



North
Australian
Diamonds
Limited
ABN 86 009 153 119

Annual Exploration Report – Year 1

Exploration Licence 24082

17th October 2005 to 16th October 2006

Holder: North Australian Diamonds Limited

Operator: North Australian Diamonds Limited

Reporting Period: 17th October 2005 to 16th October 2006

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

Due Date: 16th November 2006

Author: M J Thompson

Date: November 2006

Report No: 06-036

Copies To: Dept. Primary Industries, Fisheries and Mines - NT
NADL

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SUMMARY

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited on Exploration Licence 24082 between the 17th October 2005 and the 16th October 2006. This period represents year one of the license.

Exploration Licence 24082 is situated on the Bauhinia Downs (SE53-03) 1:250,000 mapsheet, and the Borroloola 1:100,000 topographic mapsheet in the Batten Region of the Northern Territory. It is located around 15 kilometres south of Borroloola and is accessed via existing unsealed tracks leading south from Borroloola.

CRA Exploration and Ashton Mining Limited has undertaken exploration for diamonds throughout the area since the early 1980's. Exploration has included airborne and ground geophysical surveys, stream gravel and loam sampling, and drilling of identified anomalies. However, the land subject to EL24082 has never been subject to any previous diamond exploration.

Work undertaken during the reporting period included the desktop review of available historic data, obtaining an aboriginal heritage clearance (Authority certificate), obtaining an Authorisation from the Dept of Primary Industry, Fisheries and Mines and ground based geophysical surveys.

1.0 INTRODUCTION

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence 24082 between the 17th October 2005 and the 16th October 2006. This period represents year one of the license.

2.0 LOCATION AND ACCESS

Exploration Licence 24082 is situated on the Bauhinia Downs (SE53-03) 1:250,000 mapsheet, and Borroloola 1:100,000 topographic mapsheet in the Batten Region of the Northern Territory. It is located around 15 kilometres south of Borroloola and is accessed via existing unsealed tracks leading south from Borroloola. A tenement location map is provided as Figure 1.

3.0 TENURE

EL 24082 consists of 80 blocks, and was granted to North Australian Diamonds Ltd on 17th October 2006 for six years. Tenement schedule for EL 24082 is outlined in Table 1 below.

Table 1: Tenement Schedule for EL24082.

Name	Status	Effective Date	Grant Date	Expiry Date	Blocks	Holder	Percentage
EL24082	Grant	17/10/05	17/10/05	16/10/06	80	North Australian Diamonds	100

4.0 ABORIGINAL CLEARANCES

An Authority Certificate was applied for from the Aboriginal Areas Protection Authority (AAPA) with consultation with the Traditional Owners. The Authority Certificate was granted on the 18th August 2006. A copy of the certificate is shown as Appendix A.

5.0 GEOLOGY

The Exploration Licence is heavily dissected by watercourses, including the McArthur River in the western portion of the licence. All drainages drain to the north. The topography is relatively low lying at approximately 25m above mean sea level.

The western half of the tenement is comprised of the Abner Sandstone with the remained of the licence mostly covered by Cainozoic soils and Quaternary alluvial deposits.

The Merlin kimberlite field is located approximately 60 kilometers to the south of the tenement.

6.0 EXPLORATION COMPLETED DURING REPORTING PERIOD

The tenement covers an area of approximately 80sq km, located some 60km north of the Merlin kimberlite field. It is at the point where the high energy hinterland drainage, specifically McArthur River meets the coastal plain, and represents a significant energy inflection point. As there are no significant alluvial developments between Merlin and the coastal plain, it is considered that this inflection point would represent a possible alluvial trap for both gravel and any diamonds which have escaped from the Merlin hinterland. There is an elevation differential of 200m between Merlin and the coastal plain

Acting on the above exploration rational, North Australian Diamonds undertook a limited ground based exploration program in the area, aimed at validating the theory.

Ground resistivity and EM geophysical surveys were trialed over the channel. The data obtained from the surveys was yet to be analysed at the time of writing this report.

No further testing of the gravels was undertaken, due to the pending Authorisation and approval of the Mining Management Plan.

7.0 EXPENDITURE STATEMENT

The exploration expenditure attributed to EL24082 during the current reporting period is listed below.

Table 2: Expenditure within EL24082

Description	Amount (\$)
Geological Reporting	21,000
Computing & Drafting	2,500
<i>Sub-total</i>	<i>23,500</i>
Indirect Costs	7,300

Tenement & Property (inc AAPA survey)	6,300
Travel & Accommodation	1,000
Total	<i>\$38,100</i>

8.0 PROPOSED WORK PROGRAM

The proposed work program for next twelve months is described below;

Wide Diameter Drilling \$80,000

Includes logistics, helicopter, field support, laboratory processing etc.

9.0 REFERENCES

Department of Mines and Energy, Northern Territory Geological Survey. Bauhinia Downs 1:250,000 Explanatory Notes. 1991.

APPENDIX A

AAPA Authority Certificate

ABORIGINAL AREAS PROTECTION AUTHORITY

AUTHORITY CERTIFICATE

Issued in accordance with Section 22 of the Northern Territory Aboriginal Sacred Sites Act 1989

REFERENCE: D89/199; 90/1015 (Doc.54799) C2006/086

APPLICANT:

North Australian Diamonds Ltd
Level 10
256 Adelaide Tce
Perth, WA 6000

SUBJECT LAND: A part of EL24082 on Spring Creek PL687 (NT Portion 814), as shown on the attached map, which is Annexure 'A' hereto.

PROPOSED

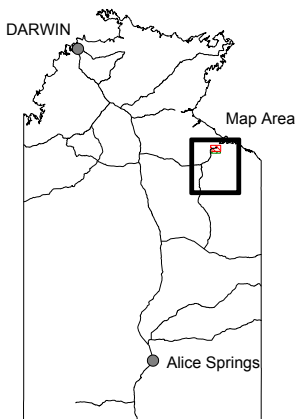
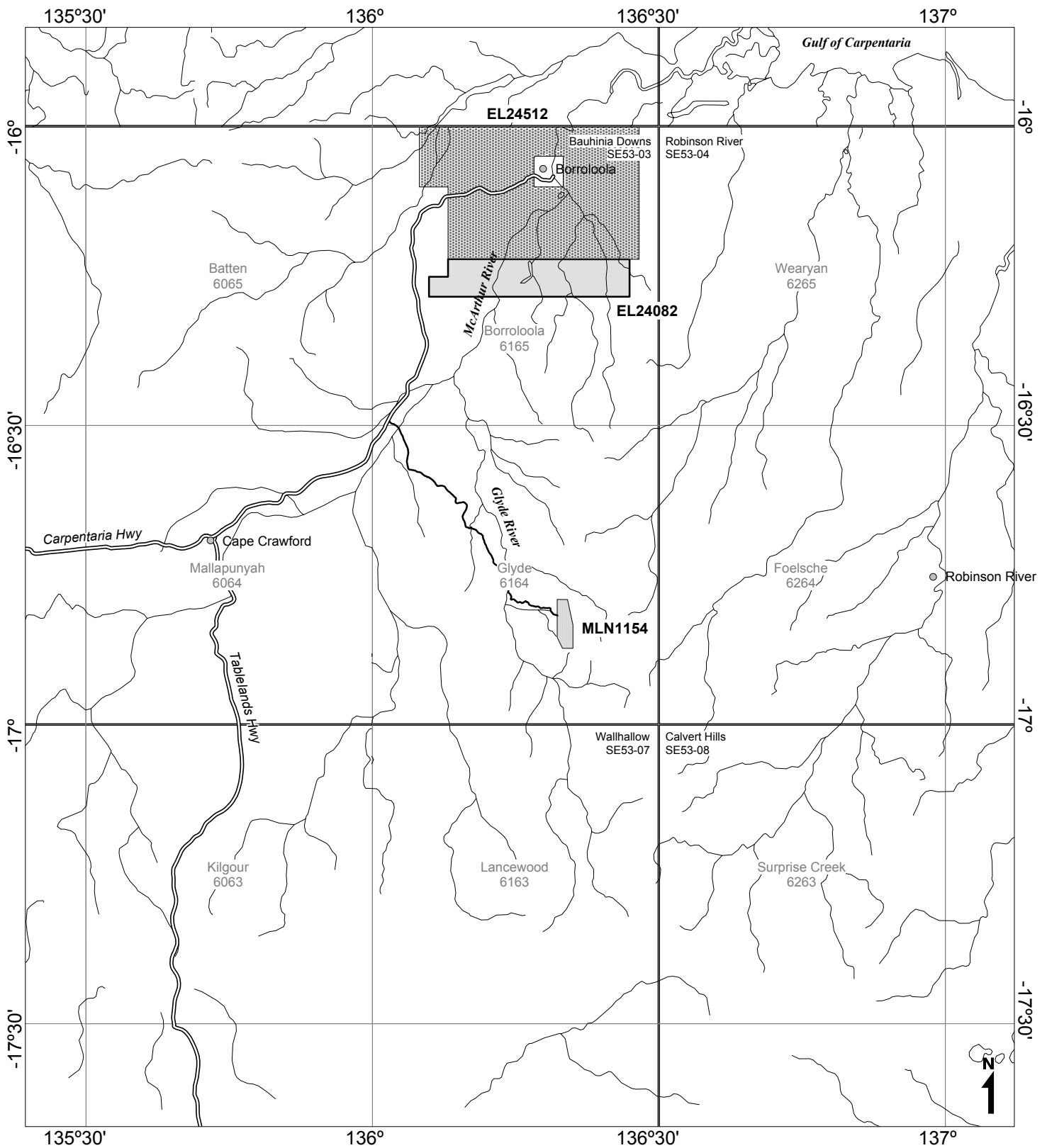
WORK OR USE: Exploration program involving a number of large diameter drill holes (70cm in diameter) with access tracks for the conventional truck-mounted drill rig.

CONDITIONS:

1. The applicant shall ensure that the conditions of this Certificate are included in any subsequent contract or tender documents for the works or use described herein.
2. The applicant shall ensure any agent, contractor or employee is aware of the conditions of this Certificate and the obligations of all persons (who enter on, or carry out works or use land on which there is a sacred site) under Part IV of the *Northern Territory Aboriginal Sacred Sites Act 1989*.
3. This Certificate shall lapse and be null and void if the works in question or the proposed use is not commenced within 24 months of this Certificate.
4. The applicant shall ensure any agent, contractor or employee is aware of the content of section 40(1) of the *Northern Territory Aboriginal Sacred Sites Act 1989* which provides that this Certificate does not negate the need for consent, approval or permission for the subject works or use of the land which may be required under another statute.
5. No works of any kind allowed within recorded sacred sites 6165-50 and 6165-84 inside Restricted Works Area 1 (RWA 1), as shown on the attached map, which is Annexure 'A' hereto.
6. No works of any kind are allowed inside a 100-metre radius from all waterholes and billabongs within the Restricted Works Area 1 (RWA 1) between the McArthur River and Frazer Creek, as shown on the attached map, which is Annexure 'A' hereto. In particular there is to be no damage whatsoever to beds and banks of waterholes and billabongs and mature trees of any species in their vicinity.
7. Definition: the term 'works', as used herein, includes all ground and vegetation disturbing activities, like excavation, extraction, relocation and removal of material of any kind including soil, sand, gravel, rocks and boulders, logging, cutting and trimming of vegetation, including trees, drilling of holes and bores and excavations of trenches and pits, grading of tracks and roads, construction of dams, storage of material and parking of machinery and camping.

The COMMON SEAL of the
ABORIGINAL AREAS PROTECTION AUTHORITY
was hereto affixed on the 19th day
of August 2006
JEFFERY STEAD
Chief Executive Officer





Legend

- Merlin Mining Lease - MLN1154
 - 100k MapSheet
 - 250k Mapsheet
 - Locality
 - Highway
 - Gravel Access Road
 - Drainage
- Borrooloola Project**
- EL24082
 - EL24512

NORTH AUSTRALIAN DIAMONDS	
EL24082 Borrooloola	
Figure 1 Location Plan	
Date: 14/6/2004	
Author: MJT	
Office: Perth	
Drawing: 1	
Scale: 1:1000000	Projection: Longitude / Latitude (GDA94)