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The Manager
Companies Announcements Office
Australian Securities Exchange
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Australian Securities Exchange Announcement NEW DIAMOND DISCOVERY FROM NACKARA HELMAG SURVEY, SA

HIGHLIGHTS

- Initial soil sampling has recovered 10 diamonds over four adjacent magnetic targets within the western part of the Nackara-2 helimag survey area.
- These results are the most significant soil diamond results known to the Company in South Australia.
- Much work, including verification of the results, is necessary before the true significance of the discovery is known.

FLINDERS RANGES DIAMOND PROJECT

Nackara Area EL 3692

Flinders Mines Limited Earning 100%

Introduction

Flinders Diamonds Pty Ltd has been exploring the Flinders Ranges for diamonds using airborne magnetics since mid 2004. To date a total of 105 kimberlites have been discovered of which 26 have carried diamonds. For about the last year, the company has modified its exploration practice in an attempt to test more of the anomalies located by its airborne helimag surveys. This has involved collecting soil samples over magnetic targets rather than carrying out ground magnetics over them. These samples are then examined for diamonds and diamond indicator minerals (DIMs). It is this work that has led to the current discovery.

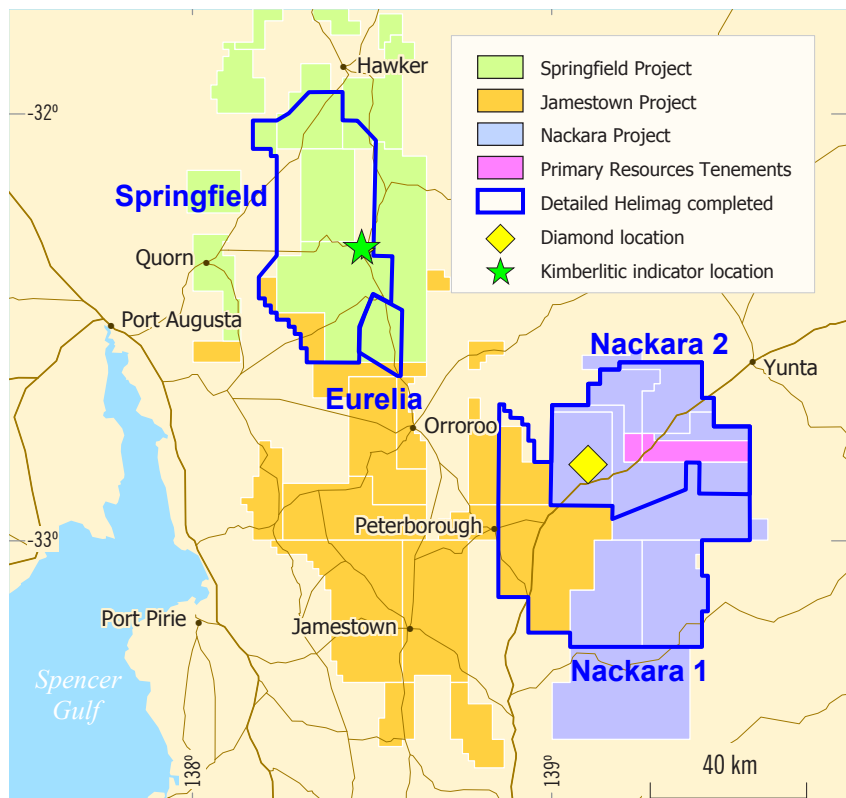


Figure 1 Location of the Nackara-2 and Springfield surveys and new diamond locations.

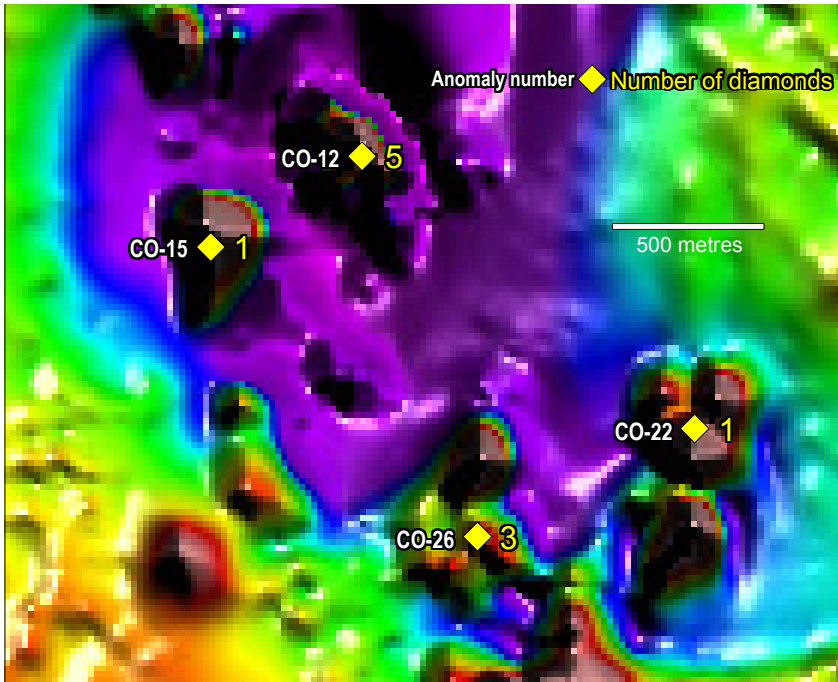


Figure 2 *Magnetic anomalies with diamond recoveries.*

Nackara Diamond Discovery

Flinders Diamonds Pty Ltd has recovered numerous diamonds from recent follow up soil sampling within EL 3692. The sampling was testing magnetic targets that were interpreted from the Nackara-2 helimag survey conducted late 2007 (Figure 1). The sampling has produced ten macro and micro diamonds from four adjacent magnetic targets. The targets, near Cooks Blow, (CO-12, CO-16, CO-22 and CO-26) lie within 500 metres to 1.5 kilometres of each other and appear to lie along northwest–southeast trending structures (Figure 2). Previous reports from the area report diamond indicator minerals in the adjacent Nackara Creek.

Site investigations over CO-12, which reported 2 macro (diamonds over half a millimetre in size) and 3 micro

diamonds, has confirmed the presence of a zone of heterogeneous breccia (a rock containing angular fragments) some 110 metres in width. The nature of this breccia is unknown, and further geochemical and microscope work will be undertaken to identify the rock.

The magnetic anomalies appear to be related to a series of intrusions (Figure 2), with parallel structures trending across the group of four magnetic anomalies containing the diamonds.

Much work is necessary to establish the importance of this find. As currently known, these are the most interesting soil anomaly diamonds known to the Company in South Australia. The only other area of similar soil diamonds in South Australia known to the Company is at Flinders Island, which is also being explored by Flinders Diamonds Pty Ltd.

Additional Results from Springfield Helimag Survey:

- Three closely spaced magnetic targets have reported numerous, high quality kimberlitic indicators from the eastern part of the Springfield Helimag Survey.
- These are the first new kimberlites north of the Eurelia kimberlites, some 20 km to the south (Figure 1). The Eurelia kimberlites remain the most diamondiferous kimberlites in South Australia.
- The Company plans to undertake detailed ground magnetic surveys to delineate targets for further drilling and/or trenching.

Forward Program

Flinders is planning detailed follow up ground investigations over the CO (Cooks Blow) targets within the Nackara-2 area. This will incorporate a combination of further soil sampling, ground magnetics, trenching, auger soil sampling and geological sampling. This will delineate the extent of the diamondiferous zone, which probably lies beneath a thin veneer of soil cover. A trenching or drilling program, designed to test the diamond content of the diamond source rocks, will then be implemented once the appropriate permits have been issued by PIRSA.

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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 is an employee of Flinders Mines Limited. He has more than five years of relevant experience in the style of mineralisation and types of deposit under consideration and consent to inclusion of the information in this report in the form and context in which it appears. He qualifies as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".