Annual Report – Year 5

Exploration Licence 25122

17th November 2010 to 16th November 2011
Northern Territory, Australia

Holder: North Australian Diamonds Limited
Operator: North Australian Diamonds Limited
Reporting Period: 17th November 2010 to 16th November 2011
Sheet Reference: Bauhinia Downs (SE53-03) 1:250,000
Due Date: 16th December 2011

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Date: 16th December 2011
Report No: 11-074
Copies To: Dept. of Resources - NT NADL

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SUMMARY

This Annual Report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence between the 17th November 2010 and 16th November 2011. This period represents Year Five of the Licence.

Exploration Licence is situated on the Bauhinia Downs (SE53-03) 1:250,000 geological mapsheet and the Glyde (6164) 1:100,000 topographic mapsheet in the Northern Territory. 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 (i.e. kimberlite) was discovered.

Field work undertaken during the current reporting period included the collection of 4 stream gravel samples and 1 loam sample. Several chromites described as possibly kimberlilitic were reported from a loam sample collected on a plateau. This plateau will be the focus of exploration during the next reporting period.
1.0 INTRODUCTION

This Annual Report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence 25122 between the 17th November 2010 and 16th November 2011. This period represents Year Five of the Licence.

2.0 LOCATION AND ACCESS

Exploration Licence 25122 is situated on the Bauhinia Downs (SE53-03) 1:250,000 geological mapsheet and the Glyde (6164) 1:100,000 topographic mapsheet in the Northern Territory. 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.

3.0 LICENCE DETAILS

EL25122 consisted of 30 blocks and was granted to NADL on 17th November 2006 for six years. Licence details for EL25122 are outlined in Table 1 below. In October 2011 EL25122 an area reduction was undertaken and the Licence was reduced by 50% to 8 blocks.

<table>
<thead>
<tr>
<th>Name</th>
<th>Status</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Blocks</th>
<th>Holder</th>
<th>Percentage</th>
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<td>16/11/2012</td>
<td>8</td>
<td>North Australian Diamonds Ltd</td>
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4.0 GEOLOGY

EL25122 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

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 (i.e. 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.

Field work completed during the 2009-2010 reporting period consisted of the collection of 17 stream samples and 19 loam samples. The samples were collected in the numerous stream channels over the tenement and were sent to the company’s lab in Wangara. The results were negative.

6.0 EXPLORATION COMPLETED DURING REPORTING PERIOD

Field work undertaken during the current reporting period included the collection of 4 gravel samples and 1 loam sample. These samples have been sent to the company laboratory in Perth for analysis and results are included in Table 2. Samples 11-007-001, 11-007-006, 11-007-007 and 11-007-008 are located in areas of EL25122 that were relinquished during the current reporting period.

The two chromites recovered in 11-008-001 were described as possibly kimberlitic and worthy of further investigation. This plateau will be the focus of exploration during the next reporting period.
7.0 EXPENDITURE STATEMENT

Expenditure for the reporting period amounted to $18,920. Details are included in attached Expenditure Report.

8.0 PROPOSED EXPENDITURE AND WORK PROGRAM FOR 2011-2012

The proposed expenditure for the next twelve months is $80,000 and is to include;

- Administration and Reporting
- Collection of 20 loam samples
- Collection of 5 stream gravel samples
- Laboratory processing and mineral chemistry determination
- Ground geophysical (electromagnetic and magnetic) surveys
- Field Logistical Costs
9.0 REFERENCES

Kammermann, M. (2007) Annual Report for EL25122 Year 1, 17\textsuperscript{th} November 2006 to 16\textsuperscript{th} November 2007 NADL Ref: 08-013.

Reddicliffe, T.H. (2008) Annual Report for EL25122 Year 2, 17\textsuperscript{th} November 2007 to 16\textsuperscript{th} November 2008, NADL Ref: 08-044.

Reddicliffe, T.H. (2009) Annual Report for EL25122 Year 3, 17\textsuperscript{th} November 2008 to 16\textsuperscript{th} November 2009, NADL Ref: 09-040.

Reddicliffe, T.H. (2010) Annual Report for EL25122 Year 4, 17\textsuperscript{th} November 2009 to 16\textsuperscript{th} November 2010, NADL Ref: 10-063.
Table 2. 2010-2011 Sample Data

<table>
<thead>
<tr>
<th>SAMPLE</th>
<th>TYPE</th>
<th>TENEMENT</th>
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<th>NORTHING</th>
<th>DATUM</th>
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<th>RESULTS</th>
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