Annual Report – Year 1
Exploration Licence 3337

18th April 2011 to 17th April 2012
Northern Territory, Australia

Holder: North Australian Diamonds Limited
Operator: North Australian Diamonds Limited
Reporting Period: 18th April 2011 to 17th April 2012
Sheet Reference: Mt Marumba (SD-5306) 1:250,000
Due Date: 15th May 2012

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SUMMARY

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence 3337 between the 18th April 2011 and 17th April 2012. This period represents Year One of the License. In addition work undertaken by Top End Uranium Limited for base metals and uranium is reported.

Exploration Licence 3337 is situated on the Mt Marumba (SE53-06) 1:250,000 map sheet, and Nymbilli 1:100,000 topographic map sheet in the Northern Territory.

During the current reporting period 3 stream gravel samples were collected using a helicopter. The gravel samples returned two negative results and one positive result reporting 1 chromite grain.

A total of $46,861 was expended against a covenant of $33,000.
1.0 INTRODUCTION
This annual report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence 3337 between the 18th April 2011 and 17th April 2012. This period represents Year One of the License. In addition work undertaken by Top End Uranium Limited for base metals and uranium is reported. The target for exploration within the licence is diamond bearing kimberlite intrusive as well as other base metal and uranium mineralisation.

2.0 LOCATION AND ACCESS
EL3337 is located on the Mt Marumba (SD53-06) 1:250,000 and Nymbilli 1:100,000 map sheets. A tenement location map is provided as Figure 1.

3.0 LICENCE DETAILS
EL 3337 consists of 22 blocks, and was granted to North Australian Diamonds Ltd on 18th April 2011 for six years. The Tenement details are outlined in Table 1 below.

Table 1: Tenement Details

<table>
<thead>
<tr>
<th>Name</th>
<th>Status</th>
<th>Effective Date</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Blocks</th>
<th>Holder</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>EL3337</td>
<td>Grant</td>
<td>18/04/11</td>
<td>18/04/11</td>
<td>17/04/17</td>
<td>22</td>
<td>North Australian Diamonds Ltd</td>
<td>100</td>
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4.0 PHYSIOGRAPHY

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 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 Licence is located in a region that has tectonic and structural similarities with known kimberlite occurrences on the North Australian Craton.
5.0 EXPLORATION COMPLETED DURING REPORTING PERIOD
During the current reporting period 3 stream gravel samples were collected and sent to the company laboratory in Perth for processing and heavy mineral analysis. These samples returned two negative results and one positive result with a total of 1 chromite grain. The details for these samples are shown in Table 2.

6.0 EXPENDITURE STATEMENT
The exploration expenditure attributed to EL3337 during the current reporting period was a total of $46,861. Costs are detailed on the attached expenditure statement.

7.0 PROPOSED PROGRAM
The proposed work program for next twelve months includes collection and processing of 5 diamond exploration samples upstream of the positive sample reported in Year 1. The samples will be collected by a helicopter and transported to Perth laboratory for processing and recovery of diamonds and kimberlitic indicator minerals.

A covenant of $40,000 is proposed as per expenditure statement.

8.0 REFERENCES
Mt Marumba SD53-06 1:250,000: Explanatory Notes, *Northern Territory Geological Survey, Darwin.*
Table 2. 2011-2012 Sample Results

<table>
<thead>
<tr>
<th>SAMPLE</th>
<th>TYPE</th>
<th>EASTING</th>
<th>NORTHING</th>
<th>DATUM</th>
<th>ZONE</th>
<th>RESULTS</th>
<th>DIAMOND</th>
<th>CHROMITE</th>
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<tr>
<td>10-033-002</td>
<td>STREAM GRAVEL</td>
<td>449763</td>
<td>8499698</td>
<td>GDA94</td>
<td>53</td>
<td>NEGATIVE</td>
<td>0</td>
<td>0</td>
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<td>10-033-003</td>
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<td>451620</td>
<td>8501429</td>
<td>GDA94</td>
<td>53</td>
<td>NEGATIVE</td>
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<td>0</td>
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<tr>
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<td>461597</td>
<td>8506807</td>
<td>GDA94</td>
<td>53</td>
<td>POSITIVE</td>
<td>0</td>
<td>1</td>
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</table>
Figure 2
Sample Location

North Australian Diamonds Ltd

Legend
- Tenement
- Sample Location
- Chromite Positive Sample
- Drainage

Scale: 1:125000
Projection: Longitude / Latitude (Australia GDA94)