this year with six main diamond projects in South Australia, the Northern Territory and Western Australia.

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"Building value"

Dr Wills said the Teck Cominco/BHP Billiton Alliance agreement was the first result of Flinders Diamonds' policy to value-add to the company, its shareholders and the status of its acreage by farming out the non-diamond exploration potential of its tenements.

"The base metals potential of Strangways is considerable," Dr Wills said.

"The project area contains the most significant gravity corridor intersection in Australia.

"The intersection includes lineaments hosting the existing Olympic Dam copper, gold, uranium mine in South Australia as well as the Tanami gold mines in the Northern Territory.

"This potential has been reinforced by very positive recent investigations into the Strangways area by the Northern Territory Geological Survey and Geoscience Australia," he said.

"As a result, the Strangways project has the potential for world-class deposits of zinc-lead-silver, as well as copper-gold."

The exploration licences involved in the agreement - 10364, 22443, 22446, 22623 and ELA 23542 - and all beneficially owned 100% by Flinders Diamonds.

"Flinders Diamonds will be free to manage our own exploration for diamonds and will work with the Alliance to enable mutually co-operative work programs and negotiations with Traditional Owners," Dr Wills said.

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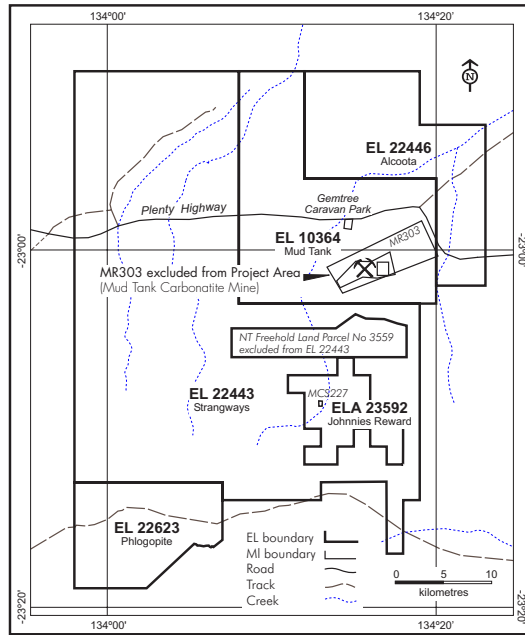
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