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Manager of Company Announcements
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North
Australian
Diamonds
Limited
ABN 86 009 153 119

By E-Lodgement

Drilling Extends PalSac footprint to 430m below surface

Sampling results confirm Gawain Grade

- **The first drill hole in the second phase of the Merlin resource definition drilling programme is completed, with a 231m intersection of kimberlite within PalSac pipe;**
- **The depth extent of the PalSac pipe has been significantly extended from 300m to 430m below surface, for an increase in resource of over 1M tonnes;**
- **Further drill holes on PalSac are expected to extend the pipe resources to 600m below surface;**
- **Analysis of core samples from the first phase drilling on Gawain pipe has provided results consistent with the continuity of grade at depth; and**
- **The Company's strategy of targeting sufficient resource to support a large scale, long term mining project remains on track.**

Australian diamond explorer North Australian Diamonds Limited has increased the total JORC compliant 'Indicated and Inferred Resource' at its 100 per cent owned Merlin Diamond Project in the Northern Territory of Australia, following successful drilling into the PalSac pipe as part of phase two of the resource definition drilling programme.

This drill hole, which was angled across the pipe at an inclination of 76°, provided a kimberlite intersection of 231m, entering the pipe at a vertical depth of 205m and exiting the pipe at a vertical depth of 430m. This intersection extends the known footprint of the pipe from 300m depth to 430m depth. The areal extent of the pipe at 300m below surface is 1.06ha.

An assessment of the PalSac resources based on this new drilling information has allowed the JORC compliant total 'Indicated and Inferred Resource' to be increased from 6.72M tonne to 7.88M tonne. This resource is from the base of open-pit at 108m depth to 430m below surface.

Forward Drilling Programme

The ongoing resource definition drilling and evaluation programme will continue to be focussed on PalSac pipe and intends to extend the PalSac pipe resources to 600m below surface. If the pipe continues to maintain its gauge at depth this would see the PalSac resource increase to approximately 10.5 M tonne.

Sampling results confirm Gawain Grade

Mini-Bulk and Drill Core Samples *Note 1 and 2*

A total of 4 mini-bulk samples, each approximately 1m³ in volume, have been collected from the Gawain open pit, along with 100kg core samples collected from selected depth intervals within the pipe. The fine diamond results from all of these samples are similar and are consistent with diamond distributions established from bulk sampling and trial production completed in 2006. All of the samples are from similar kimberlite breccia (diatreme facies) material and provides strong evidence that the established pit grade of 96 carats per hundred bank cubic meter (42 carats per hundred tonne) continue at depth within the pipe. Additional core samples from the initial drilling are being dispatched to the Company's Wangara laboratory for fine diamond recovery and analysis.

For further information please contact North Australian Diamonds Limited:

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Note 1: 96cts per hundred bank cubic meter is equivalent to 42cpht at 2.3 bulk density.

Note 2: The bulk density of the kimberlite in Gawain varies from 1.8 for the weathered near surface kimberlite to 2.5 for the deeper fresher kimberlite.

Tom Reddicliffe, a full time employee of the company, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Tom Reddicliffe consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.