



North
Australian
Diamonds
Limited
ABN 86 009 153 119

Combined Annual Exploration Report – Year 5

Exploration Licence EL 3336 & EL 3338

20th January 2009 to 19th January 2010

Holder: North Australian Diamonds Limited
Reporting Period: 20th January 2009 to 19th January 2010
Sheet Reference: Mt Marumba (SD 53-06) 1:250,000 & Blue Mud Bay (SD 53-07)
1:250,000
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TABLE OF CONTENTS

LIST OF FIGURES	i
SUMMARY	ii
1.0 INTRODUCTION.....	1
2.0 LICENCE HISTORY	1
3.0 LICENCE DETAILS	1
4.0 PHYSIOGRAPHIC DESCRIPTION.....	2
4.1 GEOMORPHOLOGY	2
4.2 GEOLOGY.....	2
4.3 GEOPHYSICS.....	3
5.0 PREVIOUS EXPLORATION	3
6.0 EXPLORATION COMPLETED DURING CURRENT REPORTING PERIOD.....	4
7.0 EXPLORATION EXPENDITURE.....	5
8.0 PROPOSED PROGRAMME AND BUDGET FOR 2010-2011	5
9.0 REFERENCES.....	6

LIST OF TABLES

Table 1 Licence Details

LIST OF FIGURES

Figure 1 Licence Location Map

Figure 2 Sample Location Map

SUMMARY

This report details diamond exploration activity carried out by North Australian Diamonds Limited (NADL) over Exploration Licences EL 3336 and EL 3338 for the period 20th January 2009 to 19th January 2010. This period represents Year 5 of the licence. The licences have been granted and are currently held by NADL .

The licences are 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. Previous diamond exploration within the region includes five stream gravel samples collected adjacent to the northern boundary of EL3336 by DeBeers 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, and DeBeers. These results provide encouragement and highlight the potential for a kimberlite source to exist in the region.

NADL collected a total of 22 loam and stream samples from the tenements during 2009.

1.0 INTRODUCTION

This report details exploration activity carried out by North Australian Diamonds Limited (NADL) over Exploration Licences EL 3336 and EL 3338 for the period 20th January 2009 to 19th January 2010. This period represents Year 5 of the licence. The target for exploration within the licences is diamond bearing kimberlite intrusives.

2.0 LICENCE HISTORY

EL 3336 and EL 3338 were first applied for by De Beers Australia Exploration Pty Ltd (DBAE) in September 1981 and after the initial consultation the licence was vetoed for a period of five years. The licences continued to be vetoed at additional consultations in 1988 and 1995. A fourth consultation was held in August 2000 when the Traditional Owners agreed to allow exploration and mining subject to some excisions. A final consultation meeting was held in November 2001 that was followed by an anthropological survey. The full council of the Northern Land Council (NLC) then approved consent for grant in November 2002. Ministerial consent for grant was given in May 2003. Both licences were then granted on 20th January 2005.

In January 2004 NADL (then listed as Striker Resources) entered into a 'Letter Agreement' with DBAE with respect to acquiring a 100% interest in an area of 13,500 km², representing the Arnhem Land Diamond Project area in the Northern Territory. This area includes EL 3336 and EL 3338. During the reporting period NADL purchased all rights to the tenements from DBAE.

3.0 LICENCE DETAILS

EL 3336 is located on the Mt Marumba (SD53-06) 1:250,000 and Wilton River (5771) and Annie Creek (5871) 1:100,000 map sheets. EL 3338 is located on the Mt Marumba (SD53-06) and Blue Mud Bay (SD 53-07) 1:250,000 and Nymbilli (5870) and Parsons (5970) 1:100,000 map sheets. A location map is shown as Figure 1.

Table 1: Licence Details

Project Name	Licence No	Application Date	Grant Date	Expiry Date	Blocks	Area (km ²)
Arnhem Land	EL 3336	21/09/1981	20/01/2005	19/01/11	96	308.09
Arnhem Land	EL 3338	21/09/1981	20/01/2005	19/01/11	330	1097.31

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 3338 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. Alluvial floodplains occur in the central northern most part of the licence. EL 3336 is located on the Guyuyu Plain of the Arafura Fall and occurs approximately 220m above sea level. It is within a broad relatively flat lying area covered with Cainozoic soils that provide very poor drainage. This area is suitable for loam and soil sampling.

4.2 Geology

The licences are 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 shelf forms the western flank to the Walker Fault Zone and more locally the Parsons Range Fault Zone. The Walker Fault Zone is a north-trending fault zone up to 80km wide and several hundred kilometres long and extends south to meet the Batten Fault Zone that is associated with the economic diamond-bearing kimberlites of the Merlin Kimberlite Field and the more recent Abner Range discovery. The licences are located in a region that has tectonic and structural similarities with known kimberlite occurrences on the North Australian Craton.

The oldest rocks in EL 3338 are Mesoproterozoic age and include sandstones, quartzarenites and siltstones of the Roper Group. The oldest rocks in EL 3336 are Proterozoic age and include laminated, stromatolitic dolostones and cherts and sandstones of the Mount Rigg Group. The sediments unconformably overly 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. Subvertical dolomite dykes of Proterozoic age are common and display two orientations: 000° and 045°.

The distribution of dykes is controlled by local and regional structures with many following shear zones and fracture sets.

EL3336 is almost entirely covered by Cainozoic soils comprised of residual soils of unknown thickness overlying bedrock. In EL 3338 Cretaceous breccia, conglomerate, sandstone and claystone crop out and represent the youngest rocks in the licence. A well developed laterite profile also occurs and Quaternary sands, silts and gravels form flood plain type deposits in the main drainage channels.

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 EL3336 or EL3338. 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

A) 2007 – 2008 PERIOD

Following approval to undertake field activities NADL completed a loam sampling program over exploration licence EL3336. The program occurred during October and involved the collection of fifteen loam samples of approximately 100kg each. Sample locations are shown on Figure 2 and sample details are included in a table in Appendix 1.

No field activities were completed over EL3338.

A review of the licence to potentially host uranium and base metal mineralization was conducted both internally and externally utilizing the services of an external consultant.

The review of available geological and geophysical datasets revealed no specific uranium or base metal targets.

B) 2008 – 2009 PERIOD

The 15 loam samples collected in 2007 were processed during the reporting period. A total of 5 microdiamonds reported to 15 of the samples. Details are shown in Table 2.

Table 2: Microdiamonds Results

07-007-001	Negative	07-007-009	Negative
07-007-002	Negative	07-007-010	Negative
07-007-003	Negative	07-007-011	Negative
07-007-004	Negative	07-007-012	Negative
07-007-005	2 micro, cube, frag	07-007-013	1 micro, octa
07-007-006	Negative	07-007-014	Negative
07-007-007	1 Micro, frag	07-007-015	1 Micro, frag
07-007-008	Negative	-	-

No field activities were completed over EL3338 during the reporting period.

C) 2009 – 2010 PERIOD

1) EL3336

Work during the reporting period comprised the taking of 8 follow-up loam samples. The

samples have been submitted to the company's wholly owned mineral processing laboratory in Perth. Results are awaited.

2) EL3338

Work during the reporting period comprised the taking of 22 stream sediment samples. The samples have 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.

EL3336

Exploration Expenditure	\$95,627
Additional Expenditure	\$121,587
Total	\$217,214

EL3338

Exploration Expenditure	\$55,582
Additional Expenditure	\$149,667
Total	\$205,249

Additional expenditure includes licence rent, land access meetings, royalties to and negotiations with the NLC, and payments to Traditional Owners.

8.0 PROPOSED PROGRAMME AND BUDGET FOR 2010-2011

EL3336

Subject to the results from the follow-up samples currently being analysed, further follow-up loam sampling will be undertaken within EL3336. A nominal thirty loam samples will be collected. Ground geophysical surveys will also be undertaken.

EL3338

Stream sampling comprising some 25 samples will be completed in that portion of the tenement that remains unsampled. Subject to the results received from the samples taken

during the current reporting period follow-up stream samples may also be taken. In addition to reconnaissance stream gravel sampling the collection of a bulk-stream gravel sample (20 tonnes) will also be undertaken on to test of the main drainage within the tenement for the presence of commercial sized diamonds.

Tenement	Loam/Stream Samples	Bulk Gravel samples
EL 3336	20	0
EL 3338	47	1

Proposed budget breakdown below;

Administration and Support	\$10,000
Field Logistical Support	\$10,000
Labour – Field Personnel	\$30,000
Laboratory Costs	\$85,000
Total EL3336	\$35,000
Total EL3338	\$100,000
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Total	\$135,000

9.0 REFERENCES

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APPENDIX 1

EL3336 Loam Sample Details

Sample	Type	Date	AGD66, Zone 53L		Results
			Easting	Northing	
07-007-001	Loam	9/10/07	438050	8519800	Negative
07-007-002	Loam	9/10/07	438150	8522470	Negative
07-007-003	Loam	9/10/07	441430	8522080	Negative
07-007-004	Loam	10/10/07	434600	8524200	Negative
07-007-005	Loam	10/10/07	430070	8524820	2 micro, cube, frag
07-007-006	Loam	10/10/07	430140	8519900	Negative
07-007-007	Loam	10/10/07	430170	8514840	1 micro, frag
07-007-008	Loam	10/10/07	434470	8515440	Negative
07-007-009	Loam	10/10/07	434970	8519450	Negative
07-007-010	Loam	11/10/07	432770	8527060	Negative
07-007-011	Loam	11/10/07	435000	8530070	Negative
07-007-012	Loam	11/10/07	439950	8529960	Negative
07-007-013	Loam	11/10/07	443710	8529960	1 micro, octa
07-007-014	Loam	11/10/07	442520	8527580	Negative
07-007-015	Loam	11/10/07	440050	8525030	1 micro, frag