North Australian Diamonds Limited

ABN 86 009 153 119

ANNUAL REPORT 2012

CONTENTS

Diamonds from recent production trials.

CHAIRMAN'S REVIEW

Dear Shareholder

The past 12 months has seen North Australian Diamonds Ltd ("North Australian Diamonds" or "Company") take further steps towards commencing diamond mining and processing at its Merlin Project. Merlin will be the only diamond mine in the Northern Territory.

In 2012 the Company sold a portion of the 10,600 carats of diamonds recovered during the 2010 pre-feasibility production trials, with the larger diamonds retained by the Company. The sales generated proceeds of US$1.865 million. The small diamonds achieved a strong premium of 62% over the reserve price confirming the strong demand for high quality diamonds. The remaining large diamonds are yet to be sold. After the sale, eDiamonds, a diamond auction house, made the following comment on the Merlin diamond parcel. "Through price comparison and analysis of the market, eDiamond believes the achieved prices of the sold goods were very high. This is backed by numerous comments of important players on the market." This feedback supports our confidence in the quality and saleability of Merlin diamonds. The Company has retained a quantity of the larger diamonds, one of which has been cut and polished, for future sale and for marketing purposes. The diamonds from Merlin are known to be high clarity, super white, high value stones.

The Company has been focused on bringing Merlin mine to production in the first quarter of 2013.

The Company is examining the feasibility of extracting ore from kimberlites at depth using borehole mining. Borehole mining is an established technique used for bulk sampling the diamond bearing kimberlites in Canada. Due to the narrow nature and extensive depth of Merlin kimberlites, it is an appropriate technique for extracting ore at the Merlin mine.

Feasibility studies for ore extraction and processing have continued through the year and are nearing completion. Consulmet have been tasked with optimising the processing plant at Merlin and also to provide the design and operational parameters to execute near surface mining of kimberlite material using a suction cutter dredge.

We look forward to an exciting year of production and sales.

J.I. Gutnick

Joseph Gutnick
Executive Chairman

22+ carat diamond recovered from Merlin.

REVIEW OF ACTIVITIES

1. Introduction

Over the past 12 months, North Australian Diamonds Ltd ("North Australian Diamonds" or "Company") has focused on studies aimed and re-establishing production at its Merlin Diamond Mine in the Northern Territory, Australia. The Merlin Diamond Mine Project comprises the Merlin Diamond Mine operations and the surrounding exploration tenements ("Merlin Orbit") totalling approximately 2,480km^2 which effectively encompasses the known extent of the Merlin Kimberlite Field.

The Merlin Project is located some 100km south of the settlement of Borroloola and comprises 14 kimberlite pipes, grouped into four clusters. Nine of these pipes were subject to open-pit mining over a 5 year period commencing in 1998. The operations ceased in 2003 having produced 507,000 carats of diamonds. During its short operational life, Merlin Diamond Mine was renowned for the production of top quality white diamond and large specials, the largest being 104.73 carats. North Australian Diamonds acquired the project from the Rio Tinto group in 2004. In 2012, part of the latest parcel has been sold on international markets generating proceeds of US$1.865 million. The Company has retained a quantity of the larger diamonds, one of which has been cut and polished, for future sale and for marketing purposes. The diamonds from Merlin include high clarity, super white, high value stones.

The Merlin Diamond Mine has significant near-term production potential and high priority exploration targets within the tenement holding surrounding the Mining Lease.

In addition to the Merlin Project, North Australian Diamonds has an extensive 23,630km^2 tenement holding in Arnhem Land. These tenements are considered to have potential for diamonds and other minerals.

The Company continues to hold a 31% interest in Top End Uranium ("Top End") which it successfully spun-out in late 2007.

2. Project Highlights

- The total Merlin Diamond Mine JORC compliant combined Indicated and Inferred Mineral Resource is 19 million tonnes for a contained 4.3 million carats.
- The total Merlin Diamond Mine JORC compliant Probable Ore Reserve is estimated at 11.1 million tonnes for a contained 2.9 million carats.
- The total Merlin Diamond Mine Mineral Resource and Ore Reserve is the second largest in Australia.
- The Company sold parcels of rough diamonds from the 2010 production trials. The sales have generated proceeds of US$1.865 million. The Company has retained a quantity of high value special stones, including one which has been cut and polished for marketing and valuation purposes.
- Drilling engineers, Kinley Exploration are defining the parameters for hydraulic ore cutting at Merlin. This will enable borehole extraction and lifting of deep ore at the Merlin Diamond Mine.
- Engineering firm Consulmet are nearing completion of the engineering study covering the process plant and the extraction of near surface kimberlite ore by dredging.
- Processing of bulk samples extracted from the Borroloola alluvial project recovered 22 diamonds with a total weight of 1.09 carats.

2.1 Probable Ore Reserves

The combined Probable Ore Reserve for all diamond pipes at Merlin is 11.1 million tonnes for an average grade of 26 carats per hundred tonnes ("cpht") representing a total contained 2.89 million carats.

	Probable Ore Reserve (Mt)	Grade (cpht)	Carats (Mcts)
Southern Cluster			
PalSac[2]	8.1	30	2.41
Central Cluster			
Gawain[2]	0.5	39	0.21
Ywain[2]	0.1	81	0.05
Northern Cluster			
Kaye[2]	0.9	12	0.10
Ector[1]	1.5	7	0.11
TOTAL	**11.1**	**26**	**2.89**

Note: Reserve estimates are based on open cut and underground mining. A Reserve for alternative mining methods is pending the completion borehole mining feasibility study.

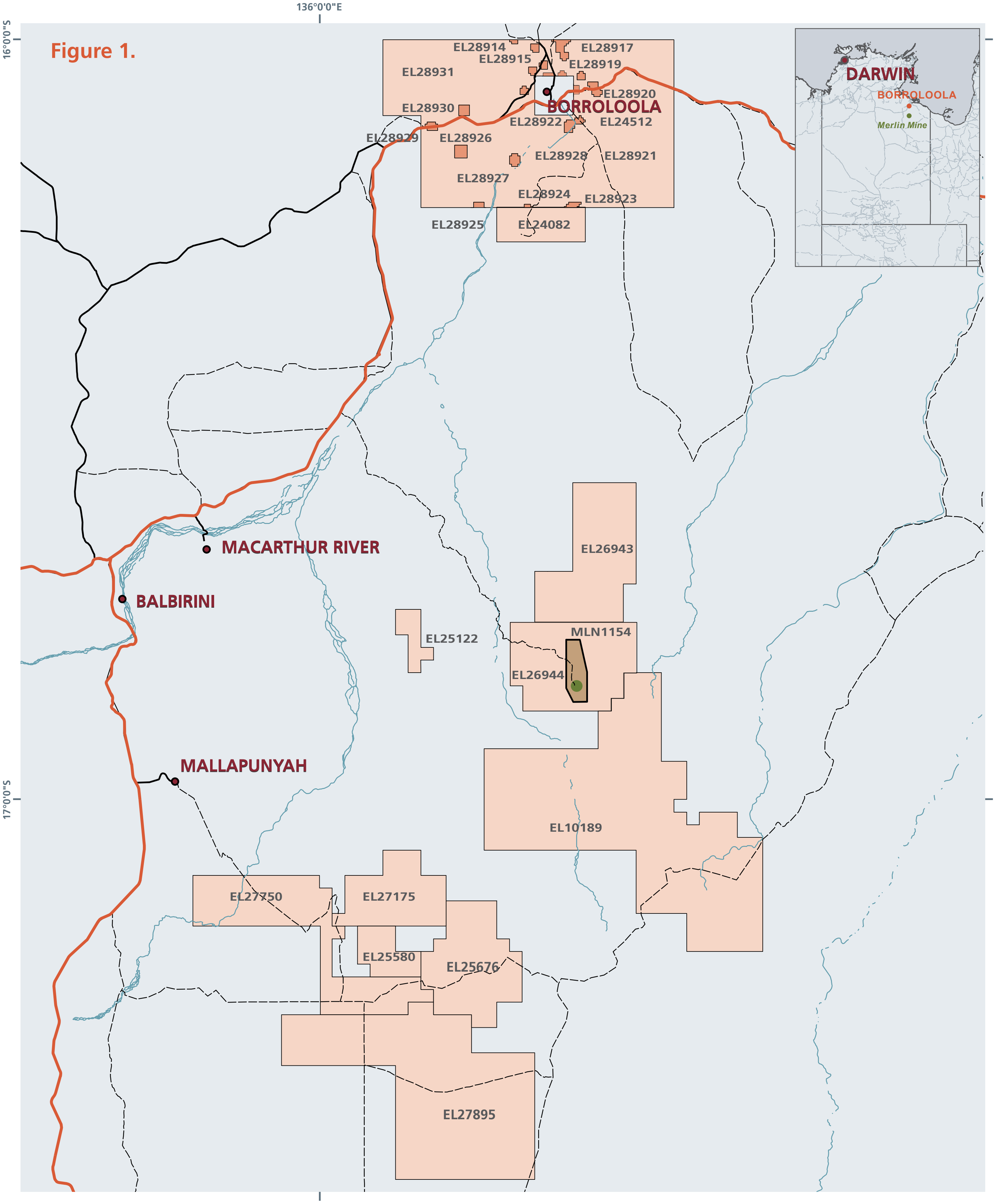
2.2 Inferred and Indicated Resources

The combined Indicated and Inferred Mineral Resource for all diamond pipes at Merlin is 19.02 million tonnes for an average grade of 24 carats per hundred tonnes ("cpht") representing a total contained 4.31 million carats.

	Indicated Mineral Resource (Mt)	Inferred Mineral Resource (Mt)	Total (Mt)	Grade (cpht)	Carats (Mcts)
Southern Cluster					
PalSac[2]		6.59	6.59	30	1.96
Launfal[2]	1.58	1.70	3.28	25	0.82
Excalibur[1]	0.46	0.31	0.77	34	0.26
Tristram[2]		0.74	0.74	6	0.04
Central Cluster					
Gawain[2]	0.53	0.61	1.14	39	0.45
Ywain[2]	0.02	0.10	0.12	81	0.09
Northern Cluster					
Gareth[1]	0.13	0.14	0.27	22	0.06
Kaye[2]		2.14	2.14	12	0.26
Ector[1]		3.47	3.47	7	0.26
Bedevere[2]	0.37	0.14	0.50	21	0.11
TOTAL	**3.09**	**15.93**	**19.02**	**24**	**4.31**

[1] *Resource grade based on previous mining operation recovery using a +0.95 mm slotted bottom screen and a +0.95mm cut-off.*

[2] *Resource grade based on bulk sample test work using a +0.85 mm slotted bottom screen and a +1mm cut-off.*



Legend

- Granted
- Non consent areas
- Mine lease
- Population centres
- Merlin Plant locations
- Highways
- Sealed roads
- Unsealed roads
- Major drainage

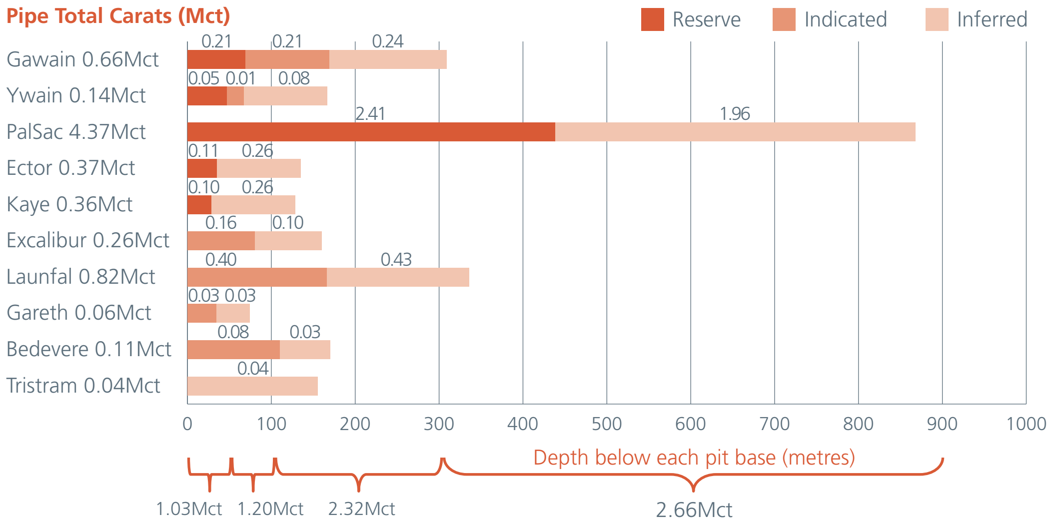
Merlin Diamond Mine and Surrounds

0 5 10 15
Kilometres

REVIEW OF ACTIVITIES continued

Depth of Kimberlite Pipes and known Mineralision at Merlin

Total carats for each classification shown on chart (Mct)



Note: Merlin Diamond Mine Resource and Reserve estimates at depth. Note Reserve estimates are based on open cut and underground mining. A Reserve for alternative mining methods is pending the completion borehole mining feasibility study. This chart is for illustrative purposes only, refer to page 4 for the Resource Estimate table.

2.3 Merlin Feasibility Study

Studies to recommence operations at Merlin Diamond Mine continued over the past year. This has resulted in an operational configuration using borehole mining to extract deep ore to depths of 500 metres and dredging to extract ore from the near surface of existing pits.

Borehole mine engineering is an application of proven and existing technologies used in a number of industries. These include offshore dredging, water well and shaft drilling, and hydraulic jet cutting technologies used in multiple applications including civil construction services, machining, defence, oil and gas drilling and directly within the mining industry. Kinley Exploration ("Kinley") is an industry leader in the application of hydraulic borehole mining technology.

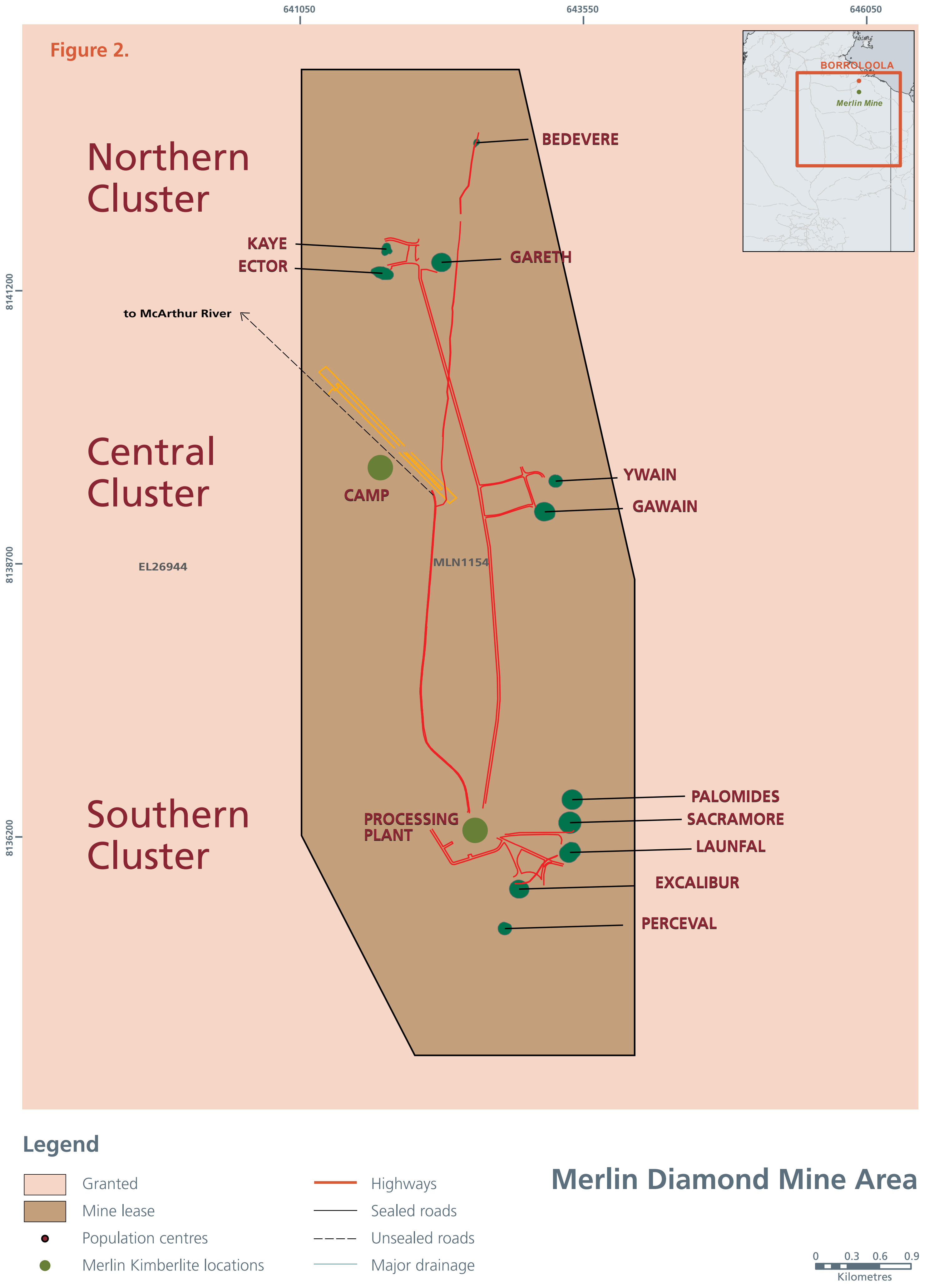
In the early stages of the Canadian diamond plays, the Kinley team worked in the development of bulk sampling systems that reduced diamond breakage. This result is achieved by slowing the speed of recovered material from conventional dual wall reverse circulation drilling and improving the economics of sampling by increasing tonnages. Subsequently Kinley developed diamond bulk sampling systems for BHP Billiton's Ekati pipes and DeBeers' Canadian and international diamond projects. This bulk sampling work within the diamond industry on multiple pipes, and further work in the uranium industry, lead to the Kinley team's current expertise in hydraulic borehole mining over the past 15 years.

This expertise has led to the ability to reduce diamond breakage and the capacity to economically deliver significant tonnage at low cost, Kinley has since worked on multiple projects within the diamond industry and various other commodities.

Consulmet Pty Ltd ("Consulmet") are completing the designs and plans for the dredging and ore processing components of the operation. Kinley through their local subsidiary Jet Mining, are working towards deploying their borehole mining equipment to target deep kimberlite ore.

Consulmet are a project-house serving the minerals industry through the design and construction of production ready processing plants. Their focus is in the design of comminution, gravity separation and hydro-metallurgical plants. Consulmet have completed projects in Australia, South Africa, Angola, Zimbabwe, Sierra Leone, Tanzania, DRC and Zambia. The processing plants were built for diamond, gold, emeralds, coal, PGMs and ferrochrome operations. The Consulmet team comprises of mineral process engineers, project managers, in-house design specialists, logistics and support, site management and construction personnel.

Consulmet completed a study for the Merlin project, assessing previous testwork and the likely design of a diamond treatment and recovery plant including all associated infrastructure. This study is being updated to take into account ore extracted by hydraulic means such as suction cutters and hydraulic jets.



Merlin Diamond Mine Area


Mining from Kaye pit at Merlin.

3. Merlin Orbit Project – Northern Territory

The Merlin Orbit Project consist of 31 tenements surrounding the mining lease of the Merlin Diamond Mine and totals approximately 2,000km^2. The Merlin diamond field has surface dimensions of approximately 10km by 5km.

3.1 Borroloola Alluvial Prospect

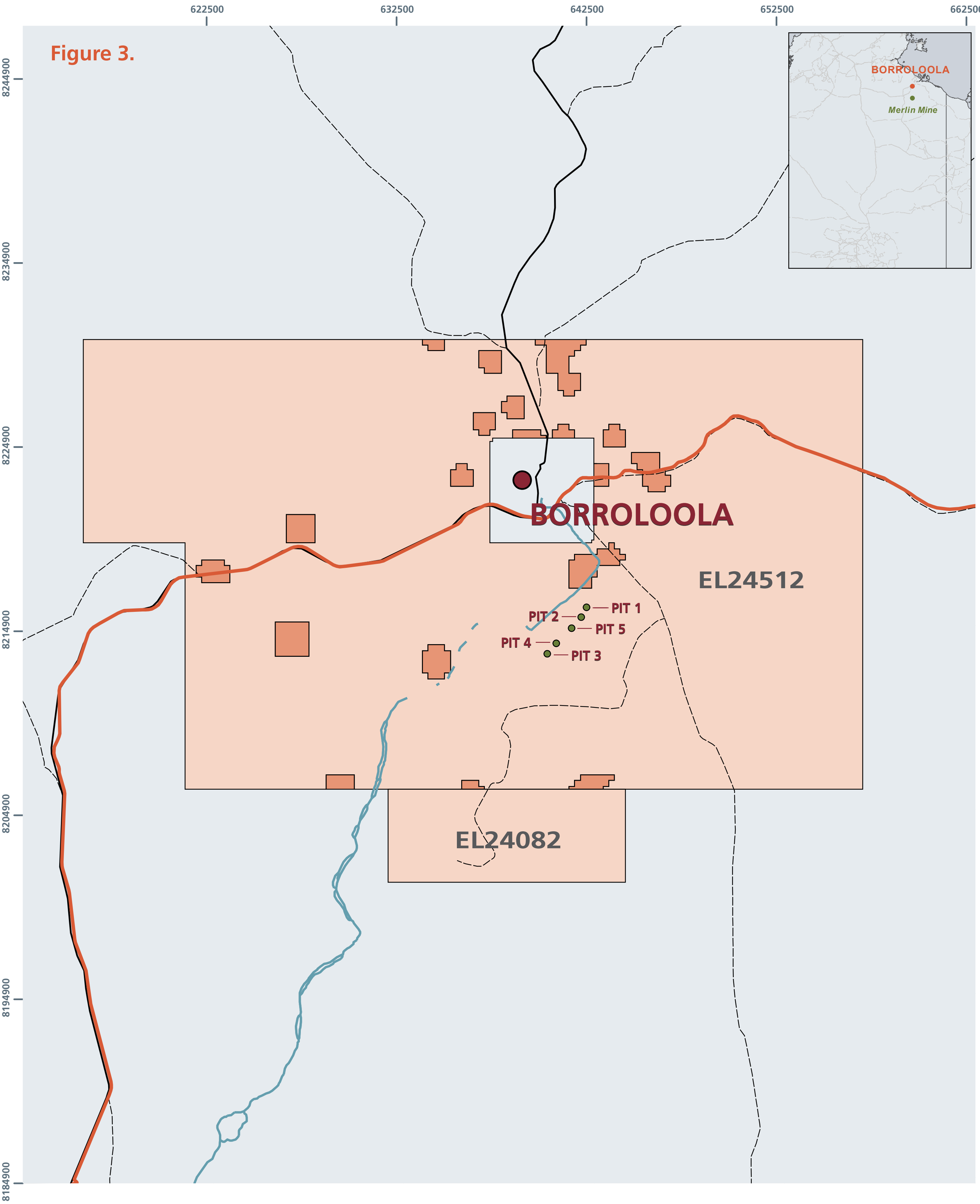
Ten kilometres south of the township of Borroloola North Australian Diamonds' holds tenements over significant alluvial gravels that are known to host diamond deposits.

In 2011, the Company extracted 5,000 tonnes of gravel from five test pits at the Borroloola Alluvial Prospect. Three thousand tonnes of gravel was processed at the Merlin Mine recovering 22 stones with a total weight of 1.09 carats. Thirteen of the recovered stones are white in colour including the largest two at 0.19 and 0.25 carats.

The Borroloola Alluvial Prospect exploration permit EL24512 is granted until August 2017. In the near term the Company is focussing all of its efforts to recommencing production at the Merlin Mine and will re-evaluate the prospectivity of the Borroloola tenements in due course.

3.2 Lancelot Prospect

The Lancelot Prospect is situated some 40km south of Merlin and comprises an area where there are significant numbers of indicator minerals and diamonds reporting to surface samples. Trench mapping and heavy mineral sampling has led to the identification of indicator mineral bearing eluvial material. This is believed to be derived from the eroding of rocks in the southern part of the license area. Further sampling for indicator minerals returned positive results in the vicinity of a geophysical target. This target will be evaluated during this field season.



Legend

Granted
Non consent areas
Population centres
Highways
Sealed roads
Unsealed roads
Major drainage

Borroloola Bulk Sample Pit Locations

0 2 4 6
Kilometres

REVIEW OF ACTIVITIES continued

DMS plant at Merlin.

4. Arnhem Land Project – Northern Territory

The Company controls the mineral rights to diamonds over an extensive portfolio of exploration tenements aggregating approximately 23,630km^2 within the Arnhem Land region of the Northern Territory.

4.1 Swancove and Red River Resources Joint Venture agreement – NADL earning 80%

North Australian Diamonds has a contractual right to obtain an 80% interest in 2 tenements covering approximately 2,100km^2 of land in the prospective western region of Arnhem Land. The Company's right to acquire an 80% interest in the two tenements is conditional on the grant of these tenements which are currently at the application stage.

5. Kimberley Projects

5.1 North Kimberley

Within the Company's North Kimberley diamond project area, the Company has previously identified a total inferred resource of 1.57 million carats, contained within the Ashmore, Seppelt 1 and 2 kimberlite pipes. The Company holds these resources under mining leases, as they continue to retain commercial potential.

Pipe	Inferred tonnes	Carats	Grade (cpht)*
Ashmore	2,457,500	166,813	6.79
Seppelt 1	2,058,000	786,780	38.23
Seppelt 2	335,000	624,500	186.42
TOTAL	**4,850,500**	**1,578,093**	**32.53**

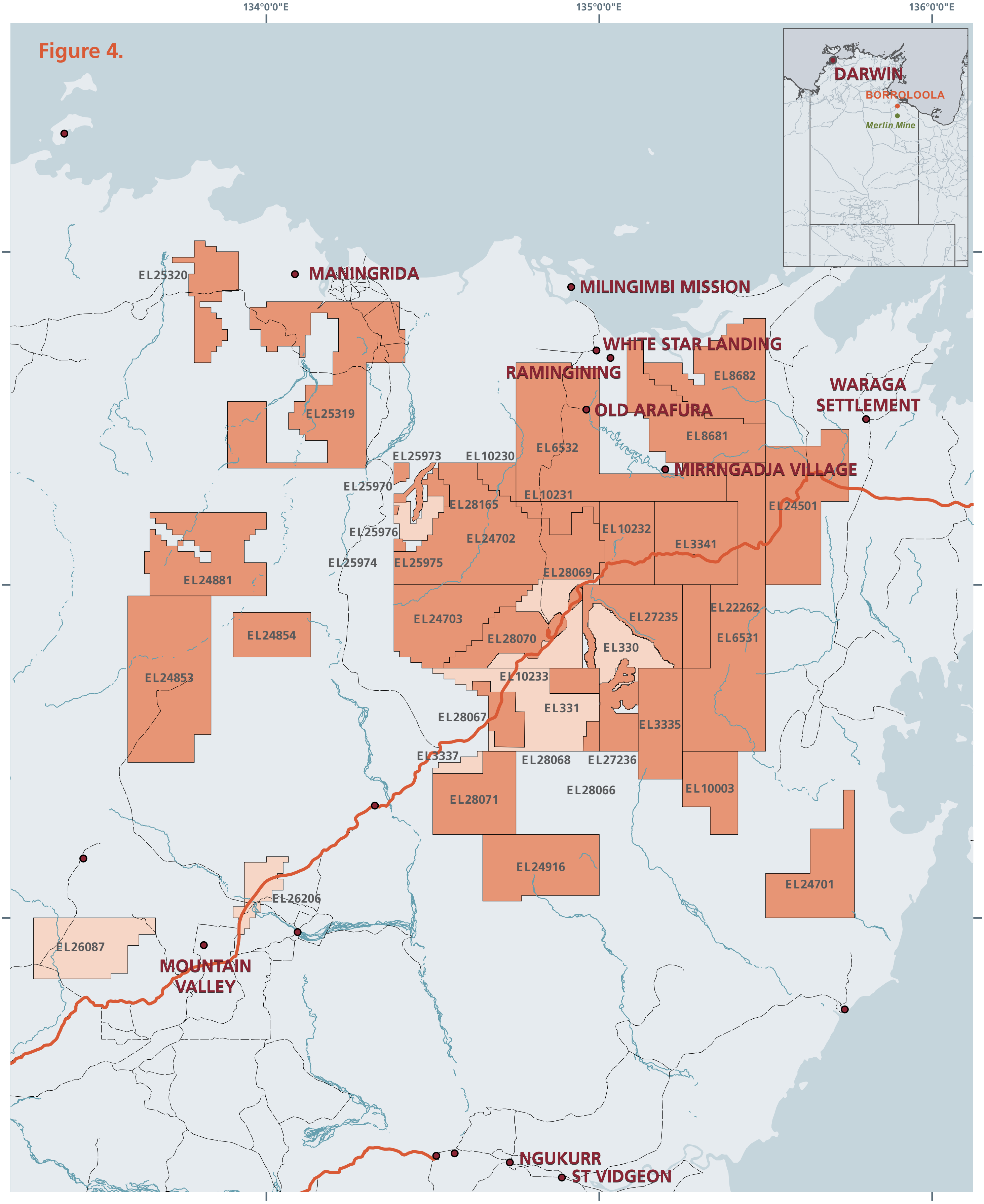
* *Based on a lower screen cut-off of 1mm.*

Important note:

The information in this report that relates to Exploration Results is based on information compiled by Dr DS Tyrwhitt who is a member of the Australasian Institute of Mining and Metallurgy. Dr DS Tyrwhitt is a consulting geologist employed by DS Trywhitt & Associates Pty Ltd. Dr DS Tyrwhitt 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 Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr DS Tyrwhitt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Merlin Mineral Resources have been and classified and reported in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code). The Merlin Mineral Resources estimates have been prepared by T.H. Reddicliffe. T. H. Reddicliffe is a Fellow of the Australasian Institute of Mining and Metallurgy. T.H. Reddicliffe is a consultant to North Australian Diamonds Limited. T.H. Reddicliffe has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking. This qualifies T.H. Reddicliffe as a "Competent Person" as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Figure 4.



Legend

- Granted
- Non consent areas
- Population centres
- Highways
- Sealed roads
- Unsealed roads
- Major drainage

Arnhem Land Project Locations

DIRECTORS' REPORT

The Directors of North Australian Diamonds Limited present their report for the year ended 30 June 2012.

1. Directors

The Directors of the Company in office since 1 July 2011 and up to the date of this Report are:

Current Directors

Mr Joseph Gutnick, *FAusIMM FAIM MAICD*
Executive Chairman, Managing Director and Chief Executive Officer

Mr Gutnick is a leading mining industry entrepreneur. He has been a Director of the Company since 2008. He is currently Executive Chairman, President and Chief Executive Officer of numerous listed public companies in both Australia and North America including Legend International Holdings, Inc., Golden River Resources Corporation, Northern Capital Resources Corp, Great Central Resources Corp, Quantum Resources Limited and Top End Uranium Ltd, Aurum, Inc. and Electrum International, Inc; and Executive Chairman of Paradise Phosphate Limited. Mr Gutnick has been responsible for overseeing the discovery of the Plutonic gold deposit, and the discovery, development and operation of the world class Bronzewing and Jundee gold mines in Australia. He was awarded the Diggers award at the 1997 Diggers and Dealers Industry Awards and is a former Director of the World Gold Council. He was a Director of Astro Diamond Mines N.L. from October 1988 to October 2007, Hawthorn Resources Limited from July 1987 to November 2007, Acadian Mining Corporation from October 2009 to February 2010 and Royal Roads Corporation from November 2009 to February 2010. Age 60

Craig Michael
Non-Executive Director

Mr Michael has over 12 years experience as a geology professional in the mining and resources industry. He is currently Managing Director and Chief Executive Officer of Paradise Phosphate Limited; and a Non-Executive Director of Aurum, Inc. He previously worked with Oxiana Ltd, an international mining company with 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.

In the past five years, Mr Michael has been a Director of Top End Uranium Ltd, Quantum Resources Limited, Electrum International, Inc. and Executive General Manager of Legend International Holdings, Inc. Age 35

Henry Herzog
Non-Executive Director

Mr Herzog has more than 40 years of corporate and management experience. He has been a Director of the Company since December 2009. Mr. Herzog has served in various positions as President, Vice President or Director of a number of publicly listed companies in Australia and the United States, predominantly in the mining sector and is currently also a Director of Legend International Holdings, Inc. Mr. Herzog was responsible for the restructuring and reorganization of several publicly listed companies including Bayou International Limited, now known as Golden River Resources Corporation, where he served as its President and Chief Executive Officer from 1986-1988 and as a Vice President from 1988-1989. For at least the past five years, Mr. Herzog has also been managing a number of private investment entities. He is also a member of the Board of Trustees of a non-profit college of higher education. Age 70

David Tyrwhitt
Non-Executive Director – appointed 16 December 2011

Dr Tyrwhitt has a long history in the diamond exploration industry dating back to 1959 when he was first employed by De Beers in Tanzania as a diamond exploration geologist. He was the Chief Executive Officer and Managing Director of Ashton Mining Ltd from 1988 to 1991 where he was involved in the exploration and feasibility of diamond deposits in the Northern Territory and Australia (including Merlin), the development of the Argyle alluvial through the Argyle joint venture, diamond exploration in Scandinavia, feasibility of the Cempaka alluvial diamond project in south east Kalimantan Indonesia, and key negotiations and contractual matters for Argyle Diamonds. Since leaving Ashton Mining, he has been involved in diamond exploration in Canada, China and Australia. Dr Tyrwhitt was chairman of JORC and during his chairmanship, introduced the diamond reporting code. He is currently a Director of Legend International Holdings, Inc., Hawthorn Resources Limited, Golden River Resources Corporation and Northern Capital Resources Corp. In the past five years Dr Tyrwhitt was a Director of Bassari Resources Ltd. He was a Director of Astro Diamond Mines N.L. from November 1996 to May 2008. Age 74

DIRECTORS' REPORT continued

Directors who ceased to hold office

***Thomas Reddicliffe** – resigned 8 July 2011*

Mr Reddicliffe 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. During the last three years Mr Reddicliffe has been a director of Top End Uranium Ltd.

2. Principal Activities and Review and Results of Activities

The principal activity of the Consolidated Entity during the financial year was diamond exploration in the Northern Territory and North Kimberley of Western Australia. There has been no significant change in the nature of these activities during the financial year.

Objectives

The Company's objective is to increase shareholder wealth through successful exploration activities whilst providing a safe workplace and ensuring best practice in relation to its environmental obligations.

The key opportunity for the Company during the year has been the advancement of the Merlin diamond mine pilot programme and its exploration projects.

Statement of Comprehensive Income

The Consolidated Entity does not have an ongoing source of revenue. Its revenue stream is normally from ad-hoc tenement disposals, sale of fixed assets, laboratory services, government grants and rebates and interest received on cash in bank.

In the current year, revenue was generated from third party usage of the diamond processing laboratory of $116,610 (2011: $218,151); finance revenue of $134,932 (2011: $370,095) primarily being interest income generated from funds on deposit; the Company generated $849,161 (2011: $928,586) in other income from government research and development grants and fuel rebates, asset usage charges by related parties and a management fee to Top End Uranium Ltd ("TEU"); employee benefits expense increased from $757,984 to $1,669,065 as a result of support services to the Merlin operations and the termination payments to the former Executive Director and CEO; consultancy fees increased from $20,696 to $31,811; insurance expenses increased from $59,506 to $87,690; lease rental expenses decreased from $47,966 to $38,985 primarily due to a change in office premises; tax consultancy fees decreased from $49,255 to $19,191 as a significant amount of the 2011 expense related to the prior period research and development claim which was on a success fee basis compared to the current research and development claim which was on a fee for services basis; increase in travel expenses from $53,966 in 2011 to $154,725 in 2012 with the increase relating to domestic and international discussions in regard to the feasibility studies at Merlin; increase in the write off of exploration expenses from $329,705 to $872,608 as a result of review of tenements held; and the reversal of a prior period impairment of associate of $523,390, and the share of the losses incurred by TEU increased in 2012 to $1,099,309 due to an increase in write off of exploration expenses after a review of joint venture agreements.

As a result, NAD incurred a loss from continuing operations of $1,646,479 (2011: $566,955 During the year, finance expense was $11,881 (2011: $5,655). The share of the equity accounted loss of TEU was $1,099,309 (2011: $165,310) which increased due to the significant write down in exploration expenditure previously capitalized by TEU.

The loss for the year was $2,757,699 (2011: $1,304,568), or 2.32 cents per share (2011: 1.12 cents per share).

Statement of Financial Position

At 30 June 2012, the Company had cash at bank of $2,924,214 compared to $4,853,789 at 30 June 2011. During the year, the Company's receivables and other current assets increased from $181,848 to $794,507; the investment in equity accounted associate TEU decreased from $1,126,841 to $554,426 as a result of the decrease in the market value of TEU shares and share of the equity accounted loss of TEU, partially offset by the purchase of further shares in TEU taking the Company's interest in TEU from 31.06% to 31.14%; plant and equipment decreased from $2,582,661 to $1,981,347 which included write off of obsolete equipment at Merlin; and the carrying value of exploration and evaluation expenditure has increased from $24,464,570 in 2011 to $26,613,078 in 2012 which is the result of the pre-feasibility trials and exploration activities at Merlin and regionally during the year which was offset by the sale of diamonds from pre-feasibility trials. At 30 June 2012, the Company had total liabilities of $1,946,964 compared to $2,043,022 at 30 June 2011. As a result, the Company had, at 30 June 2012, working capital of $3,221,905 and net assets of $32,267,210.

Cash Flow

During the year, the Company paid $1,052,278 (2011: received $361,995) for operating activities; paid $4,099,382 (2011: $4,919,064) for investing activities with the key components being payments for exploration expenditure of $3,005,549 (2011: $2,993,905)(net of the sale of diamonds from pre-feasibility trials), new plant and equipment of $64,106 (2011: $1,505,363), additional shares in TEU of $3,604 (2011: $257,544), security deposits to government departments for exploration activities of $4,779 (2011: $162,252); and advance other entity $740,000 and received $3,222,085 (2011: paid $84,702) from financing activities with the key components being payments for finance lease liabilities of $67,065 (2011: $76,407); proceeds from capital raising activities $3,295,668 and incurred transaction costs of $6,518 on the capital raising activities.

3. Significant Change in State of Affairs

The Directors are of the opinion that other than that disclosed in the Principal Activities section of the Directors' Report, there have not been any significant changes in the state of affairs of the Company during the year under review.

4. Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year and up to the date of this Annual Report.

5. Events After the End of the Financial Year

There has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature which in the opinion of the Directors of the Company, has significantly affected or may significantly affect:

- the operations of the Company;
- the results of those operations; or
- the state of affairs of the Company

in financial years subsequent to this financial year.

6. Future Developments and Results

There are no likely developments of which the Directors are aware which could be expected to significantly affect the results of the Company's operations in subsequent financial years not otherwise disclosed in this Annual Report.

7. Options

At the date of this Report, the Company had no options over fully paid ordinary shares on issue. During the year and up to the date of this Report, no options have lapsed, no options have been issued and 4,000,000 options have been exercised.

There were no options granted to Directors and Officers of the Company during the year and up to the date of this report.

8. Directors' Interests in Shares and Options

The relevant interest of each Director in the number of fully paid ordinary shares and options over fully paid ordinary shares of the Company disclosed by that Director to the Australian Securities Exchange as at the date of this Report is:

Director	Relevant interest
	Ordinary Shares
J I Gutnick[i]	59,488,357
C A Michael	-
H Herzog	-
D Tyrwhitt	-

[i] *Mr Gutnick has an indirect relevant interest as his voting power in the registered holder, Legend International Holdings, Inc. is above 20%.*

9. Meetings of Directors

The number of meetings of Directors held including meetings of Committees of the Board during the financial year including their attendance was as follows:

	Board	
	Eligible to Attend	Attended
J I Gutnick	2	2
C A Michael	2	2
H Herzog	2	2
D Tyrwhitt	1	1
T Reddicliffe	-	-

Effective from November 2008 and September 2008 as a result of changes to the Board, the Remuneration Committee and Audit Committee respectively ceased and all matters that would usually fall to a Remuneration and Audit Committee are to be handled by the full Board, due to the size and composition of the Board.

10. Company Secretary

Mr Peter Lee is the Company Secretary of the Company. Mr Lee is a Member of the Institute of Chartered Accountants in Australia, a Fellow of Chartered Secretaries Australia Ltd., a Member of the Australian Institute of Company Directors and holds a Bachelor of Business (Accounting) from Royal Melbourne Institute of Technology. He has over 30 years commercial experience and is currently Chief Financial Officer and Company Secretary of several listed public companies in Australia and a Director, Chief Financial Officer and Secretary of a US Corporation listed on the over the counter market in the USA, Chief Financial Officer and Secretary of a further three US Corporations listed on the over the counter market in the USA and a Director of a company listed on the Toronto Stock Exchange. Age 55

11. Indemnification of Directors, Officers and Auditors

The Company has entered into an Indemnity Deed with each of the Directors and certain former Directors which will indemnify them against a liability incurred to a third party (not being the Company or any related company) where the liability does not arise out of conduct including a breach of good faith. The Indemnity Deed will continue to apply for a period of 10 years after a Director ceases to hold office and a Director's Access and Insurance Deed with each of the Directors pursuant to which a Director can request access to copies of documents provided to the Director whilst serving the Company for a period of 10 years after the Director ceases to hold office. There will be certain restrictions on the Directors' entitlement to access under the deed.

The Company has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as an auditor.

12. Environment

The exploration activities of the Company are conducted in accordance with and controlled principally by Australian state and territory government legislation. The Company has exploration land holdings in Western Australia and Northern Territory. The Company employs a system for reporting environmental incidents, establishing and communicating accountability, and rating environmental performance. During the year data on environmental performance was reported as part of the monthly exploration reporting regime. In addition, as required under various state and territory legislation, procedures are in place to ensure that the relevant authorities are notified prior to the commencement of ground disturbing exploration activities.

The Company is committed to minimising the impact of its activities on the surrounding environment at the same time aiming to maximise the social, environmental and economic returns for the local community. To this end, the environment is a key consideration in our exploration activities and during the rehabilitation of disturbed areas. Generally rehabilitation occurs immediately following the completion of a particular phase of exploration. In addition, the Company continues to develop and maintain mutually beneficial relationships with the local communities affected by its activities.

13. Non-Audit Services

During the year, BDO, the Company's auditor, has performed certain other services in addition to their statutory duties.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is attached to the Directors' Report.

Details of the amounts paid to the auditor of the Company, BDO, and its related practices for audit and non-audit services provided during the year are set out below.

		2012 $	2011 $
Statutory audit			
Auditors of the Company			
- audit and review of financial reports	– BDO[1]	42,765	40,380
- audit of royalty returns	– BDO[1]	-	7,000
		42,765	47,380
- for taxation services	– BDO[1]	19,191	49,255

[1] *BDO East Coast Partnership formally traded as PKF East Coast Practice.*

The auditors performed no other services.

14. Remuneration Report – Audited

(i) Overview of Remuneration Policies

The Company employs certain staff in its own right and is managed by AXIS Consultants Pty Ltd ("AXIS Consultants") pursuant to a Service Deed dated 31 August 2009. In accordance with the arrangement with AXIS Consultants, it provides company secretarial, finance, geology, exploration, IT and other services to the Company.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including Directors of the Company and other Executives.

Remuneration levels for Directors of the Company are competitively set to attract and retain appropriately qualified and experienced Directors. The Board obtains independent advice on the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Company's remuneration strategy, when appropriate.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors;
- the Directors' ability to control the Company's performance;
- the Company's performance including:
  - the Company's earnings
  - the growth in share price and returns on shareholder wealth.

The Company's performance during the current year and over the past four years has been as follows:

	2012 $000s	2011 $000s	2010 $000s	2009 $000s	2008 $000s
Revenue	251	588	174	2	225
Net profit /(loss)	(2,758)	(1,304)	(135)	(5,278)	1,154
Basic loss per share (cents)	(2.32)	(1.12)	(0.01)	(0.35)	0.11
Diluted loss per share (cents)	(2.32)	(1.12)	(0.01)	(0.35)	0.11
Net assets	32,267	31,744	33,057	17,185	16,026

The Directors do not believe the financial or share price performance of the Company is an accurate measure when considering remuneration structures as the Company is in the mineral exploration industry. Companies in this industry do not have an ongoing source of revenue, as revenue is normally from ad-hoc transactions.

The more appropriate measure is the identification of exploration targets, identification and/or increase of mineral resources and reserves and the ultimate conversion of the Company from explorer status to mining status.

(ii) Details of Directors, Executives and Remuneration

As noted in section (i), the Company employs certain persons in its own right and management services are provided to the Company by AXIS Consultants Pty Ltd ("AXIS"). AXIS pays the Executive Chairman and Managing Director's remuneration and certain Executive Directors' remuneration on behalf of the Company, based on pre-agreed amounts. AXIS invoices the Company for remuneration paid to the Company's Executives (not being Directors) based on the time the Executive spends in servicing the requirements of the Company. AXIS has provided the following information in regard to the amounts invoiced to the Company for the Directors and Executives in respect of all remuneration (as that term is defined in the Corporations Act 2001) received by the Directors and/or Executives in connection with the management of the affairs of the Company.

The names of the Directors and Executives in office during the year are as follows:

Name	Position	
Directors		
J I Gutnick	Executive Chairman, Managing Director and Chief Executive Officer	Employed by AXIS
C A Michael	Non-Executive Director	Employed by the Company. Prior to June 2012, Mr Michael was an Executive Director and was paid by AXIS Consultants Pty Ltd.
H Herzog	Non-Executive Director	Employed by the Company
D Tyrwhitt	Non-Executive Director	Employed by the Company – appointed 16 December 2011
T H Reddicliffe	Executive Director	Employed by the Company – resigned 8 July 2011
Executives		
P J Lee	Chief Financial Officer & Company Secretary	Employed by AXIS
M Kammerman	Exploration Manager	Employed by AXIS

(iii) Service Agreements with AXIS Consultants Pty Ltd

Mr Gutnick does not have a contract for his services as a Director. His remuneration is paid by AXIS Consultants Pty Ltd, based on amounts agreed by the Company.

Mr Lee, Company Secretary, and Mr Kammerman, Exploration Manager, do not have a contract of employment with the Company. Their services are provided to the Company through the service arrangements with AXIS Consultants Pty Ltd. This service contract with AXIS Consultants Pty Ltd is for an unlimited term and is capable of termination on two months notice.

(iv) Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders, is not to exceed $400,000 per annum. Non-Executive Directors' base fees are presently up to $36,000 per annum per Director. Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of board committees. Non-Executive Directors do not receive any benefits on retirement.

(v) Performance-Linked Remuneration

Performance linked remuneration focuses on long-term incentives and was designed to reward key management personnel for meeting or exceeding their objectives.

(vi) Remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company and each Executive of the Company are:

		Primary			Post-employment	Equity compensation	Termination benefits		s300A (1)(e)(i) Proportion of remuneration performance related	s300A (1)(e)(vi) Value of options as proportion of remuneration
		Salary & fees $	Bonus $	Non-monetary benefits $	Superannuation benefits $	Value of options $	$	Total $	%	%
Directors										
J I Gutnick	2012	285,186	-	-	25,667	-	-	310,853	0	0
	2011	60,000	-	-	5,400	-	-	65,400	0	0
C A Michael	2012	36,346	-	-	3,271	-	-	39,617	0	0
	2011	30,000	-	-	2,700	-	-	32,700	0	0
H Herzog	2012	36,000	-	-	3,240	-	-	39,240	0	0
	2011	36,000	-	-	-	-	-	36,000	0	0
D Tyrwhitt(i)	2012	19,381	-	-	1,744	-	-	21,125	0	0
	2011	-	-	-	-	-	-	-	0	0
T H Reddicliffe(ii)	2012	4798	-	-	17,089	-	193,086	214,973	0	0
	2011	229,616	-	13,041	20,665	-		263,322	0	0
Total all Directors	2012	381,711			51,011		193,086	625,808		
	2011	355,616	-	13,041	28,765	-	-	397,422		
Executives										
P J Lee	2012	70,663	-	-	6,360	-	-	77,023	0	0
	2011	30,000	-	-	2,700	-	-	32,700	0	0
M Kammerman	2012	58,039	-	-	5,224	-	-	63,263	0	0
	2011	-	-	-	-	-	-	-	0	0
Total all Executives	2012	128,702			11,584		-	140,286		
	2011	30,000	-	-	2,700	-	-	32,700		
Total all Directors & Executives	2012	510,413			62,595		193,086	766,094		
	2011	385,616	-	13,041	31,465	-	-	430,122		

There were no STI cash bonuses, post-employment prescribed benefits, termination benefits or insurance premiums paid during 2012 or 2011 other than as disclosed.

(i) Appointed 16 December 2011.

(ii) Resigned 8 July 2011.

End of Remuneration Report which has been audited

Signed in accordance with a resolution of the Board of Directors at Melbourne this 28th day of September 2012.

J.I. Gutnick

Joseph Gutnick
Director

AUDIT INDEPENDENCE DECLARATION

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF NORTH AUSTRALIAN DIAMONDS LIMITED

As lead auditor of North Australian Diamonds Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of North Australian Diamonds Limited and the entities it controlled during the period.

James Mooney

Partner

BDO East Coast Partnership

Melbourne, 28 September 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue	3	251,542	588,246
Other income	4	849,161	928,586
Employee benefits expense		(1,669,065)	(757,984)
Consultancy fees		(31,811)	(20,696)
Insurance expenses		(87,690)	(59,506)
Lease rental expenses		(38,985)	(47,966)
Tax consultancy		(19,191)	(49,255)
Legal fees		(1,349)	(7,106)
Audit fees	24	(42,765)	(47,380)
Travel expenses		(154,725)	(53,966)
Depreciation expenses	5	(9,499)	(9,287)
Exploration impaired	13	(872,608)	(329,708)
(Impairment)/reversal of prior period impairment of investment in associate	11	523,390	(483,460)
Other expenses		(342,884)	(217,473)
Loss from continuing operations		(1,646,479)	(566,955)
Finance expense	6	(11,881)	5,655
Share of loss of equity accounted investee (net of income tax)	11	(1,099,309)	(165,310)
Loss before income tax		(2,757,669)	(737,920)
Income tax expense	7	-	(566,648)
Loss for the year		(2,757,669)	(1,304,568)
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive loss for the year		(2,757,669)	(1,304,568)
Loss attributable to members of North Australian Diamonds Limited		(2,757,669)	(1,304,568)
Total comprehensive loss attributable to members of North Australian Diamonds Limited		(2,757,669)	(1,304,568)
Basic loss per share (cents per share)	8	(2.32)	(1.12)
Diluted loss per share (cents per share)	8	(2.32)	(1.12)

The notes on pages 26 to 51 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

		Consolidated	
	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	17	2,924,214	4,853,789
Trade and other receivables	9	761,814	180,113
Inventories	10	32,693	1,735
Total current assets		3,718,721	5,035,637
Non-current assets			
Other receivables	9	1,346,503	577,654
Investment in equity accounted investee	11	554,526	1,126,841
Plant and equipment	12	1,981,347	2,582,661
Exploration and evaluation expenditure	13	26,613,078	24,464,570
Total non-current assets		30,495,454	28,751,726
Total assets		34,214,175	33,787,363
Liabilities			
Current liabilities			
Finance leases	0	60,972	67,065
Trade and other payables	14	394,903	246,647
Provisions	15	40,941	226,077
Total current liabilities		496,816	539,789
Non-current liabilities			
Finance leases	0	-	60,972
Provisions	15	883,500	875,613
Deferred tax liability	7	566,648	566,648
Total non-current liabilities		1,450,148	1,503,233
Total liabilities		1,946,964	2,043,022
Net assets		32,267,210	31,744,341
Equity			
Issued capital	16	111,357,499	107,728,146
Reserves		-	348,815
Accumulated losses		(79,090,289)	(76,332,620)
Total equity		32,267,210	31,744,341

The notes on pages 26 to 51 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated	Issued capital $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2010	107,736,441	348,815	(75,028,052)	33,057,204
Loss for the year	-	-	(1,304,568)	(1,304,568)
Other comprehensive loss for the year, net of income tax	-	-	-	-
Total comprehensive loss for the year, net of tax	-	-	(1,304,568)	(1,304,568)
Transactions with owners, recorded directly in equity				
Consolidation of shares, net of transaction costs	(8,295)	-	-	(8,295)
Total transactions with owners	(8,295)	-	-	(8,295)
Balance at 30 June 2011	107,728,146	348,815	(76,332,620)	31,744,341
Balance at 1 July 2011	107,728,146	348,815	(76,332,620)	31,744,341
Loss for the year	-	-	(2,757,669)	(2,757,669)
Other comprehensive loss for the year, net of income tax	-	-	-	-
Total comprehensive loss for the year, net of tax	-	-	(2,757,669)	(2,757,669)
Transactions with owners, recorded directly in equity				
Exercise of broker options	988,815	(348,815)	-	640,000
Issue of shares	2,655,668	-	-	2,655,668
Transaction costs arising on share issues	(15,130)	-	-	(15,130)
Total transactions with owners	3,629,353	-	-	3,280,538
Balance at 30 June 2012	111,357,499	-	79,090,289	32,267,210

The notes on pages 26 to 51 are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from laboratory customers (inclusive of GST)		40,708	199,522
Receipt of research and development tax concession		546,890	91,040
Receipt of litigation settlement		-	329,182
Payments to suppliers and employees (inclusive of GST)		(1,754,613)	(642,944)
Interest received		114,737	385,195
Net cash (used in)/ from operating activities	17	(1,052,278)	361,995
Cash flows from investing activities			
Payments for exploration expenditure		(3,005,549)	(2,993,905)
Payments for acquisition of investments		(3,604)	(257,544)
Payments for acquisition of plant and equipment		(64,106)	(1,505,363)
Payments for security deposits		(4,779)	(162,252)
Payment to other entity		(1,021,344)	-
Net cash used in investing activities		(4,099,382)	(4,919,064)
Cash flows from financing activities			
Payment of finance lease liabilities		(67,065)	(76,407)
Share consolidation transaction costs		-	(8,295)
Proceeds from issue of equity securities		3,295,668	-
Equity securities issue transaction costs		(6,518)	-
Net cash from/(used in) financing activities		3,222,085	(84,702)
Net (decrease)/increase in cash and cash equivalents		(1,929,575)	(4,641,771)
Cash and cash equivalents at 1 July		4,853,789	9,495,560
Cash and cash equivalents at 30 June	17	2,924,214	4,853,789

The notes on pages 26 to 51 are an integral part of these consolidated financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. Summary of significant accounting policies

North Australian Diamonds Limited (the 'Company') is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The consolidated financial statements were authorised for issue by the Board of Directors on 28 September 2012.

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 as appropriate for profit orientated entities. The consolidated financial report of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The principal standards and interpretations that have been adopted for the first time in these financial statements are:

- AASB 124 *Related Party Transactions* (Amendment)

  The AASB has issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process*

  AASB 7 *Financial Instruments: Disclosures*. The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information into context.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior periods.

The standards and interpretations may have an impact on the Group in future reporting periods but are not yet effective. None of these is expected to have a significant effect on the Group's financial statements, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

Critical accounting estimates

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Exploration and evaluation

Note 13 contains information about the assumptions and risk factors relating to exploration, evaluation and development expenditure impairment.

Share based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements include the assets and liabilities of the Company and the entities it controlled at the end of the financial period and the results of the Company and the entities it controlled during the year. Where entities are not controlled throughout the entire financial year, the consolidated results include the results of those entities for that part of the period during which control exists.

The effect of all transactions between entities in the group and the inter-entity balances are eliminated in full in preparing the consolidated financial statements.

Subsidiaries are accounted for at cost less impairment in the individual financial statements of the Company. Such investments include both investment in shares and other Company interests that, in substance, forms part of the Company's investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and have been provided to subsidiaries as an additional source of long term capital.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, and which generally accompanies a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Company's financial statements using the cost method and are classified as non-current other financial assets. In the consolidated financial statements, associates are accounted for using the equity method, after initially being recognised at cost.

The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses (see note 11).

An assessment is performed at each reporting period of the carrying value of equity accounted investments against fair value. Where the fair value is less that carrying value the equity accounted investment is impaired through Statement of Comprehensive Income.

The Group's share of its associates' post acquisition profits or losses is recognised in the Statement of Comprehensive Income and its share of post-acquisition movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. To ensure consistency, accounting policies of associates have been aligned, where necessary, to those adopted by the Group.

(c) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Service revenue

Laboratory services revenue is recognised as it accrues.

Interest revenue

Interest is brought to account as income over the term of each financial instrument on an effective interest basis.

Management fees

Management fees are recognised on an accruals basis in accordance with the substance of the relevant agreement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 continued

1. Summary of significant accounting policies continued

(d) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

North Australian Diamonds Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(e) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included with other receivables or payables.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash generating units.

(g) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and investments in money market instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(h) Trade receivables

Trade receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(i) Plant and equipment

Plant and equipment is carried at cost, less accumulated depreciation and impairment. Costs include all expenditure that is directly attributable to acquisitions of the asset.

Depreciation is provided on a straight line basis on all depreciable tangible assets at a rate calculated to allocate their cost based on their estimated useful lives. Profits and losses on disposal of plant and equipment are taken into account in determining the operating result for the year.

The assets' residual values and useful lives (being 3 to 5 years) are reviewed and adjusted as appropriate at each balance date. An asset carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its recoverable amount (see note 1(f)).

(j) Business combinations

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(k) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure, including costs of acquisition in relation to separate areas of interest for which rights of tenure are current, are brought to account in the year in which they are incurred and are carried at cost.

The exploration expenditure will be carried forward as an asset where:

(i) it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest or by its sale; or

(ii) exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Where there has been a decision to proceed with development, accumulated expenditure is amortised over the life of the associated resource once mining operations commence.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 continued

1. Summary of significant accounting policies continued

(k) Exploration, evaluation and development expenditure continued

The key points that are considered in this review include:

- planned drilling programs;
- environmental issues that may impact the underlying tenements;
- the estimated market value of assets at the review date; and
- the results of pre-feasibility studies.

Information used in the review process is rigorously tested to externally available information as appropriate.

(l) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing operating loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Inventories

Raw materials and stores are stated at the lower of cost and net realisable value.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's Statement of Financial Position.

(p) Employee benefits

Wages and salaries, annual leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured as the amount expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payment to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based compensation benefits

Share-based compensation benefits are provided to employees via the North Australian Diamonds Limited Directors, Officers and Other Permitted Persons Option Plan.

The fair value of options granted under the option plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(q) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase.

(r) Transfer from reserves

The balance of the share option reserve is transferred to accumulated losses once the options have expired.

2. Segment reporting

Operating segment information is disclosed on the same basis as information used for internal reporting purposes by the board of directors.

At regular intervals, the board is provided with management information at a group level for the Group's cash position, the carrying values of exploration permits and a Group cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

All operating revenue has been derived in Australia. All exploration and evaluation assets are held in Australia.

3. Revenue

	Consolidated	
	2012 $	2011 $
Provision of laboratory services	116,610	218,151
Interest income	115,879	370,095
Interest income – other entities	19,053	-
Total revenue	251,542	588,246

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 continued

4. Other income

	Consolidated	
	2012 $	2011 $
Associate management fee	240,000	240,000
Research and development tax concession	546,890	91,040
GST and fuel tax credits	53,175	138,625
Asset usage	7,890	128,830
Litigation settlement	-	329,182
Other	1,206	909
	849,161	928,586

5. Other expenses

	Consolidated	
	2012 $	2011 $
Depreciation of plant and equipment	665,119	486,841
Less: transfer to capitalised exploration	(655,620)	(477,554)
Depreciation expense	9,499	9,287

6. Finance expense

	Consolidated	
	2012 $	2011 $
Bank charges	(3,984)	(5,173)
Borrowing costs	(7,897)	(482)
Total finance expense	(11,881)	(5,655)

7. Income tax

	Consolidated	
	2012 $	2011 $
Total tax expense comprises		
Current tax expense	-	-
Deferred tax expense	-	(566,648)
	-	(566,648)

Reconciliation between tax expense and pre-tax accounting profit

	Consolidated	
	2012 $	2011 $
Loss before tax	(2,757,669)	(737,920)
Income tax benefit on loss at Australian tax rate of 30% (2011: 30%)	827,301	221,376
(Impairment)/reversal of prior period impairment of investment in associate	157,017	(145,038)
Share of loss of equity accounted investee	(329,821)	(49,593)
Non-assessable income	164,067	27,312
Non-deductible expenses	(187)	(151)
Capital raising	83,957	90,673
Capitalised exploration and evaluation expenditure	644,552	822,885
Movement in other temporary differences	35,912	(11,235)
	1,582,798	956,229
(Under)/over provided in prior years	(1,581,008)	(2,139,979)
Current year benefits/(losses) for which no deferred tax asset was recognised	(1,790)	1,183,750
Change in previously unrecognised temporary differences, including losses	-	(566,648)
Income tax expense	-	(566,648)

Deferred tax assets and liabilities

	Assets		Liabilities	
Consolidated	2012 $	2011 $	2012 $	2011 $
Accrued income	-	-	(12,400)	(14,964)
Capitalised exploration and evaluation expenditure	-	-	(7,983,923)	(7,339,371)
Employee benefits	21,132	75,507	-	-
Other accruals and provisions	220,901	207,360	-	-
Capital raising costs	112,248	193,621	-	-
Tax losses	22,654,293	21,069,677	-	-
Deferred tax assets/(liabilities)	23,008,574	21,546,165	(7,996,323)	(7,354,335)
Set off of deferred tax liabilities	(7,996,323)	(6,787,687)	7,996,323	6,787,687
Net deferred tax assets/(liabilities)	15,012,251	14,758,478	-	(566,648)
Net deferred tax assets not recognised	15,012,251	14,758,478	-	-
Net deferred tax assets/(liabilities)	-	-	-	(566,648)

7. Income tax continued

	Consolidated	
	2012 $	**2011 $**
Unused tax losses for which no deferred tax asset has been recognised	75,514,309	70,232,257
Potential tax benefit @ 30%	22,654,293	21,069,677

All unused tax losses were incurred by Australian entities. North Australian Diamonds Limited and its wholly-owned Australian-controlled entities have not implemented tax consolidation legislation. The availability of tax losses are however subject to applicable tax legislation which could result in the potential benefit not being realised.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

8. Loss per share

	2012	**2011**
Basic loss per share (cents)	(2.32)	(1.12)
Diluted loss per share (cents)	(2.32)	(1.12)

The loss used for the purposes of calculating basic and diluted loss per share are as follows:

	2012 $	**2011 $**
Loss attributable to ordinary share holders (basic)	(2,757,669)	(1,304,568)
Loss attributable to ordinary share holders (diluted)	(2,757,669)	(1,304,568)

The weighted average number of shares used for the purposes of calculating diluted loss per share reconciles to the number used to calculate basic loss per share as follows:

	2012 Shares	**2011 Shares**
Weighted average number of shares		
Basic loss per ordinary share denominator	118,650,235	116,712,206
Effect of share options on issue	-	-
Diluted loss per ordinary share denominator	118,650,235	116,712,206

For the years ended 30 June 2011 and 30 June 2012, options were not considered to be dilutive as the conversion would result in a reduced loss per share. The options were therefore excluded from the weighted average number of shares in the calculation of loss per share.

9. Trade and other receivables

	Consolidated 2012 $	Consolidated 2011 $
Current		
Receivables due from related entity	-	10,094
Receivables due from associate	77,287	83,621
Receivables due from other entity	264,906	-
Other receivables	397,166	35,436
Prepayments	22,455	50,962
Total current receivables	761,814	180,113
Non-current		
Security deposits	587,450	577,654
Receivables due from other entity	759,053	-
Total non-current receivables	1,346,503	577,654

The Group's exposure to credit risk related to trade and other receivables are disclosed in note 21.

10. Inventory

	Consolidated 2012 $	Consolidated 2011 $
Fuel stores – at cost	32,693	1,735
	32,693	1,735

11. Investment in equity accounted investee

The Group's share of loss in its equity accounted investee for the year was $1,099,309 (2011: $165,310).
The carrying amount of the investee at 30 June 2012 was $554,526 (2011: $1,126,841).

Summary financial information for the Group's equity accounted investee, not adjusted for the percentage ownership held by the Group:

	2012 $	2011 $
Total assets	5,008,841	8,387,701
Total liabilities	371,899	220,246
Loss	(3,530,513)	(539,532)
Percentage ownership	31%	31%

The Group's equity accounted investee, Top End Uranium Ltd, is listed on the Australian Securities Exchange (ASX). Based on its closing price of $0.043 at reporting date, the fair value of the Group's investment is $554,526.

12. Plant and equipment

	Field and plant equipment $	Office equipment $	Vehicles $	Leased vehicles $	Work in progress $	Total $
Cost						
Balance at 1 July 2010	4,261,933	124,536	745,161	180,215	147,730	5,459,575
Additions	1,444,161	5,313	-	-	26,975	1,476,449
Disposals	(30,643)	(12,653)	(24,750)	-	-	(68,046)
Transfers and other movements	161,397	-	-	-	(161,397)	-
Balance at 30 June 2011	5,836,848	117,196	720,411	180,215	13,308	6,867,978
Balance at 1 July 2011	5,836,848	117,196	720,411	180,215	13,308	6,867,978
Additions	41,870	2,246	-	-	19,689	63,805
Disposals	(332,421)	(29,332)	-	-	-	(361,753)
Transfers and other movements	12,965	-	-	-	(12,965)	-
Balance at 30 June 2012	5,559,262	90,110	720,411	180,215	20,032	6,570,030
Accumulated depreciation						
Balance at 1 July 2010	2,979,987	100,689	714,937	2,864	-	3,798,477
Depreciation for the year	492,812	11,899	10,623	36,043	-	551,377
Disposals	(28,579)	(11,208)	(24,750)	-	-	(64,537)
Balance at 30 June 2011	3,444,220	101,380	700,810	38,907	-	4,285,317
Balance at 1 July 2011	3,444,220	101,380	700,810	38,907	-	4,285,317
Depreciation for the year	611,005	8,892	7,356	36,142	-	663,395
Disposals	(331,163)	(28,866)	-	-	-	(360,029)
Balance at 30 June 2012	3,724,062	81,406	708,166	75,049	-	4,588,683
Carrying amounts						
At 1 July 2010	1,281,946	23,847	30,224	177,351	147,730	1,661,098
At 30 June 2011	2,392,628	15,816	19,601	141,308	13,308	2,582,661
At 1 July 2011	2,392,628	15,816	19,601	141,308	13,308	2,582,661
At 30 June 2012	1,835,200	8,704	12,245	105,166	20,032	1,981,347

13. Exploration and evaluation expenditure

	Consolidated	
	2012 $	2011 $
Balance at beginning of year	24,464,570	21,721,621
Expenditure incurred	3,021,116	3,072,657
Amount written off	(872,608)	(329,708)
Carrying amount at end of year	26,613,078	24,464,570

14. Trade and other payables

	Consolidated	
	2012 $	2011 $
Trade payables	185,567	114,970
Payables due to related party	108,137	16,438
Accruals	101,199	115,239
Total trade and other payables	394,903	246,647

15. Provisions

	Employee entitlements $	Rehabilitation $	Total $
Balance at 1 July 2011	251,690	850,000	1,105,690
Provisions made during the year	42,024	8,461	50,485
Provisions used during the year	(223,273)	(4.461)	(227,734)
Balance at 30 June 2012	70,441	854,000	924,441
Current	40,941	-	40,941
Non-current	29,500	854,000	883,500
Total provisions	70,441	854,000	924,441

16. Capital and reserves

Ordinary share capital

	2012 No. shares	2011 No. shares	2012 $	2011 $
Balance at beginning of year	116,712,206	2,334,241,368	107,728,146	107,736,441
Consolidation of shares 20:1	-	(2,217,529,162)	-	-
Transaction costs arising on consolidation of shares	-	-	-	(8,295)
Exercise of options 22 July 2011 @ 16 cents per share	194,000	-	31,040	-
Exercise of options 23 August 2011 @ 16 cents per share	150,000	-	24,000	-
Exercise of options 25 January 2012 @ 16 cents per share	3,326,000	-	532,160	-
Exercise of options 7 February 2012 @ 16 cents per share	330,000	-	52,800	-
Share Placement 28 June 2012 @ 22 cents per share	12,071,221	-	2,655,669	-
Exercise of broker options	-	-	348,815	-
Transaction costs arising on share issues	-	-	(15,131)	-
Balance at end of year	132,783,427	116,712,206	111,357,499	107,728,146

Holders of ordinary shares are entitled to one vote per share at shareholder meetings. In the event of winding up of the Company, ordinary shareholders are fully entitled to any proceeds of liquidation subject to prior entitlement.

Options outstanding over unissued shares

	2012 No. options	2011 No. options
Unlisted options exercisable by payment of $0.16 each on or before 10 February 2012	-	4,000,000
Total options outstanding at end of year	-	4,000,000

Option holders are not entitled to participate in any share issue of the Company or any other body corporate and have no voting rights at shareholder meetings.

Directors, Officers and other Permitted Persons Option Plan

On 23 July 2004, shareholders approved the establishment of the North Australian Diamonds Limited Directors, Officers and other Permitted Persons Option Plan.

All eligible directors, officers and employees, and consultants of the Company who have been continuously employed by the Company are eligible to participate in the Plan. The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan. Options granted under the Plan carry no voting rights.

No options in respect of this plan are on issue.

Options reserve

The options reserve is used to recognize the fair value of options issued to brokers in consideration for assistance with the equity raisings and included in share issue costs.

17. Cash and cash equivalents

	Consolidated	
	2012 $	2011 $
Cash at bank and on hand	2,924,214	268,688
Deposits at call	-	4,585,101
Cash and cash equivalents	2,924,214	4,853,789
Cash and cash equivalents in the statement of cash flows	2,924,214	4,853,789

The Group's exposure to interest rate risk is disclosed in note 21. The term deposits have a maturity of between 1 and 3 months.

Reconciliation of cash flows from operating activities

	Consolidated	
	2012 $	2011 $
Loss for the year	(2,757,669)	(1,304,568)
Adjustments for		
Depreciation	9,499	9,287
Exploration expenditure impaired	872,608	329,708
Impairment/(Reversal of prior period impairment) of investment in associate	(523,390)	483,460
Share of loss in associate	1,099,309	165,310
Income tax expense	-	566,648
	(1,299,643)	249,845
Change in trade and other receivables	281,153	386,108
Change in trade and other payables	(33,788)	(273,958)
Net cash (used in)/from operating activities	(1,052,278)	361,995

18. Contingencies

Contingent liabilities

Merlin Diamond Mine acquisition

Pursuant to the Sale and Purchase Agreement entered into with Ashton Mining Limited for the Merlin Diamond Mine Lease, the following contingent milestone payments exist: $2,000,000 on the commissioning of a mine; $200,000 on completing the first bulk sample of kimberlite from a new kimberlite pipe of at least 200 tonnes; and $100,000 for each subsequent and discrete bulk sample of kimberlite of at last 200 tonnes from additional kimberlite pipes, where the diamond grade of the kimberlite bulk sample is in excess of 10 carats per 100 tonnes.

In March 2010, Legend International Holdings, Inc. acquired from Ashton Mining Limited the right to be paid the milestone payments. The milestone payments are secured by a mortgage over the Merlin Diamond Mine tenement.

19. Commitments

Finance lease commitments

Finance lease liabilities for motor vehicles of the Group are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2012 $	2012 $	2012 $	2011 $	2011 $	2011 $
Due within one year	63,673	2,701	60,972	76,407	9,342	67,065
Due later than one year and not later than five years	-	-	-	63,673	2,701	60,972
Due later than five years	-	-	-	-	-	-
	63,673	2,701	60,972	140,080	12,043	128,037

Operating lease commitments

Future non-cancellable operating lease rentals for premises not provided for in the financial statements:

	Consolidated	
	2012 $	2011 $
Due within one year	46,058	56,210
Due later than one year and not later than five years	-	42,157
Due later than five years	-	-
	46,058	98,367

The Group's operating lease premises consists of office space. The lease runs for a period of 3 years, with an option to renew the lease. Lease payments are increased every year by a predetermined fixed percentage. As the rent paid to the landlord of the premises is increased to market rent at regular intervals, and the Group does not participate in the residual value of the premises, it was determined that substantially all the risks and rewards of the premises are with the landlord. As such, the Group determined that the lease is an operating lease.

Exploration expenditure

In order to maintain mining tenements, the Group is committed to meet the prescribed conditions under which the tenements were granted. Minimum Mines Department annual expenditure commitments on tenements held are as follows:

	Consolidated	
	2012 $	2011 $
Due within one year	1,703,357	2,341,160
Due later than one year and not later than five years	4,807,536	2,419,887
Due later than five years	1,364,624	1,467,641
	7,875,517	6,228,688

Pursuant to the Mineral Rights Deed with Top End Uranium Ltd, $2,613,572 (2011: $1,701,757) of the committed expenditure is payable by Top End Uranium Ltd. The Group's net annual expenditure commitments on tenements held are as follows:

	Consolidated	
	2012 $	2011 $
Due within one year	1,131,815	1,076,406
Due later than one year and not later than five years	2,765,506	1,982,884
Due later than five years	1,364,624	1,467,641
	5,261,945	4,526,931

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 continued

20. Group entities

Parent and ultimate controlling party

During the year ended 30 June 2010, a majority of the Company's shares were acquired by Legend International Holdings, Inc. As a result, the ultimate controlling entity of the Group is Legend International Holdings, Inc., a Delaware corporation.

	Ownership interest	
	2012 %	2011 %
Parent entity		
North Australian Diamonds Limited		
Subsidiaries		
Striker Diamonds Pty Ltd	100	100
Merlin Diamonds Pty Ltd	100	100
Associate		
Top End Uranium Ltd	31.14*	31.06*

* *During the year, the Company purchased further shares in Top End Uranium Ltd on-market.*

All shares owned in Group entities are ordinary shares. All companies are incorporated in Western Australia.

21. Financial instruments

The Group's activities expose it to a variety of financial risks, market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance of the Group.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange risk, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group does not operate internationally and therefore its exposure to foreign exchange risk arising from currency exposures is limited. The Group has limited exposure to equity security price risk that arises from investments held by the Group. No sensitivity analysis has been performed as any effect will be minimal at this stage of the Group's life.

Interest rate risk

Interest rate risk arises from investment of cash at variable rates. Any excess funds are kept in a cash on deposit account and transferred to the operating account as required. The Group's income and operating cash flows are not materially exposed to changes in market interest rates.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	Consolidated Carrying amount	
	2012 $	2011 $
Variable rate instruments		
Cash and cash equivalents	2,924,214	4,853,789
Security deposits	379,021*	568,654*
Receivables due from other entity	759,053	-
	4,062,288	5,422,443

An increase of 100 basis points (decrease of 100 basis points) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011. The following table summarises the sensitivity of the Group's financial assets (cash) to interest rate risk:

		Profit or loss		Equity	
Consolidated	Carrying amount $	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
30 June 2012					
Variable rate instruments					
Cash and cash equivalents	2,924,214	29,242	(29,242)	29,242	(29,242)
Security deposits	379,021*	3,790	(3,790)	3,790	(3,790)
Receivables due from other entity	759,053	7,591	(7,591)	7,591	(7,591)
	4,062,288	40,623	(40,623)	40,623	(40,623)
30 June 2011					
Variable rate instruments					
Cash and cash equivalents	4,853,789	48,538	(48,538)	48,538	(48,538)
Security deposits	568,654*	5,687	(5,687)	5,687	(5,687)
	5,422,443	54,225	(54,225)	54,225	(54,225)

* *Excludes $208,429 of non-interest bearing security deposits held with the Department of Mines at 30 June 2012 (2011: $9,000).*

21. Financial instruments continued

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is managed on a group basis. The Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents held with the bank and financial institutions, receivables due from associates and other entities, and receivables for the provision of laboratory services. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group has policies in place to ensure that sale of products and services are made to customers with appropriate credit history.

The maximum exposure to credit risk is the carrying amount of the financial asset. The maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2012 $	2011 $
Cash and cash equivalents	2,924,214	4,853,789
Receivables	739,359	129,151
Security deposits	587,450	577,654
	4,251,023	5,560,594

Impairment loss

The aging of the Group's loans and receivables at the reporting date was:

	At 30 June 2012		At 30 June 2011	
	Gross $	Impairment $	Gross $	Impairment $
Current	739,359	-	129,151	-
31 – 60 days	-	-	-	-
61 – 90 days	-	-	-	-
91 days and over	-	-	-	-
	739,359	-	129,151	-

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's liquidity risk arises from operational commitments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Management aims at maintaining flexibility in funding by regularly reviewing cash requirements and monitoring forecast cash flows.

The following are the contractual maturities of financial liabilities:

Consolidated	Carrying amount $	Total contractual cash flows $	6 months or less $	6 to 12 months $
30 June 2012				
Financial liabilities				
Trade and other payables	394,903	394,903	394,903	-
	394,903	394,903	394,903	-
30 June 2011				
Financial liabilities				
Trade and other payables	246,647	246,647	246,647	-
	246,647	246,647	246,647	-

Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair value determined in accordance with the accounting policies referred to in note 1. Fair value approximates carrying value due to the short term nature of these instruments.

Capital management

The Group's policy in relation to capital management is for management to regularly and consistently monitor future cash flows against expected expenditures for a rolling period of up to 12 months in advance. The Board determines the Group's need for additional funding by way of either share placements or loan funds depending on market conditions at the time. Management defines working capital in such circumstances as its excess liquid funds over liabilities, and defines capital as being the ordinary share capital of the Group.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22. Key management personnel

The names of the key management personnel in office during the year are as follows:

- J I Gutnick — Executive Chairman and Managing Director
- D Tyrwhitt — Non-Executive Director
- C A Michael — Non-Executive Director
- H Herzog — Non-Executive Director
- T H Reddicliffe — Executive Director – resigned 8 July 2011
- P J Lee — Chief Financial Officer and Company Secretary
- M Kammerman — Exploration Manager

Key management personnel compensation comprises:

	Consolidated	
	2012 $	2011 $
Short-term employee benefits	510,413	398,657
Post-employment benefits	62,595	31,465
Termination benefits	193,086	-
	766,094	430,122

Equity instrument disclosures relating to key management personnel

Options over equity instruments

No options were provided as remuneration and no shares were issued on exercise of any options.

Equity holdings and transactions

	Held at beginning of year	Purchases	Received on exercise of options	Other changes	Held at end of year
30 June 2012					
T Reddicliffe – resigned 8 July 2011	1,264,070	-	-	(1,264,070)	-
	1,264,070	-	-	(1,264,070)	-
30 June 2011					
T Reddicliffe	1,264,070	-	-	-	1,264,070
	1,264,070	-	-	-	1,264,070

No other key management personnel held any ordinary shares in the Company directly, indirectly or beneficially during the years ended 30 June 2011 and 2012.

Other transactions

Loans to key management personnel

There were no loans made to directors of the Company or other key management personnel of the Group during the year.

23. Related party transactions

Group

The Group consists of North Australian Diamonds Limited and its wholly-owned controlled entities (Striker Diamonds Pty Ltd and Merlin Diamonds Pty Ltd) and its associate (Top End Uranium Ltd).

The percentage ownership of ordinary shares in subsidiaries and associate are disclosed in note 20 to the financial statements.

Key management personnel

Disclosures relating to key management personnel are set out in note 22 to the financial statements.

Transactions with related parties

Transactions between the Company and other entities in the Group during the years ended 30 June 2012 and 2011 consisted of loans advanced by and repaid to the Company, and services provided to Top End Uranium Ltd pursuant to the Administration and Technical Services Agreement between the Company and Top End Uranium Ltd. Transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this note.

	Transaction value for the year ended 30 June		Balance outstanding at 30 June	
	2012 $	2011 $	2012 $	2011 $
Consolidated				
Receivable from associate				
Management fees	264,000	264,000	-	-
Administrative and exploration expenses	222,159	521,731	77,287	83,621
	486,159	785,731	77,287	83,621

Other related party transactions

Legend International Holdings, Inc. ('Legend'), a company of which Mr J I Gutnick is President and Chief Executive Officer, and Mr H Herzog and Mr D Tyrwhitt are Directors, has entered into agreements on normal commercial terms and conditions with the Company to utilize the camp and airstrip at Merlin. The Company and Legend have continued to share facilities and incur costs on behalf of each other. The amount payable to Legend at 30 June 2012 was $108,137(2011: $16,438).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 continued

23. Related party transactions continued

Transactions with other entities

AXIS Consultants Pty Ltd ('AXIS'), a company of which Mr J I Gutnick and Dr D S Tyrwhitt are directors, provided management services to the Company for the year.

	Transaction value for the year ended 30 June		Balance outstanding at 30 June	
	2012 $	2011 $	2012 $	2011 $
Receivable/(payable) from/(to) other entity				
Advance to other entity	740,000	-	740,000	-
Interest payable by other entity	19,053	-	19,053	-
Management services	(2,603,202)	(518,479)	264,906	(16,438)*
	(1,844,149)	(518,479)	1,023,959	(16,438)

* *Excludes payable to AXIS at 30 June 2011: $6,957 included in Trade Payables.*

24. Auditor's remuneration

	Consolidated	
	2012 $	2011 $
Audit services		
BDO[1]		
Audit and review of financial reports	42,765	40,380
Audit of royalty returns	-	7,000
Other services		
BDO[1]		
Taxation compliance services	19,191	49,255
	61,956	96,635

[1] *BDO East Coast Partnership formally traded as PKF East Coast Practice.*

25. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2012 the parent company of the Group was North Australian Diamonds Limited.

	Company	
	2012 $	2011 $
Result of the parent entity		
Loss for the year	(3,362,369)	(855,994)
Other comprehensive income	-	-
Total comprehensive loss for the year	(3,362,369)	(855,994)
Financial position of the parent entity at year end		
Current assets	3,368,420	5,287,761
Total assets	33,881,290	34,101,916
Current liabilities	464,962	690,304
Total liabilities	1,276,110	848,257
Total equity of the parent entity comprising of:		
Issued capital	111,357,499	107,728,146
Reserves	-	348,815
Accumulated losses	(78,752,319)	(74,823,302)
Total equity	32,605,180	33,253,659

Parent entity contingencies

Financial support – Controlled entities

The parent entity has given unsecured undertakings to its controlled entities that it intends to provide the necessary financial support to enable them to meet their obligations as and when they fall due.

No material losses are anticipated in respect of the above contingent liabilities.

25. Parent entity disclosures continued

Parent entity commitments

Finance lease commitments

Finance lease liabilities for motor vehicles of the Company are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2012 $	2012 $	2012 $	2011 $	2011 $	2011 $
Due within one year	63,673	2,701	60,972	76,407	9,342	67,065
Due later than one year and not later than five years	-	-	-	63,673	2,701	60,972
Due later than five years	-	-	-	-	-	-
	63,673	2,701	60,972	140,080	12,043	128,037

Operating lease commitments

Future non-cancellable operating lease rentals for premises not provided for in the financial statements:

	Company	
	2012 $	2011 $
Due within one year	46,058	56,210
Due later than one year and not later than five years	-	42,157
Due later than five years	-	-
	46,058	98,367

The Company's operating lease premises consists of office space. The lease runs for a period of 3 years, with an option to renew the lease. Lease payments are increased every year by a predetermined fixed percentage. As the rent paid to the landlord of the premises is increased to market rent at regular intervals, and the Company does not participate in the residual value of the premises, it was determined that substantially all the risks and rewards of the premises are with the landlord. As such, the Company determined that the lease is an operating lease.

Exploration expenditure

In order to maintain mining tenements, the Company is committed to meet the prescribed conditions under which the tenements were granted. Minimum Mines Department annual expenditure commitments on tenements held are as follows:

	Company	
	2012 $	2011 $
Due within one year	861,349	808,928
Due later than one year and not later than five years	2,249,707	1,534,944
Due later than five years	862,626	936,793
	3,973,682	3,280,665

26. Subsequent events

Other than the matters outlined elsewhere in these financial statements, no matters or circumstance have arisen since 30 June 2012 that have a significant effect on the Company.

DIRECTORS' DECLARATION

The Directors of North Australian Diamonds Ltd (the 'Company') declare that:

a) In the Directors' opinion the financial statements and notes set out on pages 22 to 51 and the Remuneration Report in the Directors' Report set out on pages 17 to 20 are in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

b) the financial report also complies with International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB) as disclosed in note 1; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 28th day of September 2012.

J. I. Gutnick

J I Gutnick
Director

INDEPENDENT AUDITOR'S REPORT

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of North Australian Diamonds Limited

Report on the Financial Report

We have audited the accompanying financial report of North Australian Diamonds Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations *Act 2001*. We confirm that the independence declaration required by the Corporations *Act 2001*, which has been given to the directors of North Australia Diamonds Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO

Opinion

In our opinion:

(a) the financial report of North Australian Diamonds Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 20 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of North Australian Diamonds Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

James Mooney

Partner

Melbourne, 28 September 2012

CORPORATE GOVERNANCE

The main corporate governance practices that the Board of North Australian Diamonds Limited had in place during the year were:

1. Board of Directors

i) Board Responsibilities

The Board's role is to maximise wealth creation and shareholder value in the Company. It assumes responsibility for overseeing the affairs of the Company by ensuring that they are carried out in a professional and ethical manner and that business risks are effectively managed. The primary responsibilities of the Board include the following:

- To oversee the Company, including its control and accountability systems.
- To appoint and remove the Chief Executive Officer (or equivalent).
- To ratify the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary.
- To have input into and final approval of management's development of corporate strategy and performance objectives.
- To review and ratify systems of risk management and internal compliance and control, codes of conduct, legal compliance and any other regulatory compliance.
- To monitor senior management's performance and implementation of strategy, and ensuring appropriate resources are available.
- To approve and monitor the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- To approve and monitor financial and other reporting to shareholders and the market.
- To monitor the Board composition, Director selection, Board processes and performance and ensure Directors have an understanding of the Company's business.
- To monitor and influence the key standards of the Company including ethical standards, reputation and culture.
- To review and approve executive remuneration.
- To approve annual budgets.

ii) Board Composition

While the Company's Constitution fixes the maximum number of Directors at twelve, the Board currently comprises two Executive Directors and two Non-Executive Director. The Company does not have a majority of independent Directors. The Chairman of the Company is a Director and Shareholder of Legend International Holdings, Inc., which is a substantial shareholder of the Company, and is not independent in accordance with the ASX Corporate Governance Council definitions and recommendations. In considering the best interests of the Company and its shareholders, the Board believes that the background and experience of the Chairman should not preclude him from the office of Chairman of the Board on the grounds of him being a Director and Shareholder of a substantial shareholder. The Chairman is also the Managing Director. The Board believes the experience in the industry that the Company operates in that Mr JI Gutnick brings to the Company is invaluable and is in the best interests of all shareholders. Mr Michael is deemed to be an Executive Director and the Board believes that his background and experience is important to the Company. The Board considers Mr H Herzog and Dr DS Tyrwhitt to be independent.

To ensure that it has the right mix of management skills and technical expertise to meet the challenges of its business, the Board regularly reviews its composition. The Board believes that at the current stage of the Company's development, the composition is adequate. However, it continues to assess the need to enhance the membership of the Board and is cognisant of the ASX Corporate Governance Council definitions and recommendations.

iii) Appointment/Retirement of Directors

The Company's Constitution requires that all Directors other than the Managing Director submit themselves for re-election every three years with not less than one third of the Board retiring by rotation. Directors appointed during the period since the last Annual General Meeting of the Company must submit themselves for election at the next Annual General Meeting. Dr DS Tyrwhitt was appointed during the year and must retire and can submit himself for election at the 2012 Annual General Meeting. Mr. CA Michael is required to retire by rotation at the 2012 Annual General Meeting and may seek re-election.

iv) Board Meetings

The full Board meets formally to conduct appropriate business. The Board uses resolutions in writing signed by all Directors to deal with matters requiring decisions between meetings.

v) Directors' Remuneration

Total remuneration for the Chief Executive Officer includes an annual salary and other entitlements. Attendance at and participation in Board and Committee meetings are considered among the duties of the Executive Directors. Non-Executive Directors receive fees for attending Board and Committee meetings. Pro-rata fees are paid to Non-Executive Directors who serve for less than a full year. None of the other Directors or the Company Secretary has letters of appointment.

vi) External Advice to Directors

The Company recognises that in the exercise of their responsibilities there may be occasions when Directors may wish to seek independent professional advice. With the prior consent of the Chairman, advice can be obtained at the Company's expense and is to be made available to the whole Board.

vii) Performance Evaluation of Board, its Members and Executives

During the year, the Board completed a formal performance evaluation of the Board, its members and the Executives.

2. Board Committees

The Board has Committees to address the areas of remuneration and audit.

i) Remuneration Committee

The Company does not have a Remuneration Committee. All matters that would usually fall to a Remuneration Committee are handled by the full Board. The Board considers that it is appropriate for the Company at this time not to have a Remuneration Committee and for remuneration issues to be handled by the full Board, given the size of the Board. As the Remuneration Committee functions are carried out by the Board, the Company does not comply with the Remuneration Committee membership criteria set out in the CGC Principles and Recommendations. The Company uses short-term and long-term incentives as part of an executive's remuneration package. The Board meets to review remuneration policies and practices of the Company, to ensure that they meet current market conditions. The Board draws on the experience of Senior Management and where appropriate, seeks the advice of external consultants. The Remuneration Committee has a formal charter and this is followed by the Board in its deliberations.

ii) Audit Committee

The Company does not have an Audit Committee. All matters that would usually fall to an Audit Committee are handled by the full Board. The Board considers that it is appropriate for the Company at this time not to have an Audit Committee and for audit issues to be handled by the full Board. The Company has adopted a formal Audit Committee Charter and this is followed by the Board in its deliberations. The Board monitors internal control policies and procedures designed to safeguard the Company's assets and to maintain the integrity of financial reporting. As the Audit Committee functions are carried out by the Board, the Company does not comply with the Audit Committee membership criteria set out in the CGC Principles and Recommendations.

iii) Nomination Committee

The Company does not have a Nomination Committee. The Board believes that with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function. In considering the nomination of new board members, the board consider the skill set and experience of existing board members and the skills required for a balanced board.

3. Diversity

The Company has established a formal written policy on diversity which is posted on its website. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Board is made up of four males and no females. Further the senior management persons are male and there are no female senior management persons. From a Board perspective, the Company, with its current board membership, already meets a number of the diversity guidelines. As noted elsewhere in the Remuneration Report and this Corporate Governance section, the Company is managed by AXIS Consultants Pty Ltd pursuant to a Service Agreement and thus has minimal field employees. There are six male and one female staff members. The female staff member is a senior field geologist. Accordingly, other than the membership of the Board, and senior management (who are employed by AXIS and supplied through the Service Agreement), diversity is not relevant to the Company.

4. Risk Management

The Company continues to monitor its operations to identify the greatest areas of potential risk to minimise any adverse effects on the Company's strategic, operational and financial activities.

i) Environment

Details of the environmental policy and other related matters are provided in the Environment section of the Directors' Report.

ii) Occupational Health and Safety

The Company is committed to providing a safe and healthy working environment for all staff. It considers that safety is a collective responsibility and ensures that regular training in safe working methods is undertaken and encourages participation and involvement in the development of workplace safety programs. Individual employees and employees of contractors are required to practice safe working habits, to take all reasonable care to prevent injury to themselves and their colleagues and to report all hazards and accidents.

New staff and contractors (where appropriate) are required to undergo an induction program to familiarise themselves with policies, procedures and work practices prior to commencing work. All staff are covered against injury under the various Workers' Compensation Acts.

iii) Financial Reporting

The Managing Director and Chief Financial Officer and Company Secretary sign off to the Board of Directors in respect to the annual financial statements and risk management policies as required by law and the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations".

5. Code of Conduct

i) Ethical Standards

The Company operates under a code of conduct that sets out the ethical standards under which the Company operates when dealing with internal and external parties. This code requires parties (including Directors and executives) to act with integrity, fairness and honesty in all dealings and to treat other parties with dignity at all times. They are required to:

- not discriminate against any staff member or potential employee;
- carry out their duties in respect to the law at all times;
- use the Company's assets responsibly;
- respect the confidentiality of the Company's business dealings; and
- take responsibility for their own actions and for the consequences surrounding their own actions.

ii) Share Trading

In July 2010, the Company amended its policy following the release of changes to the ASX Corporate Governance Guidelines. It is the Company's policy to encourage Directors, employees and related parties to own Shares in the Company. The trading in shares policy strongly reinforces the obligations of Directors and employees, both of the Company and AXIS Consultants Pty Ltd, under the Corporations Act 2001 and the Australian Securities Exchange Listing Rules in relation to trading in Company shares. The acquisition and sale of Company shares by Directors and employees is prohibited in periods of fourteen (14) days prior to the announcement of the Company's quarterly reports, and thirty (30) days prior to the announcement of the Company's half yearly and full year reports to the Australian Securities Exchange. Directors, employees and related parties can seek permission from the Chairman to purchase or sell shares outside these periods. Directors and Executives can only seek permission to trade in shares in the blackout period in cases of extreme financial hardship. In the case of the Chairman, he must seek permission from a Director or the Company Secretary. The policy also sets out that there should be no speculative trading. Directors and employees are required to report share trading to the Company Secretary.

6. Continuous Disclosure Compliance

The Company's continuous disclosure compliance procedure enables it to meet its obligations and to ensure that all matters, which may require announcement to the Australian Securities Exchange, are brought to the attention of Directors immediately.

7. Communicating with Shareholders

The Board ensures that shareholders are kept informed of all major developments that affect their shareholding or the Company's state of affairs through quarterly, half-yearly, annual and ad hoc reports. All shareholders are encouraged to attend the Annual General Meeting to meet the Chairman and Directors and to receive the most updated report on Company activities. The auditors of the Company attend the annual general meeting for the purpose of answering any questions on the annual financial statements and audit thereof, properly brought before the meeting.

The Company maintains a website at http://www.nadl.com.au to provide shareholders with up to date information on the Company's activities. Shareholders may also communicate with the Company through its e-mail address info@nadl.com.au.

The Company does not web-cast shareholder meetings and does not believe that at this stage the cost-benefit of web casting is worthwhile to a Company of its size.

AUSTRALIAN SECURITIES EXCHANGE INFORMATION

As at 21 September 2012, the following information applied:

1. Substantial Shareholders

Substantial shareholders disclosed in substantial shareholder notices to the Company:

Name	Number of Fully Paid Ordinary Shares held
Legend International Holdings, Inc.	59,485,357

2. Fully Paid Ordinary Shares

The number of holders of fully paid ordinary shares in the Company is 6,349. On a show of hands every holder of fully paid ordinary shares present or by proxy, shall have one vote. Upon a poll, each share shall have one vote. The distribution of holders of fully paid ordinary shares is as follows:

Category		Number of Shareholders
Holding between	1 – 1,000 Shares	3,505
Holding between	1,001 – 5,000 Shares	1,661
Holding between	5,001 – 10,000 Shares	515
Holding between	10,001 – 100,000 Shares	589
Holding more than	100,001 Shares	79

The number of holders with less than a marketable parcel of fully paid ordinary shares is 4,591. The Company's fully paid ordinary shares are quoted on the Australian Securities Exchange using the code NAD.

AUSTRALIAN SECURITIES EXCHANGE INFORMATION

continued

The top 20 shareholders are as follows:

Name	Number of Fully Paid Ordinary Shares held	Percentage interest
Legend International Holdings Inc	59,320,357	44.67%
HSBC Custody Nominees (Australia) Limited – A/C 3	15,425,573	11.62%
CS Fourth Nominees Pty Ltd	4,489,539	3.38%
Woodross Nominees Pty Ltd	3,982,000	3.00%
Warina Nominees Pty Ltd	3,591,750	2.70%
Yandal Investments Pty Ltd	1,471,492	1.11%
Dalkeith Resources Pty Ltd <DALKEITH RESOURCES S/F A/C>	746,836	0.56%
Denman Audio Pty Ltd	745,500	0.56%
SSI Nominees Pty Limited	741,500	0.56%
Elmenson Pty Ltd <Schwarcx Super Fund A/C>	734,817	0.55%
Mrs Holdings Pty Ltd <Spadaccini Family A/C>	660,274	0.50%
National Nominees Limited	657,706	0.50%
Mr Brad Dolahenty	650,000	0.49%
Bonos Pty Ltd	552,000	0.42%
Ms Yan-Ngor Law	541,999	0.41%
Mr Vicenco Alac	507,500	0.38%
Dolahenty Pty Ltd	475,000	0.36%
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	442,545	0.33%
Tortuga Advisors Ltd	388,234	0.29%
Mr Roland Henri Weiss	371,205	0.28%

TENEMENT LIST

Project	Tenement	Status	Area km²
WESTERN AUSTRALIA			
ASHMORE	M80/492	Granted	7.49
FORREST RIVER	M80/526	Granted	4.49
SEPPELT	M80/532	Granted	5.45
NORTHERN TERRITORY			
MERLIN DIAMOND MINE	MLN1154	Granted	23.50
MERLIN ORBIT	EL27175	Granted	54.74
	EL26943	Granted	206.08
	EL26944	Granted	206.08
	EL10189	Granted	206.08
	EL25122	Granted	48.3
	EL25580	Granted	48.3
	EL25676	Granted	180.32
	EL27750	Granted	112.70
	EL27895	Granted	257.6
	EL24082	Granted	67.62
	EL24512	Granted	930.58
	EL28914	Application	3.22
	EL28915	Application	6.44
	EL28916	Application	6.44
	EL28917	Application	9.66
	EL28918	Application	6.44
	EL28919	Application	6.44
	EL28920	Application	12.88
	EL28921	Application	6.44
	EL28922	Application	9.66
	EL28923	Application	12.88
	EL28924	Application	3.22
	EL28925	Application	6.44
	EL28926	Application	12.88
	EL28927	Application	3.22
	EL28928	Application	12.88
	EL28929	Application	12.88
	EL28930	Application	3.22
	EL28931	Application	6.44
	EL28932	Application	6.44

TENEMENT LIST continued

Project	Tenement	Status	Area km²
ARNHEM LAND North Australian Diamonds has 100% interest for diamonds only	EL330	Granted	405.72
	EL25976	Granted	148.12
	EL26087	Granted	325.22
	EL26206	Granted	106.26
	EL331	Granted	805.00
	EL3335	Application	515.2
	EL3337	Granted	70.84
	EL3341	Application	724.5
	EL6531	Application	1610
	EL6532	Application	1610
	EL29398	Application	19.32
	EL29399	Application	1081.92
	EL29400	Application	12.88
	EL29401	Application	6.44
	EL29402	Application	19.32
	EL29403	Application	70.84
	EL29407	Application	6.44
	EL29408	Application	186.76
	EL29409	Application	12.88
	EL29410	Application	6.44
	EL29411	Application	12.88
	EL29412	Application	19.32
	EL29413	Application	80.5
	EL29414	Application	22.54
	EL6531	Application	1610
	EL6532	Application	1610
	EL8681	Application	795.34
	EL8682	Application	772.8
	EL10003	Application	402.5
	EL10230	Application	115.92
	EL10231	Application	157.78
	EL10232	Application	470.12
	EL10233	Granted	515.20
	EL22262	Application	241.5
	EL24501	Application	1014.3
	EL24701	Application	663.32

Project	Tenement	Status	Area km^2
ARNHEM LAND continued	EL24702	Application	1577.8
	EL24703	Application	785.68
	EL24853	Application	1400.7
	EL24854	Application	360.64
	EL24881	Application	882.28
	EL24916	Application	766.36
	EL25970	Application	38.64
	EL25973	Application	135.24
	EL25974	Application	9.66
	EL25975	Application	25.76
	EL27235	Application	615.02
	EL27236	Application	344.54
	EL28066	Application	67.62
	EL28067	Application	251.16
	EL28068	Application	144.9
	EL28069	Application	51.52
	EL28070	Application	470.12
	EL28071	Application	608.58
	EL28165	Application	54.74
	EL25319	Application	1610
	EL25320	Application	402.50

NOTES

CORPORATE INFORMATION

Directors

Joseph Gutnick
Craig Michael
Henry Herzog
David Tyrwhitt

Company Secretary

Peter Lee

Registered Office and Domicile

Level 8, 580 St. Kilda Road
Melbourne Victoria 3004
Australia

P: +61 3 8532 2858
F: +61 3 8532 2805
E: info@nadl.com.au
W: http://www.nadl.com.au

Legal Form

A public company limited by shares

Country of Incorporation

Australia

Share Registry

Link Market Services Limited
Level 9, 333 Collins Street
Melbourne Victoria 3000
Australia

P: 1300 554 474 or + 61 3 9615 9999
F: +61 3 8614 2903

Shareholder Information

Manager Investor Relations
P: +61 3 8532 2858
F: +61 3 8532 2805
E: info@nadl.com.au
W: http://www.nadl.com.au

Auditors

BDO East Coast Partnership
Level 14, 140 William Street
Melbourne Victoria 3000
Australia

Australian Securities Exchange Listing Code

NAD

Bankers

Westpac
Level 6, 360 Collins Street
Melbourne Victoria 3000
Australia

Designed and produced by motivo

North
Australian
Diamonds
Limited

ABN 86 009 153 119

Level 8, 580 St. Kilda Road
Melbourne Victoria 3004 Australia
P: +61 3 8532 2858 F: +61 3 8532 2805
W: www.nadl.com.au

NORTH AUSTRALIAN DIAMONDS ANNUAL REPORT 2012