ADMIRALTY RESOURCES

Admiralty Resources NL

07

annual report 2007

HIGHLIGHTS FOR 2007

- *Admiralty signed a 17 shipment contract worth FOB USD$22-25 million with WISCO, Wugang Iron and Steel Group, China. Shipments of iron ore fines from Cia Minera Santa Barbara commenced in April 2007, with production quality in excess of 64%+ Fe. The contract will be completed in 2008.*

- *Successfully completed an alliance with Santa Fe iron ore mines to acquire iron ore fines, located 75 kilometres from the Caleta, Caldera Port to blend with Santa Barbara iron ore fines.*

- *JORC Calculation of the reserves of lithium (Li) and potash (KCL) at the Rincon Salar was estimated at 1.4 million tonnes of Li and 50.3 million tonnes of KCl, creating a mine life of 400 years to produce 17,000 tonnes in total per year of lithium carbonate, lithium chloride, lithium hydroxide and 80,000 tonnes of potash commencing in 2009.*

- *Successful negotiations with the Traditional Owners and Northern Land Council at Bulman, NT receiving four new exploration licences and the recommencement of exploration for lead and zinc.*

- *Market Capitalisation increased to A$370.4 million as of 2 September 2007 compared to $44.8 million twelve months ago.*

- *Ownership of equity in Cia Minera Santa Barbara increased to 60% in August 2007.*

- *Successfully raised US$8 million in equity and US$13 million in debt during the year.*

ADMIRALTY RESOURCES NL
ANNUAL REPORT 2007

CONTENTS

The 2007 Annual report provides an overview of Admiralty Resource's main operating activities for the year ended 30 June 2007 and contains details on the four main projects we are developing.

COMPANY DETAILS

Admiralty Resources NL
ABN: 74 010 195 972

DIRECTORS
Professor J Ross Harper
Phillip Thomas
John Anderson
Anthony Blumberg

SECRETARY
Stephen Charles Prior

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

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

BANKERS
Westpac Banking Corporation
447 Bourke Street
Melbourne VIC 3000 Australia

SHARE REGISTRY
Computershare Investor Services Pty Ltd
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Level 27, 345 Queen Street
Brisbane QLD 4000 Australia

SECURITIES QUOTED
Australian Stock Exchange Ltd (ASX)
Code: ADY (shares)
OTCBB ARYRY

WEB-SITE
www.ady.com.au

ADMIRALTY RESOURCES GROUP STRUCTURE
Admiralty Resources NL (ACN 010 195 972) owns 100% of:

- ADY Resources Ltd (which operates the Argentinean projects)
- Bulman Resources Pty Ltd (which explores in the Northern Territory)
- Pyke Hill Resources Pty Ltd (which has a 50% joint venture and 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)
- Fortune Global Holdings Limited (which owns 60% of Cia Minera Santa Barbara)

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 production and sale of iron ore fines from our Santa Barbara joint venture in Chile to WISCO. The Company has positioned itself to realise substantial earnings from sales of iron ore in the 2007/2008 financial year and commence the first pilot phase of lithium carbonate production in early 2008.

Iron ore, lithium carbonate and potash all increased in price dramatically during the year with acute shortages becoming apparent for iron ore in China. Bulk freight has also increased in price making FOB more attractive for us from Caleta. Iron ore increased 9.5% in January 2007 and lithium carbonate to more than US$10,000 per tonne for 99.9+% grade. Future steep increases are forecast for iron ore as the Chinese and Indian economies prosper. The outlook for the lithium compounds that we intend to manufacture looks very promising as "plugin" lithium battery electric and hybrid cars and other applications for lithium continue to grow exponentially.

Loading iron ore at the stockpile in Caldera.

On the exploration front, excellent progress was made with four new exploration licences being issued and an exploration contract let to Geos Mining to define our zinc resource at Bulman. Cougar Metals NL continued exploration and further drilling at Pyke Hill, a nickel and cobalt resource, and made an announcement to the ASX of their encouraging drilling results.

We had the pleasure of welcoming Anthony Blumberg to your Board in December 2006. Anthony, a major shareholder and experienced Director, has made a valuable contribution to our strategy.

CHAIRMAN'S REPORT *continued*




Handymax ship loading operations at Caleta Port, Caldera, Chile.

The Company issued a US$6 million converting note in March 2007, which was exercised after a 75% increase in the share price which left the Company debt free at that time. The Company was able to negotiate a loan of US$2.0 million with ITOCHU Corporation and $US12 million through a private lender. This greatly assisted our funding and cash flow during 2006/7. We have invested US$20 million in our Cia Minera Santa Barbara joint venture operation.

The Consolidated Group Entity made a loss of $8.5 million which was to be expected given the plant establishment costs, and shipment of iron ore commenced in April 2007. This loss partly reflects the expansion and commissioning of the iron ore plant at Cia Minera Santa Barbara and ongoing drilling and exploration.

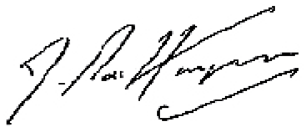
As part of our corporate governance, we have implemented and are monitoring our occupational health, safety and environmental policies. All Directors and senior employees are aware of our code of conduct, and our contractors also adhere to the code.

This year our year end audit was completed by PKF in the Melbourne, Santiago and Salta offices after we decided to not continue to use Deloitte.

I express my thanks to Phillip Thomas, our energetic and immensely capable CEO, fellow Directors, John Anderson and Anthony Blumberg and Company Secretary, Stephen Prior for their contributions during what was a hectic year.

I look forward to meeting you at our Annual General Meeting to be held in Melbourne at 10:00AM on 8 November 2007.

Yours sincerely,



Professor J Ross Harper
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

China's demand for iron ore fuelled a 9.5% price increase in early 2007 with projections of a 25-30% increase in 2008. Disappointingly bulk freight followed with increases in Handymax ships between January and June 2007 of 50%. We are prepared to benefit from these forecasted substantial iron ore price increases in 2008, with production targeted at 1.8-2.0 million tonnes. The key strategic issue for us is expanding our port capacity both in Caldera and at Punta Alcalde.

Lithium Carbonate prices increased with the battery sector surpassing other applications such as ceramics and glass to become the major segment for lithium usage. The benchmark 99.9+% standard grade exceeded $10,000 per tonne for the first time.

Base metals achieved new price records in 2007, particularly nickel and zinc. We have made great progress at Bulman and have completed a geochemical and outcrop rock sampling program, and in late 2007 will complete a drilling program and airborne gravity survey of the new exploration tenements. This will lead to work on defining the size and extent of the zinc deposit in 2008.

Continued work on determining our iron ore and lithium reserves, and commencing our iron ore mining and production business contributed to an increase in the share price during the year to its all-time historic high. The market capitalisation of the Company increased dramatically from less than $55 million to more than $610 million at the peak share price.

Loading iron ore on bulk carrier at Caldera

CHIEF EXECUTIVE OFFICER'S REPORT *continued*

Caldera

BUSINESS STRATEGY

Our business strategy going into 2008/2009 is as follows:

- Capitalise on iron ore prices by selling, as close to the global benchmark price set by CVRD, iron ore on a FOB basis, from our Caleta port in 2008 and offer Panamax and Cape size ships in 2009 and 2010 from Candelaria and Punta Alcalde ports. We will also investigate the pellet feed market, as this will increase our profitability two to three fold through higher yields per tonne mined and beneficiated.

- Expand production at Santa Barbara to the 3.9 million tonnes per annum which is currently the amount specified in our environmental permit. We will exploit the Mirador, Japonesita and Mariposa deposits as they offer very high quality grades of iron ore and can be processed using our existing plant. SRK Geological Consulting will continue to develop JORC ASX resource estimates and mine engineering at Primavera and Chilean Viejo mines.

- Develop the port of Punta Alcalde near the township of Huasco to build a first class super capesize facility 55km from the mine. At an estimated $40 million investment, we will work with other partners to develop this project.

- Build a world-class lithium, potash and sodium sulphate facility with our development of the Rincon Salar, Rio Grande and Cauchari processing facilities. We will be a supplier of approximately 20% of the world's lithium carbonate and other lithium based products when full production commences. We are targeting full production in 2009, and a 50 tonne pilot plant in 2008.

- Continue to prove up the Bulman mineral leases (726 and 727) and commence exploration of two of our four exploration license tenements to develop an economically feasible zinc open cut mine. We may pursue other identified strategic options for this resource as an alternative to Admiralty fully developing the mine.

- Nickel and Cobalt prices continue to reach new highs. Our 50% interest in Pyke Hill will yield us A$0.20 per tonne of run of mine ore, when Cougar Metals NL decide to develop the mine located near Leonora, 200 kilometres north of Kalgoolie. Cougar are currently determining how they can maximise return on their option to mine.

PRODUCTION AND SALES

During 2006/2007 we processed more than one million tonnes of iron ore and shipped 210,000 tonnes of high quality iron ore fines to the end of September 2007. 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 parallels iron ore and we have had many discussions with potential clients who are interested in purchasing lithium based compounds from us which is encouraging. We will issue a tender for purchase and agency agreements for 2007 - 2010 in 2007 and sign off take agreements in 2008 as the development of the Rincon Salar project moves forward to production stage.

PEOPLE

Professional, experienced and skilled staff will always be the deciding factor between success and failure. We have assembled a team of experienced, hard working people in Chile and Argentina. In Chile, led by Leonardo Farkas, President of Cia Minera Santa Barbara, we have 57 staff and over 400 staff working for Besalco, our outsourced plant and mine operator.

In Argentina we have 14 staff supervised by Dr Rodrigo Frias, legal counsel, and Dr Carlos Sorentino, Director Technical Services for Admiralty Resources NL. Dr Daniel Galli is working on our production processes at the laboratory and pilot plant in Jujuy and at the Rincon Salar in Argentina. We have a full environmental assessment engineering team in Salta, Argentina, evaluating the possible environmental impact when the plant is constructed and in operation.

We continually reinforce our safety and occupational health policies with our staff and contractors. To date, we have been injury and accident free and we will strive to continue to maintain this track record. Unfortunately, our contractors have not been as fortunate; however the number of incidents is extremely low and we continue to reinforce our health and safety practices with them.

FINANCE

A loan of US$19 million is owing to Admiralty Resources by Cia Minera Santa Barbara which will be repaid from distributions first before the shareholders of Cia Minera Santa Barbara receive a distribution.

CHIEF EXECUTIVE OFFICER'S REPORT *continued*

Rincon pilot plant construction.

We have approximately US$10 million of debt outstanding which we intend to refinance using a larger facility in 2008.

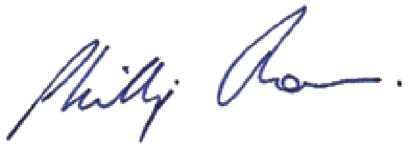
SHARE PRICE

Our share price has had significant volatility over the past year responding to a number of large shareholders acquiring shares. In contrast to last year where a 50% volatility on the downside occurred, this year saw a 600% increase on the upside. Turnover continued to provide outstanding liquidity.

We revamped the website this year and added many features such as a live-cam for viewing the ships being loaded and a picture gallery.

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

Yours sincerely,



Phillip Thomas
Chief Executive Officer

OVERVIEW OF PROJECTS

Admiralty Resources has four major projects and one passive investment. The major projects are lithium and potash from the Rincon Salar, a salt enriched brine lake in the north of Argentina, iron ore from the Santa Barbara mine located near Vallenar in Chile, exploration for Zinc and lead from Bulman in the Northern Territory and through a farm out agreement with Cougar metals NL for nickel and cobalt from Pyke Hill in Western Australia.

ADY Investments Pty Ltd, a 100% owned subsidiary, holds 10% of the shares in Nilnav Orthopaedics Pty Ltd, that is marketing its hip prosthesis guidance system for inserting femoral stems and acetabular cups into hip patients.

RINCON SALAR

The Rincon Salar business is operated through ADY Resources Ltd, an Australian company registered for tax in Argentina and classified as a foreign controlled company. Dr Rodrigo Frias is our Argentinean legal representative. We have established an office at 282 Santiago del Estero, Salta, a laboratory and laboratory pilot plant at Jujuy and a pilot plant at the Rincon Salar.

PROJECT STRATEGY

Demand for lithium carbonate, lithium chloride and lithium hydroxide, the three lithium based chemicals in highest demand, has increased exponentially over the past year.

We have identified a large deposit of sodium sulphate at Rio Grande, a mine which we have acquired. We have also identified a large limestone deposit approximately 30 km from the Rincon Salar from which we will produce caustic soda. By owning these two deposits our operational expenditure on sodium carbonate has been reduced substantially.

Substantial progress was made this year in process engineering. From a simple fractional crystallization process we have produced lithium carbonate with grades exceeding 99.5%. Largely independent of the final concentrated grade, it is now not necessary to concentrate the lithium brine to 66,000 ppm, reducing evaporation lead times.

The second area of work has involved completing the hydrology of the lake to better understand the porosity and transmissibility characteristics.

Rincon pilot plant processing site.

OVERVIEW OF PROJECTS *continued*

Crushing and separations operations.

The third area is marketing. We have commenced meaningful dialogue with the top 15 purchasers and major traders of lithium product around the world specifically in the USA, Korea, China and Japan. Admiralty has been welcomed as a producer with a projected contribution of approximately 20% of the world's supply. Estimates of world current supply is approximately 70,000 tonnes of lithium carbonate, lithium hydroxide and lithium chloride, but accurate numbers are difficult to determine. It is our intention to produce 50 tonnes of lithium carbonate before April 2008. This will enable some clients to utilise our products and arrange for forward orders in 2008.

The next major work project is to install 4 hectares of evaporation ponds and complete the pilot plant assembly. Each of the evaporation ponds will be lined with plastic to ensure that they do not leak. Further work will also be continued on the ionisation process for producing higher grades of lithium product.

SANTA BARBARA

The majority of 2007 was focused on establishing a large plant at the Japonesa group of mines deposit. We completed construction in January 2007 but were unable to take delivery of essential high speed magnetic drums used to separate the dry magnetite ore.

A plant with monthly production capacity of 30,000 tonnes was constructed and commissioned in February 2007. During the months of July and August 2007, substantial knowledge was accumulated that greatly assisted in setting up our larger plant that has the capacity of more than 100,000 tonnes per month.

Geological work continued by our own Geologists and geological consulting firm SRK on the Japonesita and Mirador tenements. SRK also completed an independent review of the geological work completed including geophysics. This work was released as a JORC reserve calculation and approximately 84 million tonnes were estimated at inferred and indicated levels.

During the year trips were made to China, Japan, New York and London to ensure buyers knew of our iron ore mines and the superior quality of the iron ore. The iron ore is approximately 63.5% iron with 0.05% phosphorus, 4% silica, and negligible sulphur.

We received an environmental permit to ship up to 47,000 tonnes of iron ore from the port of Caleta, Caldera at a draft of 11.36m, but this was reduced to 10.63m after obstructions were found close to the pier, which have subsequently been dredged. We have also entered into negotiations to utilise two nearby ports, one at the Panamax port Candelaria. Between February and November 2008, we expect to ship between two and three shipments per month from the port of Caleta. Our strategy for 2009 is to build our own port at Punta Alcalde to substantially reduce shipping costs and consequently trucking costs by $8.50 per tonne.

PYKE HILL

In August 2006 Cougar Metals NL provided details of their drilling efforts at the Pyke Hill nickel and cobalt resource. They were pleased with the results and published a report stating there was a multi-billion dollar value of nickel in the resource. This statement was later retracted as it was not JORC compliant. Admiralty will receive another payment of $100,000 and A$0.20 per tonne when mining operations commence. Pyke Hill resources took legal action against its joint venture partner to recover owed expenditure.

BULMAN

In July 2007 we received four exploration licences, two of which have been excluded from exploration from the Northern Territory Mines and Energy Department. The exclusion zone of sacred sites of the traditional owners has now been delineated. A no-go moratorium has been put in place over approximately 400 of the 637 sq kilometres; however the most prospective areas are not affected (Hill 131 and areas A). A geochemical sampling project was finished in July 2007, an airborne gravity anomaly study will commence in November 2007 and drilling in January 2008 subject to rig availability.

Separation and benefication operations at Santa Barbara.

CORPORATE GOVERNANCE STATEMENT

CORE BUSINESS SUMMARY

The Company has actively developed its two main assets, the Rincon Salar lithium project and its iron ore joint venture, Sociedad Contractual Minera Santa Barbara (SCMSB) in Chile. SCMSB commenced production on a pilot scale during July 2006 and the full scale plant was constructed and commissioned in February 2007. The first shipment of iron ore was made in April 2007 and to the end of June 2007, four shipments totaling approximately 165,000 tonnes have been sent to our first client, WISCO (Wugung) in China.

Apart from the Chilean iron ore business described above, the Company's business strategy is to produce high value lithium and potash products from our Salar brine deposit in Northern Argentina. Lithium Carbonate, Lithium Chloride, Lithium Hydroxide and Potassium Chloride are the key products to be extracted and produced from our salt lake brines. These lithium compounds are experiencing strong demand from diverse industries globally especially the "plug in" hybrid electric vehicle battery market. This market projects they will need 5.7kg of lithium carbonate to manufacture a 20watt battery per vehicle.

The Company's evaporate rich lake is known as the Salar del Rincon that covers more than 250 sq kilometers in the Salta Province of Argentina and in the vicinity of two of the largest producers of lithium compounds and potash in the world. The Company will continue to develop the mineral evaporate resources of the Rincon and nearby deposits in Argentina to produce Sodium Sulphate and Sodium Carbonate and other related products for use in the production of Lithium compounds.

The Rincon Salar tenements were acquired in February 2001. Twenty six square kilometers have been drilled and tested. Production boreholes have been installed and lined, 40 kilometres of roads installed and 4 one hectare pilot ponds excavated. An environmental study is nearing completion and a hydrological report was completed.
The lead zinc resource at Bulman has been identified and two mineral leases were granted in 1997. In July 2007 a further exploration license agreement was signed with two exploration licences granted, and an additional two with exclusion zones. The Company has made preparations in consultation with Geos Mining to further explore 250 sq kilometers of tenements to establish the full extent of the deposit during the 2007 dry season.

We expect a further drilling report from Cougar Metals NL who hold an option to explore and mine our joint venture Pyke Hill deposit for Nickel and Cobalt. This report was due for completion at the end of August 2007 and will be received in October 2007.

CORPORATE GOVERNANCE

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

The Company will use some of the cash proceeds from its participation in SCMSB to expand its iron ore business. It will use forward sales and project finance to fund the construction and development of the Rincon evaporate business. 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 Stock 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 reviewed the Company's corporate governance practices and procedures and has put in place a revised 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 Stock 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.

CORPORATE GOVERNANCE STATEMENT *continued*

Appointment and Rotation of Directors

One third of Directors retire by rotation annually. Professor J Ross Harper was elected a Director in March 2005 and is up for re-election at the 2007 Annual General Meeting. Anthony Blumberg was appointed a Director during the year and will submit himself to ratification at the 2007 Annual General Meeting. 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 has signed a Director's agreement setting out 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.

The names of the independent Directors of the Company are:

- Professor J Ross Harper (Chairman)
- John Anderson (non-executive Director)

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 judgment.

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 threshold tests to which the Board has regard in connection with assessing the independence of Directors are those set out in items 1 to 7 in Box 2.1 of the ASX Principles and Recommendations.

In this connection, for the purpose of considering whether a relationship with a professional advisor or consultant is material, the Board has regard to whether the aggregate payments for services to the advisor or consultant in any of the last three years has represented more than:

- 5% of the advisor's or consultant's revenue in any of those years; or
- 0.5% of the average market value of the Company's investment portfolio during any of those years.

However, these quantitative indicators of potential materiality will not be treated as conclusive. Qualitative aspects will also be considered, including the strategic significance and underlying nature of the relationship with the relevant advisor or consultant.

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 Chief Executive Officer and an executive Director of the Company and is not considered to be independent.

Mr. Anthony Blumberg is a substantial shareholder and is therefore 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 Prof. 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

The members of the Finance Committee at the date of this report are Mr. Phillip Thomas, Mr. John Anderson and Mr. Anthony Blumberg. 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 GOVERNANCE STATEMENT *continued*

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 Chief Executive Officer and the 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 auditor's 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 Chief Executive Officer, 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. A 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. A Director and the Company Secretary prior to the Director's 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.

Secretary

All Directors have access to the Secretary of the Company. The 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 Stock 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 2007. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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

DIRECTORS

Professor J Ross Harper LLB, MA, D Univ, CBE
Chairman of Directors

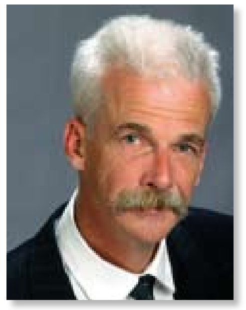
Professor Harper was appointed to the Board on 29 March 2005. Professor Harper holds a Bachelor of Laws and a Master of Arts from Glasgow University. He was awarded an Honorary Doctorate for services to Law at Glasgow University in 2002. Professor Harper is an Emeritus Professor of Law at Strathclyde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

Phillip Thomas BSc, MBM, AIG
Managing Director

Mr Thomas became a Director of Admiralty Resources NL on 22 April 2003 and was appointed as 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 a Bachelor of Science majoring in Geology from the Australian National University, and a Master of Business (Marketing) from Monash University.

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. 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, design and implementation of planning information and control systems, strategic advice and developing business plans for new and existing entities.

Mr Anderson is an executive Director of Powersave Pty Ltd, a company supplying energy management solutions. 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 Anthony Blumberg BSc, SDIA, ATII
Director

Mr Anthony Blumberg was appointed to the Board on 15 December 2006. Mr Blumberg is an Associate of the Chartered Institute of Taxation (UK), and foundation member of the PEP Managers Association (UK).

Mr Blumberg's has specialised in tax efficient pension portfolio management, implementation of banking, trading and clearing systems and management of investment funds. Among previous positions held Mr Blumberg was the Senior Manager of Deloitte Consulting specialising in e-commerce and banking.

Mr Blumberg is currently a Director, the Responsible Executive and Responsible Officer for Opes Prime Stockbroking Ltd. He has spent the last 18 months designing and delivering the FiRSt project; an online, integrated Securities Lending and Equities Financing System.

The above named Directors held office during and since the end of the financial year except for:
Mr Anthony Blumberg
Appointed on 15 December 2006

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 $8,559,877 (2006 $7,461,956).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the year, nor are any recommended at 30 June 2007.

DIRECTOR'S REPORT *continued*

REVIEW OF OPERATIONS

Overview

The key focus of the Company over the past twelve months has been in the development and production of iron ore from the Santa Barbara and Santa Fe iron ore mines, and further drilling and resource calculations to extend mine life. The Company has also focused on the development of its lithium deposit in the Rincon Salar and completed chemical engineering, hydrological studies, pilot plant testing, and 1:100 pilot scale plant design and feasibility studies on the various aspects of the project's development.

The Company has valuable brine and several ore resources from which it intends to extract:

- Lithium (Lithium Carbonate, Lithium Chloride and Lithium Hydroxide)
- Iron ore fines
- Potassium chloride
- Sodium sulphate
- Sodium carbonate
- Boric acid
- Lead oxide and lead sulphides
- Zinc oxide and zinc sulphides

Bulman Resources Pty Ltd has lodged a 2007 workplan with the Northern Lands Council. The program entails an aeromagnetic survey in October 2007, ground sampling and if possible a small drilling program.

Santa Barbara, our joint venture company in Chile generated revenue of US$3.5 million from FOB sales value of Iron ore to its first client WISCO (Wugung). A contract was signed for 17 shipments of iron ore to commence in February 2007 with a cargo size of 45,000+/-10% with some ships between 35,000-45,000. These smaller ships are required to navigate the river canals to other Wugung iron and steel mills inland at Wuhan. We expect production to reach more than 100,000 tonnes per month by February 2008 when all equipment is delivered.

We expect to bring the Lithium pilot plant into production by first quarter 2008 and commission the full lithium operations by mid 2009.

Demand for lithium continues to be extremely strong especially in the lithium cobalt oxide and lithium hexafluoro phosphate markets which are used for new battery manufacturing, driven by 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 with an average increase with a further sharp upward trend in early 2007 due to reduction in production especially for delivery to Japan and Europe. Prices for lithium hydroxide at 99.95% have been reported at US$10,000 per tonne for three month contracts and more than US$6 per pound in the USA.

Iron Ore Project – Chile

The Japonesa mine is one of ten existing mines situated at Vallenar and has a total tenement area of 7,421 hectares. The production from this mine is expected to be at least one million, two hundred thousand tonnes of iron ore per annum after the plant is completed and has reached full capacity. The first shipment of iron ore was the vessel, MV SOVI-R which delivered high quality 64% Fe iron ore fines to Wuhan in May 2007. The trip took approximately 35 days. The iron ore mines owned by our joint venture company, Sociedad Contractual Minera Santa Barbara, contain alluvial, stockwork (vein type mineralisation) and hard rock (kiruna type) deposits and stockpiled iron ore fines (from the 1960's). A recent JORC compliant resource estimate discovered 42 million tonnes in the Japonesita mine, which covers 96 hectares. The Santa Barbara area covers a total of 7,421 hectares.

Sociedad Contractual Minera Santa Barbara has continued with rock sampling and geomagnetic work at two new mining tenements situated near Vallenar at Pampa Tololo and Cerro Varilla. They contain iron ore which will be mined in conjunction with the existing tenements at Vallenar. These tenements cover 3,500 hectares and are adjacent to the Los Colorados mine, which has produced substantial amounts of iron ore over the years.

Santa Barbara entered into an agreement with the owners of Santa Fe in January 2007 to acquire 1 million tonnes of iron ore at a very competitive price and consistent with its production cost at Santa Barbara. Santa Fe will accept further purchase orders as required. The purchase agreement required CMSB to provide a complement of staff and USD$500,000 of equipment to crush fines material extracted from the Cerro Iman mine which was operated in the 1960s. The material stockpiled at the mine is waste fines and covers many millions of cubic metres. It has exceptionally low levels of phosphorous and high Fe grades. The Santa Fe agreement is very attractive because when the Candelaria Port extension is built for Panamax ports it will enable production at Santa Fe to be increased to 2.8 million tonnes per annum from 1.2 million tonnes per annum and for Santa Barbara to recoup its USD$7.5 million investment expanding the Candelaria Port facility through usage fees.

Rincon Salar – Argentina

The Rincon Salar is our large brine lake deposit in Puna, Argentina near Susques containing valuable lithium and potassium compounds in solution. We have decided to focus our efforts on the extraction of lithium which offers the highest revenue potential. 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, seven pumping test holes have been drilled, and a pilot plant has been constructed, four pilot ponds excavated, all chemical testing and process work completed, samples produced and the laboratory fitted.

Substantial work has been done on the processes used to concentrate the lithium to 99.99% purity, and the process has been published in ASX reports. Offices have been established in Salta, Jujuy and at the Rincon. We announced a JORC compliant estimate of the resources being 1.403 million tonnes of lithium, and 50.8 million tonnes of potash. The average porosity was measured to be between 32%-36%.

FINANCIAL POSITION

The net assets of the economic entity have increased by $6,849,648 from 30 June 2006 to 30 June 2007. The increase has largely resulted from the following factors:

- Share issues during the year raised $4,620,550.
- Exercise of ordinary options to fully paid shares raising $7,072,318.
- Receipt of $4,107,841 payments in respect of the converting notes.

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. We expect to go to tender to appoint sales agents and sell 10 years production of 1,700 tonnes of lithium product per annum.

As part of our funding strategy we are seeking to sell 10% of production (1,700 tonnes of lithium product) in a tender for ten years (17,000 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.

We have decided to continue to defer development of our boric acid deposit at Rapéh until 2008 as boric acid prices have not continued to increase and the funds required can be better used elsewhere. Since balance date we have acquired the Rio Grande deposit and this will enable us to produce sodium carbonate from the massive sodium sulphate deposit it contains. In addition the gas was connected and two terminals were located adjacent to our Cauchari plant site enabling us to use the gas process to produce sodium carbonate.

DIRECTOR'S REPORT *continued*

CMSB

As our iron ore production increases up to 5.0 million tonnes per annum in 2009/10, for which we have environmental permits, we will seek to sign medium and long term contracts from our new Candelaria Port using Panamax ships and from the Punta Alcalde Port using Panamax and Cape size ships. By increasing the size of the ships used our profitability will increase.

AFTER BALANCE DATE EVENTS

The Company has purchased a further 10% interest in Sociedad Contractual Minera Santa Barbara for US$15 million since the year end. The 10% purchase increases the Company's interest to 60%. The acquisition cost will be paid for by issuing 10 million Admiralty Resources NL shares and payments totalling US$10 million.

Admiralty Resources acquired Rio Grande Salar, a 18.5 million tonne Sodium Sulphate Salar, which settled on 17 September 2007. The operational cost savings from this acquisition are US$15 million per annum, compared to buying Sodium Sulphate in Argentina.

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	58,169,167	Ordinary	$0.10	30 November 2007
Admiralty Resources NL	6,000,000	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	71,480,832	Ordinary	$0.10	$nil
Admiralty Resources NL	3,500,000	Ordinary	$0.10	$nil

MEETINGS OF DIRECTORS

During the financial year 9 Directors' meetings were held. Attendances at the meetings were as follows:

	Board of Directors		Remuneration Review Committee		Audit Committee		Finance Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P Thomas	9	9	-	-	-	-	1	1
A Blumberg	6	6	-	-	-	-	1	1
J Anderson	9	9	2	2	2	2	1	1
J. Ross Harper	9	8	2	2	2	2	-	-

There are three formally constituted committees of the Board of Directors as at the date of this report being the Remuneration Review Committee, the Audit Committee and the Finance Committee. The details of these Committees have been outlined further in the Corporate Governance Statement disclosure on page 4-11 of the Annual Report.

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
Phillip Thomas	24,090,100	4,000,000
John Anderson	Nil	1,000,000
Anthony Blumberg	80,000,000	Nil
J. Ross Harper	320,000	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.

DIRECTOR'S REPORT *continued*

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 normal industry levels. 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
- Anthony Blumberg (appointed 15 December 2006)
- John Anderson

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.

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 the 27th of November 2006, 9,500,000 options were granted to Directors of the Company. The options are fully vested. The breakdown is as follows:

Mr Phillip Thomas 7,500,000
Prof J. Ross Harper 1,000,000
Mr John Anderson 1,000,000

The options have an exercise price of $0.10 and were issued for no consideration. The expiry date for the options is the 27th of November 2009. The options are not subject to any performance criteria and can be exercised at any time. The options have been valued at $0.06924 per option.

Remuneration packages contain the following key elements:

- Directors fees
- Consulting fees

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
Non - executives			
John Anderson	Open Ended	Not applicable	Nil
J. Ross Harper	Open Ended	12 Months	Nil
Anthony Blumberg	Open Ended	Not Applicable	Nil

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:

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

2006	Short – Term			Total
	Salary & Fees	Bonus	Non-monetary Share Based Payments	
Directors	$	$	$	$
J. Ross Harper	73,887	-	-	73,887
Phillip Thomas	394,327	-	-	394,327
Anthony Dickson	-	-	-	-
John Anderson	29,900	-	-	29,900

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:

	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
Directors	$	$	$	$
J. Ross Harper	69,240	-	-	69,240
Phillip Thomas	519,300	(242,340)	-	276,960
John Anderson	69,240	-	-	69,240

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.

DIRECTOR'S REPORT *continued*

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 2007 financial year.

NON AUDIT SERVICES

During the year, there were no non-audit services provided by PKF Chartered Accountants and Advisers, 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 26.

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

Phillip Thomas
Director

Dated at Melbourne, this 27th day of September 2007.

SCHEDULE OF MINING TENEMENTS

TENEMENT REFERENCE	REGISTERED HOLDER	COUNTRY	OTHER NOTES
16879	ADY Resources Limited	Argentina	Rincon Project
16880	ADY Resources Limited	Argentina	Rincon Project
16881	ADY Resources Limited	Argentina	Rincon Project
16882	ADY Resources Limited	Argentina	Rincon Project
16883	ADY Resources Limited	Argentina	Rincon Project
16884	ADY Resources Limited	Argentina	Rincon Project
16982	ADY Resources Limited	Argentina	Rincon Project
16983	ADY Resources Limited	Argentina	Rincon Project
16984	ADY Resources Limited	Argentina	Rincon Project
16985	ADY Resources Limited	Argentina	Rincon Project
16986	ADY Resources Limited	Argentina	Rincon Project
16987	ADY Resources Limited	Argentina	Rincon Project
16988	ADY Resources Limited	Argentina	Rincon Project
16989	ADY Resources Limited	Argentina	Rincon Project
16990	ADY Resources Limited	Argentina	Rincon Project
16991	ADY Resources Limited	Argentina	Rincon Project
17052	ADY Resources Limited	Argentina	Rincon Project
17053	ADY Resources Limited	Argentina	Rincon Project
17054	ADY Resources Limited	Argentina	Rincon Project
17055	ADY Resources Limited	Argentina	Rincon Project
17056	ADY Resources Limited	Argentina	Rincon Project
17057	ADY Resources Limited	Argentina	Rincon Project
17058	ADY Resources Limited	Argentina	Rincon Project
17059	ADY Resources Limited	Argentina	Rincon Project
17083	ADY Resources Limited	Argentina	Rincon Project
17084	ADY Resources Limited	Argentina	Rincon Project
17112	ADY Resources Limited	Argentina	Rincon Project
17190	ADY Resources Limited	Argentina	Rincon Project
17170	ADY Resources Limited	Argentina	Rincon Project
17004	ADY Resources Limited	Argentina	Rincon Project
5449	ADY Resources Limited	Argentina	Rincon Project
9084	ADY Resources Limited	Argentina	Rincon Project
4730	ADY Resources Limited	Argentina	Rincon Project
18018	ADY Resources Limited	Argentina	Rincon Project
16824	ADY Resources Limited	Argentina	Rapé Mine
M39/159	100% Five Star 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
1422	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
1416	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
1417	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
1418	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
73	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines

SCHEDULE OF MINING TENEMENTS *continued*

TENEMENT REFERENCE	REGISTERED HOLDER	COUNTRY	OTHER NOTES
1421	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
1052	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
796	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
631	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo Uno 1-2	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo Siete 1-2	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo dos 1-40	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo Cinco 1-60	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo Seis 1-60	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 3	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 4	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 7	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 8	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 9	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 10	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 11	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 12	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 13	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 14	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 15	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 16	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 18	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 19	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 20	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 100	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 101	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 102	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 103	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 104	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 105	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 106	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines
Leo 107	Sociedad Contractual Minera Santa Barbara	Chile	Japonesa Group of Mines

DIRECTORS' DECLARATION

The Directors declare that:

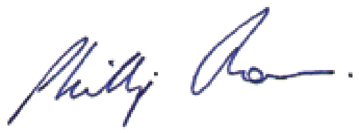
(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(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

Dated this 27th day of September 2007

AUDITOR INDEPENDENCE DECLARATION

Chartered Accountants
& Business Advisers

Board of Directors
Admiralty Resources NL
Level 14
200 Queen Street
MELBOURNE VIC 3000

AUDITOR INDEPENDENCE DECLARATION

As lead engagement partner for the audit of Admiralty Resources NL and its controlled entities for the year ended 30 June 2007, 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 made in accordance with section 307C of the Corporations Act 2001.

J Pasias
Partner
PKF
Chartered Accountants

27 September 2007
Melbourne

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.
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INDEPENDENT AUDITOR'S REPORT

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ADMIRALTY RESOURCES NL

We have audited the accompanying financial report of Admiralty Resources NL, which comprises the balance sheet as at 30 June 2007, 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 Admiralty Resources NL and the consolidated entity comprising Admiralty Resources NL and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures under the heading "remuneration report" within the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the directors' 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.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

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 and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT *continued*

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

AUDITOR'S OPINION
In our opinion the financial report of Admiralty Resources NL is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date;

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

(c) the remuneration disclosures that are contained within the remuneration report of the directors' report comply with Accounting Standard AASB 124.

Inherent Uncertainty Regarding Continuation as a Going Concern
Without qualification to the opinion expressed above, attention is drawn to the following matter. As disclosed in Note 1(a), the financial statements have been prepared on a going concern basis. The ability of the entity to continue as a going concern is dependent upon the factors outlined by directors in Note 1(a). In the event that the company is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial statements.

PKF
Chartered Accountants

J Pasias
Partner

27 September 2007
Melbourne

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INCOME STATEMENT *for the Financial Year ended 30 June 2007*

		CONSOLIDATED		COMPANY	
		2007	2006	2007	2006
	Note	$	$	$	$
INCOME					
Interest Income – SCMSB	2	677,847	184,421	1,332,878	361,609
Other Income	2	18,868	107,327	17,524	7,127
	2	696,715	291,748	1,350,402	368,736
EXPENSES					
Depreciation expense		12,758	4,896	1,389	1,756
Employee costs		928,144	95,885	799,373	52,788
Consultancy expenses		821,386	523,231	803,556	516,512
Professional expenses		858,676	355,387	472,213	319,110
Occupancy expenses		56,461	10,435	24,600	6,000
Communication expenses		10,365	1,304	-	(331)
Travel expenses		367,790	304,105	339,376	265,517
Finance costs		1,136,736	1,383,834	1,136,715	1,383,834
Write back of bad debts expense		-	-	30,280	(505,076)
Administration expenses		456,808	391,776	263,080	324,142
Loss on disposal of asset		-	7,046	-	-
Loss on equity accounting	26	3,341,905	1,040,329	-	-
Impairment of investments		-	3,424,830	-	96,000
Loss on exchange translation		1,265,563	210,646	1,237,245	210,646
		(9,256,592)	(7,753,704)	(5,107,827)	(2,670,898)
LOSS BEFORE INCOME TAX EXPENSE		(8,559,877)	(7,461,956)	(3,757,425)	(2,302,162)
Income tax expense	5	-	-	-	-
LOSS AFTER INCOME TAX		(8,559,877)	(7,461,956)	(3,757,425)	(2,302,162)
LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(8,559,877)	(7,461,956)	(3,757,425)	(2,302,162)
Basic and diluted loss per share (cents per share)	9	(1.36)	(1.41)		

Notes to the financial statements are included on pages 40 to 67.

BALANCE SHEET *as at 30 June 2007*

		CONSOLIDATED		COMPANY	
		2007	2006	2007	2006
	Note	$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents		7,010,385	1,467,690	6,274,549	1,331,413
Receivables	10	47,513	28,103	44,571	28,055
Other financial assets	11	3,600	3,600	3,600	3,600
Other	14	122,630	95,570	122,630	93,497
TOTAL CURRENT ASSETS		7,184,128	1,594,963	6,445,350	1,456,565
NON-CURRENT ASSETS					
Receivables	10	18,404,067	10,305,248	19,236,286	10,414,661
Other financial assets	11	-	-	21,395,304	17,648,175
Investments accounted for using the equity method	26	7,291,346	10,526,034	-	-
Property, plant and equipment	13	326,785	44,338	7,279	8,668
Other	14	3,647,773	2,667,451	39,221	122,138
TOTAL NON-CURRENT ASSETS		29,669,971	23,543,071	40,678,090	28,193,642
TOTAL ASSETS		36,854,099	25,138,034	47,123,440	29,650,207
CURRENT LIABILITIES					
Payables	15	333,245	4,748,083	319,075	4,717,062
Borrowings	16	11,935,380	2,654,125	11,935,380	2,654,125
TOTAL CURRENT LIABILITIES		12,268,625	7,402,208	12,254,455	7,371,187
TOTAL LIABILITIES		12,268,625	7,402,208	12,254,455	7,371,187
NET ASSETS		24,585,474	17,735,826	34,868,985	22,279,020
EQUITY					
Issued Capital	17	59,997,566	43,650,176	59,997,566	43,650,176
Foreign Currency Translation Reserve	18	(259,606)	29,061	-	-
Accumulated Losses		(35,152,486)	(25,943,411)	(25,128,581)	(21,371,156)
TOTAL EQUITY		24,585,474	17,735,826	34,868,985	22,279,020

Notes to the financial statements are included on pages 40 to 67.

STATEMENT OF CHANGES IN EQUITY *for the Financial Year ended 30 June 2007*

CONSOLIDATED 30 JUNE 2007	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	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	59,997,566	(259,606)	(35,152,486)	24,585,474

CONSOLIDATED 30 JUNE 2006	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2005	25,119,877	-	(18,481,455)	6,638,422
Exchange differences arising on translation of foreign operations	-	29,061	-	29,061
Net Income recognised directly in equity	-	29,061	-	29,061
Loss for the period	-	-	(7,461,956)	(7,461,956)
Total recognised income and expense for the year	-	29,061	(7,461,956)	(7,432,895)
Issue of new shares	1,855,058	-	-	1,855,058
Exercise of Options	4,020,000	-	-	4,020,000
Converting Notes	12,679,731	-	-	12,679,731
Adjustment in equity – convertible notes	(24,490)	-	-	(24,490)
Balance at 30 June 2006	43,650,176	29,061	(25,943,411)	17,735,826

Notes to the financial statements are included on pages 40 to 67.

STATEMENT OF CHANGES IN EQUITY *for the Financial Year ended 30 June 2007 continued*

COMPANY 30 JUNE 2007	Share Capital $	Accumulated Losses $	Total $
Balance at 1 July 2006	43,650,176	(21,371,156)	22,279,020
Net Income recognised directly in equity			
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	**59,997,566**	**(25,128,581)**	**34,868,985**

COMPANY 30 JUNE 2006	Share Capital $	Accumulated Losses $	Total $
Balance at 1 July 2005	25,119,877	(19,068,994)	6,050,883
Loss for the period	-	(2,302,162)	(2,302,162)
Total recognised income and expense for the year	**-**	**(2,302,162)**	**(2,302,162)**
Issue of shares	1,855,058	-	1,855,058
Exercise of Options	4,020,000	-	4,020,000
Converting Notes	12,679,731	-	12,679,731
Adjustment in equity – convertible notes	(24,490)	-	(24,490)
Balance at 30 June 2006	**43,650,176**	**(21,371,156)**	**22,279,020**

Notes to the financial statements are included on pages 40 to 67.

CASH FLOW STATEMENT *for the Financial Year ended 30 June 2007*

		CONSOLIDATED		COMPANY	
		2007	2006	2007	2006
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	100,000	-	-
Payments to suppliers and employees		(5,942,583)	(2,321,038)	(3,544,315)	(2,151,801)
Interest received		17,524	7,127	17,524	7,127
GST refunded (Paid)		(16,510)	18,009	(16,516)	18,057
Interest and other cost of finance paid		(51,301)	(196,853)	(51,301)	(196,853)
Net cash used in operating activities	21(b)	**(5,992,870)**	**(2,392,755)**	**(3,594,608)**	**(2,323,470)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant and equipment		(292,183)	(32,235)	-	-
Proceeds from sale of property, plant and equipment		-	15,676	-	-
Payment for development and exploration		(1,179,932)	(609,282)	-	-
Investment in controlled entity		-	-	(3,747,129)	-
Payment of deferred purchase consideration		(4,522,147)	-	(4,522,147)	-
Purchase of Mine Rapé		-	(842,316)	-	-
Amounts advanced to associate		(8,098,819)	(7,223,202)	(8,821,625)	(8,769,879)
Net cash used in investing activities		**(14,093,081)**	**(8,691,359)**	**(17,090,901)**	**(8,769,879)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of equity securities		16,458,741	9,186,756	16,458,740	9,186,756
Proceeds from loan		4,865,744	-	4,865,744	-
Costs of issuing converting notes		(111,350)	-	(111,350)	-
Proceeds from convertible loan		4,415,511	2,350,814	4,415,511	2,350,814
Net cash provided by financing activities		**25,628,646**	**11,537,570**	**25,628,645**	**11,537,570**
Net increase in cash held		5,542,695	453,456	4,943,136	444,221
Cash and cash equivalents at the beginning of the financial year		1,467,690	970,072	1,331,413	887,192
Effects of exchange rate changes on the translation of foreign controlled entities		-	44,162	-	-
Cash and cash equivalents at the end of the financial year	21(a)	**7,010,385**	**1,467,690**	**6,274,549**	**1,331,413**

Notes to the financial statements are included on pages 40 to 67.

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007*

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 27th September 2007.

The Board of Directors has the power to amend the Financial Reports.

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.

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 $8.6 million and has accumulated losses of $35.1 million.
- The Santa Barbara joint venture company only begun to generate revenue from its operations in April 2007.

The ability of the Consolidated Entity 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:

- First draft has been completed for US$40 million note issue from Jinan Investment Co which is arranged by Dampier Asia facility. These funds are expected to be available by November 2007.
- There are 55,169,167 Options expiring on 30/11/2007 with an exercise price of $0.10 outstanding at 30 June 2007. The exercise of all of these Options prior to the expiry date will introduce a further $5.5 million into the Consolidated Entity.
- There are a further 6,000,000 Options expiring on 28/11/2009 with an exercise price of $0.10 outstanding at 30 June 2007. A further 8,750,000 Options were issued shortly after year end. From this total, 12,750,000 Options have been exercised as at the date of this report, thus providing a further $1,275,000.
- The strength of the current share price creates the opportunity for the Consolidated Entity to place shares should it require.

The Consolidated Entity has lent money for working capital to its joint venture entity in Chile, Sociedad Contractual Minera Santa Barbara (SCMSB). Pursuant to Clause 4.1 of the Loan Agreement dated 18 February 2005, on the last day of each month, SCMSB must pay any net income before tax to the Consolidated Entity, subject to cash being available and its capacity to do so. Given shipment of the iron ore has begun, SCMSB is anticipated to begin repayment of the loan by March 2008. With projected net income before tax being US$5 million per month, SCMSB will have sufficient funds to repay the loan in accordance with the loan agreement.

Secondly, the Consolidated Entity, as detailed in the review of operations, is expected to receive an income stream (60% entitlement) from the sale of iron ore equivalent to approximately US$3 million per month. The receipt of which will assist the Consolidated Entity in meeting its ongoing commitments as and when they fall due. Production of iron ore and therefore shipment thereof at 125,000 tonnes per month is sustainable for at least 4 years based on stockpile reserves alone.

Lastly, the Consolidated Entity has the ability to defer certain expenditure with regards to the Boric Acid and Sodium Sulphate 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 or the Consolidated Entity will be able to continue as a going concern.

Should the Consolidated Entity or the Company be unable to continue as going concern, they may be required to realise their assets and extinguish its 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.

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

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.

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) 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.

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

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	9 yrs
Leasehold Improvements	6 yrs
Plant & Equipment	4 – 8 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.

(h) 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.

(i) 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.

(j) 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).

(k) 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.

(l) 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.

(m) 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.

(n) 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.

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.

(o) 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

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

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 statement of financial position of the related debt.

(p) 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.

(q) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 *Operating Segments* replaces the presentation requirements in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company or the Group as the standard is only concerned with disclosures.

	CONSOLIDATED		COMPANY	
	2007	2006	2007	2006
	$	$	$	$
2. INCOME				
Income				
Interest income – SCMSB	677,847	184,421	1,332,878	361,609
- other income	18,868	107,327	17,524	7,127
Total Income	696,715	291,748	1,350,402	368,736
3. EXPENSES				
Operating Activities				
Consultancy expenses	821,386	523,231	803,556	516,512
Professional expenses	858,676	355,387	472,213	319,110
Employee costs				
- Wages and salaries	190,667	91,527	61,896	48,430
- Superannuation	4,470	4,358	4,470	4,358
- Directors Fees	75,227	-	75,227	-
- Directors Bonus – Option Costs	657,780	-	657,780	-
Travel and entertainment	367,790	304,105	339,376	265,517
Occupancy costs	56,461	10,435	24,600	6,000
Borrowing costs				
- deferred purchase consideration	176,740	207,427	176,740	207,427
- interest	959,996	1,176,407	959,975	1,176,407
Bad Debts Expense	-	-	30,280	(505,076)
Overheads	467,173	393,080	263,080	323,812
Loss on equity accounting	3,341,905	1,040,329	-	-
Depreciation of non current assets	12,758	4,896	1,389	1,756
Foreign currency translation losses	1,265,563	210,646	1,237,245	210,646
	9,256,592	4,321,828	5,107,827	2,574,899
Provision for impairment on investments	-	3,424,830	-	96,000
Loss on disposal of non current assets	-	7,046	-	-
	-	3,431,876	-	96,000
	9,256,592	7,753,704	5,108,827	2,670,899

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.

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $

5. INCOME TAXES

The prima facie tax expense on pre-tax accounting loss from operations reconciles to the income tax as follows:

Loss from continuing operations	(8,559,877)	(7,461,956)	(3,757,425)	(2,302,163)
Prima facie tax payable on loss from ordinary activities before tax income tax at 30% (2006:30%)	(2,567,963)	(2,238,587)	(1,127,228)	(690,649)
- Assessable interest on loan to associate	196,509	53,157	-	-
- Equity share of associate loss	1,002,572	312,099	-	-
- Bad Debts Expense	(9,084)	-	-	-
- Unrealised Foreign Exchange Gains	584,150	-	584,150	-
- Foreign Losses Quarantined ADY Resources Ltd	241,655	-	-	-
- Tax losses not brought to account as deferred tax assets	552,161	1,873,331	543,078	690,649
Income tax expense attributable to loss from ordinary activities	-	-	-	-
The deferred tax assets not brought to account as assets:				
Tax losses – revenue	7,874,612	7,322,451	4,842,104	4,299,026
Tax losses - capital	1,135,901	1,135,901	292,928	292,928
	9,010,513	8,458,352	5,135,032	4,591,945

Realisation of the above benefits is dependent on:

(a) the ability of the Parent Entity 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 Parent 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.

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
- Anthony Blumberg (appointed 15 December 2006)
- John Anderson

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

- Phillip Thomas

Key management personnel compensation

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

	2007 $	2006 $
Short-term employee benefits	525,613	498,114
Post-employee benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	657,780	-
Total	**1,188,393**	**498,114**

(c) Shareholdings

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

	Balance 1 July 2005	Net Change Other*	Balance 30 June 2006	Net Change Other*	Balance 30 June 2007
Parent Entity Directors					
Phillip Thomas	2,228,946	899,387	3,128,333	20,961,767	24,090,100
J. Ross Harper	-	320,000	320,000	-	320,000
John Anderson	-	-	-	-	-
Anthony Blumfield	-	-	-	80,000,000	80,000,000
Total	**2,228,946**	**1,219,387**	**3,448,333**	**100,961,767**	**104,410,100**

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

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

(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 Limited. 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 2007 Number of Options	30 June 2007 Weighted Average Exercised Price	30 June 2006 Number Of Options	30 June 2006 Weighted Average Exercise Price
Balance at beginning	-	-	-	-
Granted	9,500,000	$0.10	-	-
Forfeited	-	-	-	-
Exercised	(3,500,000)	-	-	-
Balance at end of period	6,000,000	$0.10	-	-
Exercisable at end of period	**6,000,000**	**$0.10**	**-**	**-**

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

Number	Grant date	Vesting date	Expiry date
9,500,000	27 November 2006	27 November 2006	27 November 2009

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	27 November 2006
Expected volatility	122.2%
Risk free interest rate	6.25%
Life of option	3 years
Exercise price	$.10

Based on these inputs, the options have been valued at $657,780. This amount has been expensed to the income statement in "Employee benefits expense" for the year ended 30 June 2007.

3,500,000 options were exercised during the year.
6,000,000 remain unexercised.

(e) Remuneration

Details of Director and executive remuneration are disclosed in the Remuneration Report on Page 28.

7. REMUNERATION OF AUDITORS

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Auditor of the Parent Entity				
- Audit and review fees for the Parent Entity	55,000	140,000	49,000	140,000
	55,000	140,000	49,000	140,000
- Audit fees for the subsidiary, ADY Resources Ltd paid to PKF Argentina	22,390	-	-	-
	22,390	-	-	-
- Audit fees for the half year review of ADY Resources Ltd paid to Deloitte	12,879	-	-	-
	12,879	-	-	-

The auditor of the Consolidated Entity is PKF Chartered Accountants & Advisers. (2006: Deloitte)

8. DIVIDENDS

At 30 June 2007, the balance of the franking account of the Consolidated Entity and the Parent Entity was $nil (2006: $nil).

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

9. EARNINGS PER SHARE

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $
a. Reconciliation of Earnings to Net Profit or Loss		
Net loss	(8,559,877)	(7,461,956)
Loss used in the calculation of basic EPS	(8,559,877)	(7,461,956)
Loss used in the calculation of dilutive EPS	(8,559,877)	(7,461,956)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	629,184,993	530,151,329
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	629,184,993	530,151,329
c. Basic and diluted earnings per share (cents per share)	(1.36)	(1.41)

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:

	2007	2006
- Options outstanding	58,169,167	109,800,000
- Converting notes	-	134,999,980

10. RECEIVABLES

		CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
CURRENT					
Security deposits		3,850	950	950	950
Sundry receivables		-	48	-	-
Goods and services tax (GST) receivable		43,663	27,105	43,621	27,105
		47,513	**28,103**	**44,571**	**28,055**
NON-CURRENT					
Loans to controlled entities		-	-	7,615,729	7,585,449
Loan to associate	(a)	18,404,067	10,305,248	19,236,286	10,414,661
Less: Allowance for unlikely recoverability of loans		-	-	(7,615,729)	(7,585,449)
		18,404,067	**10,305,248**	**19,236,286**	**10,414,661**

(a) This loan to SCM 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 joint venture assets.

11. OTHER FINANCIAL ASSETS

		CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
CURRENT					
Shares in listed corporations, at fair value	(a)	3,600	3,600	3,600	3,600
NON-CURRENT					
Shares - at fair value	(b)	3,328,830	3,328,830	334,000	334,000
Shares in controlled entities - at cost		-	-	21,395,304	17,648,175
Less: Provision for impairment	(b)	(3,328,830)	(3,328,830)	(334,000)	(334,000)
		-	-	21,395,304	17,648,175

(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% (2006: 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 has been tested for impairment and fully provided for by the Directors.

12. 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 (%) 2007	Percentage Owned (%) 2006
ADY Resources 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	100%	100%
* Five Star Resources Pty Ltd	Australia	Mineral Exploration	100%	100%
Fortune Global Holdings Corporation	British Virgin Islands	Holding Entity for Santa Barbara	100%	100%

* 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.

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

13. PROPERTY PLANT AND EQUIPMENT

	CONSOLIDATED		COMPANY	
PLANT AND EQUIPMENT	2007	2006	2007	2006
	$	$	$	$
Plant and equipment				
At cost	259,798	39,581	10,348	10,348
Accumulated depreciation	(13,858)	(8,671)	(8,914)	(8,399)
	245,940	30,910	1,434	1,949
Motor Vehicles				
At cost	68,190	18,874	-	-
Accumulated depreciation	(15,616)	(14,815)	-	-
	52,574	4,059	-	-
Office Furniture				
At cost	30,481	13,876	11,968	11,968
Accumulated depreciation	(8,444)	(5,394)	(6,123)	(5,249)
	22,037	8,482	5,845	6,719
Low Value Pool				
At cost	7,139	1,094	-	-
Accumulated depreciation	(905)	(207)	-	-
	6,234	887	-	-
Net book value	**326,785**	**44,338**	**7,279**	**8,668**

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**

2006 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	2,701	29,297	7,723	-	39,721
Additions/(Disposals)	29,233	(22,722)	1,908	1,094	9,513
Depreciation expense	(1,024)	(2,516)	(1,149)	(207)	(4,896)
Carrying amount at the end of year	**30,910**	**4,059**	**8,482**	**887**	**44,338**
Company:					
Balance at the beginning of year	2,701	-	7,723	-	10,424
Depreciation	(752)	-	(1,004)	-	(1,756)
Carrying amount at the end of year	**1,949**	**-**	**6,719**	**-**	**8,668**

14. OTHER ASSETS

		CONSOLIDATED		COMPANY	
	NOTE	2007	2006	2007	2006
		$	$	$	$
CURRENT					
Prepayments		122,630	93,497	122,630	93,497
Other		-	2,073	-	-
		122,630	95,570	122,630	93,497
NON-CURRENT					
Development and exploration interest - at cost		2,889,041	1,709,109	6,112	6,112
Purchase of Rapé Mine		725,623	842,316	-	-
Other		33,109	116,026	33,109	116,026
		3,647,773	2,667,451	39,221	122,138

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

15. PAYABLES

		CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
CURRENT					
Trade payables and accruals	(a)	333,245	225,936	319,075	194,915
Deferred purchase consideration		-	4,522,147	-	4,522,147
		333,245	4,784,083	319,075	4,717,062

(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.

16. BORROWINGS

		CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
CURRENT					
Convertible Loan	(a)	7,069,636	2,654,125	7,069,636	2,654,125
Loan – Hawkswood Investments	(b)	4,865,744	-	4,865,744	-
		11,935,380	2,654,125	11,935,380	2,654,125

(a) Loan is repayable by convertible shares and all interest has been prepaid. The loan has subsequently been repaid in shares since 30 June 2007.

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

17. ISSUED CAPITAL

		CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
880,874,084 (2006: 556,253,159) fully paid ordinary shares	(a)	59,407,386	30,295,580	59,407,386	30,295,580
Share Issue Costs		(111,350)	-	(111,350)	-
Option premium		701,530	43,750	701,530	43,750
Converting Notes		-	13,310,846	-	13,310,846
		59,997,566	43,650,176	59,997,566	43,650,176

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

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
(a) Ordinary shares				
At the beginning of the financial year	30,295,580	24,420,522	30,295,580	24,420,522
Shares issued during the year				
- 1 July – 31 July	-	-	-	-
- 1 August – 31 August	-	-	-	-
- 1 September – 30 September	-	2,500,000	-	2,500,000
- 1 October – 31 October	-	-	-	-
- 1 November – 31 November	609,152	-	609,152	-
- 1 December – 31 December	2,661,613	2,500,000	2,661,613	2,500,000
- 1 January – 31 January	780,026	-	780,026	-
- 1 February – 28 February	1,173,129	-	1,173,129	-
- 1 March – 31 March	338,130	-	338,130	-
- 1 April – 30 April	2,073,000	666,756	2,073,000	666,756
- 1 May – 31 May	21,037,050	142,261	21,037,050	142,261
- 1 June – 30 June	439,706	66,041	439,706	66,041
At the end of the financial year	**59,407,386**	**30,295,580**	**59,407,386**	**30,295,580**

Ordinary Shares	2007 No.	2006 No.	2007 No.	2006 No.
At the beginning of the financial year	556,253,159	490,342,630	556,253,159	490,342,630
- 1 July – 31 July	-	-	-	-
- 1 August – 31 August	-	-	-	-
- 1 September – 30 September	-	25,000,000	-	25,000,000
- 1 October – 31 October	-	-	-	-
- 1 November – 31 November	6,677,738	-	6,677,738	31,666,667
- 1 December – 31 December	30,586,185	31,666,667	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	2,927,496	7,018,840	2,927,496	7,018,840
- 1 April – 30 April	27,396,667	1,276,618	27,396,667	1,276,618
- 1 May – 31 May	233,017,174	200,000	233,017,174	200,000
- 1 June – 30 June	4,397,058	748,764	4,397,058	748,764
At the end of the financial year	**880,874,084**	**556,253,159**	**880,874,084**	**556,253,159**

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

	CONSOLIDATED		COMPANY	
	2007	2006	2007	2006
	No.	No.	No.	No.
Options expiring 30/11/07				
At the beginning of the financial year	109,800,000	150,000,000	109,800,000	150,000,000
- 1 July – 31 July	-	-	-	-
- 1 August – 31 August	-	-	-	-
- 1 September – 30 September	-	(25,000,000)	-	(25,000,000)
- 1 October – 31 October	-	-	-	-
- 1 November – 31 November	-	-	-	-
- 1 December – 31 December	12,702,941	(15,000,000)	12,702,941	(15,000,000)
- 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)	(200,000)	(36,938,774)	(200,000)
- 1 June – 30 June	(4,397,058)	-	(4,397,058)	-
At the end of the financial year	**58,169,167**	**109,800,000**	**58,169,167**	**109,800,000**

	2007	2006	2007	2006
Options expiring 27/11/09	No.	No.	No.	No.
At the beginning of the financial year	-	-	-	-
- 1 July – 31 July	-	-	-	-
- 1 August – 31 August	-	-	-	-
- 1 September – 30 September	-	-	-	-
- 1 October – 31 October	-	-	-	-
- 1 November – 31 November	6,000,000	-	6,000,000	-
- 1 December – 31 December	-	-	-	-
- 1 January – 31 January	-	-	-	-
- 1 February – 28 February	-	-	-	-
- 1 March – 31 March	-	-	-	-
- 1 April – 30 April	-	-	-	-
- 1 May – 31 May	-	-	-	-
- 1 June – 30 June	-	-	-	-
At the end of the financial year	**6,000,000**	**-**	**6,000,000**	**-**

18. FOREIGN CURRENCY TRANSLATION RESERVE

	CONSOLIDATED		COMPANY	
	2007	2006	2007	2006
	$	$	$	$
Foreign Currency Translation Reserve	(259,606)	29,061	-	-
	(259,606)	29,061	-	-

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.

19. CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED		COMPANY	
	2007	2006	2007	2006
	$	$	$	$
A. Operating lease commitments				
Office Premises				-
- not later than 1 year	6,000	6,000	6,000	6,000
	6,000	6,000	6,000	6,000

B. Capital expenditure commitments

The Consolidated Entity is committed to capital expenditure on its various mining tenement and leases as follows:

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
Payable				
- not later than 1 year	7,000,000	-	-	-
- later than 1 year but not later than 5 years	-	-	-	-
	7,000,000	-	-	-

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

20. SEGMENT REPORTING

Primary reporting – Geographical segments.

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

	Australia		Argentina		Chile		Eliminations		Consolidated Entity	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
REVENUE										
Other revenue	-	100,000	-	-	-	-	-	-	-	100,000
Total allocated segment revenue	-	100,000	-	-	-	-	-	-	-	100,000
Unallocated interest income									696,715	191,548
Entity revenue									696,715	291,548
RESULT										
Segment result	(4,412,455)	(6,255,024)	(805,517)	(166,612)	-	-	-	-	(5,217,972)	(6,421,636)
Equity accounted loss of associated company									(3,341,905)	(1,040,329)
Operating profit before income tax									(8,559,877)	(7,461,956)
ASSETS										
Segment assets	6,529,274	1,557,021	4,629,412	2,749,731	18,404,067	10,305,248	-	-	29,562,753	14,612,000
Investment in equity accounted associated company									7,291,346	10,526,034
Consolidated total assets									36,854,099	25,138,034
LIABILITIES										
Segment liabilities	12,254,455	7,371,187	14,170	31,021	-	-	-	-	12,268,625	7,402,208
Consolidated total liabilities									12,268,625	7,402,208
OTHER										
Acquisitions of non-current segment assets	-	-	725,623	842,316	-	-	-	-	725,623	842,316
Depreciation & amortisation of segment assets	1,389	1,756	11,369	3,140	-	-	-	-	12,758	4,896

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.

21. NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED		COMPANY	
	2007 $	2006 $	2007 $	2006 $

(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:

	2007 $	2006 $	2007 $	2006 $
Cash and cash equivalents	7,010,385	1,467,690	6,274,549	1,331,413

(B) RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH LOSS FOR THE PERIOD

	2007 $	2006 $	2007 $	2006 $
Loss for the period	(8,559,877)	(7,461,956)	(3,757,425)	(2,302,162)
Non-cash flows in loss from ordinary activities:-				
Depreciation	9,736	4,896	1,389	1,756
Loss on sale of assets	-	7,046	-	-
Write-back of bad debts expense	-	-		(505,076)
Diminution in value of investments	-	96,000	-	96,000
Non-cash interest income	-	(184,421)	-	(361,609)
Non-cash interest expense	-	10,830	-	10,830
Debt issue costs	82,917	607,115	82,917	607,115
Impairment of investment	-	3,328,830	-	-
Inferred interest costs of deferred purchase consideration	-	207,427	-	207,427
Equity accounted loss of associated company	3,234,688	1,040,329	-	-
Unrealised foreign exchange loss	(937,866)	210,646	-	210,646
Changes in assets and liabilities:-				
- (Increase)/decrease in trade and term debtors	97,284	18,009	(16,516)	18,057
- (Increase)/decrease in prepayments	(58,082)	(24,241)	(29,133)	(22,168)
- Increase/(decrease) in trade creditors and accruals	138,330	(253,265)	124,160	(284,286)
Net Cash from operating activities	(5,992,870)	(2,392,755)	(3,594,608)	(2,323,470)

(C) CREDIT STANDBY ARRANGEMENTS WITH BANKS

During the financial year the Parent Entity had a credit Standby arrangement with Hawkswood Investments Pty Ltd. The Parent Entity can borrow up to a sum of $10,000,000 at the Parent Entity's request under the loan agreement.

At balance date the Parent Entity had drawn $4,865,744 of this facility. The remaining unused facility is $5,134,256.

22. EVENTS SUBSEQUENT TO REPORTING DATE

The Company has purchased a further 10% interest in Sociedad Contractual Minera Santa Barbara for US$15 million since the year end. The 10% purchase increases the Company's interest to 60% The acquisition cost will be paid for by issuing 10 million Admiralty Resources NL shares and payments totalling US$10 million.

Admiralty Resources acquired Rio Grande Salar containing 18.5 million tonne Sodium Sulphate Salar which settled on 17 September 2007. The estimated operational cost savings from this acquisition are US$15 million per annum, compared to buying Sodium Sulphate in Argentina. The purchase price is confidential however it was significantly less than the first year's cost savings.

23. 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 12 to the financial statements.

Equity interests in associates
Details of interests in associates are disclosed in note 27 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 are 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 remuneration 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 Director Anthony Blumberg). The loan is unsecured and with an interest rate of 12.5% per annum and a 1% application fee. No interest was paid during the year.

24. 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, which provide written principles on the use of financial derivatives.

(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:

2007	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	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
Loan	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

NOTES TO THE FINANCIAL STATEMENTS *for the Financial Year ended 30 June 2007 continued*

2006	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	3.5	1,331,413	-	-	-	136,277	1,467,690
Receivables	6.1	10,305,248	-	-	-	28,103	10,333,351
Listed shares		-	-	-	-	3,600	3,600
Prepayments		-	-	-	-	95,570	95,570
Investment in associate		-	-	-	-	10,526,034	10,526,034
Total Financial Assets		11,636,661	-	-	-	10,789,584	22,426,245
FINANCIAL LIABILITIES							
Trade Payables and Accruals	-	-	-	-	-	225,936	225,936
Deferred purchase consideration	12.0	-	4,522,147	-	-	-	4,522,147
Convertible loan	8.0	-	2,654,125	-	-	-	2,654,125
Total Financial Liabilities		-	7,176,272	-	-	225,936	7,402,208

(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.

(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) Fair Values

The aggregate fair values (2006: net fair values) of financial assets and liabilities, both recognised and unrecognised, at balance date is as follows:

	2007	2006
	$	$
Financial Assets		
Cash	7,010,385	1,467,690
Receivables	18,451,580	10,333,351
Listed shares	3,600	3,600
Prepayments	122,630	95,570
Investment in associate	7,291,346	10,526,034
Total Financial Assets	32,879,541	22,426,245
Financial Liabilities		
Payables	333,245	225,936
Deferred purchase consideration	-	4,522,147
Loan	4,865,744	-
Convertible loan	7,069,636	2,654,125
Total Financial Liabilities	12,268,625	7,402,208

The following methods and assumptions are used to determine the fair values (2006: net fair values) of financial assets and liabilities:

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

The fair values (2006: net fair values) of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

25. 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	
	2007	2006	2007	2006
	$	$	$	$
Argentinean Pesos				
Cash	735,836	136,277	-	-
United States Dollars				
Loan to associate	18,404,067	10,305,248	19,236,286	10,414,661
Deferred purchase consideration	-	(4,522,147)	-	(4,522,147)
Hawkswood Loan	(2,365,744)	-	-	-
Convertible loan	(7,069,636)	(2,654,125)	(7,069,636)	(2,654,125)

26. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of entity Associate	Principal activity	Ownership interest 2007	Ownership interest 2006	Consolidated carrying amount 2007	Consolidated carrying amount 2006
		%	%	$	$
Sociedad Contractual Minera Santa Barbara S.A. (incorporated in Chile)	Mining	50	49	7,291,346	10,526,034

During the year the Group acquired an additional 1 percent investment in Sociedad Contractual Minera Santa Barbara S.A. The investor has two shareholders both with 50 percent shareholding. Based on this evaluation of control it is not consolidated by the Group. Since balance date a further 10 percent has been acquired bringing the group's interest to 60%. The investment in the subsidiary will be consolidated with effect from 1 July 2007.

MOVEMENT IN INVESTMENT IN ASSOCIATE	CONSOLIDATED	
	2007	2006
	$	$
Equity accounted amount of investment at the beginning of financial year	10,526,034	11,581,465
Acquisition of interest in associate		-
Share of loss from ordinary activities before and after income tax expense	(3,341,905)	(1,040,329)
Foreign exchange differential	107,217	(15,102)
Equity accounted amount of investment at the end of the financial year	7,291,346	10,526,034

SUMMARISED BALANCE SHEET OF ASSOCIATE	CONSOLIDATED	
	2007	2006
	$	$
Current assets:		
Cash	431,881	1,813,655
Marketable securities	623,933	136,900
Prepayments	1,905	670,245
Receivables	9,494,832	704,727
Non current assets:		
Investments	35,742	39,330
Plant & equipment	4,853,053	1,247,964
Motor vehicles	285,226	110,741
Development & exploration interest	3,136,735	1,932,591
Other	1,869,454	1,299,458
Current liabilities:		
Payables	(5,846,472)	(217,079)
Non current liabilities:		
Loans	(23,792,235)	(10,247,623)
Net Liabilities	**(8,905,946)**	**(2,509,091)**
Net Loss	**(6,683,810)**	**(2,123,122)**

SHARE OF RESERVES ATTRIBUTABLE TO ASSOCIATE	CONSOLIDATED	
	2007	2006
	$	$
Accumulated losses At the beginning of the financial year	(1,229,453)	(174,022)
Current year loss	(3,341,905)	(1,040,329)
Foreign exchange differential	107,217	(15,102)
At the end of the financial year	(4,464,141)	(1,229,453)

CAPITAL COMMITMENTS

The Consolidated Entity's share of the capital commitments of the associate are disclosed in note 20.

CONTINGENT LIABILITIES

The Consolidated Entity's share of the contingent liabilities of the associate is disclosed in note 4.

DIVIDENDS

The Consolidated Entity's share of the dividends of the associate is disclosed in note 8.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

1. The shareholder information set out below was applicable as at 31 August 2007.

(a) Distribution of Shareholders by Class

Category (size of holding)	Ordinary Shares	No of Holders	Unlisted Options	No of Holders
1 - 1,000	284,579	1,278	-	-
1,001 - 5,000	5,630,140	1,704	-	-
5,001 – 10,000	13,914,863	1,615	-	-
10,001 - 100,000	160,353,108	4,186	13	807,500
100,001 and over	745,959,845	961	11	34,599,167

(b) The number of shareholdings held in less than marketable parcels is NIL as at 27th June 2007.

(c) The number of holders of each class of equity security as at 31 August 2007 was:

Class of Security	Number
Ordinary fully paid shares	9,744
Unlisted options	24

(d) The names of the substantial shareholders listed in the holding Company's register as at 31 August 2007 are:

Shareholder	No. Ordinary Shares
ANZ Nominees Limited	318,126,047

(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 31 August 2007.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	ANZ Nominees Limited Cash Income	318,126,047	34.35
2	HSBC Custody Nominees (Australia)	21,653,963	2.34
3	Citicorp Nominees Pty Limited	15,535,537	1.68
4	Mr Alfred Gilliland	10,575,000	1.14
5	Forbar Custodians Limited Forsyth	9,283,352	1.00
6	National Nominees Limited	8,582,846	0.93
7	G Sandilands Investments Pty Ltd	5,277,311	0.57
8	HSBC Custody Nominees (Australia) Limited	4,795,749	0.52
9	Barrios Pty Ltd	4,778,159	0.52
10	HSBC Custody Nominees (Australia) Limited	4,775,300	0.52
11	WWB Investments Pty Ltd	4,600,000	0.50
12	Mr Bruce Hodgens Mrs Barbara Susan Hodgens	4,500,000	0.49
13	R J Brown Holdings Pty Ltd	4,400,000	0.48
14	Comsec Nominees Pty Limited	3,212,376	0.35
15	Mr Warren William Brown Mrs Marilyn Helena Brown	3,200,000	0.35
16	Mr Keith William Judd	3,070,000	0.33
17	Mr Warren William Brown Mrs Marilyn Helena Brown	3,000,000	0.32
18	Mrs Rochelle Bull	3,000,000	0.32
19	Algebraic Pty Ltd	2,760,584	0.30
20	Intrada International Pty Ltd	2,122,000	0.23
		437,248,224	47.24

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) 9670 1838
Facsimile: (03) 9670 1898

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:

Queensland
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 Limited.

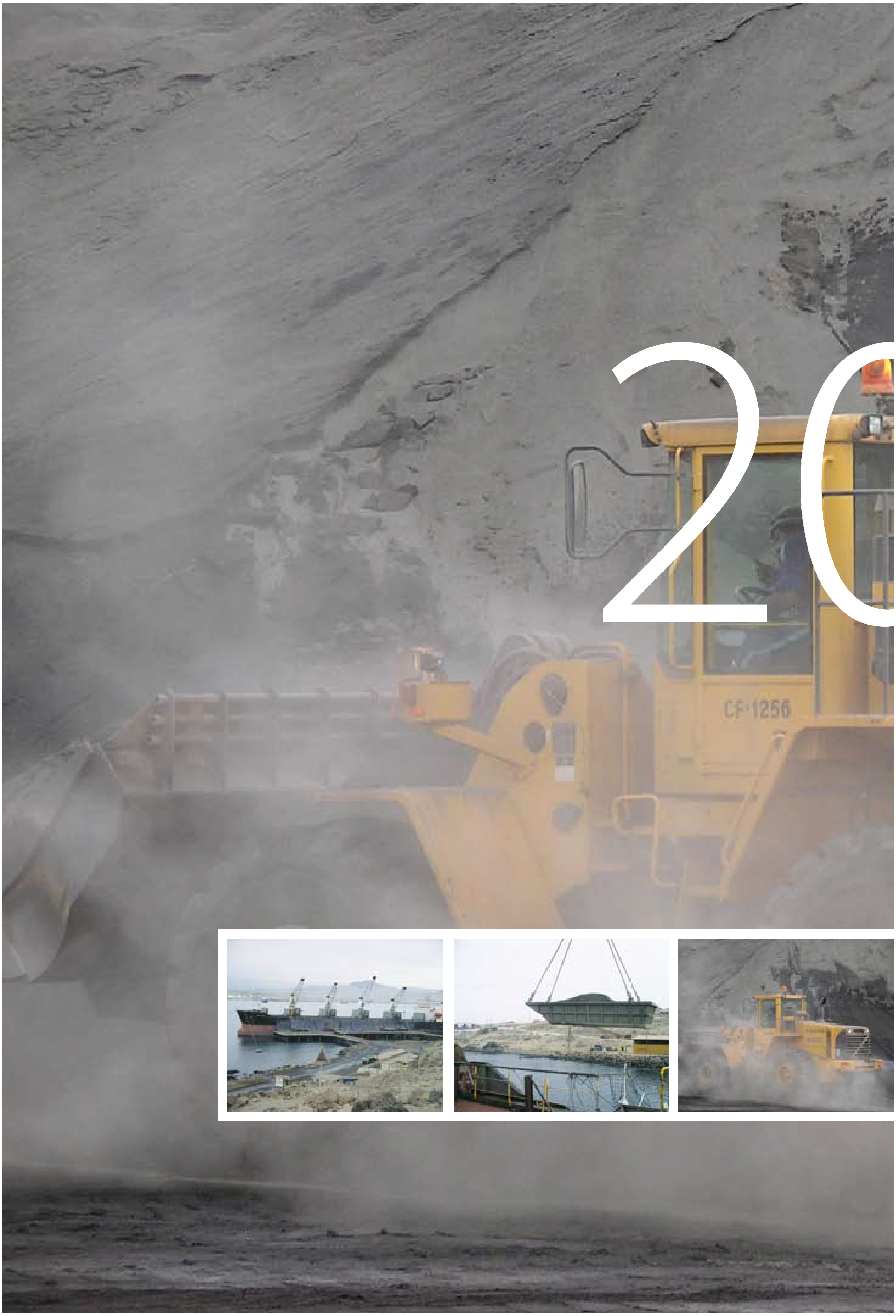
6. Vendor Securities

There are no restricted securities on issue as at 31 August 2007.

7. Unquoted Securities

20 Largest Holders of Unlisted Options as at 31 August 2007.

	Name	Number of Unlisted Options Held	%
1	Algebraic Pty Ltd	27,523,333	77.73
2	Optex Exchange Pty Ltd	1,866,666	5.27
3	Karela Giselle Pty Ltd	1,600,000	4.52
4	Dronkay Pty Ltd	1,300,000	3.67
5	Martin Place Securities Staff Super	666,668	1.88
6	Mr David John Vincent	500,000	1.41
7	Zephyr Pty Ltd	500,000	1.41
8	Mr Duc Tan Huynh	225,000	0.64
9	Goldmisty Pty Ltd	175,000	0.49
10	Mesuta Pty Ltd	125,000	0.35
11	Mr Gerard Lynton Gardiner	117,500	0.33
12	Mrs Marjorie Gertrude Beasley	100,000	0.28
13	Bfsf Pty Ltd	100,000	0.28
14	Mr Anthony Ka Wai Hung	100,000	0.28
15	Indigold Pty Ltd	100,000	0.28
16	Mr Peter Man Chiu Yu	100,000	0.28
17	Mr Anthony John Corrigan	60,000	0.17
18	Martin Place Securities Staff Super Fund Pty	50,000	0.14
19	Mr Nathan Nissen	50,000	0.14
20	Rocklea Estate Pty Ltd	50,000	0.14
		35,309,167	99.69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