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31 January 2005

**Re: QUARTERLY REPORT FOR THE PERIOD ENDING
31 DECEMBER 2004**

HIGHLIGHTS:

King George Diamond JV – (Striker/Gravity earning 80% over Falcon targets)

- Microdiamonds have been recovered from a kimberlite gravity target generated by the Falcon™ System survey flown over AKD's tenement E80/2461, located in the northern Kimberley region of Western Australia.

Seppelt Range Diamond JV – (Striker earning 70%)

- Mineralogical analysis is nearing completion of samples collected by JV partner, Striker Resources, over kimberlite targets within AKD's tenement E80/1590 located in the northern Kimberley region of WA.

Nangali (AKD 30%) and Chinguela (AKD 100%) Gold Projects, Peru

- AKD and its partner, Compass Resources NL, are considering a number of options to progress the highly prospective Nangali epithermal gold project in Northern Peru acquired jointly from Newmont late last year. AKD also controls the adjacent Chinguela gold project which contains a robust gold anomaly.

“801” Lead/Zinc/Diamond Project, NT - (AKD earning 80%)

- AKD is planning a drilling program later this year of magnetic targets at the “801” lead/zinc and diamond project in the Northern Territory.

Corporate

- The Company raised \$400,000 in working capital following the completion of a share placement to private investors.

EXPLORATION PROJECTS - WESTERN AUSTRALIA

1. KING GEORGE DIAMOND PROJECT

North Kimberley region, W.A.

E80/2461

Striker earning up to 70%, subject to;

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

A total of 7 prime targets for kimberlite together with several other potential kimberlite targets were identified from a Falcon™ System survey flown over AKD's tenement E80/2461 located in the King George area of the Northern Kimberley, Western Australia. The tenement lies within the AKD/Striker joint venture ground and was part of a 690km² area flown by Gravity Diamonds in late 2003 using the Falcon™ System.

The Falcon™ survey was flown following agreement between AKD, Striker Resources and Gravity Diamonds on behalf of Gravity's 40% 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.

Heavy mineral results for samples taken during the ground evaluation of four readily accessible gravity targets have become available during the Quarter.

Four (4) microdiamonds were recovered from two loam samples over one of the gravity targets. There were no indicator minerals reported in this sample, however it is significant that the sample is upstream of a previously taken reconnaissance bulk stream sample which reported 3 commercial sized diamonds. A single low priority chromite was recovered from a loam sample taken from another gravity target. Striker is managing the field program on behalf of the joint venture partners.

E80/2465 - (AKD 100%)

A number of high priority EM targets prospective for kimberlite were identified in 2003 at the Company's 100% owned King George tenement, E80/2465, which is located within the Ashmore-Bulgurri kimberlite corridor and to the north of the Seppelt group of kimberlites. Positive kimberlitic indicator mineral results were returned in 2002 from E80/2465 following a sampling program conducted by AKD. Follow-up work is planned over the EM targets.

2. SEPPELT RANGE DIAMOND JV, North Kimberley region, WA

Striker earning up to 70%,

E80/1590

Striker is continuing to earn its interest in E80/1590. During the Quarter, a total of 5 follow-up stream and 34 loam samples were taken, aimed at locating the source of numerous kimberlitic indicator minerals recovered in drainages situated in a restricted area of the tenement. The samples have now been processed through Striker's laboratory and the results of the mineralogical examination are expected shortly.

M80/566, 567, 568

Mining leases M80/566 and M80/567, which total 280ha and 485ha in size respectively, were pegged to replace prospective kimberlite ground within expired E80/1591. The mining leases lie within the Seppelt kimberlite corridor where Striker has confirmed commercial size diamond grades in excess of 200cpht for the Seppelt 2 pipe. A reconnaissance bulk stream sample was taken during the Quarter and awaits processing through Striker's HMS processing facility at Seppelt 2.

Striker's JV Terms

Striker can earn up to 70% interest in AKD's tenements E80/2461, E80/2463, E80/2472, E80/1590, M80/566, M80/567, M80/568, by spending a total of \$1.5m in expenditure by 30 September 2005.

EXPLORATION PROJECTS – NORTHERN TERRITORY, AUSTRALIA

3. “801” LEAD/ZINC/DIAMOND PROJECT – (AKD can earn up to 80% from Conarco Minerals) - Tennant Creek Region, NT

AKD has a Joint Venture Agreement with Conarco Minerals Pty Ltd to allow AKD to explore and drill-test a number of lead-zinc and diamond targets within Conarco's “801” exploration licences located in the Northern Territory. Conarco is a privately owned exploration company controlled by former senior executives of the CRA / Rio Tinto Group.

During the Quarter, AKD continued its geological and geophysical review of magnetic targets at the “801” lead/zinc and diamond project and is planning to drill test a number of these later this year.

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

AKD has a 100% interest in the Wonarah Phosphate deposit located in the Northern Territory. Former JV partner, Rio Tinto, calculated the deposit to contain an inferred resource of 72Mt @ 23% P₂O₅ following the completion of drilling programs in 2000 and 2001. During the Quarter, AKD continued to seek global expressions of interest from phosphate/fertiliser producers and end users with a view to divest or JV the project.

EXPLORATION PROJECTS - LATIN AMERICA

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

The Company and its JV partner Compass resources NL are considering various options to progress the 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). This process is anticipated to take 6 months due to normal administration procedures. Newmont will also receive a 2% royalty on production.

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.

6. 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 geochemical and geophysical programs carried out by Newmont also identified drill targets at Chinguela.

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

AKD and its Canadian partner, New Inca Gold Ltd, have 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/New Inca will retain a Net Profits Interest of up to 20% depending on the timing of production from the concession, however the NPI converts to a 1% NSR royalty if production commences after 2006. AKD is entitled to 50% of the NPI/NSR.

8. PORTSEA OIL & GAS ACQUISITION

Further to AKD's announcement dated 13th September 2004 regarding the proposed acquisition of Portsea Oil & Gas NL ("Portsea"), the Company advised on the 15 November 2004 that it has received notice from Portsea informing AKD that Portsea has withdrawn from its joint venture with Synergy Group Corporation as Portsea was unable to complete a key condition relating to the grant of concessions with respect to 10 petroleum blocks awarded to Portsea by Brazil's National Petroleum Agency ("ANP") in August last year.

Portsea was unable to secure a performance guarantee for the benefit of ANP to support Portsea's share of the work commitment under the concession agreements for the two year concession period. As a consequence, Portsea and its shareholders were unable to satisfy one of the conditions to the acquisition of the issued capital of Portsea by AKD. As a consequence of the termination, the Directors of AKD withdrew the resolutions relating to the acquisition of Portsea from consideration at the General Meeting of Shareholders held on the 19th November, 2004.

The Board of Directors of AKD regret this outcome especially at a time when a prospectus, to raise \$6m and to have been underwritten by Grange Securities Limited, was at an advanced stage.

Since the termination of the Portsea acquisition, the Directors of AKD have negotiated an arrangement with Portsea whereby Portsea are required to contribute 50% of the costs of the failed acquisition. Portsea have now contributed \$117,856 towards these costs. In addition, AKD has agreed with Grange Securities to issue Grange 3 million fully paid AKD shares to satisfy corporate costs incurred by Grange in relation to the Portsea transaction.

The Directors of AKD, whilst disappointed at the outcome of the Portsea transaction, are committed to moving the Company forward and seeking new opportunities to improve the value of shareholders' interests. The current mineral asset portfolio of AKD remains intact.

9. CORPORATE

At the commencement of the Quarter, the Company completed a share placement through Grange Securities raising \$400,000 in working capital. The placement involved the issue of 25,000,000 ordinary shares at an issue price of 1.6 cents per share to private investors including professional and sophisticated investors. Shareholder approval for the issue was not required as these shares were issued within the Company's 15% share issue capacity.

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").