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ADMIRALTY RESOURCES NL

ANNUAL REPORT FOR THE PERIOD ENDING 12TH DECEMBER 2004

EXPLORATION LICENCE 10097

MISTAKE CREEK AREA, NT

by

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EXECUTIVE SUMMARY

This annual report describes the work carried out in EL's 10097, Mistake Creek during the period ending 12 December 2004. Exploration work consisted of;

- Admiralty Resources NL in discussions negotiating a Joint Venture Agreement with Kajeena Mining Ltd
- A review of the mineral potential of the area by Pacific Consulting Services
- Construction of a GIS-based evaluation project

1 INTRODUCTION

Kajeena Mining Company Pty Ltd is the owner of EL 10097 at Mistake Creek in the northwestern part of the Northern Territory. Admiralty Resources NL have been negotiating to form a Joint Venture on the project area in 2004. Assessment of previous strategy, exploration data and a preliminary review of the mineral potential for EL's 10097 were undertaken by Pacific Consulting Services on behalf of Admiralty resources NL in 2004.

This annual report describes all the exploration work carried out within EL 10097 during the reporting period. For work undertaken in prior years the details is presented in the previous reports written by Duncan and Hall and are listed in Section 10 (REFERENCES).

EL 10097 is part of the Mistake Creek Project, which also includes EL's 10096 & 10098. The work during 2004 was directed at refining strategy. Fieldwork on the project has not been initiated because of Joint Venture negotiations taking place between Kajeena and Admiralty.

2 LOCATION & ACCESS

EL 10097 is located near the border between Western Australia and Northern Territory (Figure 1). The centre of the area is approximately 125 kilometres northwest of Lajamanu and 200 kilometres southeast of Kununurra. Access is via the Buchanan Highway, then via station tracks through Inverway Station.

The region is sub-tropical with long hot summers reaching 40°C + for much of January and February, winters are milder with temperatures ranging from 5°C to high 20°C's. Tropical monsoon rains occur during January to March making access to all areas difficult and averaging 400-500mm per year.

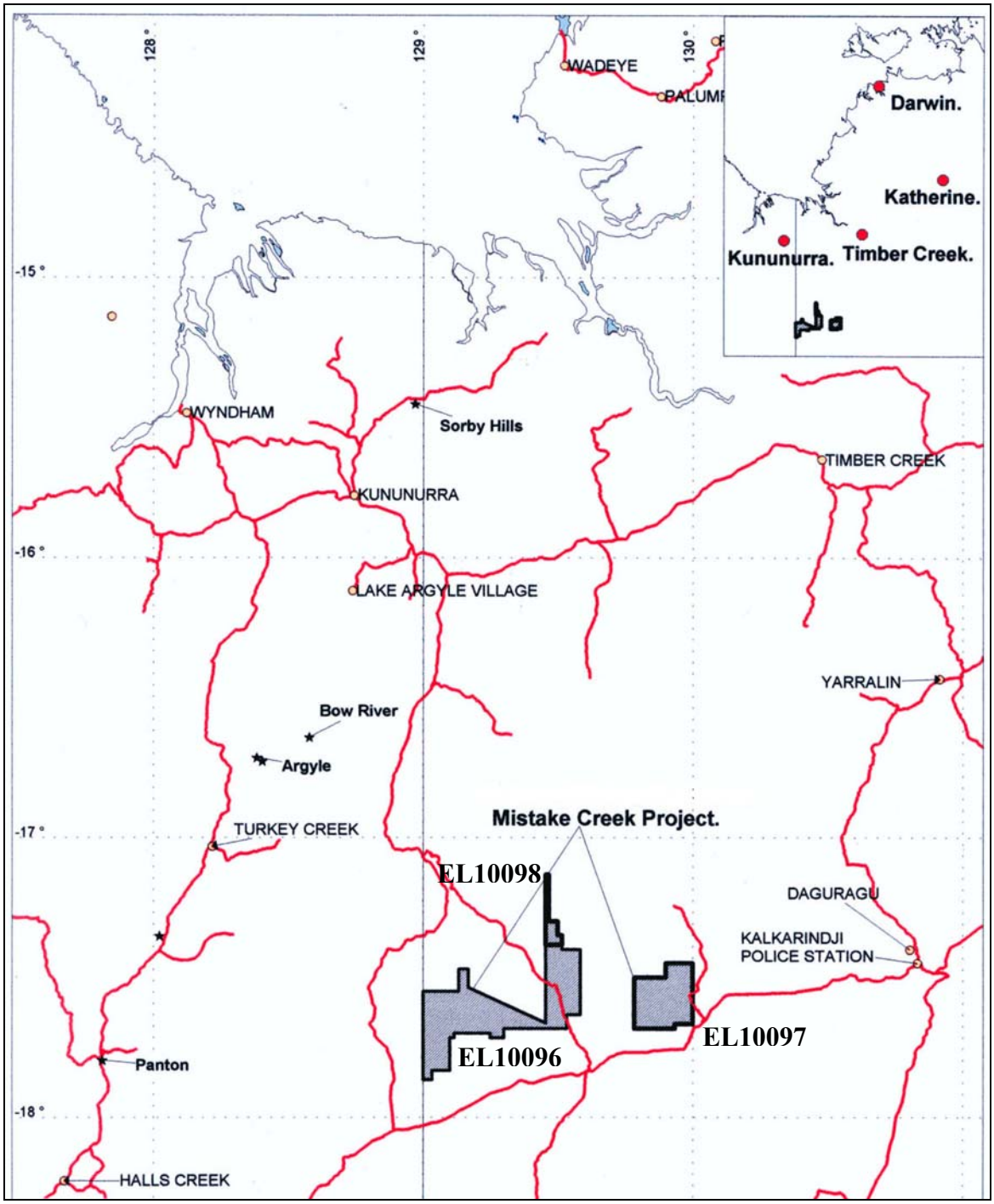

Figure 1. Location Map

3 TENURE DETAILS

EL 10097 is held by the Kajeena Mining Company Pty Ltd.

Exploration Licence No.	No. Blocks (Area km2)		Grant Date	Expiry Date	Expenditure Covenant
EL 10097	157	(514)	13/12/2001	12/12/2007	$24,000

4 REGIONAL GEOLOGY

The tenement is located to the east of the Halls Creek Mobile Zone and to the south of the Pine Creek Orogen. It encompasses elements of the Palaeoproterozoic Birrindudu Basin and overlying Mesoproterozoic Victoria Basin, which comprise platform cover to the underlying Tanami Region basement, elements of which outcrop in the tenement area. Flood basalt of the Cambrian Antrim Plateau Volcanics also outcrop within the area.

4.1 4.1 Orogenic Basement

The Palaeoproterozoic Inverway Metamorphics are correlated with the Tanami Complex pre Barramundi Orogen (1880 –1840) flysh sedimentation. Regional gravity and magnetics interpretation indicates continuity beneath the later sedimentary basins and basalt cover. Two small inliers on the Inverway Metamorphics are exposed along the core on a NE trending anticline within the middle of EL10097. The exposures are comprised of steeply dipping muscovite schist, which has at least two cleavages, grey to reddish – grey volcanics and minor siltstone. Metamorphic grade is sub – greenschist to greenschist facies. Concordant quartz veins are common and form massive 2-4m thick reefs of white quartz, which cut the schist and volcanics

4.2 Birrindudu Basin

The Birrindudu Basin contains Paleo-Proterozoic sandstone, mudstone and shallow water evaporitic carbonate rocks These rocks are mostly throughout EL 10097. The Limbunya Group has eleven formations some 1300m thick, is dated at 1.7 – 1.6 Ga and is a time equivalent of host sediments to the extensive syn – epigenetic lead-zinc province of the eastern part of the North Australian Craton. The group is a succession of cyclic carbonate and siliciclastic, unmetamorphosed sediments.

The Mt Isa Group sediments of the Mt Isa Trough, the McNamara Group of the Lawn Hill Platform and the McCarthur Group of the Batten Trough were deposited during the period 1700 – 1600 Ma. This period of widespread lead – zinc mineralisation was generated via circulation of basinal brines and deposition into chemically active sediments. Fluids were focussed on the intersection of NW – WNW pre-Barramundi extensional basement faults and later (post Barramundi) N – NNW trending growth faults.

4.3 Victoria Basin

Unconformably overlying the Birrindudu Basin, the mesoproterozoic Victoria Basin contains several thousand metres of sedimentary material divided into four groups. The Wattie Group and Auvergne Group outcrops in EL 10097 and represent this package in the tenement area.

The Wattie Group is a dominantly siliclastic succession with subordinate carbonates with a total thickness >400m and contains seven identified formations. It overlays the Limbunya Group with a marked angular unconformity. Of the seven formations only the basal

Wickham Formation is well exposed in the area. The others are mainly recessive and form low ridges.

The Wickham Formation is characterised by fine to medium, well-sorted sandstone; minor inter-bedded sandstone, conglomerate and chert; and rare siltstone. Significant exposures are present with the tenement areas. Sedimentary structures may be readily seen. The Wickham formation is interpreted to have been deposited during a shallow marine transgression, with some sub-aerial exposure. The Auvergne Group contains seven formations, of which only two are preserved or exposed in the area. It unconformably overlays the Wattie Group and the Limbunya Group.

4.4 Cambrian Antrim Plateau Volcanics

The Antrim Plateau Volcanics are assigned a Cambrian age and outcrop over the tenement area. They comprise part of the largest Phanerozoic flood basalt province in Australia. The flows consist of 20-60m thick lava flows, mostly of massive fine basalt with vesicular flow tops; less commonly of plagioclase-phyric basalt. The eruptive centres are difficult to determine. Cherts have been mapped within the sequence in EL10097.

4.5 Cenozoic Cover.

Cenozoic units cover a portion of the tenement area. A unit of Cenozoic duricrust is mapped on the upper unit of the Fraynes Formation of the Limbunya Group. Ferruginous laterite is particularly developed over the Antrim Volcanics. A thin lateritic horizon is also present over the Limbunya Group lithologies. Grey clay rish soil is noted along Sturt Creek and tributaries and overlying basalt areas of low relief. Superficial sand, soil, eluvium and calcrete occur through the Limbunya area. The majority of rivers and streams are entrenched in alluvium.

4.6 Structural Elements & Tectonic History.

The Birrindudu and Victoria Basin lithologies display evidence of mild deformation and no tectonic related metamorphic history. The Birrindudu Group sediments are folded and distinctly unconformable with the Limbunya Group. In its current configuration the Limbunya Group sediments in the tenement area present as an inverted basin with stratigraphy younging toward the basin margins attributed to a compressional event, which was in part transgressive and initially focussed on this area.

The tectonic history evident in the stratigraphy is summarised as follows:

- The post Barramundi Birrindudu Gp – Birrindudu Basin are folded and eroded but unmetamorphosed and unconformable with the overlying Stirling Sandstone – Birrindudu Basin.
- Following folding and uplift of the Birrindudu Group a marine transgression resulted in deposition of the Stirling Sandstone that was followed by a shallow water carbonate dominated sequence.
- Tectonic down warp is indicated by a change to deep water sedimentation of the Kunja Silstone comprising siltstone & shale with minor tuffite (1640 Ma) .
- Tectonic uplift saw a reversion to shallow marine conditions.

- Minor tectonism is indicated by mild folding of the Limbunya Group Deposition of the Wattie Group.
- Victoria Basin correlative of the Nathan Gp. McCarthur Basin.
- Uplift – erosion.
- Deposition of the Auvergne Group.
- Victoria Basin. 810 – 750 Ma.
- Reactivation of strike - slip faults and uplift circa 560 Ma was associated with the King Leopold Orogeny and extensive flood basalts –Antrim Plateau Volcanics.

The distinct structural elements observable in outcrop, gravity and magnetic data are:

- The north west trending structural corridor bounded by the Limbunya fault to the north and in part by the Negri Fault to the south.
- The discontinuity between the distinct gravity low to the south west of the tenement area and the generally high gravity readings through the tenement area. This discontinuity is coincident with a northerly trending zone of folding and faulting which trends to the north west into the Negri fault.
- The west south west trending Neave Fault to the south of the tenements which is discriminated by the abrupt break in magnetic signature of the Antrim Plateau Volcanics which abut the fault from the southern side.
- A regional monoclinal synform which trends north to north north west into the Limbunya Fault Zone and is interpreted as indicative of a regional basement fault. The north-north west trending folds and faults to the south of the Limbunya fault. The north east trending faults to the north of the Limbunya Fault.

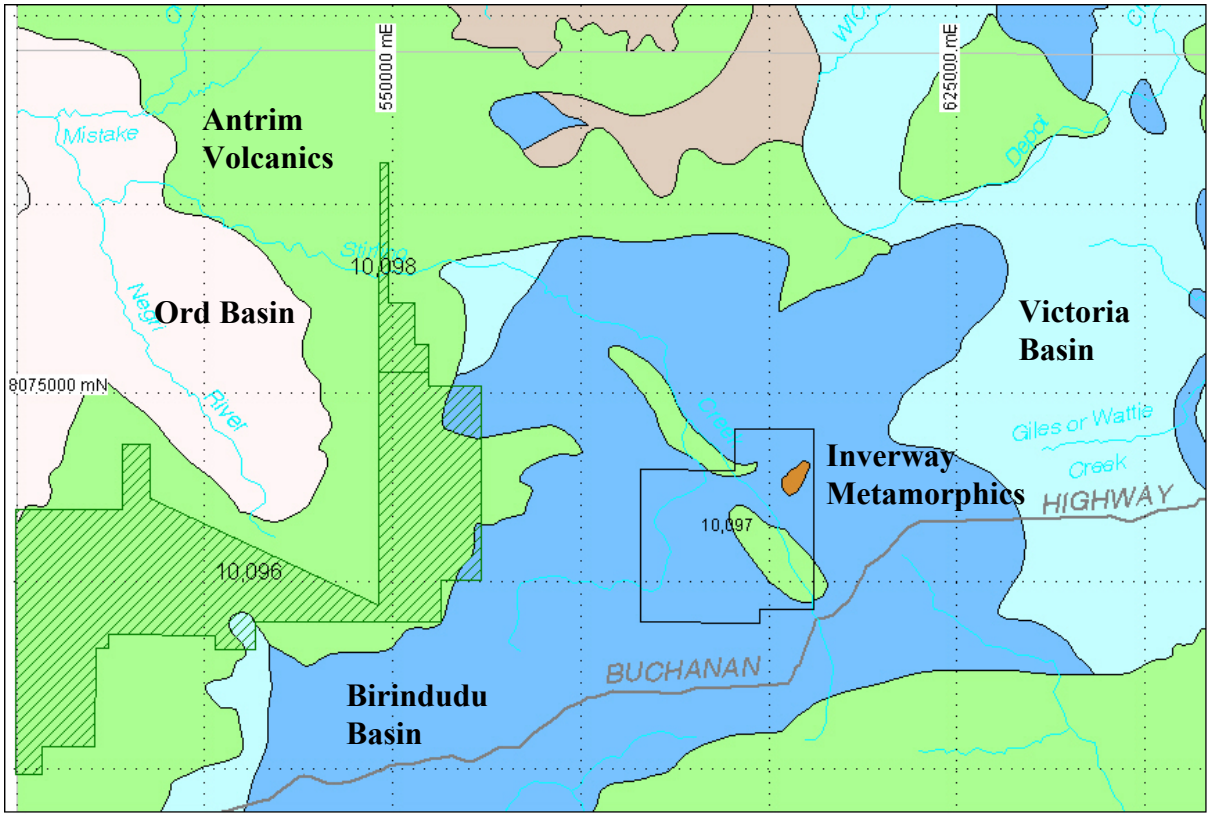

Figure 2. Regional geology with EL outlines

(orange: Inverway Metamorphics, blue: Birrindudu Basin, green: Antrim Basalt, pale blue: Victoria Basin, cream: Ord Basin)

5 SUMMARY OF PREVIOUS WORK

Details of previous exploration have been presented in the 2002 annual report and are included in the reports by Duncan (2002) and Hall (2002). In summary, the areas have sparse coverage by stream sediment sample data from previous explorers. Results include:

- Anomalous values of gold in stream sediment samples
- High priority values for Cu in the east, Pb and Zn in the northwest
- Diamonds and indicators found in the vicinity of the EL's

6 WORK COMPLETED DURING THE PERIOD

6.1 Summary of Work Done

Work completed during the reporting period to 12 December 2004 consisted of;

- Full negotiations by Admiralty Resources NL with Kajeena Mining to enter into a Joint Venture on the Mistake Creek Project
- A full review and evaluation of the mineral potential by Greg Duncan (Pacific Consulting Services)
- Preparation of a GIS-based project

6.2 Rationale

Admiralty Resources NL rationale to enter into joint venture with Kajeena Mining Ltd is based on a primary gold and base metal search and secondary diamond search.

Significant current exploration activity immediately adjacent to the areas is by Ashton Mining and Ausquest for diamonds and nickel respectively and suggests the area attracts considerable interest from respected players.

6.3 Magnetics

The magnetics for the area around EL 10097 is shown in Figure 3.

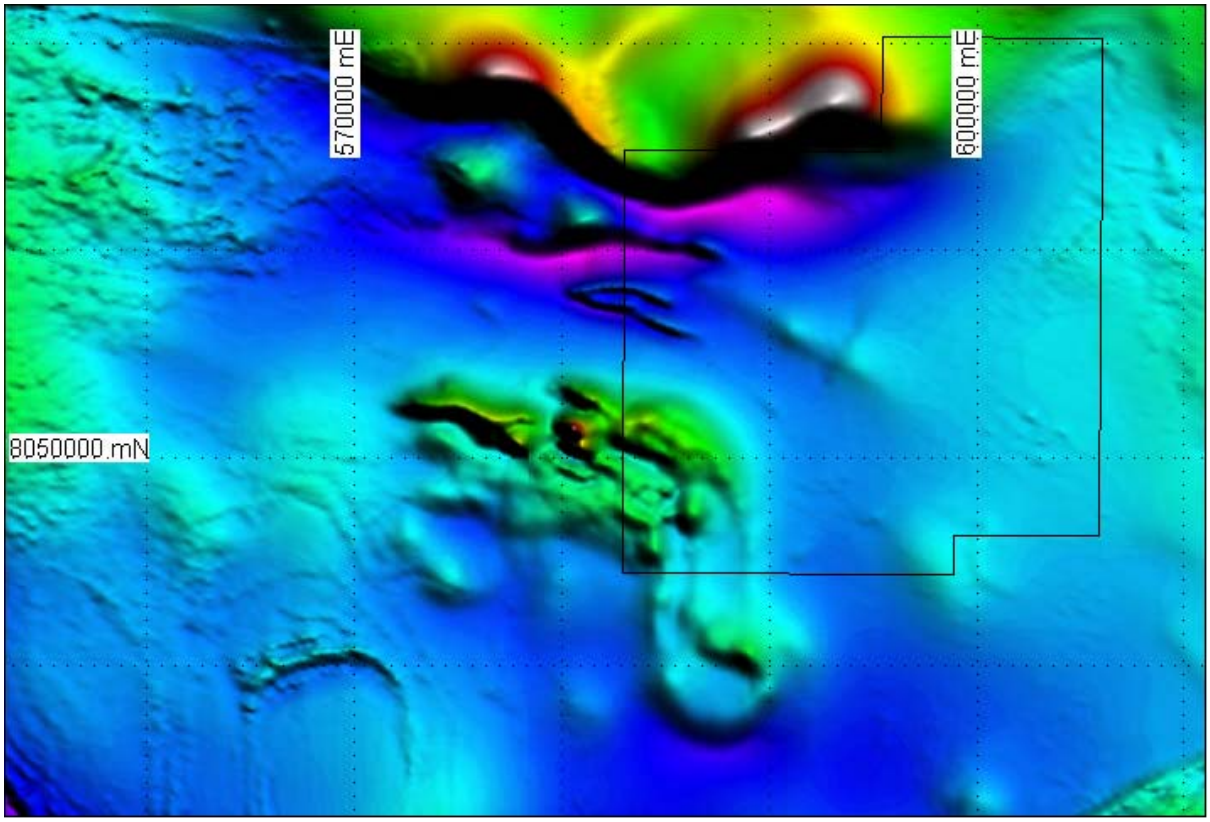

Figure 3. Magnetics for EL 10097 (TMI drape).

An interpreted major northwest-trending structural zone occurs in the central portion of EL 10097 and extends NW to the Argyle diamond deposit. The majority of EL 10097 is interpreted to have magnetic signature devoid of flood basalt as indicated by the widespread occurrence of the Antrim Volcanics elsewhere. The western, and southwestern, edge of EL10097 has magnetic signature typical of tightly folded metasediments, perhaps iron formations. A large magnetic unit immediately to the north of the area may be iron formation, mafic unit or altered carbonates. A substantial gravity response is associated with this unit also.

7 CONCLUSIONS

Stream sediment sampling in EL10097 by previous explorers has highlighted several areas with moderate-level anomalous copper, zinc and lead. Previous diamond exploration to the west of the areas has resulted in the recovery of indicator minerals and diamonds.

No metal mineral occurrences are known within the areas of EL10097. Major faults occur within the tenement areas, but none of these have associated Zn or Pb occurrences along them as an indication of large base-metal deposits in the tenements.

Interpretation of magnetic data together with geological evaluation indicates that the tenement has concealed folded units of moderate to strong magnetic intensity. These units maybe Lower Proterozoic iron formations prospective for gold.

The prospectivity of the EL's10097 is considered low for large base metal deposits however, a search for diamonds is considered warranted.

8 EXPENDITURE FOR YEAR 3

Expenditure for Year 3 of EL10097 was as follows:-

.	**Geoscience Consultants.**	**$ 5,000**
.	**Other Consultants.**	**$ 2,888**
.	**Administration.**	**$ 1,183**
TOTAL		**$9,071**

9 FORWARD PROGRAM FOR YEAR 4 (2005)

The proposed forward program for year 4 of EL10097 for 2005 is anticipated to involve the following major work;

- Detailed review of previous work by diamond explorers to determine the effectiveness of their work
- Interpretation of existing magnetics data to determine whether the concealed interpreted iron formations are shallow enough to warrant further detailed exploration effort.
- Sampling program for diamonds as required

The costs estimated to achieve this work are in Table 1;

Table 1. Forward Program Costs, Year 4 (2005)

SAMPLE ASSAYS	$8,000
GEOLOGICAL CONTRACTORS	$7,800
GEOPHYSICAL CONTRACTORS	$2,340
TRAVEL, ACCOM, MEALS ETC	$3,000
SUPPLIES & FREIGHT	$2,000
TENEMENT ADMIN	$1,000
CONTINGENCY	$2,400
TOTAL	**$26,540**

10 REFERENCES

Duncan, G. (2003) '2002 Annual Combined Report on Exploration Licences EL 10096, 10097 & 10098– Mistake Creek Area for the Kajeena Mining Company Pty Ltd.' (Pacific Consulting Services Pty Ltd).

Duncan, G. (2003) 'Report on Exploration Potential of the Mistake Creek Project–Northern Territory for the Kajeena Mining Company Pty Ltd.' (Pacific Consulting Services Pty Ltd).

Hall, S. (2002) 'Geological Report on Previous Exploration & Conceptual Target Models within the Mistake Creek Area – Northern Territory for the Kajeena Mining Company Pty Ltd.'