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ADMIRALTY RESOURCES



Admiralty Resources NL
A.B.N. 74 010 195 972
Financial Report
for the half year ended 31 December 2008

**ADMIRALTY RESOURCES NL
A.B.N. 74 010 195 972
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

The Directors of Admiralty Resources NL submit herewith the financial report of the Company for the half year ended 31 December 2008. In order to comply with the provisions of the Corporations Act, 2001, the directors report as follows:

DIRECTORS

The names and particulars of the Directors of Admiralty Resources NL in office at any time during or since the end of the period:

Professor J. Ross Harper	Chairman
Robert Michael Clarke	Executive Director
John Anderson	Executive Director
Phillip Thomas	Managing Director (resigned on 31 October 2008) Non-executive Director (resigned on 30 November 2008)

COMPANY SECRETARY

Stephen C. Prior

PRINCIPAL ACTIVITIES

The Consolidated Entity's principal activities in the course of the financial year were mining iron ore and the exploration and development of economic mineral deposits.

OPERATING RESULTS

The operating loss after tax attributable to members of the consolidated entity for the half year ended 31 December 2008 was \$31,483,600 (2007: \$19,898,100).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the half-year, nor are any recommended as at 31 December 2008.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 4.

ADMIRALTY RESOURCES NL
A.B.N. 74 010 195 972
REVIEW OF OPERATIONS

Review of Operations 2008

Admiralty Resources NL's major project is the 60% owned SCM Vallenar Iron Company (formerly SC Minera Santa Barbara) iron ore mining venture in Chile. Further the Consolidated Entity also has interests in the Bulman lead and zinc deposit in the Northern Territory and a 50% interest in the Pyke Hill nickel deposit in Western Australia

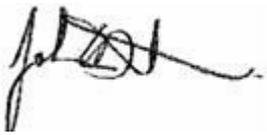
During the half year we achieved the following:

- The Company successfully completed the sale of Rincon Lithium Ltd to Sentient GP III LP for US\$22.7 million on 23 December 2008.
- The Company settled the debt owed to Hawkswood Investments Pty Ltd (In receivership) (In Liquidation) on the 23 December 2008. The debt was guaranteed by a fixed and floating charge over the Company's assets in Hawkswood's favour, which was discharged at settlement.
- The private investors holding the \$1.94m Convertible Notes Contracts notified the company they would not exercise their right to convert into shares and the Company further reduced their debt by repaying the loaned funds plus interest.
- Mr John Anderson, Non-Executive Director of the Board since December 2005, was appointed Executive Director with effect from 1 November 2008 after the Board accepted the resignation of Mr Phillip Thomas as Managing Director on 31 October 2008. Mr Thomas later resigned as Director of the company and its subsidiaries on 30 November 2008.
- Pyke Hill Resources Pty Ltd was successful in its case against Richfile and its successor Richore Pty Ltd and on 31 October 2008, the Mining Warden determined that Richore had to pay Pyke Hill Resources Pty Ltd a total of \$243,291.36 plus costs of the proceedings.
- The company operating the iron ore project in Chile, SC Minera Santa Barbara, was renamed SCM Vallenar Iron Company in an effort to better reflect the geographical location and the activities carried out by the company.
- Representatives of the Company traveled to China in October and November to discuss with WISCO future contracts for the supply of iron ore and a possible joint venture. However, no final decisions have been made due to the difficulty that the Company encounters in estimating future production.
- Besalco Maquinarias S.A., the mine subcontractor that manages the exploitation of the Japonesa group of mines, continued to produce a monthly average of 17,000 to 24,000 tonnes of iron ore in the period July to October.
- Besalco Maquinarias S.A., unilaterally and not in accord with the contract between the parties, halted mining operations on 6 November 2008 claiming payment for the invoices for the mining activities carried out in September and October. These have been subsequently paid.
- Cia Minera Santa Barbara shipped approximately 135,000 tonnes of iron ore worth CFR USD\$13m to WISCO, Wugang Iron and Steel Group, China.
- The Company commenced a detailed review of all aspects of its iron ore operations in Chile. The review has, as its starting point, the desire of the Company to conduct its operations at a higher volume of production whilst achieving profitability and positive cash flows from operations. Production of ore has been suspended until the results of the review are available and suitable operational and financing strategies are put in place.
- Subsequent to 31 December 2008, the Company paid US\$4,000,000 in cash and issued 54,900,722 shares to YA Global in consideration for retiring US\$5,000,000 of the principal and interest of the Series C debt.

**ADMIRALTY RESOURCES NL
A.B.N. 74 010 195 972
REVIEW OF OPERATIONS**

Signed in accordance with a resolution of the directors made pursuant to s 306(3) of the Corporations Act 2001 on 16 March 2008.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'John Anderson', written over a light grey rectangular background.

JOHN ANDERSON

Executive Director.

16 March 2008



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Admiralty Resources NL for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

R A Dean
Partner
PKF

16 March 2009
Melbourne

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

We have reviewed the accompanying half-year financial report of Admiralty Resources NL, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Admiralty Resources NL and the entities it controlled at 31 December 2008 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of Admiralty Resources NL are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Admiralty Resources NL's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Admiralty Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Basis for Qualified Auditor's Conclusion

The carrying value of the mining assets in Chile being inventory, property plant & equipment and mining interests amounting to \$27,457,123 has been determined by the directors by reference to the market capitalisation of Admiralty Resources NL. The basis for this estimate is that the mining assets are the most significant asset on the balance sheet and market capitalisation of the company is therefore an approximation of the fair value of the mining assets. (refer to note 1 (d) to the financial report).

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ADMIRALTY RESOURCES NL
(CONT'D)**

Australian Accounting Standard AASB 136 "Impairment of assets" requires the carrying value of the mining assets to be determined on the basis of the higher of selling price less costs to sell and value in use. Contrary to the requirements of AASB 136, no computation has been prepared to assess the carrying value of the mining assets against these criteria. As a consequence the mining assets may be overstated or understated.

Qualified Conclusion

Based on our review, which is not an audit, except for the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Admiralty Resources NL is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without further qualifying our conclusion, we draw your attention to Note 1(e) in the half-year financial report which indicates that the consolidated entity has incurred a net loss for the six month period of \$36,927,282 and has accumulated losses of \$94,874,839. The consolidated entity had cash used in operating activities for the six month period of \$19,668,206 and at 31 December 2008 current liabilities exceed current assets by \$4,926,865. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the half-year financial report.

PKF

16 March 2009
Melbourne

R A Dean
Partner

**ADMIRALTY RESOURCES NL
A.B.N. 74 010 195 972
DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

In the opinion of the directors of Admiralty Resources NL ('the Company')

1. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including;
 - (a) Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and its performance for the six month period ended on that date; and
 - (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors



JOHN ANDERSON

Executive Director

16 March 2009

**ADMIRALTY RESOURCES NL
INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

Consolidated

Half-year ended

	NOTE	31 DECEMBER 2008 \$	31 DECEMBER 2007 \$
REVENUES			
Operating Income		16,657,708	2,573,091
Interest Income		36,048	-
Other Income		56,436	199,626
		<u>16,750,192</u>	<u>2,772,717</u>
EXPENSES			
Depreciation expense		(432,812)	(1,119)
Employee costs		(2,577,820)	(4,846,429)
Consultancy expenses		(536,128)	(798,231)
Professional expenses		(1,301,776)	(755,627)
Operational and mining expenses		(24,635,461)	(5,396,003)
Occupancy expenses		(108,373)	(112,022)
Travel expenses		(253,626)	(411,243)
Finance costs		(2,443,068)	(982,218)
Administration expenses		(1,082,674)	(1,413,192)
Loss on equity accounting		-	(260,388)
Provision for loss on Iron ore contract		8,258,726	(13,617,657)
Loss on foreign exchange translation		(3,219,785)	377,835
Impairment expense	1(d)	(39,970,927)	-
		<u>(68,303,724)</u>	<u>(28,216,294)</u>
LOSS BEFORE INCOME TAX		<u>(51,553,532)</u>	<u>(25,443,577)</u>
Income tax expense		-	-
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		<u>(51,553,532)</u>	<u>(25,443,577)</u>
Profit/(loss) on discontinuing operations	3	14,626,250	(1,662,695)
Loss attributable to Minority Interest		5,443,682	7,208,172
LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		<u>(31,483,600)</u>	<u>(19,898,100)</u>
Basic and diluted loss per share (cents per share)		(2.77)	(2.10)

The above income statement is to be read in conjunction with the attached notes.

ADMIRALTY RESOURCES NL
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Consolidated	
	31 Dec. 2008	30 June 2008
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	9,547,628	1,477,564
Receivables	5,181,411	3,133,673
Other financial assets	3,600	1,160,837
Inventories	1,601,628	5,580,242
Other assets	1,393,961	10,277
TOTAL CURRENT ASSETS	17,728,228	11,362,593
NON-CURRENT ASSETS		
Other financial assets	-	12,068
Property, plant and equipment	2,919,370	8,378,469
Mining interests	22,940,900	66,158,974
Other assets	2,118,713	1,666,518
TOTAL NON-CURRENT ASSETS	27,978,983	76,216,029
TOTAL ASSETS	45,707,211	87,578,622
CURRENT LIABILITIES		
Payables	2,555,731	2,917,411
Provision for loss on Iron Ore supply contract	2,315,022	9,199,160
Borrowings	17,784,400	17,473,529
TOTAL CURRENT LIABILITIES	22,655,153	29,590,100
TOTAL LIABILITIES	22,655,153	29,590,100
NET ASSETS	23,052,058	57,988,522
EQUITY		
Contributed equity	111,014,718	111,014,718
Foreign Currency Translation Reserve	6,912,179	4,921,361
Accumulated losses	(94,874,839)	(63,391,239)
Minority Interests	-	5,443,682
TOTAL EQUITY	23,052,058	57,988,522

The above balance sheet is to be read in conjunction with the attached notes.

**ADMIRALTY RESOURCES NL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

<u>Half year to 31 December 2008</u>	<u>Equity</u> \$	<u>Foreign Currency Translation Reserve</u> \$	<u>Retained Earnings</u> \$	<u>Minority Interest</u> \$	<u>Total</u> \$
Total equity at the beginning of the half-year	111,014,718	4,921,361	(63,391,239)	5,443,682	57,988,522
<u>Less:</u>					
Foreign Currency Translation Reserve		1,990,818			1,990,818
Loss for the period			(31,483,600)	(5,443,682)	(36,927,282)
Total equity at the end of the half-year	111,014,718	6,912,179	(94,874,839)	-	23,052,058

<u>Half year to 31 December 2007</u>	<u>Equity</u> \$	<u>Foreign Currency Translation Reserve</u> \$	<u>Retained Earnings</u> \$	<u>Minority Interest</u> \$	<u>Total</u> \$
Total equity at the beginning of the half-year	59,997,566	(259,606)	(35,152,486)	-	24,585,474
<u>Add:</u>					
Issue of new shares	4,500,000				4,500,000
Adjustment in equity - Option Premium.	2,773,575				2,773,575
Conversion of Options	7,068,167				7,068,167
Converting notes	6,943,083				6,943,083
Retained Losses eliminated on consolidation			4,556,256		4,556,256
Minority Interest arising on consolidation				18,436,082	18,436,082
Equity accounted loss for part period				260,389	260,389
<u>Less:</u>					
Foreign Currency Translation Reserve		655,633	(467,921)		187,712
Loss for the period			(19,898,100)	(7,208,172)	(27,106,272)
Total equity at the end of the half-year	81,282,391	396,027	(50,962,251)	11,488,299	42,204,466

The above statement of changes in equity is to be read in conjunction with the attached notes.

**ADMIRALTY RESOURCES NL
CONSOLIDATED CASH FLOWS STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Consolidated	
	Half-year ended	
	31 Dec 2008	31 Dec 2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of Iron Ore	16,136,485	2,573,091
Payments to suppliers and employees	(33,818,162)	(19,447,862)
Interest received	38,413	152,611
GST refunded/(paid)	31,819	(41,610)
Interest and other costs of finance paid	(2,056,761)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(19,668,206)	(16,763,770)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of Rincon Lithium Ltd	31,889,134	-
Payment for mining properties & exploration interests	-	(5,722,378)
Purchase of fixed assets	(822,082)	(2,192,177)
Proceeds from sale of marketable securities	1,326,808	-
Purchase of marketable securities	-	(3,811,920)
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES	32,393,860	(11,726,475)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of equity securities	-	14,011,250
Proceeds from borrowings	7,408,000	9,339,598
Repayment of borrowings	(12,292,919)	-
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(4,884,919)	23,350,848
NET INCREASE/(DECREASE) IN CASH HELD	7,840,735	(5,139,397)
Cash at beginning of the half-year	1,477,564	6,972,775
Cash gained on SCMSB consolidation	-	431,881
FX Adjustment	229,329	-
CASH AT THE END OF THE HALF YEAR	9,547,628	2,265,259

The above statement of cash flows is to be read in conjunction with the attached notes.

**ADMIRALTY RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

NOTE 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Admiralty Resources NL as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by Admiralty Resources NL during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis,. The carrying values of recognized assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

(b) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

(c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Admiralty Resources NL and its subsidiaries ("the Group").

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

**ADMIRALTY RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

(d) Matter of significance

- (i) Included in the accounts at December 2008 is of \$2,315,022 for estimated potential losses under an unfavourable CFR contract entered into during 2006. At June 2008 the provision required was \$9,199,160 therefore in the current six period a credit to expenses of \$8,258,726 including exchange variations has been allowed whilst in the six months to 31 December 2007 a charge to the profit and loss of \$13,617,657 was incurred.
- (ii) In considering the recoverable value of the consolidated entity's interest in its mining assets in Chile, the directors have been unable to prepare appropriate value in use estimates due to the lack of relevant information as at the date of this report. The Company has commissioned a detailed review of all aspects of the operations in Chile, however the results are not yet available.

The directors have not received any offers for the assets and have not been actively seeking to sell them, therefore no reasonable estimate of the assets fair value less costs to sell is available. No comparable sales evidence is readily available.

The directors have therefore reviewed other external evidence that is available. The only other source the directors have identified that they consider gives an indication of the fair value of the assets in Chile is the current share market capitalisation of Admiralty Resources N.L. The directors have determined that market capitalisation of Admiralty Resources N.L. provides a reasonable basis for the directors to assess the fair value of the mining assets in Chile as these are the company's only significant assets. In addition the market has been advised regarding risks inherent in the operations in Chile following the current suspension of Mining and the potential impact of legal actions.

The directors anticipate that the review process and documentation of future plans will enable a value in use projection to be prepared for use in future periods.

Based on the above reasoning, the directors have therefore determined that the best estimate currently available of the recoverable value of the mining assets in Chile indicates a 60% impairment is required to each of the relevant assets being inventory, property, plant and equipment and mining interests. This has resulted in an impairment write-down of \$39,970.927.

(e) Going Concern

The half year 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 for the six month period of \$36,297,282 and has accumulated losses of \$94,874,839.
- Current liabilities exceed current assets by \$4,926,865.
- Cash used in operating activities for the period was \$19,668,206.

**ADMIRALTY RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

(e) Going Concern (con't)

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability of the Consolidated Entity and Parent to continue as going concerns 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:

- Proceeds of approximately US\$1.1 million relating to delivered iron ore shipments in October 2008. The directors are confident the reasons for delay in these payments will be resolved shortly.
- Recovery of approximately US\$1.1 million from Wyndham Explorations S.A. as per an Order made by the Supreme Court of Victoria on 11 March 2009. The directors are confident that this payment under this order will be received in the near future.
- If required, the company has the ability to raise additional capital by issuing shares. The directors have had discussions with a party who has made previous placements and they have indicated that they will assist the fundraising process. The directors are confident that capital can be raised if required. Currently 109,000,000 shares could be issued without shareholder approval which at a share price of 2.0 cents would raise over \$2 million.
- A detailed review of Chilean iron ore operations is currently being undertaken. Upon receipt of this report the Board will consider its options to implement long term strategies for the mine.
- Admiralty has the ability to retire the convertible notes remaining after the above \$5,000,000 retirement by way of issuing shares at a 3 cents conversion rate. The issue of shares would be dependent on ASX listing rules and may require shareholder approval.
- Subsequent to 31 December 2008, the Company paid US\$4,000,000 in cash and issued 54,900,722 shares to YA Global in consideration for retiring US\$5,000,000 of the principal and interest of the Series C debt

The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cash to meet all of its expenses for the next 12 months. Based on the cash flow forecasts and the additional funding highlighted above, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a 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.

At the date of this report and having considered the above factors, the directors are confident that the company and the Consolidated Entity will be able to continue as going concerns.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its 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 classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

**ADMIRALTY RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

NOTE 2 SIGNIFICANT AFTER BALANCE DATE EVENTS

Subsequent to 31 December 2008, the Company paid US\$4,000,000 in cash and issued 54,900,722 shares to YA Global in consideration for retiring US\$5,000,000 of the principal and interest of the Series C debt. The remaining debt was transferred to the Series D loan which is secured by a fixed and floating charge.

NOTE 3 DISPOSALS OF ASSETS

On 23 December 2008, the Consolidated Entity sold 100% ownership of Rincon Lithium Ltd. Details of the fair value of assets and liabilities disposed of are as follows:

	Period ended 23 Dec 2008	Period ended 31 Dec 2007
	\$	\$
Cash Consideration received	31,944,259	-
Cash and cash equivalents	55,125	-
Inventory	602,750	-
Exploration Interests	3,727,420	-
Mining Interests	6,865,958	-
Fixed Assets	3,524,287	-
Net assets disposed	14,755,540	-
Gain on disposal of discontinued operations	17,168,719	-
	Period ended 23 Dec 2008	Period ended 31 Dec 2007
	\$	\$
Discontinued operations		
Gain on disposal	17,168,719	121
Operational expenses	(1,433,172)	(706,990)
Employee benefit expense	(750,179)	(124,293)
Depreciation	(235,255)	(76,253)
Other expenses	(123,863)	(755,401)
Profit from discontinued operations	14,626,250	(1,662,695)

NOTE 4 ISSUES OF EQUITY SECURITIES

There were no movements in issued and fully paid up ordinary shares or options of the company during the half year.

Subsequent Issues of Shares and Options

The Company has issued 54,900,722 shares to YA Global in consideration for retiring US\$1,000,000 of the Series C debt since 31 December 2008.

**ADMIRALTY RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

NOTE 5 CONTINGENT LIABILITIES

Besalco Maquinarias S. A. (**Besalco**) filed for arbitration proceedings against Vallenar Iron Company claiming that Vallenar Iron Company was in breach of its contracts for late payment of Besalco Invoices. Vallenar Iron Company presented a countersuit against Besalco claiming US\$ 83 million in damages for Besalco's failure to meet agreed upon targets. Besalco subsequently filed a countersuit against Vallenar Iron Company's countersuit claiming US\$ 10 million in damages for interest charges on late payment of invoices, mobilisation and demobilisation expenses and severance pay. The Directors have sought legal counsel and are confident the claims can be defended with no liability.

Compania Minera Dan has filed a writ for a civil suit against Vallenar Iron Company for the amount of US \$ 770,833 for the non-payment of royalties corresponding to the years 2006, 2007, 2008 plus the termination of the sales contract covering Japonesisita, Gabaiju and the Soberana mineral concessions and the return of legal title to these concessions to Compania Dan. The Directors have sought legal counsel and are confident the claims can be defended with no liability.

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**ADMIRALTY RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 SEGMENT INFORMATION

Primary reporting – Geographical segments

The consolidated entity operates in three geographical locations, Australia, Argentina and Chile.

	Australia		Argentina		Chile		Consolidated Entity	
	Half-year ended 31 December						2008	2007
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
External revenue	1,588	116,344	-	121	16,748,604	2,573,091	16,750,192	2,689,556
Total revenue from continuing activities	1,588	116,344	-	121	16,748,604	2,573,091	16,750,192	2,689,556
Total Revenue from discontinued operations	-	-	17,168,719	-	-	-	17,168,719	-
Result								
Segment result	(4,626,720)	(7,876,037)	14,626,250	(1,662,695)	(46,926,812)	(17,567,540)	(36,927,282)	(27,106,272)
Operating loss before income tax	(4,626,720)	(7,876,037)	14,626,250	(1,662,695)	(46,926,812)	(17,567,540)	(36,927,282)	(27,106,272)