



North Australian Diamonds Limited

ABN 86 009 153 119

30 April 2012

Manager Companies
Australian Securities Exchange
Level 6, 20 Bridge Street
Sydney NSW 2000

By E-Lodgement

REPORT FOR THE QUARTER ENDED 31 March 2012

North Australian Diamonds Limited
ABN 86 009 153 119

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Directors

Mr Joseph Gutnick
Executive Chairman and
Chief Executive Officer

Mr Henry Herzog
Non-Executive Director

Dr David S Tyrwhitt
Non-Executive Director

Mr Craig Michael
Director

Senior Management

Mr Peter Lee
CFO & Company Secretary

Mr Menachem Vorchheimer
GM Strategy and Special Projects

Mr Mike Kammermann
Exploration Manager

Merlin Mine - Feasibility Study

- Consulmet Pty Ltd, a global mineral process engineering consultancy specialising in diamond liberation and detection, has been engaged to deliver a feasibility study to allow the Company to resume production at the Merlin Diamond Mine.
- Hydraulic mining using an electric dredge is now the focus of the study. Consulmet are currently working on the detailed design of an integrated dredge, slurry pipeline and processing plant operation.

Merlin Mine - Near Mine Exploration

- A full review of this historical data has been commissioned to design a near mine exploration program.

Borrooloola Alluvial Diamond Project

- In the December 2011 quarter, the Company extracted 5,000 tonnes of alluvial material from 5 different areas in the Borrooloola tenement, located 75 kilometres from the Merlin Mine.
- 2,000 tonnes of material were not transported to the mine due to the onset of the wet season. The Company expects to transport and process this material when water levels decrease to allow safe river crossings.

Merlin Reserves and Resources

Ore Classification	Material (Mt)	Average Grade (ct per tonne)	Carats (Mcts)
Probable Ore Reserves	11.07	0.26	2.89
Indicated & Inferred Mineral Resources	19.02	0.23	4.31
TOTAL	30.09	0.24	7.20

The above Ore Reserves are additional to the Mineral Resources and are estimated on open pit and underground mining scenarios. A Reserve and Resource for hydraulic mining has not yet been estimated.



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Merlin Feasibility Study Update

Consulmet has been working to deliver a feasibility study which will produce a detailed assessment of the technical and commercial parameters to allow the Company to resume production at the Merlin Diamond Mine. After review of the operational options presented by Consulmet, North Australian Diamonds' management have approved the next stage of the feasibility study. The study will conclude with the detailed design of an integrated diamond operation consisting of an electric dredge, slurry pipeline and processing plant.

Hydraulic mining using an electric dredge is a mining method which turns the abundance of water at the Merlin Diamond Mine to our advantage. Kimberlite can be crushed in the pit and the resulting slurry transported through a pipeline directly to the plant. This method of transporting the material removes the need for hauling and rehandling the ore which reduces the need for a truck fleet and additional staffing. Preliminary cost estimates indicate that mining by dredge has significantly lower capital and operating expenditure compared with open cut or underground mining. Production rates of up to 320 tonnes of kimberlite ore per hour can be expected.

Dredge mining and on-board processing of diamond bearing material is routinely undertaken in the unconsolidated sediments of Siberian lakes and offshore in south west Africa. The method has several key advantages over traditional open pit mining at Merlin.

1. The highest grade kimberlite pipes have relatively small cross-sections (Gawain is 0.3ha, Ywain is 0.05ha), so extraction using open cut mining would require mining a high level of waste compared to ore.
2. Groundwater flowing into the pits requires constant pumping. As mentioned previously, by creating slurry in the pit, dewatering can be used to transport material to the plant, thus reducing the use of fuel and the need for a truck fleet.
3. The action of the dredge cutter head effectively crushes kimberlite ore, potentially reducing the need for a high pressure grind roller at the plant.

The technical advantages of dredge mining compared to a traditional operation result in reduced capital and operating expenditure, reduced staffing levels and short lead times from commencement of development to presentation of ore at the plant.

Consulmet and Rockcrush Group engineers conducted a site visit in March 2012. The purpose of the visit was to assess the state of mine infrastructure and geotechnical conditions of the Gawain pit. No technical impediments were noted and subsequently the detailed design stage of the study was approved. The Company will commission an independent review of key sections of the feasibility study.

Merlin Near Mine Exploration Program

Since the early 1990's a total of 11 kimberlite pipes have been discovered on the Merlin Mine Lease. The mine's previous owners conducted extensive geochemical sampling and followed up with a drilling program resulting in the discovery of a lens shaped kimberlite body 100m south of Bedevere.

The Company holds a significant historical database and data derived from NAD sampling and drilling programs. The Company believes that the area covered by and near the Merlin Mine Lease has the potential to host undiscovered kimberlites, see map 6. A review of the exploration data has been commissioned with the goal of designing an exploration program to test unresolved anomalies.



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Borrooloola Alluvial Diamond Project Update

Following the grant of the exploration licence for the Borrooloola Alluvial Diamond Project (EL24512) in August 2011, the Company immediately commenced the excavation of 5,000 tonnes of alluvial material from known diamond bearing gravel deposits. The purpose of the tests was to commence the assessment of the economic potential of the gravels by determining diamond quality, quantity and distribution in the alluvial material.

The current bulk sampling program focused on an area of outcropping gravel. Material from three pits, 3,000 tonnes, has been processed at the Merlin Mine, yielding 22 stones with a total weight of 1.09 carats. Thirteen of the recovered diamonds are white in colour including the largest two at 0.19 and 0.25 carats.

High water levels in rivers leading to the Merlin Diamond Mine prevented 2,000 tonnes of gravel from two pits from being transported during the wet season. The Company intends to transport and process the stockpiled material once water levels at crossings have dropped to safe levels.

Merlin Diamond Project Background

The Merlin Diamond Project is located some 100km south of the settlement of Borrooloola and comprises 14 kimberlite pipes. Since 1998, 9 of the Merlin pipes have been subject to open-pit mining over a 5 year period (Figure 1 and 2). These previous mining operations produced 507,000 carats of diamonds. This included Australia's largest diamond at 104.73cts which in 2002 was valued at in excess of US\$500,000. In 2004, NAD acquired the project from the Rio Tinto parties.

Resource Estimate

Mining studies have enabled some of the Indicated Resources to be upgraded to Probable Ore Reserves. This resource estimate makes the Merlin Diamond Project the second largest combined diamond resource and reserve in Australia. The combined Mineral Resource and Ore Reserve for all of the diamond pipes at Merlin is 30.1 million tonnes representing a total contained 7.2 million carats.

Probable Ore Reserve

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 ("cph") representing a total contained 2.89 million carats.

	Probable Ore Reserve (Mt)	Grade (c/t)	Carats (Mcts)
Southern Cluster			
PalSac ²	8.1	0.30	2.41
Sub-Total	8.1	0.30	2.41
Central Cluster			
Gawain ²	0.5	0.39	0.21
Ywain ²	0.1	0.81	0.05

<i>Sub-Total</i>	0.6	0.44	0.26
Northern Cluster			
Kaye ²	0.9	0.12	0.10
Ector ¹	1.5	0.07	0.11
<i>Sub-Total</i>	2.4	0.09	0.22
TOTAL	11.1	0.26	2.89

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

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

The above Ore Reserves are additional to the Mineral Resources and are estimated on open pit and underground mining assumptions. A Reserve and Resource for hydraulic mining has not yet been estimated.

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 cphr representing a total contained 4.31 million carats and is additional to the Reserves.

	Indicated Mineral Resource (Mt)	Inferred Mineral Resource (Mt)	Total (Mt)	Grade (c/t)	Carats (Mcts)
Southern Cluster					
PalSac ²		6.59	6.59	0.30	1.96
Launfal ²	1.58	1.70	3.28	0.25	0.82
Excalibur ¹	0.46	0.31	0.77	0.34	0.26
Tristram ²		0.74	0.74	0.06	0.04
Sub-Total			11.38	0.27	3.09
Central Cluster					
Gawain ²	0.53	0.61	1.14	0.39	0.45
Ywain ²	0.02	0.10	0.12	0.81	0.09
Sub-Total			1.26	0.43	0.54
Northern Cluster					
Gareth ¹	0.13	0.14	0.27	0.22	0.06
Kaye ²		2.14	2.14	0.12	0.26
Ector ¹		3.47	3.47	0.07	0.26
Bedeve ²	0.37	0.14	0.50	0.21	0.11
Sub-Total			6.38	0.11	0.68
TOTAL	3.09	15.93	19.02	0.24	4.31

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

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

The above Mineral Resources are additional to the Ore Reserve and are estimated on open pit and underground mining assumptions. A Reserve and Resource for hydraulic mining has not yet been estimated.



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DIAMOND EXPLORATION OVERVIEW

Merlin Orbit Tenements, Northern Territory

The Merlin Orbit tenements comprise an area of some 2,962km², and encompass numerous known unresolved occurrences of indicator minerals and diamonds.

Borrooloola Alluvial Diamond Project Background

Ten kilometres south of the township of Borrooloola lays one of the Company's most exciting exploration prospects. An application was lodged in 2004 (Exploration Licence Application 24512) for an area of 289 blocks (approximately 230,000 acres). The Northern Land Council's Full Council ratified the Borrooloola traditional owners' decision to consent to the grant of the licence. On 29 August 2011, Exploration Licence 24512 was granted to the Company for a period of six years.

The Borrooloola Alluvial Diamond Project represents a significant and unique opportunity to explore for a large volume, high value alluvial diamond deposit.

The gravels are exposed at surface in an area covering 5km². However, the total area which could potentially host alluvial gravel deposits, and is yet to be explored on the Company's tenements, is in the order of 300km². This significantly increases the opportunity to identify a large volume, high value alluvial diamond deposit.

The Borrooloola gravels represent the only major concentration of alluvial material in a catchment that is known to host significant diamond deposits. Sampling has confirmed that the Borrooloola alluvial gravels are diamond bearing. The Company is now implementing an exploration and bulk sampling program to evaluate the diamond bearing potential of the gravels over a much wider area.

Being in proximity to testing equipment at the Merlin Diamond Mine ensures rapid evaluation of the material extracted in the program.

Arnhem Land Projects, Northern Territory

The total Arnhem Land project area now encompasses 27,653km² (Figure 7).

North Australian Diamonds Tenements

Reconnaissance Sampling

Processing of reconnaissance stream samples collected in 2011 was completed during the quarter with several samples reporting positive for kimberlitic indicator minerals. These positive samples will be followed up during the dry season.

Swan Cove and Red River Resources Joint Venture Agreement – NAD Earning 80%

NAD has a contractual right to obtain an 80% interest in two tenements covering approximately 2,097km² 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.

YAMBARRA PROJECT, NORTHERN TERRITORY

Rio Tinto Yambarra Farm-in – NAD Earning 100%



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The Company has a farm-in agreement with Rio Tinto to earn 100% interest for diamonds in tenements in the Daly River region of the Northern Territory. These tenements have a total project area of 9,132km² (Figure 8). No work was undertaken during the quarter due to the wet season.

KIMBERLEY PROJECTS

North Kimberley

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

WEBB PROJECT

North Australian Diamonds withdrew from the Webb Project joint venture with Meteoric Resources.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves 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 an independent consultant to the Company and 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.

A handwritten signature in black ink that reads "J. I. Gutnick".

J I GUTNICK
Chief Executive Officer
30 April 2012



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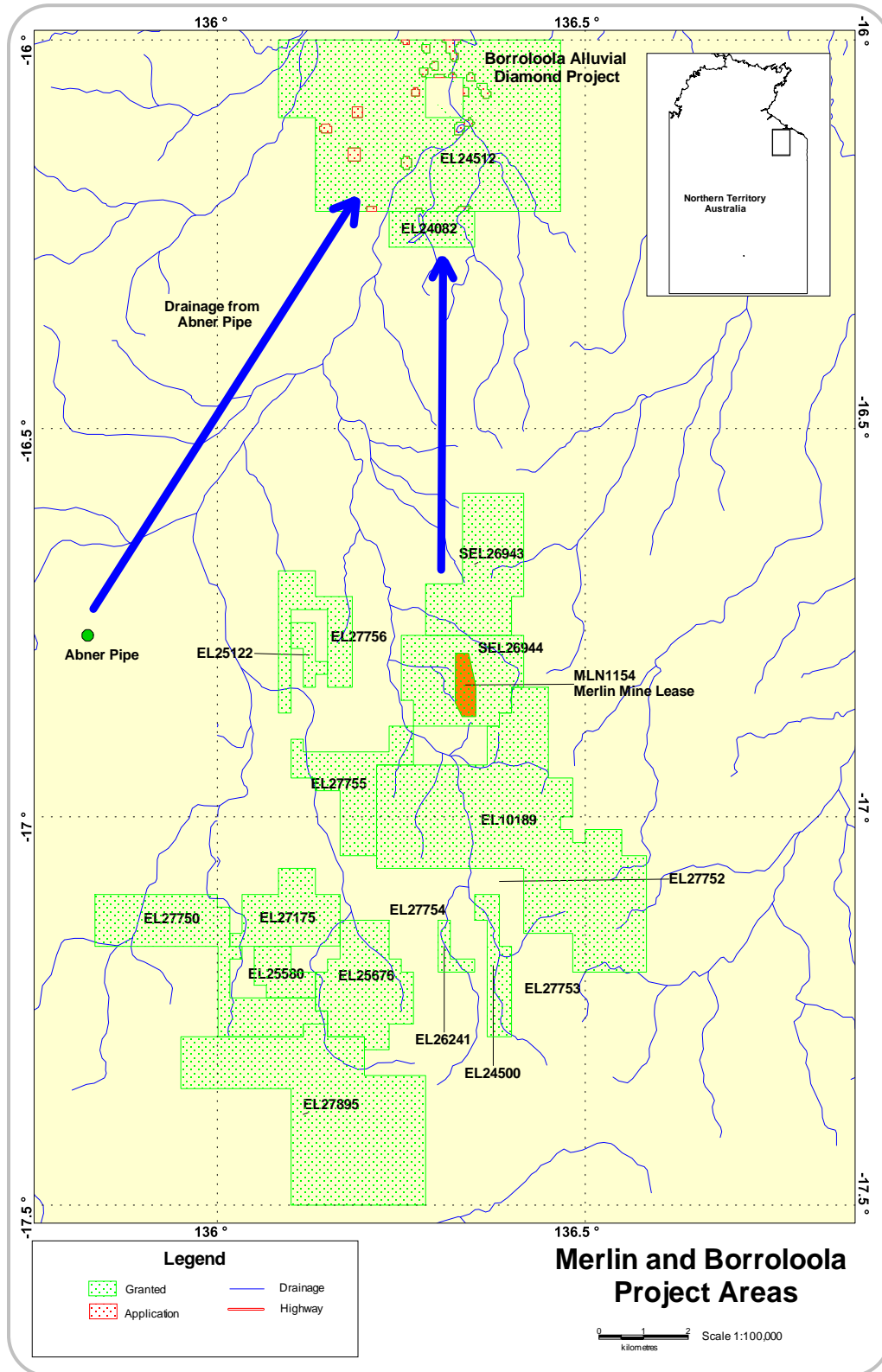


Figure 1 North Australian Diamonds Merlin and Borroloola Tenements



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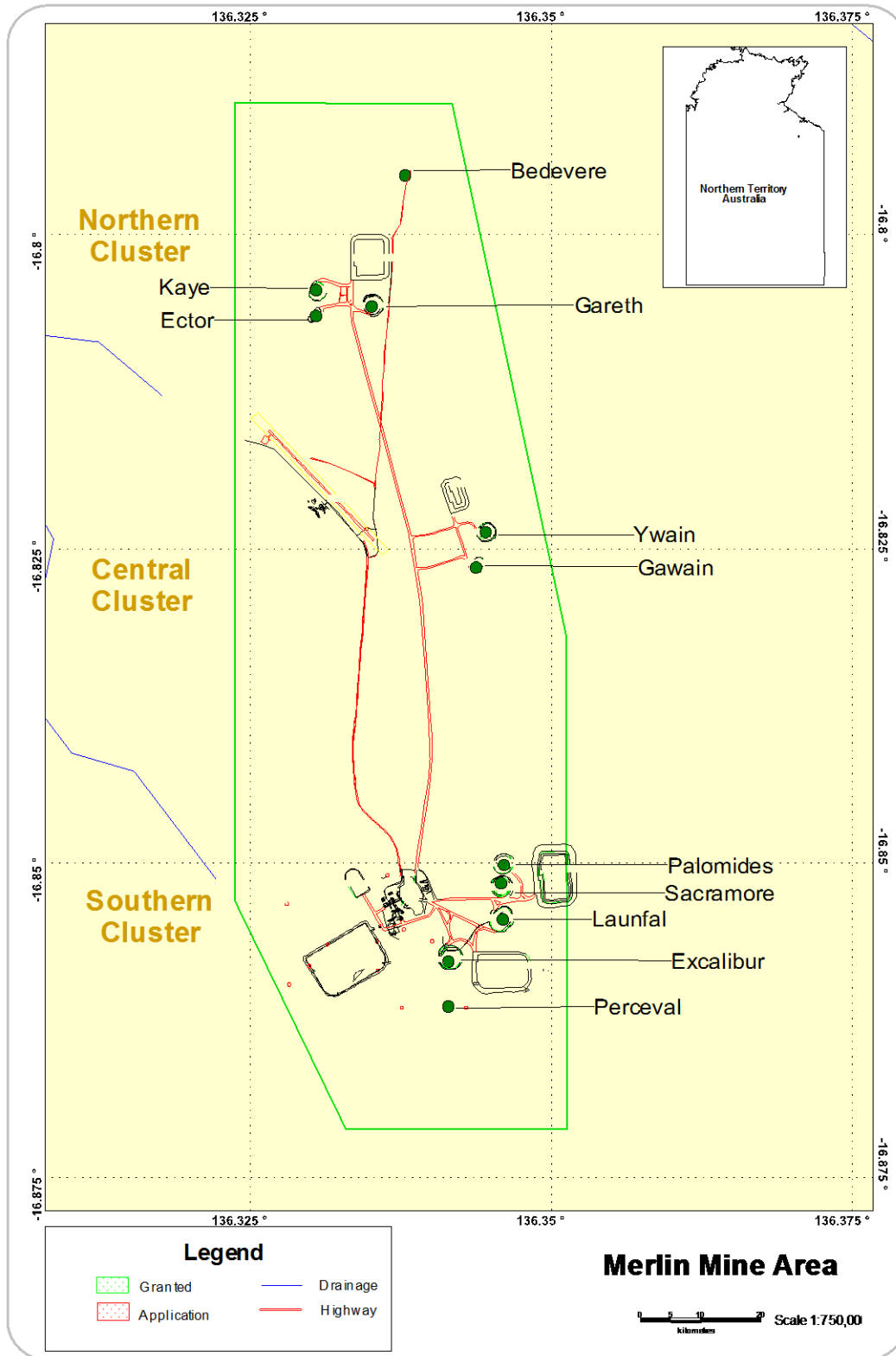


Figure 2 North Australian Diamonds' Merlin Mine

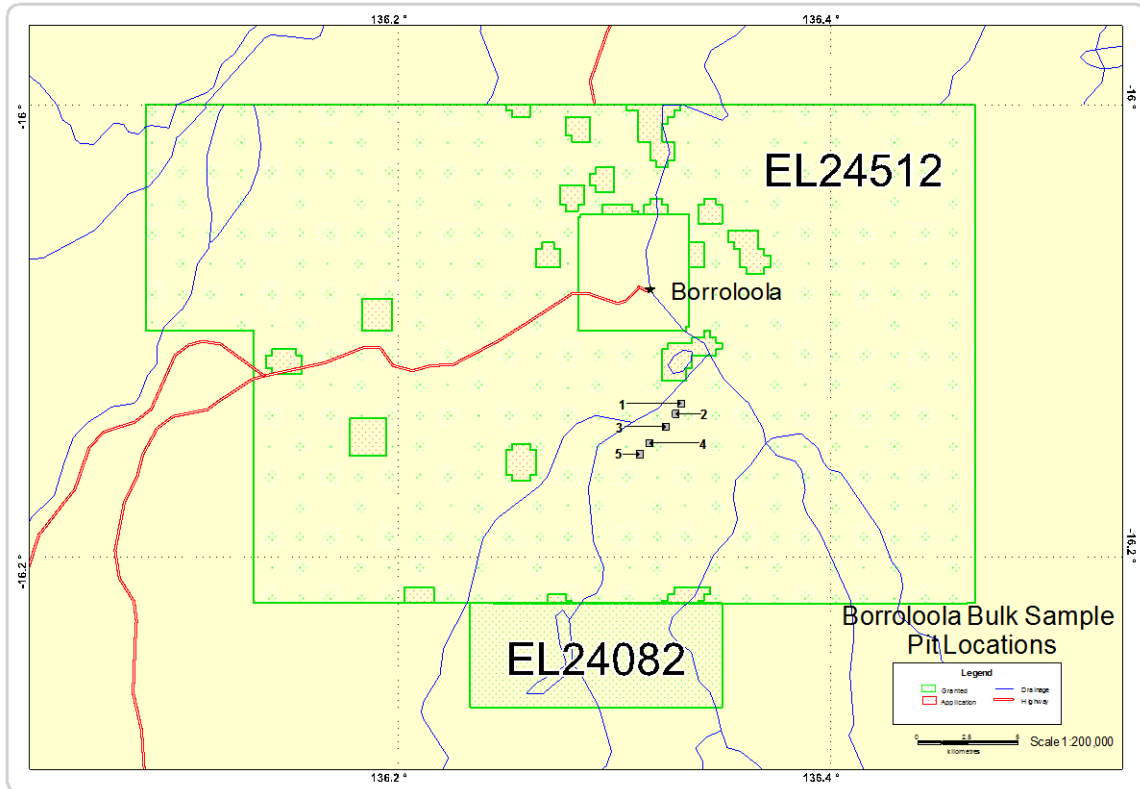


Figure 3 Locations of bulk sample excavations at the Borrooloola Alluvial Project



Figure 4 Depth profile of Borrooloola sample pit 1 excavated in 2011



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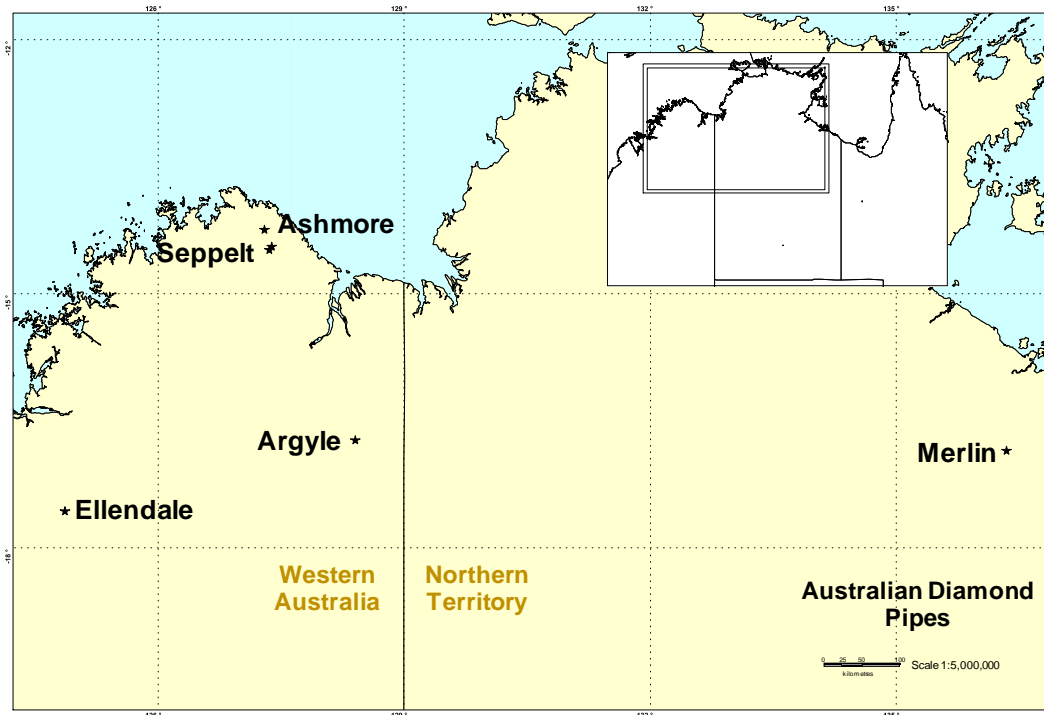


Figure 5 Location map showing Australian diamond pipes

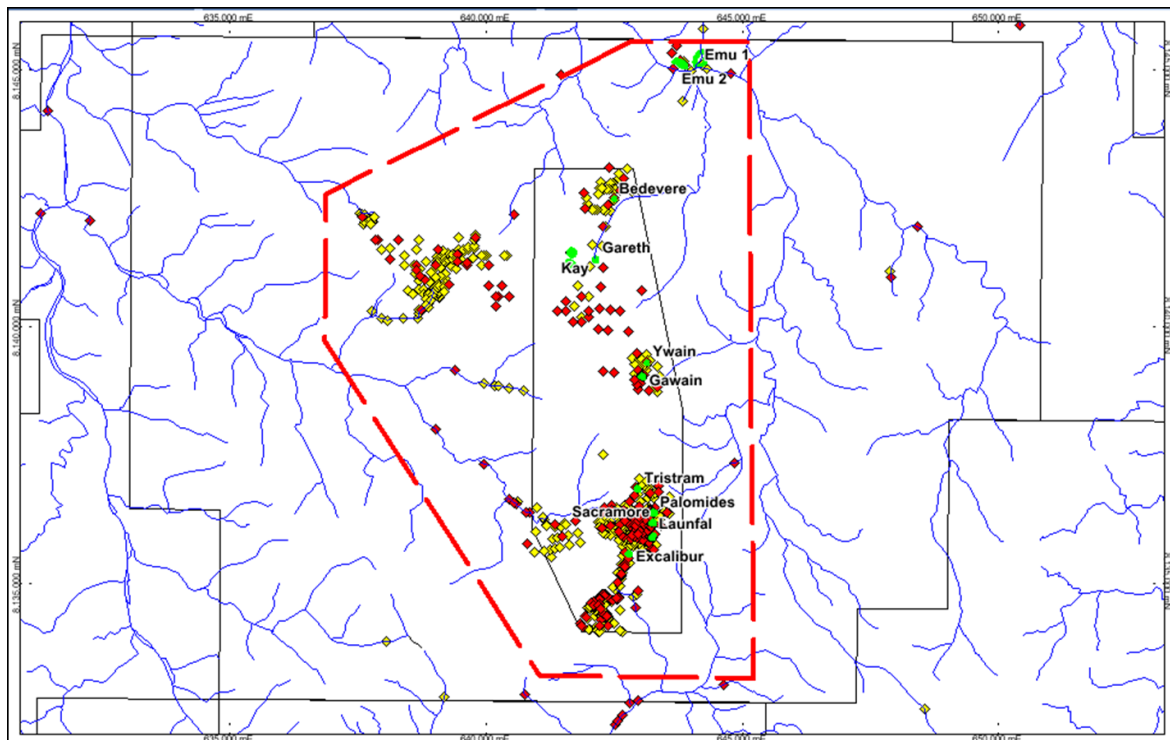


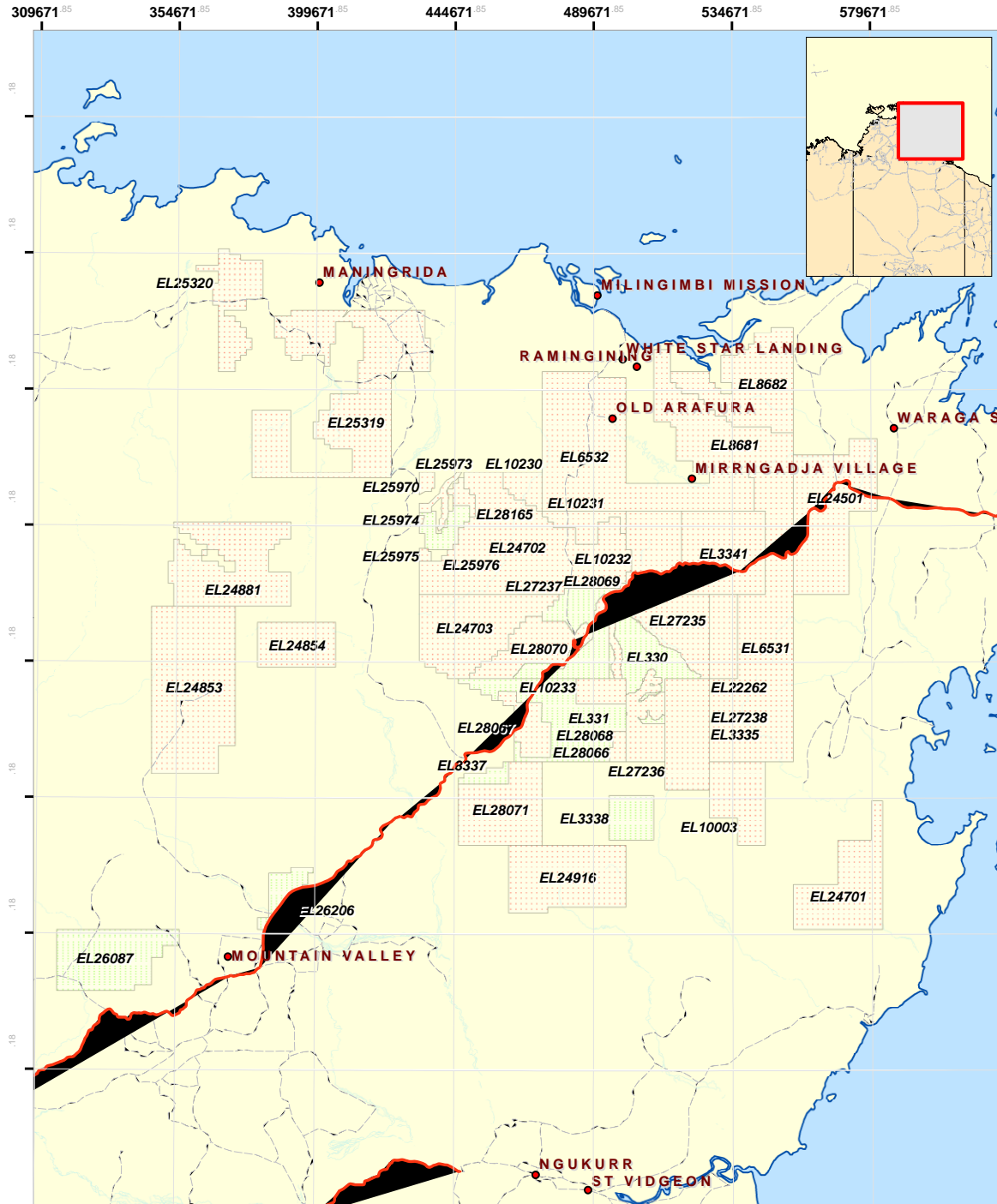
Figure 6 Location map showing Merlin Mine Lease and historic positive heavy mineral samples. Red outline indicates the extent of the near mine exploration program. Coloured markers indicate samples with the presence of chromite (yellow) and diamond (red).



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Legend

- | | |
|--------------------|----------------|
| Application | Major Drainage |
| Granted | Highways |
| Population Centres | Sealed Roads |
| | Unsealed Roads |

Arnhem Land Project Area

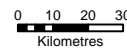


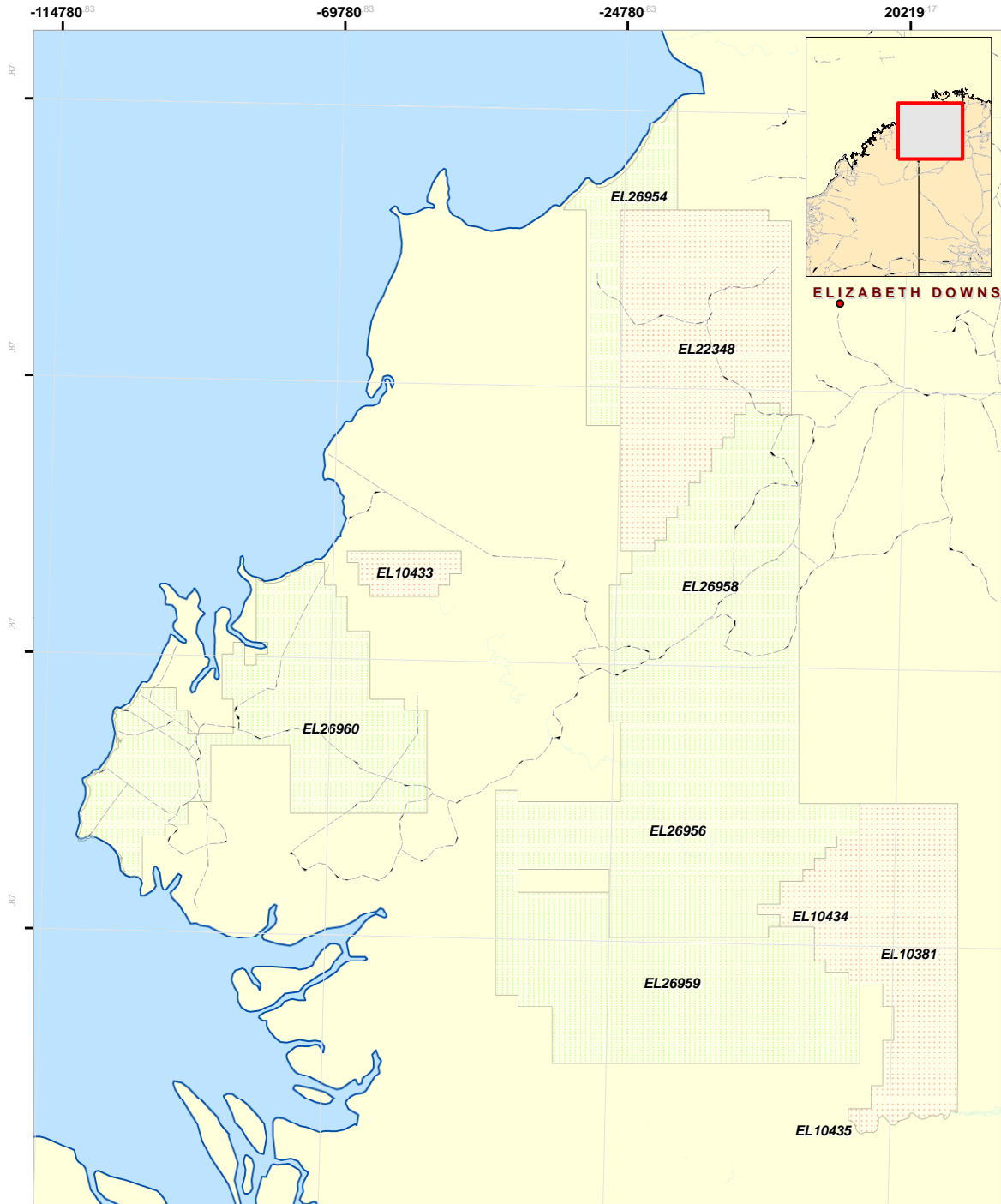
Figure 7 North Australian Diamonds Arnhem Land Tenements



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Legend

- | | | | |
|--|--------------------|--|----------------|
| | Application | | Major Drainage |
| | Granted | | Highways |
| | Population Centres | | Sealed Roads |
| | | | Unsealed Roads |

Yambarra Project Area

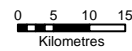


Figure 8 North Australian Diamonds Yambarra Tenements

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

NORTH AUSTRALIAN DIAMONDS LIMITED

ABN

86 009 153 119

Quarter ended ("current quarter")

31 MARCH 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	12	37
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(916) - - (456)	(3,857) - - (1,279)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	111
1.5 Interest and other costs of finance paid	-	(3)
1.6 Income taxes paid	-	-
1.7 Other (GST & Fuel tax credits, R&D refund)	68	762
Net Operating Cash Flows	(1,282)	(4,229)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (4)	- (4) (59)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans to other entities	(1,000)	(1,489)
1.11 Loans repaid by other entities	588	588
1.12 Other (Security Deposits)	3	(9)
Net investing cash flows	(413)	(973)
1.13 Total operating and investing cash flows (carried forward)	(1,695)	(5,202)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,695)	(5,202)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	580	633
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Finance leases, fees for share consolidation)	(19)	(57)
	Net financing cash flows	561	576
	Net increase (decrease) in cash held	(1,134)	(4,626)
1.20	Cash at beginning of quarter/year to date	1,362	4,854
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	228	228

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	80
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

-

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	886
4.2 Development	-
4.3 Production	-
4.4 Administration	285
Total	1,171

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	49	19
5.2 Deposits at call	179	1,343
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	228	1,362

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	EL26087	Partial Relinquishment	203 Bl	101 Bl
		EL26206	Partial Relinquishment	65 Bl	33 Bl
		EL26241	Partial Relinquishment	6 Bl	3 Bl
		EL26954	Partial Relinquishment	148 Bl	111 Bl
		EL3336	Surrendered	96 Bl	0 Bl
		EL24737	Surrendered	16 Bl	0 Bl
		EL26181	Surrendered	70 Bl	0 Bl
		EL27237	Surrendered	8 Bl	0 Bl
		EL27238	Surrendered	14 Bl	0 Bl
		EL27752	Surrendered	6 Bl	0 Bl
		EL27753	Surrendered	46 Bl	0 Bl
		EL27754	Surrendered	14 Bl	0 Bl
		E80/4235	Withdrawn from JV	56 Bl	0 Bl
		E80/4407	Withdrawn from JV	24 Bl	0 Bl
		E80/4408	Withdrawn from JV	9 Bl	0 Bl
6.2	Interests in mining tenements acquired or increased	E80/4506	Withdrawn from JV	68 Bl	0 Bl
		EL25122	Granted Title	8 Bl	15 Bl

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>	NIL			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	120,712,206	120,712,206		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,656,000 -	3,656,000 -	16 cents	16 cents
7.5	+Convertible debt securities <i>(description)</i>	NIL			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	-			
7.8	Issued during quarter	-			
7.9	Exercised during quarter	3,656,000	-	<i>Exercise price</i> 16 cents	<i>Expiry date</i> 09/02/2012
7.10	Expired during quarter	-			
7.11	Debentures <i>(totals only)</i>	NIL			

+ See chapter 19 for defined terms.

Appendix 5B Mining exploration entity quarterly report

7.12	Unsecured notes (totals only)	NIL	
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Director/Company Secretary)

Date: 30 APRIL 2012

Print name: PETER LEE

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.