Annual Report – Year 1

Exploration Licence 26181

6th May 2008 to 5th May 2009
Northern Territory, Australia

Holder: North Australian Diamonds Limited
Operator: North Australian Diamonds Limited
Reporting Period: 6th May 2008 to 5th May 2009
Sheet Reference: Calvert Hills 1: 250,000 (SE53-08)
Due Date: 6th June 2009

Author: T. Reddicliffe
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SUMMARY

EL26181 was granted to NADL 6th May 2008. In September 2007, NADL granted TEU the right to all non diamond minerals.

No diamond exploration was undertaken during the reporting period.

TEU commenced exploration for buried uranium mineralization of the Westmorland style by way of a RadonX survey. This reconnaissance survey identified anomalous Radon responses associated with some of the targeted structures which were interpreted to intersect the underlying Seigal Volcanics/Westmoreland Conglomerate unconformity.

Expenditure for the reporting period was $44540
1.0 INTRODUCTION

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) and Top End Uranium Limited (TEUL) on Exploration Licence 26181 between the 6\textsuperscript{th} May 2008 and the 5\textsuperscript{th} May 2009. This period represents year one of the licence.

On 18\textsuperscript{th} September 2007 NADL granted Top End Uranium Limited (TEUL) the right of access to the land covered by EL 226181 for the purpose of exploring for, mining and processing minerals other than diamonds. This report includes work undertaken by both NADL and TEUL. Exploration is targeting diamonds and uranium.

2.0 LOCATION AND ACCESS

Exploration Licence 26181 is situated on the Calvert Hills (SE53-08) 1:250,000 geological mapsheet and the Surprise (6263) and Calvert Hills (6363) 1:100,000 topographic mapsheet in the Northern Territory. It is located around 200 kilometres south of Borroloola. A location map is provided as Figure 1.

3.0 LICENCE DETAILS

EL 26181 consists of 279 blocks, and was granted to North Australian Diamonds Limited on 6\textsuperscript{th} May 2008 for a period of six years. Licence details for EL26181 are outlined in Table 1 below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Status</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Blocks</th>
<th>Area (sq km)</th>
<th>Holder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL26181</td>
<td>Grant</td>
<td>6/08/06</td>
<td>5/08/12</td>
<td>279</td>
<td>914.8</td>
<td>North Australian Diamonds Limited</td>
<td>100</td>
</tr>
</tbody>
</table>

4.0 PHYSIOGRAPHY

Geomorphology

EL 26181 straddles a physiographic divide that separates the \textit{Bukalara Plateau} in the north from the \textit{Barkly-Birdum Tableland} to the south. The \textit{Barkly-Birdum Tableland} is a relatively flat-lying plain that closely represents the Tertiary land surface. Most of the tableland is covered by soils developed on laterised Mesozoic rocks. Erosion from the north has developed the lower-lying dissected \textit{Bukalara Plateau} that contains a well-
developed northward flowing drainage system. Drainage on the tableland is less developed and flows to the south. The elevation descends from approximately 300m absl in the south to approximately 250m absl in the drainages in the north of the licence.

**Geology**

The oldest rock unit that crops out within the licence is the Palaeoproterozoic Sly Creek Sandstone of the Tawallah Group. The sandstone occurs as inliers in the northern parts of the licence and is mapped as questionable on the 250,000 geology map. Neoproterozoic Bukalara Sandstone unconformably overlies the Sly Creek Sandstone although the contact is not exposed within the licence. Mesozoic Sandstones containing a basal conglomerate and quartzite and an upper sandstone and siltstone uncomfortably overly both the Bukalara Sandstone and the Sly Creek Sandstone. Ferruginous soils and black soil have developed on the Mesozoic sediments and are mostly restricted to the tableland areas in the southern parts of the licence. More recent sediments include alluvial sands and gravels and are confined to the active drainages.

### 6.0 EXPLORATION COMPLETED DURING REPORTING PERIOD

Work undertaken during the current reporting period is as follows;

**Diamonds:**

No diamond exploration was undertaken during the reporting period.

**Uranium:**

The Westmoreland uranium field is located approximately fifty kilometres to the east-southeast where uranium is known to be spatially associated with the Westmoreland Conglomerate and Seigal Volcanics. These sequences are interpreted to extend into EL26181 under younger cover sequences. NTGS aeromagnetic data show a marked contact between an essentially non-magnetic unit to the south and a prominent magnetic unit to the north. Based on extrapolation of NTGS geological information and the magnetic response of the Seigal Volcanics this may represent the contact between Westmoreland Conglomerate and Seigal Volcanics beneath younger Cretaceous and Cambrian sediments. Favourable structures were interpreted from the available magnetics and these were
targeted for reconnaissance RadonX survey.

The survey revealed elevated Radon responses associated with some of the structures (Fig 2)

7.0 EXPENDITURE STATEMENT

The exploration expenditure attributed to EL26181 of the current reporting period is listed below. A total of $44,450 was expended against a covenant of $40,000.

8.0 PROPOSED WORK PROGRAM

The proposed work program for next twelve months is described below;

- a followup RadonX survey

-drill testing of defined targets