



North
Australian
Diamonds
Limited

ABN 86 009 153 119

27 August 2008

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-Lodgement

Shareholder Update

North Australian Diamonds Ltd (ASX: NAD) (**NAD** or **Company**) advises that proceedings have been commenced against the Company, its Directors, Ascot Securities Pty Ltd and one of its directors in the Supreme Court of Western Australia by Anglo Pacific Group PLC (**APG**), who is the beneficial owner of approximately 13% of the Company's shares.

APG are seeking to permanently restrain the Company and the Directors from allotting any further shares in accordance with the proposed 3 stage capital raising to raise approximately \$6 million announced on 25 August 2008. A hearing is scheduled for Friday, 29 August 2008 to determine whether the existing restraint should continue until trial.

The Board of Directors confirm that they remain of the view that the placement was in the best interests of the Company taking into account all competing interests and that the placement will ensure the viability of the Merlin Project which, if successful, is expected to deliver a significant return on investment to the shareholders of the Company. In addition the Directors believe that the capital raising will ensure the viability of the Company's future drilling and exploration contract commitments.

For further information please contact:

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