



Quarterly Report

Period ending 30 September 2002

Highlights

In the September quarter Flinders Diamonds Limited (FDL) achieved a transition to full implementation of its drilling, field and office exploration activities.

Springfield (SA)

Field program underway. Trenching of shallow targets commenced. Drilling of shallow targets and targets under Springfield and Boolcunda Basins to be completed in December quarter.

Adelaide Hills (SA)

Trenching at Echunga commenced (In vicinity of historical location of 200 diamonds of up to 5.3 carats).

G2 Project (SA)

Drilling program completed produced 30 widely spaced samples which can lead to indications of buried diamondiferous kimberlite.

Strangways (NT)

Regolith mapping and ground magnetics programs completed. Potential exists for a new carbonatite complex discovery. Drill testing in December quarter.

Skeleton Flat (WA)

Exploration Licence granted and program to drill test Skeleton Flat Target planned for December quarter.

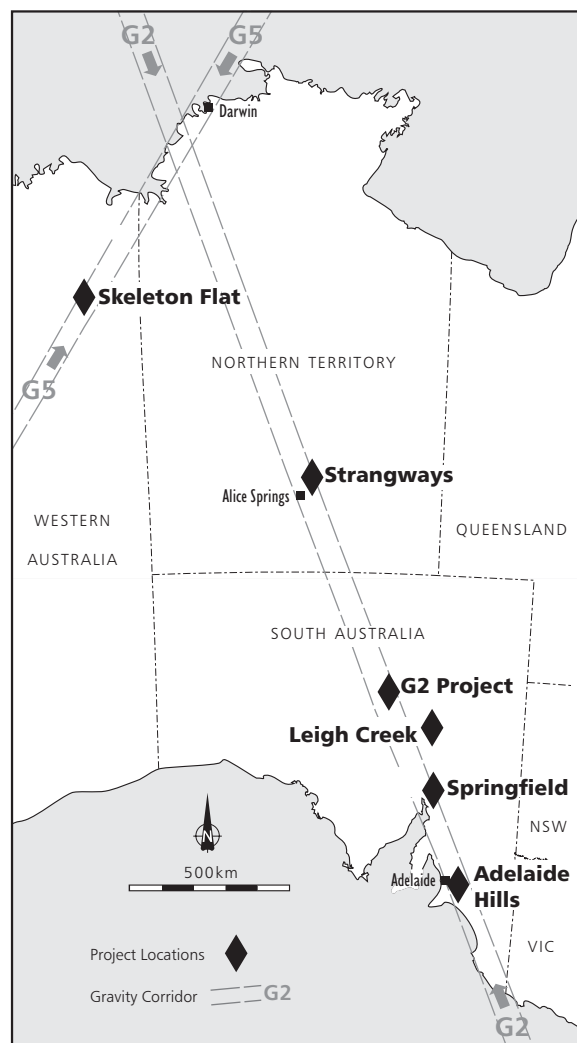


Figure 1 Project locations.

EXPLORATION ACTIVITIES REVIEW

In the September quarter FDL's activities were in transition from planning and obtaining work approvals to implementation of field programs and drilling. Final approvals for work were received for the Adelaide Hills, G2 and Strangways Projects, and the Skeleton Flat Exploration Licence was granted. Also, FDL decided to restart field operations on its Springfield Joint Venture while the arbitration process continued. The net effect has been that the company is now operating in a "balanced mode" where drilling, field and office activities occur without unwanted delays caused by the need for work approvals, tenement granting or disagreements with joint venturers.

SOUTH AUSTRALIA

Springfield Joint Venture

Resolution of differences between FDL (75%) and the Initial Licence Holders (25%) became delayed when the venturers could not agree on the appointment of a third arbitrator. FDL therefore decided that, rather than wait for the outcome of the arbitration, it would proceed with the exploration program and make any adjustments as a result of arbitration when they are known.

Consultant geologist Mr Al Maynard carried out a review of previous activities over the Joint Venture area and made a recommendation, as required by the Joint Venture Agreement, that further exploration was justified. As a result the Joint Venture Management committee was able to meet on 23 September to consider and approve a proposed exploration program and budget for the December quarter. This consisted of \$362,000 for the Springfield Project and \$80,000 for the Adelaide Hills Project.

Springfield Project

The program approved consists of excavator trenching of shallow targets at Springfield, drilling of two under-basin targets at Springfield (Figure 2), drilling of one under-basin target at Boolcunda (Figure 2), drilling of shallow kimberlite targets at Eurelia and a review of recent exploration to

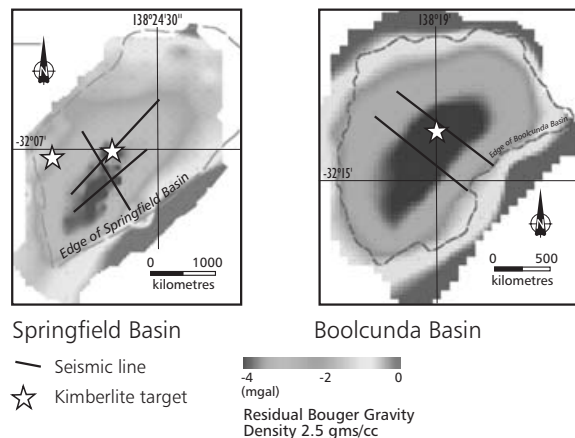


Figure 2 Gravity images with seismic lines and kimberlite targets.

prioritise future target generating activities. Exploration Licence application 123/02, Wonoka, was made to cover additional indicator mineral anomalies. The Springfield Project now consists of nine exploration areas totalling 6,190 square kilometres.

Trenching of the shallow "KA series" targets, as shown on Figure 3 has commenced. A rig to drill the deeper holes by mud and diamond drilling has been booked to commence on 6 November. Results of this target testing work will be available during the December quarter.

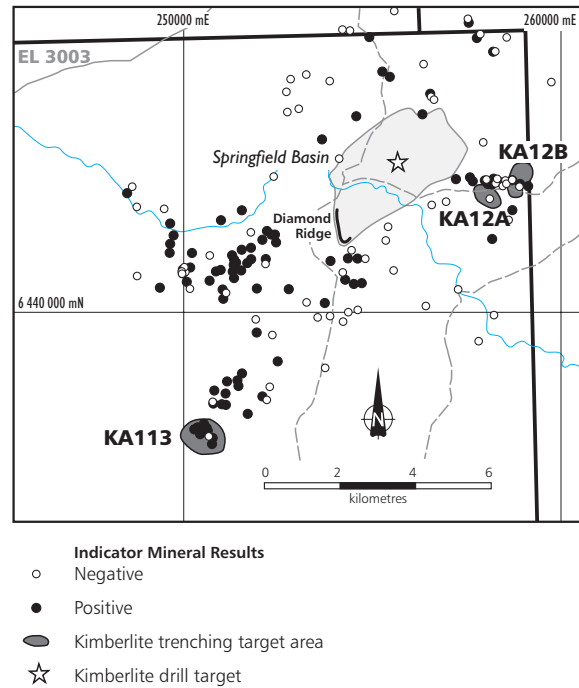


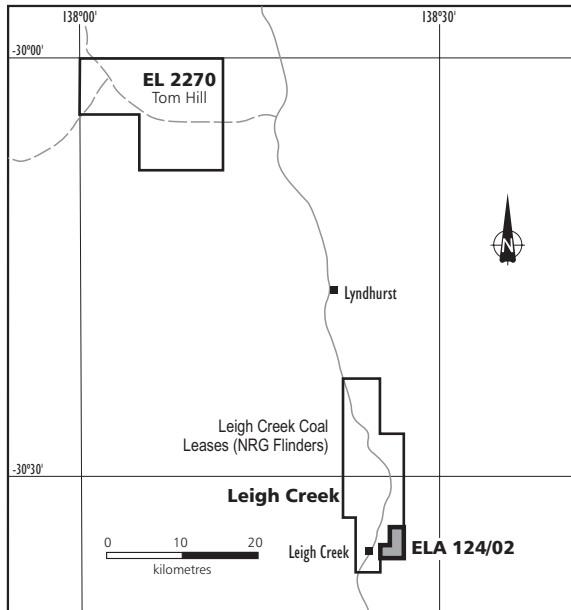
Figure 3 Springfield trenching targets.

Adelaide Hills Project

Exploration Licence application 122/02 was lodged to cover several prospective areas adjacent to existing tenements that should be included in FDL's planned sampling programs. A budget of \$80,000 has been approved for the December quarter to carry out a three component program. This involves: trench sampling at Echunga to locate indicators to aid future sampling programs; regional sampling of Tertiary gravels; and an assessment of magnetic anomalies for possible kimberlites. Permission to dig several trenches has been obtained and trenching has commenced.

Leigh Creek Project

FDL is currently assessing the Leigh Creek Basins for diamonds by analogy with similar basins at Springfield and Boolcunda. A review of drill hole data from a Mines Department 1995 drill hole highlighted a soft-rock depth anomaly that FDL interprets as a potential kimberlite. A small exploration licence of 11 square kilometres was applied for to cover the area around the anomalous drill hole (Figure 4).



- Flinders Diamonds EL Application
- Existing Flinders Diamonds Licences

Figure 4 Leigh Creek exploration licence application.

G2 Project

A drilling program to collect samples to lead to potential shallow kimberlites was carried out between 6 and 20 October (Figure 5). A total of 65 holes of an 82 hole program was drilled. The remainder were not drilled due to the likely absence of the target horizon or the presence of silicified rock which was not able to be penetrated by the aircore drilling method being used. A total of 30 holes produced samples of suitable material for testing and which can lead to indications of buried diamondiferous kimberlites in the area.

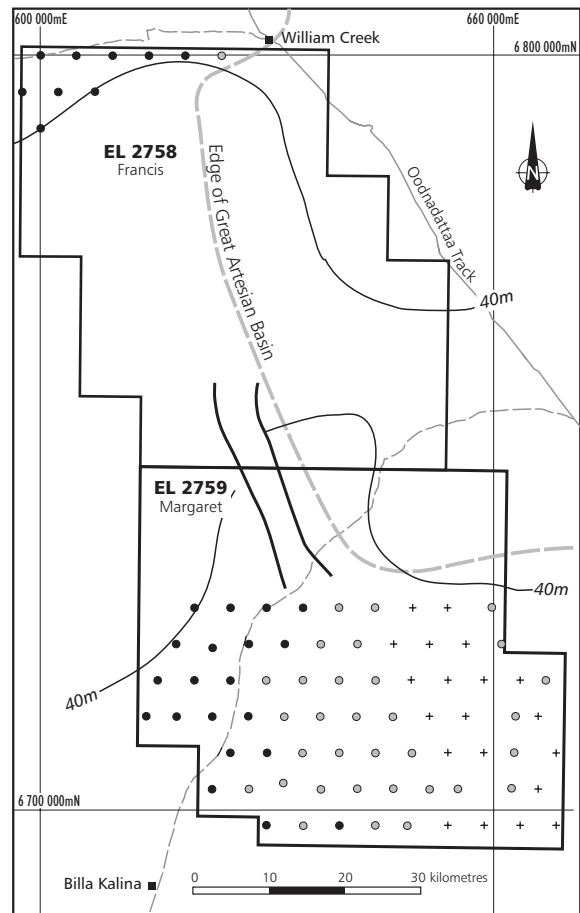
NORTHERN TERRITORY Strangways Project

Diamond Exploration (FDL 100%)

On 17 July FDL announced it had reached agreement with Teck Cominco/ BHP Billiton to farm out the base metal rights for the Strangways Project. An Exploration Agreement and an Indigenous Land Use Agreement between FDL, Teck Cominco and the Central Land Council (CLC) have been executed. The CLC has undertaken sacred site clearances to enable FDL's proposed drilling program to go ahead.

Interpretation of airborne magnetic data has led to the selection of 20 potential kimberlite and carbonatite targets to follow up. A regolith mapping program has been undertaken and a map produced to control future indicator sampling.

A field inspection of the Bleechmore carbonatite dyke locality revealed previously drilled holes of which FDL was unaware. Examination of samples and discussions with the previous tenement holder revealed that one hole had intersected 50.5 metres of vermiculite and another had intersected a zone of metamorphic gneiss, vermiculite and apatite veining.



- Holes drilled - Target intersected
- Holes drilled - Target not intersected
- + Holes planned - not drilled
- Fault
- Road
- Track
- 40m ~ Depth to Permian basement contours

Figure 5 G2 drilling activities.

Drill core from this zone was located and samples cut for assay. FDL believes that potential exists for an undiscovered carbonatite complex. A drilling program to test the targets shown on Figure 6 will be carried out in November.

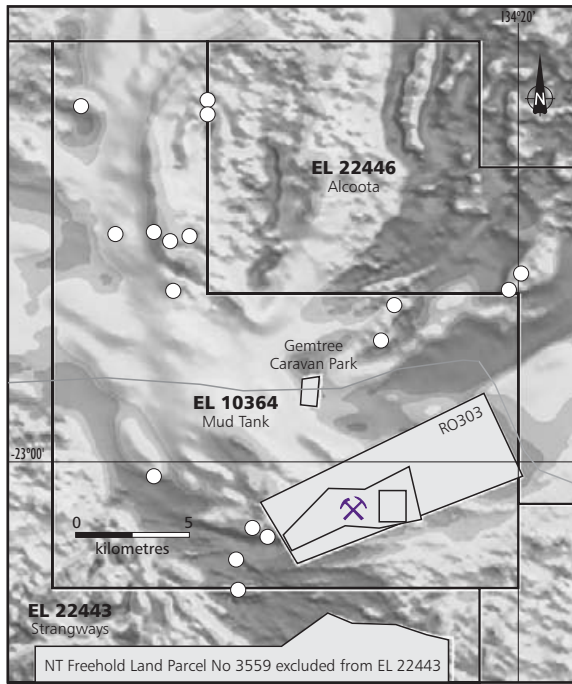
Base Metal Exploration

(Teck Cominco/ BHP Billiton earning 80%)

Teck Cominco Australia Pty Ltd and BHP Billiton have provided the following report on their operations for the September quarter.

A work Program was drawn up and submitted to the CLC as required by the Exploration Agreement and Indigenous Land Use Agreement. The program consists of a number of traverses designed to cross the lithological package interpreted to be prospective for base metal mineralisation. Ground magnetic surveying, lithochemical sampling and geological mapping will be undertaken on each of the traverses.

In addition, detailed lithochemical sampling will be undertaken within EL 23592 to determine the extent of the



- Magnetic anomaly and drill target
- Road

Figure 6 Strangways magnetic image and drill targets.

mineralized unit hosting base metal and gold mineralization at the Johnnie's Reward prospect. The work program was due to commence in early October.

WESTERN AUSTRALIA Skeleton Flat Project

Exploration Licence E80/2547 has now been granted and FDL can proceed with its planned exploration program. The Skeleton Flat licence area contains one of FDL's most attractive targets, as outlined on Figure 7. Depending on the timing of the onset of the wet season, FDL is planning to carry out a reconnaissance drilling program in November.

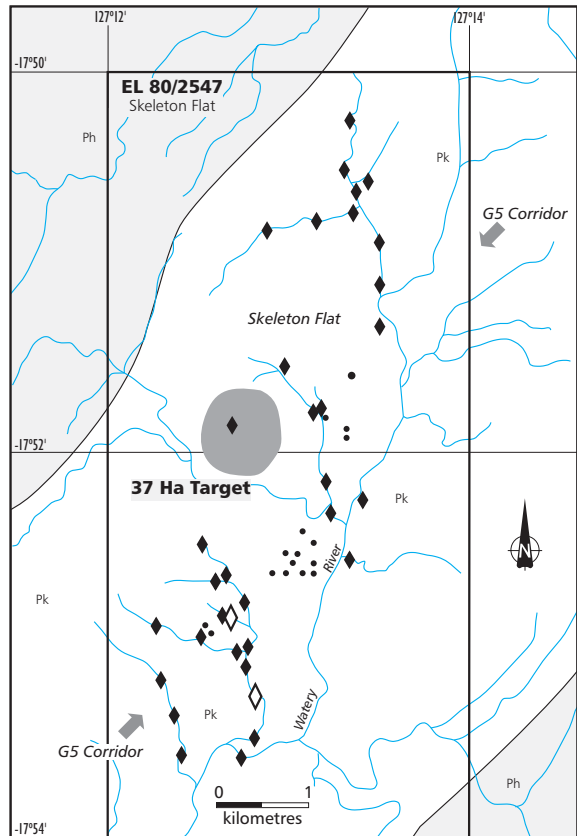
CORPORATE

On 13 September FDL announced it had commenced proceedings in the Supreme Court of South Australia in connection with alleged breaches of the Corporations Act. The defendants to the action are Mr Patric Barry, Tiger International Resources Inc, Mr Anthony Campbell, Campbell Corporation Pty Ltd, and Balance Tax Pty Ltd.

At a Supreme Court Hearing on 1 October it was ordered that:

1. The General Meeting of FDL to be held on 15 October 2002 be deferred until further order of the Court.
2. The issues between the parties be disposed of as expeditiously as possible.

The date for the Annual General Meeting has been set for 11:00 am on Friday 29 November 2002, to be held at Enterprise House, 136 Greenhill Road, Unley.



- ◇ Diamond location
- ◆ Chromite indicator
- Drillhole in kimberlite
- Photo feature
- Proterozoic
 - ▭ Pk Kimberley Group
 - ▭ Ph Halls Creek Group

Figure 7 Skeleton Flat summary map.

FINANCE

At 30 September 2002, the Company had available funds of \$2.26 million. Exploration expenditure by the Company during the September quarter was \$229,000 and forecast expenditure for the December quarter is \$550,000.

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.

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FLINDERS DIAMONDS LIMITED TENEMENT SCHEDULE AS AT 28 OCTOBER 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	ELA 096/02	Mt Barker	337	Flinders Diamonds Limited	FDL 75%, ILH 25%
Adelaide Hills	ELA	Kapunda	1,200	Flinders Diamonds Limited	FDL 75%, ILH 25%
Adelaide Hills total area			3,667		
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	ELA 123/02	Wonoka	316	Flinders Diamonds Limited	FDL 75%, ILH 25%
Springfield total area			6,190		
Leigh Creek	EL 2770	Tom Hill	226	Flinders Diamonds Limited	100%
Leigh Creek	ELA 124/02	Copley	11	Flinders Diamonds Limited	100%
Leigh Creek total area			237		
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 ¹
Strangways	ELA 23592	Johnnies Reward	72.50	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ¹
Strangways	EL 10364	Mud Tank	302	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ¹
Strangways	EL 22443	Strangways	973	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ¹
Strangways	EL 22446	Alcoota	218	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ¹
Strangways	EL 22623	Phlogopite	145	Flinders Diamonds Limited	FDL 100% of diamonds, 20% of base metals ¹
Strangways	A 23714	Mud Tank Reserve	² Approx 20	Flinders Diamonds Limited	Flinders Diamonds 100%
Strangways total area			1,711		
WESTERN AUSTRALIA					
Skeleton Flat	EL 80/2547	Skeleton Flat	33	L Field & NJ Towie	FDL earning 85%
TOTAL			16,812		

¹ Alliance (Teckcominco/BHP Billiton) earning 80% of base metal mining rights

² Area included in EL 10364

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