

5 September 2007



Manager of Company Announcements
Australian Stock Exchange Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

North
Australian
Diamonds
Limited
ABN 86 009 153 119

By E-Lodgement

SHAREHOLDER SHARE PURCHASE PLAN OFFER

The Board of North Australian Diamonds Limited ("North Australian") is pleased to announce an offer to shareholders pursuant to a Shareholder Share Purchase Plan ("Plan") under which shareholders may apply for shares in North Australian up to a maximum of \$5,000 per shareholder. The Plan will provide for eligible shareholders to take up amounts of either \$2,000 or the maximum sum \$5,000.

The offer of Shares under the Plan will be made at 3 cents per share being a discount of approximately 9 per cent to the weighted average market price for the previous 5 days. The Plan will operate in accordance with the stated exception under ASX Listing Rule 7.1; namely that the number of securities to be issued under the Plan will not be greater than 30 per cent of the number of fully paid ordinary securities on issue.

The Record Date for this offer has been set at 5.00pm (WST) on 10 September 2007 and offer documents will be forwarded to eligible shareholders on or about Wednesday 12 September 2007. The Plan is scheduled to close on Tuesday 25 September 2007.

Shareholders should note that North Australian is also spinning out its uranium rights into a new company called Top End Uranium Limited. Shareholders who participate in the Share Purchase Plan will receive those shares in time to participate in the entitlement offer to the Top End Uranium Limited spin-out, subject to ASX marketable parcel guidelines.

To ensure participation in the Plan any potential purchaser of North Australian shares following this announcement should consult with their broker to determine whether they will be entitled to participate in the Plan.

Use of Funds

The funds raised from the issue of shares under the Plan will be used to fund the work programme to progress the Merlin project towards a bankable feasibility study and the development of a commercial large scale mining operation at the Company's 100 per cent owned Merlin Diamond Project.

The known resource at the Merlin field is 19.5 million tonnes for a contained 3.45 million carats. The Central and Southern cluster of pipes, which are the current focus of evaluation, account for 11 million tonnes for a contained 2.7 million carats. It is intended that the proposed resource drilling on the Central and Southern cluster pipes along with associated grade test work will confirm a resource of 15 million tonnes for a contained 5 million carats. This would be sufficient to support a 10 year plus commercial mining operation at 400,000 carats per annum. Diamond prices of US\$150 – US\$180 carat can be achieved based on

recent sales of Merlin 'Run of Mine' product, giving the project potential annual revenues of around A\$80 million.

Activities

North Australian has undergone changes at board level with a view to the Company having a strategic plan to potentially bring the Merlin Diamond Mine into full commercial operation with an average production of some 400,000 carats per annum.


To prove up the resource in the Central and Southern cluster pipes sufficient to support a 10 plus year mining operation and to finance a feasibility study North Australian will rely on this offer and other funding sources to invest a total of approximately \$8 million. These funds will be used to complete the study and to also progress exploration work on the highly prospective Tintagel and Borroloola Project areas.

In order to have this potential development fully funded North Australian is intending to undertake a bankable feasibility study based on confirmation of a JORC compliant resource.

The Directors view the Plan as opportunity to reward shareholders for their ongoing support.

For and on behalf of the Board.

Yours sincerely



Tom Reddicliffe
CEO

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