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31 October 2005

**Re: QUARTERLY REPORT FOR THE PERIOD ENDING
30 SEPTEMBER 2005**

HIGHLIGHTS:

Yogyakarta Ironsands – Pig iron Project – (AKD: 70% Earn-In Right)

- AKD has entered into an agreement with Indonesian parties whereby it can acquire a 70% interest in the Yogyakarta Ironsands – Pig Iron Project located in Yogyakarta Province, Indonesia.
- The Parties have agreed, subject to feasibility, that the ironsands deposit at Yogyakarta would be used as the basis for the establishment of a liquid iron (“pig iron”) making facility in the Yogyakarta Region to provide feedstock for major regional steel producers.
- AKD carried out its due diligence on the Project during the Quarter using consulting geologists Mackay & Schnellmann and solicitors Baker & McKenzie.

**King George Diamond JV – (AKD:100% - North Australian/Gravity earning 80%
over Falcon targets)**

- Results are pending for 19 samples collected over three Falcon™ gravity anomalies located within AKD’s tenement E80/2461. Microdiamonds have previously been recovered from one of these a Falcon™ anomalies which is upstream from a bulk sample location that returned a 1.73 carat gem.

Corporate

- AKD raised \$300,000 in working capital through a placement of shares to professional and other investors.

EXPLORATION PROJECTS - INDONESIA

1. YOGYAKARTA IRONSANDS – PIG IRON PROJECT – (AKD earn-in 70%) Yogyakarta, Indonesia

On 12 August this year, AKD Limited announced that it had reached an agreement with PT Jogja Magasa International (**JMI**) and Nusantara Energy Ltd (**NEL**) whereby it could acquire a 70% interest in the Yogyakarta Ironsands – Pig Iron Project located in Yogyakarta Province, Indonesia (**Project**).

The Parties agreed, subject to feasibility, that the ironsands deposit at Yogyakarta would be used as the basis for the establishment of a liquid iron (“pig iron”) making facility in the Yogyakarta Region to provide feedstock for major regional steel producers.

Background of Project

During the Quarter, AKD commissioned consulting geologists Mackay & Schnellmann Pty Limited and solicitors Baker & McKenzie to carry out the due diligence on the Project. The results of this due diligence were positive and details will be announced shortly.

Preliminary investigation by AKD indicates that the ironsands deposit was initially drilled by PT Aneka Tambang in the 1970s. On the basis of this drilling and subsequent testwork, studies completed by Lurgi and Davy McKee in 1985 reported a deposit of ironsand (which is non-JORC compliant) containing titaniferous magnetite over a 22km long by up to 1.5km wide strip of coastal plain in Yogyakarta. The deposits have lain idle since this time.

AKD will undertake a detailed review of the previous technical and engineering data and will formulate a development program for the Project, including infill drilling to bring the deposit to a JORC compliant status.

It is proposed that standard commercial processing technology, similar to that being successfully operated for ironsands at the Bluescope Steel owned New Zealand Steel operations, would be utilised for development of the Project. The New Zealand Steel operation currently produces approximately 1Mt per year of pig iron for steel production and has been successfully operating since 1975.

Acquisition of Earn-In Rights

PT Jogja Magasa International (**JMI**) owned the rights to the Project although recently the rights to the Project have been vested in an associated company called PT Jogja Magasa Mining (**JMM**). Nusantara Energy Ltd (**NEL**) has a right to earn a 70% interest in the Project from JMM (**Earn-in Right**). NEL has agreed, subject to AKD obtaining the approvals below, to assign its Earn-in Right to AKD.

As consideration for this acquisition, AKD will:

- issue to NEL 100 million fully paid 1 cent shares in the capital of AKD (on a pre-consolidated basis); and
- reimburse NEL's previous expenditure on the Project of US\$105,000.

Further consideration will be paid to NEL if the specified milestones are achieved as follows:

- AKD will issue 100 million fully paid 1 cent shares in the capital of AKD (on a pre-consolidated basis) to NEL following definition of a measured resource of ironsands (to JORC standards) containing not less than the equivalent of 4.5Mt of contained iron units (initial studies by the Parties indicate that a minimum annual feed rate of 300,000tpa of pig iron for steel production over a 15 year period would be required to make the Yogyakarta Project viable). These shares may not be issued earlier than 12 months from the date of the AKD shareholder approval.
- AKD will issue 50 million fully paid 1 cent shares in the capital of AKD (on a pre-consolidated basis) to NEL upon the completion of a bankable feasibility study and a decision by AKD to mine. These shares may not be issued earlier than 24 months from the date of the AKD shareholder approval.

Under the earn-in arrangement, AKD will undertake to fund and manage all aspects of development of the Project including resource evaluation, infrastructure requirements, processing technology, project economic evaluation and a mine feasibility study.

If the results of the mine feasibility study are positive, then AKD proposes to proceed to the next phase of project finance and development. On completion of the mine feasibility study, AKD will earn a 70% interest in the Project. As part of the arrangements, AKD will also have a first right of refusal for future mineral projects acquired by JMM in Indonesia.

In addition to the issue of the shares to NEL as part of acquisition of the earn-in rights, it is estimated AKD will need to raise approximately AUD\$2.2 million to complete the drilling program required to bring the ironsands deposit to JORC compliant status and to commence the feasibility study to bring the Project to a bankable stage.

It is envisaged that the capital raising of AUD\$2.2 million, which will be undertaken via a Prospectus, will be completed by early December and will be subject to a proposed reconstruction of the share capital of AKD. Shareholders will be asked at the forthcoming AGM of the Company for the necessary approvals.

EXPLORATION PROJECTS - WESTERN AUSTRALIA

2. KING GEORGE DIAMOND PROJECT North Kimberley region, W.A.

E80/2461

North Australian earning up to 70%, subject to:

North Australian/Gravity Diamonds earning 80% in respect of Falcon™ targets (AKD to dilute to 20% FCI)

A total of 40 loam and 7 stream samples were collected in the previous reporting period over three Falcon™ gravity anomalies, KNG-070, KNG-54 and KNG-100 identified from a Falcon™ survey flown over AKD's tenement E80/2461 at King George.

These targets were selected from the 25 priority targets which were sampled in 2004. Results are pending for 19 of the stream/loam samples. Positive results received to date include 2 samples reporting single microdiamonds, one sample reporting a macrodiamond and one sample reporting positive for indicator minerals. Microprobe analyses are pending on the sample which contained indicator minerals. Results will be fully assessed when all analyses are received.

One of these gravity targets, KNG-070, is significant in that a previously taken reconnaissance bulk stream sample located downstream of the target reported 3 commercial sized diamonds, one of which was a 1.73 carat gem. The gravity anomaly, KGN-070, is 260m x 200m in size and is one of several gravity anomalies identified by a Falcon™ System survey flown in late 2003.

The Falcon™ survey was flown following agreement between AKD, North Australian Diamonds and Gravity Diamonds on behalf of Gravity's 100% owned diamond exploration company, Diamond Mines Australia. AKD's 20% interest in the joint venture is free carried to the completion of pre-feasibility on any targets generated by the Falcon™ System within E80/2461.

North Australian is managing the field program on behalf of the joint venture partners.

3. SEPPELT RANGE DIAMOND JV, North Kimberley region, WA North Australian earning up to 70%,

E80/1590

No follow-up work was done on this tenement during the reporting period by joint venture partner North Australian. However, to date, thirty seven (37) samples have now returned positive for kimberlitic indicator minerals from a total of 39 stream and loam samples taken over the "Collison North Anomaly" located within AKD's tenement E80/1590 and only 15km east of the Seppelt #2 kimberlite pipe.

Twelve (12) of these samples also reporting positive for microdiamonds including one (1) loam sample returning 4 microdiamonds.

The results to date are showing a focus and follow-up work of these positive results are expected. North Australian is managing the project and is continuing to earn its 70% interest.

EXPLORATION PROJECTS – NORTHERN TERRITORY, AUSTRALIA

4. WONARAH PHOSPHATE PROJECT – (AKD 100%) Tennant Creek Region, NT

AKD Limited has an agreement with Minemakers Australia NL (formerly named Desert Energy NL) whereby Minemakers has an option to purchase AKD's Wonarah Phosphate Project located near Tennant Creek in the Northern Territory, Australia.

Minemakers has paid AKD option fees totalling \$50,000 cash to purchase Wonarah by 31 March 2006. Minemakers can exercise the option to purchase Wonarah upon Minemakers listing on the ASX and hence paying AKD a further \$50,000 cash and issuing AKD \$250,000 worth of ordinary shares at par value in the capital of Minemakers.

Minemakers has advised AKD that seed capital requirements for their company have been completed and that Minemakers is proceeding towards an ASX listing.

AKD will retain the right to a 50% contributing interest in the project area for the exploration and development of deposits for diamonds, gold and base metals. AKD will also have the right to clawback up to 10% equity in the phosphate rights in the project area by reimbursing Minemakers 20% of the total expenditure incurred by Minemakers.

5. "801" LEAD/ZINC/DIAMOND PROJECT – (AKD can earn up to 80% from Conarco Minerals) - Tennant Creek Region, NT

AKD continued preparations for site clearance for a proposed drilling program to test a number of lead-zinc and diamond targets within Conarco's "801" exploration licence 23726 located in the Northern Territory.

AKD has a Joint Venture Agreement over Conarco's tenements whereby AKD can earn up to 80% interest. The licences are adjacent to AKD's Wonarah phosphate project. Conarco Minerals Pty Ltd is a privately owned exploration company controlled by former senior executives of the CRA / Rio Tinto Group.

EXPLORATION PROJECTS - SOUTH AUSTRALIA

6. LOBETHAL DIAMOND JV – (Flinders Diamonds earning 75% for diamonds) Adelaide Hills, S.A.

AKD (75%) and its partner Statelink Holdings Pty Ltd (25%) have entered into an agreement with their joint venture partner at Lobethal, Flinders Diamonds Ltd, to sell AKD/Statelink's non-diamond rights in the Lobethal tenement to Maximus Resources Ltd for a vendor consideration of 666,667 shares and 333,333 options in Maximus Resources upon Maximus listing on the ASX by 31 October 2005. Maximus has now listed and AKD's share of the vendor consideration totals 500,000 Maximus shares and 250,000 Maximus options.

The Lobethal (“Echunga”) diamond project is located in the Adelaide Hills, South Australia and is prospective for diamonds, precious and base metals. Flinders can now earn a 51% interest in the diamond rights in the tenement by spending \$500,000 over six years. This interest can be increased to 75% by Flinders spending a further \$500,000 (total \$1 million). AKD currently has a 75% interest in the Lobethal diamond project with the remaining 25% held by private explorer Statelink Holdings Pty Ltd.

EXPLORATION PROJECTS - LATIN AMERICA

7. NANGALI GOLD PROJECT – (AKD 30%) Huancabamba District, Northern Peru

Last Quarter, the Company and its partner, Compass Resources NL, agreed in principal with Newmont to delay the final payment for a further 12 months regarding the purchase of the advanced Nangali gold project in Peru which it acquired from Newmont last year.

A final payment of US\$200,000 is to be paid to Newmont once title is formally registered in Compass/AKD name by government decree (AKD’s share is 30% of the consideration). Newmont will also receive a 2% royalty on production. In accordance with the purchase agreement terms from Newmont’s Peruvian subsidiary, Compass and AKD Ltd have paid annual tenement costs of US\$21,600 thus maintaining the agreement with Newmont in good standing.

Nangali is a highly prospective epithermal gold vein system with a number of established but undrilled prospects. The gold targets are high level, low sulphidation epithermal vein systems with high grade gold and silver values at the surface assaying up to 98.2 g/tonne gold and 814 g/tonne silver. These significant gold targets are based on geochemical anomalies from extensive surface rock chip and soil sampling programmes carried out by Newmont, which are supported by geophysical anomalies.

A number of Australian and overseas based companies have expressed an interest in farming into this project.

8. CHINGUELA GOLD PROJECT – (AKD 100%) Huancabamba District, Northern Peru

The Chinguela gold property lies adjacent to the Nangali Gold project in northern Peru. Previous joint venture partner, Newmont, had identified a robust gold anomaly at Chinguela up to 1,100 ppb Au in soils over an area of 1000m x 400m. The exploration programs carried out by Newmont also identified drill targets at Chinguela.

9. EL MOLINO Cu-Au PROJECT - (AKD: 10% NPI converting to 0.5% NSR) Cajamarca District, Peru

AKD has retained a royalty in the El Molino Cu-Au project in Peru following the sale of the property to Canadian company, Lumina Copper, last year. AKD will retain a

10% NPI depending on the timing of production from the concession, however the NPI converts to a 0.5% NSR royalty if production commences after 2006.

CORPORATE

The During the Quarter, the Company raised \$300,000 in working capital by placing 30,000,000 shares at an issue price of 1 cent to professional and other investors. The funds raised will be used primarily to fund the due diligence process on the proposed acquisition of the 70% interest in the Yogyakarta Ironsands – Pig Iron Project in Indonesia.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Zlad Sas', with a long, sweeping horizontal line extending to the right.

Zlad Sas
Managing Director

NB: Note: In accordance with ASX listing requirements, the geological information contained in this report with regard to the mineral properties has been compiled by Mr ZA Sas, B.Sc. (Hons), MAusIMM, who is a Competent Person as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves ("JORC Code").