Annual Exploration Report – Year 4

Exploration License 25122

17th November 2009 to 16th November 2010

Holder: North Australian Diamonds Limited
Operator: North Australian Diamonds Limited
Reporting Period: 17th November 2009 to 16th November 2010
Sheet Reference: Bauhinia Downs 1:250,000 (SE53-03)
Due Date: 16th December 2010

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Date: 13th December 2010
Report No: 10-063
Copies To: Dept. of Resources
Merlin Diamond Mine
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TABLE OF CONTENTS

FIGURES...............................................................................................................................................ii

SUMMARY.................................................................................................................................................... 1

1.0 INTRODUCTION................................................................................................................................... 2

2.0 LICENCE DETAILS................................................................................................................................... 2

3.0 GEOLOGY.............................................................................................................................................. 2

4.0 PREVIOUS EXPLORATION ..................................................................................................................... 2

5.0 EXPLORATION COMPLETED DURING CURRENT REPORTING PERIOD................................................. 3

6.0 EXPLORATION EXPENDITURE.................................................................................................................. 3

7.0 PROPOSED PROGRAMME AND BUDGET FOR 2009-2011 ......................................................... 3

REFERENCES ......................................................................................................................................................

LIST OF TABLES

Table 1 Licence Details

LIST OF FIGURES

Figure 1 EL25122 Location Map

Figure 2 Current/ Historical Sample

Map
SUMMARY

This report details exploration activity carried out by North Australian Diamonds Limited (NADL) over exploration licence EL 25122 for the period 17th November 2009 to 16th November 2010. This period represents Year four of the licence.

The exploration licence is located on the Bauhinia Downs (SE53-03) 1:250,000 map sheet and the Glyde (6164) 1:100,000 sheet. Access to the licence is via a 64 kilometre formed gravel access track from the Carpentaria Highway to the Merlin Diamond Mine, the turn-off is approximately 6 kilometres south-west of the McArthur River Mine turn-off.

The licence has been subjected to mineral exploration since the 1960’s when the Carpentaria Exploration Company explored for base metals. Historic diamond exploration including airborne geophysics and ground exploration was undertaken by CRA during the 1980’s and Ashton Mining during the 1990’s. Several microdiamonds were recovered in stream samples however no primary source (ie kimberlite) was discovered.

During the reporting period field work included the collection of Seventeen Stream and Nineteen Loam samples. The samples were sent to the company’s wholly owned laboratory in Wangara. Results of the stream samples were negative. Results of the Loam samples are pending. A total of $73,033 was expended against a covenant of $70,000.
1.0 INTRODUCTION

This report details exploration activity carried out by North Australian Diamonds Limited (NADL) over exploration licence EL 25122 for the period 17 November 2009 to 16 November 2010. This period represents Year four of the licence.

2.0 LICENCE DETAILS

The exploration licence is located on the Bauhinia Downs (SE53-03) 1:250,000 map sheet and the Glyde (6164) 1:100,000 sheet. Access to the licence is via a 64 kilometre formed gravel access track from the Carpentaria Highway to the Merlin Diamond Mine, the turn-off is approximately 6 kilometres south-west of the McArthur River Mine turn-off. A location map is shown as Figure 1.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Tenement No</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Blocks</th>
<th>Area (km²)</th>
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<tbody>
<tr>
<td>Merlin Orbit</td>
<td>EL25122</td>
<td>17/11/2006</td>
<td>16/11/2012</td>
<td>30</td>
<td>98.63</td>
</tr>
</tbody>
</table>

3.0 GEOLOGY

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.

4.0 PREVIOUS EXPLORATION

The licence has been subjected to mineral exploration since the 1960’s when the Carpentaria Exploration Company explored for base metals. Historic diamond exploration including airborne geophysics and ground exploration was undertaken by CRA during the 1980’s and Ashton Mining during the 1990’s. Several microdiamonds were recovered in stream samples however no primary source (ie kimberlite) was discovered.
Field work completed in previous years was limited to geological mapping and ground investigations of the positive sample sites and potential sites and access for bulk stream gravel samples. During August 2009 6 samples were taken and sent to the company’s lab for analysis. The results were negative.

5.0 EXPLORATION COMPLETED DURING CURRENT REPORTING PERIOD

5.1 Stream Samples

Field work completed during the reporting period consisted of 17 Stream samples. The samples were collected in the numerous stream channels over the tenement and were sent to the company’s lab in Wangara. Results were negative.

5.2 Loam Samples

During the reporting period 19 Loam samples were collected over the tenement and were sent to the company’s lab in Wangara for analysis. Results are awaited.

6.0 EXPLORATION EXPENDITURE

Expenditure for the reporting period amounted to $73,033.00. Details are included in attached Expenditure Report.

7.0 PROPOSED PROGRAMME AND BUDGET FOR 2010-2011

The proposed expenditure for the next twelve months is $70,000 and is to include:

- Ground Geophysical Surveys
- Follow-up Loam sampling
- Follow-up Soil Sampling
REFERENCES
