



North
Australian
Diamonds
Limited
ABN 86 009 153 119

Annual Exploration Report – Year 1

Exploration Licence SEL 26956

23rd September 2009 to 22nd September 2010

Holder: Ashton Mining Limited.

Operator: North Australian Diamonds Limited

Reporting Period: 23rd September 2009 to 22nd September 2010

Sheet Reference: Cape Scott (SD 5207) & Port Keats (SD 5211) 1: 250,000

Due Date: 22nd October 2010

Author: T Reddicliffe

Date: 7th October 2010

Report No: 10-045

Copies To: DPIFM

NADL Office

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SUMMARY

This report details exploration activity carried out by North Australian Diamonds Limited (NADL) over exploration licence SEL 26956 for the period 23rd September 2009 to 22nd September 2010. This period represents Year One of the licence.

The tenement is located approximately 300km south-west from Darwin, in the Daly River Region of the Northern Territory on the Cape Scott (SD 5207) and Port Keats (SD 5211) 1:250,000 geological mapsheets in the Northern Territory.

In January of 2007 North Australian Diamonds Limited entered into a 'Farm-in Agreement' with Ashton Exploration Australia Pty Ltd, Ashton Mining Limited, and A.O. (Australia) Pty Ltd collectively know as the Rio Tinto Parties with respect to earning 100% ownership of the Yambarra Project area in the Northern Territory. An application was made by North Australian Diamonds on the 18th of September 2008 and the tenement was subsequently granted on the 23rd of September 2009.

Work undertaken during the reporting period has involved desktop research of historic exploration, preparation of work programs and reporting.

The total expenditure for the reporting period was \$3,356.80..

1.0 INTRODUCTION

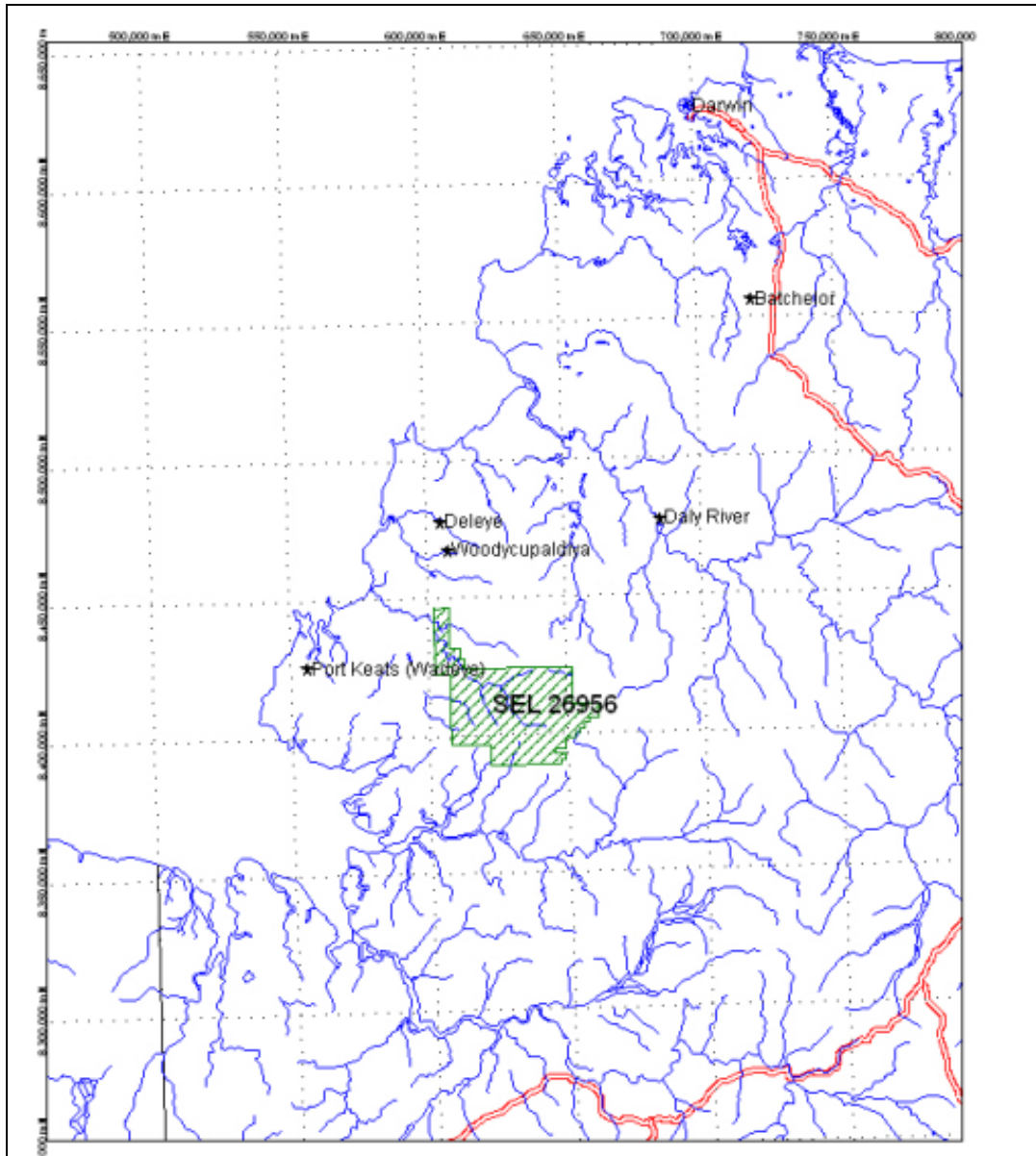
This report details exploration activity carried out by North Australian Diamonds Limited (NADL) over exploration licence SEL 26956 for the period 23rd September 2009 to 22nd September 2010. This period represents Year One of the licence.

2.0 LICENCE DETAILS

The tenement is located approximately 300km south-west from Darwin, in the Daly River Region of the Northern Territory on the Cape Scott (SD 5207) and Port Keats (SD 5211) 1:250,000 geological mapsheets in the Northern Territory. A location map is shown as Figure 1.

Table 1: Licence Details

Project Name	Tenement No	Grant Date	Expiry Date	Blocks	Area (km²)
Yambarra	SEL26956	23/09/2009	22/09/2013	500	1653.27



North Australian Diamonds Ltd	
Date: 31/10/2010	Figure 1 Licence Location Map
Author:	
Office:	
Drawing:	
Scale: 1:500000	Projection: AHD Zone 52 (AGD 96)

3.0 GEOLOGY

The project area covers parts of three geological regions within the Northern Territory. These are; the Palaeoproterozoic Pine Creek Orogen, the Mesoproterozoic Victoria – Birrinduddu Basin and the Palaeozoic Bonaparte Basin.

The oldest rocks in the project area are the Early Proterozoic Hermit Creek Metamorphics, which comprise mostly schist and gneissic rocks. Early Proterozoic sediments of the Finniss River Group are inferred to overlie the Hermit Creek Metamorphics although the nature of their relationship is unclear. The Henschke Breccia, a massive breccia conglomerate is interpreted to be approximately synchronous with these units.

The Hermit Creek Metamorphics and Finniss River Group were intruded successively by the Early Proterozoic Muarra-Kamangee Granodiorite and Peppimenarti Granite.

Sediments of the Middle Proterozoic Fitzmaurice Group unconformably overly the Early Proterozoic units. Middle Proterozoic intrusives of both basic (Murrenja Dolerite) and acid (Ti-Tree Granophyre) composition intrude the Fitzmaurice Group sediments.

Permian sediments of the Bonaparte Basin occur in the west of the project area. These sediments consist of quartzarenite, subarkose and mudstone with minor conglomerate and coal. Cretaceous rocks form an extensive unit within the project area. Friable, clayey, commonly ferruginous and mottled arenite is the dominant rock type. The youngest geological units in the project area include Cainozoic and Quaternary sediments comprised of colluvium, elluvium and alluvium. These units cover much of the bedrock.

The dominant structural features of the area are the extensive, regional transcurrent faults that are the northerly continuations of the major faults which define the Middle Proterozoic Fitzmaurice Mobile Zone and the Early Proterozoic Halls Creek Mobile Zone.

5.0 EXPLORATION COMPLETED DURING CURRENT REPORTING PERIOD

The licence is located on Aboriginal Land and access is dependent on the Northern Land Council arranging work clearance meetings with the Company and the Traditional Owners. There has been difficulty in arranging such work programs and as such NADL has been limited in its abilities to undertake ground based exploration activities. Work undertaken has involved desktop research of historic exploration, preparation of work programs and reporting.

6.0 PROPOSED EXPLORATION FOR 2010-2011

The recovery of kimberlitic chromites and microdiamonds and macrodiamonds in stream and loam samples by previous explorers provides evidence for the presence of kimberlite, which is a source rock for diamonds. The SEL also contains up to thirty aeromagnetic anomalies that may be indicative of a kimberlite. The company considers SEL26956 to be highly prospective for kimberlites and work will involve ground investigation of the aeromagnetic anomalies and follow-up samples to the kimberlitic chromites and diamonds. The program will require the use of a helicopter. In addition, three 20 ton bulk gravel samples will be taken using a front end loader to test for the presence of commercial size diamonds.

7.0 EXPLORATION EXPENDITURE

Exploration expenditure for the reporting period amounted to \$3,356.80 as per the breakdown below;

Administration and Support	\$1,065.00
Reporting and Work program preparation	\$2,291.80
Total	\$3,356.80

8.0 PROPOSED PROGRAMME AND BUDGET FOR 2010-2011

Administration and Support	\$5,000
Collection of 50 helicopter-assisted stream gravel samples	\$40,000
Collection of 3 x 20 ton bulk gravel stream samples	\$50,000
Processing of samples for kimberlite indicator mineral recovery	\$40,000
SEM microprobing of recovered chromites and interpretation of chemistry	\$5,000
Reporting and office administration	\$10,000
Total	\$150,000

REFERENCES

2007, Yambarra Annual 07-043, Kammermann,M., North Australian Diamond's Limited, 22nd October 2007.