



North
Australian
Diamonds
Limited
ABN 86 009 153 119

23 October 2009

Manager Companies
Australian Securities Exchange
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

Notice of Annual General Meeting

A copy of the notice of annual general meeting and explanatory statement that is being mailed to shareholders and option holders today is attached.

The Company wishes to advise that it has deferred the date of the annual general meeting to 24 November 2009.

Yours faithfully,

PETER LEE
Company Secretary

NORTH AUSTRALIAN DIAMONDS LIMITED
A.B.N. 86 009 153 119

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of North Australian Diamonds Limited (the "Company") will be held at Sebel 2, 9th Floor, Sebel Albert Park, 65 Queens Road, Melbourne, Victoria 3004, Australia, on Tuesday 24 November 2009, commencing at 11.30 am for the following purposes:

AGENDA

ORDINARY BUSINESS

1. Financial Statements and Reports

To receive and consider the Financial Statements of the Company and the Reports of the Directors and of the Auditor for the financial year ended 30 June 2009.

2. Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report of the Company (which forms part of the Directors' Report) for the financial year ended 30 June 2009 be adopted."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

3. Election of Directors

To consider and, if thought fit, to pass as an ordinary resolutions:

(a) *That Mr Tom Reddicliffe who holds office until the close of the meeting in accordance with clause 14.3(b) of the Company's Constitution, and, being eligible, be re-elected as a director of the Company.*

(b) *That Mr Craig Michael who holds office until the close of the meeting in accordance with clause 14.3(b) of the Company's Constitution, and, being eligible, be re-elected as a director of the Company.*

SPECIAL BUSINESS

4. Appointment of Auditor

To consider and, if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That PKF of 140 William Street Melbourne Vic 3000 be and is hereby appointed auditor of the Company to fill the vacancy caused by the resignation of BDO Kendalls (WA) Pty Ltd."

5. Amendment of Constitution: Non-Marketable Parcels

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That the Constitution of the Company be amended by the insertion of the following new Rule 29 after Rule 28."

29 **SMALL SHAREHOLDINGS**

29.1 Sale of Small Holdings

Subject to the Listing Rules:

- (a) *If at any time the number of Shares registered in the name of a Member (including Shares to which the Member is jointly entitled) is less than a Marketable Parcel, then the Directors may serve a written notice on the Member advising the Member that the Company intends to sell those Shares.*
- (b) *The notice given under this clause must be served on all Members named in the Register as the holder of Shares being less than a Marketable Parcel.*
- (c) *The notice must state that unless the Member advises the Company before the date referred to in the notice (being no less than 6 weeks after the date the notice is issued) or such other period required by the Listing Rules that the Member wishes to retain the Member's shareholding, the Shares referred to in the notice will be sold.*
- (d) *If a Member does not advise the Company by the date referred to in the notice that the Member wishes to retain the Member's shareholding, then the Directors may sell those Shares together with all rights attaching to those Shares, including any unpaid dividends.*
- (e) *Any Shares sold under this clause will be sold in the manner the Directors decide. For the purpose of the sale:*
 - (i) *the Member appoints any two Directors jointly, as the Member's attorneys for the purpose of executing any instrument to transfer those Shares;*
 - (ii) *the transferee will not be bound to see to the regularity of proceedings or to the application of the purchase monies and the title of the transferee will not be affected by any irregularity or invalidity in connection with the sale.*
- (f) *Once the transferee's name has been entered into the Register in respect of the Shares, the title of the transferee will be indefeasible and the remedy of any person aggrieved by the sale will be in damages against the Company.*
- (g) *The Company (where permitted by the Act) or the transferee will bear all costs as a result of the sale of the shareholding.*
- (h) *The proceeds of any sale will be held in such manner as the Directors determine. The proceeds of the sale will not be remitted to the Member entitled to those proceeds until the Company receives the share certificates (if any) relating to the Shares the subject of the sale.*
- (i) *A certificate in writing under the hand of any two Directors or any one Director and the Secretary that:*
 - (i) *any notice required to be served on the Company was served;*
and
 - (ii) *any resolution of the Directors required to be made was made,*

will be sufficient evidence of the facts stated in the certificate against all persons claiming to be entitled to those Shares and to the right and title of the Company to dispose of them.

- (j) The Company will cancel the share certificates (if any) of all Members whose Shares are sold under this clause.*
- (k) This clause may be invoked only once in any period of 12 months.*
- (l) Notices given under this clause and the resulting power of sale will cease to have effect following announcement of a takeover offer or the making of a takeover announcement in respect of the Shares, or any class of Shares, of the Company but, despite paragraph (k), the procedure may be started again after the close of the offers made under the takeover offer or announcement or, subject to the approval of the ASX, the withdrawal of the offers made under the takeover offer or announcement under the Corporations Act.”*

By Order of the Board and dated this 8th day of October 2009.



PETER LEE
Company Secretary

2009 ANNUAL REPORT

A copy of the 2009 Annual Report is available on our website at www.nadl.com.au

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. A Member entitled to attend and vote at the aforementioned meeting is entitled to appoint not more than two other persons as his/her proxy or proxies to attend and vote, in certain circumstances, instead of the Member at the meeting.
2. If a Member appoints one proxy, that proxy may vote on a show of hands.
3. If a Member appoints two proxies neither may vote on a show of hands. However, if you appoint two proxies to represent you at the Meeting, you must show in the space provided either the percentage of your Shareholding or the number of votes (you are entitled to one vote for each Share you own upon a poll being declared) those proxies are to represent. If you do not complete this section then each proxy may, on a poll, vote half of your Shareholding. A separate proxy form must be submitted for each proxy you appoint.
4. A proxy need not be a Member of the Company.
5. If you appoint a proxy to represent you and vote on your behalf at the Meeting and that person is also a Member or has already been appointed as a proxy for another Member, your vote may not be counted on a show of hands. This is because, on a show of hands, your proxy's vote is only counted once irrespective of the number of Members that that person represents. However, if a poll is taken and your proxy votes, your vote will be counted in full in reaching a decision.
6. The Proxy Form together with the Power of Attorney (if any) or a certified copy of the Power of Attorney (if any) under which it is signed must be lodged at either Level 12, 680 George Street, Sydney, NSW 2000, mailed to Locked Bag A14, Sydney South, NSW 1235 or the Registered Office of the Company or by being sent by fax to (+61) 02 9287 0309, not less than forty-eight (48) hours before the time of the commencement of the meeting.
7. Signing Proxies
 - (i) Joint Holding - All holders must sign.
 - (ii) Shares in Company Names - Companies must execute this form in the way provided by Law.
 - (iii) Individual - Must be signed by the Member or their attorney.
8. For the purpose of the Meeting, Shares will be taken to be held by the persons who are registered holders at 7pm, on 20 November 2009. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

COMPANY REPRESENTATIVE

If Shares are held in a company name and it is intended that a representative of the company attend the Meeting rather than lodge a proxy prior to the Meeting, the person attending the Meeting must present authority from the company director/s signed in the way provided by law.

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

This Explanatory Statement provides shareholders of the Company with information in respect of the resolutions to be considered at the Annual General Meeting of the Company to be held at Sebel 2, 9th Floor, Sebel Albert Park, 65 Queens Road, Melbourne 3004 on 24 November 2009 at 11.30 am Shareholders should carefully review this Explanatory Statement and the associated Notice of General Meeting (**Notice**) to which this Explanatory Statement is attached.

If you have difficulty in properly understanding this documentation, you should consult your financial or legal adviser.

1. RECEIVE AND CONSIDER THE REPORTS FOR THE YEAR ENDED 30 JUNE 2009

This item is intended to provide an opportunity for Shareholders to raise questions on the reports themselves and on the performance of the Company generally.

The Company's Annual Report 2009 has been made available to Shareholders. There will be an opportunity for Shareholders at the meeting to comment on and ask questions about the Company's management, operations, financial position, business strategies and prospects.

2. ADOPT THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2009

There will be an opportunity for Shareholders at the meeting to comment on and ask questions about the Remuneration Report which is contained in the Company's Annual Report 2009.

The vote on the proposed resolution in agenda Item 2 is advisory only and will not bind the Directors or the Company, however, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Remuneration Report is set out on pages 9 to 12 of the Company's Annual Report 2009. The Report:

- explains the Board's policies in relation to the nature and level of remuneration paid to Directors and key management personnel within the Company;
- discusses the link between the Board's policies and the Company's performance;
- sets out remuneration details for each Director and for each member of the Company's senior executive management team.

3. RE-ELECTION OF DIRECTORS

- (a) Article 14.3(b) of the Company's Constitution requires that a Director appointed during the year to fill a casual vacancy by the Board of Directors to retire at the conclusion of the next meeting of the Company. Accordingly, Mr Tom Redcliffe retires and being eligible offers himself for re-election.
- (b) Article 14.3(b) of the Company's Constitution requires that a Director appointed during the year to fill a casual vacancy by the Board of Directors to retire at the conclusion of the next meeting of the Company. Accordingly, Mr Craig Michael retires and being eligible offers himself for re-election.

A profile about each of the Directors follows:

Mr Tom Redcliffe

Mr Redcliffe, age 57, was exploration manager for Ashton Mining Limited and was directly responsible for the discovery of the Merlin Diamond Mine in the Northern

Territory. Mr Reddicliffe has over 30 years of experience in the diamond industry. Mr Reddicliffe joined the Company in February 2001 and was the Company's General Manager of Exploration and Evaluation prior to his appointment as Technical Director. He currently has the role of CEO/Executive Director.

Mr Craig Michael

Mr Michael has been Executive General Manager of Legend International Holdings, Inc. ("Legend") since October 2008 and began with Legend as Chief Geologist in September 2007. Mr Michael has over 10 years experience as a geology professional in the mining and resources industry. His previous work was with Oxiana Ltd an international mining company which previously had operations in South East Asia and Australia. Mr Michael was based in Laos in senior management positions both as a Mine Geologist and Resource Geologist at the Sepon Copper Gold Project. Prior to his time with Oxiana, he was a Mine Geologist at Sons of Gwalia's Carosue Dam Gold Project in Western Australia where he also conducted his first class honours thesis on their flagship Karari gold deposit.

4. APPOINTMENT OF AUDITOR

Following the transfer of the registered office of the Company to Melbourne and the changes to the Board of Directors and management over the past 12 months, it is more practical and cost effective to have the auditors of the Company based out of Melbourne. Accordingly, BDO Kendalls (WA) Pty Ltd has resigned as auditors of the Company and Legend International Holdings, Inc., a shareholder of the Company, has nominated PKF as auditors of the Company.

5. AMENDMENT OF CONSTITUTION

5.1 Overview

A marketable parcel of shares is defined in the ASX Listing Rules as a holding of Shares worth not less than \$500.00. At the close of business on 1 October 2009, the Company had 6,854 Shareholders of which 3,217 held non-marketable parcels (less than \$500 worth of Shares), i.e. (**Small Shareholders**). This represents 46.94% of the Company's Shareholders.

The Directors propose to deal with this issue by offering Small Shareholders an opportunity to top-up their shareholding to a marketable parcel or more by purchasing Shares in the Company (**Top-Up Facility**) and in conjunction with establishing a Top-Up Facility, establishing a small holding sale facility for remaining Small Shareholders to sell, through the Company, their non-marketable parcels of Shares (**Small Holding Sale Facility**).

The Directors' decision whether to offer the Top-Up Facility and to activate the Small Holding Sale Facility, is dependent on Shareholders passing resolution 5 and the market and economic conditions applicable at the time the Directors make their decision. Whilst in the short term it is likely the Directors will activate both a Top-Up Facility and a Small Holding Sale Facility, it is conceivable in future that this might not occur.

If established, full details of the Facilities will be announced at the relevant time in order to accord with the requirements of ASIC Class Order 08/10 and the ASX Listing Rules.

5.2 Small Holding Sale Facility

ASX Listing Rule 15.13 provides for companies to be able to sell non-marketable parcels of Shares subject to various conditions. Subject to the passing of Resolution 5 by Shareholders, the Directors propose to establish a Small Holding Sale Facility for Shareholders who hold less than a marketable parcel.

The Company will notify Small Shareholders, not more than once in any 12 month period, that it intends to sell their Shares. After a 6 week period, the Company will be entitled to sell the Shares of any Small Shareholder who has not advised the Company on the form provided to them to the contrary. The proceeds of sale will be remitted to the Small Shareholders whose Shares were sold within 60 days of the sale. Any brokerage or transaction costs in respect of these Share sales will be borne by the Company (but there is provision for a purchaser to instead be required to bear the costs).

Shareholders should note that the Company will not sell the non-marketable parcels of those Small Shareholders who inform it in writing that they wish to retain their small holdings.

The Constitution will also provide that the Small Holding Sale Facility is not available if a takeover bid for the Company is current, but the procedure can be re-activated afterwards.

Advantages of introducing Small Holding Sale Facility

The amendment of the Constitution to deal with non-marketable parcels empowers the Directors to establish a Small Holding Sale Facility; it does not oblige the Directors to do so. The Small Holding Sale Facility will allow the Company to achieve a more efficient investor base and reduce the Share Registry costs associated with non-marketable parcels. The Small Holding Sale Facility will also allow Small Shareholders with non-marketable parcels to dispose of their Shares at no cost.

Disadvantages of introducing Facility

Only a Small Shareholder who wishes to retain less than \$500 worth of Shares and does not want to have to write to the Company to so indicate would be disadvantaged. There are likely to be very few Small Shareholders in this category.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

By Order of the Board and dated this 8th day of October 2009

A handwritten signature in black ink, appearing to read 'Peter Lee', written in a cursive style.

PETER LEE
Company Secretary