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# NEWS

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FOR IMMEDIATE RELEASE

Tuesday 17 January, 2006

### **FLINDERS DIAMONDS IN TWO-TIERED CAPITAL RAISING**

Flinders Diamonds ('FDL') is seeking to expand its Australian diamond exploration program and shareholder base with a A\$4.2 million capital raising announced today.

The Company said today structure of the capital raising included a:

- One-for-one non-renounceable rights issue at an issue price of 1.5 cents per ordinary share, raising up to A\$3.027 million
- A placement to selected brokers of up to 80 million new ordinary shares, also at an issue price of 1.5 cents per share, to raise A\$1.2 million, and
- Every one new share issued will carry a single 10 cent option convertible to an ordinary share by 29 September, 2008 – the same conversion date and price as for Flinders Diamonds' current FDLOA options on issue.

A recent alliance agreement with De Beers Australia Exploration Limited on Flinders Diamonds' Hamersley project in Western Australia will be among the beneficiaries of the capital raising which the Company plans to apply to a more aggressive exploration schedule in 2006 and for working capital.

"The new work is to be headed by a helimag survey likely towards the end of February in South Australia's Peterborough region where the Company's rate of discovery last year of diamondiferous kimberlites – the host rock for diamonds - was the highest for the sector in Australia in three years Wills said.

"We achieved our best ever exploration results in 2005 but now need to infill our knowledge of the key targets around the Peterborough-Nackara area of South Australia's mid-north and on our acreage entitlements in the Pilbara region of Western Australia," Dr Wills said.

The scheduled February/March helimag survey will allow the further generation of information about ground conditions around Peterborough at just one metre width intervals.

This data density is 30 times more intense than conventional surveys and results can be available within 24 hours of actual flying, allowing earlier decisions on field follow-up even while the survey is still in progress.

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If fully subscribed, the rights issue. Which is not underwritten, and placement, will add 201.8 million shares to the Company's share register, for total shares on issue of 403.6 million.

Approval for the placement will be put to shareholders at a meeting in Adelaide on 3 March, 2006. The rights issue does not need shareholder approval.

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