

Corporate Governance Statement

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

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

On 31 March 2003 the Corporate Governance Council of the Australian Securities Exchange released its "Principles of Good Corporate Governance and Best Practice Recommendations" ("ASX Principles and Recommendations"). A second edition entitled "Corporate Governance Principles and Recommendations with 2010 Amendments" was released on 30 June 2010 and came into effect on 1 January 2011.

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

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

Principle 1: Laying Solid Foundations for Management and Oversight

Roles of the Board and Management

The Board is accountable to shareholders and regulators for the activities and performance of the Company and has overall responsibility for the Company's core business together with its corporate governance. The Board provides guidance to the management team that manages the business and affairs of the Company.

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

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

Responsibilities of the Board

The Board's responsibilities include:

- Overseeing the Company, including its control and accountability systems and the performance of the Managing Director;
- Review and ratification of the integrity of the Company's financial management and reporting systems and processes;
- Establishment and monitoring of risk assessment and management, internal compliance and control procedures;
- Review and approval of the Company's yearly and half yearly financial reports and other financial reporting in compliance with the applicable accounting standards, the Listing Rules of the Australian Securities Exchange, and the *Corporations Act 2001*;
- Appointment, removal and remuneration of, and delegation of authority to, the Managing Director;
- Appointment, removal and monitoring of the performance of the Company Secretary and the Company's external accountants;
- Appointment of, liaison with, and regular review of, the effectiveness and independence of the Company's external auditor;
- Regularly receiving, reviewing and applying reports and recommendations from the Managing Director concerning significant aspects of the Company's business and operations;
- Approving and monitoring financial and other reporting;
- To set the strategic direction of the Company and monitor progress of those strategies;
- Informing itself about and considering the implications of events and circumstances that could significantly affect the Company;

Corporate Governance Statement (Continued)

Responsibilities of the Board (Continued)

- Take responsibility for corporate governance;
- Ensuring that appropriate policies and procedures are in place for sound corporate governance including compliance with continuous disclosure requirements and other legal compliance; and
- Review and ratify systems for health, safety and environmental management; risk and internal control and regulatory compliance for both employees and contractors.

Performance Review of Executives

A performance evaluation of the Managing Director is conducted at least annually. The Managing Director is requested to provide feedback on how he feels he has performed over the 12 month period (360 degree feedback). The Remuneration Committee has conducted the annual performance review of the Managing Director during the year.

Principle 2: Structuring the Board to Add Value

Board Structure and Composition

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

Assessing the Independence of Directors

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

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

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

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

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

Independent Directors and Chairman

Currently, the Board has a majority of Directors which are considered to be independent and is in compliance with Principle 2 of the ASX Principles and Recommendations. Prior to the appointment of Mr. Xu on 2 August 2012, the Board had an equal number of Directors which were considered to be independent to those considered not to be independent. The Company believes it has the right mix of skills, independence and experience on the Board at this time.

At all times during the year, the Company has had an independent Chairman and has maintained a separation between the Chairman and Chief Executive Office roles.

Corporate Governance Statement (Continued)

The following table provides information in relation to the independence of Directors:

<i>Name</i>	<i>Position</i>	<i>Independent</i>	<i>Factors affecting independence</i>
Professor J. Ross Harper	Chairman	Yes	
Stephen C. Prior	Managing Director	No	Employed in an executive capacity as Managing Director
Michael S. Perry	Non-executive Director	Yes	
Dr Shaoqing Li	Non-executive Director	No	Related party to Sino Investment & Holding Pty Ltd, a substantial shareholder in the Company.
Hanjing Xu	Non-executive Director	Yes	

Board Committees

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

- Audit and Risk Committee
- Remuneration Committee
- Finance Committee

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

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

Due to the relatively small size of the Company and the nature of the Company's core business, the Board has not created a Nominations Committee as these matters are considered by the Board.

The Board itself retains and exercises responsibility for the selection and appointment of new Directors. The Remuneration Committee's functions include reviewing and making recommendations to the Board on matters concerning executive remuneration, retention and termination procedures and policies for executive officers, and on the remuneration framework for Directors.

Audit and Risk Committee

The members of the Audit and Risk Committee at the date of this report are Professor J. Ross Harper and Mr Michael Perry, with Mr Michael Perry being Chairman. Mr Patrick Rossi is Secretary of the Audit and Risk Committee. Due to the relatively small size of the Company and the nature of the Company's audit function, the Audit and Risk Committee only contains two members.

Remuneration Committee

The members of the Remuneration Committee at the date of this report are Professor J. Ross Harper, Mr Michael Perry and Mr Stephen Prior, with each member being excluded from discussions regarding their own remuneration. Mr Patrick Rossi is Secretary of the Remuneration Committee.

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

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

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

Corporate Governance Statement (Continued)

Board Committees (Continued)

Finance Committee

During the year, a Finance Committee was formed to oversee the underwritten Rights Offer. The members of the Finance Committee were Mr Michael Perry and Mr Stephen Prior. Mr Patrick Rossi was Secretary of the Finance Committee.

Performance Review of Directors

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

Company Secretary

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

Principle 3: Promotion of Ethical and Responsible Decision-Making

The Board has adopted a corporate code of conduct to establish and encourage observance of standards of ethical and responsible decision making and behaviour that is necessary to maintain confidence in the Company's integrity. This enables Directors to recognise legal, social and other obligations and guide compliance to the Company's shareholders and stakeholders.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist in so far as it affects the activities of the Company. Directors are required to take actions to ensure they act in accordance with the Corporations Act. This may include taking no part in discussions or the decision making process where the conflict exists.

Diversity Policy

During the year the Board conducted a review and believes it currently has the right mix of skills and experience on the Board to act in the best interest of all shareholders in light of the Company's principal activities and direction. As a result, the Board is not seeking additional directors or executives at this time and does not have a diversity policy.

Share Ownership Policy

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

Principle 4: Safeguarding Integrity in Financial Reporting

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

The structure includes:

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

Corporate Governance Statement (Continued)

Audit and Risk Committee

The Company has established an Audit and Risk Committee structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors; and
- is chaired by an independent chair, who is not chair of the Board;

Due to the relatively small size of the Company and the nature of the Company's audit function, the Audit and Risk Committee only contains two members.

The Audit and Risk Committee is also responsible for ensuring the independence and competence of the Company's External Auditor including:

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

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

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

- overseeing the reliability and integrity of the Company's accounting policies, financial reporting and disclosure practices;
- advising the Board on the Company's financial reporting, due diligence, financial systems integrity and business risks;
- reviewing and monitoring the Company's external audit and risk management procedures;
- monitoring and reviewing the effectiveness of the Company's internal compliance and control;
- reviewing the external auditor's qualifications and independence;
- reviewing the performance of the external auditor;
- assessment of whether the Company's external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs; and
- ensuring proper procedures for the selection, appointment or removal of the external auditor and rotation of the external audit engagement partner.

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

External Auditor

BDO East Coast Partnership (*formerly known as PKF Chartered Accountants*) are the appointed external auditors of the Company. The performance of the external auditor is reviewed periodically and, if necessary, applications for tender of external audit services will be requested as deemed appropriate.

It is the practice of the Company to require the external auditor to attend the Annual General Meeting and be available to answer shareholders questions about the conduct of the annual audit and content of the auditor's report.

An analysis of fees paid to the external auditors, including a breakdown of any fees for any non-audit services, is provided in Note 8 to the financial statements. The Directors are satisfied that the provision of non-audit services during the year by BDO East Coast Partnership is compatible with the general standard of independence as imposed by the Corporations Act. The external auditors provide an annual declaration of their independence to the Company.

Corporate Governance Statement (Continued)

Principle 5: Making Timely and Balanced Disclosure

The Board has put in place mechanisms designed to ensure compliance with the ASX Listing Rules Disclosure Requirements and to ensure accountability at senior management level for that compliance.

The Managing Director and Company Secretary are charged with the management of communications with the ASX. Their responsibilities include ensuring compliance with the continuous disclosure requirements, overseeing and coordinating information disclosure to the ASX, shareholders, the media and the public.

The Company has a Disclosure Policy which includes:

- processes for the identification of matters that may have a material effect on the price of the Company's securities and notifying them to the ASX; and
- ensuring that shareholders and the financial markets are provided with full and timely information about the Company in a balanced and understandable way.

Principle 6: Respecting the Rights of Shareholders

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

The Board's informs shareholders of all major developments affecting the Company via:

- audited half yearly and yearly financial reports;
- quarterly cash flow and activities reports;
- announcements in accordance with the ASX Listing Rules and the Continuous Disclosure obligations;
- a general meeting of shareholders held at least annually including providing them with notice of meeting and proxy form; and
- releases of other information to the market which may be in the interest of shareholders.

Company's Website

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

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

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

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

Corporate Governance Statement (Continued)

Principle 7: Recognising and Managing Risk

The risks involved in an exploration and mining company and the specific uncertainties for the Company continue to be regularly monitored and reviewed by the Board. All proposals reviewed by the Board include a conscious consideration of the issues and risks of the proposal.

The potential exposures associated with operating the Company are managed by the Managing Director, the Company Secretary and consultants who have significant broad-ranging industry experience, who work together as a team and regularly share information on current activities. During the year, the Managing Director has disclosed to the Board the effectiveness of the Company's management of the material business risks.

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

Principle 8: Remunerate Fairly and Responsibly

The Board's policy is to remunerate executive and non-executive Directors based on external data including information published by various recruiting firms, the time commitment of Directors, the size and scale of the Company's operations, the quantum of the tasks in the initial phases of development of the Company, market capitalisation and various other factors.

The Company distinguishes the structure of non-executive Directors' remuneration from that of executive Directors. There are no elements of remuneration related to performance paid to non-executive Directors and there are currently no schemes for retirement benefits for non-executive Directors.

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

Remuneration Committee

The Company has established a Remuneration Committee so that it can efficiently focus on appropriate remuneration strategies. The Remuneration Committee is structured such that it:

- is chaired by an independent director;
- consists of a majority of independent directors; and
- has at least 3 members.

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

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

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

Annual Corporate Governance Review

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

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