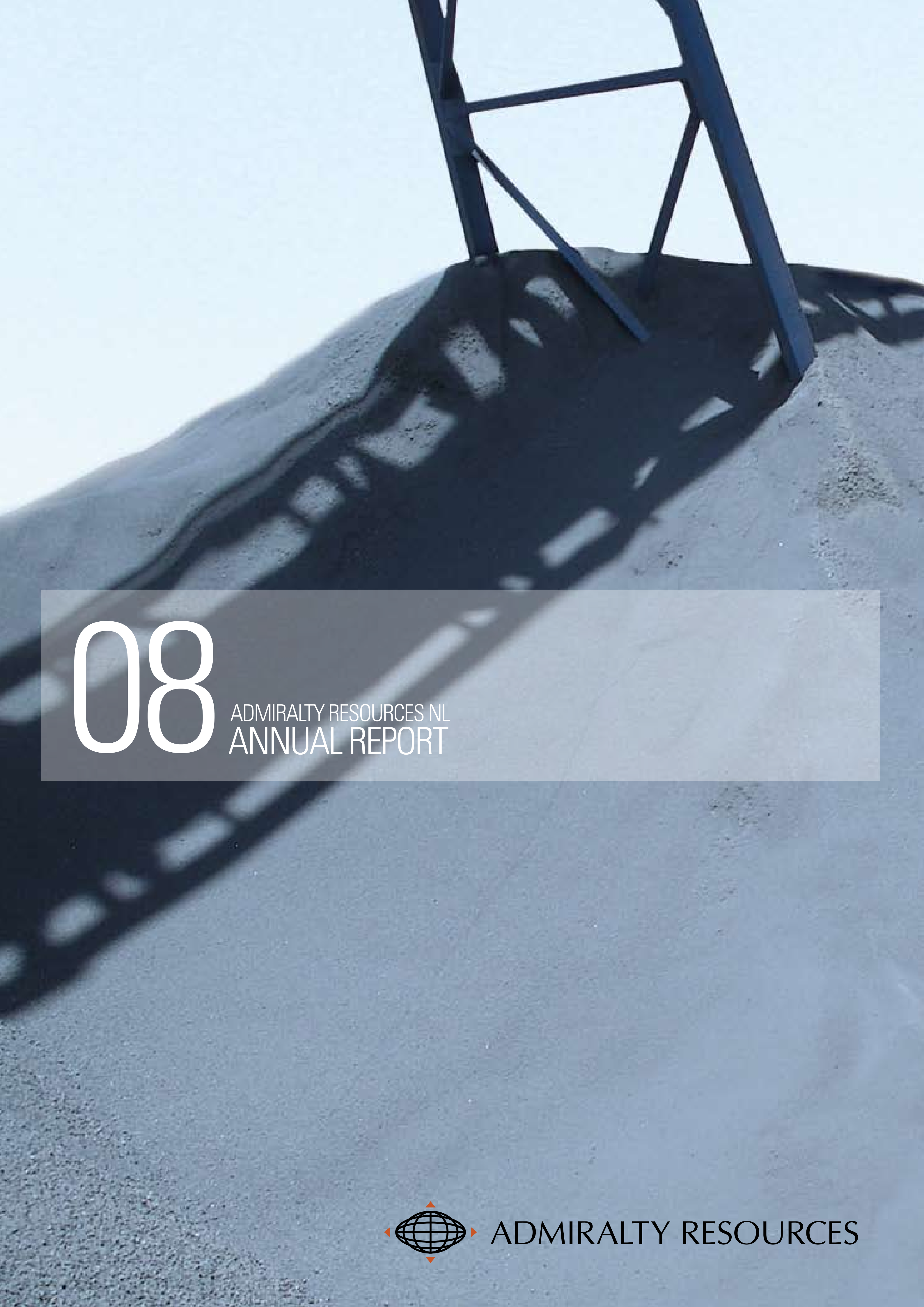

08 ADMIRALTY RESOURCES NL ANNUAL REPORT

ADMIRALTY RESOURCES

Highlights for 2008

- In August 2007 our ownership in Cia Minera Santa Barbara increased to 60%.
- Cia Minera Santa Barbara shipped 224,000 tonnes of iron ore worth CFR USD$16m to WISCO, Wugang Iron and Steel Group, China.
- In a strategic co-operation with WISCO the CFR price was increased by 9.5% in line with earlier year increases, and WISCO agreed to defer 4 shipments until 2009 when CMSB has panamax or cape vessel facilities available.
- The calculation of the resources by SRK Consulting in Chile of iron ore at Japonesita, Japonesa and Mariposa mines reached 194.1 million tonnes of indicated and inferred resources at a Fe cut off grade of 15% and 9% per cent respectively.
- The process to produce lithium was improved substantially using new methods and technology developed by our team in Argentina. The key benefit is very high recovery rates and a patent application regarding the process has been made.
- The lithium carbonate pilot plant was constructed in November 2007 and started operating in January 2008 and the first lithium carbonate and potash was produced at 99.0% purity.
- Rio Grande mirabilite (sodium sulphate) mine was purchased in August 2007 and commissioned in January 2008, and is producing at 140,000 tonnes per annum.
- Successful negotiations with the Traditional Owners and Northern Land Council at Bulman, NT resulted in receiving four new exploration licences and the recommencement of exploration for lead and zinc. Thirty two drill holes were drilled in June and July 2008 with encouraging results.
- We successfully raised US$25.6m in converting notes and placements of A$6m during the year.

The 2008 Annual report provides an overview of Admiralty Resources' main operating activities for the year ended 30 June 2008.

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Entrance to Salar de Río Grande, Argentina

"The most exciting development was the commissioning of the lithium carbonate and potash pilot plant at the Rincon, Argentina heralding the first phase of production for this exciting project".

Chairman's Report

It gives me pleasure to report significant progress on all facets of our Company this year. The most exciting development was the commissioning of the lithium carbonate and potash pilot plant at the Rincon, Argentina heralding the first phase of production for this exciting project. We continued to make iron ore sales to WISCO, Wugung Iron and Steel, and spot sales to Shougang. The Company took over the management of Cia Minera Santa Barbara in early 2008 and implemented a major restructure which will allow us to rapidly expand in 2009.

We had the pleasure of welcoming Mike Clarke to our board in October 2007. Mike, who has substantial mining experience, made a major contribution to the management of our business, including the management of our relationship with the outsourcing mining subcontractor, Besalco Maquinarias. He has rebuilt and added staff to our geological, mine engineering, transport and shipping teams. Mike's achievements in the field of establishing port options have been outstanding.

The Board announced that it would demerge Rincon Lithium Limited from Admiralty, consolidate our share capital to about 100 million shares, and provide each Admiralty shareholder with one Rincon Lithium share. The process has been carefully managed with a number of procedures and input involving ASIC, ASX, ATO, the independent expert BDO Kendalls directors.

On the exploration front in Chile, excellent progress was made by SRK and our geological staff increasing the indicated and inferred resource at the Santa Barbara mines to over 194 million tonnes across the three mines.

In Argentina, the resource estimate for sodium sulphate at the Rio Grande mine exceeded 18 million tonnes.

In Australia, exploration continued on our four new exploration licences at Bulman, and initial drilling results were encouraging. Cougar Metals NL continued exploration and further drilling at Pyke Hill, a nickel and cobalt joint venture resource owned by Richore Pty Ltd and Pyke Hill Resources, and made an announcement to the ASX of their encouraging drilling results.

The Company continued to raise debt and equity to expand our operations. We issued A$6.0m in equity and US$25m in converting notes, of which US$13m have been converted. A loan of A$20m was received from an Australian investor of which A$10m was converted into shares, leaving a liability (loan) of $10 million, which will be repaid in 2008.

I express my thanks to Phillip Thomas, our resourceful, excellent and capable Managing Director; Mike Clarke, our Chairman and President in Chile of Cia Minera Santa Barbara and Inversiones Admiralty Resources Chile Ltda; fellow Director John Anderson; and Company Secretary Stephen Prior for their contributions during what was at times a difficult but rewarding year. I also wish to thank Anthony Blumberg for his contributions while a Director of Admiralty till March 2008.

I look forward to meeting you at our Annual General Meeting to be held in Melbourne in November 2008.

Yours sincerely,

Professor J. Ross Harper

Chairman

This year we laid the foundations iron ore, potash, and lithium dramatically and appear set

This year we laid the foundations to prosper in future years as iron ore, potash, and lithium carbonate prices all increased dramatically and appear set for future increases. Debt has become very expensive for emerging producers as a result of the sub-prime debt "meltdown" in January 2008. To meet our expansion plans we issued converting debt rather than equity in an effort to reduce dilution to shareholders.

Our key achievement for the Cia Minera Santa Barbara business was to identify a number of options to expand our shipping capacity prior to the Punta Alcalde port being built, and rationalising our production arrangements at the Japonesa and Japonesita mines.

At the Rincon Salar we were able to discover and establish mines for all our raw material inputs and substantially reduce our operating expenditure in addition to devising a new technique to produce lithium carbonate with minimal loss for which we have applied for a patent.

Business Strategy

Our business strategy going into 2009 and 2010 is as follows:

- Enter into 5 to 10 year contracts with two iron and steel mills at CVRD prices using handymax and cape size port facilities.
- Expand production at Santa Barbara to 3.9 million tonnes per annum which is currently the amount specified in our environmental permit. We will exploit the Japonesita and Mariposa deposits which can be processed using our existing and new plant. SRK Geological Consulting will continue to develop resource estimates and mine engineering at Mirador/Primavera, Chillan Viejo and other mines.
- Develop the port of Punta Alcalde near the township of Huasco to build a first class capesize facility 55km from the mine. At an estimated $40m investment, we will work with other partners to develop this project. A major part of this project is to look at the feasibility of a conveyor or slurry pipeline to transport the iron ore to the port in 2011-12.
- Build a world-class lithium and potash facility with our development of the Rincon Salar, Rio Grande and Cauchari processing facilities. We will be a supplier of about 20% of the world's lithium carbonate and other lithium based products when full production commences. We are targeting 9,000 tonnes production of lithium in the 2009 calendar year, expanding to 16,000 tonnes by late 2010.
- Rincon Lithium Ltd also will produce potassium chloride (potash), sodium sulphate, potassium sulphate, lithium chloride and lithium hydroxide for sale.

Production and Sales

During 2007/2008 we processed more than two million tonnes of iron ore and shipped 224,000 tonnes

Mine Operations in Vallenar, Chile

Managing Director's Report

to prosper in future years as carbonate prices all increased for future increases.

of high quality iron ore fines by the end of June 2008. We handled many enquiries and conducted sales trips to China and Japan to present to prospective clients interested in acquiring our lithium, potash, sodium sulphate and iron ore products.

Demand for lithium continues to be strong. Nearly every car manufacturer will have a hybrid or electric vehicle in the market by 2012. We have had detailed discussions with potential clients who are interested in purchasing lithium based compounds from us. We will issue a tender for production in 2008 and sign off take agreements as the development of the Rincon Salar project moves forward to production stage.

People

We have assembled a team of experienced, hard working people in Chile and Argentina. In Chile, led by Mike Clarke, President of Cia Minera Santa Barbara, we have over 50 staff in Santiago and at the mine.

In Argentina we have 52 staff supervised by Dr Rodrigo Frías, our legal counsel, and Dr Carlos Sorentino, our Director of Technical Services for Rincon Lithium Ltd. Dr Daniel Galli is working on our production processes at the laboratory and pilot plant in Jujuy and at the Rincon Salar in Argentina and Dr Ricardo Alonso and his geological team have made exceptional contributions to the business with the discovery of new deposits within the Salar. We have a full environmental assessment engineering team in Salta, Argentina, that have determined very little impact on the environment, when the plant is constructed and in full operation.

Finance

Cia Minera Santa Barbara have a loan of US$40.60 payable to Admiralty Resources that will be repaid from distributions first before the shareholders of Cia Minera Santa Barbara receive a distribution.

Admiralty has approximately US$21m of debt outstanding which will be refinanced using a larger facility in 2008. We are working towards raising $200m of debt to fund our expansion plans at Santa Barbara in Chile.

Share Price

Our share price experienced significant volatility over the past year responding to a number of large shareholders acquiring and disposing of shares, some anticipating the Opes-Prime fall out . Turnover continued to provide outstanding liquidity.

Your Board continues to make a significant contribution and I would like to thank them for their encouragement and support over the year.

Phillip Thomas

Managing Director

Rincon Pilot Plant

Corporate Governance Statement

The Directors are committed to and support the implementation of best practice in corporate governance, applied in a manner that is appropriate to the Company's circumstances.

The Company's corporate governance practices and procedures are directed to providing an appropriate framework for the pursuit of this objective, while protecting the rights and interests of shareholders and ensuring that the Company conducts its business lawfully and ethically.

On 31 March 2003 the Corporate Governance Council of the Australian Securities Exchange released its "Principles of Good Corporate Governance and Best Practice Recommendations" ("ASX Principles and Recommendations"). A second edition entitled "Corporate Governance Principles and Recommendations" was released in August 2007.

The Board of Directors has put in place a framework of internal policies, procedures and guidelines for the governance of the Company, which has appropriate regard to the ASX Principles and Recommendations.

The governance framework is reviewed annually by the Board with the object of achieving at all times the highest standards of corporate governance and ethical corporate behaviour.

Roles of the Board and Management

The Board is accountable to shareholders and regulators for the activities and performance of the Company and has overall responsibility for the Company's core business together with its corporate governance.

However, the Board provides guidance to the management team that manages the business and affairs of the Company.

Responsibility for management of the Company's business and affairs, within the scope of the governance framework established by the Board, is delegated to the Managing Director, and subject to the oversight and supervision of the Board. It is the responsibility of the Managing Director, acting within his delegated authority, to manage the Company and its business.

The corporate governance framework includes guidelines covering Board membership and operation that formalise the functions and responsibilities of the Board, including the nature of matters referred to the Board, and also contain guidelines for the operation and management of the Board.

Responsibilities of the Board

The Board's responsibilities include:

- Oversight of the Company, including its control and accountability systems and the performance of the Managing Director;
- Review and ratification of the integrity of the Company's financial management and reporting systems and processes;
- Establishment and monitoring of risk assessment and management, internal compliance and control procedures;
- Review and approval of the Company's yearly and half yearly financial reports and other financial reporting in compliance with the applicable accounting standards, the Listing Rules of the Australian Securities Exchange, and the Corporations Act;
- Appointment, removal and remuneration of, and delegation of authority to, the Managing Director;
- Appointment, removal and monitoring of the performance of the Secretary and the Company's External Accountants;
- Appointment of, liaison with, and regular review of, the effectiveness and independence of the Company's External Auditor;
- Regularly receiving, reviewing and applying reports and recommendations from the Managing Director concerning significant aspects of the Company's business and operations;
- Approving and monitoring financial and other reporting;
- Informing itself about and considering the implications of events and circumstances that could significantly affect the Company;
- Ensuring that appropriate policies and procedures are in place for sound corporate governance including compliance with continuous disclosure requirements and other legal compliance;
- To set the strategic direction of the Company and monitor progress of those strategies;
- Take responsibility for Corporate Governance;
- Review and ratify systems for health, safety and environmental management; risk and internal control and regulatory compliance for both employees and contractors.

Appointment and Rotation of Directors

One third of Directors retire by rotation annually. The Managing Director is exempted from this requirement in accordance with the company's constitution. Mr. John Anderson retires by rotation at the 2008 AGM and has agreed to submit himself for re-election.

The Chairman of the Board is responsible for the performance appraisal of Directors and this occurs annually. Criteria such as attendance, knowledge and familiarity of key issues and strategy input are some of the criteria. Each Director is fully apprised of their responsibilities, objectives and the outcomes expected.

Board Structure and Composition

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed in the Directors' report. To add value to the Company, the Board has been formed to adequately discharge its responsibilities and duties given the Company's size and scale of operations.

Independent Directors and Chairman

The Board has an equal split of independent and non-independent Directors.

Assessing the Independence of Directors

The Board's criterion for determining the independence of a Director is whether the Director is independent of management and free from any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the exercise of unfettered and independent judgment.

In determining whether this criterion is satisfied, the Board has regard to threshold tests to assess whether there are matters that may require consideration in relation to a Director's ability to exercise unfettered and independent judgement.

However, the threshold tests are not conclusive. The Board may determine that a Director is independent notwithstanding that some of the threshold tests are not met. Conversely, there may be circumstances in which a Director will not be considered independent, although all the threshold tests are met.

In considering independence, the Board distinguishes between a relationship that may occasionally give rise to a particular discrete conflict of interest that can be addressed by appropriate conflict of interest procedures, and a relationship that may more generally impair the Director's objectivity and independence of mind.

Each Director is required to keep the Board fully informed of new developments or circumstances that may be relevant to the Director's independence.

The Board considers that of a total of four Directors, two are considered to be independent (Professor J. Ross Harper and Mr. John Anderson).

Mr. Phillip Thomas is the Managing Director of the Company and is not considered to be independent.

Mr. Mike Clarke occupies an Executive position within the company and is not considered to be independent.

Board Committees

The Board has established the following three committees to assist in carrying out the Board's responsibilities:

- Audit Committee
- Remuneration Review Committee
- Finance Committee

Each of these Committees has a formal charter setting out the Committee's role and responsibilities, composition, structure and membership requirements.

The Committees operate principally in a review or advisory capacity except where powers are expressly conferred on or delegated to a committee by the Board.

Due to the relatively small size of the Company and the nature of the Company's core business, the Board has not created a Nominations Committee.

The Board itself retains and exercises responsibility for the selection and appointment of new Directors.

The Remuneration Review Committee's functions include reviewing and making recommendations to the Board on matters concerning executive remuneration, about the recruitment, retention and termination procedures and policies for executive officers, and on the remuneration framework for Directors.

Audit Committee

The members of the Audit Committee at the date of this report are Professor J. Ross Harper and Mr. John Anderson. Mr. Stephen Prior is Secretary of the Audit Committee.

The Audit Committee's role and responsibilities, under its charter, include:

- Oversight of the reliability and integrity of the Company's accounting policies and financial reporting and disclosure practices;
- Advising the Board on the Company's financial reporting, due diligence, financial systems integrity and business risks;
- Reviewing and monitoring the Company's external audit and risk management procedures;
- Monitoring and reviewing the effectiveness of the Company's internal compliance and control;
- Reviewing the External Auditor's qualifications and independence;
- Reviewing the performance of the External Auditor;

- Assessment of whether the Company's external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs; and
- Ensuring proper procedures for the selection, appointment or removal of the External Auditor and rotation of the external audit engagement partner.

The Audit Committee meets as often as required to carry out its role and responsibilities. It is expected that ordinarily this will be at least twice per year.

Remuneration Review Committee

The members of the Remuneration Review Committee at the date of this report are Professor J.Ross Harper and Mr. John Anderson. Mr. Stephen Prior is Secretary of the Remuneration Review Committee.

Under its charter, the Review Committee's role and responsibilities are:

- to review executive remuneration, recruitment, retention and termination procedures and protection for executive officers, and the remuneration framework for Directors;
- to consider all other issues referred to the Committee by the Board;
- to make recommendations to the Board on matters which are the subject of the Committee's deliberations.

The Remuneration Review Committee meets as often as required to carry out its role and responsibilities. It is expected that ordinarily this will be at least twice per year.

Finance Committee

Members of the Finance Committee at the date of this report are Mr. Phillip Thomas and Mr. John Anderson. Mr. Stephen Prior is Secretary of the Finance Committee.

Under its charter, the Finance Committee's role and responsibilities are:

- to consider all finance and funding issues referred to the Committee by the Board;
- to make recommendations to the Board on matters which are the subject of the Committee's deliberations.

Corporate Code of Conduct

The Board has adopted a Corporate Code of Conduct to establish and encourage observance by the Company's Directors and Officers of standards of ethical and responsible decision making and behaviour that is necessary to maintain confidence in the Company's integrity. This enables Directors to recognise and guide compliance with legal and other obligations to the Company's shareholders and legitimate stakeholders.

Share Ownership Policy

The Board has adopted a Directors' Share Ownership Policy that sets out the principles to be observed by the Company's Directors and Officers in relation to buying, selling and dealing in the Company's shares. It is the Company's policy that under all circumstances its Officers and employees comply with the letter and intention of the insider trading laws when dealing in Admiralty's securities.

Integrity of Financial Reporting

The Company has put in place a structure of review and authorisation designed to ensure factual presentation of the Company's financial position.

The structure includes:

- the role and responsibilities that the Audit Committee is charged with undertaking and performing in accordance with the Audit Committee Charter;
- referral to the full Board for approval of the Company's yearly and half yearly financial reports and other financial reporting; and
- external audit of the Company's yearly financial reports, external audit review of the Company's half yearly financial reports, and direct Board and Audit Committee access to the External Auditor, whenever required (including in the absence of management).

The Audit Committee's role and responsibilities under its charter cover processes to ensure the independence and competence of the Company's External Auditor including:

- evaluation of the qualifications, performance and independence of the lead audit partner and review partner;
- overseeing five yearly rotation of the lead audit partner and review partner; and
- deciding whether to retain or recommend termination of the appointment of the External Auditor, including considering whether there should be rotation of the external audit firm itself.

The Managing Director and the Company Secretary are required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Disclosure Policy

The Board has put in place mechanisms designed to ensure compliance with the ASX Listing Rules Disclosure Requirements and to ensure accountability at senior management level for that compliance. The disclosure policy includes processes for the identification of matters that may have a material effect on the price of the Company's securities and notifying them to the ASX.

Communications Strategy

The Company also has a strategy to promote effective communication with shareholders and encourage effective participation through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs.

Attendance of External Auditor at Annual General Meetings

It is the practice of the Company to require the External Auditor to attend the Annual General Meeting and be available to answer shareholders questions about the conduct of the annual audit and content of the auditors report.

Risk Identification and Management

The risks involved in an exploration and mining Company and the specific uncertainties for the Company, continue to be regularly monitored and reviewed by the Board. All proposals reviewed by the Board include a conscious consideration of the issues and risks of the proposal. The potential exposures associated with operating the Company is managed by the Managing Director, the Company Secretary and Consultants who have significant broad-ranging industry experience, who work together as a team and regularly share information on current activities.

Additionally, it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws, regulations and professional practice. The Managing Director and the Company Secretary declare in writing to the Board that the financial reporting risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively. The Managing Director and the Company Secretary prior to the Directors' approval of the release of the annual and six monthly accounts make this representation. This representation is made after enquiry of, and representation by, appropriate levels of management.

Performance Review

An annual performance evaluation of the Board and all Board members is conducted at the end of the financial year. Members of the Board are requested to provide feedback as to how they feel they have performed over the 12-month period (360 degree feedback). The Chairman also speaks to each Director individually regarding their role as a Director of the Company.

Company Secretary

All Directors have access to the Company Secretary. The Company Secretary is accountable to the Board, through the Chairman, on all corporate governance matters.

Independent Professional Advice

Directors may obtain independent professional advice at the expense of the Company subject to first informing the Chairman of their intention to obtain the advice.

Remuneration

The Board's policy is to remunerate executive and non-executive Directors at market rates. These rates are sourced from information published by various recruitment firms as well as those rates used to remunerate Directors of comparable companies for the time commitment and responsibilities involved. Annually, the Board reviews Directors' fees considering external data, the time commitment of Directors, the size and scale of Admiralty Resources' operations, the quantum of the tasks in the initial phases of development of the Company, market capitalisation and various other factors.

Annual Corporate Governance Review

At least annually, the Board reviews the Company's corporate governance framework and processes including:

- the composition of the Board and Board Committees; and
- the Guidelines covering Board Membership and Operation, the charters of Board Committees, and other relevant policies.

Company's Website

The Company maintains a website at **www.ady.com.au**.

The website is used to complement the official release of material information to the market.

All relevant announcements made to the market, and related information, are placed on the website after they have been released to Australian Securities Exchange.

The website also provides information about the last three years press releases/announcements plus three years of financial data.

Directors' Report

The Directors of Admiralty Resources NL submit the annual financial report of the Company for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Professor J. Ross Harper
CBE, MA, LLB, D Univ

Chairman of Directors

Professor Harper was appointed to the Board on 29 March 2005. Professor Harper holds the degrees of Bachelor of Laws and Master of Arts from Glasgow University. He was awarded an Honorary Doctorate for services to Law at Glasgow University in 2002. Professor Harper is an Emeritus Professor of Law at Strathclyde University. He was awarded a CBE for public and political services in 1986.

Phillip Thomas
BSc, MBM, AIG

Managing Director

Mr Thomas was appointed to the Board on 22 April 2003 and first became Managing Director on 18 August 2004. He commenced his geological career working for the Control Data Mining Centre as a consultant specialising in drill hole analysis and computer based exploration and mine applications. Subsequently he worked in the investment banking and asset management industries. Mr Thomas was the Managing Partner of Panopus Partners, a marketing strategy firm, prior to taking up his role with Admiralty Resources.

Mr Thomas is an Associate member of the Australian Institute of Geoscientists. He holds the degrees of Bachelor of Science majoring in Geology from the Australian National University, and a Master of Business (Marketing) from Monash University.

The above named Directors held office during and since the end of the financial year except for:

Mr Anthony Blumberg	*Resigned on 6 March 2008*
Mr R. Michael Clarke	*Appointed on 5 October 2007*

John Anderson
BCom, MBA

Director

Mr Anderson was appointed to the Board on 14 December 2005. Mr Anderson has over 25 years experience in the finance sector in banking, investment banking and consulting areas. Mr Anderson has held positions of Managing Director or Chairman with a number of public and private companies during his Australian career. He is presently a Director and Chairman of Anchor Resources Limited, an ASX listed company.

Mr Anderson has specialised in general financing and capital raisings, balance sheet and profit and loss management, resource and technology analysis, investment and development and business plans for new and existing entities.

Among previous positions held Mr Anderson was the Managing Director of an Australian publicly listed mining company and was responsible for the turning around of its unprofitable operations and the implementation of mining and operating plans.

Mr R. Michael Clarke
BSc, P Eng

Director

Mr Mike Clarke is a Graduate mining engineer from Montana State University USA, with over 30 years professional experience in management and senior supervisory positions within the North American and Latin American minerals industries.

Mike has a distinguished mining career, with his most recent role being Vice President Special Projects at Coeur d' Alene Mining in Latin America. He has previously worked for Cominco, Placer Dome and other major publicly listed companies. Mike also has completed post graduate studies in Economic Geology and is a Member of the Association of Professional Engineers of the Province of Ontario, College of Engineers of Chile, Institute of Mining Engineers of Chile, Canadian Institute of Mining and Metallurgy, American Institute of Mining, Metallurgical and Petroleum Engineers, Asociación de Ingenieros da Minas, and Metalurgistas y Geólogos de Méjico.

Company Secretary

Mr Stephen C Prior B.Com. (Melb.), C.A., F.T.I.A.

Mr Prior is a Chartered Accountant in public practice as a Director of accountancy firm Prior & Co. Pty. Ltd. which has been providing accounting and business advice to the Company Since 13 September 2004.

Principal Activities

The Consolidated Entity's principal activities in the course of the financial year were the exploration and development of economic mineral deposits including minerals occurring in brine lake deposits.

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to $32,754,484 (2007 $8,559,877).

Dividends Paid or Recommended

No dividends were paid during the year, nor are any recommended at 30 June 2008.

Directors' Report (Continued)

Review of Operations

Overview

The Company has focused on increasing the reserves of iron ore fines at Cia Minera Santa Barbara (CMSB), its 60% owned subsidiary and in-sourcing the mine operations. At the Rincon Salar brine deposit, the implementation of the lithium carbonate production process was a major milestone. Both businesses experienced considerable progress during the year, and the company is now well positioned to benefit from the significant rise in iron ore, potash and to a lesser degree lithium carbonate prices. A drilling program exploring for zinc at Bulman commenced in June 2008.

The Company continued the development of its lithium deposit in the Rincon Salar during the second half of the 2007 year. The key achievements were:

- A new production process for lithium carbonate was perfected and patents applied for;
- The company commissioned the lithium carbonate pilot plant and sodium sulphate mine in January 2008;
- More than 40 tonnes of lithium carbonate brine has been produced, and plans have been established to produce 30 tonnes per month of lithium carbonate from the first quarter of 2009.

The Company acquired the Rio Grande sodium sulphate deposit during the year. Rio Grande has a reported resource of anhydrous sodium sulphate of 3.8 million tonnes. Production of industrial grade sodium sulphate will significantly reduce the costs of the lithium production process.

Cia Minera Santa Barbara (CMSB), our 60% owned subsidiary in Chile, generated revenue of US$21,121,482 from iron ore sales during the year. CMSB continued to make sales under the 2006 contract to WISCO (Wugung Iron and Steel) and currently has 5 shipments remaining on this contract. CMSB also made its first spot shipment to Shougang during the year.

CMSB continued to upgrade the indicated and inferred resources of its Japonesita and Mariposa mines. CMSB has an estimated resource of over 194 million tonnes across three of its mines. Nineteen mines have been exploited for lump iron ore in the tenements held in the 1970's.

We expect to bring the lithium pilot plant into production by the first quarter 2009 at 360 tonnes per annum and then continue with expansion to full scale operations by mid 2010.

Demand for lithium continues to be extremely strong especially in the lithium hexafluoro phosphate and lithium manganese oxide markets, where these materials are used for new battery manufacturing, driven by the growth in hybrid electric vehicles, notebook computer technology, camera and electronic sales and replacement of lithium batteries in mobile phones.In addition, lithium usage continues to grow in the automotive, lubricants, pharmaceutical, polymers, ceramics and energy industries. Lithium carbonate, lithium chloride and lithium hydroxide prices showed a continued move upwards during the year, with a shortage of supply of the 99.0% grade in Japan and China in December 2007. At least three major Japanese battery manufacturers have announced the establishment of lithium battery manufacturing facilities in Japan, in anticipation of increased demand in 2011-2012.

Iron Ore Project – Chile

The Japonesa and Japonesita mines are currently being mined as individual pits. Over 2 million tonnes of iron ore has been processed in the last 18 months. The mines are situated at Vallenar, in Region III in Chile and have a total tenement area of 16,285 hectares. The production from these mines is expected to be at least two million tonnes of iron ore per annum after the new plant is installed and has reached full capacity. The iron ore mines owned by CMSB contain alluvial, stockwork (vein type mineralisation) and hard rock (kiruna type) deposits and stockpiled iron ore fines (from the 1960's).

Significant progress was made regarding securing access to a cape size port.

R. Michael Clarke, our President in Chile, has been working hard to secure a facility for us to operate in 2009. Mike has had success in developing an in-sourcing strategy for production and negotiating with other mine operation vendors to take-over the extraction of iron ore from the existing operators.

Rincon Salar – Argentina

The Rincon Salar is our large brine lake deposit in the Andean Puna, Argentina, near Susques, containing valuable lithium, magnesium and potassium compounds in solution. We have decided to focus our efforts on the extraction of lithium which offers the highest revenue potential. However we have engaged our geological team to explore for potash to complement our existing reserves at the Rincon, as prices have exceeded $750 per tonne for high quality product. This multi-elemental brine resource is located in the Salta Province of Argentina. To date, 26 square kilometres have been drilled and tested, 40 kilometres of roads have been laid, two production pumps have been installed and a pilot plant has been constructed, eight pilot ponds excavated and lined and filled three times, all chemical testing and process work completed, samples produced and the laboratory fitted.

Offices have been established in Salta,

Jujuy and at the Rincon housing 20 staff. A tender was issued for the agency agreements in the Americas and Asia, and a takeoff contract for 10% of production over a 10 year period.

Financial Position

The net assets of the economic entity have increased by $33,403,048 from 30 June 2007 to 30 June 2008. The increase has largely resulted from the following factors:

- Share issues during the year raised $34,132,327.
- Exercise of ordinary options to fully paid shares raising $7,168,167.
- Receipt of $7,287,700 payments in respect of the converting notes.
- Consolidation of Cia Minera Santa Barbara.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Consolidated Entity other than that referred to in the financial statements or notes thereto.

Business Strategies

Rincon Salar

The demand for lithium carbonate remains strong and our product range in the lithium area of 3,000 tonnes production of lithium chloride and 4,000 tonnes of lithium hydroxide in addition to 8,000 tonnes of lithium carbonate at 99.0% and 2,000 tonnes at 99.9% grade remains appropriate.

We have decided to continue to defer development of our boric acid deposit at the Rapé mines (Salar de Olaroz) until boric acid prices increase.

As part of our funding strategy, we are seeking to sell 10% of production (1,600 tonnes of lithium product) in a tender for ten years (16,000 tonnes in total). Our clients will pay as a lump sum the "operating profit" component discounted on a historical cash flow basis. This money will be used to build the final plant. It will be supplemented by bank debt and project finance.

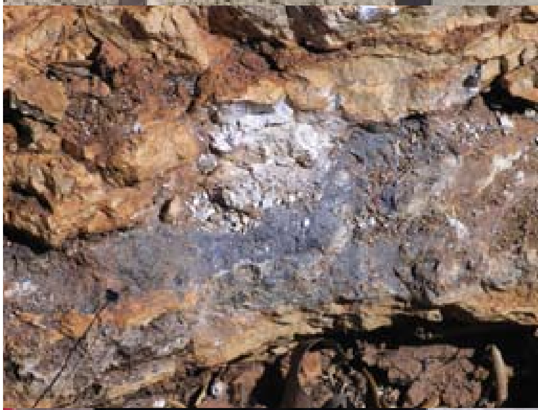
CSMB

As our iron ore production increases up to 3.9 million tonnes per annum, for which we have environmental permits, we will seek to sign medium and long term FOB and CFR contracts using handymax and cape size ships from Caldera and Punta Alcalde Port when it is built. By increasing the size of the ships used, our CFR profitability will increase.

After Balance Date Events

The Consolidated Entity has raised further funding through the issue of a $1.94 million converting note and has also drawn down a further US$5 million under the Series C convertible note with Ya Global Investments L.P.

Further, the Consolidated Entity has negotiated the deferral of the payment of the Hawkswood Investments Pty Ltd debt due to be paid on 30 September 2008. Funding arrangements for a US$5 million loan and a further US$5 million converting note facility has been offered subject to final approval with two separate parties. Both sources of funding are expected to be received before the end of October 2008.



Future Developments

The Company is focused on expanding its port options for shipment of iron ore, in the Caldera area, and in 2009 completing its own purpose built port near Huasco.

Options

Details of unissued shares or interests under option as at the balance date are:

Issuing Entity	*Number of Shares Under Option*	*Class of Shares*	*Exercise Price of Option*	*Expiry Date*
Admiralty Resources NL	1,000,000	Ordinary	$0.10	28 November 2009

Details of shares or interests issued during the financial year as a result of exercise of an option are:

Issuing Entity	*Number of Shares issued*	*Class of Shares*	*Amount Paid for Share*	*Amount Unpaid on Share*
Admiralty Resources NL	71,919,167	Ordinary	$0.10	$nil

Meetings of Directors

During the financial year 8 Directors' meetings were held. Attendances at the meetings were as follows:

Directors	*Board of Directors*		*Remuneration Review Committee*		*Audit Committee*		*Finance Committee*	
Held	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J. R. Harper	8	7	1	1	2	2	-	-
P. Thomas	8	8	-	-	2	2	3	3
R. M. Clarke	4	3	-	-	-	-	-	-
J. Anderson	8	8	1	1	2	2	3	3
A. Blumberg	6	6	-	-	-	-	2	1

Directors' Share and Option Holdings

The Directors disclose their interest in shares and options, as at the date of this report.

Shares and options held beneficially or where there is a relevant interest:

Directors	*No. of Shares*	*No. of Options*
J. Ross Harper	1,320,000	-
Phillip Thomas	5,320,711	-
R. Michael Clarke	-	-
John Anderson	-	1,000,000

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Remuneration Report - Audited

Remuneration policy for directors and executives

The matters of remuneration for Directors are dealt with by the Board of Directors and are determined according to merit and market considerations. Remuneration levels are not directly linked to the performance of the Company and the Consolidated Entity.

Remuneration

The Board's policy is to remunerate executive and non-executive Directors at market rates. These rates are sourced from information published by various recruitment firms as well as those rates used to remunerate Directors of comparable companies for the time commitment and responsibilities involved. Annually, the Board reviews Directors' fees considering external data, the time commitment of Directors, the size and scale of Admiralty Resources' operations, the quantum of the tasks in the initial phases of development of the Company, market capitalisation and various other factors.

Director and executive details

The Directors of Admiralty Resources NL during the year were:

- Professor J. Ross Harper
- Phillip Thomas (Managing Director)
- R. Michael Clarke (appointed 5 October 2007)
- John Anderson
- Anthony Blumberg (resigned 6 March 2008)

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

Key management personnel service agreements

Executives and Non-Executives	*Duration of Contract*	*Termination Notice of Contract*	*Termination Payment Provided under Contract*
Executives			
Phillip Thomas	Open Ended	3 Months	Nil
R. Michael Clarke	Open Ended	Not Applicable	One month's pay for every year of consecutive service
Non - executives			
J. Ross Harper	Open Ended	12 Months	Nil
John Anderson	Open Ended	Not Applicable	Nil

Non – executive directors

Fees and payments to non-executive Directors reflect the demands, which are made on, and the responsibilities of, the Directors. The Board reviews the fees annually.

Non – executive Director's fees are determined within an aggregate Director's pool limit, which is periodically recommended for approval by shareholders. The maximum pool currently stands at $350,000.

Retirement allowances for directors

There are currently no retirement allowances for Directors.

Executive pay

Fees and payments to executives reflect the demands which are made on, and the responsibilities of the executive.

Short - term incentives

On 25 July 2007, 8,750,000 options were granted to Directors of the Company. The options are fully vested. The breakdown is as follows:

Mr Phillip Thomas 8,750,000

The options had an exercise price of $0.10 and were issued for no consideration. The expiry date for the options was 25 July 2010. The options are not subject to any performance criteria and can be exercised at any time. The options have been valued at $0.31698 per option. These options have been exercised by the holder.

Remuneration packages contain the following key elements:

- Directors fees
- Consulting fees

Elements of remuneration related to performance

There are currently no elements of remuneration related to performance.

The following table discloses the remuneration of the key management personnel and Directors of the Consolidated Entity:

2008 Directors	*Short – Term*				
	Salary & Fees	*Bonus*	*Non-monetary Share Based Payments*	*Consisting of Options*	*Total*
	$	*$*	*$*	*%*	*$*
Prof J. Ross Harper	73,887	-	-	-	73,887
Phillip Thomas*	511,825	-	2,773,575	84.4%	3,285,400
R. Michael Clarke	221,233	-	-	-	221,233
John Anderson	45,000	-	-	-	45,000
Anthony Blumberg	-	-	-	-	-

* Phillip Thomas' remuneration includes payments for participation on the Board of Cia Minera Santa Barbara for the year ended 30 June 2008. Mr Thomas was paid US$62,500 of a total entitlement of US$100,000 for his services to Cia Minera Santa Barbara.

2007 Directors	*Short – Term*				
	Salary & Fees	*Bonus*	*Non-monetary Share Based Payments*	*Consisting of Options*	*Total*
	$	*$*	*$*	*%*	*$*
Prof J. Ross Harper	75,120	-	69,240	48.0%	144,360
Phillip Thomas	399,993	-	519,300	56.5%	919,293
John Anderson	36,000	-	69,240	65.8%	105,240
Anthony Blumberg	19,500	-	-	-	19,500

Value of options issued to directors and executives

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified Directors and executives:

Directors	*Value of options granted at (i) the grant date*	*Value of the options exercised at the exercise date*	*Value of options lapsed at the date of lapse*	*Total*
	$	*$*	*$*	*$*
Prof J. Ross Harper	-	-	-	-
Phillip Thomas	2,773,575	(2,773,575)	-	-
R. Michael Clarke	-	-	-	-
John Anderson	-	-	-	-

i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

Proceedings on Behalf of the Company

As at the date of this report no person has applied for leave under S.237 to bring or intervene in proceedings on behalf of the Company.

Environmental Regulations

The Consolidated Entity aims to ensure that the highest standard of environmental care is achieved. The Board maintains the responsibility to ensure that the Consolidated Entity's environment policies are adhered to and to ensure that the Consolidated Entity is aware of and is in compliance with all relevant environmental legislation. There have been no environmental breaches during the 2008 financial year.

Non Audit Services

During the year, there were no non-audit services provided by PKF Chartered Accountants, the Company's Auditors.

Indemnification of Officers and Auditors

During or since the financial year, the Company has not indemnified or made a relevant agreement to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an Officer or Auditor.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 27.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

P Thomas
Managing Director
Dated at Melbourne, this 1st day of October 2008.

Schedule of Mining Tenements

Tenement Reference	*Registered Holder*	*Country*	*Other Notes*
Rincón	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón I	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón II	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón III	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón IV	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón V	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón VI	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón VII	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón VIII	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón IX	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón X	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón XI	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón XII	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón XIII	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón XIV	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón XV	Rincon Lithium Limited	Argentina	Salar del Rincón
Adriana II	Rincon Lithium Limited	Argentina	Salar del Rincón
Adriana III	Rincon Lithium Limited	Argentina	Salar del Rincón
Adriana IV	Rincon Lithium Limited	Argentina	Salar del Rincón
Adriana V	Rincon Lithium Limited	Argentina	Salar del Rincón
Adriana VI	Rincon Lithium Limited	Argentina	Salar del Rincón
Adriana VII	Rincon Lithium Limited	Argentina	Salar del Rincón
Adriana VIII	Rincon Lithium Limited	Argentina	Salar del Rincón
Adriana IX	Rincon Lithium Limited	Argentina	Salar del Rincón
Silvina	Rincon Lithium Limited	Argentina	Salar del Rincón
Alvaro	Rincon Lithium Limited	Argentina	Salar del Rincón
Estela	Rincon Lithium Limited	Argentina	Salar del Rincón
Paula I	Rincon Lithium Limited	Argentina	Salar del Rincón
Paula IV	Rincon Lithium Limited	Argentina	Salar del Rincón
Paula V	Rincon Lithium Limited	Argentina	Salar del Rincón
Paula XV	Rincon Lithium Limited	Argentina	Salar del Rincón
Belén	Rincon Lithium Limited	Argentina	Salar del Rincón
Belén I	Rincon Lithium Limited	Argentina	Salar del Rincón
Belén IV	Rincon Lithium Limited	Argentina	Salar del Rincón
Inti	Rincon Lithium Limited	Argentina	Salar del Rincón
La Costera I	Rincon Lithium Limited	Argentina	Salar del Rincón
La Costera II	Rincon Lithium Limited	Argentina	Salar del Rincón
Yabirú	Rincon Lithium Limited	Argentina	Salar del Rincón
Fu 1	Rincon Lithium Limited	Argentina	Salar del Rincón
Cauchari*	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón (18470)*	Rincon Lithium Limited	Argentina	Salar del Rincón
Rincón (19055)*	Rincon Lithium Limited	Argentina	Salar del Rincón
La Lucía**	Rincon Lithium Limited	Argentina	Salar del Rincón

** Servitude*
*** Quarry*

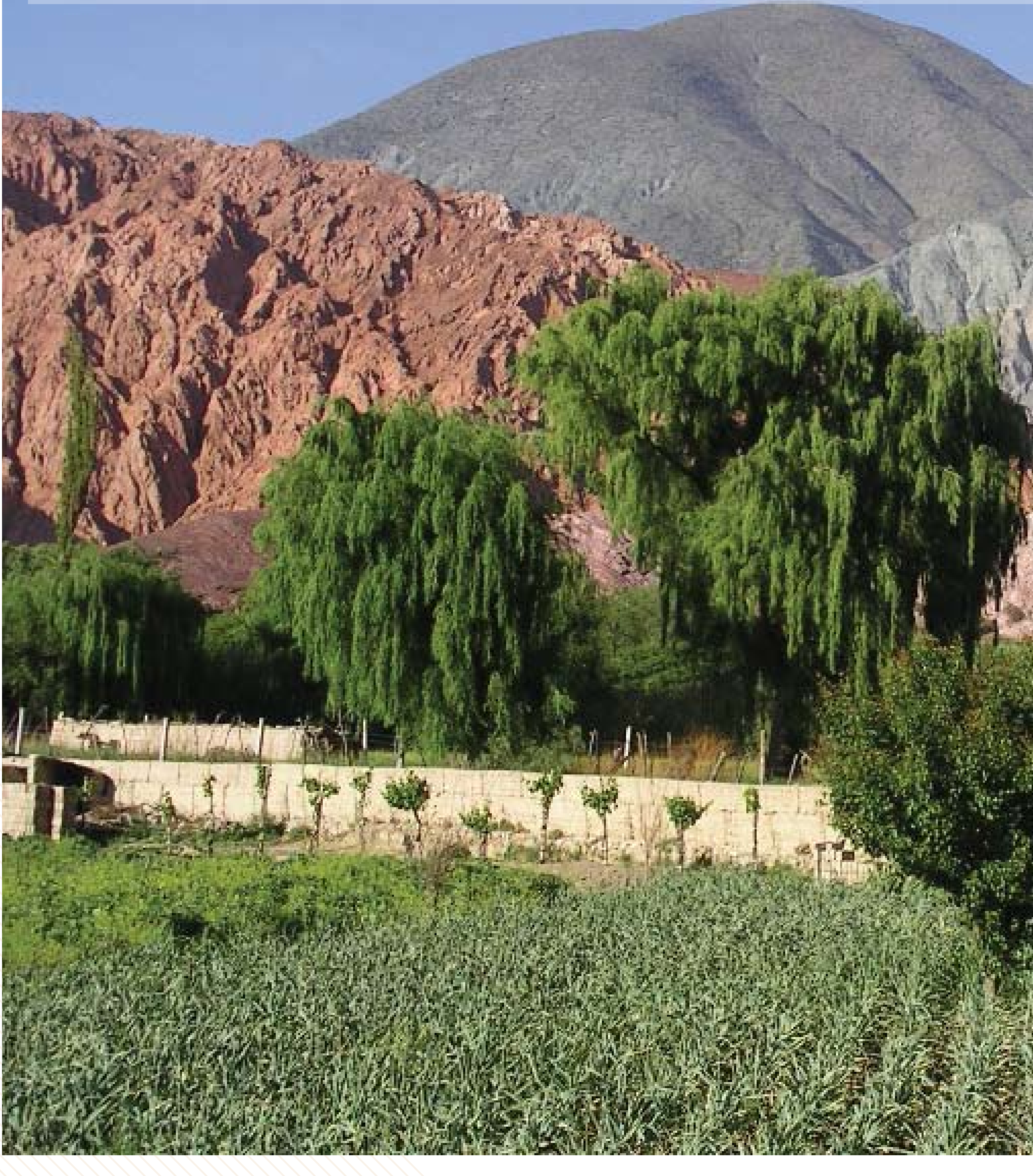
Tenement Reference	*Registered Holder*	*Country*	*Other Notes*
Rapé	Rincon Lithium Limited	Argentina	Salar de Olaroz
Rapé I	Rincon Lithium Limited	Argentina	Salar de Olaroz
Río Primero	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Segundo	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Tercero	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Cuarto	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Quinto	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Santa María 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Calchaqui1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Toro 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Blanco 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Colorado	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Lavallen	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Metan 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Medina 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Ancho	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Arenales	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Juramento	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río San Francisco 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Motojoro 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Bermejo 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Río Vaqueros	Rincon Lithium Limited	Argentina	Salar de Río Grande
Suleiman 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Suleiman 2	Rincon Lithium Limited	Argentina	Salar de Río Grande
Suleiman 3	Rincon Lithium Limited	Argentina	Salar de Río Grande
Suleiman 4	Rincon Lithium Limited	Argentina	Salar de Río Grande
Suleiman 5	Rincon Lithium Limited	Argentina	Salar de Río Grande
Suleiman 6	Rincon Lithium Limited	Argentina	Salar de Río Grande
Suleiman 7	Rincon Lithium Limited	Argentina	Salar de Río Grande
Suleiman 8	Rincon Lithium Limited	Argentina	Salar de Río Grande
Timur 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Timur 2	Rincon Lithium Limited	Argentina	Salar de Río Grande
Timur 3	Rincon Lithium Limited	Argentina	Salar de Río Grande
Timur 4	Rincon Lithium Limited	Argentina	Salar de Río Grande
Timur 5	Rincon Lithium Limited	Argentina	Salar de Río Grande
Timur 6	Rincon Lithium Limited	Argentina	Salar de Río Grande
Timur 7	Rincon Lithium Limited	Argentina	Salar de Río Grande
Manon 1	Rincon Lithium Limited	Argentina	Salar de Río Grande
Manon 2	Rincon Lithium Limited	Argentina	Salar de Río Grande
M39/159	100% Pyke Hill Resources Pty Ltd	Australia	Pyke Hill
MLN 726	100% Bulman Resources Pty Ltd	Australia	Bulman
MLN 727	100% Bulman Resources Pty Ltd	Australia	Bulman
ELA23814	100% Bulman Resources Pty Ltd	Australia	Bulman

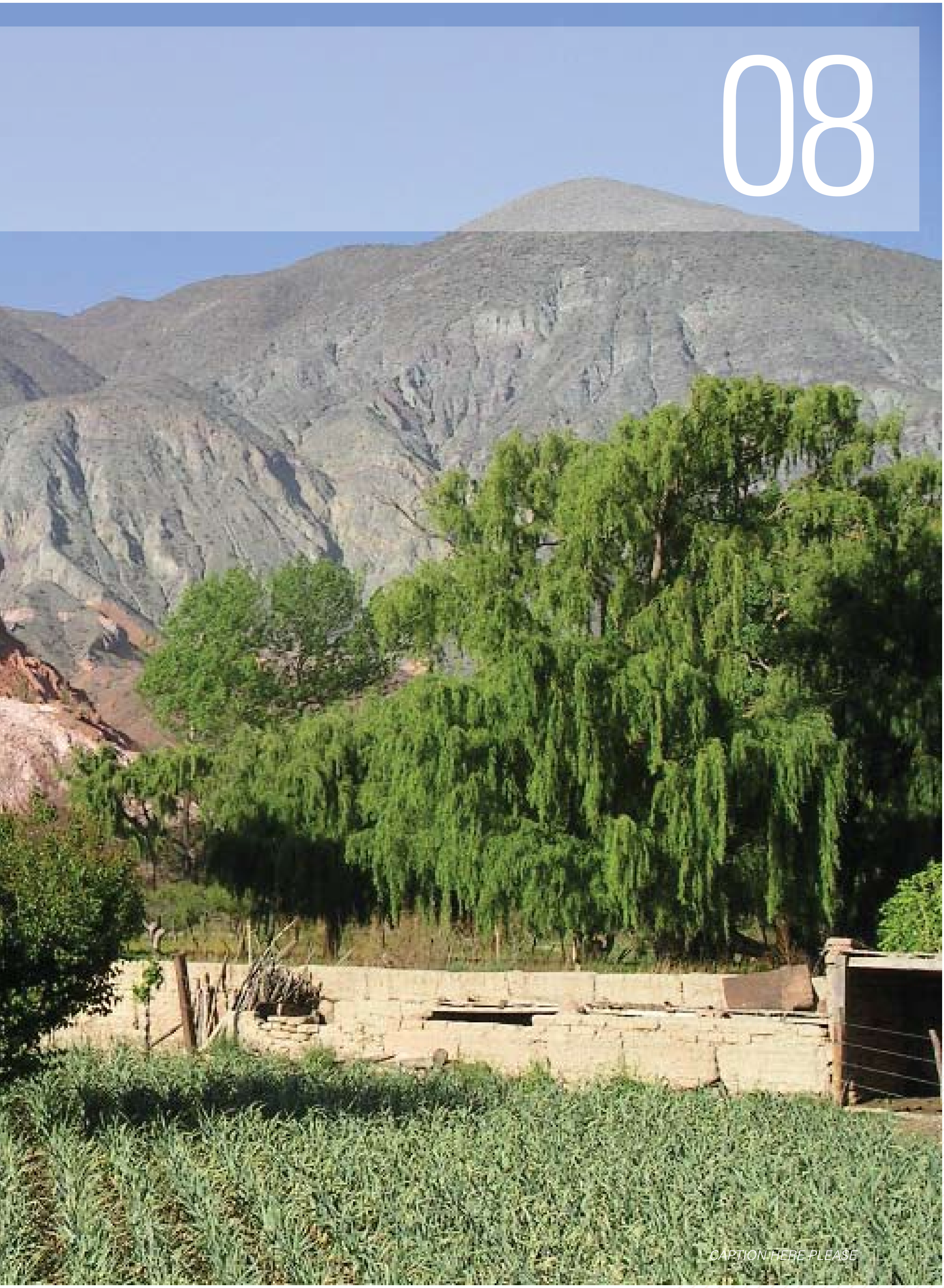
Schedule of Mining Tenements (Continued)

Tenement Reference	*Registered Holder*	*Country*	*Other Notes*
Japonesa 1-8	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Japonesita 1-17	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Phil	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Gibaiju 1-9	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Pamela 1-7	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Natasha 1-5	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Tatiana 1-34	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Phil Tres 1-20	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Zapallo 1	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Zapallo 2	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Zapallo 3	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Zapallo 4	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Felipe Dos	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Leo Dos 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Leo 20, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Japonesa Group of Mines
Daniela 1-20	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Daniela 2	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Daniela 3	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo Cinco 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo Seis 1-60	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo 7, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo 8, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo 9, 1-60	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo 10, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo 11, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo 13, 1-60	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo 14, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Leo 16, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mariposa Group of Mines
Mirador 1-3	Sociedad Contractual Minera Santa Bárbara	Chile	Mirador Group of Mines
Tanati 1-8	Sociedad Contractual Minera Santa Bárbara	Chile	Mirador Group of Mines
Phil Dos 1-7	Sociedad Contractual Minera Santa Bárbara	Chile	Mirador Group of Mines
Leo 15, 1-60	Sociedad Contractual Minera Santa Bárbara	Chile	Mirador Group of Mines
Chinchilla Uno 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mirador Group of Mines
Chinchilla Cuatro 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Mirador Group of Mines
Zapallo 5	Sociedad Contractual Minera Santa Bárbara	Chile	Mirador Group of Mines
Leo Uno 1-2	Sociedad Contractual Minera Santa Bárbara	Chile	Mirador Group of Mines
Leo 3, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Chillán Viejo Group of Mines
Leo 4, 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Chillán Viejo Group of Mines
Paco 1-2	Sociedad Contractual Minera Santa Bárbara	Chile	Chillán Viejo Group of Mines
Tina 1-26	Sociedad Contractual Minera Santa Bárbara	Chile	Chillán Viejo Group of Mines
Chinchilla Dos 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Chillán Viejo Group of Mines
Chinchilla Tres 1-40	Sociedad Contractual Minera Santa Bárbara	Chile	Chillán Viejo Group of Mines
Negrita 1-4	Sociedad Contractual Minera Santa Bárbara	Chile	La Negra Group of Mines
Leo 100	Sociedad Contractual Minera Santa Barbara	Chile	La Negra Group of Mines

Tenement Reference	*Registered Holder*	*Country*	*Other Notes*
Leo 12, 1-60	Sociedad Contractual Minera Santa Bárbara	Chile	La Negra Group of Mines
Soberana 1-5	Sociedad Contractual Minera Santa Bárbara	Chile	Soberana Group of Mines
Phil Cuatro 1-16	Sociedad Contractual Minera Santa Bárbara	Chile	Soberana Group of Mines
Leo 101	Sociedad Contractual Minera Santa Bárbara	Chile	Soberana Group of Mines
Pampa Tololo 1-2475	Sociedad Contractual Minera Santa Bárbara	Chile	Pampa Tololo Group of Mines
Cerro Varilla 1-732	Sociedad Contractual Minera Santa Bárbara	Chile	Pampa Tololo Group of Mines
Catalina V 1-30	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Catalina VI 1-30	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Alcalde 1-5	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Cata 1	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Cata 2	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Cata 3	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Cata 4	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Cata 5	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Cata 6	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Cata 7	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Cata 8	Sociedad Contractual Minera Santa Bárbara	Chile	Punta Alcalde Concessions
Leo 102	Sociedad Contractual Minera Santa Bárbara	Chile	Other Mining Sectors
Leo 103	Sociedad Contractual Minera Santa Bárbara	Chile	Other Mining Sectors
Leo 104	Sociedad Contractual Minera Santa Bárbara	Chile	Other Mining Sectors
Leo 105	Sociedad Contractual Minera Santa Bárbara	Chile	Other Mining Sectors
Leo 106	Sociedad Contractual Minera Santa Bárbara	Chile	Other Mining Sectors
Leo 107	Sociedad Contractual Minera Santa Bárbara	Chile	Other Mining Sectors

FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2008





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Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Consolidated Entity; and

(c) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors,

Director

Phillip Thomas

Dated this 1st day of October 2008

Auditor's Independence Declaration

PKF

Chartered Accountants
& Business Advisers

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ADMIRALTY RESOURCES NL**

As lead auditor for the audit of Admiralty Resources NL for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Admiralty Resources NL and the entities it controlled during the year.

Michael Phillips

M J Phillips
Partner
PKF
Chartered Accountants

1 October 2008
Melbourne

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Admiralty Resources NL

Report on the Financial Report

We have audited the accompanying financial report of Admiralty Resources NL, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Admiralty Resources NL (the company) and the consolidated entity. The consolidated entity comprises 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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.

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PKF

Chartered Accountants
& Business Advisers

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Admiralty Resources NL is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

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

Emphasis of Matter - Material Uncertainty Regarding Continuation As A Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

The company and the consolidated entity incurred losses attributable to members of the parent entity of \$45,032,573 (2007 \$3,757,425) and \$32,754,484 (2007 \$8,559,877) respectively for the year ended 30 June 2008 and have accumulated losses of \$70,161,154 (2007 \$25,128,581) and \$63,391,239 (2007 \$35,152,486) respectively. As a result of this and the matters described in Note 1(a) to the financial report, there is material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns, and therefore whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report has been prepared on a going concern basis for the reasons set out in Note 1(a) and does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Admiralty Resources NL for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PKF

PKF
Chartered Accountants

Michael Phillips

M J Phillips
Partner

1 October 2008, Melbourne

Income Statement

Income Statement
for the financial year ended 30 June 2008

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
Income					
Operating income	2	24,318,897	-	-	-
Interest income – CMSB	2	-	677,847	4,434,759	1,332,878
Other income	2	259,587	18,868	127,200	17,524
	2	24,578,484	696,715	4,561,959	1,350,402
Cost of Sales					
Production costs		555,364	-	-	
Closing inventory		(555,364)	-	-	-
		-	-	-	-
Expenses					
Impairment of loan	3	-	-	36,727,222	-
Amortisation expense	3	967,739	-	-	-
Allowance for loss on iron ore contract	3	10,625,232	-	-	-
Depreciation expense	3	860,689	12,758	1,097	1,389
Operational expenses	3	35,577,059	-	-	-
Employee costs	3	6,631,356	928,144	2,985,274	799,373
Consultancy expenses	3	1,492,575	821,386	1,109,926	803,556
Professional expenses	3	1,862,947	858,676	723,788	472,213
Occupancy expenses	3	254,200	56,461	35,845	24,600
Communication expenses	3	114,216	10,365	19,249	-
Travel expenses	3	872,797	367,790	590,631	339,376
Finance costs	3	4,043,123	1,136,736	3,649,440	1,136,715
Write back of bad debts expense	3	-	-	358,145	30,280
Administration expenses	3	2,940,726	456,808	495,778	263,080
Loss on equity accounting	3	260,388	3,341,905	-	-
Loss on exchange translation	3	4,082,707	1,265,563	2,898,137	1,237,245
	3	(70,585,754)	(9,256,592)	(49,594,532)	(5,107,827)
Loss before income tax expense		(46,007,270)	(8,559,877)	(45,032,573)	(3,757,425)
Income tax expense	5	-	-	-	-
Loss after income tax		(46,007,270)	(8,559,877)	(45,032,573)	(3,757,425)
Less: loss for the period attributable to minority interest		13,252,786	-	-	-
Loss for the period attributable to members of the parent entity		(32,754,484)	(8,559,877)	(45,032,573)	(3,757,425)
Basic and diluted loss per share (cents per share)	9	(3.32)	(1.36)	-	-

Notes to the financial statements are included on pages 35 to 63.

Balance Sheet

Balance Sheet as at 30 June 2008

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
Current Assets					
Cash and cash equivalents	23(A)	1,477,564	7,010,385	492,021	6,274,549
Receivables	10	3,133,673	47,513	1,147,031	44,571
Other financial assets	11	1,160,837	3,600	3,600	3,600
Inventories	12	5,580,242	-	-	-
Other	16	10,277	122,630	10,277	122,630
Total Current Assets		11,362,593	7,184,128	1,652,929	6,445,350
Non-Current Assets					
Receivables	10	-	18,404,067	3,870,259	19,236,286
Other financial assets	11	12,068	-	53,311,872	21,395,304
Investments accounted for using the equity method		-	7,291,346	-	-
Property, plant and equipment	14	8,378,469	326,785	15,754	7,279
Mining interests	15	66,158,974	-	-	-
Other	16	1,666,518	3,647,773	6,112	39,221
Total Non-Current Assets		76,216,029	29,669,971	57,203,997	40,678,090
Total Assets		87,578,622	36,854,099	58,856,926	47,123,440
Current Liabilities					
Payables	17	2,917,411	333,245	529,833	319,075
Provision for loss on Iron Ore contract	1(r)	9,199,160	-	-	-
Borrowings	18	17,473,529	11,935,380	17,473,529	11,935,380
Total Current Liabilities		29,590,100	12,268,625	18,003,362	12,254,455
Total Liabilities		29,590,100	12,268,625	18,003,362	12,254,455
Net Assets		57,988,522	24,585,474	40,853,564	34,868,985
Equity					
Issued capital	19	107,539,613	59,296,036	107,539,613	59,296,036
Option premium		3,475,105	701,530	3,475,105	701,530
Foreign currency translation reserve	20	4,921,361	(259,606)	-	-
Accumulated losses		(63,391,239)	(35,152,486)	(70,161,154)	(25,128,581)
Minority interests		5,443,682	-	-	-
Total Equity		57,988,522	24,585,474	40,853,564	34,868,985

Notes to the financial statements are included on pages 35 to 63.

Statement of Changes in Equity

Statement of Changes in Equity for the financial year ended 30 June 2008

Consolidated 30 June 2008	*Share Capital*	*Option Premium*	*Foreign Currency Translation Reserve*	*Accumulated Losses*	*Minority Interest*	*Total*
	$	*$*	*$*	*$*	*$*	*$*
Balance at 1 July 2007	59,296,036	701,530	(259,606)	(35,152,486)	-	24,585,474
Retained losses eliminated on consolidation	-	-	-	4,556,256	-	4,556,256
Minority Interest arising on consolidation	-	-	-	-	18,696,468	18,696,468
Exchange differences arising on translation of foreign operations	-	-	5,180,967	(40,525)	-	5,140,442
Net income (loss) recognised directly in equity	-	-	5,180,967	4,515,731	18,696,468	28,393,166
Loss for the period attributable to members of the parent entity	-	-	-	(32,754,484)	-	(32,754,484)
Loss for the period attributable to Minority Interest	-	-	-	-	(13,252,786)	(13,252,786)
Total recognised income (loss) for the year	-	-	5,180,967	(28,238,753)	5,443,682	(17,614,104)
Issue of new shares	34,132,327	-	-	-	-	34,132,327
Exercise of options	7,168,167	-	-	-	-	7,168,167
Converting notes	6,943,083	-	-	-	-	6,943,083
Adjustment in equity – option premium	-	2,773,575	-	-	-	2,773,575
Balance at 30 June 2008	107,539,613	3,475,105	4,921,361	(63,391,239)	5,443,682	57,988,522

Consolidated 30 June 2007	*Share Capital*	*Option Premium*	*Foreign Currency Translation Reserve*	*Accumulated Losses*	*Minority Interest*	*Total*
	$	$	$	$	$	$
Balance at 1 July 2006	43,650,176	-	29,061	(25,943,411)	-	17,735,826
Exchange differences arising on translation of foreign operations	-	-	(288,667)	(649,198)	-	(937,865)
Net income (loss) recognised directly in equity	-	-	(288,667)	(649,198)	-	(937,865)
Loss for the period	-	-	-	(8,559,877)	-	(8,559,877)
Total recognised income (loss) for the year	-	-	(288,667)	(9,209,075)	-	(9,497,742)
Issue of new shares	4,620,550	-	-	-	-	4,620,550
Exercise of options	7,072,319	-	-	-	-	7,072,319
Converting notes	4,107,841	-	-	-	-	4,107,841
Adjustment in equity	(41,350)	-	-	-	-	(41,350)
Adjustment in equity – share issue costs	(113,500)	-	-	-	-	(113,500)
Adjustment in equity – option premium	-	701,530	-	-	-	701,530
Balance at 30 June 2007	59,296,036	701,530	(259,606)	(35,152,486)	-	24,585,474

Notes to the financial statements are included on pages 35 to 63.

Company 30 June 2008	*Share Capital*	*Option Premium*	*Accumulated Losses*	*Total*
	$	*$*	*$*	*$*
Balance at 1 July 2007	59,296,036	701,530	(25,128,581)	34,868,985
Loss for the period	-	-	(45,032,573)	(45,032,573)
Total recognised income and expense for the year	-	-	(45,032,573)	(45,032,573)
Issue of new shares	34,132,327	-	-	34,132,327
Exercise of options	7,168,167	-	-	7,168,167
Converting notes	6,943,083	-	-	6,943,083
Adjustment in equity – option premium	-	2,773,575	-	2,773,575
Balance at 30 June 2008	107,539,613	3,475,105	(70,161,154)	40,853,564

Company 30 June 2007	*Share Capital*	*Option Premium*	*Accumulated Losses*	*Total*
	$	*$*	*$*	*$*
Balance at 1 July 2006	43,650,176	-	(21,371,156)	22,279,020
Loss for the period	-	-	(3,757,425)	(3,757,425)
Total recognised income and expense for the year	-	-	(3,757,425)	(3,757,425)
Issue of new shares	4,620,550	-	-	4,620,550
Exercise of options	7,072,319	-	-	7,072,319
Converting notes	4,107,841	-	-	4,107,841
Adjustment in equity	(41,350)	-	-	(41,350)
Adjustment in equity – share issue costs	(113,500)	-	-	(113,500)
Adjustment in equity – option premium	-	701,530	-	701,530
Balance at 30 June 2007	59,296,036	701,530	(25,128,581)	34,868,985

Notes to the financial statements are included on pages 35 to 63.

Cash Flow Statement

Cash Flow Statement
for the financial year ended 30 June 2008

		Consolidated		*Company*	
	Note	*2008 $*	*2007 $*	*2008 $*	*2007 $*
Cash Flows from Operating Activities					
Receipts from customers		24,489,928	-	94,162	-
Payments to suppliers and employees		(53,687,049)	(5,942,583)	(8,515,555)	(3,544,315)
Interest received		33,038	17,524	4,467,797	17,524
GST refunded (paid)		(61,360)	(16,510)	(61,360)	(16,516)
Interest and other cost of finance paid		(1,740,462)	(51,301)	(1,346,785)	(51,301)
Net cash used in operating activities	23(B)	(30,965,905)	(5,992,870)	(5,361,741)	(3,594,608)
Cash Flows From Investing Activities					
Payment for property, plant and equipment		(5,625,665)	(292,183)	(10,203)	-
Proceeds from sale of property, plant and equipment		1,146,322	-	-	-
Payment for development and exploration		(6,898,566)	(1,179,932)	-	-
Investment in controlled entity		11,398,636	-	(27,416,568)	(3,747,129)
Purchase of equity investments		698,169	-	-	-
Payment of deferred purchase consideration		-	(4,522,147)	-	(4,522,147)
Amounts advanced to associate		-	(8,098,819)	(21,361,196)	(8,821,625)
Net cash used in investing activities		(23,474,714)	(14,093,081)	(48,787,967)	(17,090,901)
Cash Flows from Financing Activities					
Proceeds from issues of equity securities		36,800,495	16,458,741	36,800,495	16,458,740
Payments for loans to related entities		(1,041,100)	-	(1,041,100)	-
Proceeds from loan		5,558,883	4,865,744	5,320,085	4,865,744
Costs of issuing converting notes		-	(111,350)	-	(111,350)
Proceeds from convertible loan		7,287,700	4,415,511	7,287,700	4,415,511
Net cash provided by financing activities		48,605,978	25,628,646	48,367,180	25,628,645
Net increase/(decrease) in cash held		(5,834,641)	5,542,695	(5,782,528)	4,943,136
Cash and cash equivalents at the beginning of the financial year		7,010,385	1,467,690	6,274,549	1,331,413
Cash gained on consolidation of Cia Minera Santa Barbara		441,941	-	-	-
Effects of exchange rate changes on the translation of foreign controlled entities		(140,121)	-	-	-
Cash and cash equivalents at the end of the financial year	23(A)	1,477,564	7,010,385	492,021	6,274,549

Notes to the financial statements are included on pages 35 to 63.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008

Note 1 Summary of Accounting Policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Australian Accounting Interpretations, and complies with other requirements of the law. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

The financial statements were authorised for issue by the Directors on 30 September 2008.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for certain financial assets that are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. The presentation currency used at all times in this report, unless specifically stated otherwise, is Australian Dollars.

In the application of A-IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report.

(a) Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The following factors are relevant in considering the ability of the Consolidated Entity and the Company to continue as a going concern:

- The Consolidated Entity has incurred a net loss of $32.7 million and has accumulated losses of $63.3 million.
- Rincon Lithium Ltd has recently begun producing lithium carbonate and sodium sulphate with its first revenue expected to be derived prior to the end of the 30 June 2009 financial year.
- The Consolidated Entity has deferred its payment of the Hawkswood Investments Pty Ltd (In Liquidation) loan due to be paid on 30 September 2008. This loan has been deferred on the basis the Consolidated Entity:
    - repay $3 million of the $10,185,829 loan balance to Hawkswood Investments Pty Ltd (In Liquidation) on or before 30 October 2008;
    - repay balance of the debt on or before 31 December 2008;
    - will incur interest at a lump sum of $1 million on and from 1 October 2008. However, if the debt is not repaid in full before 31 December 2008, the amount of interest will be the greater of a lump sum of $2 million or 35% per annum, compounding monthly; and
    - provide a registered fixed and floating charge over all of its assets and undertakings as security for the debt.

These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's and Parent Entity's ability to continue as going concerns.

Note 1 Summary of Accounting Policies (Continued)

(a) Going concern (Continued)

The ability of the Consolidated Entity and Parent to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. To this end, the Consolidated Entity is expecting the funding from the following sources:

- Maestro Holdings Pty Ltd has issued credit approval for a US$5 million debt facility with the funds expected to be received before the end of October 2008.
- Ya Global Investments L.P. has offered a US$5 million converting debt subject to their internal investment committee approval. It is anticipated these funds will be received prior to the end of October 2008.
- Proceeds from spot sales of iron ore already stockpiled at the port and ready for shipment.

The Consolidated Entity has lent money for working capital to its joint venture entity in Chile, Cia Minera Santa Barbara (CMSB). Pursuant to Clause 4.1 of the Loan Agreement dated 18 February 2005, on the last day of each month, CMSB must pay any net income before tax to the Consolidated Entity, subject to cash being available and its capacity to do so.

The Consolidated Entity has the ability to defer certain expenditure with regards to the Rincon Lithium projects in Argentina, if this is necessary, which will conserve some of the Consolidated Entity's cash flow.

At the date of this report and having considered the above factors, the Directors are confident that the Company and the Consolidated Entity will be able to continue as a going concern and accordingly the financial report had been prepared on a going concern basis.

Should the Consolidated Entity or the Company be unable to continue as going concern, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity or the Company be unable to continue as a going concern.

(b) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the Parent Entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A controlled entity is any entity controlled by Admiralty Resources NL. Control, as defined in Accounting Standard AASB 127, exists where Admiralty Resources NL has the powers to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all inter company balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(c) Mining tenements

Mining tenements are shown at cost. Ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. If an area of interest is abandoned or is considered to be of no further commercial interest, the mining tenement costs relating to the area are written off against income in the year of abandonment.

(d) Exploration and evaluation, expenditure

Expenditure represents direct costs incurred.Costs are accumulated in respect of areas of interest still in the exploration and/or evaluation phase where they have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. If an area of interest is abandoned or is considered to be of no commercial interest the accumulated exploration costs relating to the area are written off against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of economically recoverable reserves. Any costs of site restoration are provided for in the production stages and included in the costs of that stage. 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.

(e) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements.

Receivables and loans are recorded at amortised cost less impairment.

For financial instruments traded in organised financial markets, fair value is the current market bid for the asset. The Board reviews the values of the shares held at balance date. Where it is considered necessary a write down of the carrying amount of individual investments is made.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

Note 1 Summary of Accounting Policies (Continued)

(f) Income tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity. In this case the deferred tax is also recognised directly in equity.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each item to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first in first out basis: and

Work in progress – cost of direct material and labour.

(h) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment.

Plant and Equipment

Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

The depreciable amount of all fixed assets are depreciated over their useful lives to the Consolidated Entity using the diminishing value or prime cost method, commencing from the time the asset is held ready for use. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The useful lives used for each class of depreciable assets are:

Class of Fixed Asset	*Useful Life*
Office Furniture & Equipment	3-12 yrs
Leasehold Improvements	6 yrs
Plant & Equipment	4 – 20 yrs
Motor Vehicles	4 – 7 yrs
Low Value Pool	3 yrs

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in the result before income tax of the Company in the year of disposal.

(i) Borrowings

Borrowings, including convertible loans are recorded initially at fair value, net of transactions costs. Interest expense is recognised on an accrual basis. Subsequent to initial recognition, these are measured at amortised costs with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss over the period of the borrowings including convertible loans using the effective interest method.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions.

(k) Revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Accounts payable

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are brought to account in the profit and loss in the period in which they arise except that exchange differences which relate to assets under construction for future productive use are included in the cost of those assets and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of net investment in a foreign operation, are recognized in the foreign currency translation reserve and recognised in the profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(n) Leased assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

(o) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Note 1 Summary of Accounting Policies (Continued)

(o) Impairment of assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(p) Financial instruments issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound Instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest

Interest is classified as expense consistent with the classification in the balance sheet of the related debt.

(q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a group basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to, the taxation authority is classified as operating cash flows.

(r) Matter of significance

In accordance with Accounting Standard AASB 137, a provision of $9,199,160 has been made in respect of significant losses on supply of iron ore under an unfavourable CFR contract entered into during 2006. All future supply contracts have been negotiated on a FOB basis.

(s) New standards and interpretations not yet adopted

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

Accounting Standards

AASB No.	*Title*	*Issue Date*	*Operative Date (Annual reporting periods beginning on or after)*
8	Operating Segments	Feb 2007	1 Jan 2009
101	Presentation of Financial Statements (Amended)	Sept 2007	1 Jan 2009
123	Borrowing Costs (Amended)	June 2007	1 Jan 2009
3	Business combinations (Amended)	Mar 2008	1 Jul 2009
127	Consolidated and Separate Financial Statements (Amended)	Mar 2008	1 Jul 2009
2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations	Mar 2008	1 Jan 2009
2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	Mar 2008	1 Jul 2009
2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Jul 2008	1 Jan 2009
2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Jul 2008	1 Jul 2009
2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Jul 2008	1 Jan 2009
2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	Sept 2008	1 Jul 2009

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

Note 2 Income

	Consolidated		Company	
	2008 $	*2007 $*	*2008 $*	*2007 $*
Income				
Iron ore sales income	24,318,897	-	-	-
Interest income – CMSB	-	677,847	4,434,759	1,332,878
Other income	259,587	18,868	127,200	17,524
Total Income	24,578,484	696,715	4,561,959	1,350,402

Note 3 Expenses

Development and production expenses	35,577,059	-	-	-
Consultancy expenses	1,492,575	821,386	1,109,926	803,556
Professional expenses	1,862,947	858,676	723,788	472,213
Employee costs				
- Wages and salaries	3,758,697	190,667	112,615	61,896
- Superannuation	9,458	4,470	9,458	4,470
- Directors' fees	89,626	75,227	89,626	75,227
- Directors' bonus – option costs	2,773,575	657,780	2,773,575	657,780
Travel and entertainment	872,797	367,790	590,631	339,376
Occupancy costs	254,200	56,461	35,845	24,600
Borrowing costs				
- Deferred purchase consideration	-	176,740	-	176,740
- Interest	4,043,123	959,996	3,649,440	959,975
Bad debts expense	-	-	358,145	30,280
Overheads	3,054,942	467,173	515,027	263,080
Loss on equity accounting	260,388	3,341,905	-	-
Depreciation of non current assets	860,689	12,758	1,097	1,389
Amortisation of mining interests	967,739	-	-	-
Foreign currency translation losses	4,082,707	1,265,563	2,898,137	1,237,245
	59,960,522	9,256,592	12,867,310	5,107,827
Allowance for loss on iron ore contract	10,625,232	-	-	-
Allowance for impairment of loan to CMSB	-	-	36,727,222	-
	70,585,754	9,256,592	49,594,532	5,107,827

Note 4 Contingent liabilities and contingent assets

The Company has a contingent liability in respect of letters of financial support given in respect of its subsidiaries.

The Directors are not aware of any other contingent assets or contingent liabilities in existence at the date of this report.

Note 5 Income Taxes

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
The prima facie tax expense on pre-tax accounting loss from operations reconciles to the income tax as follows:					
Loss from continuing operations		(32,754,484)	(8,559,877)	(45,032,573)	(3,757,425)
Prima facie tax payable to ATO on loss from Australian continuing activities before tax income tax at 30% (2007: 30%)		(3,744,275)	(2,567,963)	(13,509,772)	(1,127,228)
Prima facie tax payable to Servicio de Impuestos on loss from Chilean continuing activities before tax income tax at 17% (2007: 17%)		(3,446,507)	-	-	-
- Assessable interest on loan to associate		-	196,509	-	-
- Equity share of associate loss		-	1,002,572	-	-
- Bad debts expense		-	(9,084)	107,443	-
- Option premium		832,096	-	832,096	-
- Allowance for loss on contract		1,083,774	-	-	-
- Amortisation expense		290,322	-	-	-
- Provision for impairment on loan		-	-	11,018,167	-
- Unrealised foreign exchange gains		933,021	584,150	933,021	584,150
- Foreign losses quarantined Rincon Lithium Ltd		962,348	241,655	-	-
- Tax losses not brought to account as deferred tax assets		3,089,221	552,161	619,045	543,078
Income tax expense attributable to loss from continuing activities		-	-	-	-
The deferred tax assets not brought to account as assets:					
Tax losses – revenue		11,795,929	7,874,612	5,461,149	4,842,104
Tax losses - capital		1,135,901	1,135,901	292,928	292,928
		12,931,830	9,010,513	5,754,077	5,135,032

Realisation of the above benefits is dependent on:

(a) the ability of the Company and the Consolidated Entity to derive future assessable income of a nature and of a sufficient amount to enable the benefit to be realised;

(b) the ability of the Company and the Consolidated Entity to continue to comply with the conditions for deductibility imposed by law; and

(c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The Consolidated Entity and the Company do not have any deferred tax liabilities.

Legislation to allow groups, comprising a Parent Entity and its Australian resident, wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company.

At the date of this report the Directors have not elected to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the Company and Consolidated Entity has not been recognised in the financial statements.

Note 6 Key Management Personnel Remuneration and Equity Holdings

Key management personnel includes, the four most highly remuneration S.306A Directors and executives except that the Company Secretary is not considered a key management personnel. Accordingly the Company Secretary has not been included in any key management personnel totals.

(a) Director and executive details

The Directors of Admiralty Resources NL during the year were:

- Professor J. Ross Harper
- Phillip Thomas
- R. Michael Clarke (appointed on 5 October 2007)
- John Anderson
- Anthony Blumberg (resigned 6 March 2008)

The group executives of Admiralty Resources NL during the financial year were:

- Phillip Thomas
- R. Michael Clarke

(b) Key management personnel compensation

The aggregate compensation of the key management personnel of the Company is set out below:

	2008 $	*2007 $*
Short-term employee benefits	851,945	525,613
Post-employee benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	2,773,575	657,780
Total	3,625,520	1,188,393

(c) Shareholdings

Number of shares held by Parent Entity Directors and other key management personnel

	Balance 1 July 2006	*Net Change Other**	*Balance 30 June 2007*	*Net Change Other**	*Balance 30 June 2008*
Parent Entity Directors					
J. Ross Harper	320,000	-	320,000	1,000,000	1,320,000
Phillip Thomas	3,128,333	20,961,767	24,090,100	3,960,000	28,050,100
R. Michael Clarke	-	-	-	-	-
John Anderson	-	-	-	-	-
Anthony Blumberg	-	80,000,000	80,000,000	(80,000,000)	-
Total	3,448,333	100,961,767	104,410,100	(75,040,000)	29,370,100

* Net change other refers to shares purchased or sold during the financial year.

(d) Share based payment plans

Employee option plan

An employee option plan has been established which is open to employees and Directors of the Company and its related bodies corporate. Eligible persons are selected by the board and if an offer to participate is accepted, are granted an amount of options as determined by the Board. The options are over ordinary shares of Admiralty Resources NL. The options are issued for nil consideration. The options are not listed. The options cannot be transferred without approval from the Board. Once a share has been issued following the exercise of an option, it will rank equally with other shares. The options will only be exercisable within their prescribed period. The options do not have any voting rights unless they are exercised into ordinary shares. Options that are not exercised within the prescribed period will lapse. Any options that have not lapsed can be exercised, despite any imposition by the Board of a period of time when options cannot be exercised, if a person announces an intention to make offers under a takeover scheme of arrangement for shares in the Company or initiates a scheme of arrangement, selective reduction of capital or share buyback. Participants in the option plan cannot encumber the options.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

	30 June 2008 Number of Options	*30 June 2008 Weighted Average Exercised Price*	*30 June 2007 Number Of Options*	*30 June 2007 Weighted Average Exercise Price*
Balance at beginning	6,000,000	$0.10	-	-
Granted	8,750,000	$0.10	9,500,000	$0.10
Forfeited	-	-	-	-
Exercised	(13,750,000)	$0.10	(3,500,000)	$0.10
Balance at end of period	1,000,000	$0.10	6,000,000	$0.10
Exercisable at end of period	1,000,000	$0.10	6,000,000	$0.10

The options have been granted on the following terms and conditions:

Number	*Grant date*	*Vesting date*	*Expiry date*
8,750,000	25 July 2007	25 July 2007	25 July 2010

The fair value of the options was estimated using a binomial pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

Grant date	25 July 2007
Spot Price (VWAP)	$0.36
Expected volatility	124%
Risk free interest rate	6.5%
Life of option	3 years
Exercise price	$0.10

Based on these inputs, the options have been valued at $2,773,575. This amount has been expensed to the income statement in "Employee benefits expense" for the year ended 30 June 2008.

13,750,000 options were exercised during the year.

1,000,000 options remain unexercised.

(e) Remuneration

Details of Director and executive remuneration are disclosed in the Remuneration Report on Page 17.

Notes to the Financial Statements
for the Financial Year Ended 30 June 2008 (Continued)

Note 7 Remuneration of Auditors

	Consolidated		*Company*	
	2008 $	***2007 $***	***2008 $***	***2007 $***
Auditor of the Consolidated Entity				
- Audit and review fees for the Parent Entity	60,000	55,000	60,000	49,000
- Audit and review fees for the subsidiary, Rincon Lithium Ltd paid to PKF Argentina	17,660	22,390	-	-
- Audit and review fees for the subsidiary Cia Minera Santa Barbara paid to PKF Chile	28,500	12,879	-	-
Total	106,160	90,269	60,000	49,000

The auditor of the Consolidated Entity is PKF Chartered Accountants.

Note 8 Dividends

At 30 June 2008, the balance of the franking account of the Consolidated Entity and the Parent Entity was $nil (2007: $nil).

Note 9 Earnings per Share

		Consolidated	
		2008 $	***2007 $***
a.	***Reconciliation of Earnings to Net Profit or Loss***		
	Net loss	(32,754,484)	(8,559,877)
	Loss used in the calculation of basic EPS	(32,754,484)	(8,559,877)
	Loss used in the calculation of dilutive EPS	(32,754,484)	(8,559,877)
b.	***Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS***	985,295,758	629,184,993
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	985,295,758	629,184,993
c.	***Basic and diluted earnings/(loss) per share (cents per share)***	(3.32)	(1.36)

d. ***Classification of securities***

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

	2008	2007
- Options outstanding	1,000,000	58,169,167

Note 10 Receivables

		Consolidated		Company	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Security deposits		3,571	3,850	950	950
Receivable – Wyndham		1,041,100	-	1,041,100	-
Sundry receivables		1,983,983	-	-	-
Goods and services tax (GST) receivable		105,019	43,663	104,981	43,621
		3,133,673	47,513	1,147,031	44,571
NON-CURRENT					
Loans to controlled entities		-	-	7,973,874	7,615,729
Loan to associate	(a)	-	18,404,067	40,597,481	19,236,286
Less: Allowance for unlikely recoverability of loans		-	-	(44,701,096)	(7,615,729)
		-	18,404,067	3,870,259	19,236,286

(a) This loan to Cia Minera Santa Barbara is in US dollars with interest receivable at 6.25% for the first US$10 million principal and 17% thereafter. Repayments will occur by allocation from the net proceeds of iron ore shipments until the loan is extinguished. The loan agreement grants the Company security over CMSB assets.

Note 11 Other Financial Assets

		Consolidated		Company	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Marketable Securities		1,157,237	-	-	-
Shares in listed corporations, at fair value	(a)	3,600	3,600	3,600	3,600
		1,160,837	3,600	3,600	3,600
NON-CURRENT					
Shares - at fair value	(b)	3,340,898	3,328,830	334,000	334,000
Shares in controlled entities - at cost		-	-	53,311,872	21,395,304
Less: Provision for impairment	(b)	(3,328,830)	(3,328,830)	(334,000)	(334,000)
		12,068	-	53,311,872	21,395,304

(a) The Consolidated Entity owns 300,000 ordinary shares in SmartTrans Holdings Ltd, a mining exploration and technology company, and this investment represents approximately 0.16% of the issued capital of that company.

(b) The Consolidated Entity holds 10% (2007: 10%) of the ordinary share capital of Nilnav Orthopaedics Pty Ltd, a company involved in minimally invasive hip replacement procedures and toolset design, modification and manufacture. This investment of $3,328,830 has been tested for impairment and fully provided for by the Directors.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

Note 12 Inventories

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Inventories at Net Realisable Value				
Lithium carbonate	140	-	-	-
Mirabilite	535,935	-	-	-
Inventories at Cost				
Iron ore fines	5,044,167	-	-	-
Total Inventories	5,580,242	-	-	-

Note 13 Controlled Entities

Admiralty Resources NL is the ultimate Parent Entity of the group. The country of incorporation is Australia.

Name of Entity	Country of Incorporation	Principal Activity	Percentage Owned (%)	
			2008	2007
Rincon Lithium Ltd	Australia	Lithium, Potassium Exploration	100%	100%
Bulman Resources Pty Ltd *	Australia	Lead, Zinc Exploration	100%	100%
Pyke Hill Resources Pty Ltd *	Australia	Nickel, Cobalt Exploration	100%	100%
ADY Investments Pty Ltd *	Australia	Investment Holding Entity	100%	100%
Five Star Resources Pty Ltd *	Australia	Mineral Exploration	100%	100%
Fortune Global Holdings Corporation	British Virgin Islands	Holding company for Cia Minera Santa Barbara	100%	100%
Inversiones Admiralty Resources Chile Ltda	Chile	Holding company	100%	-
Sociedad Contractual Minera Santa Barbara	Chile	Iron Ore Producer	60%	50%

* These controlled entities are classified as small proprietary companies and, in accordance with the Corporations Act 2001, are relieved from the requirement to prepare, audit and lodge financial reports.

Note 14 Property, Plant and Equipment

	Consolidated		*Company*	
	2008 $	*2007 $*	*2008 $*	*2007 $*
Plant and equipment				
At cost	8,528,368	259,798	12,309	10,348
Accumulated depreciation	(947,278)	(13,858)	(1,665)	(8,914)
	7,581,090	245,940	10,644	1,434
Motor vehicles				
At cost	718,727	68,190	-	-
Accumulated depreciation	(93,628)	(15,616)	-	-
	625,099	52,574	-	-
Office furniture				
At cost	182,448	30,481	11,968	11,968
Accumulated depreciation	(24,973)	(8,444)	(6,858)	(6,123)
	157,475	22,037	5,110	5,845
Low value pool				
At cost	19,116	7,139	-	-
Accumulated depreciation	(4,311)	(905)	-	-
	14,805	6,234	-	-
Net book value	8,378,469	326,785	15,754	7,279

2008 Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment	*Motor Vehicles*	*Office Furniture*	*Low Value Pool*	*Total*
	$	*$*	*$*	*$*	*$*
Consolidated:					
Balance at the beginning of year	245,940	52,574	22,037	6,234	326,785
Additions/(disposals)	8,268,570	650,537	151,967	11,977	9,083,051
Depreciation expense	(933,420)	(78,012)	(16,529)	(3,406)	(1,031,367)
Carrying amount at the end of year	7,581,090	625,099	157,475	14,805	8,378,469
Company:					
Balance at the beginning of year	1,434	-	5,845	-	7,279
Additions/(disposals)	9,572	-	-	-	9,572
Depreciation	(362)	-	(735)	-	(1,097)
Carrying amount at the end of year	10,644	-	5,110	-	15,754

Note 14 Property, Plant and Equipment (Continued)

2007 Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment	*Motor Vehicles*	*Office Furniture*	*Low Value Pool*	*Total*
	$	*$*	*$*	*$*	*$*
Consolidated:					
Balance at the beginning of year	30,910	4,059	8,482	887	44,338
Additions/(disposals)	221,166	51,362	16,605	6,072	295,205
Depreciation expense	(6,136)	(2,847)	(3,050)	(725)	(12,758)
Carrying amount at the end of year	245,940	52,574	22,037	6,234	326,785
Company:					
Balance at the beginning of year	1,949	-	6,719	-	8,668
Depreciation	(515)	-	(874)	-	(1,389)
Carrying amount at the end of year	1,434	-	5,845	-	7,279

Note 15 Mining Interests

	Consolidated		*Company*	
	2008 *$*	*2007* *$*	*2008* *$*	*2007* *$*
Exploration interest - at cost	61,020,252	2,889,041	6,112	6,112
Purchase of Rapé Mine	655,837	725,623	-	-
Purchase of Rio Grande Salar	5,450,624	-	-	-
Accumulated amortisation – exploration interests	(967,739)	-	-	-
	66,158,974	3,647,773	6,112	6,112

Note16 Other Assets

		Consolidated		Company	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Prepayments		10,277	122,630	10,277	122,630
		10,277	122,630	10,277	122,630
NON-CURRENT					
Guarantee receivable		1,666,518	33,109	-	33,109
		1,666,518	33,109	-	33,109

Note 17 Payables

		Consolidated		Company	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Trade payables and accruals	(a)	2,917,411	333,245	529,833	319,075
		2,917,411	333,245	529,833	319,075

(a) No interest is charged on trade payables. The Consolidated Entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 18 Borrowings

		Consolidated		Company	
		2008 $	2007 $	2008 $	2007 $
CURRENT					
Convertible Loans		7,287,700	7,069,636	7,287,700	7,069,636
Loan – Hawkswood Investments Pty Ltd	(a)	10,185,829	4,865,744	10,185,829	4,865,744
		17,473,529	11,935,380	17,473,529	11,935,380

(a) Hawkswood Investments Pty Ltd is a company associated with former Director, Mr Anthony Blumberg.The loan is unsecured.

Note 19 Issued Capital

		Consolidated		Company	
		2008 $	2007 $	2008 $	2007 $
1,133,457,841 (2007: 880,874,084) fully paid ordinary shares	(a)	107,650,964	59,407,386	107,650,964	59,407,386
Share issue costs		(111,350)	(111,350)	(111,350)	(111,350)
Option premium		3,475,104	701,530	3,475,104	701,530
		111,014,718	59,997,566	111,014,718	59,997,566

Fully paid ordinary shares carry one vote per share and the right to dividends.

(a) Ordinary shares

At the beginning of the financial year		59,407,386	30,295,580	59,407,386	30,295,580
Shares issued during the year		-	-	-	-
- 1 July – 31 July		9,185,583	-	9,185,583	-
- 1 August – 31 August		10,000	-	10,000	-
- 1 September – 30 September		1,875,000	-	1,875,000	-
- 1 October – 31 October		2,305,833	-	2,305,833	-
- 1 November – 30 November		5,131,834	609,152	5,131,834	609,152
- 1 December – 31 December		3,000	2,661,613	3,000	2,661,613
- 1 January – 31 January		-	780,026	-	780,026
- 1 February – 28 February		-	1,173,129	-	1,173,129
- 1 March – 31 March		10,000,000	338,130	10,000,000	338,130
- 1 April – 30 April		-	2,073,000	-	2,073,000
- 1 May – 31 May		6,005,000	21,037,050	6,005,000	21,037,050
- 1 June – 30 June		13,727,328	439,706	13,727,328	439,706
At the end of the financial year		107,650,964	59,407,386	107,650,964	59,407,386

Ordinary Shares		*2008 Number*	*2007 Number*	*2008 Number*	*2007 Number*
At the beginning of the financial year		880,874,084	556,253,159	880,874,084	556,253,159
- 1 July – 31 July		38,647,618	-	38,647,618	-
- 1 August – 31 August		6,620,833	-	6,620,833	-
- 1 September – 30 September		15,250,000	-	15,250,000	-
- 1 October – 31 October		25,983,333	-	25,983,333	-
- 1 November – 30 November		16,923,334	6,677,738	16,923,334	6,677,738
- 1 December – 31 December		-	30,586,185	-	30,586,185
- 1 January – 31 January		-	8,530,347	-	8,530,347
- 1 February – 28 February		-	11,088,260	-	11,088,260
- 1 March – 31 March		37,037,037	2,927,496	37,037,037	2,927,496
- 1 April – 30 April		-	27,396,667	-	27,396,667
- 1 May – 31 May		33,251,163	233,017,174	33,251,163	233,017,174
- 1 June – 30 June		78,870,439	4,397,058	78,870,439	4,397,058
At the end of the financial year		1,133,457,841	880,874,084	1,133,457,841	880,874,084

		Consolidated		Company	
Options expiring 30/11/07		*2008 Number*	*2007 Number*	*2008 Number*	*2007 Number*
At the beginning of the financial year		58,169,167	109,800,000	58,169,167	109,800,000
- 1 July – 31 July		(9,475,000)	-	(9,475,000)	-
- 1 August – 31 August		(13,287,500)	-	(13,287,500)	-
- 1 September – 30 September		(6,000,000)	-	(6,000,000)	-
- 1 October – 31 October		(22,633,333)	-	(22,633,333)	-
- 1 November – 30 November		(6,773,334)	-	(6,773,334)	-
- 1 December – 31 December		-	12,702,941	-	12,702,941
- 1 January – 31 January		-	34,558	-	34,558
- 1 February – 28 February		-	(1,410,000)	-	(1,410,000)
- 1 March – 31 March		-	(892,500)	-	(892,500)
- 1 April – 30 April		-	(20,730,000)	-	(20,730,000)
- 1 May – 31 May		-	(36,938,774)	-	(36,938,774)
- 1 June – 30 June		-	(4,397,058)	-	(4,397,058)
At the end of the financial year		-	58,169,167	-	58,169,167

		Consolidated		Company	
Options expiring 27/11/09		*2008 Number*	*2007 Number*	*2008 Number*	*2007 Number*
At the beginning of the financial year		6,000,000	-	6,000,000	-
- 1 September – 30 September		(4,000,000)	-	(4,000,000)	-
- 1 October – 31 October		-	-	-	-
- 1 November – 30 November		-	6,000,000	-	6,000,000
- 1 June – 30 June		(1,000,000)	-	(1,000,000)	-
At the end of the financial year		1,000,000	6,000,000	1,000,000	6,000,000

(b) Capital management

The consolidated entity manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings. Management and the Board manages the capital structure through payment of dividends, issue of new shares, repayment of existing debt and the acquisition of new debt.

The capital management strategy remains unchanged from 2007.

Note 20 Foreign currency translation reserve

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Foreign currency translation reserve	4,921,361	(259,606)	-	-
	4,921,361	(259,606)	-	-

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

Note 21 Capital and leasing commitments

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
(a) Operating lease commitments				
Office premises				
- not later than 1 year	8,400	6,000	8,400	6,000
	8,400	6,000	8,400	6,000
(b) Capital expenditure commitments				
The Consolidated Entity is commited to capital expenditure on its various mining tenements and leases as follows:				
Payable				
- not later than 1 year	2,000,000	7,000,000	-	-
- later than 1 year but not later than 5 years	-	-	-	-
	2,000,000	7,000,000	-	-

Note 22 Segment Reporting

Primary reporting – Geographical segments.

The Consolidated Entity operates in three geographical locations: Australia, Argentina and Chile.

	Australia		*Argentina*		*Chile*		*Eliminations*		*Consolidated Entity*	
	2008 $	*2007 $*	*2008 $*	*2007 $*	*2008 $*	*2007 $*	*2008 $*	*2007 $*	*2008 $*	*2007 $*
REVENUE										
Operating revenue	-	-	-	-	24,318,897	-	-	-	24,318,897	-
Other revenue	-	-	-	-	-	-	-	-	-	-
Total allocated segment revenue	-	-	-	-	24,318,897	-	-	-	24,318,897	-
Unallocated interest income									259,587	696,715
Entity revenue									24,578,484	696,715
RESULT										
Segment result	(12,740,110)	(4,412,455)	(3,207,826)	(805,517)	(30,059,334)	-	-	-	(46,007,270)	(5,217,972)
Equity accounted loss of associated company									-	(3,341,905)
Losses attributable to minority interest									13,252,786	-
Operating profit before income tax									(32,754,484)	(8,559,877)
ASSETS										
Segment assets	1,712,219	6,529,274	13,449,347	4,629,412	72,417,056	18,404,067	-	-	87,578,622	29,562,753
Investment in equity accounted associated company									-	7,291,346
Consolidated total assets									87,578,622	36,854,099
LIABILITIES										
Segment liabilities	18,003,362	12,254,455	-	14,170	11,586,738	-	-	-	29,590,100	12,268,625
Consolidated total liabilities									29,590,100	12,268,625
OTHER										
Acquisitions of non-current segment assets	9,572	-	2,864,789	725,623	6,216,302	-	-	-	9,090,663	725,623
Depreciation & amortisation of segment assets	1,097	1,389	290,668	11,369	1,536,663	-	-	-	1,828,428	12,758

Secondary reporting – Business segments

The Consolidated Entity operates solely in one business segment, being mineral exploration.

Accounting policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets and liabilities include all assets used in and all liabilities generated by the segments.

Note 23 Notes to the Cash Flow Statement

	Consolidated		Company	
	2008 $	*2007 $*	*2008 $*	*2007 $*
(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance as follows:				
Cash and cash equivalents	1,477,564	7,010,385	492,021	6,274,549
(B) RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH LOSS FOR THE PERIOD				
Loss for the period	(32,754,484)	(8,559,877)	(45,032,573)	(3,757,425)
Non-cash flows in loss from continuing activities:				
Minority interests share of loss	(13,252,786)	-	-	-
Depreciation	860,689	9,736	1,097	1,389
Amortisation	967,739	-	-	-
Allowance for loss on contract	10,625,232	-	-	-
Assets written-off	631	-	631	-
Diminution in value of loans	-	-	36,727,222	-
Non-cash interest expense	5,075,677	-	369,456	-
Debt issue costs	-	82,917	-	82,917
Non-cash provisions	2,636,350	-	-	-
Option premium	2,773,575	-	2,773,575	-
Equity accounted loss of associated company	-	3,234,688	-	-
Unrealised foreign exchange loss	809,252	(937,866)	(126,553)	-
Changes in assets and liabilities:				
- (Increase)/decrease in trade and term debtors	1,288,268	97,284	(61,360)	(16,516)
- (Increase)/decrease in inventory	(6,303,001)	-	-	-
- (Increase)/decrease in prepayments	112,353	(58,082)	112,353	(29,133)
- Increase/(decrease) in trade creditors and accruals	(3,805,400)	138,330	(125,589)	124,160
Net cash from operating activities	(30,965,905)	(5,992,870)	(5,361,741)	(3,594,608)

Note 24 Events Subsequent to Reporting Date

Subsequent to year end, the Consolidated Entity negotiated the deferral of the payment of the Hawkswood Investments Pty Ltd loan due to be paid on 30 September 2008. This loan has been deferred on the basis the Consolidated Entity:

- repay $3 million to Hawkswood Investments Pty Ltd (In Liquidation) on or before 30 October 2008;
- repay the balance of the debt on or before 31 December 2008;
- will incur interest at a lump sum of $1 million on and from 1 October 2008. However, if the debt is not repaid in full before 31 December 2008, the amount of interest will be the greater of a lump sum of $2 million or 35% per annum, compounding monthly; and
- provide a registered fixed and floating charge over all of its assets and undertakings as security for the debt.

Since year end, the Consolidated Entity has arranged funding from the following sources:

- Credit approval for US$5 million debt facility with Maestro Holdings Pty Ltd have been received with the funds expected to be received before the end of October 2008.
- Ya Global Investments L.P. have offered to a US$5 million converting debt subject to their internal investment committee approval.

Note 25 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) *Equity interests in related parties*

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 13 to the financial statements.

Equity interests in other related parties

Details of interests in other related parties are disclosed in note 11 to the financial statements.

(b) *Key management personnel remuneration*

Key management personnel remuneration is disclosed in note 6 to the financial statements.

(c) *Key management personnel remuneration equity holdings*

Details of specified key management personnel remuneration equity holdings are disclosed in note 6 to the financial statements.

(d) *Loans*

There were no loans to key management personnel during the financial year.

(e) *Loans from Director related company*

The Company has a loan facility with Hawkswood Investments Pty Ltd (a company associated with former Director Anthony Blumberg). The loan is unsecured with an interest rate of 12.5% per annum.

(f) *Loans to subsidiary*

The Company has a loan to subsidiary, Cia Minera Santa Barbara of $40.6 million. This loan is unsecured with interest receivable at 6.25% for the first US$10 million principal and 17% thereafter.

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. An impairment of $36.7 million (2007: $nil) has been recognised by the company in the current year. These amounts have been included in diminution of loans in the Income Statement.

Note 26 Financial Instruments

(a) Financial risk management objectives

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the Board of Directors.

The Consolidated Entity's principal financial instruments comprise cash, loans to related parties and both short and long-term borrowings. The main purpose of the financial instruments is to support the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise as a result of its operations.

It is, and has been throughout the period under review, the Consolidated Entity's policy that trading in financial instruments may be undertaken. However, the Consolidated Entity has not used derivate financial instruments in the normal course of business for the purpose of hedging its future production and sales, or managing its commodity, foreign currency and interest rate exposures.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Interest rate risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2008 Consolidated Entity	*Weighted Average Effective Interest Rate %*	*Floating Interest Rate $*	*Fixed Interest Rate Maturity*			*Non - Interest Bearing $*	*Total $*
			Less than 1 year $	*1-5 years $*	*More than 5 years $*		
Financial Assets							
Cash	4.0	492,021	-	-	-	985,543	1,477,564
Receivables		-	-	-	-	3,133,673	3,133,673
Listed shares		-	-	-	-	1.160,837	1.160,837
Prepayments		-	-	-	-	10,277	10,277
Total Financial Assets		492,021	-	-	-	5,290,330	5,782,351
Financial Liabilities							
Trade payables and accruals		-	-	-	-	2,917,411	2,917,411
Loan	12.5	-	10,185,829	-	-	-	10,185,829
Convertible loan	8.0	-	7,287,700	-	-	-	7,287,700
Total Financial Liabilities		-	17,473,529	-	-	-	20,390,940

2007 Consolidated Entity	*Weighted Average Effective Interest Rate %*	*Floating Interest Rate $*	*Fixed Interest Rate Maturity* Less than 1 year $	1-5 years $	More than 5 years $	*Non-Interest Bearing $*	*Total $*
Financial Assets							
Cash	4.0	6,274,549	-	-	-	735,836	7,010,385
Receivables	10.3	18,404,067	-	-	-	47,513	18,451,580
Listed shares		-	-	-	-	3,600	3,600
Prepayments		-	-	-	-	122,630	122,630
Investment in associate		-	-	-	-	7,291,346	7,291,346
Total Financial Assets		24,678,616	-	-	-	8,200,925	32,879,541
Financial Liabilities							
Trade payables and accruals		-	-	-	-	333,245	333,245
Deferred purchase consideration	9.2	-	4,865,744	-	-	-	4,865,744
Convertible loan	8.0	-	7,069,636	-	-	-	7,069,636
Total Financial Liabilities		-	11,935,380	-	-	333,245	12,268,625

2008 Parent Entity	*Weighted Average Effective Interest Rate %*	*Floating Interest Rate $*	*Fixed Interest Rate Maturity* Less than 1 year $	1-5 years $	More than 5 years $	*Non-Interest Bearing $*	*Total $*
Financial Assets							
Cash	4.0	492,021	-	-	-	-	492,021
Receivables	17.5	-	3,870,259	-	-	1,147,031	5,017,290
Listed shares		-	-	-	-	3,600	3,600
Prepayments		-	-	-	-	10,277	10,277
Investment in subsidiaries		-	-	-	-	53,311,872	53,311,872
Total Financial Assets		492,021	3,870,259	-	-	54,472,780	58,835,060
Financial Liabilities							
Trade payables and accruals		-	-	-	-	529,833	529,833
Loan	12.5	-	10,185,829	-	-	-	10,185,829
Convertible loan	8.0	-	7,287,700	-	-	-	7,287,700
Total Financial Liabilities		-	17,473,529	-	-	529,833	18,003,362

Note 26 Financial Instruments (Continued)

2007 Parent Entity	*Weighted Average Effective Interest Rate %*	*Floating Interest Rate $*	*Fixed Interest Rate Maturity* Less than 1 year $	*1-5 years $*	*More than 5 years $*	*Non-Interest Bearing $*	*Total $*
Financial Assets							
Cash	4.0	6,274,549	-	-	-	-	6,274,549
Receivables	10.3	19,236,286	-	-	-	44,571	19,280,857
Listed shares		-	-	-	-	3,600	3,600
Prepayments		-	-	-	-	122,630	122,630
Investment in associate and subsidiaries		-	-	-	-	21,395,304	21,395,304
Total Financial Assets		25,510,835	-	-	-	21,566,105	47,076,940
Financial Liabilities							
Trade payables and accruals		-	-	-	-	319,075	319,075
Deferred purchase consideration	9.2	-	4,865,744	-	-	-	4,865,744
Convertible loan	8.0	-	7,069,636	-	-	-	7,069,636
Total Financial Liabilities		-	11,935,380	-	-	319,075	12,254,455

(d) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

The Company is exposed to credit risk in relation to its unsecured loan with Cia Minera Santa Barbara. A $36.7million allowance for diminution of this loan was raised during the year. The maximum amount of credit risk the Company is exposed to is the remaining $3.9 million balance of the CMSB loan receivable.

(e) Liquidity risk management

The Consolidated Entity manages liquidity risk by maintaining centralised cash balances and by matching capital commitments to draw down of funding facilities.

(f) Foreign currency risk management

The Consolidated Entity is exposed to foreign currency risk as a direct result of their foreign operations in Argentina and Chile. Further, the Consolidated Entity is exposed to foreign currency risk on sales, borrowings and loans receivable that are denominated in currencies other than Australian Dollars.

The bulk of the Consolidated Entity's income and expenditure, borrowings and capital commitments are denominated in United States Dollars (USD). The Board of Directors has taken the view that because of the offsetting nature of the Consolidated Entity's receivables and payables that an unhedged position in relation to foreign currency exposure is the most appropriate policy. The Consolidated Entity maintains bank accounts in four currencies being Australian Dollars (AUD), United States Dollars (USD), Chilean Pesos, and Peso Argentino (ARS) to manage receipts and payments in those currencies and to reduce and minimise currency conversion costs.

(g) Fair values

The aggregate fair values of financial assets and liabilities, both recognised and unrecognised, at balance date is as follows:

	2008 *$*	*2007* *$*
Financial Assets		
Cash	1,477,564	7,010,385
Receivables	3,133,673	18,451,580
Listed shares	1.160,837	3,600
Prepayments	10,277	122,630
Investment in associate	-	7,291,346
Total Financial Assets	5,782,351	32,879,541
Financial Liabilities		
Payables	2,917,411	333,245
Loan	10,185,829	4,865,744
Convertible loan	7,287,700	7,069,636
Total Financial Liabilities	20,390,940	12,268,625

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

The carrying amount for cash, receivables, prepayments, listed shares and payables approximates fair value.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

(h) Sensitivity

Interest rate risk

The Consolidated Entity has considered the sensitivity relating to its exposure to interest rate risk at balance date. This analysis considers the affect on current year profit which could result in a change in this risk. The managements processes employed to control these factors involve entering into fixed interest rate borrowings. Thus, the potential impact on profit and equity would not be material.

Foreign currency risk

The Consolidated Entity has considered the sensitivity relating to its exposure to foreign currency risk at balance date. The sensitivity analysis considers the effect on current year profit and equity due to a change in the AUD / USD, AUD / CLP and AUD / ARS rates.

The table below summarises the impact of +/- 5% strengthening / weakening of the AUD against the USD, CLP and ARS. The analysis is based on the +/- 5% movement of each foreign currency (CLP, USD and ARS) against AUD with all other factors remaining equal.

		Post Tax Profit *2008* *$'000's*	*Equity* *2008* *$'000's*
AUD/USD	+ 5%	(9)	(9)
	- 5%	9	9
AUD/CLP	+ 5%	695	(1,520)
	- 5%	(695)	1,520
AUD/ARS	+ 5%	160	(672)
	- 5%	(160)	672

Note 26 Financial Instruments (Continued)

Commodity price risk

The Consolidated Entity has considered the sensitivity relating to its exposure to commodity price risk at balance date. This analysis considers the affect on current year profit which could result in a change in the commodity price of iron ore. The managements processes employed to control these factors involve entering into fixed rate forward sales contracts, however, the Consolidated Entity also enters into spot sales of iron ore which creates exposure to commodity price risk.

The table below summarises the impact of +/- 10% movement in the spot price of iron ore. The analysis is based on the +/- 10% movement of the commodity price with all other factors remaining equal.

	Post Tax Profit 2008 $'000's	*Equity 2008 $'000's*
+ 10%	981	981
- 10%	(981)	(981)

Note 27 Non-Hedged Foreign Currency Balances

The Australian dollar equivalent of foreign currency balances included in the financial statements which are not effectively hedged are as follows:

	Consolidated		*Company*	
	2008 $	*2007 $*	*2008 $*	*2007 $*
Peso Argentino (ARS)				
Cash	499,813	735,836	-	-
United States Dollars (USD)				
Loan to associate	-	18,404,067	-	19,236,286
Hawkswood Investments Pty Ltd loan	-	(2,365,744)	-	-
Convertible loan	(7,827,000)	(7,069,636)	-	(7,069,636)
Chilean Pesos (CLP)				
Cash	485,730	-	-	-

Note 28 Business Combination

(a) Summary of acquisition

On 26 July 2007, the Company acquired an extra 10% stake in Cia Minera Santa Barbara (CMSB). Under the purchase agreement, the Company agreed to pay US$10 million cash and issue 10 million shares to Wyndham Explorations S.A, its Joint Venture partner. The Admiralty Resources NL shares were valued at the date of issue. On this date the Company assumed control of Cia Minera Santa Barbara and consolidated its accounts.

Details of the fair value of the assets and liabilities acquired are as follows:

Purchase Consideration	*$*
Consideration paid for initial 50%	11,755,487
Shares issued for additional 10%	4,500,000
Cash component (US$10m) for additional 10%	11,398,636
Fair value of net identifiable net assets	27,654,123

(b) Assets and liabilities acquired

	CMSB	CMSB
	Carrying Amount *$*	*Fair Value* *$*
Current Assets		
Cash assets	431,881	431,881
Receivables	9,494,832	9,494,832
Other financial assets	623,933	623,933
Other assets	1,905	1,905
Non-Current Assets		
Other financial assets	1,905,196	1,905,196
Property, plant & equipment	5,138,279	5,138,279
Development and exploration interests	3,136,735	58,538,484
Current Liabilities		
Payables payables	(5,846,472)	(5,846,472)
Provisions provisions	(405,601)	(405,601)
Non-Current Liabilities		
Loan - Admiralty Resources NL	(23,792,235)	(23,792,235)
Net Assets	(9,311,545)	46,090,205
Entitlement to share in assets	60%	60%
Net assets acquired	(5,586,927)	27,654,123

(c) Other disclosures

Cia Minera Santa Barbara recorded a loss of $33,652,742 for the year ended 30 June 2008. Since the date of acquisition, CMSB has recorded a loss of $33,131,966.

CMSB had revenue of $25,074,566 for the year ended 30 June 2008, of which, $24,395,585 related to the post acquisition period.

Additional Information For Listed Public Companies

1. The shareholder information set out below was applicable as at 29 August 2008

(a) Distribution of Shareholders by Class

Category (size of holding)	*Ordinary Shares*	*No of Holders*
1 - 1,000	64,359	131
1,001 - 5,000	6,897,577	2,070
5,001 – 10,000	16,778,104	1,953
10,001 - 100,000	227,728,591	5,734
100,001 and over	881,989,210	1,486
	1,133,457,841	11,374

(b) The number of shareholdings held in less than marketable parcels is 1,334 at 29 August 2008.

(c) The number of holders of each class of equity security as at 29 August 2008 was:

Class of Security	*Number*
Ordinary fully paid shares	11,374
Unlisted options	1

(d) There were no substantial shareholders listed in the holding Company's register as at 29 August 2008

(e) Voting Rights

Every Member is entitled to be present at a meeting and may vote. Options do not carry a right to vote.

On a show of hands, every Member has one vote.

On a poll every Member has:

- one vote for each fully paid share; and
- voting rights pro rata to the amount paid up on each partly paid share held by the Member.

(f) 20 Largest Shareholders - Ordinary Capital as at 29 August 2007.

Name		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	HSBC Custody Nominees (Australia) Limited - A/C 2	83,198,777	7.34
2	ANZ Nominees Limited	51,073,749	4.51
3	HSBC Custody Nominees (Australia) Limited	45,079,260	3.98
4	Citicorp Nominees Pty Limited	37,273,678	3.29
5	National Nominees Limited	36,586,748	3.23
6	Merrill Lynch (Australia) Nominees Pty Limited	18,127,136	1.6
7	Equity Trustees Limited	16,496,183	1.46
8	J P Morgan Nominees Australia Limited	9,596,543	0.85
9	Mr Alfred Gilliland	9,361,000	0.83
10	Forbar Custodians Limited	6,708,435	0.59
11	HSBC Custody Nominees (Australia) Limited - GSCO ESCA	6,055,849	0.53
12	G Sandilands Investments Pty Ltd	5,277,311	0.47
13	Barrios Pty Ltd	5,169,435	0.46
14	Mr Warren William Brown & Mrs Marilyn Helena Brown	5,000,000	0.44
15	WWB Investments Pty Ltd	4,600,000	0.41
16	Mr Bruce Hodgens & Mrs Barbara Susan Hodgens	4,500,000	0.4
17	Pelham Group Pty Limited	4,443,600	0.39
18	Fortis Clearing Nominees P/L	4,401,222	0.39
19	R J Brown Holdings Pty Ltd	4,180,000	0.37
20	CS Fourth Nominees Pty Ltd	4,046,553	0.36
		361,175,479	31.9

2. The name of the Company Secretary is Stephen Charles Prior.

3. The address and telephone number of the administrative office and registered office are as follows:

Administrative Office

Level 14, 200 Queen Street Melbourne, Victoria 3000

Telephone: (03) 9642 8787

Facsimile: (03) 8677 6949

Registered Office

C/- Prior & Co. Pty. Ltd

Level 14, 200 Queen Street Melbourne Victoria 3000

Telephone: (03) 9670 1838

Facsimile: (03) 9670 1898

Additional Information For Listed Public Companies (Continued)

4.The register of securities is held at the following address:

Computershare Investor Services Pty Ltd
Level 27, Central Plaza One
345 Queen Street
Brisbane, Queensland 4000
Telephone: (07) 3237 2173
Facsimile: (07) 3229 9860

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on the Australian Stock Exchange Ltd.

6. Vendor Securities

There are no restricted securities on issue as at 29 August 2008.

7. Unquoted Securities

Holders of Unlisted Options as at 29 August 2008.

Name	*Number of Unlisted Options Held*	*%*
Mr John Anderson	1,000,000	100.00
	1,000,000	100.00

Corporate Details

ADMIRALTY RESOURCES NL
ABN 74 010 195 972

Admiralty Resources Group Structure

Admiralty Resources NL (ACN 010 195 972) owns 100% of:

- **Rincon Lithium Ltd**
  (which operates the projects in Argentina)
- **Fortune Global Holdings Ltd**
  (which owns 60% of Cia Minera Santa Barbara)
- **Bulman Resources Pty Ltd**
  (which explores in the Northern Territory)
- **Pyke Hill Resources Pty Ltd**
  (which has a 50% joint venture with Richfile and has a mining and production Royalty agreement with Cougar Metals NL)
- **ADY Investments Pty Ltd**
  (which holds a 10% interest in the Nilnav Group of Companies)
- **Five Star Resources Pty Ltd**
  (currently inactive)
- **Inversiones Admiralty Resources Chile Ltda.**
  (Chilean subsidiary established this year)

Directors:

Professor J. Ross Harper
Phillip Thomas
John Anderson
R. Michael Clarke

Bankers:

Westpac Banking Corporation
447 Bourke Street
Melbourne VIC 3000 Australia

Secretary:

Stephen C. Prior

Share Registry:

Computershare Investor Services Pty Ltd

Registered Office:

C/- Prior & Co. Pty. Ltd.
Level 14, 200 Queen Street
Melbourne VIC 3000 Australia
Tel + 61 3 9642 8787
Fax + 61 3 8677 6949

Securities Quoted:

Australian Securities Exchange Ltd (ASX)
Code: ADY (shares)
ASX web address: www.asx.com.au

American Depositary Receipt Program (ADR)
Code: ARYRY (OTCBB)
Bank of New York web address: www.adrbny.com

Principal Place of Business:

Level 14, 200 Queen Street
Melbourne VIC 3000 Australia
Tel + 61 3 9642 8787
Fax + 61 3 8677 6949

Website:

www.ady.com.au

Auditors:

PKF Chartered Accountants
Level 14,140 William Street
Melbourne VIC 3000 Australia

Lawyers:

Hall & Wilcox
Level 30, 600 Bourke Street
Melbourne VIC 3000 Australia

Logie-Smith Lanyon Lawyers
Level 13, 575 Bourke Street
Melbourne VIC 3000 Australia

ADMIRALTY RESOURCES

Investors Relations

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