North Australian Diamonds Limited
ABN 86 009 153 119

Annual Exploration Report – Year 10

Mineral Lease ML1154

"Merlin"

15th June 2007 to 14th June 2008

Holder: **Merlin Diamonds Pty Ltd**

Operator: **North Australian Diamonds Limited**

Reporting Period: **15th June 2007 to 14th June 2008**

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

Due Date: **14th September 2008**

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Date: 11th September 2008
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Copies To: Dept. of Primary Industry, Fisheries and Mines
Merlin Diamond Mine
NADL Office

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SUMMARY

This report details exploration activity for diamond bearing kimberlite intrusives carried out by North Australian Diamonds Limited (NADL) over Mineral Lease ML 1154 for the period 15th June 2007 to 14th June 2008. NADL acquired 100% of ML1154 in November 2004 from Rio Tinto. The tenement is held under Merlin Diamonds Pty Ltd, which is a 100% wholly owned subsidiary company of NADL.

Activities completed during the reporting period included the completion of thirteen diamond drill holes for a total of 3,674 metres. In addition fourteen samples of drill core were processed to recover diamonds for grade determination. Sixteen kimberlites samples approximating one cubic metre in size from within the open mining pits were collected and processed for diamonds for grade determinations and comparison with deeper core samples. This work was undertaken to confirm the continuation of grade with depth.

It is proposed that further resource drilling and sampling be undertaken during the next reporting period prior to commencing feasibility studies.

Total expenditure amounted to $2,234,000.

1.0 INTRODUCTION

This report details exploration activity carried out by North Australian Diamonds Limited (NADL) over Mineral Lease ML1154 for the period 15th June 2007 to 14th June 2008. NADL acquired 100% of mineral lease 1154 in November 2004 from Rio Tinto. The tenement is held under Merlin Diamonds Pty Ltd (MDPL), which is a 100% wholly owned subsidiary company of NADL.

The target for exploration within this lease is diamond bearing kimberlite intrusives. In addition, NADL is undertaking evaluation to reestablish commercial scale mining operations within the lease.

2.0 LICENCE DETAILS

Mineral Lease 1154 was granted to Ashton Mining Limited on the 15th June 1998 replacing Exploration Retention Licenses (ERL's) 141 and 142. The area covered by the ERL's was previously held under Substitution Exploration License 8630, which replaced the original licenses 6424, 7267, 7581, 7859, 7860 and 7861 in July 1995. ERL 141 comprised 736 hectares, and ERL 142, located to the south of ERL 141, comprised 888 hectares. On the 17th December 1996, application for a mineral lease was made over the ERL's, covering an area of 2,350 hectares. On granting of the mineral lease, the ERLs were automatically surrendered.

The 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 lease is via a 64 kilometre formed gravel access track from the Carpentaria Highway, the turn-off is approximately 6 kilometres south-west of the McArthur River Mine turn-off. A tenement location map is shown as Figure 1.

Table 1: Licence Details

Project Name	Tenement No	Application Date	Grant Date	Sub-Blocks	Area (ha)
Merlin	MLN 1154	17/12/1996	15/06/1998	Na	2350

3.0 GEOLOGY

The mineral lease is located on a plateau referred to as the Merlin Plateau that is part of the Bukalara Ranges. The Merlin Plateau occurs at an elevation of approximately 200m above mean sea level and is approximately 10km north-south by 5km east-west. The plateau itself is host to twelve kimberlite pipes, a small breccia pipe and a further two kimberlite pipes dissected by Matheson Creek that bounds the plateau to the north (Emu 1 and Emu 2 kimberlite pipes). The kimberlite pipes have been age dated as Devonian and intrude the Neoproteozoic Bukalara Sandstone that attains a maximum thickness over the plateau of approximately 100m. Kimberlite material is described as olivine rich kimberlite and kimberlite breccia and is likely to represent the upper diatreme facies. The kimberlite is highly weathered to approximately 100m below surface. Proterozoic sediments of the McArthur Group form the basement to the area. The youngest rocks in the area are sediments of Cretaceous age that outcrop in isolated areas. Various alluvial deposits occur and a lateritic profile is developed over the plateau.

4.0 EXPLORATION COMPLETED DURING CURRENT REPORTING PERIOD

4.1 Resource Drilling

Two programs of resource definition drilling were completed during the reporting period. The first program targeted the Gawain pipe and included a total of 11 diamond drill holes (NMGW-001 to NMGW-011) for a total of 2,432 metres. The second program targeted the Palsac pipe and included a total of two diamond drill holes (NMPS-001, NMPS-002) for a total of 1,242 metres. Drill logs are included in Appendix A.

Drill hole	Pipe	Drill depth	Drill Length	Comments
NMGW-001	Gawain	0m to 319.5m	319.5	
NMGW-002	Gawain	319.5m to 383m	63.5	Wedge off NMGW-001
NMGW-003	Gawain	319.5m to 535.9m	216.4	Wedge off NMGW-001
NMGW-004	Gawain	0m to 126.5m	126.5	
NMGW-005	Gawain	0m to 110.7m	110.7	
NMGW-006	Gawain	0m to 173m	173	
NMGW-007	Gawain	0m to 245.5m	245.5	
NMGW-008	Gawain	209.1m to 341.5m	132.4	Wedge off NMGW-007

NMGW-009	Gawain	0m to 341.5m	341.5	
NMGW-010	Gawain	0m to 341.5m	341.5	
NMGW-011	Gawain	0m to 361.5m	361.5	
NMPS-001	Palsac	0m to 471m	471	
NMPS-002	Palsac	0m to 770.9m	770.9	
		Total	**3,674 m**	

4.2 Drill Core Sampling

A selection of core from the resource drill holes was sent to the Perth laboratory for diamond recovery. This was undertaken to provide some certainty to the predicted diamond content at depth by investigating the relationship between microdiamonds and macrodiamonds at depth from drill core and microdiamonds and macrodiamonds at surface from production data and from mini-bulk samples (discussed in Section 4.3).

A summary of core samples is included in the table below. Sample results are not yet finalised and will be included in the next annual report.

Sample Number	**Pipe**	**Drill hole**	**Sample Depth**
08-001-001	Gawain	NMGW-001	57.27m to 74.50m
08-001-002	Gawain	NMGW-003	422.30m to 447.00m
08-001-003	Gawain	NMGW-009	54.60m to 81.69m
08-001-001	Gawain	NMGW-007	59.50m to 76.10m
08-011-002	Gawain	NMGW-010	54.98m to 62.78m
08-011-003	Gawain	NMGW-010	151.10m to 182.40m
08-011-004	Gawain	NMGW-001	154.74m to 172.48m
08-015-001	Palsac	NMPS-001	362.93m to 380.00m
08-015-002	Palsac	NMPS-002	374.36m to 392.63m
08-015-003	Palsac	SMPL-023	441.80m to 481.45m
08-017-001	Palsac	NMPS-002	518.10m to 535.96m
08-017-002	Palsac	NMPS-002	718.28m to 737.10m

08-017-003	Palsac	NMPS-002	737.10m to 756.52m
08-017-004	Gawain	NMGW-001	102.90m to 125.64m

4.3 Mini-bulk Sampling

A number of kimberlite mini-bulk samples of approximately one cubic metre size were collected from the Fine Tailings Dam, ROM (run of mine) Pad, Kaye pit, Sacramore pit and Gawain pit. The samples were sent to Perth laboratory for diamond recovery to investigate the microdiamond and macrodiamond relationship for use in prediction of diamond content at depth. A summary of mini-bulk samples collected is included in the table below. Sample results are not yet finalised and will be included in the next annual report.

Sample Number	**Pipe**	**Volume**	**Comments**
07-001-001	ROM Pad	0.974 m^3	
07-001-002*	ROM Pad	0.056 m^3	Sub-sample of -001
07-002-001	Gawain	1.000 m^3	
07-002-002	Gawain	0.016 m^3	Sub-sample of -002
07-002-003	Gawain	0.055 m^3	Sub-sample of -004
07-002-004	Gawain	1.000 m^3	
07-002-005	Gawain	0.085 m^3	Sub-sample of -006
07-002-006	Gawain	0.915 m^3	
07-011-001	Sacramore	1.042 m^3	
07-011-002	Sacramore	0.078 m^3	Sub-sample of -001
07-012-001	Kaye	1.000 m^3	
07-012-002	Kaye	0.055 m^3	Sub-sample of -001
07-014-001	ROM Pad	0.927 m^3	Not processed yet
07-014-002†	ROM Pad	0.041 m^3	Sub-sample of -001

* This sample is labelled as 07-001-003 in the raw data (not included in this report).

† This sample is labelled as 07-014-001a in the raw data (not included in this report).

08-010-001	Kaye	0.110 m^3	
08-016-001	Fine Tailings Dam	1.000 m^3	

5.0 RESOURCE SUMMARY

The resource drilling completed during the current reporting period has increased the resource to a total of 22,072,390 tonnes. A resource summary is included in the table below.

	Probable Ore Reserve	**Indicated Mineral Resource**	**Inferred Mineral Resource**	**Total**	**Grade**	**Carats**
Southern Cluster						
PalSac		5,077,364t	4,687,110t	9,764,474t	@ 20cpht	1,952,895
Launfal		730,000t	510,000t	1,240,000t	@ 22cpht	272,800
Excalibur		464,000t	309,000t	773,000t	@ 34cpht	262,800
Tristram			740,000t	740,000t	@ 6cpht	44,400
				12,517,474t	**@ 20.2cpht**	**2,532,895cts**
Central Cluster						
Gawain	670,155t	447,748t	583,013t	1,700,916t	@ 39.4cpht	670,161
Ywain	68,221t	11,779t	95,000t	175,000t	@ 81cpht	141,700
				1,875,916t	**@ 43.3cpht**	**811,861cts**
Northern Cluster						
Gareth		125,000t	143,000t	268,000t	@ 22cpht	58,900
Kaye		1,498,000t	1,335,000t	2,833,000t	@ 12cpht	339,900
Ector		2,357,000t	2,221,000t	4,578,000t	@ 7cpht	320,400
				7,679,000t	**@ 9.4cpht**	**719,200cts**
TOTAL				**22,072,390t**	**18.4cpht**	**4,063,956cts**

Inferred and indicated resource grades are based on a bottom slotted screen size of 1.0mm.

6.0 EXPLORATION EXPENDITURE

Expenditure for the reporting period amounted to $2,234,000 as per the breakdown in the attached expenditure report.

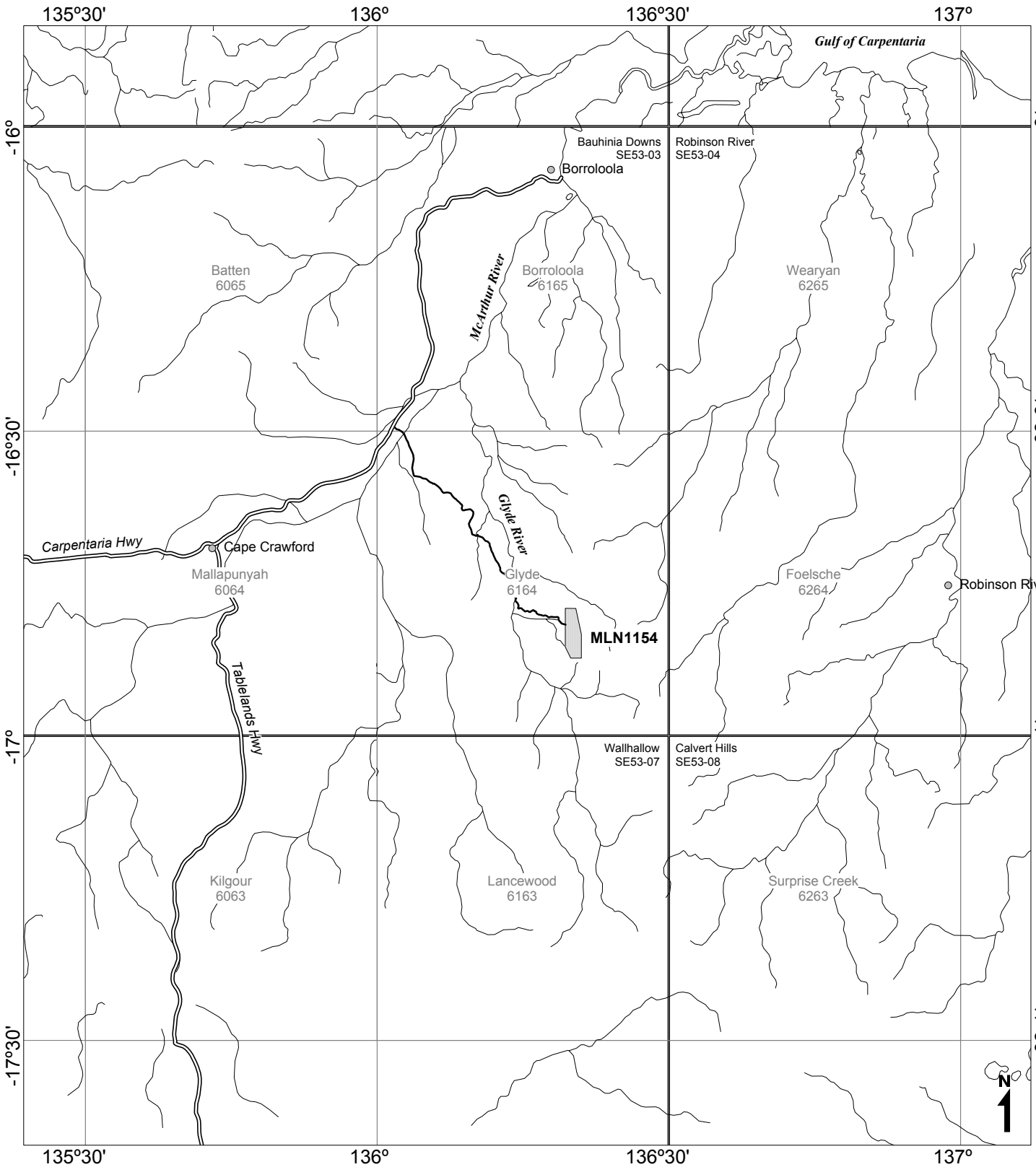
7.0 PROPOSED PROGRAMME AND BUDGET FOR 2008-2009

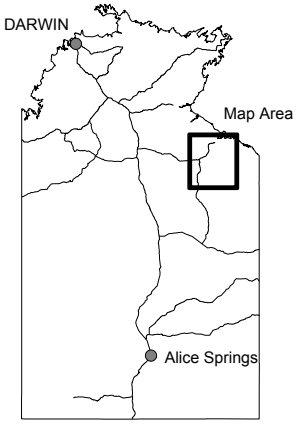
Proposed exploration programme for 2008-2009 will include further resource definition and geotechnical drilling. Additional testwork including diamond recovery of the recovered drill core for grade estimations will also be undertaken. Upon receipt of drill and sample results Feasibility Studies will commence. An estimation of proposed expenditure is included below. The costs include administration, overheads, consumables, fuel, airfares etc.

Resource definition and Geotechnical Drilling	$1,000,000
Grade testwork on drill core and kimberlite samples	$1,000,000
Commencement of Feasibility Studies	$100,000
Total	**$2,100,000**

8.0 REFERENCES

Kammermann, M., 2007. Annual Report. Year 9. ML1154 'Merlin'. North Australian Diamonds Limited Report 07-041.





Legend

- Merlin Mining Lease - MLN1154
- 100k MapSheet
- 250k Mapsheet
- Locality
- Highway
- Gravel Access Road
- Drainage

NORTH AUSTRALIAN DIAMONDS

MLN1154
Annual Report

Figure 1
Location Map

Date: 14/6/2004
Author: MJT
Office: Perth
Drawing: 1
Scale: 1:1000000
Projection: Longitude / Latitude (GDA94)

0 10 20 40
kilometres

Appendix A

Drill Logs

COLLAR DETAILS

Pipe	Drill Hole	AGD66/ Zone 53K		GDA94/ MGA53		mRL	Max Depth	Dip	Azimuth (true)	Survey method
GAWAIN	NMGW-001	643053.175	8139030.869	643180.26	8139196.66	133.946	319.5	-88.7	44	Surveyed using Nikon Field Station and Merlin survey stations
GAWAIN	NMGW-002	643053.18	8139030.86	643180.27	8139196.65	133.946	383	-88.8	314	Mapinfo
GAWAIN	NMGW-003	643053.18	8139030.86	643180.27	8139196.65	133.946	535.9	-88.8	314	Mapinfo
GAWAIN	NMGW-004	643052	8139028	643179.09	8139193.79	134	126.5	-80.5	90	Surveyed using Nikon Field Station and Merlin survey stations
GAWAIN	NMGW-005	643052	8139028	643179.09	8139193.79	134	100.7	-58	90	Surveyed using Nikon Field Station and Merlin survey stations
GAWAIN	NMGW-006	643052	8139028	643179.09	8139193.79	134	173	-85	90	Surveyed using Nikon Field Station and Merlin survey stations
GAWAIN	NMGW-007	643051.894	8139030.498	643178.99	8139196.29	133.932	245.5	-86	5	Surveyed using Nikon Field Station and Merlin survey stations
GAWAIN	NMGW-008	643051.894	8139030.498	643178.99	8139196.29	133.932	341.5	-86	5	Mapinfo
GAWAIN	NMGW-009	643040.843	8139027.904	643167.94	8139193.7	134.795	341.5	-84	65	Surveyed using Nikon Field Station and Merlin survey stations
GAWAIN	NMGW-010	643040.843	8139027.904	643167.94	8139193.7	134.795	341.5	-84	38	Surveyed using Nikon Field Station and Merlin survey stations
GAWAIN	NMGW-011	643054.6	8139026.6	643181.69	8139192.39	133.88	361.5	-84	17	Surveyed using Nikon Field Station and Merlin survey stations
PALSAC	NMPS-001	643327.0	8136275.9	643454.1	8136441.7	187.1	471.0	-76	310	Surveyed using Nikon Field Station and Merlin survey stations
PALSAC	NMPS-002	643334.8	8136270.8	643461.94	8136436.6	186.5	770.9	-83	270	Surveyed using Nikon Field Station and Merlin survey stations

SURVEY DETAILS

Pipe	Drill Hole	Depth	Dip	Azimuth (mag)	Azimuth (true)	Camera
GAWAIN	NMGW-001	50	-88.5	41	46	Eastman K
GAWAIN	NMGW-001	102	-89.5	147	152	Eastman K
GAWAIN	NMGW-001	152	-88.5	102	107	Eastman K
GAWAIN	NMGW-001	200	-89	87	92	Eastman K
GAWAIN	NMGW-001	253	-88.5	63	68	Eastman K
GAWAIN	NMGW-001	299	-88.5	50	55	Eastman K
GAWAIN	NMGW-001	319.5	-89	309	314	Eastman K
GAWAIN	NMGW-002	50	-88.5	41	46	Eastman K
GAWAIN	NMGW-002	102	-89.5	147	152	Eastman K
GAWAIN	NMGW-002	152	-88.5	102	107	Eastman K
GAWAIN	NMGW-002	200	-89	87	92	Eastman K
GAWAIN	NMGW-002	253	-88.5	63	68	Eastman K
GAWAIN	NMGW-002	299	-88.5	50	55	Eastman K
GAWAIN	NMGW-002	319.5	-89	309	314	Eastman K
GAWAIN	NMGW-002	329	-87	43	48	Eastman K
GAWAIN	NMGW-002	374	-89	63	68	Eastman K
GAWAIN	NMGW-003	50	-88.5	41	46	Eastman K
GAWAIN	NMGW-003	102	-89.5	147	152	Eastman K
GAWAIN	NMGW-003	152	-88.5	102	107	Eastman K
GAWAIN	NMGW-003	200	-89	87	92	Eastman K
GAWAIN	NMGW-003	253	-88.5	63	68	Eastman K
GAWAIN	NMGW-003	299	-88.5	50	55	Eastman K
GAWAIN	NMGW-003	319.5	-89	309	314	Eastman K
GAWAIN	NMGW-003	320	-87.5	320	325	Eastman K
GAWAIN	NMGW-003	342	-88	320	325	Eastman K
GAWAIN	NMGW-003	363	-88	311	316	Eastman K
GAWAIN	NMGW-003	375	-88	314	319	Eastman K
GAWAIN	NMGW-003	393	-88	328	333	Eastman K
GAWAIN	NMGW-003	450	-88.5	333	338	Eastman K
GAWAIN	NMGW-003	500.6	-89	302	307	Eastman K
GAWAIN	NMGW-003	535.4	-88	317	322	Eastman K
GAWAIN	NMGW-004	11	-81	88	93	Eastman K
GAWAIN	NMGW-004	56	-81.5	97	102	Eastman K
GAWAIN	NMGW-004	101	-81.5	90	95	Eastman K
GAWAIN	NMGW-004	126.5	-81.5	0	5	Eastman K
GAWAIN	NMGW-005	31	-58	96	101	Eastman K
GAWAIN	NMGW-005	100	-59	89	94	Eastman K
GAWAIN	NMGW-006	20	-85	86	91	Eastman K
GAWAIN	NMGW-006	71	-84	97	102	Eastman K
GAWAIN	NMGW-006	122	-84.5	92	97	Eastman K
GAWAIN	NMGW-006	164	-85	92	97	Eastman K
GAWAIN	NMGW-007	20.5	-85.5	2	7	Eastman K
GAWAIN	NMGW-007	71.5	-86	0	5	Eastman K
GAWAIN	NMGW-007	101.5	-87	?		Eastman K
GAWAIN	NMGW-007	161.5	-87	351	356	Eastman K
GAWAIN	NMGW-007	245.5	-87	358	3	Eastman K
GAWAIN	NMGW-008	20.5	-85.5	2	7	Eastman K
GAWAIN	NMGW-008	71.5	-86	0	5	Eastman K
GAWAIN	NMGW-008	101.5	-87	?		Eastman K
GAWAIN	NMGW-008	161.5	-87	351	356	Eastman K
GAWAIN	NMGW-008	215.7	85	355	0	Eastman K
GAWAIN	NMGW-008	245.7	86	354	359	Eastman K
GAWAIN	NMGW-008	275.7	-84.5	358	3	Eastman K
GAWAIN	NMGW-008	305.7	-84	356	1	Eastman K
GAWAIN	NMGW-008	340	-84	1	6	Eastman K

SURVEY DETAILS

Pipe	Drill Hole	Depth	Dip	Azimuth (mag)	Azimuth (true)	Camera
GAWAIN	NMGW-009	26.5	-84	53	58	Eastman K
GAWAIN	NMGW-009	53	-83.7	?		Eastman K
GAWAIN	NMGW-009	80.5	-83.5	?		Eastman K
GAWAIN	NMGW-009	101	-84	50	55	Eastman K
GAWAIN	NMGW-009	140	-84	58	63	Eastman K
GAWAIN	NMGW-009	176.5	-84	61	66	Eastman K
GAWAIN	NMGW-009	209.5	-84	55	60	Eastman K
GAWAIN	NMGW-009	251.5	-83.7	53	58	Eastman K
GAWAIN	NMGW-009	293	-83	54	59	Eastman K
GAWAIN	NMGW-009	320.5	-83.5	63	68	Eastman K
GAWAIN	NMGW-009	341	-84	59	64	Eastman K
GAWAIN	NMGW-010	32.5	-85	40	45	Eastman K
GAWAIN	NMGW-010	65.5	-85	44	49	Eastman K
GAWAIN	NMGW-010	104.5	-85	45	50	Eastman K
GAWAIN	NMGW-010	140.5	-84	48	53	Eastman K
GAWAIN	NMGW-010	185.5	-85	53	58	Eastman K
GAWAIN	NMGW-010	209.5	-84.5	52	57	Eastman K
GAWAIN	NMGW-010	233.5	-85	51	56	Eastman K
GAWAIN	NMGW-011	26.2	-84	3	8	Eastman K
GAWAIN	NMGW-011	47.2	-84.5	14	19	Eastman K
GAWAIN	NMGW-011	75.2	-84	17	22	Eastman K
GAWAIN	NMGW-011	101.2	-85	22	27	Eastman K
GAWAIN	NMGW-011	125.2	-83.5	28	33	Eastman K
GAWAIN	NMGW-011	149.2	-85	20	25	Eastman K
GAWAIN	NMGW-011	175.2	-85	29	34	Eastman K
GAWAIN	NMGW-011	200.2	-85	20	25	Eastman K
GAWAIN	NMGW-011	227.2	-84.5	17	22	Eastman K
GAWAIN	NMGW-011	287	-84	23	28	Eastman K
GAWAIN	NMGW-011	314	-85	33	38	Eastman K
GAWAIN	NMGW-011	336	-84	22	27	Eastman K
GAWAIN	NMGW-011	362	-85	32.5	37.5	Eastman K
PALSAC	NMPS-001	30	-75.4	306.3	311.3	Reflex Ezi-t
PALSAC	NMPS-001	60	-75.8	306.4	311.4	Reflex Ezi-t
PALSAC	NMPS-001	90	-75.8	306.4	311.4	Reflex Ezi-t
PALSAC	NMPS-001	120	-76	306.2	311.2	Reflex Ezi-t
PALSAC	NMPS-001	150	-76.4	307.3	312.3	Reflex Ezi-t
PALSAC	NMPS-001	180	-76.6	307.1	312.1	Reflex Ezi-t
PALSAC	NMPS-001	218	-76.7	307.1	312.1	Reflex Ezi-t
PALSAC	NMPS-001	248	-76.6	307	312	Reflex Ezi-t
PALSAC	NMPS-001	278	-76.5	306.9	311.9	Reflex Ezi-t
PALSAC	NMPS-001	308	-76.5	307.1	312.1	Reflex Ezi-t
PALSAC	NMPS-001	338	-76.5	307.3	312.3	Reflex Ezi-t
PALSAC	NMPS-001	368	-76.3	306.9	311.9	Reflex Ezi-t
PALSAC	NMPS-001	398	-76.1	306.8	311.8	Reflex Ezi-t
PALSAC	NMPS-001	428	-76.2	305.6	310.6	Reflex Ezi-t
PALSAC	NMPS-002	38	-83.7	265.7	270.7	Reflex Ezi-t
PALSAC	NMPS-002	66	-83.5	268	273	Reflex Ezi-t
PALSAC	NMPS-002	96	-83.6	269.3	274.3	Reflex Ezi-t
PALSAC	NMPS-002	126	-83.9	267.9	272.9	Reflex Ezi-t
PALSAC	NMPS-002	156	-83.9	264.8	269.8	Reflex Ezi-t
PALSAC	NMPS-002	186	-83.9	263.4	268.4	Reflex Ezi-t
PALSAC	NMPS-002	216	-83.9	261.9	266.9	Reflex Ezi-t
PALSAC	NMPS-002	246	-84	263.2	268.2	Reflex Ezi-t
PALSAC	NMPS-002	276	-83.9	262.6	267.6	Reflex Ezi-t
PALSAC	NMPS-002	306	-84	262.7	267.7	Reflex Ezi-t

SURVEY DETAILS

Pipe	Drill Hole	Depth	Dip	Azimuth (mag)	Azimuth (true)	Camera
PALSAC	NMPS-002	336	-84.1	263.1	268.1	Reflex Ezi-t
PALSAC	NMPS-002	366	-83.7	262.2	267.2	Reflex Ezi-t
PALSAC	NMPS-002	396	-84	263.3	268.3	Reflex Ezi-t
PALSAC	MNPS-002	426	-83.6	260.2	265.2	Reflex Ezi-t
PALSAC	NMPS-002	459	-83.9	260.2	265.2	Reflex Ezi-t
PALSAC	NMPS-002	483	-83.6	259.2	264.2	Reflex Ezi-t
PALSAC	NMPS-002	492	-83.6	251	256	Reflex Ezi-t
PALSAC	NMPS-002	536	-83.9	251.1	256.1	Reflex Ezi-t
PALSAC	NMPS-002	566	-83.8	249.1	254.1	Reflex Ezi-t
PALSAC	NMPS-002	596	-83.9	251.8	256.8	Reflex Ezi-t
PALSAC	NMPS-002	644	-84	252.1	257.1	Reflex Ezi-t
PALSAC	NMPS-002	677	-84.3	251.6	256.6	Reflex Ezi-t
PALSAC	NMPS-002	700	-84.2	253.4	258.4	Reflex Ezi-t
PALSAC	NMPS-002	736	-84	251.8	256.8	Reflex Ezi-t

GEOLOGY DETAILS

Pipe	Drill Hole	Depth From	Depth To	Geology	Comments
PALSAC	NMPS-001	0	115.81	BUKALARA	
PALSAC	NMPS-001	115.81	212.2	PROT	
PALSAC	NMPS-001	212.2	278	PVKB	Note : Fresh at 263m
PALSAC	NMPS-001	278	339	VKB	This is same as NMPS-002 at ~530m
PALSAC	NMPS-001	339	381.47	PVKB	
PALSAC	NMPS-001	381.47	386.4	VKB1	
PALSAC	NMPS-001	386.4	388.77	VK	
PALSAC	NMPS-001	388.77	389.72	VK1	May be VK2, VK3 etc
PALSAC	NMPS-001	389.72	390.89	VK	
PALSAC	NMPS-001	390.89	411.55	VKB1	
PALSAC	NMPS-001	411.55	413.07	VK	
PALSAC	NMPS-001	413.07	415.22	VKB1	
PALSAC	NMPS-001	415.22	428.9	VK	Note : Probable fault zone 428.00 to 429.39
PALSAC	NMPS-001	428.9	430	PVKB	Note : Extremely weathered from 441.5 to 443
PALSAC	NMPS-001	430	443.7	VKB1	
PALSAC	NMPS-001	443.7	471	PROT	
PALSAC	NMPS-002	0	112.76	BUKALARA	
PALSAC	NMPS-002	112.76	285.95	PROT	
PALSAC	NMPS-002	285.95	506	PVKB	
PALSAC	NMPS-002	506	538.55	VKB	
PALSAC	NMPS-002	538.55	578.9	PVKB	
PALSAC	NMPS-002	578.9	610.5	VKB	
PALSAC	NMPS-002	610.5	623	PVKB	
PALSAC	NMPS-002	623	630	VKB	
PALSAC	NMPS-002	630	638	PVKB	
PALSAC	NMPS-002	638	649.25	VKB	
PALSAC	NMPS-002	649.25	651.2	PVKB	
PALSAC	NMPS-002	651.2	683.2	VKB1	
PALSAC	NMPS-002	683.2	684.57	PROT	
PALSAC	NMPS-002	684.57	689.65	VKB1	
PALSAC	NMPS-002	689.65	690.51	VK2	
PALSAC	NMPS-002	690.51	694.05	VKB1	
PALSAC	NMPS-002	694.05	715.9	PVKB	
PALSAC	NMPS-002	715.9	757.75	VKB	
PALSAC	NMPS-002	757.75	770.9	PROT	
GAWAIN	NMGW-001	0	92.2	PVKB	
GAWAIN	NMGW-001	92.2	143.19	VK	
GAWAIN	NMGW-001	143.19	186.5	PVKB	
GAWAIN	NMGW-001	186.5	201.47	VK	
GAWAIN	NMGW-001	201.47	258	PVKB	
GAWAIN	NMGW-001	258	261	PROT	
GAWAIN	NMGW-001	261	285.1	PVKB	
GAWAIN	NMGW-001	285.1	290.05	VK1	
GAWAIN	NMGW-001	290.05	306	PVKB	
GAWAIN	NMGW-001	306	308.9	PROT	
GAWAIN	NMGW-001	308.9	313	PVKB	
GAWAIN	NMGW-001	313	318.05	PROT	
GAWAIN	NMGW-001	318.05	318.55	PVKB	
GAWAIN	NMGW-001	318.55	319.4	VK1	
GAWAIN	NMGW-001	319.4	319.5	PVKB	
GAWAIN	NMGW-002	319.5	320.9	PROT	
GAWAIN	NMGW-002	320.9	321.4	PVKB	
GAWAIN	NMGW-002	321.4	322.45	VK1	
GAWAIN	NMGW-002	322.45	322.67	PVKB	
GAWAIN	NMGW-002	322.67	333.93	VK1	

GEOLOGY DETAILS

Pipe	Drill Hole	Depth From	Depth To	Geology	Comments
GAWAIN	NMGW-002	333.93	383	PVKB	
GAWAIN	NMGW-003	319.5	322.7	PVKB	
GAWAIN	NMGW-003	322.7	335.2	VK1	
GAWAIN	NMGW-003	335.2	450.4	PVKB	
GAWAIN	NMGW-003	450.4	463.18	VK	
GAWAIN	NMGW-003	463.18	483.5	VKB	
GAWAIN	NMGW-003	483.5	494	PVKB	
GAWAIN	NMGW-003	494	497	VK	
GAWAIN	NMGW-003	497	502.6	VKB	
GAWAIN	NMGW-003	502.6	504.5	VK	
GAWAIN	NMGW-003	504.5	535.9	PROT	
GAWAIN	NMGW-004	0	75.3	PVKB	
GAWAIN	NMGW-004	75.3	95	VK	
GAWAIN	NMGW-004	95	126.5	PROT	
GAWAIN	NMGW-005	0	43.5	PVKB	
GAWAIN	NMGW-005	43.5	77.65	BUKALARA	
GAWAIN	NMGW-005	77.65	100.7	PROT	
GAWAIN	NMGW-006	0	81.04	PVKB	
GAWAIN	NMGW-006	81.04	123.55	VK	
GAWAIN	NMGW-006	123.55	173	PROT	
GAWAIN	NMGW-007	0	92.5	PVKB	
GAWAIN	NMGW-007	92.5	96	TUFF	
GAWAIN	NMGW-007	96	109.2	PVKB	
GAWAIN	NMGW-007	109.2	145.7	VK	
GAWAIN	NMGW-007	145.7	162.8	PVKB	
GAWAIN	NMGW-007	162.8	187.7	TUFF	
GAWAIN	NMGW-007	187.7	202.86	PVKB	
GAWAIN	NMGW-007	202.86	206.55	TUFF	
GAWAIN	NMGW-007	206.55	214.1	PVKB	
GAWAIN	NMGW-007	214.1	217.5	VK1	
GAWAIN	NMGW-007	217.5	245.5	PVKB	
GAWAIN	NMGW-008	209.1	212.6	PVKB	
GAWAIN	NMGW-008	212.6	213.8	VK1	
GAWAIN	NMGW-008	213.8	278.62	PVKB	
GAWAIN	NMGW-008	278.62	280.07	VK1	
GAWAIN	NMGW-008	280.07	293.35	PVKB	
GAWAIN	NMGW-008	293.35	298.3	PROT	
GAWAIN	NMGW-008	298.3	302.95	PVKB	
GAWAIN	NMGW-008	302.95	305.65	VK	
GAWAIN	NMGW-008	305.65	341.5	PROT	
GAWAIN	NMGW-009	0	95.61	PVKB	
GAWAIN	NMGW-009	95.61	145.45	VK	
GAWAIN	NMGW-009	145.45	150.91	VKB	
GAWAIN	NMGW-009	150.91	265.3	PVKB	
GAWAIN	NMGW-009	265.3	269.72	VK1	
GAWAIN	NMGW-009	269.72	308.3	PVKB	
GAWAIN	NMGW-009	308.3	311.6	VK	
GAWAIN	NMGW-009	311.6	341.5	PROT	
GAWAIN	NMGW-010	0	92.4	PVKB	
GAWAIN	NMGW-010	92.4	146.35	VK	
GAWAIN	NMGW-010	146.35	289.25	PVKB	
GAWAIN	NMGW-010	289.25	293.9	VK1	
GAWAIN	NMGW-010	293.9	296	PVKB	
GAWAIN	NMGW-010	296	298.25	PROT	
GAWAIN	NMGW-010	298.25	306.95	PVKB	

GEOLOGY DETAILS

Pipe	Drill Hole	Depth From	Depth To	Geology	Comments
GAWAIN	NMGW-010	306.95	314.77	VK1	
GAWAIN	NMGW-010	314.77	315.82	PVKB	
GAWAIN	NMGW-010	315.82	317.8	VK	
GAWAIN	NMGW-010	317.8	341.5	PROT	
GAWAIN	NMGW-011	0	32.2	PVKB	
GAWAIN	NMGW-011	32.2	41.2	PROT	
GAWAIN	NMGW-011	41.2	111.4	PVKB	
GAWAIN	NMGW-011	111.4	112.4	TUFF	
GAWAIN	NMGW-011	112.4	146.6	VK	
GAWAIN	NMGW-011	146.6	155.8	PROT	
GAWAIN	NMGW-011	155.8	156.2	VK	
GAWAIN	NMGW-011	156.2	286.4	PVKB	
GAWAIN	NMGW-011	286.4	295.2	VK1	
GAWAIN	NMGW-011	295.2	309.2	PVKB	
GAWAIN	NMGW-011	309.2	361.5	PROT	

NORTHERN TERRITORY EXPLORATION EXPENDITURE FOR MINERAL TENEMENT

Section 1. Tenement type, number and operation name: (One licence only per form even if combined reporting has been approved)	
Type	*Mineral Lease*
Number	*ML1154*
Operation Name (optional)	*Merlin*

Section 2. Period covered by this return:			
Twelve-month period:		**If Final Report:**	
From	*15th June 2007*	From	
To	*14th June 2008*	To	
Covenant for the reporting period:		$**290,000**	

Section 3. Give title of accompanying technical report:	
Title of Technical Report	*Annual Exploration Report – Year 10. Mineral Lease ML1154 "Merlin". 15th June 2007 to 14th June 2008. NADL Report 08-033.*
Author	*Michael Kammermann*

Section 4. Locality of operation:	
Geological Province	***McArthur Basin***
Geographic Location	***Bauhinia Downs 1:250,000 and Glyde 1:100 000 map sheets***

Section 5. Work program for the next twelve months:

Activities proposed (please mark with an "X"):

[X]	Literature review	[ ]	Airborne geophysics
[X]	Geological mapping	[ ]	Ground geophysics
[X]	Rock/soil/stream sediment sampling	[X]	Other: Feasibility Studies
[X]	Drilling and/or costeaning		

Estimated Cost: $2,500,000

Section 6. Summary of operations and expenditure:

Please include salaries, wages, consultants fees, field expenses, fuel and transport, administration and overheads under the appropriate headings below. Mark the work done for the appropriate subsections with an "X" or similar, except where indicated. Complete the right-hand columns to indicate the data supplied with the Technical Report.

Do not include the following as expenditure (if relevant, these may be discussed in Section 7):

- Insurance
- Company Prospectus
- Rent & DepartmentFees
- Bond
- Transfer costs
- Title Search
- Legal costs
- Advertising
- Land Access Compensation
- Meetings with Land Councils
- Payments to Traditional Owners
- Fines

Exploration Work type	Work Done (mark with an "X" or provide details)		Expenditure	Data and Format Supplied in the Technical Report	
				Digital	Hard copy
Office Studies					
Literature search					
Database compilation	**X**				
Computer modelling	**X**				
Reprocessing of data					
General research	**X**				
Report preparation	**X**			**X**	
Other					
	Subtotal		$90,000		
Airborne Exploration Surveys (state line kms)					
Aeromagnetics		kms			
Radiometrics		kms			
Electromagnetics		kms			
Gravity		kms			
Digital terrain modelling		kms			
Other (specify)		kms			
	Subtotal		$**0**		
Remote Sensing					
Aerial photography					
LANDSAT					
SPOT					
MSS					
Other (specify)					
	Subtotal		$**0**		
Ground Exploration Surveys					
Geological Mapping					
Regional					
Reconnaissance					
Prospect					
Underground					
Costean	**X**				
Ground Geophysics					
Radiometrics					
Magnetics					
Gravity					
Digital terrain modelling					
Electromagnetics					
SP/AP/EP					
IP					
AMT/CSAMT					
Resistivity					
Complex resistivity					
Seismic reflection					
Seismic refraction					
Well logging					
Geophysical interpretation					
Petrophysics					
Other (specify)					

Geochemical Surveying and Geochronology								
(state number of samples)								
Drill (cuttings, core, etc.)	**14**							
Stream sediment								
Soil								
Rock chip								
Laterite								
Water								
Biogeochemistry								
Isotope								
Whole rock								
Mineral analysis								
Laboratory analysis (type)								
Petrology								
Other (kimberlite mini-bulk samples)	**16**							
Ground Exploration Subtotal						$990,000		
Drilling (state number of holes & metres)								
Diamond	**13**	holes	**3,674**	metres				
Reverse circulation (RC)		holes		metres				
Rotary air blast (RAB)		holes		metres				
Air-core		holes		metres				
Auger		holes		metres				
Other (specify)		holes		metres				
	Subtotal					**$750,000**		
Other Operations								
Costeaning/Trenching								
Bulk sampling								
Mill process testing								
Ore reserve estimation								
Underground development (describe)								
Royalties	**X**							
Field logistics	**X**							
	Subtotal					$400,000		
Access and Rehabilitation								
Track maintenance								
Rehabilitation								
Monitoring								
Other (specify)								
	Subtotal					$**0**		
TOTAL EXPENDITURE						**$2,234,000**		

This form should accompany any Annual or Final Report
Email to: Geoscience.info@nt.gov.au

Section 7. Comments on your exploration activities:

Activities were focussed on resource definition drilling and collection of drill core samples and pit cubic metre samples of kimberlite for microdiamond/macrodiamond investigations.

I certify that the information contained herein, is a true statement of the operations carried out and the monies expended on the above mentioned tenement during the period specified as required under the *Northern Territory Mining Act* and the Regulations thereunder.

[X] I have attached the Technical Report

1. Name:	Michael Kammermann	2. Name:	
Position:	Geologist	Position:	
Signature:		Signature:	
Date:	11/9/2008	Date:	