



Quarterly Report

Period ending 30 June 2002

HIGHLIGHTS

- ♦ *Flinders Diamonds Limited holds title to 14,948 square kilometres of land with drill targets outlined on five of its six projects.*

Strangways Project

- ♦ *On 16 July 2002 Flinders Diamonds Limited reached agreement with the Teck–Cominco /BHP Billiton Alliance to enable them to manage an exploration program to earn an 80% equity in the base metal and gold mining rights of the Strangways Project area by completion of a bankable feasibility study.*
- ♦ *Flinders Diamonds Limited will be entitled to a 20% equity in base metal and gold rights and will retain a 100% equity in and management of the Strangways Project's diamond rights.*
- ♦ *Drill testing of magnetic anomalies for diamondiferous kimberlites is planned in the northern Strangways areas.*

Springfield

- ♦ *Geophysical surveys completed and targets to test GEM Model defined.*

G2

- ♦ *Review of Iron Oxide Copper Gold targets available for potential farm-in partners.*
- ♦ *Shallow drilling program for kimberlite indicators planned.*

Leigh Creek

- ♦ *Program to test GEM Model targets being planned.*

Website

- ♦ *Flinders Diamonds has recently updated and redesigned its website (www.flindersdiamonds.com).*

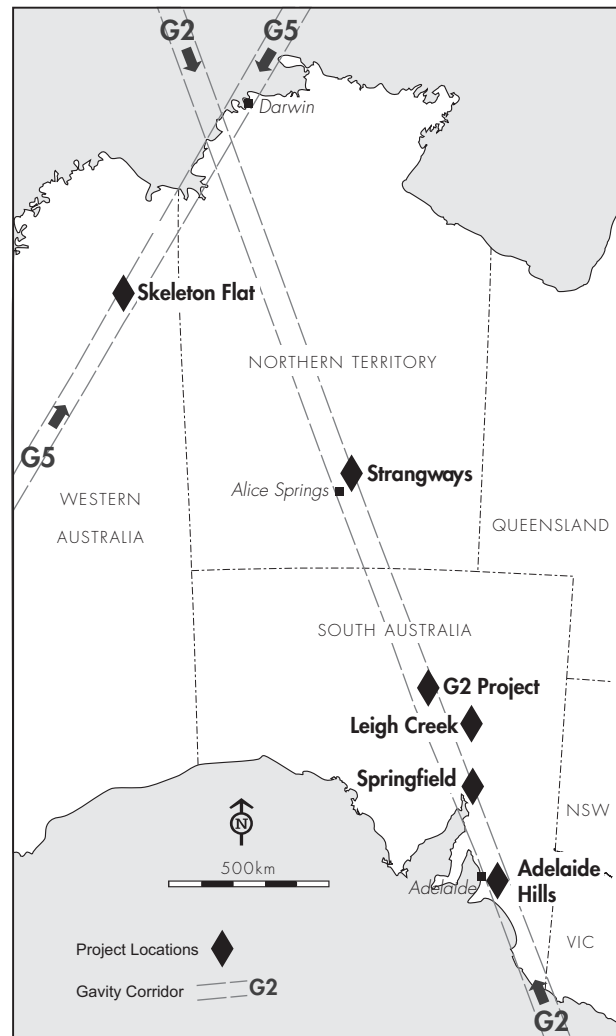


Figure 1 Flinders Diamonds Project Locations.

REVIEW OF OPERATIONS

Exploration activities during the June Quarter focused on field and office definition of drill targets together with essential pre-drilling administrative work for approvals processes.

Fieldwork was concentrated on the Springfield Project, where gravity, seismic and electromagnetic surveys have been completed and their interpretation has defined the architecture of the Springfield and Boolcunda Basins.

The agreement with the Teck–Cominco/BHP Billiton Alliance has allowed value adding exploration for base metals and gold at Strangways and is an additional benefit to shareholders. Drill programs at the G2 and Strangways Projects are ready to go once statutory approvals are received.

SOUTH AUSTRALIA

Springfield Project

During the quarter, gravity and seismic reflection surveys were carried out over both the Springfield and Boolcunda Basins in order to locate the deepest parts of each basin to test the GEM Model. FDL's GEM (Global Emplacement Model) predicts that some small sedimentary basins represent infilled kimberlite eruption craters and that buried kimberlite pipes will be present under the deepest part of the basin.

The gravity results identified well-defined low-density zones which are thought to represent the thickest sequence of basin sediments resting on higher density Proterozoic basement rocks. The seismic results also identified basement and clearly defined the lowest point of the basins (see Figure 2). The estimated maximum depth to basement is approximately 480m in the Springfield Basin (see Figure 3) and 360m in the Boolcunda Basin.

An electromagnetic survey was carried out along two of the seismic lines at Springfield and showed a strong correlation

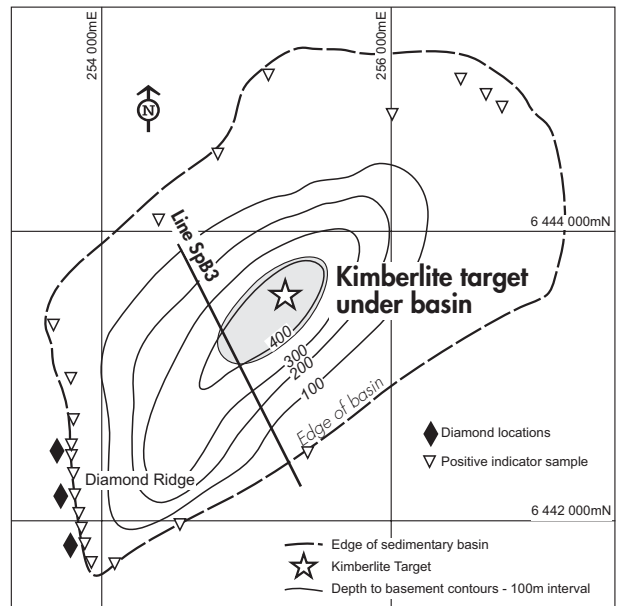


Figure 2 Kimberlite target –Springfield Basin

with the seismic interpretation. Further lines are planned prior to drill testing.

During May Flinders met the expenditure commitments of the Springfield Option Agreement with the Initial Licence Holders (J.F. Allender, A.F. Le Brun and Inca Resources Pty Ltd) and on the 30 May 2002 exercised the option enabling the Springfield Joint Venture to become operational.

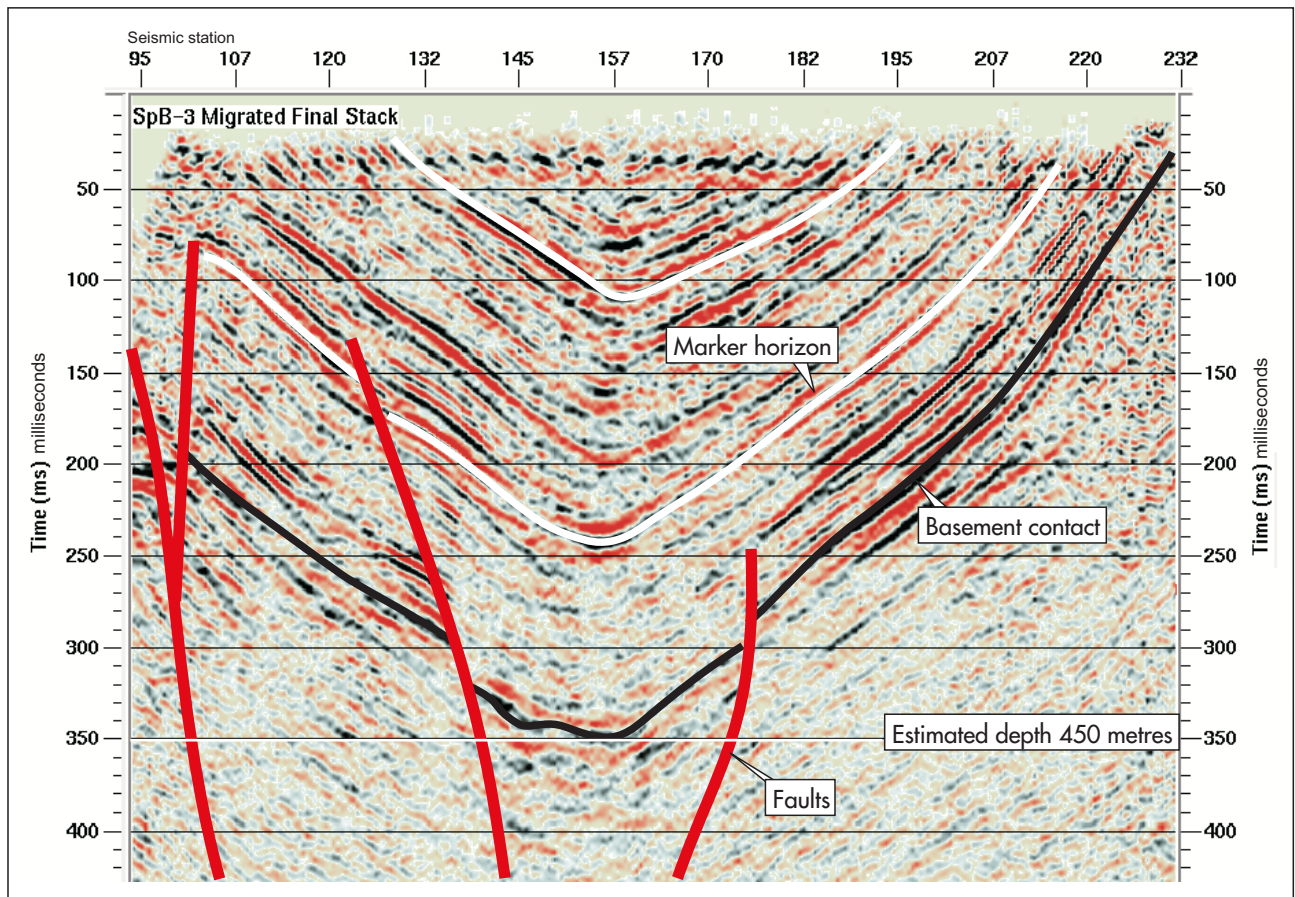


Figure 3 Interpreted Final Seismic Section SpB3

The drilling program is ready to commence with up to three holes to test for kimberlite pipes under the deepest parts of the Springfield and Boolcunda Basins. The first hole is planned to be drilled at Boolcunda. It is proposed to use deep reverse circulation percussion (RCP) drilling which, with a booster, should be able to drill cost-effectively to at least 600 metres depth.

It was originally planned that the drilling would be completed during the June quarter but operational and interpretational difficulties with the Joint Venture Agreement have led to FDL's appointment of an independent arbitrator and suspension of all non-essential work until the arbitration process is completed. It is expected that work will resume during the December quarter.

Leigh Creek Project

FDL's Leigh Creek project involves application of its GEM Model to search under small sedimentary basins, such as those at Leigh Creek and Tom Hill, for kimberlites. The Leigh Creek basins are held under title by NRG Flinders Operating Services Pty Ltd, with which FDL has an agreement.

Flinders is producing a program, which will include testing a drill target under the northern-most basin (Lobe D) at Leigh Creek, for discussion with NRG Flinders.

G 2 Project

An assessment of the project area for iron oxide copper gold deposits of the "Olympic Dam" and "Prominent Hill" type has been completed. This included a spectral depth analysis of aeromagnetic data which has provided depth estimates to magnetic basement. A document describing previous exploration activities and targets generated will shortly be available for examination by parties who wish to consider farming into the base metal and gold potential of the project.

A diamond indicator drill sampling program has been planned to initially concentrate on the southern exploration licence (EL 2759, Margaret), to test the indicator-bearing Algebuckina Sandstone where it is predicted to be less than 40 metres deep (Figure 4).

Native Title negotiations under Part 9B of the SA Mining Act have commenced with the Arabunna and Kujani claimants. It is expected that a clearance survey will be undertaken soon, in time to enable the drilling program to be carried out in September.

Adelaide Hills Project

Indicator mineral and aeromagnetic anomaly and radiometric data bases have been established. Gravel sampling has been planned and field inspection of sampling sites has been carried out. Exploration of the Echunga Gravels has also been planned.

Non-essential work was suspended in June due to the

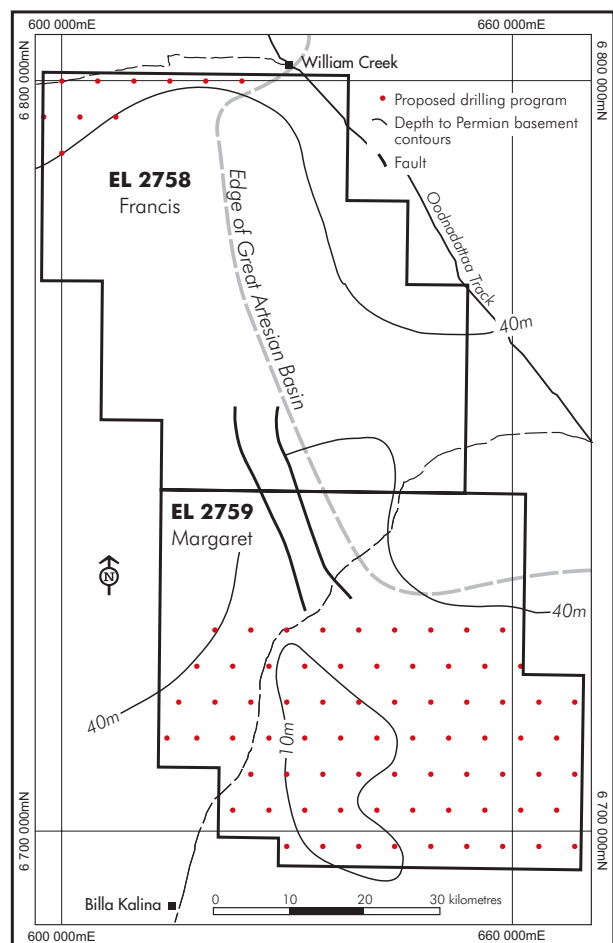


Figure 4 G2 Project –proposed drill holes

independent arbitration of operational and interpretational difficulties with the Springfield Joint Venture Agreement, which includes the Adelaide Hills Project exploration licences 2663, 2739 and 2786.

It has been agreed with the initial licence holders that EL 2585, the Lobethal JV between FDL, AKD Ltd and Statelink Holdings Pty Ltd does not form part of the Springfield JV.

NORTHERN TERRITORY

Strangways Project (base metals and gold)

On 17 July 2002, Flinders Diamonds Limited (FDL) announced that on 16 July 2002 it reached agreement with the Teck-Cominco/BHP Billiton Alliance (The Alliance) to farm out the base metal exploration and mining rights for all tenements in its Strangways Project, N.T.

Exploration for, and development of, diamond deposits are exempted from the Agreement. Flinders will be free to manage its own exploration for diamonds and will work with the Alliance to enable mutually co-operative work programs and negotiations with Traditional Owners.

The Strangways Project covers a total area of 1711 square kilometres located about 85 kilometres northeast of Alice

Springs in the Northern Territory as shown on Figure 5. Tenements involved are EL's 10364, 22443, 22446, 22623 and ELA 23592, all beneficially owned 100% by FDL.

Due to recent investigations by the Northern Territory Geological Survey and Geoscience Australia, the Alliance has recognised the potential of the Strangways Project area for world class deposits of zinc-lead-silver and copper-gold.

The agreement allows the Alliance to earn a 51% equity in the base-metal rights for an expenditure of \$2.0 million. Thereafter the Alliance may increase its equity to 80% by completion of a bankable feasibility study.

At this stage, FDL can either 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% NSR royalty.

The Alliance shall be the manager of the Joint Venture unless its interest is diluted to less than 50%.



Location of the Strangways Project

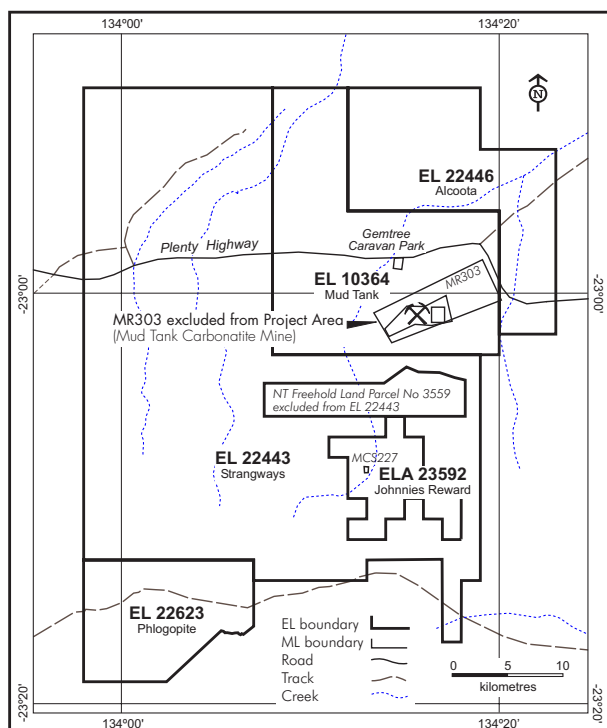


Figure 5 Strangways Project – Tenement locations.

Strangways Project (diamonds)

A regolith mapping program is planned to determine which areas can be effectively sampled for kimberlitic indicator minerals. The mapping will also determine the southerly extent and depth of the Tertiary Waite Formation and what influence it has on the distribution of kimberlitic indicator minerals in the northern half of the project area.

High resolution airborne magnetic data has been obtained along with Landsat 7 satellite imagery to further define dipolar magnetic anomalies in the project area that may represent kimberlite intrusives. Ground checking followed by ground magnetic traverses will be carried out before drill testing these anomalies. The drilling is expected to begin in the latter part of the September quarter.

WESTERN AUSTRALIA

Skeleton Flat Project

The Skeleton Flat Kimberlite target remains ready for drill testing as soon as access is achieved.

The application for E80/2547 was advertised on 15 May 2002, as required under Section 29 of the Commonwealth Native Title Act. The period of notice under the advertisement is four months and will close on 15 September 2002, after which time Flinders can expect the licence to be granted if there are no objections, or after agreement is reached with any Native Title claimants.

WEBSITE

Flinders Diamonds has recently updated and redesigned its website (www.flindersdiamonds.com) and will continue to update the site with ASX Announcements, Press Releases and plans showing results of activities.

FINANCE

At 30 June 2002, the Company had available funds of \$2.657 million consisting of a term deposit of \$2.5 million and \$157 000 in a trading account.

Exploration expenditure by the company during the June quarter was \$274 000 and forecast expenditure for the September quarter is \$250 000.

Dr Kevin JA Wills

Managing Director

29 July 2002

The information in this report has been compiled by Dr KJA Wills who is a Fellow of the Australasian Institute of Mining and Metallurgy and who is bound by and follows the Institute's codes and recommended practices. He has a minimum of five years experience in the types of activities being reported.

Enquires should be directed to Dr Kevin Wills, Managing Director on (08) 8362 5900 or 0419 850 997.

Flinders Diamonds Limited
 ABN 46 091 118 044
 20 Boskenna Avenue
 Norwood South Australia 5067
 PO Box 3368
 Norwood South Australia 5067

telephone 61 8 8362 5900
 facsimile 61 8 8362 5966
 email fdltd@flindersdiamonds.com
www.flindersdiamonds.com

FLINDERS DIAMONDS LIMITED TENEMENT SCHEDULE AS AT 30 JUNE 2002

PROJECT	TENEMENT NUMBER	TENEMENT NAME (LOCATION)	AREA (sq km)	REGISTERED HOLDER/APPLICANT	FDL'S INTEREST %
SOUTH AUSTRALIA					
Adelaide Hills	EL 2585	Lobethal	341	AKD Ltd & Statelink Holdings Pty Ltd	FDL earning 75%
Adelaide Hills	EL 2663	Kanmantoo	685	Kelaray Pty Ltd, JF Allender, AF Le Brun and IP Youles	FDL 75% of diamond rights only
Adelaide Hills	EL 2739	Echunga	385	Flinders Diamonds Limited	FDL 75%, ILH 25%
Adelaide Hills	EL 2786	Mt Pleasant	719	Flinders Diamonds Limited	FDL 75%, ILH 25%
Adelaide Hills total area			2,130		
Springfield	EL 2405	Springfield	340	JF Allender, AF Le Brun & Inca Resources Pty Ltd	FDL 75%, ILH 25%
Springfield	EL 2656	Kanyaka	297	Flinders Diamonds Limited	FDL 75%, ILH 25%
Springfield	EL 2464	Glen Oak	592	JF Allender, AF Le Brun & Inca Resources Pty Ltd	FDL 75%, ILH 25%
Springfield	EL 2738	Partacoona	12	Flinders Diamonds Limited	FDL 75%, ILH 25%
Springfield	EL 2535	Willochra	1,466	Flinders Diamonds Limited	FDL 75%, ILH 25%
Springfield	EL 2536	Gilbert Hill	2,345	Flinders Diamonds Limited	FDL 75%, ILH 25%
Springfield	EL 2718	Quorn	470	Flinders Diamonds Limited	FDL 75%, ILH 25%
Springfield	EL 2868	Radford Creek	352	JF Allender, AF Le Brun & Inca Resources Pty Ltd	FDL 75%, ILH 25%
Springfield total area			5,522		
Leigh Creek	EL 2770	Tom Hill	226	Flinders Diamonds Limited	100%
G2	EL 2758	Francis	2,485	Flinders Diamonds Limited	100%
G2	EL 2759	Margaret	2,489	Flinders Diamonds Limited	100%
G2 total area			4,974		
NORTHERN TERRITORY					
Strangways	MCS 227	Johnnies Reward MC	17.5 Ha	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ²
Strangways	MLA 23420	Johnnies Reward South	37.80	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ²
Strangways	MLA 23421	Johnnies Reward North	34.70	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ²
Strangways	¹ ELA 23592	Johnnies Reward	72.50	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ²
Strangways	EL 10364	Mud Tank	302	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ²
Strangways	EL 22443	Strangways	973	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ²
Strangways	EL 22446	Alcoota	218	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ²
Strangways	EL 22623	Phlogopite	145	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ²
Strangways total area			1,711		
WESTERN AUSTRALIA					
Skeleton Flat	ELA 2547	Skeleton Flat	33	L Field & NJ Towie	FDL earning 85%
TOTAL			14,948		

¹ Area covers MLA's 23420 and 23421

² Alliance (Teck-Cominco/BHP Billiton) earning 80% of base metal mining rights

NB: ILH (Initial Licence Holders) - JF Allender, AF Le Brun & Inca Resources Pty Ltd