



ADMIRALTY RESOURCES

06



Admiralty Resources NL

A.B.N. 74 010 195 972

Financial report

for the half year ended 31 December 2006

**ADMIRALTY RESOURCES NL
A.B.N. 74 010 195 972
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

The Directors of Admiralty Resources NL submit herewith the financial report of the Company for the half year ended 31 December 2006. 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
Phillip Thomas	Chief Executive Officer
Anthony Blumberg	Non-Executive Director – Commenced 15/12/06
John Anderson	Non-Executive Director

COMPANY SECRETARY

Stephen C. Prior

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 operating loss after tax for the consolidated entity for the half year ended 31 December 2006 was \$3,157,389 (2005: \$5,707,120).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the half-year, nor are any recommended as at 31 December 2006.

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 2006

Admiralty Resources NL has three major projects being the Rincon Salar lithium and potash brine deposit in Northern Argentina, the Cia Minera Santa Barbara iron ore joint venture in Chile and the Bulman lead and zinc deposit in the Northern Territory. The Company also has a 50% interest in the Pyke Hill deposit in Western Australia and a 10% holding in Nilnav Orthopaedics Pty Ltd, Nilnav Holdings Pty Ltd and Nilnav Developments Pty Ltd.

Our focus and business strategy takes advantage of lithium being a major component in different energy storage methods developing over the next decade, especially in cars and ceramics. In addition, we are expanding our iron ore production and shipping capacity to meet growing demand in China from our clients. At Bulman we anticipate being granted four exploration licences to supplement our existing two mineral leases that were granted in 1998.

During the half year we achieved the following:

- Built a world-class magnetite iron ore deposit and processing facility in Vallenar, Chile with production of 100,000 tonnes per month of 63.5% plus iron with low sulphur and phosphorous. We have expansion plans to go to 500,000 tonnes per month. We will exploit the Gibarju, Mirador, Japonesta and Mariposa deposits in 2007 as they offer very high quality grades of iron ore and can be processed using our existing plant. SRK Geological Consulting are retained to develop JORC ASX inferred resource estimates and mine engineering.
- We reached agreement with Cia Minera Santa Fe to acquire 100,000 tonnes per month of production from them if we assisted them process iron ore. A modest crushing and separation plant was installed in January 2007.
- We signed a Contract Freight Rate (CFR) takeoff agreement with Wuhan Iron and Steel Corporation, using ITOCHU, Japan as our agents. This seven month agreement for up to 940,000 tonnes of iron ore sets the scene to enter long term contracts at its expiry. The iron ore will be shipped from Caleta Port, Caldera. We also signed agreements with local concrete manufacturers to supply ex mine 1,000 tonnes per month.
- We developed the ports of Caleta and Candelaria in Caldera to enable us to ship larger quantities of iron ore. We have applied for new environmental permits allowing us to ship up to 78,000 tonne ships from Caldera in mid October 2007.
- We constructed a pilot plant, laboratory, set up three offices and completed the drilling of the production and observation wells at the salar, acquired our plant site and installed a weather station at national standard. We also commenced construction of the evaporation ponds.
- We continued to prove up the Bulman mineral leases (726 and 727) and will commence exploration of our EL 23814 to develop an economically feasible zinc and lead open cut mine. We may pursue other strategic options we have identified for this resource as an alternative to Admiralty fully developing the mine.

**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 15 March 2007.

On behalf of the Directors



.....
PHILLIP THOMAS

Chief Executive Officer

15 March 2007

Melbourne



Chartered Accountants
& Business Advisers

15 March 2007

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

Dear Directors

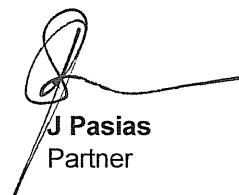
INDEPENDENCE DECLARATION

As lead engagement partner for the review of Admiralty Resources NL for the half-year ended 31 December 2006, 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.



PKF
Chartered Accountants



J Pasias
Partner



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Admiralty Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Admiralty Resources NL ('Admiralty Resources'), which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Admiralty Resources and the entities it controlled at 31 December 2006 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 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 designing, implementing 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' financial position as at 31 December 2006 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, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Admiralty Resources would be in the same terms if it had been given at the time the auditor's review report was made.



Chartered Accountants
& Business Advisers

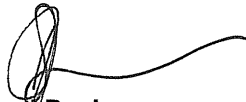
Conclusion

Based on our review, which is not an audit, 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 2006 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*.



PKF
Chartered Accountants



J Pasias
Partner

Melbourne
15 March 2007

**ADMIRALTY RESOURCES NL
A.B.N. 74 010 195 972
DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (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 consolidated entity.

Signed in accordance with the resolution of the directors made pursuant to s.303(5) of the Corporations Act, 2001.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read "Phillip Thomas".

Phillip Thomas
Chief Executive Officer

15 March 2007

Melbourne

**ADMIRALTY RESOURCES NL
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated	
	Half-year ended	
	31 DECEMBER 2006 \$	31 DECEMBER 2005 \$
REVENUES		
Interest Receivable – SCMSB	171,922	160,865
Other Income	17,355	4,703
	189,277	165,568
EXPENSES		
Depreciation expense	(694)	(2,878)
Employee costs	(45,676)	(51,251)
Consultancy expenses	(254,101)	(266,591)
Professional expenses	(205,154)	(129,013)
Occupancy expenses	(29,915)	(1,810)
Travel expenses	(188,275)	(164,443)
Finance costs	(264,781)	(1,127,579)
Administration expenses	(548,144)	(286,836)
Loss on disposal of asset	-	(7,187)
Loss on equity accounting	(1,147,601)	(317,354)
Provision for impairment – Nilnav investment	-	(3,328,830)
Loss on exchange translation	(662,325)	(188,916)
	(3,346,666)	(5,872,688)
LOSS BEFORE INCOME TAX	(3,157,389)	(5,707,120)
Income tax expense	-	-
LOSS AFTER INCOME TAX	(3,157,389)	(5,707,120)
LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	(3,157,389)	(5,707,120)
Basic and diluted loss per share (cents per share)	(0.56)	(1.12)

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

**ADMIRALTY RESOURCES NL
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Consolidated	
	31 December 2006	30 June 2006
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	318,374	1,467,690
Receivables	45,873	28,103
Other financial assets	3,600	3,600
Other assets	5,206	95,570
TOTAL CURRENT ASSETS	373,053	1,594,963
NON-CURRENT ASSETS		
Receivables	15,105,225	10,305,248
Investments accounted for using the equity method	9,443,701	10,526,034
Property, plant and equipment	76,848	44,338
Exploration and evaluation expenditure	2,473,877	1,709,109
Investment in Rapé Mine	784,653	842,316
Other	70,408	116,026
TOTAL NON-CURRENT ASSETS	27,954,712	23,543,071
TOTAL ASSETS	28,327,765	25,138,034
CURRENT LIABILITIES		
Payables	4,648,565	4,748,083
Borrowings	2,256,006	2,654,125
TOTAL CURRENT LIABILITIES	6,904,571	7,402,208
TOTAL LIABILITIES	6,904,571	7,402,208
NET ASSETS	21,423,194	17,735,826
EQUITY		
Contributed equity	51,005,407	43,650,176
Foreign Currency Translation Reserve	(481,413)	29,061
Accumulated losses	(29,100,800)	(25,943,411)
TOTAL EQUITY	21,423,194	17,735,826

The above statement of financial position is to be read in conjunction with the attached notes.

**ADMIRALTY RESOURCES NL
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

<u>Half year to 31 December 2006</u>	<u>Equity</u>	<u>Foreign Currency Translation Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
	\$	\$	\$	\$
Total equity at the beginning of the half-year	43,650,176	29,061	(25,943,411)	17,735,826
<u>Add:</u>				
Issue of new shares	129,803	-	-	129,803
Issue of new shares	129,349	-	-	129,349
Issue of new shares	127,113	-	-	127,113
Issue of new shares	2,159,500	-	-	2,159,500
Issue of new shares	25,000	-	-	25,000
Conversion of Options	350,000	-	-	350,000
Conversion of Options	350,000	-	-	350,000
Converting notes	4,107,841	-	-	4,107,841
<u>Less:</u>				
Cost of capital raisings	(23,375)	-	-	(23,375)
Foreign Currency Translation Reserve	-	(510,474)	-	(510,474)
Loss for the period	-	-	(3,157,389)	(3,157,389)
Total equity at the end of the half-year	<u>51,005,407</u>	<u>(481,413)</u>	<u>(29,100,800)</u>	<u>21,423,194</u>

<u>Half year to 31 December 2005</u>	<u>Equity</u>	<u>Foreign Currency Translation Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
	\$	\$	\$	\$
Total equity at the beginning of the half-year	25,119,877	-	(18,481,455)	6,638,422
<u>Add:</u>				
Issue of new shares	1,000,000	-	-	1,000,000
Conversion of Options	2,500,000	-	-	2,500,000
Conversion of Options	1,500,000	-	-	1,500,000
Foreign Currency Translation Reserve	-	-	-	-
Adjustment in equity - others	-	-	-	-
<u>Less:</u>				
Adjustment in equity – convertible notes	(15,790)	-	-	(15,790)
Foreign Currency Translation Reserve	-	(19,994)	-	(19,994)
Loss for the period	-	-	(5,707,120)	(5,707,120)
Total equity at the end of the half-year	<u>30,104,087</u>	<u>(19,994)</u>	<u>(24,188,575)</u>	<u>5,895,518</u>

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

**ADMIRALTY RESOURCES NL
CONDENSED CONSOLIDATED CASH FLOWS STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated	
	Half-year ended	
	31 December 2006	31 December 2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(2,956,860)	(990,135)
Interest received	5,582	4,693
GST refunded	64,332	86,859
GST (paid)	(37,191)	(73,553)
Interest and other costs of finance paid	(26,389)	(183,043)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(2,950,526)	(1,155,179)
CASH FLOWS FROM INVESTING ACTIVITIES		
Amounts advanced to associate	(4,799,977)	(2,920,361)
Payment of development & exploration interest	(754,044)	(533,119)
Purchase of Rapé Mine	-	(857,471)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(5,554,021)	(4,310,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of equity securities	3,247,390	5,000,000
Proceeds from converting notes	4,107,841	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	7,355,231	5,000,000
NET DECREASE IN CASH HELD	(1,149,316)	(466,130)
Cash at beginning of the half-year	1,467,690	970,072
CASH AT THE END OF THE HALF YEAR	318,374	503,942

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

**ADMIRALTY RESOURCES NL
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

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 2006.

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 2006 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, except for available-for-sale financial assets that have been measured at fair value. 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.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(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 2006.

(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 CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

(d) 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 of \$3.2 million and has accumulated losses of \$29.1 million;
- A sales agreement on a cost and freight basis was signed with Wugang, a major iron and steel mill in China for up to 940,000 tonnes of iron ore worth approximately US\$65 million.
- The Consolidated Entity is yet to generate material revenue from its operations and has negative operating cash flows of \$ 3.0 million;
- Admiralty's joint venture has commenced iron-ore operations and produced 50,000 tonnes of iron ore worth an estimated \$1,950,000.
- The lithium operations will require a further investment before they start generating revenue. However, the decision to make the further investment rests entirely with the Consolidated Entity which may defer the investment if suitable funding is not available.

The ability of the Consolidated Entity to continue as going concern is dependent upon a number of factors, one being the continuation and availability of funds. To this end, the Consolidated Entity has entered into the following funding arrangements during the period since the last annual financial report 2006:

The Consolidated Entity has lent money for working capital to its joint venture entity in Chile, Cia Minera Santa Barbara (CMSB). Pursuant to Clause 4.1 of the Loan Agreement dated 18 February 2005, on the last day of each month, CMSB must pay any net income before tax to the Consolidated Entity, subject to cash being available and if it has capacity to do so. Given that the first shipment of iron ore is expected to commence in April 2007, with projected net income before tax being US\$1.5 million per month, CMSB will have sufficient funds to repay the loan in accordance with the loan agreement.

The Consolidated Entity has the ability to defer certain expenditure with regards to the Sodium Carbonate, Calcium Hydroxide, Boric Acid and Sodium Sulphate projects in Argentina, if this is necessary, which will conserve some of the Consolidated Entity's cash flow. It can minimise expenditure on the Rincon Project to US\$900,000 for calendar 2007 and not significantly inhibit scheduled progress.

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.

**ADMIRALTY RESOURCES NL
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

(d) Going Concern (cont)

Notwithstanding this there is significant uncertainty whether the Consolidated Entity will continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

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

NOTE 2 SIGNIFICANT AFTER BALANCE DATE EVENTS

Admiralty Resources signs US\$65M Iron Ore sales agreement with Wugang - 17 vessels fixed between February and September 2007

The Company announced on 3 January 2007 that its sales distributor ITOCHU, a major Japanese trading group, based in Tokyo, with offices in Perth has secured an eight month sales agreement with International Economic and Trading Corporation, Wugang Group ("Wugang" also know as Wuhan Iron and Steel (Group) Corporation). Wugang is one of the largest iron and steel manufacturers in China, with over 17 million tonnes crude steel production per annum, 112,000 staff and US\$7 billion in profit before tax.

A memorandum of agreement and sales contract has been signed confirming the terms of the supply of iron ore fines. The memorandum sets out the terms and conditions to be negotiated for a longer term agreement after September 2007, when it is anticipated that the panamax port will be available.

The contract is for 940,000 tonnes of iron ore to be shipped between 15 February 2007 and 30 September 2007, from the handymax port of Caleta, Caldera. Total revenues will be approximately US\$45 to US\$65 million, subject to the volume shipped, which is dependent on each vessel.

Projected profit increase of US\$46M after rights secured to build cape size port

Admiralty Resources' joint venture, Cia Minera Santa Barbara lodged a US\$562,000 bond on with the Chilean Government, finalising the application process to develop a cape size port at Punta Alcalde, Huasco Bay only 60 kilometres from its mines and plant located at Japonesa.

The estimated development cost of the Port loading facility is US\$22million. The total cost of development including the stockpile area and 14km of road improvement is about US port construction groups interested in a joint venture to fund and operate the port at Punta Alcalde. The target for completion is January 2009, subject to finalisation of financing facilities in early 2007.

**ADMIRALTY RESOURCES NL
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 2 SIGNIFICANT AFTER BALANCE DATE EVENTS (Cont)

Port preparation well advanced for shipping, production ahead of schedule

Admiralty Resources NL has gained exclusive access to the port of Caleta, Caldera and has finished the dredging required to prepare the port for vessels up to 222m in length. The Port Authority based in Valparaiso, Chile has issued a vessel permit with vessel displacement 66,000 tonnes and LOA of 222 metres, a substantial improvement on the previous certificate length of 165m. All buoys are in place.

Santa Barbara has decided to continue dredging and to have another certificate issued on Wednesday 28 February, 2007 to accommodate larger vessels given the increase in displacement and LOA approved. There is more than 50,000 tonnes of iron ore stockpiled at the port.

Forward production estimates (from Besalco who operate both Santa Barbara and Santa Fe where we have installed and are operating their plant) indicate that 1.875 million tonnes will be produced this calendar year, of which a maximum of 940,000 tonnes has been sold (subject to vessel size). By increasing port capacity, this will allow Santa Barbara to ship three vessels per month at the maximum draft (and subsequent vessel capacity) which has now been increased substantially as the length of the vessel permitted has been increased.

Both Western Bulk and Pacific Basin have advised they have suitable ships in the area for loading in late March. On the basis of three vessels per month for nine months until the Port usage reverts to the fruit growers, we will be able to export 1.215 million tonnes. When the Candelaria Port conveyor is built in late 2007 the balance of the stockpiled production will be shipped through this facility, using Panamax ships. By increasing the depth at the Caleta Port, the option to load larger ships is available reducing the amount of stockpiled iron ore and increasing sales revenue in the second half of the Calendar year.

Admiralty Resources enters into purchase contract with Cia Minera Santa Fe For 1.2M tonnes

The Company announced on 1 February 2007 that its joint venture company in Chile, Santa Barbara has reached agreement with Cia Minera Santa Fe, a Chilean based iron ore refining company located 75 kilometres from the Caleta Port, to acquire 1,200,000 tonnes of iron ore per annum, at prices comparable to our own production cost. Santa Fe advises they have more than 50 million tonnes of iron ore fines that have been stockpiled in three stockpiles from past mining activity.

Their current recuperation is:

Date	High Speed Drum	% Fe	% P	%SiO2	%V	%Al2O3	%MgO	%S	Observation
27/01/2007	C-2	66.26	0.03	2.59	0.25	0.45	0.59	0.032	N06

This ore is very high quality with high iron, low phosphorous and low sulphur, and will command a premium.

This strategic development allows Santa Barbara to increase its profitability and to double production immediately. Sales contracts for the extra production will be negotiated soon.

**ADMIRALTY RESOURCES NL
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 3 ISSUES OF EQUITY SECURITIES

Movements in issued and fully paid up ordinary shares of the company during the half – year were as follows:

Details	Number of Shares	Issue Price	Value \$
Opening Balance - Shares	556,253,159	n/a	30,339,330
New Issue	1,668,415	\$0.0778	129,803
New Issue	1,509,323	\$0.0857	129,349
New Issue	1,386,186	\$0.0917	127,113
New Issue	25,699,999	\$0.0850	2,184,500
Exercise of Options	7,000,000	\$0.1000	700,000
Less Cost of capital raising			(23,375)
Closing Balance - Shares	<u>593,517,082</u>	n/a	<u>33,586,720</u>
Converting Notes			<u>17,418,687</u>
Total Contributed Equity			<u>51,005,407</u>

The converting notes are fully paid and convert into 196,078,400 ordinary shares in total. The timing of conversion is at the discretion of the holder(s).

Movements in the options of the company during the half - year were as follows:

Options exercisable on or before 30 November 2007.

Details	Number of Options	Value \$
Opening Balance	109,800,000	10,980,000
Options Issued	12,702,941	1,270,294
Options exercised	(3,500,000)	(350,000)
Closing Balance	<u>119,002,941</u>	<u>11,900,294</u>

Options exercisable on or before 30 November 2009.

Details	Number of Options	Value \$
Opening Balance	-	-
Options Issued	9,500,000	950,000
Options exercised	(3,500,000)	(350,000)
Closing Balance	<u>6,000,000</u>	<u>600,000</u>

**ADMIRALTY RESOURCES NL
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 3 ISSUES OF EQUITY SECURITIES (Cont)

Subsequent Issues of Shares and Options

Movements in issued and fully paid up ordinary shares of the company since the half – year ended 31 December 2006 were as follows:

Details	Number of Shares	Issue Price	Value \$
New Issue	1,405,942	\$0.0894	125,691
New Issue	2,852,762	\$0.0894	255,037
New Issue	294,117	\$0.0850	25,000
New Issue	8,318,286	\$0.0933	776,096
New Issue	5,519,117	\$0.1167	644,080
Exercise of Options	112,500	\$0.1000	11,250
Exercise of Options	1,410,000	\$0.1000	141,000

Movements in options of the company since the half – year ended 31 December 2006 were as follows:

Options exercisable on or before 30 November 2007.

Details	Number of Options	Value \$
Options Issued	147,058	-
Options Issued	147,058	-
Options exercised	(112,500)	11,250
Options exercised	(1,410,000)	141,000

NOTE 4 CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities in existence at the date of this report.

**ADMIRALTY RESOURCES NL
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 5 SEGMENT INFORMATION

Primary reporting – Geographical segments

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

	Australia		Argentina		Chile		Eliminations		Consolidated Entity	
	Half-year ended 31 December									
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
External revenue	189,277	165,567	-	-	-	-	-	-	189,277	165,567
Total revenue from continuing activities	189,277	165,567	-	-	-	-	-	-	189,277	165,567
Result										
Segment result	(1,794,576)	(5,344,384)	(215,212)	(45,382)	(1,147,601)	(317,354)	-	-	(3,157,389)	(5,707,120)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-
Operating loss before income tax	(1,794,576)	(5,344,384)	(215,212)	(45,382)	(1,147,601)	(317,354)	-	-	(3,157,389)	(5,707,120)