



North
Australian
Diamonds
Limited
ABN 86 009 153 119

Annual Report – Year 2

Exploration Licence 25291

13th February 2008 to 12th February 2009
Northern Territory, Australia

Holder: North Australian Diamonds Limited

Operator: North Australian Diamonds Limited

Reporting Period: 12th February 2008 to 12th February 2009

Sheet Reference: Walhallow 1:250,000 (SE53-07)

Due Date: 12th March 2009

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NADL

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SUMMARY

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited on Exploration Licence 25291 between the 13th February 2008 and the 12th February 2009. This period represents year two of the license.

Exploration Licence 25291 is situated on the Walhallow (SE53-07) 1:250,000 geological mapsheet and the Lancewood 1:100,000 topographic mapsheet in the Batten Region of the Northern Territory. It is located approximately 120 kilometres south of Borroloola and is accessed via existing unsealed tracks leading north from Kiana Station.

Previous exploration north of the licence has recovered large numbers of commercial size diamonds and kimberlitic chromites within major drainages. The headwaters and tributaries of some of these drainages drain a large plateau that occurs within the licence area. It is possible that a primary source (ie kimberlite) for the diamonds exists on the plateau thus increasing the prospectivity of the licence.

Field work completed during the reporting period included geological reconnaissance of historic positive sample sites and inspection of major drainages for suitable bulk stream gravel sampling sites. The potential of the licence to host uranium mineralization was assessed by internal staff and external consultants. The uranium exploration potential of the licence is based largely on whether Westmoreland Conglomerate and/or Seigal Volcanics occur within the licence beneath the Bukalara Sandstone. To the west of the Emu Fault (ie area that includes the licence area), which is made up of a number of splay faults within the licences, there may be volcanics present beneath the Bukalara sandstones. The geology is complex with faulting and tilting of blocks and drilling will be required to determine whether these volcanics are present and represent the Seigal Volcanics or most probably Settlement Creek Volcanics.

1.0 INTRODUCTION

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence 25291 between the 13th February 2008 and the 12th February 2009. This period represents Year two of the licence.

On 18th September 2007 NADL granted Top End Uranium Limited (TEUL) the right of access to the land covered by EL 25291 for the purpose of exploring for, mining and processing minerals other than diamonds. This report includes work undertaken by both NADL and TEUL.

2.0 LOCATION AND ACCESS

Exploration Licence 25291 is situated on the Walhallow (SE53-07) 1:250,000 geological mapsheet and the Lancewood 1:100,000 topographic mapsheet in the Batten Region of the Northern Territory. It is located approximately 120 kilometres south of Borroloola and is accessed via existing unsealed tracks leading north from Kiana Station. A licence location map is provided as Figure 1.

3.0 LICENCE DETAILS

EL 25291 consists of 29 blocks (95.17 sq km), and was granted to NADL on 13th February 2007 for six years. Licence details for EL 25291 are outlined in Table 1 below.

Table 1: Licence Details for EL25291.

Name	Status	Effective Date	Grant Date	Expiry Date	Blocks	Holder	Percentage
EL25291	Grant	13/02/07	13/02/07	12/02/13	29	North Australian Diamonds Ltd	100

4.0 PHYSIOGRAPHY

4.1 Geomorphology

The licence is located within the *Bukalara Plateau* sub-division of the *Gulf Fall* physiographic division and occurs at an elevation of approximately 225m above sea level. The northward flowing Glyde River and Lancewood Creek occur approximately five kilometres east and five kilometres west of the licence area respectively and expose the underlying Bukalara Sandstone. In the licence area the sandstone is covered by sand and

possibly a thin veneer of soil derived by overlying Cretaceous rocks to form a flat, sandy, poorly drained tableland. Numerous seasonal lakes occur throughout the central parts of the licence. In the eastern and northern most parts of the licence the headwaters to Wilkinson Creek and tributaries to the Glyde River have exposed the sandstone.

4.2 Geology

The oldest rock unit in the licence area is the Neoproterozoic aged Bukalara Sandstone that comprises flat-lying quartz sandstone dissected by a prominent east-west and north-south joint pattern. The sandstone is exposed in the headwaters of Wilkinson Creek and tributaries to the Glyde River in the northern and eastern parts of the licence.

It is possible that Cretaceous rocks overly the Bukalara Sandstone, however they are not included on the 1:250,000 geology map face. Such sediments are exposed within the region generally above approximately 200m above sea level and include a basal conglomerate and overlying sandstone and siltstone.

Residual sands and ferricrete overly the Bukalara Sandstone (and possible Cretaceous rocks) throughout most of the licence area. Quaternary alluvium occurs within the seasonal lakes.

4.3 Geophysics

A complete set of NTGS geophysical and remote sensing data is available over the licence including aeromagnetic, radiometric and landsat data. In addition, three company surveys have been conducted over the licence. These surveys are;

- CRA 1983 Lancewood Survey
 - TMI and Radiometrics – 300m line spacing
- BHP 1992 Kiana Survey
 - TMI and Radiometrics – 500m line spacing
 - TEM – 1000m line spacing

The southern portion of the licence is more magnetically active and contains several north and north-west oriented structures probably indicative of faulting. These are evident in both the NTGS and CRA data. The BHP data was primarily obtained for base metal

exploration and is of limited use for kimberlite detection due to the wide line spacing.

5.0 PREVIOUS EXPLORATION

During the 1980's CRA collected airborne geophysical data that did not identify any anomalies within licence EL25291. One negative loam sample was collected within the licence. BHP completed airborne geophysical surveys in the early 1990's that did not identify anomalies worthy of follow-up. Ashton Mining in joint venture with BHP collected approximately forty-five loam samples at 1.5km sample spacing within the licence during the 1990's. Three samples returned positive results with 1 microdiamond recovered from each sample. Historic positive sample results are shown on Figure 2.

Encouraging results have been obtained north of the licence area from bulk stream gravel and stream samples in the Glyde River and Wilkinson Creek. Large numbers of commercial size diamonds and kimberlitic chromites have been recovered with one sample in Wilkinson Creek recovering 75 diamonds and 144 chromites. The headwaters of Wilkinson Creek and tributaries to the Glyde River drain the large plateau that occurs within the licence area. It is possible that a primary source (ie kimberlite) for the diamonds exists on the plateau thus increasing the prospectivity of the licence.

Amoco carried out exploration for HYC style mineralization in the late 1970's over an area that included the northern most part of EL25291. Amoco interpreted that quartzites and volcanics of the Tawallah Group underly the Bukalara Sandstone, however they did not estimate the thickness of the cover.

6.0 EXPLORATION COMPLETED DURING REPORTING PERIOD

Field work completed during the reporting period included geological reconnaissance of historic positive sample sites and inspection of major drainages for suitable bulk stream gravel sampling sites. The potential of the licence to host mineralization other than diamonds and Uranium was assessed by Jigsaw Geological Consultants..

7.0 EXPENDITURE STATEMENT

The exploration expenditure attributed to EL25291 during the current reporting period is

summarised below and detailed in the accompanying Exploration Expenditure reporting form.

- Exploration Expenditure \$24676
- Tenement Rent \$ 290

8.0 PROPOSED EXPENDITURE AND WORK PROGRAM

The proposed expenditure for the next twelve months is \$80,000 and is to include;

- Ground Geophysical Surveys
- Stream and loam sampling
- Drilling

9.0 REFERENCES

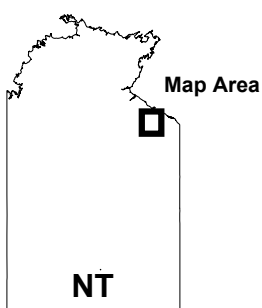
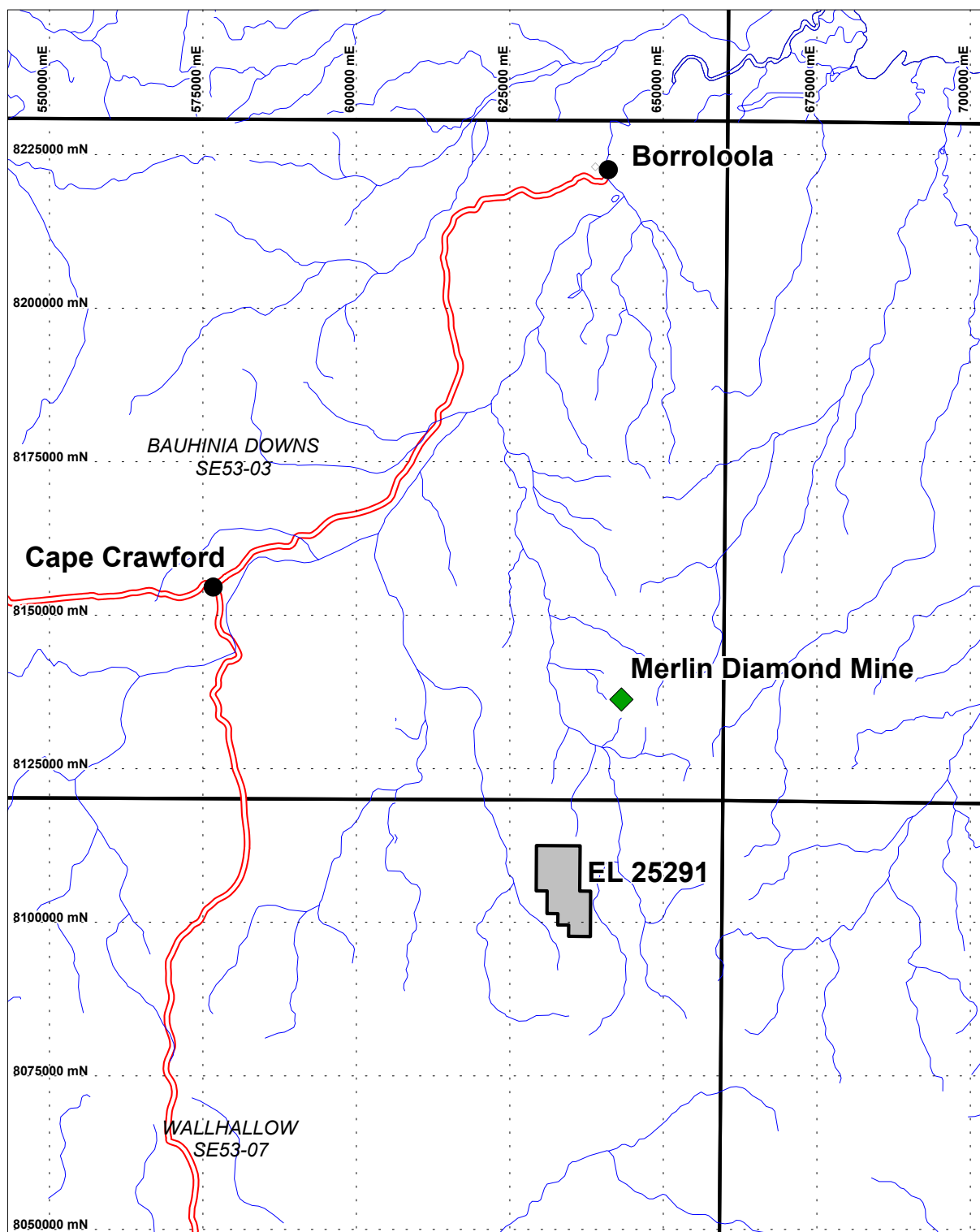
Amoco Minerals Australia (1980). 1979 Annual Report. McArthur River and Glyde River Projects. NTGS Reference CR1980-0064.

BHP Minerals (1997). Boomerang Creek Geotem Survey. NTGS Reference CR1997-0289.

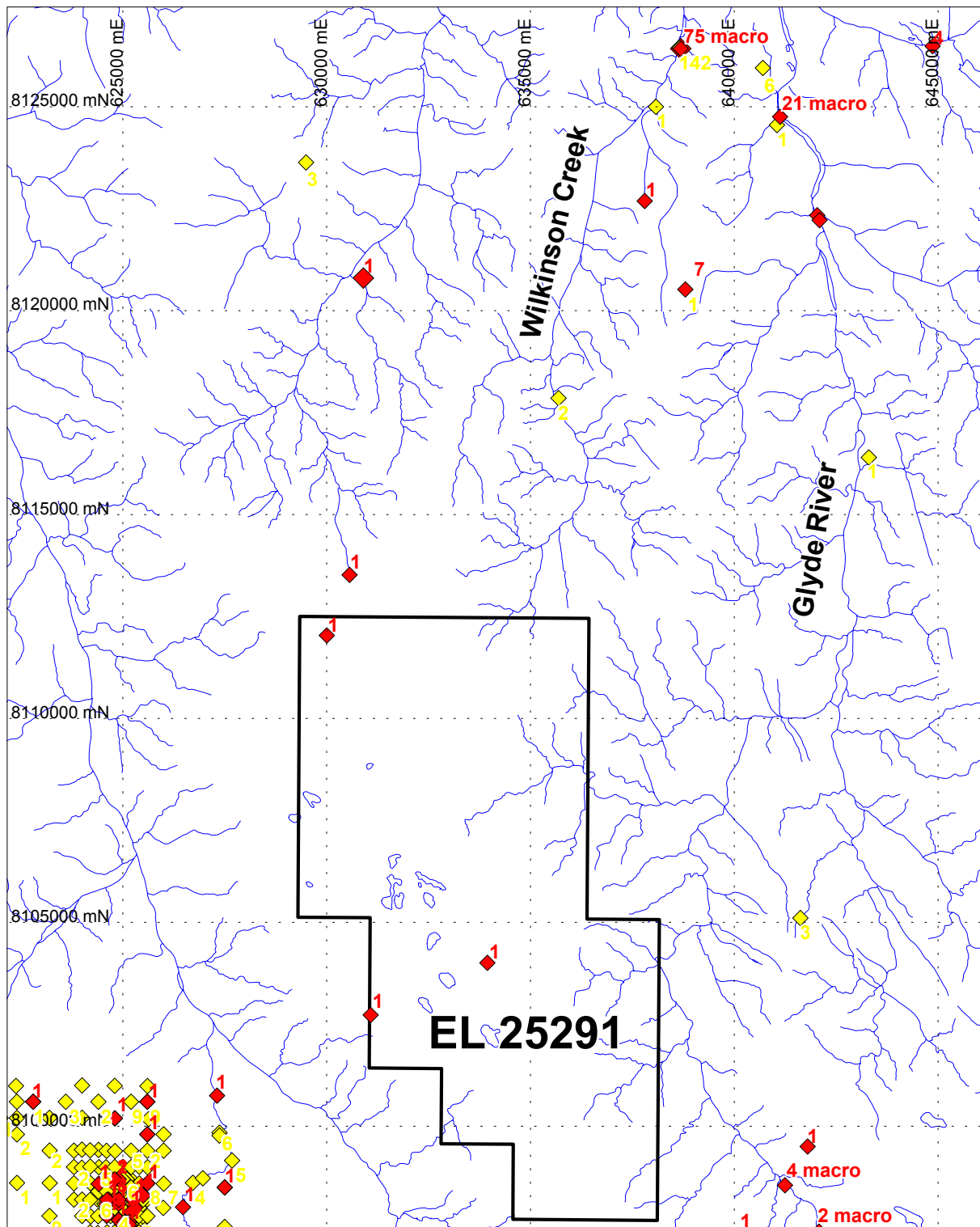
CRA Exploration (1987). Final Report on EL 4692- Glyde Period ending 25-9-87 Northern Territory. NTGS Reference CR1987-0297.

NTGS Strike Website (2008).

Top End Uranium Limited (2007). Top End Uranium Limited Prospectus. September 2007.



NORTH AUSTRALIAN DIAMONDS LIMITED	
Figure 1 Licence Location Map	
Date: 4/2/2008	
Author: MSK	
Office: Perth	
Drawing:	
Scale: 1:1000000	Projection: AMG Zone 53 (AGD 66)



- ◆ **75 macro** **Macrodiamond**
- ◆ **7** **Microdiamond**
- ◆ **3** **Chromite**

NORTH AUSTRALIAN DIAMONDS LTD	
Date: 5/2/2008	Figure 2 Positive historic samples
Author: MSK	
Office: Perth	
Drawing:	
Scale: 1:150000	Projection: AMG Zone 53 (AGD 86)
<div style="text-align: center;"> 0 1.25 2.5 5 kilometres </div>	