Combined Annual Exploration Report – Year 1

Exploration Licence EL 27238

30th March 2009 to 29th March 2010

Holder: North Australian Diamonds Limited
Reporting Period: 30th March 2009 to 29th March 2010
Sheet Reference: Blue Mud Bay (SD 53-07) 1:250,000
Due Date: 29th April 2010

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Date: 29TH April 2010
Report No: 10-008
Copies To: Dept. of Resources
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SUMMARY

This report details diamond exploration activity carried out by North Australian Diamonds Limited (NADL) over Exploration Licence EL 27238 for the period 30th March 2009 to 29th March 2010. This period represents Year 1 of the licence. The licence has been granted and is currently held by NADL.

The licence is located on the North Australian Craton within a region that has tectonic and structural similarities with known kimberlite occurrences including the Merlin Kimberlite Field and Abner Range discovery.

Field work completed during the reporting period included geological reconnaissance and loam sampling with 1 sample being collected. Results are pending.
1.0 INTRODUCTION

This report details exploration activity carried out by North Australian Diamonds Limited (NADL) over Exploration Licence EL 27238 for the period 30th March 2009 to 29th March 2010. This period represents Year 1 of the licence. The target for exploration within the licence is diamond bearing kimberlite intrusives.

2.0 LICENCE HISTORY

The licence EL27238 was first applied for by TEU and granted in 2009.

3.0 LICENCE DETAILS

EL 330 is located on the Blue Mud Bay (SD53-07) 1:250,000 and Fleming (5871) 1:100,000 map sheets. A location map is shown as Figure 1.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Licence No</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Blocks</th>
<th>Area (km²)</th>
</tr>
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</table>

4.0 PHYSIOGRAPHIC DESCRIPTION

4.1 Geomorphology

Two major physiographic subdivisions occur within the project area, the Arafura Fall, where the drainage system direction is towards the Arafura Sea and the Gulf Fall, where the drainage system direction is towards the Gulf of Carpentaria.

EL 27238 is situated approximately 160m above sea level and contains an extensive drainage network suitable for traditional stream gravel sampling and bulk gravel sampling. A northeast-southwest oriented drainage divide occurs in the southeast portion of the licence and separates dissected hilly country of the Arafura Fall from similar terrain of the Gulf Fall.

4.2 Geology

The licence is located within the North Australian Craton on the tectonically stable Arnhem Shelf, that part of the northwestern McArthur Basin characterised by comparatively mild deformation. The licence is located in a region that has tectonic and structural similarities with known kimberlite occurrences on the North Australian Craton.
The oldest rocks in EL 27238 are Mesoproterozoic to quaternary in age and include laminated, medium top thick bedded quartz sandstones and cherts of the Mount Rigg Group and Roper Group. The sediments unconformably overlying basement rocks, which do not crop out within the license area but are presumed to include the metasedimentary succession of the Pine Creek Geosyncline and associated igneous intrusives.

4.3 Geophysics

Airborne regional data was acquired in the late 1980’s and early 1990’s during surveys contracted to the NTGS and include the ‘Milingimbi’, ‘Marumba’, and ‘Mitchell Range’ surveys. Magnetic and gamma-ray spectrometry datasets were collected along east-west flight lines spaced at 500m apart and flown at a height of 100m above the ground. Magnetic data clearly highlights prominent features such as faults and several mapped dolerite dykes that appear as bull’s-eye anomalies. Review of the regional datasets did not identify any targets for immediate follow-up.

In addition regional gravity surveys were conducted by Australian Geological Survey Organization (AGSO). The gravity measurements are at 11 km station spacing and therefore do not provide useful information for near surface geological interpretation.

5.0 PREVIOUS EXPLORATION

A review of the Northern Territory Geological Survey (NTGS) database indicates that no exploration activity has been completed on either EL27238. The closest diamond exploration to either licence includes five stream gravel samples collected adjacent to the northern boundary of EL3336 by DBAE in 2001, which reported negative results for diamonds and indicator minerals. More intense diamond exploration has been undertaken within 50km of the licence with numerous chromites, microdiamonds and pyropes recovered from stream gravel samples collected by Normandy Mining Limited, Stockdale Prospecting Limited (DBAE subsidiary) and DBAE. These results provide encouragement and highlight the potential for a kimberlite source to exist in the region.

6.0 EXPLORATION COMPLETED BY NADL

Work during the reporting period comprised the taking of 1 loam samples. The sample has been submitted to the company’s wholly owned mineral processing laboratory in Perth. Results are awaited.
7.0 EXPLORATION EXPENDITURE

Exploration expenditure for the reporting period is summarised below and detailed on accompanying Expenditure Reporting forms submitted to DPIFM.

EL27238

<table>
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<tr>
<th>Exploration Expenditure</th>
<th>$5009</th>
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8.0 PROPOSED PROGRAMME AND BUDGET FOR 2010-2011

EL27238

Subject to the results from the sample currently being analysed, further follow-up loam sampling will be undertaken within EL27238.

9.0 REFERENCES


