

**ADMIRALTY RESOURCES NL**

A.C.N. 010 195 972

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

**ADMIRALTY RESOURCES NL  
A.C.N. 010 195 972  
DIRECTORS' REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

The Board of Directors of Admiralty Resources NL have pleasure in submitting the financial report of the Company for the half year ended 31 December 2004 and 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:

Anthony Dickson	<b>Director</b> – Commenced 17/08/04
Frank Edge	<b>Chairman</b> – Ceased 17/08/04
Shane Mulcahy	<b>Director</b>
Phillip Thomas	<b>Chairman &amp; CEO</b>

**PRINCIPLE ACTIVITIES**

The principle activity of the company is the exploration and development of economic mineral deposits and holding a passive investment in NILNAV Orthopaedics Pty Ltd.

**OPERATING RESULTS**

The operating loss after tax for the Company for the half year ended 31 December 2004 was \$626,783 (2003: \$393,996).

**DIVIDENDS**

No dividends were paid during the half-year, nor are any recommended.

**AUDITORS' INDEPENDENCE DECLARATION**

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

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

**Highlights**

- All of the eight resolutions put to shareholders were passed at the 2004 AGM with significant majorities, most greater than 97%.
- Plans were put in place to reduce costs and thus close the Brisbane office on 28 February 2005 and relocate it to Sydney. The website was rebuilt at [www.ady.com.au](http://www.ady.com.au).
- Ekos Research valued the Rincon Salar project based on modelling net profit after tax and capex at a median discounted value of A\$97.3 million over 15 years. They then applied a factor of 8 to determine the value of the Company given development of its assets and achieving projected profits. This approach computed the median value (of market capitalisation) for the Company at A\$778 million. Based on 450 million shares on issue, this computes to A\$1.73 per share.
- Chemical Engineers Pavlovic and Fowler provided an expert report on the brine of the Rincon Salar concluding it was an attractive economic proposition, especially processing the lithium sulphate present.
- Due diligence on the Japonesa Group of Iron Ore properties near Vallenar in Chile continued. Samples were analysed by a laboratory in Melbourne with outstanding results. Project infrastructure and the processes planned for extraction, freight and loading were analysed. We have now completed contracts with the vendor- Refer Note 2- Subsequent Events - below.
- Hazen Research completed its report and the results were released to the ASX. The results are encouraging and validate our approach to commercialising the Rincon Salar, including the by-products available for sale.
- Planning has commenced for exploration and sampling of the Mistake Creek, NT gold and diamond prospect in April 2005 after the wet season finishes. The work to conduct sampling tests and mapping of the geology will follow on from previous work completed.
- The annual drilling report was received from our joint venture partner Cougar Metals NL on their drilling programmes at Pyke Hill.
- NILNAV Orthopaedics reports that their global distributor, NeuMedix Inc completed a very successful launch in Thailand in November 2004.

**1. Rincon Salar Project – Argentina**

The Company has signed agreements with chemical engineering firms to commence work on the Rincon Salar. This involves a range of tasks from building ponds and trenches, putting in roads, geotechnical measurements and other related tasks.

**2. Pykes Hill WA – (M39/159)**

The annual mineral exploration report was received from Cougar Metals NL for the period 1 September 2003 to 31 August 2004 for the Pyke Hill Nickel Cobalt project at Mount Margaret mineral field. Cougar has completed two air core drilling programmes. The first was a limited programme as part of the due diligence study, to confirm that the grade and thickness of some past reported Ni-Cobalt intercepts could be repeated. Six vertical, widely spaced aircore holes totalling 247 metres were drilled. The second drilling programme was more comprehensive and designed to test the entire known mineralised area on a 200 x 100m grid, so as to gather enough information to enable an inferred resource calculation to be completed. This programme consisted of 25 vertical aircore holes for a total of 936 metres.

Results for this programme were often of a lower nickel and cobalt grade and the anomalous mineralisation was closed off in most directions. The results are still being analysed before a decision can be made regarding future exploration.

**3. Mistake Creek, NT (EL 10096, EL 10097, EL 10098)**

The agreement with Kajeena Mining Pty Ltd was finalised and contracts prepared for completion.

**4. NILNAV Orthopaedics Investment**

The global agent Neumedix reports strong interest at the SE Asian Orthopaedics conference in the "One-cut" system. Neumedix presented a session at the conference.



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PHILLIP THOMAS

Chairman and Chief Executive Officer

17 March 2005

Melbourne

**ADMIRALTY RESOURCES NL**  
**A.C.N. 010 195 972**

The Board of Directors  
Admiralty Resources NL  
GPO Box 517  
Melbourne 3001

16 March 2005

Dear Board Members

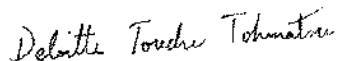
**Admiralty Resources NL**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Admiralty Resources NL.

As lead audit partner for the review of the financial statements of Admiralty Resources NL for the half-year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



MG Sheerin  
Partner  
Chartered Accountants

## **INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ADMIRALTY RESOURCES NL FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

### **Scope**

We have reviewed the financial report of Admiralty Resources NL for the half-year ended 31 December 2004 as set out on pages 7 to 17. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Auditor's Independence Declaration**

The independence declaration provided to the Directors of Admiralty Resources NL on 16 March 2005 would be in the same terms if it was given to the Directors on the date this review report is made out.

### **Qualification**

Included within non-current assets of the consolidated entity is an investment in Nilnav Orthopaedics Pty Ltd with a carrying value of \$3,328,830. AASB 1010 "Recoverable Amount of Non-Current Assets" requires a non-current asset to be written down to its recoverable amount when its carrying amount is greater than its recoverable amount. The recoverability of the carrying value of the investment is dependent on the ability of Nilnav Orthopaedics Pty Ltd to generate sufficient funds from the commercialisation of the patented hip replacement toolkit technology. We have been unable to obtain sufficient appropriate evidence to determine the recoverable amount of the investment and, accordingly, whether its carrying amount is greater than its recoverable amount. In the event the carrying amount is greater than its recoverable amount, it would be necessary for the carrying amount to be written down to its recoverable amount.

### **Qualified Statement**

Based on our review, which is not an audit, except for the effects on the financial report of such adjustments, if any, as might have required had the limitation on our review procedures referred to in the qualification paragraph not existed, 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:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

### ***Inherent uncertainty regarding continuation as a Going Concern***

Without further qualification to the statement expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1 (b) "Going Concern", there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*M. Sheerin*

M G Sheerin  
Partner  
Chartered Accountants

Brisbane, 17 March 2005

**ADMIRALTY RESOURCES NL  
A.C.N. 010 195 972  
DIRECTORS' DECLARATION  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

In the opinion of the directors of Admiralty Resources NL:

- a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, comply with the Accounting Standards, the Corporations Regulation 2001 and other mandatory professional reporting requirements and give a true and fair view of the consolidated financial position as at 31 December 2004, and of the consolidated performance for the half year ended on that date; and
- b) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed in accordance with the resolution of the directors



Phillip Thomas  
Chairman and Chief Executive Officer

17 March 2005

Melbourne

**ADMIRALTY RESOURCES NL  
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	<b>31 December 2004 \$</b>	<b>31 December 2003 \$</b>
<b>REVENUES FROM ORDINARY ACTIVITIES</b>		
Other Income	889	17,802
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>		
Depreciation expense	(9,573)	(12,226)
Employee benefits expense	(46,234)	(45,740)
Consultancy expenses	(303,410)	(169,492)
Professional expenses	(91,179)	(43,117)
Occupancy expenses	(46,897)	(33,514)
Communication expenses	(64,681)	(42,576)
Travel expenses	(2,345)	(17,129)
Borrowing costs	-	(19,140)
Exploration expenses	(20,460)	-
Administration expenses	(42,893)	(28,864)
	<u>(627,672)</u>	<u>(411,798)</u>
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>	(626,783)	(393,996)
Income tax expense attributable to ordinary activities	-	-
<b>LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX</b>	<u>(626,783)</u>	<u>(393,996)</u>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>	<u>(626,783)</u>	<u>(393,996)</u>
Basic loss per share (cents per share)	(0.14)	(0.10)

Diluted earnings per share is not disclosed as the "trigger" test in AASB1027 was not satisfied.

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

**ADMIRALTY RESOURCES NL  
CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2004**

	<b>31 December 2004</b>	<b>30 June 2004</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash assets	66,521	355,742
Receivables	80,591	53,924
Other financial assets	3,600	3,600
Other assets	-	3,348
<b>TOTAL CURRENT ASSETS</b>	<u>150,712</u>	<u>416,614</u>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	3,328,830	3,328,830
Property, plant and equipment	80,913	90,486
Other	1,216,814	1,115,940
<b>TOTAL NON-CURRENT ASSETS</b>	<u>4,626,557</u>	<u>4,535,256</u>
<b>TOTAL ASSETS</b>	<u>4,777,269</u>	<u>4,951,870</u>
<b>CURRENT LIABILITIES</b>		
Payables	413,187	51,004
Interest bearing liabilities	90,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>503,187</u>	<u>51,004</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing liabilities	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>503,187</u>	<u>51,004</u>
<b>NET ASSETS</b>	<u>4,274,082</u>	<u>4,900,866</u>
<b>EQUITY</b>		
Contributed equity	20,420,522	20,420,522
Accumulated losses	(16,146,439)	(15,519,656)
<b>TOTAL EQUITY</b>	<u>4,274,082</u>	<u>4,900,866</u>

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

**ADMIRALTY RESOURCES NL  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	<b>31 December 2004 \$</b>	<b>31 December 2003 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	-
Payments to suppliers and employees	(226,762)	(403,978)
Interest received	889	534
Net GST(paid)/refunded	(35,299)	45,566
Interest and other costs of finance paid	-	(2,908)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(261,172)</b>	<b>(360,786)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment of security deposits	(17,175)	-
Purchase of property, plant and equipment	-	(217)
Payment of mining tenement exploration	(100,874)	(82,434)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(118,049)</b>	<b>(82,651)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	90,000	390,921
Repayment of borrowings	-	(3,000)
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>90,000</b>	<b>387,921</b>
<b>NET DECREASE IN CASH HELD</b>	<b>(289,221)</b>	<b>(55,516)</b>
Cash at beginning of the half-year	355,742	42,581
<b>CASH AT THE END OF THE HALF YEAR</b>	<b>66,521</b>	<b>(12,935)</b>

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 2004**

**NOTE 1 BASIS OF PREPARATION**

**(a) Basis of Accounting**

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1029 "Interim Financial Reporting". The 31 December 2004 half year financial report is to be read in conjunction with the financial report for the year ended 30 June 2004 and any public announcements made by Admiralty Resources NL during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Notes of a type normally included in an annual financial report are not included.

The accounting policies adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the 30 June 2004 annual financial report.

**(b) Going Concern**

The financial report has been prepared in accordance with generally accepted accounting principles, which are based on the consolidated entity continuing as a going concern. The consolidated entity has incurred operating losses and is in a deficient working capital position as at 31 December 2004. In February 2005 the consolidated entity raised a net \$8.675 million from a converting note issue. The funds raised were used to partially fund the acquisition of a 50% interest in Compania Minera Santa Barbara, and for working capital purposes.

As mentioned below in Note 2, the consolidated entity has a further obligation to pay U.S. \$3.5 million as part of the acquisition of a 50% interest in Compania Minera Santa Barbara. This amount is payable upon first shipment of iron ore. The consolidated entity will need to raise additional funds to meet this obligation and to provide additional ongoing working capital. The directors believe that additional funding can be raised to meet these requirements through additional fund raisings.

Whilst the directors are confident that additional funds will be raised, a significant uncertainty exists with respect to raising the required funds.

Based upon the views outlined above, the directors believe that, whilst there exists significant uncertainty with respect to going concern, the going concern basis of preparation is appropriate.

Should the Company and Consolidated Entity be unable to continue as going concerns, they 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 Company and Consolidated Entity be unable to continue as going concerns.

**ADMIRALTY RESOURCES NL  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

**NOTE 2 SIGNIFICANT AFTER BALANCE DATE EVENTS**

In February 2005 the company received funding of \$9,999,998 representing the initial payment of \$5.10 per note in respect of the issue of 1,960,784 converting notes at \$10.00 per note. This issue was part of the issue of converting notes approved by shareholders at the Annual General Meeting held on 10 December 2004. Procurement and Selldown fees relating to the issue totalling \$1,325,000 have been paid by the company. The Company has an ongoing arranger agreement with Intrepid Finance International Limited to act as arranger for capital restructuring and financing.

In February 2005 Admiralty entered into a contract with Wyndham Explorations SA, a privately held company, to acquire a 50% interest in the mining company Compania Minera Santa Barbara, a Chile-based company owning nine freehold iron ore mining properties in northern Chile. Admiralty acquired the stake for 15 million of its own shares issued at A\$0.10 per share, an initial cash payment of US\$5.0 million, and provision of working capital of up to US\$10 million. A further payment of US\$3.5 m is due to Wyndham Explorations SA once the first shipment of iron ore is made, expected to be before the end of calendar 2005.

The inferred iron ore mineral resource is estimated by Geologists from drill holes and sampling at a total 41 million tonnes. Mining engineers are currently compiling a proven ore reserve estimate from the results of 92 drill holes and 211 samples from several of the mines. A drilling program will be commenced immediately to allow a proved ore reserve of all nine properties to be established.

Apart from the foregoing and the issues of shares and options referred to in Note 3 below, no significant after balance date events have occurred since the half year ended 31 December 2004.

**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:

<b>Details</b>	<b>Number of Shares</b>	<b>Issue Price</b>	<b>Value \$</b>
Opening Balance	450,342,630		20,420,522
Movement	Nil		Nil
Closing Balance	450,342,630		20,420,522

**ADMIRALTY RESOURCES NL  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

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

Details	Number of Options	Value \$
Opening Balance	181,015,425	-
Options expired unexercised	(181,015,425)	-
Closing Balance	Nil	-

**Subsequent Issues of Shares and Options**

On 4 March 2005 the company allotted 15,000,000 shares at an issue price of \$0.10 per share totalling \$1,500,000 to Wyndham Explorations SA as part consideration for the acquisition of a 50% interest in Compania Minera Santa Barbara referred to Note 2 above.

On 28 January 2005 the company allotted 175,000,000 options exercisable at \$0.10 per share on or before 30 November 2007 to MTM Holdings (Australia) Pty Ltd for a total consideration of \$43,750. This issue was approved by shareholders at the Annual General Meeting held on 10 December 2004

**NOTE 4 CONTINGENT LIABILITIES**

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

**NOTE 5 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)**

The Company has commenced a transition of its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (AIFRS). Directors of the Company have given consideration to the key areas expected to be impacted by the upcoming transition to AIFRS, and as the Company has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Company. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

**ADMIRALTY RESOURCES NL  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

**(i) Income Tax**

AASB 112 "Income Tax" requires all income tax balances to be calculated using the comprehensive balance sheet liability method. Deferred tax items will be calculated by comparing the difference in carrying amounts to tax bases for all assets and liabilities and multiplying this by the tax rates expected to apply to the period when the asset is realised or the liability settled. Recognition of the resulting amounts are subject to some exceptions, but generally deferred tax balances must be calculated for each item in the statement of financial position. Deferred tax assets will only be recognised where there exists the probability that future taxable profit will be available to recognise the asset.

It is not expected that there will be any material impact as a result of the adoption of this standard.

**(ii) Non - current Assets**

**Property, Plant & Equipment**

AASB 116 "Property Plant & Equipment" will allow the carrying amounts of property plant and equipment to include the costs of dismantling and removing items of property, plant and equipment at the conclusion of a lease term or similar arrangement. This amount will adjust the current carrying amount of certain items of property plant and equipment on initial adoption of AIFRS and will be depreciated over the remaining useful life of that related asset.

Any consideration which is deferred is recognised as the net present value of that amount using an appropriate discount rate.

Property, plant and equipment is subject to an impairment test when there is an indication that impairment exists by reference to internal and external market factors. Any item of property, plant & equipment which is impaired must be written down to its recoverable amount. The amount of the impairment write down for assets carried at cost will be expensed through the statement of financial performance.

Items of property, plant and equipment measured at fair value will still be carried as such, however the offsets of balances in the Asset Revaluation Reserve under the new standards will be determined on an "asset by asset" basis rather than the current "class by class" treatment. This means that a change to profit or loss will occur where an impairment write down is necessary and there is no existing balance for that asset in the asset revaluation reserve.

**ADMIRALTY RESOURCES NL  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

**Licences, Patents, Trademarks and Other**

All licences, patents and trademarks have been assessed as having either a finite or indefinite useful life.

All items that have been classified as being indefinite life assets will be impairment tested annually in accordance with the standards. All items classified having a finite life assets will be amortised over the useful life of the asset.

Regardless of the useful life classification the directors must assess at the end of each reporting period the classification, subsequent method employed and rates used to ensure appropriateness.

**(iii) Share Based Payments**

The Company may engage in the practice of allocating to its employees shares and share options as part of their remuneration packages. AASB 2 "Share Based Payments" require that these payments and also payments made to other counterparties in return for goods and services shall be measured at the more readily determinable fair value of the good/service or the fair values of the equity instrument. This amount will be expensed in the statement of financial performance. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

**(iv) Classification of Financial Instruments**

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been completed.

**ADMIRALTY RESOURCES NL  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

**NOTE 6 SEGMENT INFORMATION**

Segment products and locations

The consolidated entity's operating companies operate solely in one business segment, being mineral exploration. Geographically, the group operates in two predominant segments, being Australia and Argentina.

Segment Accounting Policies

Revenues and expenses are attributed to geographic areas based on the location of the assets producing the revenues and incurring the expenses.

Segment accounting policies are the same as the consolidated entity's policies described in note 1. There have been no changes in segment accounting policies during the period.

SEGMENT INFORMATION – PRIMARY SEGMENT

GEOGRAPHIC SEGMENTS

	<b>Australia</b>		<b>Argentina</b>		<b>Eliminations</b>		<b>Consolidated Entity</b>	
	<b>December 2004</b>	<b>December 2003</b>	<b>December 2004</b>	<b>December 2003</b>	<b>December 2004</b>	<b>December 2003</b>	<b>December 2004</b>	<b>December 2003</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>								
External Revenue	-	-	-	-	-	-	-	-
Unallocated Revenue	889	17,802	-	-	-	-	889	17,802
Total Revenue from Ord. Activity	889	17,802	-	-	-	-	889	17,802
<b>Result</b>								
Segment Result	(577,824)	(474,656)	(48,959)	(105,899)	-	186,559	(626,783)	(393,996)
Unallocated Expenses	-	-	-	-	-	-	-	-
Operating profit before income tax	(577,824)	(474,656)	(48,959)	(105,899)	-	186,559	(626,783)	(393,996)

**ADMIRALTY RESOURCES NL  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	<b>Australia</b>		<b>Argentina</b>		<b>Eliminations</b>		<b>Consolidated Entity</b>	
	<b>December 2004 \$</b>	<b>June 2004 \$</b>	<b>December 2004 \$</b>	<b>June 2004 \$</b>	<b>December 2004 \$</b>	<b>June 2004 \$</b>	<b>December 2004 \$</b>	<b>June 2004 \$</b>
<b>Assets</b>								
Segment assets	7,034,849	7,147,268	1,293,378	1,162,088	(3,550,958)	(3,357,486)	4,777,269	4,665,294
<b>Liabilities</b>								
Segment Liabilities	8,247,276	7,773,171	3,897,394	3,717,145	(11,641,483)	(11,439,312)	503,187	396,915
<b>Other</b>								
Acquisitions of non-current segment assets	6,574	1,140	94,300	1,426	-	-	100,874	3,346,414
Depreciation and amortisation of segment assets	2,122	4,657	7,451	19,648	-	-	9,573	30,473