SUMMARY

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited on Exploration Licence 26241 between the 19th March 2010 and 18th March 2011. This period represents Year Three of the licence.

NADL has granted Top End Uranium Limited (TEUL) the right of access to the land covered by EL 26241 for the purpose of exploring for, mining and processing minerals other than diamonds. This report includes work undertaken by both NADL and TEUL.

Exploration Licence 26241 is situated on Walhallow (SE53-07) 1:250,000 geological mapsheets and the Lancewood (6163) 1:100,000 topographic mapsheets in the Northern Territory. It is located around 120 kilometres south of Borroloola and is accessed via existing unsealed tracks leading north from Kiana Station.

Previous exploration has included several wide spaced geophysical surveys by CRA and BHP and stream and loam sampling by CRA and Ashton Mining.

Work completed during the 2010-2011 reporting period included processing of 8 samples through the company’s Perth laboratory. Results were negative. Review of results and historic sampling indicates that conventional sampling may not be suitable to determine the source for the macrodiamonds and a program of bulk or mini-bulk sampling is proposed for the coming year.

On 18th February 2011 NADL submitted a statutory reduction of 50% of the licence and retained 6 blocks.

Exploration expenditure for the reporting period amounted to $20,500.
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 26241 between the 19th March 2010 and 18th March 2011. This period represents Year Three of the licence.

NADL granted TEUL the right of access to the land covered by EL 26241 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 26241 is situated on the Walhallow (SE53-07) 1:250,000 geological mapsheets and the Lancewood (6163) 1:100,000 topographic mapsheets in the Batten Region of the Northern Territory. It is located around 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 26241 consists of 14 blocks (45.94 sq km), and was granted to NADL on 19th March 2008 for six years. Licence details for EL 26241 are outlined in Table 1 below.

<table>
<thead>
<tr>
<th>Name</th>
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<th>Grant Date</th>
<th>Expiry Date</th>
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On 18th February 2011 NADL submitted a statutory reduction of 50% of the licence and retained 6 blocks.

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 licence contains the western margin of a plateau that narrows and continues northward. The plateau drains westward into Lancewood Creek and northward into major tributaries to the Glyde River.

4.2 Geology

The oldest rock unit in the licence area is the Neoproterozoic Bukalara Sandstone that comprises flat-lying quartz sandstone dissected by a prominent east-west and north-south joint pattern.

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.

Surficial sands and ferricrete occur on the plateau. Quaternary alluvium occurs within seasonal lakes in the southeastern part of the licence.

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
- CRA 1984 Glyde Survey
  - TMI and Radiometrics – 300m line spacing
- BHP 1996 Boomerang Creek Survey
  - TMI and Radiometrics – 500m line spacing
  - TEM – 1000m line spacing

5.0 PREVIOUS EXPLORATION

During the 1980’s CRA acquired airborne geophysical data and collected stream gravel samples. No geophysical anomalies were identified.
BHP completed airborne geophysical surveys in the mid 1990’s that did not identify anomalies worthy of follow-up. Ashton Mining in joint venture with BHP collected numerous stream gravel and several loam samples. No indicator minerals or diamonds were recovered. Field work completed during the 2007-2008 period included geological reconnaissance and the collection of 7 stream samples. During 2009-2010 field work included geological reconnaissance and the collection of 8 stream samples.

6.0  EXPLORATION COMPLETED DURING CURRENT REPORTING PERIOD

6.1  Processing of previous year samples

The 8 stream samples collected during the previous reporting period were processed through the company’s laboratory in Perth. All sample results were negative. See Table 2 for sample information.

6.2  Review of results

The 8 stream samples were collected as part of a sampling program to determine the potential source area of the macrodiamonds previously recovered in the main drainages. It has become apparent that conventional stream samples are not effective in this instance and a new approach is necessary.

6.3  Sampling

Historic bulk gravel sampling by Ashton Mining recovered macrodiamonds in two samples in the headwaters of the Glyde River. Additional bulk sampling further south reported negative results thereby apparently constraining a potential source area.

Ashton reported Cretaceous conglomerate within the area and alluded to this as a possible source for the diamonds.

Mapping by NADL also consider this to be a possible source and field locations were checked and identified as suitable locations for the collection of bulk (ie 10 tonnes) or mini-bulk (ie 1000kg <1mm) samples. Samples are planned for collection following the wet season.
7.0 EXPENDITURE STATEMENT

The exploration expenditure attributed to EL26241 during the current reporting period amounted to $20,500 and is detailed in the accompanying Exploration Expenditure reporting form.

8.0 PROPOSED EXPENDITURE AND WORK PROGRAM

The proposed expenditure for the next twelve months is $50,000 and is to include;

- Follow-up stream gravel sampling
- Ground Geophysical Surveys
- Costeaning/drilling
9.0 REFERENCES


### Table 2. Sample Information From Previous Reporting Period

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Figure 1
Location Plan

Legend

North Australian Diamonds Limited

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Map Area

Scale: 1:50000
Projection: Longitude / Latitude (Australia GDA94)
Figure 2
Sample Location Plan

Legend

- Sample Locations
- Drainage
- 100k Mapsheet

North Australian Diamonds Limited

09-211-001
09-211-002
09-211-003
09-211-004
09-211-005
09-211-006
09-211-007
09-211-008

Lancewood
6163

Wallhallow
SE5307

Scale: 1:50000
Projection: Longitude / Latitude (Australia GDA94)

Date: 18/4/2011
Office:
Author: