Annual Report – Year 2

Exploration Licence 27175

28th September 2010 to 27th September 2011
Northern Territory, Australia

Holder: North Australian Diamonds Limited
Operator: North Australian Diamonds Limited
Reporting Period: 28th September 2010 to 27th September 2011
Sheet Reference: Wallhallow (SE53-07) & Bauhinia Downs (SE53-03) 1:250,000
Due Date: 27th October 2011

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NADL

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SUMMARY

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence 27175 between the 28th September 2010 and 27th September 2011. This period represents Year Two of the License.

Exploration Licence 27175 is situated on the Walhallow (SE53-07) 1:250,000 geological mapsheet and the Lancewood (6163) 1:100,000 topographic mapsheet in the Northern Territory. It is located around 120 kilometres south of Borroloola and is accessed via existing unsealed tracks leading from Kiana Station.

During the previous reporting period laboratory processing recovered potentially kimberlitic chromites in loam samples collected as follow-up for historic positive results. Work undertaken during the current reporting period included CSIRO zircon helium dating of detrital zircons recovered from a positive loam sample that reported 4 chromites. The zircon lower age of 38 million years suggests a post-Cretaceous age igneous intrusive event (association with potentially kimberlitic chromite also suggests possibly a kimberlite).

NADL intends to undertake additional loam sampling and helium age dating to isolate the source of the young zircons and kimberlitic chromites.

During the reporting period NADL also reduced the area of the licence by 50%.
1.0 INTRODUCTION

This annual report outlines exploration activities undertaken by North Australian Diamonds Limited (NADL) on Exploration Licence 27175 between the 28th September 2010 and 27th September 2011. This period represents Year Two of the Licence.

2.0 LOCATION AND ACCESS

Exploration Licence 27175 is situated on the Walhallow (SE53-07) 1:250,000 geological mapsheet and the Lancewood (6163) 1:100,000 topographic mapsheet in the Northern Territory. It is located around 120 kilometres south of Borroloola and is accessed via existing unsealed tracks leading from Kiana Station. A licence location map is provided as Figure 1.

3.0 LICENCE DETAILS

EL 27175 consists of 79 blocks and was granted to NADL on 28th September 2009 for six years. Licence details for EL 27175 are outlined in Table 1 below.

Table 1: Licence Details for EL27175.

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<th>Name</th>
<th>Status</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Blocks</th>
<th>Holder</th>
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4.0 PHYSIOGRAPHY

4.1 Geomorphology

EL27175 lies within and at the southern margins of the Gulf Fall physiographic division. The Gulf Fall contains north flowing drainages. A marginal scarp forms a drainage divide that separates the Gulf Fall from the Barkly-Birdum Tableland to the south where drainage flows southward.

In this area the Gulf Fall division contains two sub-divisions namely the Top Springs Erosion Surface and the Bukalara Plateau.

The Top Springs Erosion Surface is generally flat at elevations of approximately 750 feet and contains outcrop of Top Springs Limestone, isolated outcrops of Cretaceous sediments, and Quaternary sediments on flat-lying areas and in drainages. The southern
part of the sub-division becomes undulating and slopes up to the scarp of the *Barkly-Birdum Tableland*.

The *Top Springs Erosion Surface* descends gently and merges with the *Bukalara Plateau* to the north. The plateau occurs approximately 30 feet below the *Top Springs Erosion Surface*. It is dissected by the Glyde River, Lancewood Creek and their tributaries, which has exposed the Bukalara Sandstone.

The *Barkly-Birdum Tableland* occurs on the southern side of the drainage divide at an elevation of approximately 1050 feet. It contains flat-lying Cretaceous sediments with an often well-developed laterite profile. Black soil plains occur where the ferruginous zone of the laterite profile has been eroded. The tableland represents the original Tertiary land surface.

### 4.2 Geology

The oldest rock unit that crops out in the licence is the Paleozoic Top Springs Limestone. Although not mapped on the NTGS 1:250,000 Geological Mapsheet, basalt has been observed in outcrop and intersected in drill holes between overlying Cretaceous (Mesozoic) clays and underlying siltstones of possibly Tawallah Group (Proterozoic age). Mesozoic sediments are exposed in the scarp in the south of the licence and also as outliers in the north where they unconformably overlie the Top Springs Limestone. The limestone is covered by a thin veneer of residual sand probably derived from the eroding Cretaceous sediments to the south. More recent sands and gravels of Cainozoic age have deposited within active drainages and at the base of the scarp.

### 5.0 PREVIOUS EXPLORATION

#### 5.1 Other Explorers

BHP explored the licence and surrounding areas in the early 1990’s for base metals and in the mid 1990’s Ashton Mining joint ventured into the licence and commenced systematic diamond exploration that involved extensive stream and loam sampling. This identified two areas where abundant chromites were recovered in loam samples. The areas were then followed up with airborne geophysical surveys and subsequent ground electromagnetics,
magnetics and gravity, soil geochemical sampling and drilling of selected airborne anomalies. Despite intensive exploration efforts a source for the abundant chromite and diamond distribution has not been identified.

5.2 2009-2010

Work completed during 2009-2010 included:

5.2.1 Reverse Circulation Drilling

Eleven reverse circulation drill holes for a total of 245m were drilled over a surface sample chromite anomaly to test for the presence of kimberlite. No kimberlite was intersected and drill spoil sent for heavy mineral processing also reported negative results.

5.2.2 Rock and Loam Sampling

Two rock samples and six loam samples were collected. The rock samples reported chemistry not indicative of kimberlite. The loam samples reported potentially kimberlitic chromites in three samples. The samples were not fused for microdiamond recovery.

5.2.3 EM Survey

A ground electromagnetic survey was completed for a total of approximately 25km over the area covered by the surface sample chromite anomaly. No discrete targets were identified.

6.0 EXPLORATION COMPLETED DURING REPORTING PERIOD

During the current reporting period the following activities were completed;

Zircon helium dating

A portion of the concentrate from loam sample 09-028-005 (reported 4 potentially kimberlitic chromites) was submitted to the CSIRO for zircon helium dating of detrital zircons. The results are included in a table below and include a zircon lower age of 38 million years. This suggests a post-Cretaceous age igneous intrusive event as a possible source for the zircons. The apparent spatial association with potentially kimberlitic
chromite suggests it is possible that the igneous event may be kimberlitic.

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<tr>
<th>CSIRO #</th>
<th>NADL #</th>
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<th>He (ncc) blank subr</th>
<th>U (ppm)</th>
<th>uncert</th>
<th>Th (ppm)</th>
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Tenement reduction
During the reporting period NADL reviewed the historic and recent results, which concluded in 50% of the tenement being submitted for relinquishment. The area hosting the potentially kimberlitic chromites and Tertiary aged detrital zircons has been retained for further exploration.

7.0 EXPENDITURE STATEMENT

Expenditure for the reporting period amounted to $3,000. 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 30 loam samples
- Laboratory processing and mineral chemistry determination
- Ground electromagnetic surveys
- Field Logistical Costs
The aim next year’s program would be to define drilling targets for drilling in Year 4.

9.0 REFERENCES

