2009

ADMIRALTY RESOURCES NL
ANNUAL REPORT

ADMIRALTY RESOURCES

Highlights for 2009

- In December 2008, the Company successfully completed the sale of its interest in Rincon Lithium Ltd to Sentient GP III LP for US$22.17 million.
- In May 2009, the Company increased its ownership of equity in Vallenar Iron Company to 100% and settled all outstanding legal issues with Wyndham Explorations S.A.
- The Company conducted a full review of all aspects of its Chilean iron ore operations and has established a business plan with detailed information about mining, operational and transport costs on the basis of 2,500,000 tonnes of iron ore fines per annum.
- Vallenar Iron Company settled the ongoing arbitration process with Besalco Maquinarias S.A. The settlement included Vallenar Iron receiving a payment of US$600,000 and both companies agreeing not to pursue further legal action.
- The Company has significantly reduced its level of debt during the year, with full repayment of the liability owed to Hawkswood Investments Pty Ltd and part repayment of the YA Global Investments LP Series D loan.
- Vallenar Iron Company's maritime concession at Punta Alcalde is valid until 31 December 2055 and the Company continued to work on is environmental impact and archaelogical studies for the construction of a future cape size facility within the concession.

The 2009 Annual Report provides an overview of Admiralty Resources NL' main operating activities for the year ended 30 June 2009.

Corporate Details

ADMIRALTY RESOURCES NL

ABN: 74 010 195 972

Directors:

Professor J. Ross Harper

John Anderson

Bankers:

Westpac Banking Corporation

447 Bourke Street

Melbourne VIC 3000 Australia

Secretary:

Stephen C. Prior

Share Registry:

Computershare Investor Services Pty Ltd

Registered Office:

C/o Prior & Co. Pty. Ltd.

Level 14, 200 Queen Street

Melbourne VIC 3000 Australia

Tel + 61 3 9642 8787

Fax + 61 3 8677 694

Securities Quoted:

Australian Securities Exchange Ltd (ASX)

Code: ADY (shares)

ASX web address: www.asx.com.au

American Depositary Receipt Program (ADR)

Code: ARYRY (OTCBB)

Bank of New York web address: www.adrbny.com

Principal Place of Business:

Level 14, 200 Queen Street

Melbourne VIC 3000 Australia

Tel +61 3 9642 8787

Fax + 61 3 8677 6949

Website:

www.ady.com.au

Auditors:

PKF Chartered Accountants

Level 14, 140 William Street

Melbourne VIC 3000 Australia

Lawyers:

Hall & Wilcox

Level 30, 600 Bourke Street

Melbourne VIC 3000 Australia

Logie-Smith Lanyon Lawyers

Level 13, 575 Bourke Street

Melbourne VIC 3000 Australia

Admiralty Resources Group Structure

Admiralty Resources NL (ACN 010 195 972) has the following subsidiaries:

- Fortune Global Holdings Corporation
  (which owns 60% of SCM Vallenar Iron Company)
- Inversiones Admiralty Resources Chile Ltda.
  (which owns 40% of SCM Vallenar Iron Company)
- Sociedad Contractual Minera Vallenar Iron Company
  (which owns the mining concessions and the Punta Alcalde maritime concession in Chile)
- Bulman Resources Pty Ltd
  (which explores in the Northern Territory)
- Pyke Hill Resources Pty Ltd
  (which has a 50% joint venture with Richfile Pty Ltd and has a mining and production royalty agreement with Cougar Metals NL)
- ADY Investments Pty Ltd
  (currently inactive)
- Five Star Resources Pty Ltd
  (currently inactive)
- S.B. Graneles S.A.
  (currently inactive)

Chairman's Report

It gives me pleasure to report important progress of the Company, particularly with regards to its Chilean iron ore assets. The most exciting development was reaching an agreement to acquire 100% control over SCM Vallenar Iron Company in May 2009 and settling all ongoing legal issues with Wyndham Explorations S.A. and Besalco Maquinarias S.A. This acquisition and settlement allows the Company to move forward with a geological exploration program focused on identifying and defining the quantity and quality of its mineral resources.

We had the pleasure of appointing John Anderson as Executive Director in November 2008. John, who has served on the Board since December 2005, has since made a major contribution to the management of our business including overseeing the sale of our previously 100% owned subsidiary, Rincon Lithium Ltd.

On the exploration front in Chile, excellent progress was made by our geological staff. Progress has continued to be made post 30 June 2009, with the resources receiving a further increase of 55% in the category of inferred and indicated resources to 423 million tonnes in September 2009. *

In Australia, exploration continued on our four exploration licences at Bulman, and we received encouraging zinc values from the drilling results. Evaluations are being undertaken to determine if further work is warranted to better define the extent and character of mineralisation in the encouraging areas.

In September Mike Clarke submitted his voluntary resignation to the Board of Admiralty Resources NL, while still maintaining all of his positions within Chile. Your Board views this as a positive development as it enables Mike Clarke to focus on the management and development of the Company's key assets located in Chile. I thank Mike for his contribution whist on the Board.

I express my thanks to John Anderson, Executive Director; Mike Clarke, President and Chief Executive Officer of SCM Vallenar Iron Company and General Manager of Inversiones Admiralty Resources Chile Ltda; and Company Secretary, Stephen Prior, for their outstanding and accomplished contributions during what was at times a difficult but rewarding year.

I look forward to meeting you at our Annual General Meeting to be held in Melbourne in November 2009.

Yours sincerely,

Professor J. Ross Harper
Chairman

* Please refer to the JORC compliant Resource Statement by SRK Consulting (Chile) S.A., released by the Company to the ASX on 4 September 2009, and included in the Appendix section on page 63.

Executive Director's Report

The 100% ownership of SCM Vallenar Iron to maximise the value to shareholders of

This year we streamlined the business and consolidated debt levels to lay the foundations to prosper throughout trying financial circumstances.

Our key achievement for the SCM Vallenar Iron Company business was to obtain 100% ownership of the entity by purchasing the 40% the Consolidated Entity did not own from Wyndham Explorations S.A. This acquisition places the Company in a stronger position to maximise the value to shareholders of the Chilean iron ore assets.

We also successfully completed the sale of our previously wholly-owned subsidiary, Rincon Lithium Ltd, for US$22.17 million. The sale of this business allowed us to retire debt and focus our resources on our main operations of iron ore mining in Chile.

The Company also settled a number of legal and commercial issues which were distracting from the focus on the Company's mineral assets.

Business Strategy

Chilean Assets

Exploration program

Vallenar Iron is planning to conduct its geological exploration program in two stages, the first of which will be directed at identifying Vallenar Iron's total iron ore resources in Chile through a series of ground magnetic studies, reverse air circulation and diamond drilling campaigns. The Company estimates that this stage of the geological exploration program will begin within the next 2-3 months and will take approximately 12 months to complete.

Once the first stage of the geological exploration program has been completed and depending upon the results obtained, Vallenar Iron currently intends to proceed to the second stage of the program, to identify proven ore reserves within Vallenar Iron's geological district. Admiralty expects that the second stage of the geological exploration program will be funded through raising additional equity or entering into a joint venture with one or more joint venture partners.

The geological exploration program proposed by Vallenar Iron adheres to industry standard geological exploration programs that permit a mining company to be able to identify and define the quantity and quality of its mineral resources and proven ore reserves. After the company establishes its proven ore reserves it can advance to a pre-feasibility study, followed by a bankable feasibility study upon which a production decision can be made and mine construction can proceed.

Port Development

As previously disclosed, Vallenar Iron holds legal title to a maritime concession in respect of an area along the coast of Chile known as Punta Alcalde. Vallenar Iron currently is planning to construct a port facility capable of operating with cape sized ships at Punta Alcalde, which it will use to ship the iron ore produced from the Company's future mining operations to its customers. The legal title to the maritime concession is valid until December 31, 2055.

Vallenar Iron is executing environmental impact and archaeological studies in respect of the port, which it expects will be completed next year. The environmental study is included within the work program required by the Chilean Ministry of Defence's Navy Sub-Secretariat as a condition to the maintenance of Vallenar Iron's maritime concession.

Following the completion of these environmental and archaeological studies, the Company intends to execute conceptual engineering studies followed by detailed engineering studies for the submission to and approval by the appropriate Chilean governmental regulating entities.

The Company currently expects that the proceeds it is to receive from the sale of the stockpiles and plant over the next 20 months will be sufficient to cover the costs of the first stage of its geological exploration program and the completion of the environmental and archaeological studies in respect of Punta Alcalde.

The company is looking at assistance in the development of the Chilean assets via a joint venture arrangement. To this end a marketing document has been prepared and distributed to parties that may have an interest in the assets. Discussions are ongoing with a number of those parties.

Other Assets

During the course of the forthcoming year an assessment and review of the Company's Australian assets in Bulman (Northern Territory) and Pyke Hill (Western Australia) will be undertaken.

Production and Sales

We processed and shipped 139,000 tonnes of high quality iron fines concentrates with a grade of 63.50% Fe by the beginning of November 2008, at which stage the mining operations were suspended. We have maintained communications with several prospective clients with regards to acquiring iron ore products in future years.

places the Company in a stronger position the Chilean iron ore assets

People

Mike Clarke, President of SCM Vallenar Iron Company, continues to manage a multi-disciplined team of experienced professionals in Chile. Mike Clarke continues to lead the discussions with third parties with regard to joint venture opportunities.

Finance

The Company had only $6.125 million of debt outstanding at 30 June 2009, of which approximately $3.1 million has been repaid via share issues subsequent to year end.

Share Price

Our share price experienced significant decline over the past year due largely to scarce funding options caused by the worldwide credit crunch and the global financial crisis. However, share turnover continued to provide outstanding liquidity, which has been instrumental in enabling the Company to weather the storm.

Your Board continues to make a significant contribution and I would like to thank them for their encouragement and support over the year. I would also like to thank our staff in Melbourne and Santiago for their efforts.

John Anderson
Executive Director

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" was released in August 2007.

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.

Roles of the Board and Management

The Board is accountable to shareholders and regulators for the activities and performance of the Company and has overall responsibility for the Company's core business together with its corporate governance.

However, the Board provides guidance to the management team that manages the business and affairs of the Company.

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

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

Responsibilities of the Board

The Board's responsibilities include:

- Oversight of the Company, including its control and accountability systems and the performance of the Executive 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;
- Appointment, removal and remuneration of, and delegation of authority to, the Executive Director;
- Appointment, removal and monitoring of the performance of the Secretary and the Company's External Accountants;
- Appointment of, liaison with, and regular review of, the effectiveness and independence of the Company's External Auditor;
- Regularly receiving, reviewing and applying reports and recommendations from the Executive Director concerning significant aspects of the Company's business and operations;
- Approving and monitoring financial and other reporting;
- Informing itself about and considering the implications of events and circumstances that could significantly affect the Company;
- Ensuring that appropriate policies and procedures are in place for sound corporate governance including compliance with continuous disclosure requirements and other legal compliance;
- To set the strategic direction of the Company and monitor progress of those strategies;
- Take responsibility for Corporate Governance;
- Review and ratify systems for health, safety and environmental management; risk and internal control and regulatory compliance for both employees and contractors.

Appointment and Rotation of Directors

One third of Directors retire by rotation annually. Prof. J. Ross Harper retires by rotation at the 2009 AGM and has agreed to submit himself for re-election.

The Chairman of the Board is responsible for the performance appraisal of Directors and this occurs annually. Criteria such as attendance, knowledge and familiarity of key issues and strategy input are some of the criteria. Each Director is fully appraised of their responsibilities, objectives and the outcomes expected.

Board Structure and Composition

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

Independent Directors and Chairman

During the year, the Board had a majority of non-independent Directors, however, the Company plans to appoint further independent Directors in the short-term, however the current financial climate has slowed this process.
Professor J. Ross Harper is Chairman of the Board and is considered to be independent.

Assessing the Independence of Directors

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

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

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

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

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

The Board considers that of the Directors, one is considered to be independent (Professor J. Ross Harper).

Mr. John Anderson is the Executive Director of the Company and is not considered to be independent.

Mr. Mike Clarke occupied an executive position within the company and was not considered to be independent.

Board Committees

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

- Audit Committee
- Remuneration Review Committee
- Finance Committee

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

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

Due to the relatively small size of the Company and the nature of the Company's core business, the Board has not created a Nominations Committee.

The Board itself retains and exercises responsibility for the selection and appointment of new Directors.

The Remuneration Review Committee's functions include reviewing and making recommendations to the Board on matters concerning executive remuneration, about the recruitment, retention and termination procedures and policies for executive officers, and on the remuneration framework for Directors.

Audit Committee

The members of the Audit Committee at the date of this report are Professor J. Ross Harper and Mr. John Anderson. Mr. Stephen Prior is Secretary of the Audit Committee.

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

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

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

Remuneration Review Committee

The members of the Remuneration Review Committee at the date of this report are Professor J. Ross Harper and Mr. John Anderson. Mr. Stephen Prior is Secretary of the Remuneration Review Committee.

Corporate Governance Statement (Continued)

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

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

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

Finance Committee

The members of the Finance Committee at the date of this report are Professor J. Ross Harper and Mr. John Anderson. Mr. Stephen Prior is Secretary of the Finance Committee.

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

- to consider all finance and funding issues referred to the Committee by the Board;
- to make recommendations to the Board on matters which are the subject of the Committee's deliberations.

Corporate Code of Conduct

The Board has adopted a Corporate Code of Conduct to establish and encourage observance by the Company's Directors and Officers of standards of ethical and responsible decision making and behaviour that is necessary to maintain confidence in the Company's integrity. This enables Directors to recognise and guide compliance with legal and other obligations to the Company's shareholders and legitimate stakeholders.

Share Ownership Policy

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

Integrity of Financial Reporting

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

The structure includes:

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

The Audit Committee's role and responsibilities under its charter cover processes to ensure the independence and competence of the Company's External Auditor including:

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

The Executive 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.

Disclosure Policy

The Board has put in place mechanisms designed to ensure compliance with the ASX Listing Rules Disclosure Requirements and to ensure accountability at senior management level for that compliance. The disclosure policy includes processes for the identification of matters that may have a material effect on the price of the Company's securities and notifying them to the ASX.

Communications Strategy

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

Attendance of External Auditor at Annual General Meetings

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

Risk Identification and Management

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

The potential exposures associated with operating the Company are managed by the Executive 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.

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 Executive 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 Executive Director and the Company Secretary prior to the Directors' approval of the release of the annual and six monthly accounts make this representation. This representation is made after enquiry of, and representation by, appropriate levels of management.

Performance Review

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

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.

Independent Professional Advice

Directors may obtain independent professional advice at the expense of the Company subject to first informing the Chairman of their intention to obtain the advice.

Remuneration

The Board's policy is to remunerate executive and non-executive Directors at market rates. These rates are sourced from information published by various recruitment firms as well as those rates used to remunerate Directors of comparable companies for the time commitment and responsibilities involved. Annually, the Board reviews Directors' fees considering external data, the time commitment of Directors, the size and scale of Admiralty Resources NL's operations, the quantum of the tasks in the initial phases of development of the Company, market capitalisation and various other factors.

Annual Corporate Governance Review

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

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

Company's Website

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

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

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

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

Director's Report

The Directors of Admiralty Resources NL submit the annual financial report of the Company for the financial year ended 30 June 2009. 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 the Company during or since the end of the financial year are:

Professor J. Ross Harper CBE, MA, LLB, D Univ,

Chairman of Directors

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

Professor Harper has had twelve years experience in mining as the Chairman of Mining (Scotland) Ltd, a company which bought British Coal's assets in Scotland and was the biggest producer of coal in Scotland.

He was also President of the International Bar Association and works as a consultant for the legal firm Harper & MacLeod LLP.

John Anderson BCom, MBA

Executive Director

Mr Anderson, who has served the Board as a non-executive Director since 14 December 2005, was appointed by the Board to the position of Executive Director on 1 November 2008. Mr Anderson has over 25 years experience in the finance sector in banking, investment banking and consulting areas. Mr Anderson has held positions of Executive Director or Chairman with a number of public and private companies during his Australian career. He has been Director and Chairman of Anchor Resources Limited, an ASX listed company, since July 2007.

Mr Anderson has specialised in general financing and capital raisings, balance sheet and profit and loss management, resource and technology analysis, investment and development, and business plans for new and existing entities.

Among previous positions held Mr Anderson was the Executive Director of an Australian publicly listed mining company and was responsible for the turning around of its unprofitable operations and the implementation of mining and operating plans.

R. Michael Clarke BSc, P Eng

Director

Mr Mike Clarke is a Graduate mining engineer from Montana State University USA, with over 30 years professional experience in management and senior supervisory positions within the North American and Latin American minerals industries.

Mike has a distinguished mining career, with his most recent role being Vice President Special Projects at Coeur d' Alene Mining in Latin America. He has previously worked for Cominco, Placer Dome and other major publicly listed companies.

Mike also has completed post graduate studies in Economic Geology and is a Member of the Association of Professional Engineers of the Province of Ontario, College of Engineers of Chile, Institute of Mining Engineers of Chile, Canadian Institute of Mining And Metallurgy, American Institute of Mining, Metallurgical And Petroleum Engineers, Asociación de Ingenieros de Minas y Metalurgistas y Geólogos de Méjico.

Subsequent to year end, Mike has resigned from the Board of Admiralty Resources NL.

Phillip Thomas BSc, MBM, AIG

Director

Mr Thomas was appointed to the Board on 22 April 2003 and became Managing Director on 18 August 2004. He commenced his geological career working for Control Data Mining Centre as a consultant specialising in drill hole analysis and computer based exploration and mine applications. Subsequently he worked in the investment banking and asset management industries. Mr Thomas was the Managing Partner of Panopus Partners, a marketing strategy firm, prior to taking up his role with Admiralty Resources.

Mr Thomas is an Associate member of the Australian Institute of Geoscientists. He holds the degrees of Bachelor of Science majoring in Geology from the Australian National University and a Master of Business (Marketing) from Monash University.

Mr Thomas resigned as Managing Director of Admiralty Resources on 31 October 2008 and as Director of the Board of Admiralty on 1 December 2008.

Company Secretary

Stephen C. Prior B.Com. (Melb.), C.A., F.T.I.A.

Mr Prior is a Chartered Accountant in public practice and Director of the accountancy firm Prior & Co. Pty. Ltd., which has been providing accounting and business advice to the Company since 13 September 2004.

Principal Activities

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

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to $32,082,516 (2008: $32,754,484).

Dividends Paid or Recommended

No dividends were paid during the year, nor are any recommended at 30 June 2009.

Review of Operations

During the year, the Company has streamlined its business to focus on the geological exploration and development of its Chilean iron assets held by its now 100% owned Chilean subsidiary, SCM Vallenar Iron Company ("**Vallenar Iron**"). A drilling program exploring for zinc at Bulman also returned encouraging results in October 2008.

Vallenar Iron generated revenue of $16,786,196 from sales of iron ore fines up until the operations were suspended in November 2008. A detailed review of the Chilean mining assets was conducted, and a new strategy for the development of these mining interests was formed and is currently being implemented. This strategy includes discussions with third parties on joint venture opportunities in the Company's Chilean assets.


View of the Harper group of mines

Iron Ore Project – Chile

Mining at the Japonesa and Japonesita deposits was halted in November 2008. The company focused on resolving the legal and commercial matters and the acquisition of the 40% of Vallenar Iron that it did not own. The legal and commercial issues have been successfully resolved and the liability in relation to the acquisition of the remaining 40% in Vallenar Iron was also settled after year end. Vallenar Iron has valid legal title to 59 mineral concessions in Chile that cover an area of 10,796 hectares.

Vallenar Iron continued to upgrade the indicated and inferred resources within its geological district.

Vallenar Iron continued to work on an environmental impact study and archaeological study in respect of the port, which it expects will be completed next year.


Main production hub for the Japonesa and Japonesita mines

Financial Position

The net assets of the economic entity have decreased by $28,009,348 from 30 June 2008 to 30 June 2009. The decrease has largely resulted from the following factors:

- Loss for the period of $32,082,516;
- The issue of shares to the value of $5,179,410.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Consolidated Entity other than that referred to in the financial statements or notes thereto.


View of the Punta Alcalde maritime concession near Huasco

After Balance Date Events

The Consolidated Entity has raised $1.935 million in cash and retired US$2.50 million of debt through the issue of shares since year end.

The Consolidated Entity also completed the acquisition of the remaining 40% interest in SCM Vallenar Iron Company.

The Consolidated Entity has accepted an offer of US$9.9 million to sell waste and reject stockpiles plus the remaining components of the processing plant.

Options

Details of unissued shares or interests under option as at the balance date are:

Issuing Entity	*Number of Shares under Option*	*Class of Shares*	*Exercise Price of Option*	*Expiry date*
Admiralty Resources NL	1,000,000	Ordinary	$0.10	28 November 2009

There were no shares or interests issued during the financial year as a result of exercise of an option.

Meetings of Directors

During the financial year 31 Directors' meetings were held. Attendances at the meetings were as follows:

	Board of Directors		*Remuneration Review Commitee*		*Audit Committee*		*Finance Commitee*	
	Held	*Attended*	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*
J. Ross Harper	31	31	1	1	2	2	1	1
John Anderson	31	31	1	1	2	2	3	3
R. Michael Clarke	31	16	-	-	-	-	-	-
Phillip Thomas	16	15	-	-	1	1	3	3

Directors' Shares and Options Holdings

The Directors disclose their interest in shares and options, as at the date of this report.

Shares and options held beneficially or where there is a relevant interest:

	Number of Shares	*Number of Options*
J. Ross Harper	1,320,000	-
John Anderson	-	1,000,000

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Remuneration Report - Audited

Remuneration policy for Directors and executives

The matters of remuneration for Directors are dealt with by the Board of Directors and are determined according to merit and market considerations. Remuneration levels are not directly linked to the performance of the Company and the Consolidated Entity.

Remuneration

The Board's policy is to remunerate executive and non-executive Directors at market rates. These rates are sourced from information published by various recruitment firms as well as those rates used to remunerate Directors of comparable companies for the time commitment and responsibilities involved. Annually, the Board reviews Directors' fees considering external data, the time commitment of Directors, the size and scale of Admiralty Resources' operations, the quantum of the tasks in the initial phases of development of the Company, market capitalisation and various other factors.

Remuneration Report - Audited (Continued)

Director and executive details

The Directors of Admiralty Resources NL during the year were:

- Professor J. Ross Harper
- John Anderson (Executive Director)
- R. Michael Clarke (resigned 23 September 2009)
- Phillip Thomas (resigned 1 December 2008)

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

Key management personnel service agreements

	Duration of Contract	*Termination Notice of Contract*	*Termination Payment provided under Contract*
Executives			
John Anderson	Open Ended	12 months	Nil
R. Michael Clarke	Open Ended	Not Applicable	One month's pay for every year of consecutive service *(in accordance with Chilean labour law)*
Non - executives			
J. Ross Harper	Open Ended	12 Months	Nil

Non – executive Directors

Fees and payments to non-executive Directors reflect the demands, which are made on, and the responsibilities of, the Directors. The Board reviews the fees annually.

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

Retirement allowances for Directors

There are currently no retirement allowances for Directors.

Executive pay

Fees and payments to executives reflect the demands which are made on, and the responsibilities of the executive.

Short - term incentives

There were no short term incentives other than listed below.

Remuneration packages contain the following key elements:

- Directors fees
- Consulting fees
- Non-monetary share-based payments

Elements of remuneration related to performance

There are currently no elements of remuneration related to performance.

The following table discloses the remuneration of the key management personnel and Directors of the Consolidated Entity:

	Short – Term				
	Salary & Fees	Bonus	Non-monetary Share Based Payments*	Consisting of Share Based Payments	Total
2009 Directors	$	$	$	%	$
Prof J. Ross Harper	80,072	-	-	-	80,072
John Anderson	175,000	-	80,000	31.4%	255,000
R. Michael Clarke	222,808	-	80,000	26.4%	302,808
Phillip Thomas	181,331	-	-	-	181,331

	Short – Term				
	Salary & Fees	Bonus	Non-monetary Share Based Payments	Consisting of options	Total
2008 Directors	$	$	$	%	$
Prof J. Ross Harper	73,887	-	-	-	73,887
John Anderson	45,000	-	-	-	45,000
R. Michael Clarke	221,233	-	-	-	221,233
Phillip Thomas	511,825	-	2,773,575	84.4%	3,285,400

Value of shares and options granted to Directors and executives

The following table summarises the value of shares granted during the annual reporting period to the identified Directors and executives:

Directors	Number of Shares	Value of Shares granted at the grant date (i)
Prof J. Ross Harper	-	-
John Anderson	4,000,000	80,000
R. Michael Clarke	4,000,000	80,000
Phillip Thomas	-	-
	8,000,000	**160,000**

(i) The shares have been granted by the Board, however, are subject to shareholder approval. The Consolidated Entity has recognised the expense at the estimated value of services rendered, being the fair value of the shares as per ASX listing price at reporting date. The Consolidated Entity will be required to revise this estimate upon shareholder approval.

During the 2008 reporting period, 8,750,000 options were granted to Phillip Thomas. The options were fully vested and were exercised by the holder. The options had an exercise price of $0.10 and were issued for no consideration. The expiry date for the options was the 25 July 2010. The options were not subject to any performance criteria. The options have been valued at $0.31698 per option.

Environmental regulations

The Consolidated Entity aims to ensure that the highest standard of environmental care is achieved. The Board maintains the responsibility to ensure that the Consolidated Entity's environmental policies are adhered to and the Consolidated Entity is aware of and is in compliance with all relevant environmental legislation. There have been no environmental breaches during the 2009 financial year.

Director's Report (Continued)

Non audit services

During the year, there were no non-audit services provided by PKF Chartered Accountants, the Company's Auditors.

Indemnifications of Officers and Auditors

During or since the financial year, the Company has not indemnified or made a relevant agreement to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an Officer or Auditor.

Breach of the Corporations Act

The Company is currently in breach of the Corporations Act as the Board does not contain the correct composition of Directors. The Company plans to remedy this breach in the near future.

Auditor's Independence Declaration

The Auditor's Independence Declaration, which forms part of this report, is included on page 19.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors,

J. Anderson
Executive Director
Dated at Melbourne, this 1st day of October 2009.

Auditor's Independence Declaration

Chartered Accountants
& Business Advisers

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

Auditor's Independence Declaration

As lead auditor for the audit of Admiralty Resources NL for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

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

Richard Dean
Partner
PKF

1 October 2009
Melbourne

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Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

Schedule of Mining Tenements

Tenement Reference	Registered Holder	Country	Project Group
M39/159	100% Five Star Resources Pty Ltd	Australia	Pyke Hill
MLN 726	100% Bulman Resources Pty Ltd	Australia	Bulman
MLN 727	100% Bulman Resources Pty Ltd	Australia	Bulman
ELA23814	100% Bulman Resources Pty Ltd	Australia	Bulman
Japonesa 1-8	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Japonesita 1-17	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Phil	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Gibaiju 1-9	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Pamela 1-7	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Natasha 1-5	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Tatiana 1-34	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Phil Tres 1-20	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Zapallo 1	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Zapallo 2	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Zapallo 3	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Zapallo 4	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Felipe Dos	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Leo Dos 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Leo 20, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Harper Group
Daniela 1-20	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Daniela 2	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Daniela 3	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo Cinco 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo Seis 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo 7, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo 8, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo 9, 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo 10, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo 11, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo 13, 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo 14, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo 16, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Mirador 1-3	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Tanati 1-8	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Phil Dos 1-7	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group

Tenement Reference	*Registered Holder*	*Country*	*Project Group*
Leo 15 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Chinchilla Uno 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Chinchilla Cuatro 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Zapallo 5	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Leo Uno 1-2	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Leo 3, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Leo 4, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Paco 1-2	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Tina 1-26	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Chinchilla Dos 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Chinchilla Tres 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Negrita 1-4	Sociedad Contractual Minera Vallenar Iron Company	Chile	La Negra Group
Leo 100	Sociedad Contractual Minera Vallenar Iron Company	Chile	La Negra Group
Leo 12, 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	La Negra Group
Soberana 1-5	Sociedad Contractual Minera Vallenar Iron Company	Chile	Soberana Group
Phil Cuatro 1-16	Sociedad Contractual Minera Vallenar Iron Company	Chile	Soberana Group
Leo 101	Sociedad Contractual Minera Vallenar Iron Company	Chile	Soberana Group
Pampa Tololo 1-2475	Sociedad Contractual Minera Vallenar Iron Company	Chile	Pampa Tololo Group
Cerro Varilla 1-732	Sociedad Contractual Minera Vallenar Iron Company	Chile	Pampa Tololo Group
Catalina V 1-30	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Catalina VI 1-30	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Alcalde 1-5	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Cata 1	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Cata 2	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Cata 3	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Cata 4	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Cata 5	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Cata 6	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Cata 7	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Cata 8	Sociedad Contractual Minera Vallenar Iron Company	Chile	Punta Alcalde Concessions
Leo 102	Sociedad Contractual Minera Vallenar Iron Company	Chile	Other Tenements
Leo 103	Sociedad Contractual Minera Vallenar Iron Company	Chile	Other Tenements
Leo 104	Sociedad Contractual Minera Vallenar Iron Company	Chile	Other Tenements
Leo 105	Sociedad Contractual Minera Vallenar Iron Company	Chile	Other Tenements
Leo 106	Sociedad Contractual Minera Vallenar Iron Company	Chile	Other Tenements
Leo 107	Sociedad Contractual Minera Vallenar Iron Company	Chile	Other Tenements

Director's Declaration

The Directors of Admiralty Resources NL declare that:

a) in the Directors' opinion, the financial statements and notes and the Remuneration Report in the Directors' Report set out on pages 12 to 18 are in accordance with the Corporations Act 2001, except where previously disclosed, including:

- **i)** giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
- **ii)** complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

b) the financial report also complies with International Financial Reporting Standards as disclosed in *note 1*; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Executive Director and Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors.

J. Anderson
Director
Dated at Melbourne on the 1st day of October 2009

Independent Audit Report

PKF
Chartered Accountants
& Business Advisers

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

We have audited the accompanying financial report of Admiralty Resources NL, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Admiralty Resources NL and the consolidated entity comprising Admiralty Resources NL and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Admiralty Resources NL is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation As A Going Concern

Without qualifying our opinion we draw attention to Note 1(a) in the financial report which indicates that for the year ended 30 June 2009 the company and consolidated entity had, operating losses of $16,523,800 and $37,192,187, accumulated losses of $86,414,954 and $95,473,755, a net current asset deficiency of $5,945,185 and $9,312,508 and negative cash flow from operating activities of $6,511,021 and $25,147,069, respectively. These conditions, along with other matters as set forth in Note 1(a) to the financial statements, indicate the existence of material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns, and therefore whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Independent Audit Report (Continued)

The financial report has been prepared on a going concern basis for the reasons set out in Note 1(a) and does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 17 of the Directors' Report for the period ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Admiralty Resources NL for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

PKF

PKF

R A Dean
Partner

1 October 2009
Melbourne

Income Statement
as at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Income					
Operating income	2	16,786,196	24,318,897	-	-
Interest income – SCM Vallenar Iron Company	2	-	-	4,117,712	4,434,759
Other income	2	631,679	259,406	96,305	127,200
Total Income	2	**17,417,875**	**24,578,303**	**4,214,017**	**4,561,959**
Expenses					
Impairment expense	1(r)	26,390,499	-	20,079,496	36,727,222
Amortisation expense	3	75,422	967,739	-	-
Allowance for loss on iron ore contract	1(r)	(4,769,970)	10,625,232	-	-
Depreciation expense	3	738,098	570,021	2,793	1,097
Operational expenses		27,924,216	34,549,631	8,055,216	-
Employee costs	3	4,995,062	6,297,407	434,672	2,985,274
Consultancy expenses		849,066	1,492,575	558,367	1,109,926
Professional expenses		3,130,631	1,163,329	1,131,868	723,788
Occupancy expenses		218,594	229,231	33,600	35,845
Communication expenses		120,262	85,487	58,429	19,249
Travel expenses		349,922	748,946	216,072	590,631
Finance costs		3,566,828	4,043,116	3,556,523	3,649,440
Write back of bad debts expense		-	-	22,437	358,145
Administration expenses		2,320,009	2,300,213	383,789	495,778
Loss on equity accounting		-	260,388	-	-
Loss/(gain)on exchange translation		3,324,997	4,044,431	(6,764,625)	2,898,137
Total Expenses		**(69,233,636)**	**(67,377,746)**	**(27,768,637)**	**(49,594,532)**
LOSS BEFORE INCOME TAX EXPENSE		(51,815,761)	(42,799,443)	(23,554,620)	(45,032,573)
Income tax expense	5	(2,676)	-	-	-
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		**(51,818,437)**	**(42,799,443)**	**(23,554,620)**	**(45,032,573)**
Profit/(loss) on discountinuing operations	28(a)	**14,626,250**	**(3,207,827)**	**7,300,820**	**-**
Loss after tax		**(37,192,187)**	**(46,007,270)**	**(16,253,800)**	**(45,032,573)**
Less: Loss for the period attributable to minority interest		**5,109,671**	**13,252,786**	-	-
LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(32,082,516)**	**(32,754,484)**	**(16,253,800)**	**(45,032,573)**
Basic and diluted loss per share from continuing operations (cents per share)		(3.97)	(3.00)		
Basic and diluted profit/(loss) per share from discontinuing operations (cents per share)		(1.24)	(0.32)		
Basic and diluted loss per share (cents per share)	9	(2.73)	(3.32)		

Notes to the financial statements are included on pages 30 to 59.

Balance Sheet
as at 30 June 2009

		Consolidated		*Company*	
		2009	*2008*	*2009*	*2008*
	Note	*$*	*$*	*$*	*$*
Current Assets					
Cash and cash equivalents	23A	1,071,482	1,477,564	756,694	492,021
Trade and other receivables	10	2,339,532	3,133,673	58,916	1,147,031
Other financial assets	11	3,600	1,160,837	3,600	3,600
Inventories	12	4,114,441	5,580,242	-	-
Other	16	-	10,277	-	10,277
Total Current Assets		**7,529,055**	**11,362,593**	**819,210**	**1,652,929**
Non-Current Assets					
Trade and other receivables	10	-	-	-	3,870,259
Other financial assets	11	-	12,068	35,904,836	53,311,872
Property, plant and equipment	14	4,119,727	8,378,469	13,411	15,754
Mining interests	15	38,787,897	66,158,974	-	-
Other	16	701,265	1,666,518	6,112	6,112
Total Non-Current Assets		**43,608,889**	**76,216,029**	**35,924,359**	**57,203,997**
Total Assets		**51,137,944**	**87,578,622**	**36,743,569**	**58,856,926**
Current Liabilities					
Trade and other payables	17	4,754,630	2,917,411	639,160	529,833
Provision of income tax payable	5	2,756	-	-	-
Onerous contract provision	1(r)	5,958,942	9,199,160	-	-
Borrowings	18	6,125,235	17,473,529	6,125,235	17,473,529
Total Current Liabilities		**16,841,563**	**29,590,100**	**6,764,395**	**18,003,362**
Non-Current Liabilities					
Provision for make-good of mine		1,553,750	-	-	-
Trade and other payables	17	2,763,457	-	-	-
Total Non-Current Liabilities		**4,317,207**	**-**	**-**	**-**
Total Liabilities		**21,158,770**	**29,590,100**	**6,764,395**	**18,003,362**
Net Assets		**29,979,174**	**57,988,522**	**29,979,174**	**40,853,564**
Equity					
Contributed equity	19	112,919,023	107,539,613	112,919,023	107,539,613
Option premium reserve		3,475,105	3,475,105	3,475,105	3,475,105
Foreign currency translation reserve	20	9,058,801	4,921,361	-	-
Accumulated losses		(95,473,755)	(63,391,239)	(86,414,954)	(70,161,154)
Equity attributable to equity holders of the Parent		29,979,174	52,544,840	29,979,174	40,853,564
Minority interests		-	5,443,682	-	-
Total Equity		**29,979,174**	**57,988,522**	**29,979,174**	**40,853,564**

Notes to the financial statements are included on pages 30 to 59.

Statement of Changes in Equity
as at 30 June 2009

Consolidated 30 June 2009	*Contributed Equity* *$*	*Option Premium Reserve* *$*	*Foreign Currency Translation Reserve* *$*	*Accumulated Losses* *$*	*Minority Interest* *$*	*Total* *$*
Balance at 1 July 2008	107,539,613	3,475,105	4,921,361	(63,391,239)	5,443,682	57,988,522
Exchange differences arising on translation of foreign operations	-	-	4,137,440	-	-	4,137,440
Net income (loss) recognised directly in equity	-	-	4,137,440	-	-	4,137,440
Loss for the period attributable to members of the parent entity	-	-	-	(32,082,516)	-	(32,082,516)
Loss for the period attributable to minority interest	-	-	-	-	(5,109,671)	(5,109,671)
Minority interest eliminated on 100% acquisition	-	-	-	-	(334,011)	(334,011)
Total recognised income (loss) for the year	**-**	**-**	**4,137,440**	**(32,082,516)**	**(5,443,682)**	**(33,388,758)**
Shares granted to executives and consultants	200,000	-	-	-	-	200,000
Issue of new shares	5,179,410	-	-	-	-	5,179,410
Balance at 30 June 2009	**112,919,023**	**3,475,105**	**9,058,801**	**(95,473,755)**	**-**	**29,979,174**

Consolidated 30 June 2008	*Contributed Equity* *$*	*Option Premium Reserve* *$*	*Foreign Currency Translation Reserve* *$*	*Accumulated Losses* *$*	*Minority Interest* *$*	*Total* *$*
Balance at 1 July 2007	59,296,036	701,530	(259,606)	(35,152,486)	-	24,585,474
Retained losses eliminated on consolidation	-	-	-	4,556,256	-	4,556,256
Minority interest arising on consolidation	-	-	-	-	18,696,468	18,696,468
Exchange differences arising on translation of foreign operations	-	-	5,180,967	(40,525)	-	5,140,442
Net income (loss) recognised directly in equity	-	-	5,180,967	4,515,731	18,696,468	28,393,166
Loss for the period attributable to members of the parent entity	-	-	-	(32,754,484)	-	(32,754,484)
Loss for the period attributable to minority interest	-	-	-	-	(13,252,786)	(13,252,786)
Total recognised income (loss) for the year	**-**	**-**	**5,180,967**	**(28,238,753)**	**5,443,682**	**(17,614,104)**
Issue of new shares	34,132,327	-	-	-	-	34,132,327
Exercise of options	7,168,167	-	-	-	-	7,168,167
Converting notes	6,943,083	-	-	-	-	6,943,083
Adjustment in equity – option premium	-	2,773,575	-	-	-	2,773,575
Balance at 30 June 2008	**107,539,613**	**3,475,105**	**4,921,361**	**(63,391,239)**	**5,443,682**	**57,988,522**

Notes to the financial statements are included on pages 30 to 59.

Statements of Changes in Equity (Continued)

Company 30 June 2009	*Contributed Equity $*	*Option Premium Reserve $*	*Accumulated Losses $*	*Total $*
Balance at 1 July 2008	107,539,613	3,475,105	(70,161,154)	40,853,564
Profit/(Loss) for the period	-	-	(16,253,800)	(13,179,593)
Total recognised income and expense for the year	-	-	(16,253,800)	(13,179,593)
Shares granted to executives and consultants	200,000	-	-	200,000
Issue of new shares	5,179,410	-	-	5,179,410
Balance at 30 June 2009	**112,919,023**	**3,475,105**	**(86,414,954)**	**33,053,381**

Company 30 June 2008	*Contributed Equity $*	*Option Premium Reserve $*	*Accumulated Losses $*	*Total $*
Balance at 1 July 2007	59,296,036	701,530	(25,128,581)	34,868,985
Loss for the period	-	-	(45,032,573)	(45,032,573)
Total recognised income and expense for the year	-	-	(45,032,573)	(45,032,573)
Issue of new shares	34,132,327	-	-	34,132,327
Exercise of options	7,168,167	-	-	7,168,167
Converting notes	6,943,083	-	-	6,943,083
Adjustment in equity - option premium	-	2,773,575	-	2,773,575
Balance at 30 June 2008	**107,539,613**	**3,475,105**	**(70,161,154)**	**40,853,564**

Notes to the financial statements are included on pages 30 to 59.

Cash Flow Statement
as at 30 June 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$	$	$	$
Cash flows from operating activities					
Receipts from customers		16,647,092	24,489,928	-	94,162
Payments to suppliers and employees		(39,107,711)	(53,748,409)	(3,809,091)	(8,576,915)
Interest received		15,480	33,038	-	4,467,797
Interest and other cost of finance paid		(2,701,930)	(1,740,462)	(2,701,930)	(1,346,785)
Net cash used in operating activities	23(B)	**(25,147,069)**	**(30,965,905)**	**(6,511,021)**	**(5,361,741)**
Cash flows from investing activities					
Payment for property, plant and equipment		(763,119)	(5,625,665)	(450)	(10,203)
Proceeds from sale of property, plant and equipment		-	1,146,322	-	-
Payment for development and exploration		(546,164)	(6,898,566)	-	-
Investment in controlled entity		-	(11,398,636)	(10,326,467)	(27,416,568)
Purchase of equity investments		-	(698,169)	-	-
Conversion of marketable securities to cash		1,273,350	-	-	-
Proceeds from sale of Rincon Lithium Ltd	28(a)	31,889,133	-	31,944,259	-
Proceeds from guarantees returned		1,331,661	-	-	-
Cash gained on consolidation of subsidiaries	28	603,454	441,941	-	-
Amounts advanced to subsidiaries		-	-	(5,589,999)	(21,361,196)
Net cash provided by/(used in) investing activities		**33,788,315**	**(23,032,773)**	**16,027,343**	**(48,787,967)**
Cash flows from financing activities					
Proceeds from issues of equity securities		-	36,800,495	-	36,800,495
Payments for receivables		-	(1,041,100)	-	(1,041,100)
Proceeds from receivables		1,382,500	-	1,382,500	-
Proceeds from loans		1,940,000	5,558,883	1,940,000	5,320,085
Repayments of loans		(12,692,919)	-	(12,692,919)	-
Proceeds from convertible loan		5,468,000	7,287,700	5,468,000	7,287,700
Repayments of convertible loan		(5,349,230)	-	(5,349,230)	-
Net cash provided by/(used in) financing activities		**(9,251,649)**	**48,605,978**	**(9,251,649)**	**48,367,180**
Net increase/(decrease) in cash held		(610,403)	(5,392,700)	264,673	(5,782,528)
Cash and cash equivalents at the beginning of the financial year		1,477,564	7,010,385	492,021	6,274,549
Effects of exchange rate changes on the translation of foreign controlled entities		204,321	(140,121)	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	23(A)	**1,071,482**	**1,477,564**	**756,694**	**492,021**

Notes to the financial statements are included on pages 30 to 59.

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1 Summary of Accounting Policies

General Information

Admiralty Resources NL (the Company) is a public company listed in the Australian Securities Exchange (trading under the symbol ADY), incorporated in Australia and operating in Australia and Chile.

Admiralty Resources NL's registered office and its principal place of business are as follows:
Level 14, 200 Queen Street
Melbourne VIC 3000
Tel: +61 3 9642 8787

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Australian Accounting Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated statements of the Group.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 1 October 2009.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for certain financial assets that are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. The presentation currency used at all times in this report, unless specifically stated otherwise, is Australian Dollars.

In the application of Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Please refer to Note 1(s) for the new standards and interpretations not yet adopted.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report.

(a) Going Concern

The annual 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 Company and the Consolidated Entity continue as a going concern:

- For the year ended 30 June 2009 the Company (Parent) and Consolidated Entity (Group) had an operating loss of $16,253,800 and $37,192,187 and accumulated losses of $86,414,954 and $95,473,755 respectively;
- A net current asset deficiency of $5,945,185 and $9,312,508 respectively; and
- Negative cash flow from operating activities of $6,511,021 and $25,147,069 respectively (2008: Parent $5,361,741; Group $30,965,905).

These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's and Parent Entity's ability to continue as going concerns.

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 to seek future funding from the following sources:

- The Board plans to launch a rights issue in the near future to raise around $5 million;
- The Consolidated Entity has the ability to retire part of the remaining convertible loan by way of issuing shares to YA Global Investments LP. The issue of shares would be subject to ASX Listing Rules and may require shareholder approval;
- A detailed review of Chilean iron ore operations has been undertaken and the Consolidated Entity is now in discussions with third parties in relation to Joint Venture opportunities in its wholly owned subsidiary, SCM Vallenar Iron Company. Successful negotiations will provide the Company with the ability to move forward with developing the Company's assets and realising value and future cash flows from this investment;
- Receipt of US$9.9 million over 20 monthly payments for the sale of reject and low grade stock piles and remaining components of the processing plant.

The Consolidated Entity has the ability to defer certain expenditure with regards to the Chilean iron ore assets, if this is necessary, which will conserve some of the Consolidated Entity's cash flow.

At the date of this report and having considered the above factors, the Directors are confident that the Company and the Consolidated Entity will be able to continue as going concerns and accordingly the financial report has been prepared on a going concern basis.

Should the Consolidated Entity or the Company be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity or the Company be unable to continue as a going concern.

(b) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the Parent Entity) and its subsidiaries as defined in Accounting Standard AASB 127 '*Consolidated and Separate Financial Statements*'. A controlled entity is any entity controlled by Admiralty Resources NL. Control, as defined in Accounting Standard AASB 127, exists where Admiralty Resources NL has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all inter company balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(c) Mining Tenements

Mining tenements are shown at cost less impairment. Ultimate recoupment of these assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. If an area of interest is abandoned or is considered to be of no further commercial interest, the mining tenement costs relating to the area are written off against income in the year of abandonment.

Note 1 Summary of Accounting Policies (Continued)

(d) Exploration and Evaluation Expenditure

Expenditure represents direct costs incurred. Costs are accumulated in respect of areas of interest still in the exploration and/or evaluation phase where they have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. If an area of interest is abandoned or is considered to be of no commercial interest, the accumulated exploration costs relating to the area are written off against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of economically recoverable reserves. Any costs of site restoration are provided for in the production stages and included in the costs of that stage. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(e) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements.

Receivables and loans are recorded at amortised cost less impairment.

For financial instruments traded in organised financial markets, fair value is the current market bid for the asset. The Board reviews the values of the shares held at balance date. Where it is considered necessary a write down of the carrying amount of individual investment is made.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

(f) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity. In this case the deferred tax is also recognised directly in equity.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each item to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first in first out basis; and
- Work in progress – cost of direct material and labour.

Net realisable value represents the estimated selling price inventories less all estimated costs of completion and costs necessary to make the sale.

(h) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment.

Plant and equipment

Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

The depreciable amount of all fixed assets are depreciated over their useful lives to the Consolidated Entity using the diminishing value, commencing from the time the asset is held ready for use. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The useful lives used for each class of depreciable assets are:

Class of Fixed Asset	*Useful Life*
Office Furniture & Equipment	3-12 years
Leasehold Improvements	6 years
Plant & Equipment	4 – 20 years
Motor Vehicles	4 – 7 years
Low Value Pool	3 years

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in the result before income tax of the Company in the year of disposal.

(i) Borrowings

Borrowings, including convertible loans are recorded initially at fair value, net of transactions costs. Interest expense is recognised on an accrual basis. Subsequent to initial recognition, these are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss over the period of the borrowings using the effective interest method. Please refer to Note 1(p) for accounting policy related to compound instruments.

Note 1 Summary of Accounting Policies (Continued)

(j) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions.

(k) Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

(l) Accounts Payable

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Foreign Currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are brought to account in the profit and loss in the period in which they arise except that exchange differences which relate to assets under construction for future productive use are included in the cost of those assets, and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of net investment in a foreign operation, are recognized in the foreign currency translation reserve and recognised in the profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(n) Leased Assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

(o) Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(p) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound Instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest

Interest is classified as expense consistent with the classification in the balance sheet of the related debt.

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a group basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to, the taxation authority is classified as operating cash flows.

(r) Matters of Significance

i) In accordance with Accounting Standard AASB 137, a provision of $9,199,160 was made in the 2008 year in respect of significant losses on supply of iron ore under an unfavourable CFR contract entered into during 2006. This provision was lowered to $5,958,942 during the current year to reflect the fall in iron ore spot prices and shipping costs.

ii) In considering the recoverable value of the Consolidated Entity's interest in its mining assets in Chile, the Board was unable to estimate an appropriate value in use at 31 December 2008 due to the lack of relevant information as at the date of the half year report and as a result the Directors estimated the value of its Chilean assets on a market capitalisation basis and an impairment expense of $39,970,927 was raised. This method was not accepted by the auditors in the half year review and a qualified audit opinion was issued.

The Board has since conducted a detailed review of all aspects of the operations in Chile, which has provided an appropriate, conservative value in use estimation for the Chilean mining interests. As a result, the Board has made a correction to the carrying value of the Chilean mining interests and the impairment expense has been revised to $26,390,499.

iii) In 2008 an allowance for unlikely recoverability was raised against the Company's loan to Vallenar Iron Company. In the current year, the Company reallocated the allowance for the unlikely recoverability to the investment asset before any allowance of the unlikely recoverability of the loan. An impairment of $20.1m (2008: $36.7m) against these investments and loans has been recognised by the company in the current year. These amounts have been included in impairment expense in the Income Statement.

Note 1 Summary of Accounting Policies (Continued)

(s) New Standards and Interpretations not yet adopted

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

Accounting Standards

Reference	Title	Outline of Amendment	Impact on the Consolidated Entity's Financial Report	Application Date for Consolidated Entity
AASB 8	Operating Segments	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	AASB 8 is a disclosure standard. The amounts presented in the financial statements will not change but the amounts presented in the segment reporting note may differ as a result of AASB 8 requiring the amounts presented to be based on those seen by the entity's chief operating decision maker.	1 July 2009
AASB 101	Presentation of Financial Statements	AASB 101 (amended) changes how an entity presents changes in equity and especially how it reports changes in equity that arise from transactions with owners in their capacity as owners. The amended standard also changes presentation and terminology of the primary financial statements. The new rules do not change the recognition, measurement or disclosure of specific transactions and other events.	The introduction of AASB 101 (amended) will not have a material impact on the amounts presented within the financial statement but it is likely to result in a substantial change in the presentation and terminology of the primary financial statements.	1 July 2009
AASB 123	Borrowing Costs	In relation to borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, AASB 123 as issued in July 2004 permitted entities to either: (a) immediately recognise them as an expense; or (b) capitalise them as part of the carrying amount of a qualifying asset. Under this Standard, only the capitalisation treatment is permitted.	Adoption of the revised AASB 123 will result in the capitalisation of all interest expenses on qualifying assets. The Consolidated Entity's accounting policy is to capitalise such costs so this change will have no impact on the Consolidated Entity's financial report in the period of initial application.	1 July 2009
AASB 3	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations. The most significant is allow entities a choice to measure a non-controlling interest in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets.	Adoption of the revised AASB 3 is likely to result in substantial changes in the way in which the Consolidated Entity accounts for business combinations. The Consolidated Entity has been unable to assess (as at authorisation of this financial report) the financial impact of this change on the Consolidated Entity's financial report in the period of initial application.	1 July 2009
AASB 127	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	Adoption of the revised AASB 127 is likely to result in changes in the way in which the Consolidated Entity accounts for changes in Consolidated and Separate Financial Statements. The Consolidated Entity has been unable to assess (as at authorisation of this financial report) the financial impact of this change on the Consolidated Entity's financial report in the period of initial application.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations	AASB 2008-1 clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.	The Consolidated Entity has share based payment arrangements that may be affected by these amendments. However, it has not yet determined the extent of the impact, if any.	1 July 2009

Reference	*Title*	*Outline of Amendment*	*Impact on the Consolidated Entity's Financial Report*	*Application Date for Consolidated Entity*
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	AASB 2008-5 results from the International Accounting Standards Board's annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs.	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	AASB 2008-6 amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	The Consolidated Entity has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	(a) removes from AASB 118 the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. (b) amends AASB 127 to require, in particular circumstances, a new parent entity established in a group reorganisation to measure the cost of its investment at the carrying amount of the share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. (c) amends AASB 136 to include recognising a dividend from a subsidiary, jointly controlled entity or associate, together with other evidence, as an indication that the investment in the subsidiary, jointly controlled entity or associate may be impaired.	The Consolidated Entity has not yet determined the extent of the impact, if any.	1 July 2009

Notes to the Financial Statements
for the year ended 30 June 2009 (Continued)

Note 2 Income

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Iron ore sales income	16,786,196	24,318,897	-	-
Interest income – SCM Vallenar Iron Company	-	-	4,117,712	4,434,759
Other income	631,679	259,406	96,305	127,200
	17,417,875	**24,578,303**	**4,214,017**	**4,561,959**

Note 3 Expenses

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$	$	$	$
Employee costs					
Wages and salaries		4,690,626	3,424,748	130,236	112,615
Superannuation		15,603	9,458	15,603	9,458
Directors fees		128,833	89,626	128,833	89,626
Executive share plan		160,000	-	160,000	-
Directors bonus – Option costs		-	2,773,575	-	2,773,575
		4,995,062	**6,297,407**	**434,672**	**2,985,274**
Depreciation of non current assets		738,098	570,021	2,793	1,097
Amortisation of mining interests		-	967,739	-	-
Amortisation of make-good of mine		75,422	-	-	-
		813,520	**1,537,760**	**2,793**	**1,097**
Allowance for loss on iron ore contract	1(r)	(4,769,970)	10,625,232	-	-
Impairment expense on mining interest	1(r)	26,390,499	-	20,079,496	36,727,222
		21,620,529	**10,625,232**	**20,079,496**	**36,727,222**

Note 4 Contingent Liabilities and Contingent Assets

The Company has a contingent liability in respect of letters of financial support given in respect of its subsidiaries.

The Directors are not aware of any other contingent assets or contingent liabilities in existence at the date of this report.

Note 5 Income Taxes

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

		Consolidated		*Company*	
		2009	*2008*	*2009*	*2008*
	Note	*$*	*$*	*$*	*$*
Loss from continuing operations		(51,818,437)	(29,546,657)	(23,554,620)	(45,032,573)
Profit/(loss) from discontinued operations		14,626,250	(3,207,827)	7,300,820	-
		37,192,187	**(32,754,484)**	**(16,253,800)**	**(45,032,573)**
Prima facie tax payable to ATO on loss from Australian continuing activities before income tax at 30% (2008: 30%)		620,102	(3,744,275)	(4,876,140)	(13,509,772)
Prima facie tax payable to Servicio de Impuestos on loss from Chilean continuing activities before income tax at 17% (2008: 17%)		(6,673,608)	(3,446,507)	-	-
Profit on acquisition of S.B. Graneles S.A.		(3,092)	-	-	-
Bad debts expense		-	-	6,731	107,443
Option premium		-	832,096	-	832,096
Allowance for loss on contract		(810,895)	1,083,774	-	-
Amortisation expense		-	290,322	-	-
Impairment expense		4,486,385	-	6,023,849	11,018,167
Provision for make-good of mine		12,822	-	-	-
Unrealised foreign exchange losses/(gains)		902,676	933,021	(1,863,770)	933,021
Non-assessable capital gain on sale of Rincon Lithium Ltd		(2,197,630)	-	-	-
Foreign losses quarantined Rincon Lithium Ltd		-	962,348	-	-
Tax losses not brought to account as deferred tax assets		**3,663,240**	**3,089,221**	**709,330**	**619,045**
Income tax expense attributable to loss from continuing activities		**2,676**	**-**	**-**	**-**
The deferred tax assets not brought to account as assets:					
Tax losses – revenue		15,459,169	11,795,929	6,170,479	5,461,149
Tax losses – capital		1,135,901	1,135,901	292,928	292,928
		16,595,070	**12,931,830**	**6,463,407**	**5,754,077**

Realisation of the above benefits is dependent on:

a) the ability of the Company and the Consolidated Entity to derive future assessable income of a nature and of a sufficient amount to enable the benefit to be realised;

b) the ability of the Company and the Consolidated Entity to continue to comply with the conditions for deductibility imposed by law; and

c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Legislation to allow groups, comprising a Parent Entity and its Australian resident, wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company.

At the date of this report the Directors have not elected to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the Company and Consolidated Entity has not been recognised in the financial statements.

Note 6 Key Management Personnel Remuneration and Equity Holdings

Key management personnel requires disclosure of the five most highly remunerated S.306A Directors and executives except that the Company Secretary is not considered a key management personnel. Accordingly the Company Secretary has not been included in any key management personnel totals.

(a) Director and executive details

The Directors of Admiralty Resources NL during the year were:

- Professor J. Ross Harper
- John Anderson
- R. Michael Clarke (resigned 23 September 2009)
- Phillip Thomas (resigned 1 December 2008)

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

- John Anderson
- R. Michael Clarke (resigned 23 September 2009)
- Phillip Thomas (resigned 1 December 2008)

(b) Key management personnel compensation

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

	2009 *$*	*2008* *$*
Short-term employee benefits	659,211	851,945
Post-employee benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	160,000	2,773,575
Total	**819,211**	**3,625,520**

(c) Shareholdings

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

	Balance 30 July 2007	*Net Change Other**	*Balance 1 July 2008*	*Net Change Other**	*Balance 30 June 2009*
Parent Entity Directors					
J. Ross Harper	320,000	1,000,000	1,320,000	-	1,320,000
R. Michael Clarke	-	-	-	-	-
John Anderson	-	-	-	-	-
Total	**320,000**	**1,000,000**	**1,320,000**	**-**	**1,320,000**

* Net Change Other refers to shares purchased or sold during the financial year.

(d) Share Based Payment Plans

Employee option plan

An employee option plan has been established which is open to employees and Directors of the Company and its related bodies corporate.

Eligible persons are selected by the board and if an offer to participate is accepted, are granted an amount of options as determined by the Board.

The options are over ordinary shares of Admiralty Resources NL. The options are issued for nil consideration. The options are not listed. The options cannot be transferred without approval from the Board. Once a share has been issued following the exercise of an option, it will rank equally with other shares.

The options will only be exercisable within their prescribed period. The options do not have any voting rights unless they are exercised into ordinary shares. Options that are not exercised within the prescribed period will lapse. Any options that have not lapsed can be exercised, despite any imposition by the Board of a period of time when options cannot be exercised, if a person announces an intention to make offers under a takeover scheme of arrangement for shares in the Company or initiates a scheme of arrangement, selective reduction of capital or share buyback.

Participants in the option plan cannot encumber the options.

Information with respect to the number of shares granted under the executive share plan is as follows:

	30 June 2009 Number of Options	*30 June 2009 Weighted Average Exercise Price*	*30 June 2008 Number of Options*	*30 June 2008 Weighted Average Exercise Price*
		$		*$*
Balance at beginning	1,000,000	0.10	6,000,000	0.10
Granted	-	-	8,750,000	0.10
Forfeited	-	-	-	-
Exercised	-	-	(13,750,000)	0.10
Balance at end of period	1,000,000	0.10	1,000,000	0.10
Exercisable at end of period	**1,000,000**	**0.10**	**1,000,000**	**0.10**

No options were exercised during the year and 1,000,000 options remain unexercised.

Executive and consultants share plan

An executive share plan has been established which is open to Executives and Directors of the Company and its related bodies corporate. Eligible persons are selected by the board and if an offer to participate is accepted, are granted an amount of shares as determined by the Board. The shares are issued for nil consideration. Once a share has been issued, it will rank equally with other ordinary fully paid shares.

Information with respect to the number of shares granted under the employee share incentive scheme is as follows:

	30 June 2009 Number of Shares	*30 June 2009 Value*	*30 June 2008 Number of Shares*	*30 June 2008 Value*
		$		*$*
Balance at beginning	-	-	-	-
Granted (i)	10,000,000	200,000	-	-
Balance at end of period	**10,000,000**	**200,000**	**-**	**-**

(i) The issue of these shares is subject to shareholder approval at the next AGM.

(e) Remuneration

Details of Director and executive remuneration are disclosed in the Remuneration Report on page 15.

Notes to the Financial Statements
for the year ended 30 June 2009 (Continued)

Note 7 Remuneration of Auditors

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Auditor of the Consolidated Entity				
Audit and review fees for the Parent Entity	116,388	60,000	116,388	60,000
Audit and review fees for the subsidiary, Rincon Lithium Ltd paid to PKF Argentina	11,363	17,660	-	-
Audit and review fees for the subsidiary, SCM Vallenar Iron Company paid to PKF Chile	34,090	28,500	-	-
	161,841	**106,160**	**116,388**	**60,000**

The auditor of the Consolidated Entity is PKF Chartered Accountants.

Note 8 Dividends

At 30 June 2009, the balance of the franking account of the Consolidated Entity and the Parent Entity was $nil (2008:$nil)

Note 9 Earnings per Share

		Consolidated	
		2009	2008
		$	$
a.	Reconciliation of earnings to Net Profit or Loss		
	Net loss	(32,082,516)	(32,754,484)
	Loss used in the calculation of basic EPS	(32,082,516)	(32,754,484)
	Loss used in the calculation of dilutive EPS	(32,082,516)	(32,754,484)
		Number	*Number*
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,175,008,375	985,295,758
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	1,175,008,375	985,295,758
c.	Basic and diluted earnings/(loss) per share (cents per share)	(2.73)	(3.32)
d.	Classification of securities:		
	The following potential ordinary shares are not dilutive because they are exercisable at a price well above the current share price and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:		
	- Options outstanding	1,000,000	1,000,000

Note 10 Trade and Other Receivables

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$	$	$	$
Current					
Security deposits		31,950	3,571	950	950
Receivable – Wyndham		-	1,041,100	-	1,041,100
Sundry receivables	(a)	2,249,616	1,983,983	-	-
Goods and services tax (GST) receivable		57,966	105,019	57,966	104,981
		2,339,532	**3,133,673**	**58,916**	**1,147,031**
Non-Current					
Loans to controlled entities		-	-	-	7,973,874
Loan to subsidiary	(b)	-	-	-	40,597,481
Less: allowance for unlikely recoverability of loans	(c)	-	-	-	(44,701,096)
		-	**-**	**-**	**3,870,259**

(a) Sundry receivables include VAT receivable of approximately $1.5 million, a receivable of $124,000 from Wyndham Explorations S.A. arising from the settlement of legal issues and various trade and other debtors.

(b) Loans to controlled entities and subsidiaries have been made to finance those entities' exploration, evaluation and development of projects. Until 31 December 2008, the loan to subsidiaries was interest bearing. Since that date, interest has ceased to accrue and the operations have ceased and the Directors now consider that the long term nature of the loans indicate they are more accurately disclosed as part of the investment in the subsidiaries. The carrying value has been written down to the expected recoverable value based upon the expectation that the projects will or may be commercially developed, with the ultimate recoverability dependent upon the successful development and commercial exploitation of the projects, or alternatively their sale.

(c) In 2008 an allowance for unlikely recoverability was raised against the Company's loan to Vallenar Iron Company. In the current year, the Company reallocated the allowance for the unlikely recoverability to the investment asset before any allowance of the unlikely recoverability of the loan. $20.1m impairment (2008: $36.7m) of these investments and loans has been recognised by the company in the current year. These amounts have been included in the impairment expense in the Income Statement.

Notes to the Financial Statements
for the year ended 30 June 2009 (Continued)

Note 11 Other Financial Assets

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Current					
Available for sale investments carried at fair value					
Marketable securities		-	1,157,237	-	-
Shares in listed corporations, at fair value	(a)	3,600	3,600	3,600	3,600
		3,600	**1,160,837**	**3,600**	**3,600**
Non-Current					
Investments carried at amortised cost					
Loans to controlled entities		-	-	7,996,312	-
Loan to subsidiary	(b)	-	-	51,584,752	-
Less: allowance for unlikely recoverability of loans	(c)	-	-	(23,676,228)	-
Shares – at cost	(d)	3,328,830	3,340,898	334,000	334,000
Shares in controlled entities – at cost		-	-	41,126,803	53,311,872
Less: Provision for impairment	(d)	(3,328,830)	(3,328,830)	(41,460,803)	(334,000)
		-	**12,068**	**35,904,836**	**53,311,872**

(a) The Consolidated Entity owns 300,000 ordinary shares in SmartTrans Holdings Ltd, a mining exploration and technology company, and this investment represents approximately 0.046% of the issued capital of that company.

(b) Loans to controlled entities and subsidiaries have been made to finance those entities' exploration, evaluation and development of projects. Until 31 December 2008, the loan to subsidiaries was interest bearing. Since that date, interest has ceased to accrue and the operations have ceased and the Directors now consider that the long term nature of the loans indicate they are more accurately disclosed as part of the investment in the subsidiaries. The carrying value has been written down to the expected recoverable value based upon the expectation that the projects will or may be commercially developed, with the ultimate recoverability dependent upon the successful development and commercial exploitation of the projects, or alternatively their sale.

(c) In 2008 an allowance for unlikely recoverability was raised against the Company's loan to Vallenar Iron Company. In the current year, the Company reallocated the allowance for the unlikely recoverability to the investment asset before any allowance of the unlikely recoverability of the loan. An impairment of$20.1m (2008: $36.7m) against these investments and loans has been recognised by the company in the current year. These amounts have been included in impairment expense in the Income Statement.

(d) The Consolidated Entity holds 10% (2008: 10%) of the ordinary share capital of Nilnav Orthopaedics Pty Ltd, a company involved in minimally invasive hip replacement procedures and toolset design, modification and manufacture. This investment of $3,328,830 has been tested for impairment and fully provided for by the Directors. Nilnav Orthopaedics Pty Ltd was placed into liquidation on 27 July 2009.

Note 12 Inventories

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Inventories at Net Realisable Value				
Lithium carbonate	-	140	-	-
Mirabilite	-	535,935	-	-
Inventories at cost				
Iron ore fines	4,114,441	5,044,167	-	-
	4,114,441	**5,580,242**	**-**	**-**

Note 13 Controlled Entities

Admiralty Resources NL is the ultimate Parent Entity of the group. The country of incorporation is Australia.

Name of Entity	*Country of Incorporation*	*Principal Activity*	*Percentage Owned (%)*	
Rincon Lithium Ltd	Australia	Lithium, potassium exploration	-	100%
Bulman Resources Pty Ltd*	Australia	Lead, zinc exploration	100%	100%
Pyke Hill Resources Pty Ltd*	Australia	Nickel, cobalt exploration	100%	100%
ADY Investments Pty Ltd*	Australia	Investment holding entity	100%	100%
Five Star Resources Pty Ltd *	Australia	Mineral exploration	100%	100%
Fortune Global Holdings Corporation	British Virgin Islands	Holding company for SCM Vallenar Iron Company	100%	100%
Inversiones Admiralty Resources Chile Ltda	Chile	Holding company	100%	100%
Sociedad Contractual Minera Vallenar Iron Company	Chile	Iron ore producer	100%	60%
S.B. Graneles S.A.	Chile	Holding company	100%	-

* These controlled entities are classified as small proprietary companies and, in accordance with the Corporations Act 2001, are relieved from the requirement to prepare, audit and lodge financial reports.

Note 14 Property Plant and Equipment

		Consolidated		*Company*	
		2009	*2008*	*2009*	*2008*
		$	*$*	*$*	*$*
Plant and Equipment					
Plant and equipment					
At cost		6,660,017	8,528,368	12,758	12,309
Accumulated depreciation		(1,389,398)	(947,278)	(3,793)	(1,665)
Impairment writedown	(a)	(1,479,517)	-	-	-
		3,791,102	**7,581,090**	**8,965**	**10,644**
Motor Vehicles					
At cost		333,489	718,727	-	-
Accumulated depreciation		(116,081)	(93,628)	-	-
		217,408	**625,099**	**-**	**-**
Office Furniture					
At cost		134,047	182,448	11,968	11,968
Accumulated depreciation		(22,830)	(24,973)	(7,522)	(6,858)
		111,217	**157,475**	**4,446**	**5,110**
Low Value Pool					
At cost		-	19,116	-	-
Accumulated depreciation		-	(4,311)	-	-
		-	**14,805**	**-**	**-**
Net book value		**4,119,727**	**8,378,469**	**13,411**	**15,754**

(a) Impairment of plant and equipment was determined with respect to the recoverable amount of the impaired assets. The recoverable amount was based on the value of impaired assets sold subsequent to year end.

Note 14 Property Plant and Equipment (Continued)

2009 Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment $	Motor Vehicles $	Office Furniture $	Low Value Pool $	Total $
Consolidated					
Balance at the beginning of year	7,581,090	625,099	157,475	14,805	8,378,469
Additions	757,081	95,689	12,113	-	864,883
Disposals	(2,430,275)	(418,531)	(42,399)	(14,805)	(2,906,010)
Impairment expense	(1,479,517)	-	-	-	(1,479,517)
Depreciation expense	(637,277)	(84,849)	(15,972)	-	(738,098)
Carrying amount at the end of year	**3,791,102**	**217,408**	**111,217**	**-**	**4,119,727**
Company					
Balance at the beginning of year	10,644	-	5,110	-	15,754
Additions	450	-	-	-	450
Depreciation expense	(2,129)	-	(664)	-	(2,793)
Carrying amount at the end of year	**8,965**	**-**	**4,446**	**-**	**13,411**

2008 Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment $	Motor Vehicles $	Office Furniture $	Low Value Pool $	Total $
Consolidated					
Balance at the beginning of year	245,940	52,574	22,037	6,234	326,785
Additions	8,268,570	650,537	151,967	11,977	9,083,051
Depreciation expense	(933,420)	(78,012)	(16,529)	(3,406)	(1,031,367)
Carrying amount at the end of year	**7,581,090**	**625,099**	**157,475**	**14,805**	**8,378,469**
Company					
Balance at the beginning of year	1,434	-	5,845	-	7,279
Additions	9,572	-	-	-	9,572
Depreciation expense	(362)	-	(735)	-	(1,097)
Carrying amount at the end of year	**10,644**	**-**	**5,110**	**-**	**15,754**

Note 15 Mining Interests

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$	$	$	$
Exploration interest - at cost		60,116,348	61,020,252	-	-
Accumulated amortisation - exploration interests	(a)	(967,739)	(967,739)	-	-
Impairment writedown	1(r)	(3,074,207)	-	-	
Purchase of Rio Grande Salar	(b)	-	5,450,624	-	-
Purchase of Rapé Mine	(b)	-	655,837	-	-
Purchase of make-good of mine	(c)	1,551,485	-	-	-
Accumulated amortisation of make-good	(c)	(75,422)	-	-	-
Royalty rights	(d)	3,074,207	-	-	-
Impairment writedown		(3,074,207)	-	-	-
		38,787,897	**66,158,974**	**-**	**-**

(a) Amortisation was suspended on cessation of mining activity.
(b) Disposed of as part of Rincon Lithium Ltd's disposal, as per note 28(a).
(c) The cost to repair the mine site has been estimated and is being expensed over a 20 year period.
(d) As part of the settlement with Wyndham Explorations S.A., the Consolidated Entity purchased back all rights to royalties held by external parties.

Note 16 Other Assets

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Current				
Prepayments	-	10,277	-	10,277
	-	**10,277**	**-**	**10,277**
Non-Current				
Guarantee receivable	691,705	1,666,518	-	-
Other	9,560	-	6,112	6,112
	701,265	**1,666,518**	**6,112**	**6,112**

Note 17 Trade and Other Payables

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Current					
Trade payables and accruals	(a)	2,579,380	2,917,411	639,160	529,833
Deferred purchase consideration		1,864,500	-	-	-
Long-term royalties acquired	(b)	310,750			
		4,754,630	**2,917,411**	**639,160**	**529,833**
Non-Current					
Long-term royalties acquired	(b)	2,763,457	-	-	-
		2,763,457	-	-	-

(a) No interest is charged on trade payables. The Consolidated Entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(b) As part of the settlement with Wyndham Explorations S.A., the Consolidated Entity purchased the rights to royalties over the life of the mine. This purchase has a deferred settlement term.

Note 18 Borrowings

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Current					
Convertible Loans	(a)	6,125,235	7,287,700	6,125,235	7,287,700
Loan – Hawkswood Investments Pty Ltd	(b)	-	10,185,829	-	10,185,829
		6,125,235	**17,473,529**	**6,125,235**	**17,473,529**

(a) The convertible note borrowing outstanding at 30 June 2009 accrues interest at a fixed rate of 12% per annum and can be repaid via cash or shares at the issuer's discretion.

(b) The liability to Hawkswood Investments Pty Ltd was settled in cash from the proceeds of the sale of Rincon Lithium Ltd on 23 December 2008.

Note 19 Contributed Equity

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
1,361,393,317 (2008: 1,133,457,841) fully paid ordinary shares	(a)	113,030,373	107,650,963	113,030,373	107,650,963
Share issue costs		(111,350)	(111,350)	(111,350)	(111,350)
Option premium reserve		3,475,105	3,475,105	3,475,105	3,475,105
		116,394,128	**111,014,718**	**116,394,128**	**111,014,718**

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

(a) Ordinary Shares

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Ordinary Shares					
At the beginning of the financial year		107,650,963	59,407,386	107,650,963	59,407,386
Shares issued during the year					
Issued to investors		-	29,632,327	-	29,632,327
Shares granted under the executive and consultants share plan	(i)	200,000	-	200,000	-
Issued for acquisition consideration		-	4,500,000	-	4,500,000
Exercise of option		-	7,168,167	-	7,168,167
Conversion of convertible loans		5,179,410	6,943,083	5,179,410	6,943,083
At the end of the financial year		**113,030,373**	**107,650,963**	**113,030,373**	**107,650,963**

(i) 10,000,000 shares have been granted by the Board under the executive and consultants share plan; however, they are subject to shareholder approval and as a result have not been issued. The Consolidated Entity has recognised the expense at the estimated value of services rendered, being the fair value of the shares as per ASX listing price at reporting date. The Consolidated Entity will be required to revise this estimate upon shareholder approval.

	Consolidated		Company	
	2009	2008	2009	2008
	Number	Number	Number	Number
Ordinary Shares				
At the beginning of the financial year	1,133,457,841	880,874,084	1,133,457,841	880,874,084
Shares issued during the year				
Issued to investors	-	141,491,972	-	141,491,972
Issued for acquisition consideration	-	10,000,000	-	10,000,000
Exercise of option	-	71,919,167	-	71,919,167
Conversion of convertible loans	227,935,476	29,172,618	227,935,476	29,172,618
At the end of the financial year	**1,361,393,317**	**1,133,457,841**	**1,361,393,317**	**1,133,457,841**

Note 19 Issued Capital (Continued)

	Consolidated		Company	
	2009	2008	2009	2008
	Number	Number	Number	Number
Options expiring 27/11/09				
At the beginning of the financial year	1,000,000	1,000,000	1,000,000	1,000,000
1 July – 30 June	-	-	-	-
At the end of the financial year	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**

(b) Capital management

The consolidated entity manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings. Management and the Board manages the capital structure through payment of dividends, issue of new shares, repayment of existing debt and the acquisition of new debt.

The capital management strategy remains unchanged from 2008.

Note 20 Foreign Currency Translation Reserve

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Balance at 1 July 2008	4,921,361	(259,606)	-	-
Exchange differences arising on translation of foreign operations	4,137,440	5,180,967	-	-
Balance at 30 June 2009	**9,058,801**	**4,921,361**	**-**	**-**

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

Note 21 Capital and Leasing Commitment

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

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Payable				
no later than 1 year	-	2,000,000	-	-
later than 1 year but not later than 5 years	-	-	-	-
	-	**2,000,000**	**-**	**-**

Note 22 Segment Reporting

Primary reporting – Geographical Segments.

The Consolidated Entity operated in three geographical locations: Australia, Argentina and Chile. The operations in Argentina are discontinued as a result of the sale of Rincon Lithium Ltd.

	Australia		*Argentina*		*Chile*		*Eliminations*		*Consolidated Entity*	
	2009	*2008*	*2009*	*2008*	*2009*	*2008*	*2009*	*2008*	*2009*	*2008*
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*
Revenue										
Operating revenue from continuing operations	-	-	-	-	16,786,196	24,318,897	-	-	16,786,196	24,318,897
Other revenue from continuing operations	-	-	-	-	-	-	-	-	-	-
Other revenue from discontinuing operations	-	-	17,168,719	-	-	-	-	-	17,168,719	-
Total allocated segment revenue	**-**	**-**	**17,168,719**	**-**	**16,786,196**	**24,318,897**	**-**	**-**	**33,954,915**	**24,318,897**
Unallocated interest income									631,679	259,587
Entity revenue									**34,586,594**	**24,578,484**
Result										
Segment result from continuing operation	(12,559,243)	(12,740,110)	-	-	(39,256,518)	(30,059,334)	-	-	(51,815,761)	(42,799,444)
Segment result from discontinuing operation	-	-	14,626,250	(3,207,826)	-	-	-	-	14,626,250	(3,207,826)
Total segment result	**(12,559,243)**	**(12,740,110)**	**14,626,250**	**(3,207,826)**	**(36,182,311)**	**(30,059,334)**	**-**	**-**	**(37,189,511)**	**(46,007,270)**
Losses attributable to minority interest									5,109,671	13,252,786
Operating profit before income tax									(32,079,840)	(32,754,484)
Assets										
Segment assets	869,773	1,712,219	-	13,449,347	50,268,171	72,417,056	-	-	51,137,944	87,578,622
Consolidated total assets									**51,137,944**	**87,578,622**
Liabilities										
Segment liabilities	6,764,395	18,003,362	-	-	14,394,375	11,586,738	-	-	21,158,770	29,590,100
Consolidated total liabilities									**21,158,770**	**29,590,100**
Other										
Acquisitions of non-current segment assets	449	9,572	-	2,864,789	864,434	6,216,302	-	-	864,883	9,090,663
Depreciation & amortisation of segment assets	2,793	1,097	235,253	290,668	810,727	1,536,663	-	-	1,048,773	1,828,428

Secondary reporting – Business Segments

The Consolidated Entity operates solely in one business segment, being mineral exploration.

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets and liabilities include all assets used in and all liabilities generated by the segments.

Note 23 Notes to the Cash Flow Statement

		Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(A)	*Reconciliation of cash and equivalents*				
	Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance as follows:				
	Cash and cash equivalents	**1,071,482**	**1,477,564**	**756,694**	**492,021**
(B)	*Reconciliation of net cash flow from operating activities with loss for the period*				
	Gain/(Loss) for the period	(37,192,187)	(46,007,270)	(16,253,800)	(45,032,573)
	Non-cash flows in loss from continuing activities:				
	Depreciation	973,353	860,689	2,793	1,097
	Amortisation	-	967,739	-	-
	Allowance for loss on contract	(4,769,970)	10,625,232	-	-
	Provision for make-good of mine	75,422	-	-	-
	Assets written-off	-	631	-	631
	Diminution in value of loans	-	-	-	36,727,222
	Non-cash interest expense	400,317	5,075,677	400,317	369,456
	Impairment expense	26,390,499	-	20,079,496	-
	Share-based payments	200,000	-	200,000	-
	Non-cash provisions	715,416	2,636,350	-	-
	Option premium	-	2,773,575	-	2,773,575
	Profit on acquisition and disposal of businesses	(14,644,436)	-	(7,300,820)	-
	Unrealised foreign exchange loss	(53,797)	809,252	(3,805,626)	(126,553)
	Changes in assets and liabilities net of effects from acquisition and disposal of businesses:				
	(Increase)/decrease in trade and term debtors	(246,959)	1,288,268	47,015	(61,360)
	(Increase)/decrease in inventory	1,465,801	(6,303,001)	-	-
	(Increase)/decrease in prepayments	10,277	112,353	10,277	112,353
	(Increase)/decrease in current tax liability	2,756	-	-	-
	Increase/(decrease) in trade creditors and accruals	1,526,439	(3,805,400)	109,327	(125,589)
	Net cash from operating activities	**(25,147,069)**	**(30,965,905)**	**(6,511,021)**	**(5,361,741)**

Note 24 Events Subsequent to Reporting Date

Subsequent to year end, the Consolidated Entity completed the acquisition of the remaining 40% interest in Vallenar Iron Company.

The Consolidated Entity has also raised US$1.935 million in cash and retired US$2.50 million of debt through the issue of shares since year end. The Consolidated Entity has also accepted an offer of US$9.9 million to purchase waste and reject stockpiles plus the remaining components of the processing plant.

Mike Clarke resigned as Director of Admiralty Resources NL on 23 September 2009.

Note 25 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 13 to the financial statements.

Equity interests in other related parties

Details of interests in other related parties are disclosed in Note 11 to the financial statements.

(b) Key management personnel remuneration

Key management personnel remuneration is disclosed in Note 6 to the financial statements.

(c) Key management personnel remuneration holdings

Details of specified key management personnel equity holdings are disclosed in Note 6 to the financial statements.

(d) Loans

Subsequent to year end, eMerge Consulting Group Pty Ltd, an entity associated with Mr John Anderson, provided a loan of $250,000 to the Company. The loan is repayable on call and attracts interest at a rate of 8.75% per annum.

(e) Loans to subsidiary

The Company has a loan to its subsidiary, SCM Vallenar Iron Company, of $51,484,025. This loan is unsecured and is currently not bearing interest and has been reclassified as other non-current financial assets as it is currently considered to be more adequately regarded as part of the long term investment in the subsidiary.

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. $20.1m impairment (2008: $36.7m) of this investment has been recognised by the company in the current year. These amounts have been included in impairment expenses in the Income Statement.

Note 26 Financial Instruments

(a) Financial risk management objectives

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the Board of Directors.

The Consolidated Entity's principal financial instruments comprise cash, loans to related parties and both short and long-term borrowings. The main purpose of the financial instruments is to support the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise as a result of its operations.

It is, and has been throughout the period under review, the Consolidated Entity's policy that trading in financial instruments may be undertaken. However, the Consolidated Entity has not used derivate financial instruments in the normal course of business for the purpose of hedging its future production and sales, or managing its commodity, foreign currency and interest rate exposures.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Note 26 Financial Instruments (Continued)

(c) Interest rate risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2009 Consolidated Entity	Weighted Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturity: Less than 1 year $	1-5 years $	More than 5 years $	Non-Interest Bearing $	Total $
Financial Assets							
Cash	0.12	10,894	-	-	-	1,060,588	1,071,482
Receivables		-	-	-	-	2,339,532	2,339,532
Listed shares		-	-	-	-	3,600	3,600
Total Financial Assets		**10,894**	**-**	**-**	**-**	**3,403,720**	**3,414,614**
Financial Liabilities							
Trade payables and accruals		-	-	-	-	4,754,630	4,754,630
Long-term payables		-	-	-	-	2,763,457	2,763,457
Convertible loan	12.0	6,125,235	-	-	-	-	6,125,235
Total Financial Liabilities		**6,125,235**	**-**	**-**	**-**	**7,818,087**	**13,643,322**

2008 Consolidated Entity	Weighted Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturity: Less than 1 year $	1-5 years $	More than 5 years $	Non-Interest Bearing $	Total $
Financial Assets							
Cash	4.0	492,021	-	-	-	985,543	1,477,564
Receivables		-	-	-	-	3,133,673	3,133,673
Listed shares		-	-	-	-	1,160,837	1,160,837
Prepayments		-	-	-	-	10,277	10,277
Total Financial Assets		**492,021**	**-**	**-**	**-**	**5,290,330**	**5,782,351**
Financial Liabilities							
Trade payables and accruals		-	-	-	-	2,917,411	2,917,411
Loan	12.5	-	10,185,829	-	-	-	10,185,829
Convertible loan	8.0	-	7,287,700	-	-	-	7,287,700
Total Financial Liabilities		**-**	**17,473,529**	**-**	**-**	**2,917,411**	**20,390,940**

				Fixed Interest Rate Maturity				
2009 Parent Entity		***Weighted Average Effective Interest Rate %***	***Floating Interest Rate $***	***Less than 1 year $***	***1-5 years $***	***More than 5 years $***	***Non-Interest Bearing $***	***Total $***
Financial Assets								
Cash		0.12	10,894	-	-	-	745,800	756,694
Receivables			-	-	-	-	58,916	58,916
Listed shares			-	-	-	-	3,600	3,600
Loans to subsidiaries	(i)		-	-	-	-	35,904,836	35,904,836
Total Financial Assets			**10,894**	**-**	**-**	**-**	**36,713,152**	**36,724,046**
Financial Liabilities								
Trade payables and accruals			-	-	-	-	639,160	639,160
Convertible loan		12.0	6,125,235	-	-	-	-	6,125,235
Total Financial Liabilities			**6,125,235**	**-**	**-**	**-**	**639,160**	**6,764,395**

(i) This loan ceased to accrue interest on 31 December 2008.

			Fixed Interest Rate Maturity				
2008 Parent Entity	***Weighted Average Effective Interest Rate %***	***Floating Interest Rate $***	***Less than 1 year $***	***1-5 years $***	***More than 5 years $***	***Non-Interest Bearing $***	***Total $***
Financial Assets							
Cash	4.0	492,021	-	-	-	-	492,021
Receivables	17.5	-	3,870,259	-	-	1,147,031	5,017,290
Listed shares		-	-	-	-	3,600	3,600
Prepayments			-	-	-	10,277	10,277
Investment in subsidiaries			-	-	-	53,311,872	53,311,872
Total Financial Assets		**492,021**	**3,870,259**	**-**	**-**	**54,472,780**	**58,835,060**
Financial Liabilities							
Trade payables and accruals		-	-	-	-	529,833	529,833
Loan	12.5	-	10,185,829	-	-	-	10,185,829
Convertible loan	8	-	7,287,700	-	-	-	7,287,700
Total Financial Liabilities		**-**	**17,473,529**	**-**	**-**	**529,833**	**18,003,362**

Notes to the Financial Statements
for the year ended 30 June 2009 (Continued)

Note 26 Financial Instruments (Continued)

(d) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

The Company is exposed to credit risk in relation to its unsecured loan with SCM Vallenar Iron Company (subsidiary). The maximum amount of credit risk the Company is exposed to is the remaining $35.9 million balance of the Vallenar Iron loan receivable.

(e) Liquidity risk management

The Consolidated Entity manages liquidity risk by maintaining centralised cash balances and by matching capital commitments to draw down of funding facilities.

(f) Foreign currency risk management

The Consolidated Entity is exposed to foreign currency risk as a direct result of their foreign operations in Argentina and Chile. Further, the Consolidated Entity is exposed to foreign currency risk on sales, borrowings and loans receivable that are denominated in currencies other than Australian Dollars.

The bulk of the Consolidated Entity's income and expenditure, borrowings and capital commitments are denominated in United States Dollars (USD). The Board of Directors has taken the view that because of the offsetting nature of the Consolidated Entity's receivables and payables that an unhedged position in relation to foreign currency exposure is the most appropriate policy. The Consolidated Entity maintains bank accounts in three currencies being Australian Dollars (AUD), United States Dollars (USD) and Chilean Pesos (CLP) to manage receipts and payments in those currencies and to reduce and minimise currency conversion costs.

(g) Fair Values

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

	2009	*2008*
	$	*$*
Financial Assets		
Cash	1,071,482	1,477,564
Receivables	2,339,532	3,133,673
Listed shares	3,600	1.160,837
Prepayments	-	10,277
Total Financial Assets	**3,414,614**	**5,782,351**
Financial Liabilities		
Payables	4,754,630	2,917,411
Long-term payables	3,074,207	10,185,829
Convertible loan	6,125,235	7,287,700
Total Financial Liabilities	**13,954,072**	**20,390,940**

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

- The carrying amount for cash, receivables, prepayments, listed shares and payables approximates fair value.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

(h) Sensitivity

Interest Rate Risk

The Consolidated Entity has considered the sensitivity relating to its exposure to interest rate risk at balance date. This analysis considers the affect on current year profit which could result in a change in this risk. The management processes employed to control these factors involve entering into fixed interest rate borrowings. The convertible note is a fixed interest rate borrowing and, thus, the potential impact on profit and equity would not be material.

Foreign Currency Risk

The Consolidated Entity has considered the sensitivity relating to its exposure to foreign currency risk at balance date. The sensitivity analysis considers the effect on current year profit and equity due to a change in the AUD / USD, AUD / CLP rates.

The table below summarises the impact of +/- 5% strengthening / weakening of the AUD against the USD and CLP. The analysis is based on the +/- 5% movement of each foreign currency (CLP and USD) against AUD with all other factors remaining equal. A sensitivity of 5% has been used as the Board assesses this to be a probable range for foreign exchange fluctuation.

		Post Tax Profit 2009 $'000's	Equity 2008 $'000's
AUD/USD	+ 5%	(363)	(363)
	- 5%	363	363
AUD/CLP	+ 5%	264	1,756
	- 5%	(264)	(1,756)

Note 27 Non-Hedged Foreign Currency Balances

The Australian dollar equivalent of foreign currency balances included in the financial statements which are not effectively hedged are as follows:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Peso Argentino (ARS)				
Cash	-	499,813	-	-
United States Dollars (USD)				
Loan to subsidiaries	-	-	35,904,836	3,870,259
Convertible loan	(6,125,235)	(7,827,700)	(6,125,233)	7,827,700
Chilean Pesos (CLP)				
Cash	314,788	485,730	-	-

Note 28 Business Combinations

(a) Disposal of Rincon Lithium Ltd

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:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Cash consideration received	31,944,259	-	31,944,259	-
Cash and equivalents	55,125	-	-	-
Inventory	602,750	-	-	-
Investment in subsidiary	-	-	24,643,439	-
Exploration interests	3,727,420	-	-	-
Mining interests	6,865,958	-	-	-
Fixed assets	3,524,287	-	-	-
Net assets disposed	14,755,540	-	24,643,439	-
Gain on disposal of discontinued operations	**17,168,719**	**-**	**7,300,820**	**-**
Discontinued operations				
Gain on disposal	17,168,719	-	7,300,820	-
Operational expense	(1,433,172)	(2,367,378)	-	-
Employee benefit expense	(750,179)	(333,949)	-	-
Depreciation	(235,255)	(290,668)	-	-
Other expenses	(123,863)	(215,831)	-	-
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**14,626,250**	**(3,207,826)**	**7,300,820**	**-**

b) Acquisition of SCM Vallenar Iron Company

During the 2009 financial year, the Consolidated Entity acquired the 40% minority interest of SCM Vallenar Iron Company, giving the group 100% control of the company. Details of the transaction are as follows:

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Purchase Consideration					
Deferred purchase consideration	(i)	1,972,388	-	-	-
		1,972,388	**-**	**-**	**-**
Assets and liabilities held at acquisition date					
Outside equity interest acquired		334,011	-	-	-
Mining interests		1,638,377	-	-	-
		1,972,388	**-**	**-**	**-**

(i) The purchase consideration paid for the remaining 40% of Vallenar Iron is US$1.5 million. The amount shown in deferred purchase consideration in the Balance Sheet differs to the amount above due to a favourable foreign exchange gain. The amount shown in the balance sheet is $1,864,500.

c) Consolidation S.B. Graneles S.A.

During the 2009 financial year, the Consolidated Entity acquired 100% interest in S.B. Graneles S.A. and consolidated its assets:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Purchase Consideration				
Receivables converted to equity	584,916	-	-	-
Cash	56,733	-	-	-
	641,649	**-**	**-**	**-**
Fair value of identifiable net assets				
Cash	659,835	-	-	-
	659,835	**-**	**-**	**-**
Profit on consolidation of S.B. Graneles S.A.	**18,186**	**-**	**-**	**-**
Reconciliation to cashflow				
Purchase consideration	(56,733)	-	-	-
Cash acquired	659,835	-	-	-
Net cash inflow	**603,102**	**-**	**-**	**-**

Additional Information for Public Listed Companies

1. The shareholder information set out below was applicable as at 31 August 2009.

(a) Distribution of shareholders by class.

Category (size of holding)	*Ordinary Shares*	*No of Holders*
1 - 1,000	67,620	141
1,001 - 5,000	5,931,424	1,808
5,001 – 10,000	13,597,594	1,591
10,001 - 100,000	235,508,559	5,543
100,001 and over	1,415,606,819	2,436
	1,670,712,016	**11,519**

(b) The number of shareholdings held in less than marketable parcels is 5,799 at 31 August 2009.

(c) The number of holders of each class of equity security as at 31 August 2008 was:

Class of Security	*Number*
Ordinary fully paid shares	11,579
Unlisted options	1

(d) There were no substantial shareholders listed in the holding Company's register as at 31 August 2009.

(e) Voting Rights

Every Member is entitled to be present at a meeting and may vote. Options do not carry a right to vote.

On a show of hands, every Member has one vote.

On a poll every member has:

- one vote for each fully paid share; and
- voting rights pro rata to the amount paid up on each partly paid share held by the member.

(f) 20 Largest Shareholders - Ordinary Capital as at 31 August 2009.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	ANZ Nominees Limited <Cash Income A/C>	96,031,920	5.75
2	BLB Holdings Pty Ltd	65,302,208	3.91
3	Mr Yongjin Luo	30,027,735	1.80
4	HSBC Custody Nominees (Australia) Limited	24,002,500	1.44
5	Comsec Nominees Pty Limited	22,247,553	1.33
6	Merrill Lynch (Australia) Nominees Pty Limited	18,104,185	1.08
7	Dr Richard Stuart Parry & Mrs Judity Nancy Parry <R S Parry Super Fund A/C>	14,364,625	0.86
8	Citicorp Nominees	12,283,042	0.74
9	National Nominees	12,007,569	0.72
10	Alfred Gilliland	12,000,000	0.72
11	Mr Soon Jeung Yuen	11,000,000	0.66
12	Etrade Australia Nominees Pty Ltd	10,088,178	0.60
13	Mr Warren William Brown & Mrs Marilyn Helena Brown	9,600,000	0.57
14	Avanteos Investments Limited <Avanteos No 1 A/C>	6,255,550	0.37
15	Fair Price Import Export Pty Ltd	6,000,000	0.36
16	Mr Paul Anthony Sifis	6,000,000	0.36
17	Forbar Custodians Limited <Forsyth Barr Ltd - Nominee A/C>	5,686,803	0.34
18	Mr Stephen Harris	5,400,000	0.32
19	Mr Brett Holterman	5,350,000	0.32
20	G Sandilands Investments Pty Ltd	5,277,311	0.32
		377,029,179	**22.57**

2. The name of the Company Secretary is Stephen Charles Prior.

3. The address and telephone number of the administrative office and registered office are as follows:

Administrative Office

Level 14, 200 Queen Street
Melbourne, Victoria 3000
Telephone: (03) 9642 8787
Facsimile: (03) 8677 6949

Registered Office

C/- Prior & Co. Pty. Ltd
Level 14, 200 Queen Street
Melbourne Victoria 3000
Telephone: (03) 9670 1838
Facsimile: (03) 9670 1898

4. The register of securities is held at the following address:

Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street
Brisbane, Queensland 4000
Telephone: 1300 55 22 70 (within Australia)
(07) 3237 2100
Facsimile: (07) 3229 9860

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange Limited.

6. Vendor Securities

There are no restricted securities on issue as at 31 August 2009.

7. Unquoted Securities

Holders of Unlisted Options as at 31 August 2009.

	Name	*Number of Unlisted Options Held*	*%*
1	Mr John Anderson	1,000,000	100

Appendix

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September 2, 2009
Let-591/09
06-2301-01

MINERAL RESOURCES STATEMENT FOR THE JAPONESA IRON MINE, JAPONESITA, PRIMAVERA, MARIPOSA AND MIRADOR IRON DEPOSITS, III REGION, CHILE, SRK CONSULTING (CHILE) S.A., SEPTEMBER 2, 2009

Vallenar Iron Company (Vallenar Iron) commissioned SRK Consulting, Chile (SRK), to construct a mineral resources model for the Japonesa Iron Mine and Japonesita, Primavera, Mariposa and Mirador iron mineral deposits located in Vallenar, III Region, Chile. The Japonesa Iron Mine lies in the valley adjoining the Sierra Chinchilla Range and consists of alluvial magnetite ore. The other four are magnetite vein and breccia mineral deposits located within a six kilometre radius in the low lying Sierra Chinchilla hills.

This letter is a summary of more complete reports that detail the procedures and methodology used by SRK in estimating and classifying the mineral resources for the deposits mentioned above.

In summary, at the Japonesa Iron Mine, 116 core boreholes (reverse circulation) were drilled between 1995 and 2006, totalling 3,173 metres, which were used in estimating the mineral resources in the iso-grade ore body model, modelled by Minera Santa Barbara (MSB) in vertical sections spaced every 50 metres. Assay samples were collected approximately every 1 or 2 metres and analysed for total iron, by the Minera Santa Barbara Analytical Laboratory in Vallenar.

The Japonesita project, has 31 boreholes (reverse circulation) drilled between 2005 and 2007 totalling 4,136 metres, of which only 29 boreholes totalling 3,866 metres were used in the geological modelling and estimating the mineral resource in the iso-grade ore body model, modelled by SRK in vertical and horizontal sections spaced every 50 and 10 metres, respectively. Assay samples were collected approximately every 2 metres and analysed for total iron by MSB's lab in Vallenar.

At the Primavera project, 26 boreholes (reverse circulation) were drilled between 2005 and 2007, totalling 3,708 metres which were used in geological modelling and estimating the mineral resource in the iso-grade ore body model, modelled by SRK in vertical and horizontal sections spaced every 50 and 10 metres, respectively. Assay samples were collected approximately every 2 metres and analysed for total iron at the MSB lab in Vallenar.

The Mariposa project, contains 36 boreholes (reverse circulation) that were drilled between 2005 and 2007, totalling 5,588 metres, of which 32 boreholes, totalling 5,082 metres, were used in geological modelling and estimating the mineral resource in the iso-grade ore body model, modelled by SRK in vertical and horizontal sections spaced every 50 and 5 metres, respectively. Assay samples were collected approximately every 2 metres and analysed for total iron, at the MSB lab.

25 boreholes (reverse circulation) were drilled at the Mirador Project between 2005 and 2007 for a total of 2,738 metres. Only 15 boreholes totalling 1,900 metres were used in geological modelling and estimating the mineral resource in the iso-grade ore body model, modelled by SRK in vertical and horizontal sections spaced every 50 and 5 metres, respectively. Assay samples were collected approximately every 2 metres and analysed for total iron at the MSB lab.

The mineral resources statement for the Japonesa Iron Mine and the Japonesita, Primavera, Mariposa and Mirador iron deposits reported at a 10% Fe cut-off grade, and classified according to the JORC Definition Standards for Mineral Resources and Mineral Reserves, is presented in the following tables.

Table 1. Mineral Resources Statement* for the Japonesa Iron Mine, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., December, 2006.

Resource Classification	Tonnage (Kilotonnes)	Iron Grade (Percent)
Measured	24,132	13.9
Indicated	12,939	15.4
Total Measured and Indicated	**37,071**	**14.4**
Inferred	6,165	16.8

* reported at a cut-off of 10 percent iron.

Table 2. Mineral Resources Statement* for the Japonesita Iron Project, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009.

Resource Classification	Tonnage (Kilotonnes)	Iron Grade (Percent)
Measured	-	-
Indicated	32,540	17.3
Total Measured and Indicated	**32,540**	**17.3**
Inferred	21,703	24.2

* reported at a cut-off of 10 percent iron.

Table 3. Mineral Resources Statement* for the Mariposa Iron Project, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009.

Resource Classification	Tonnage (Kilotonnes)	Iron Grade (Percent)
Measured	-	-
Indicated	70,289	18.7
Total Measured and Indicated	**70,289**	**18.7**
Inferred	98,119	17.4

* reported at a cut-off of 10 percent iron.

Table 4. Mineral Resources Statement* for the Primavera Iron Project, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009.

Resource Classification	Tonnage (Kilotonnes)	Iron Grade (Percent)
Measured	-	-
Indicated	58,947	16.8
Total Measured and Indicated	**58,947**	**16.8**
Inferred	71,180	16.6

* reported at a cut-off of 10 percent iron.

Table 5. Mineral Resources Statement* for the Mirador Iron Project, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009.

Resource Classification	Tonnage (Kilotonnes)	Iron Grade (Percent)
Measured	-	-
Indicated	17,739	16.5
Total Measured and Indicated	**17,739**	**16.5**
Inferred	9,572	18.5

* reported at a cut-off of 10 percent iron.

The following tables show the sensitivity of the mineral resources to the iron cut-off grade for each deposit.

Table 6. Iron Mineral Resources by Cut-off Grade for the Japonesa Iron Mine.

	MEASURED		INDICATED		INFERRED		TOTAL	
Cutoff	**TONNAGE**	**FE**	**TONNAGE**	**FE**	**TONNAGE**	**FE**	**TONNAGE**	**FE**
Grade	Ktonne	%	Ktonne	%	Ktonne	%	Ktonne	%
30	159	32.7	9	30.7	0	0.0	168	32.6
25	340	29.9	123	27.5	206	26.0	670	28.2
20	845	24.9	1,048	22.1	985	23.0	2,878	23.2
15	6,169	17.7	7,471	17.6	4,467	18.4	18,107	17.8
10	**24,132**	**13.9**	**12,939**	**15.4**	**6,165**	**16.8**	**43,236**	**14.8**
9	27,795	13.3	14,082	15.0	6,435	16.5	48,311	14.2
5	41,679	11.2	18,691	13.0	7,722	15.0	68,092	12.2
0	45,407	10.7	19,883	12.5	7,998	14.7	73,287	11.6
Total	**45,407**	**10.7**	**19,883**	**12.5**	**7,998**	**14.7**	**73,287**	**11.6**

Table 7. Iron Mineral Resources by Cut-off Grade for the Japonesita Iron Deposit.

	INDICATED		INFERRED		TOTAL	
Cutoff	**TONNAGE**	**FE**	**TONNAGE**	**FE**	**TONNAGE**	**FE**
grade	Ktonne	%	Ktonne	%	Ktonne	%
40	169	45.6	625	43.9	794	44.3
35	328	41.6	1,646	39.5	1,973	39.8
30	644	37.0	4,153	35.1	4,797	35.3
25	1,506	31.2	8,770	30.8	10,276	30.8
20	8,189	23.5	15,258	27.2	23,447	25.9
15	21,902	19.7	20,724	24.7	42,626	22.1
10	**32,540**	**17.3**	**21,703**	**24.2**	**54,243**	**20.1**
9	34,865	16.8	21,768	24.1	56,633	19.6
5	47,101	14.3	22,763	23.4	69,865	17.2
0	55,664	12.6	22,856	23.3	78,520	15.7
Total	**55,664**	**12.6**	**22,856**	**23.3**	**78,520**	**15.7**

Table 8. Iron Mineral Resources by Cut-off Grade for the Mariposa Iron Deposit.

	INDICATED		INFERRED		TOTAL	
Cutoff	**TONNAGE**	**FE**	**TONNAGE**	**FE**	**TONNAGE**	**FE**
Grade	Ktonne	%	Ktonne	%	Ktonne	%
40	3,014	47.4	4,566	46.2	7,580	46.7
35	4,197	44.5	5,885	44.1	10,082	44.3
30	6,257	40.5	8,540	40.5	14,797	40.5
25	11,315	34.5	12,550	36.3	23,865	35.5
20	22,009	28.5	22,279	30.2	44,288	29.3
15	39,808	23.5	48,053	23.1	87,861	23.3
10	**70,289**	**18.7**	**98,119**	**17.4**	**168,408**	**18.0**
5	91,018	16.2	151,216	14.1	242,235	14.9
0	**98,208**	**15.3**	**160,777**	**13.5**	**258,985**	**14.2**
Total	**98,208**	**15.3**	**160,777**	**13.5**	**258,985**	**14.2**

Table 9. Iron Mineral Resources by Cut-off Grade for the Primavera Iron Deposit.

	INDICATED		INFERRED		TOTAL	
Cutoff	TONNAGE	FE	TONNAGE	FE	TONNAGE	FE
Grade	Ktonne	%	Ktonne	%	Ktonne	%
40	986	45.4	887	44.5	1,873	45.0
35	1,319	43.4	1,256	42.4	2,575	42.9
30	2,579	38.1	2,425	37.6	5,004	37.8
25	4,316	33.7	3,596	34.3	7,912	34.0
20	8,569	28.0	7,829	27.5	16,398	27.7
15	32,996	19.9	43,395	19.0	76,391	19.4
10	**58,947**	**16.8**	**71,180**	**16.6**	**130,127**	**16.7**
5	63,732	16.2	76,256	16.1	139,988	16.1
0	63,732	16.2	76,258	16.1	139,989	16.1
Total	**63,732**	**16.2**	**76,258**	**16.1**	**139,989**	**16.1**

Table 10. Iron Mineral Resources by Cut-off Grade for the Mirador Iron Deposit.

	INDICATED		INFERRED		TOTAL	
Cutoff	TONNAGE	FE	TONNAGE	FE	TONNAGE	FE
Grade	Ktonne	%	Ktonne	%	Ktonne	%
40	13	42.3	16	43.3	29	42.8
35	150	37.0	58	38.8	208	37.5
30	358	35.0	375	34.2	734	34.6
25	723	30.4	632	30.9	1,356	30.7
20	3,056	24.6	2,524	24.9	5,580	24.7
15	10,488	19.1	7,798	19.6	18,285	19.3
10	**17,739**	**16.5**	**9,572**	**18.5**	**27,311**	**17.2**
5	18,889	16.1	10,322	17.5	29,211	16.6
0	18,981	16.0	14,920	12.9	33,900	14.7
Total	**18,981**	**16.0**	**14,920**	**12.9**	**33,900**	**14.7**

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MINERAL RESOURCES STATEMENT FOR THE JAPONESA IRON MINE, JAPONESITA, PRIMAVERA, MARIPOSA AND MIRADOR IRON DEPOSITS, III REGION, CHILE, SRK CONSULTING (CHILE) S.A., SEPTEMBER 2, 2009

COMPETENT'S PERSON STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources of the Japonesa Iron Mine and for the Japonesita, Primavera, Mariposa and Mirador iron deposits, is based on information compiled by George G. Even, Principal Geologist of SRK Consulting in Santiago, Chile.

Mr. Even a Qualified Person for JORC compliant statements, reviewed the technical information presented in this document.

Mr. Ernesto Jaramillo, Principal Resource Geologist with SRK Santiago, performed the resource estimation.

Mr. Even has sufficient experience that is relevant to the style of mineralisation and type of mineral deposit under consideration and to the activity which was undertaken, to make the statements found in this report in the form and context in which they appear.

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