

Company moves closer to production target

North Australian Diamonds Ltd is moving closer to its target of producing 40,000 carats for this calendar year from its Merlin diamond mine in the Northern Territory with modifications underway to debottleneck the flow sheet and increase throughput.

With a capital raising of \$3.76 million to fund the development of Merlin, the June quarter saw the company successfully trial the reassembly and refurbishment of the Bateman dense media separation plant on site.

Scrubbing capacity to feed the DMS plant is being upgraded to treat highly weathered kimberlite from the open pits.

During the June quarter, 4,283 tonnes of ore was processed with 2,078 carats recovered. Calendar year to date production now exceeds 3,000 carats.

The highest value diamond to date has been a 10.54 carat gem quality white stone valued at US\$61,506, which equates to US\$5,835 per carat. This stone was recovered from the Ywain kimberlite.

A log washer with a capacity of up to 120 tonnes per hour is being installed. It is expected that this unit, coupled with the scrubber, will enable throughput capacity of

the highly weathered clayey kimberlite to increase to 50 tph.

Processing of the remainder of the x-ray sorthouse tailings was also completed with 1,256 carats recovered. The largest diamond recovered was a 17.9 carat near gem brown stone, while the remainder of the recovered diamonds in the quarter came from Stage 2 production.

Processing of kimberlite ore from the Ywain and Gawain pipes also started in the quarter, and is planned to continue for the rest of the year.

Production from these pipes is expected to represent the majority of the carats recovered from operations in the next two quarters.

Dewatering of other selected pipes will be undertaken to allow access to additional weathered kimberlite for processing.

In terms of brownfield development, combined indicated and inferred resources have been upgraded to 19.45 million tonnes at a grade of 18 cpht for a total of 3.52 million carats. Over 50% of the total resource is in the indicated category.

As for exploration, the Merlin Orbit properties consist of 11 tenements totalling 3,500 square km surrounding the mining lease of the former Merlin diamond mine and

encompassing the currently known extent of the Merlin kimberlite field.

Historically, four samples from a total of 24 follow-up samples taken on selected targets within the Merlin Orbit tenements have reported positive results.

The most significant was four microdiamonds from a sample taken on a geophysical target in the Tintagel area. A previous sample on this anomaly taken by Rio Tinto Exploration reported one kimberlitic chromite. This anomaly is located within structural corridors that are known to be favourable for kimberlite emplacement.

A follow-up sampling program to check these results was completed late last year with 10 samples collected. Three of the samples reported positive for indicator minerals or microdiamonds. A further 15 follow-up stream samples were collected in March and in the latest quarter, one sample reported positive for one microdiamond and a further seven samples are pending SEM analysis.

North Australian Diamonds has also expanded the terms of a farm-in deal with De Beer Exploration Australia Ltd to earn 100% in all commodities in tenements with a total project area of 13,500 sq km in the Arnhem Land region of the NT.