



North
Australian
Diamonds
Limited

ABN 86 009 153 119

Annual Report – Year 1

Exploration Licence 27755

20th September 2010 to 19th September 2011
Northern Territory, Australia

Holder: North Australian Diamonds Limited

Operator: North Australian Diamonds Limited

Reporting Period: 20th September 2010 to 19th September 2011

Sheet Reference: Bauhinia Downs (SE53-03) and Wallhallow (SE53-07) 1:250,000

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NADL

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SUMMARY

EL27755 was granted to NADL 20th September 2010. This report represents Year One of the Licence.

Exploration Licence 27755 is situated on the Bauhinia Downs (SE53-03) and Wallhallow (SE53-07) 1:250,000 geological mapsheets in the Northern Territory.

During the reporting period discussions were held with a third party with regards to farming out the base metal rights. The discussions are ongoing. No field exploration was completed during the reporting period.

The proposed program for the 2nd year includes the collection and processing of twenty stream gravel samples to increase sample density to adequately assess the potential of the licence to contain kimberlites.

Expenditure for the reporting period was limited to tenement Rent costs only.

1.0 INTRODUCTION

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence 27755 between the 20th September 2010 and 19th September 2011. This period represents Year One of the licence.

2.0 LOCATION AND ACCESS

Exploration Licence 27755 is situated on the Bauhinia Downs (SE53-03) and Wallhallow (SE53-07) 1:250,000 geological mapsheets and the Lancewood (6163) 1:100,000 topographic mapsheet in the Northern Territory. A location map is provided as Figure 1.

3.0 LICENCE DETAILS

EL27755 consists of 42 blocks, and was granted to North Australian Diamonds Limited on 20th September 2010 for a period of six years. License details for EL27755 are outlined in Table 1 below.

Table 1: License Details for EL27755

Name	Status	Grant Date	Expiry Date	Current Blocks	Area (sq km)	Holder	Percentage
EL27755	Granted	20/9/2010	19/9/2016	42	138	North Australian Diamonds Limited	100

4.0 PHYSIOGRAPHY

The exploration licence is located within the geomorphic region referred to as the Bukalara Ranges that consists of high level, dissected rocky plateau and ridges of resistant sediments. The licence also contains sand covered plateaux.

The oldest rocks that crop out over the licence are Palaeoproterozoic sediments of the McArthur Group. These occur within the south-western portion of the licence and also as inliers within the unconformably overlying Neoproterozoic Bukalara Sandstone in the central parts of the licence. Isolated outcrops of Cretaceous age, plant fossil-bearing silicified sandstone may occur on plateaux within the licence. Youngest sediments include surficial deposits of gravel, silt, sand and ferricrete and occur within numerous drainages and on several plateaux within the licence.

5.0 PREVIOUS EXPLORATION

Previous exploration includes diamond exploration by Ashton Mining and CRA and stream geochemical base metal exploration by Mount Isa Mines. The licence has been subjected to medium density diamond exploration sampling with all samples returning negative results for kimberlitic indicator minerals. Stream geochemical sampling for base metals has been restricted to areas draining Palaeoproterozoic lithologies.

6.0 EXPLORATION COMPLETED DURING CURRENT REPORTING PERIOD

During the reporting period discussions were held with a third party with regards to farming out the base metal rights. The discussions are ongoing. No field exploration was completed during the reporting period.

7.0 EXPENDITURE STATEMENT

Expenditure for the current reporting period amounted to tenement rent only and is detailed in the accompanying Expenditure Report.

8.0 PROPOSED PROGRAMME AND BUDGET FOR 2011-2012

The proposed program will focus on diamond exploration and include the collection and processing of twenty stream gravel samples to increase the sample density to adequately assess the potential for the presence of kimberlites.

Administration and Reporting	\$3,000
Sample collection (helicopter assisted)	\$10,000
Sample processing	\$15,000
Field Logistics	\$2,000
<u>Total</u>	<u>\$30,000</u>

9.0 REFERENCES

Department of Mines and Energy, Northern Territory Geological Survey. Walhallow and Bauhinia Downs 1:250,000 Explanatory Notes.