Annual Report – Year 4

Exploration Licence 26241

19\textsuperscript{th} March 2011 to 18\textsuperscript{th} March 2012
Northern Territory, Australia

\textit{Holder:} North Australian Diamonds Limited

\textit{Operator:} North Australian Diamonds Limited

\textit{Reporting Period:} 19\textsuperscript{th} March 2011 to 18\textsuperscript{th} March 2012

\textit{Sheet Reference:} Wallhallow (SD53-07) 1:250,000

\textit{Due Date:} 15\textsuperscript{th} April 2011

<table>
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<th>Author:</th>
<th>M Kammermann</th>
</tr>
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<td>Date:</td>
<td>15\textsuperscript{th} April 2011</td>
</tr>
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<td>12-020</td>
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<td>Copies To:</td>
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SUMMARY

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited on Exploration Licence 26241 between the 19th March 2011 and 18\textsuperscript{th} March 2012. This period represents Year Four of the Licence.

NADL has granted Top End Uranium Limited (TEUL) the right of access to the land covered by EL26241 for the purpose of exploring for, mining and processing minerals other than diamonds.

Exploration Licence 26241 is situated on Wallhallow (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.

A complete review of the tenement prospectivity has been unable to identify any targets for investigation or any meaningful exploration program. The occurrence of macrodiamond positive samples upstream of the tenement suggests any potential source is also upstream thereby downgrading the prospectivity of the tenement.

The lack of targets for investigation and meaningful exploration program resulted in no field work being undertaken during the current reporting period and it is likely the tenement will be surrendered.

A total of $820.01 was expended against a covenant of $50,000.
1.0 Introduction

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited on Exploration Licence 26241 between the 19th March 2011 and 18th March 2012. This period represents Year Four of the Licence.

NADL has granted Top End Uranium Limited (TEUL) the right of access to the land covered by EL26241 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 Wallhallow (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. A tenement location map is provided as Figure 1.

3.0 Licence Details

EL26241 consists of 3 blocks, and was granted to North Australian Diamonds Ltd on 19th March 2008 for six years. The Licence underwent a statutory area reduction and was reduced by 50% retaining 3 blocks. The Licence details for EL26241 are outlined in Table 1 below.

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<tr>
<th>Name</th>
<th>Status</th>
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<th>Grant Date</th>
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4.0 Physiography

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.

**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.

**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.

During the 2010-2011 reporting period 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. 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.

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 considered 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.

6.0 EXPLORATION COMPLETED DURING REPORTING PERIOD

A complete review of the tenement prospectivity has been unable to identify any targets for investigation or any meaningful exploration program. The occurrence of macrodiamond positive samples upstream of the tenement suggests any potential source is also upstream thereby downgrading the prospectivity of the tenement.
The lack of targets for investigation and meaningful exploration program resulted in no field work being undertaken during the current reporting period and it is likely the tenement will be surrendered.

7.0 EXPENDITURE STATEMENT

The exploration expenditure attributed to EL26241 during the current reporting period was a total of $820.01, which is detailed on the attached expenditure statement.

8.0 PROPOSED PROGRAM

There is no proposed work program for next twelve months as it is anticipated that NADL will surrender the title.

9.0 REFERENCES


### Table 2: Sample Data 2010-2011

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<th>SAMPLE</th>
<th>TYPE</th>
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Figure 1
Location Plan

Legend

- Tenement
- Drainage

North Australian Diamonds Limited

Date: 5/04/2012
Author:
Office:
Remarks:
Scale: 1:50000
Projection: Longitude / Latitude (Australia GDA94)

0 0.5 1 1.5 2
0

Kilometres