ADMIRALTY RESOURCES NL
ANNUAL REPORT 2010

ADMIRALTY RESOURCES

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Chairman's Report

Dear Shareholder,

On behalf of the Board of Directors of Admiralty Resources NL, I gladly present you our Annual Report for 2010.

First of all, I would like to thank you for your support for the Rights Issue conducted in October 2009 and Lodge Corporate Pty Ltd for their assistance in the corporate placements throughout the year, which have been instrumental in placing the Company in a favourable position for discussions with joint venture partners.

In a year of challenging market conditions, the Company successfully finalised the acquisition of the remaining 40% of its iron ore project in Northern Chile, extinguished all existing legacy debt, continued the exploration programme and struck an agreement with Icarus Derivatives Limited that will set the foundations to maximise and unlock the potential of our tenement portfolio.

During the year, I have had the pleasure of welcoming Stephen Prior as Executive Director and Michael Perry as Non-executive Director to the Board of Directors and Patrick Rossi as Company Secretary. All three of them have brought a new influx of enthusiasm and have made major contributions to our business. I also thank the departing Directors, John Anderson and Mike Clarke, for their input during their tenure.

The Company's focus during the year has been our prospective mineral concessions in Chile.

On the exploration front, SRK Consulting Chile S.A. finalised a JORC compliant resource statement for the Mirador and Primavera deposits, resulting in an increase of 55% in the inferred and indicated resources to 423 million tonnes at a 10% cut-off grade.

We also conducted geomagnetic survey that identified ten new areas of interests. Geophysical modelling to determine the anomaly location and depth and reverse circulation drilling of the best targets are to follow.

On the corporate front, we have held discussions and assisted various parties in their due diligence in acquiring an interest in the iron ore project in Chile. The main focus of the discussions were the reduction of administration costs and generating cash flow while providing Admiralty's shareholders with the best return. These discussions resulted in a Share Sale Agreement with Icarus Derivatives Limited ("Icarus") on 2 September 2010.

The Board believes that the Icarus transaction will be very advantageous to Admiralty in multiple aspects. In the short term, it will dramatically reduce the administration overheads in Chile and provide recurring cash flow that will allow the Company to continue the exploration programme and prove further mineral resources. In the long to medium term, it will guarantee the participation of Admiralty in Icarus' success through a royalty revenue stream and possible IPO and provide commercial synergies for the sale, shipping and export of iron ore production from the Southern region once the Company moves from pure exploration to the pre-development and production phase.

The Board urges shareholders to support the sale of SCM Vallenar Iron Company to Icarus in the Extraordinary General Meeting to be held in Melbourne on 29 October 2010 and looks forward to continuing the exploration on the Southern area of the Harper geological district, increasing its JORC compliant mineral resources and finding a suitable strategy to exploit the mineral concessions, which in the past have proved being able to produce a high quality product with plus 63% Fe and minimum contaminants.

I look forward to meeting you at our Annual General Meeting to be held in Melbourne in November 2010.

Yours sincerely,

Professor J. Ross Harper
Chairman

The 2010 Annual Report provides an overview of Admiralty Resources NL' main operating activities for the year ended 30 June 2010.

Executive Director's Report

When I took on the position of Executive Director in February 2010, I had been a witness to the difficulties that Admiralty Resources NL ("Admiralty") had weathered over the years and I set all my efforts in regaining focus on geological exploration of the iron ore mining concessions in Chile, implementing cost saving measures and prudent management and finding a lifeline into the future that would allow Admiralty to provide the best return to shareholders.

I am pleased that my first annual report to shareholders as Executive Director of Admiralty Resources takes place after Admiralty has achieved a number of milestones:

1) the finalisation of the acquisition of the 40% remaining interest in SCM Vallenar Iron Company ("VIC"), owner of the mineral concessions in Northern Chile, and the repayment of all existing debt, which in turn placed the Company in a much less vulnerable position to focus in the pre-development phase of its assets;

2) our mineral resources in Chile increased by 55% and a geomagnetic survey identified new exploration targets during the year; and

3) an agreement for the sale of SCM Vallenar Iron Company ("VIC") was signed on 1 September 2010 with Icarus Derivatives Limited ("Icarus"), which is the result of the joint venture discussions held with various parties and directly addresses costs reduction and creation of wealth for Admiralty.

Portfolio

Admiralty is a diversified mining company with mineral interests in Chile and Australia. Admiralty's flagship project is VIC's iron ore project located in Region III of Chile, a project in which Admiralty currently holds a 100% interest.

The Company also has a 100% interest in the Bulman Project, a zinc and lead oxide deposit located in the Northern Territory of Australia and a 50% interest in the Pyke Hill Project, a nickel and cobalt project in Western Australia and currently leased to Cougar Metals NL.

Chile

Assets

VIC's mineral concessions are grouped into the following projects:

1) The Harper Geological District, located 15 km South of Vallenar, covering over 6,000 hectares and which includes Japonesa, Japonesita, Mariposa, Primavera, Mirador, Soberana, Chillán Viejo, Negrita and Viviana. These mineral concessions have been subject to greenfield and brownfield exploration works, geophysics, rock chip sampling, trench sampling, aircore drilling, geomagnetic surveys and JORC[1] compliant mineral resource estimation from 2006 to date.
Additionally, VIC conducted open cut mining operations from 2006 to 2008 in these tenements and produced over 500,000 tonnes of iron ore fines with an average of 63%.

2) Pampa Tololo Iron Prospect, covering approximately 3,500 hectares and located 33 kilometres north of Vallenar, adjacent to Los Colorados, the largest producing iron ore mine in Chile, which is owned by Compañía Minera del Pacífico (CMP).

3) Leo Sur, covering approximately 800 hectares and located south-west of the VIC ore bodies.

Agreement with Icarus

The agreement with Icarus provides for the division of the Harper Geological District in two similar size halves[1], namely:

- Northern Region, which includes the ore bodies Japonesa, Japonesita, Mirador, Primavera, Chillán Viejo and Viviana with a JORC[2] compliant mineral resource of 254,917 million tonnes[3] including measured, indicated and inferred resources[4] ; and

- Southern Region, which includes the ore bodies Mariposa, Negrita and Soberana, with a JORC[2] compliant mineral resource of 168,408 tonnes[5] including indicated and inferred resources[6].

Additionally, the maritime concession at Punta Alcalde, near the township of Huasco, will remain in VIC under the control of Icarus.

The rationale behind the decision of the Board to support the Icarus transaction stems from the high funding required to maintain and develop the Chilean assets adequately in an economically viable manner and the difficulty that Admiralty has encountered accessing the funding to complete exploration and resume production at a profitable scale of operations.

Admiralty is currently focussed on the identification and exploration of economic iron ore deposits that will enable it to obtain funding. During the year, Admiralty implemented a number of cost saving measures that enabled it to reduce its immediate and long term underlying costs; however, the current mineral resources, although promising, do not warrant a reputable financial institution to provide Admiralty with a loan for development.

The Icarus transaction permits Admiralty to benefit from the tenements grouped in the Northern Region in the short to medium term via the provision of the upfront payments and a royalty stream while reducing all the administration overheads related to having a mining house ready to step into production, which is the case with VIC.

The Icarus transaction enables Admiralty to build a robust project around the Southern Region mineral concessions, the Pampa Tololo iron prospect and Leo Sur with a strong cash flow and following a modest capital outlay.

Additionally, the Icarus transaction will provide Admiralty with favourable commercial conditions for the sale and shipping of its own iron ore production, upon the completion of the current preliminary exploration phase and determination that the ore bodies in the Southern Region are economically viable.

The exploration of the Southern Region is still in its relative infancy, except for the Mariposa ore body. However, the geomagnetic survey and exploratory drilling executed in Negrita and Soberana are very promising and while it is too early to speculate on the scale or economic potential of the mineralisation, we are extremely encouraged by the results received to date.

We look forward to doing further drilling to determine the limits of the mineralisation, which remains open in most directions.

Exploration programme

Geophysics, mapping and extensive drilling will move the company towards its goal of developing a resource base of iron fines in the medium to long term.

The geomagnetic survey executed during the year identified ten new exploration targets, of which 7 are located within the Southern Region. Admiralty is planning to create a geological model and conduct reverse air circulation and diamond drilling campaigns in order to increase the mineral resource base. This phase will be followed by a second stage to identify proven ore reserves and Admiralty expects that will count with the support of a third party, either through the provision of a loan or entering into a joint venture.

The geological exploration programme envisaged by the Board adheres to industry standard geological exploration programmes 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.

The Company is currently assessing these targets with a view to drilling some of them later this year and I look forward to advising you of the results as they emerge.

Australia

Bulman

During the year, Geos Mineral Consultants ("Geos") completed a conceptual economic study which has provided indicative project parameters to guide future exploration at its Bulman Project in the Northern Territory, which is located 300 kilometres from the world class lead-zinc-silver deposit at McArthur River.

The three models prepared by Geos are very sensitive to grade, metal prices and exchange rates but they indicate that deposits with higher than average grades (greater than 6% lead, 10% zinc and 45g/t silver) or greater than average tonnages (~40-50Mt) can be profitable. At the exploration stage this translates to target dimensions of, for example, 1000m x 300m which can be a useful guide to the planning of exploration programmes. Planned field reconnaissance, sample analysis and technical reporting have been recommended by Geos and the Company is considering this recommendation.

Pyke Hill

The Pyke Hill Project is a nickel-cobalt laterite deposit located 40km southeast of the Murrin Murrin Nickel operation in Western Australia and it hosts a JORC[1] compliant Measured and Indicated Resources of 14.7 million tonnes grading 0.9% Ni and 0.06% Co[7].

Admiralty has a 50% interest in this project and its interest is leased to Cougar Metals NL, which has the mineral rights to the Measured and Indicated Resource.

No further work was conducted during the current year but Cougar Metals NL continues to seek third parties that may have an interest in participating in the project in the future.

During the course of this year Admiralty has met with representatives of the other 50% owner and Cougar Metals NL to keep up the dialogue and to foster cordial relationships.

Other Assets

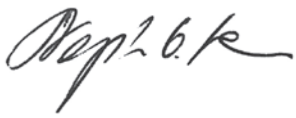
The Board of Admiralty believes that diversification is essential and, funding allowing, intends to acquire interests in other projects that can strengthen Admiralty and benefit shareholders.

We are currently investigating a project which would be of a scale suited to Admiralty's current capitalisation and expected future cash flows.

Closure

I appreciate the strong support I have received during the year from our shareholders, our staff and my fellow Directors as we progress toward our objective of moving our discoveries into a development phase to create a long-lasting revenue stream and a timely, appropriate return to shareholders. I firmly believe that Admiralty has a bright future ahead of it and I look forward to keeping you informed of our progress over the coming years.

Yours faithfully,



Stephen C. Prior
Executive Director

[1] As outlined in the Harper Geological District map on page 20.

[2] JORC stands for Joint Ore Reserves Committee.

[3] As per Mineral Resource Statement prepared by SRK Consulting (Chile) S.A. on Appendix 1, page 62 of this report.

[4] Mineral Resources are quoted at a 10% cut-off grade and they refer to the Japonesa, Japonesita, Primavera and Mirador ore deposits.

[5] As per Mineral Resource Statement prepared by SRK Consulting (Chile) S.A. on Appendix 1, page 62 of this report.

[6] Mineral Resources are quoted at a 10% cut-off grade and they refer to the Mariposa ore deposits.

[7] As per the Resource Statement prepared by Resource Evaluation Pty Ltd and released by Cougar Metals NL on 23 August 2007.

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. Michael S. Perry retires by rotation at the 2010 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 discharge its responsibilities and duties adequately given the Company's size and scale of operations.

Assessing the Independence of Directors

The Board's criterion for determining the independence of a Director is whether the Director is independent of management and free from any business or other relationship that could 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.

Independent Directors and Chairman

At stages during the year, the Board did not have a majority of independent Directors. As a result, the Company appointed a further independent Director and is now in compliance with Principle 2 of the ASX Principles and Recommendations.

In accordance with the definition of independence, the following Directors of Admiralty Resources NL are considered to be independent:

Name	Position
J. Ross Harper	Chairman
Michael S. Perry	Non-Executive Director

Mr. Stephen Prior is the Executive Director of the Company and is not considered to be independent.

Board Committees

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

- Audit Committee
- Remuneration Review 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 or a Finance Committee as these matters will be considered in full by the Board.

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. Michael Perry, with Mr Michael Perry being Chairman. Mr. Patrick Rossi is Secretary of the Audit Committee. Due to the relatively small size of the Company and the nature of the Company's audit function, the Audit Commitee only contains two members.

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, Mr. Michael Perry and Mr. Stephen Prior, with each member being excluded from discussions regarding their own remuneration. Mr. Patrick Rossi is Secretary of the Remuneration Review Committee.

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.

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

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

The 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; and
- ensuring that shareholders and the financial markets are provided with full and timely information about the Company in a balanced and understandable way.

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.

Remuneration

The Board's policy is to remunerate executive and non-executive Directors based on external data including information published by various recruiting firms, the time commitment of Directors, the size and scale of Admiralty Resources' 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.

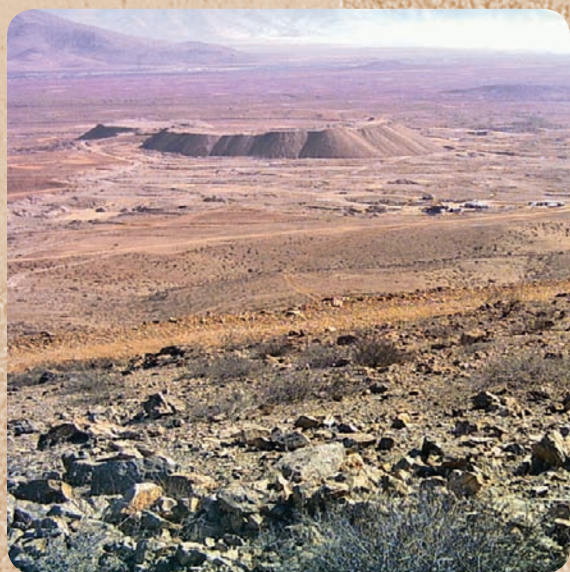
Company's Website

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 2010. 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.

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

Executive Director

Mr Prior was appointed to the Board on 1 February 2010 and heads up the Company's administration as Executive Director. He holds the degree of Bachelor of Commerce from the University of Melbourne, is a member of the Institute of Chartered Accountants in Australia and is a Fellow of the Taxation Institute of Australia. He currently holds and has held board positions in listed and unlisted public companies and private companies involved in a wide range of industries.

His career has to date involved him in many and varied assignments including the sale of substantial businesses, structured finance arrangements, property acquisition and development, corporate activities including defending takeover bids and facilitating reverse takeovers. He has had experience in facilitating international property and commercial transactions and financing, particularly in Asia. Stephen is the senior partner, in the accounting firm Prior & Co. Pty Ltd with over 30 years experience in the accountancy profession.

Stephen held the position of Company Secretary of Admiralty for over 5 years until ceasing on 1 February 2010 to take up his current position.

Company Secretary

Patrick Rossi B.Com. (Melb.), C.A.

Mr Rossi is a Chartered Accountant and works for the accountancy firm Prior & Co. Pty. Ltd., which has been providing accounting and business advice to the Company since 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.

Michael S. Perry B.Com. (Melb.), F.C.A., S.A. Fin. M.A.I.C.D.

Director

Mr Perry was appointed to the Board on 13 October 2009. He holds a Bachelor of Commerce degree from the University of Melbourne, is a Fellow of the Institute of Chartered Accountants in Australia and a member of CPA Australia. He is also a Senior Associate of the Financial Services Institute of Australasia and a member of the Institute of Company Directors in Australia.

Mr Perry has retired from an extensive and diverse finance and audit career, with his last position being Senior Partner with Ernst & Young in Melbourne. He has experience in financial consulting services with specialist skills in capital and debt raisings, corporate financing, internal audit structuring and risk management and business acquisition planning and implementation. During his career, Mr Perry has been the lead audit partner for firms such as GEMCO, TEPCO, BHP Coal, Central Equity, SPC, Country Road, United Energy/Multinet Gas, Loy Yang Power and PMP Communications among others.

John Anderson BCom, MBA

Director - Resigned on 23 April 2010

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.

Mr Anderson specialises 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.

R. Michael Clarke BSc, P Eng

Director - Resigned on 23 September 2009

Mr 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.

Mr Clarke has a distinguished mining career, with his most recent role prior to joining VIC 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.

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to $1,666,228 (2009: $37,192,187).

Dividends Paid or Recommended

No dividends were paid during the year, nor are any recommended at 30 June 2010.

Review of Operations

Corporate

Capital Raisings

In July and August 2009, Admiralty issued 174,789,287 shares to YA Global Investments L.P., totalling $3,576,941 in concept of repayment of loan and interest under the Series D Convertible Loan, entered into by the parties in January 2009.

Admiralty issued 347,295,469 shares to clients of Lodge Partners Pty Ltd totalling $3,935,200 throughout the year. The funds raised were used to acquire the remaining 40% equity in VIC, partly fund the exploration programme in Chile and for working capital.

In October 2009, the Company launched a 1 to 4 Non-Renounceable Rights Offer to raise $5,847,492. The Rights Offer was oversubscribed and as a result 417,678,004 shares were issued on 4 November 2009. These funds were used to fully liquidate the existing debt with YA Global Investments L.P. and set the Company free from any borrowings.

As at 30 June 2010, the Company had 2,311,115,997 shares on issue and had cash in hand of $1,265,227.

Changes in Management and Board of Directors

Robert Michael Clarke, CEO of SCM Vallenar Iron Company, resigned as a Director of Admiralty Resources NL on 23 September 2009.

Michael Stephen Perry was appointed to the Board on 13 October 2009. Michael has retired from an extensive and diverse finance and audit career and has experience in financial consulting services with specialist skills in capital and debt raisings, corporate financing, internal audit structuring and risk management and business acquisition planning and implementation.

On 7 February 2010, John E.D. Anderson ceased acting as an Executive Director of the Company. John Anderson continued on the Board as a Non-executive Director until 23 April 2010.

Stephen C. Prior was appointed Executive Director by the Board on 1 February 2010 and submitted his resignation as Company Secretary after over five years' tenure.

Mr Patrick J. Rossi, a Chartered Accountant at Prior & Co. Pty Ltd, who has been directly involved in providing accounting services to Admiralty since June 2007 was appointed by the Board to the position of Company Secretary.

Sociedad Contractual Minera Vallenar Iron Company ("VIC")

General

VIC's mineral exploration and exploitation concessions covering 10,796 hectares are located within the Chilean iron belt in the Atacama Desert in the third Region of Chile near Vallenar and nestled between the largest iron ore mines in Chile: El Algarrobo and El Tofo, owned by Compañía Minera del Pacífico ("CMP"). These mineral concessions can be divided into three groups:

The Harper Geological District, covering over 6,000 hectares and subdivided in two regions: the Northern Region (it includes the Japonesa, Japonesita, Primavera, Mirador, Chillán Viejo and Viviana ore bodies) and the Southern Region (it includes Mariposa, Soberana and Negrita).

Pampa Tololo Iron Prospect, covering approximately 3,500 hectares and located 33 kilometres north of Vallenar, adjacent to Los Colorados, the largest producing iron ore mine in Chile, owned by CMP.

Leo Sur, covering approximately 800 hectares and located south-west of the VIC ore bodies.

VIC's mineral concessions are situated in a prime location 2.5 kilometres away from the Pan American Highway, 7.5 kilometres from a railway transportation service privately owned by Ferronor S.A., 45 kilometres from the Port of Huasco and between the cities of Copiapó and La Serena, communicated by regular air services with Santiago. Additionally, VIC also possesses legal title to a maritime concession covering an area known as Punta Alcalde, located in the vicinity of the township of Huasco and with sufficient draft to construct a port capable of operating cape size ships.

All of the above mentioned infrastructure poises VIC in an enviable position that will have a significant positive impact on the mine development, construction and operating costs.

Review of Operations (Continued)

Sociedad Contractual Minera Vallenar Iron Company ("VIC") (Continued)

Exploration

Several geological exploration programs have been executed in the Harper Ore Bodies by VIC's internal geological department and by SRK Consulting Chile S.A. To date, the Company has released to the market JORC compliant mineral resource estimation for Japonesa, Japonesita, Mariposa, Mirador and Primavera, amounting to a total of 423 million tonnes at a cut-off grade of 10% (as per the announcement to the ASX on 4th September 2009 and included in pages 62 to 66 of this report) .

During the year, subcontractors of VIC conducted an exploration programme consisting of ground magnetic and gravity surveys to detect and delineate anomalies that may exist in the Southern part of the geological district in order to create a three dimensional modelling of the anomalies, which will then be prioritised and then be subject to reverse circulation drilling.

The objective of the drilling program is to elevate the existing mineral resources in the inferred and indicated categories to measured mineral resources and to quantify and qualify additional mineral resources contained within the geological district thus expanding the current mineral resource base in accordance with the JORC code.

The geomagnetic survey identified a total of ten new areas of interest, of which some are extensions to known deposits while others are located beneath recent alluvials and may not have been recognised by previous surface exploration. The anomalies are often discrete 'bulls eyes', suggestive of a localised and concentrated source and worthy of geophysical modelling to determine the anomaly source location and depth.

Mineral Resources – Harper Ore Bodies

Ore Body	Measures Resources	Indicated Resources	Inferred Resources	Total Resources	Iron Grade
Japonesa	24,132	12,939	6,165	43,236	14.8%
Japonesita	-	32,540	21,703	54,243	20.1%
Mariposa	-	70,289	98,119	168,408	18.0%
Primavera	-	58,947	71,180	130,127	16.7%
Mirador	-	17,739	9,512	27,311	17.2%
	24,132	**192,454**	**206,739**	**423,325**	**17-18%**

All mineral resources reported here are at a cut-off grade of 10% Fe.

Sale of Equipment and Waste Material

VIC entered into an agreement with a Chilean company for the sale of plant and mining equipment located at the old Japonesa mine site for US$1.66m including VAT.

VIC's management continue to explore avenues to commercialise the approximately 12 million tonnes of waste and low grade reject stockpiles and are currently engaged in sales discussions with two parties interested in purchasing a substantial portion of the material.

Bulman Project

The Bulman Project is a zinc and lead oxide deposit located near the Bulman Aboriginal community in southern Arnhem Land, approximately 300 kilometres to the south east of the world class lead-zinc-silver deposit at McCarthur River, in Australia's Northern Territory and it consists of two granted granted mineral leases (MLN 726 and 727) and two exploration licences (EL 23814 and 25931).

Exploration Results

Exploration completed by Admiralty has included airborne magnetic and radiometric surveys, geochemical soil sampling (portable XRF analyser) and RC drilling over the mining leases and selected areas in EL23814, reporting encouraging results.

Shallow flat-lying zones of zinc-lead mineralisation within the Dook Creek Formation and above the Derim Derim Dolerite were intersected in a drilling programme conducted in 2008. Soil geochemical results returned anomalous areas within EL23814.

Review of Operations (Continued)

Bulman Project (Continued)

Exploration Potential

The Bulman Project has good potential for new discovery of lead-zinc mineralisation and a total of four target zones are recognised within the granted region of the project area. During the year, Admiralty commissioned independent geological consultants Geos Mineral Consultants ("Geos") to complete a conceptual economic study, which has provided indicative project parameters to guide future exploration.

Geos considers that there is high potential for the discovery of a stratiform lead-zinc-silver deposit, similar to McArthur River, in the carbonate shelf sequence within the Bulman Resources tenements. Three discounted cash flow models were developed using a wide range of assumptions and indicating that deposits with higher than average grades (greater than 6% lead, 10% zinc and 45g/t silver) or greater than average tonnages (~40-50Mt) can be profitable

Geos has submitted a surface exploration programme, comprising geological mapping and geochemical sampling to highlight areas for further exploration to detect buried mineralisation within the carbonate shelf sequences, and the Company is considering this recommendation.

Pyke Hill Project

The Pyke Hill Project in Western Australia comprises a single granted Mining Lease which covers an area of 5.37km2. The project is located approximately 40km southeast of the Murrin Murrin nickel joint venture (60% owned by Minara Resources Limited) and is considered prospective for a high grade nickel laterite deposit.

Admiralty has a 50% holding in the mining lease, currently leased to Cougar Metals NL ("Cougar"), holder of the exploration and mining rights, under an option agreement, by which Admiralty would receive 20 cents per tonne of nickel ore run of the mine.

Cougar has conducted a series of aircore drilling programs over the years and has reported the presence of continuous high-grade zones of lateritic nickel-cobalt mineralisation at the Pyke Hill Project. Cougar is now focussed on options for the possible development of this resource and to this end, discussions have been held with several interested third parties, without any acceptable proposals being received to date. Cougar continues to look at all possibilities to advance the project.

Financial Position

The net assets of the economic entity have increased by $10,704,802 from 30 June 2009 to 30 June 2010. The increase has largely resulted from the following factors:

a) Total comprehensive loss for the year of $2,190,894;

b) The issue of shares to the value of $12,935,696.

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.

After Balance Date Events

Subsequent to year end, the consolidated entity entered into a share sale agreement to sell the whole of Admiralty's interests in VIC to Icarus Derivatives Ltd ("Icarus"). The Agreement provides for the consolidated entity to retain a direct interest in the Southern region of the Harper Geological District. The sale consideration consists of US$4 million in guaranteed payments over the first 24 months and a royalty agreement on production. The calculation of the royalty will be by reference to published benchmark prices and the quantities and qualities of the iron ore fines extracted from the mineral concessions retained by VIC. Icarus is subject to a minimum sales level of 1.5 million tonnes per annum after the fourth anniversary of completion in respect of these royalties.

The consolidated entity raised $638,032 in cash in September 2010 through the issue of 99,692,546 shares to fund working capital requirements.

Options

There are no options over shares at balance date.

1,000,000 options issued to John Anderson expired without being exercised during the year.

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 23 Directors' meetings were held. Attendances at the meetings were as follows:

	Board of Directors		*Remuneration Review Commitee*		*Audit Committee*	
	*Held**	*Attended*	*Held**	*Attended*	*Held**	*Attended*
J. Ross Harper	23	23	2	2	2	2
Stephen C. Prior	13	13	2	2	1	1
Michael S. Perry	18	18	2	2	1	1
John Anderson	17	14	-	-	2	2
R. Michael Clarke	2	2	-	-	-	-

** The number of meetings held in the year which the Director was eligible to attend.*

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	-
Stephen C. Prior	8,000,000	-
Michael S. Perry	2,000,000	-

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.

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 2010 financial year.

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.

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 based on external data including information published by various recruiting firms, 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.

Director and executive details

The Directors of Admiralty Resources NL during the year were:

- Professor J. Ross Harper, Chairman
- Stephen C. Prior, Executive Director (appointed 1 February 2010)
- Michael S. Perry, Non-executive Director (appointed 13 October 2009)
- John Anderson, Executive and Non-executive Director (resigned 23 April 2010)
- R. Michael Clarke, Executive Director (resigned 23 September 2009)

The executives of the consolidated entity during the financial year were:

- John Anderson, Executive and Non-executive Director (resigned 23 April 2010)
- Stephen C. Prior, Executive Director (appointed 1 February 2010)
- R. Michael Clarke, Executive Director and President of VIC
- Esteban Torres, Vice-President of VIC
- Ricardo González, Executive of VIC

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			
Stephen C. Prior	Open Ended	12 months	Nil
R. Michael Clarke	Open Ended	12 months	Nil
Esteban Torres	Open Ended	3 months	Nil
Ricardo González	Open Ended	3 months	Nil
Non - executives			
J. Ross Harper	Open Ended	12 Months	Nil
Michael S. Perry	Open Ended	Nil	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:

- Wages
- Director's fees
- Consulting fees
- Non-monetary share-based payments
- Retirement benefits

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				
2010 Directors & Executives	Salary & Fees $	Retirement Benefits $	Non-monetary Share Based Payments $	Consisting of Share Based Payments %	Total $
Prof J. Ross Harper	75,572	-	-	-	75,572
Stephen C. Prior	100,000	9,000	-	-	109,000
Michael S. Perry	56,667	-	-	-	56,667
R. Michael Clarke	780,935	-	(16,000)	(2.09%)	764,935
John Anderson	151,563	240,000	(16,000)	(4.26%)	375,563
Esteban Torres	276,975	-	-	-	276,975
Ricardo González	259,836	-	-	-	259,836
Total	**1,701,548**	**249,000**	**(32,000)**	**(1.67%)**	**1,918,548**

Remuneration Report - Audited (Continued)

Elements of remuneration related to performance (Continued)

	Short – Term				
2009 Directors & Executives	Salary & Fees $	Retirement Benefits $	Non-monetary Share Based Payments $	Consisting of Share Based Payments %	Total $
Prof J. Ross Harper	80,072	-	-	-	80,072
John Anderson	175,000	-	80,000	31.4%	255,000
R. Michael Clarke	750,242	-	80,000	9.64%	830,242
Phillip Thomas	181,331	-	-	-	181,331
Esteban Torres	305,649	-	-	-	305,649
Ricardo González	304,312	-	-	-	304,312
Total	**1,796,606**	**-**	**160,000**	**8.18%**	**1,956,606**

The comparative figures have been restated to reflect the current year disclosure.

Value of shares and options granted to Directors and executives

There were no shares or options granted during the 2010 annual reporting period.

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

	2010		2009	
Directors	Number of Shares	Value of Shares granted (i)	Number of Shares	Value of Shares granted (i)
John Anderson	-	(16,000)	4,000,000	80,000
R. Michael Clarke	-	(16,000)	4,000,000	80,000
Total	**-**	**(32,000)**	**8,000,000**	**160,000**

(i) The shares were granted by the Board prior to 30 June 2009; however, the shares were not issued until shareholder approval was obtained, which was after the lodgment of the 2009 Annual Report. The Consolidated Entity recognised the expense in the 2009 Annual Report as the estimated value of services rendered, being the fair value of the shares as per the ASX listing price at 30 June 2009 being 2c per share. The Consolidated Entity revised this expense to the fair value of the shares on the date of issue being 1.6c per share.

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,

Stephen C. Prior
Executive Director
Melbourne, 30 September 2010.

Auditor's Independence Declaration

PKF

Chartered Accountants
& Business Advisers

As lead auditor for the audit of Admiralty Resources NL for the year ended 30 June 2010, 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.

R A Dean
Partner
PKF

30 September 2010
Melbourne

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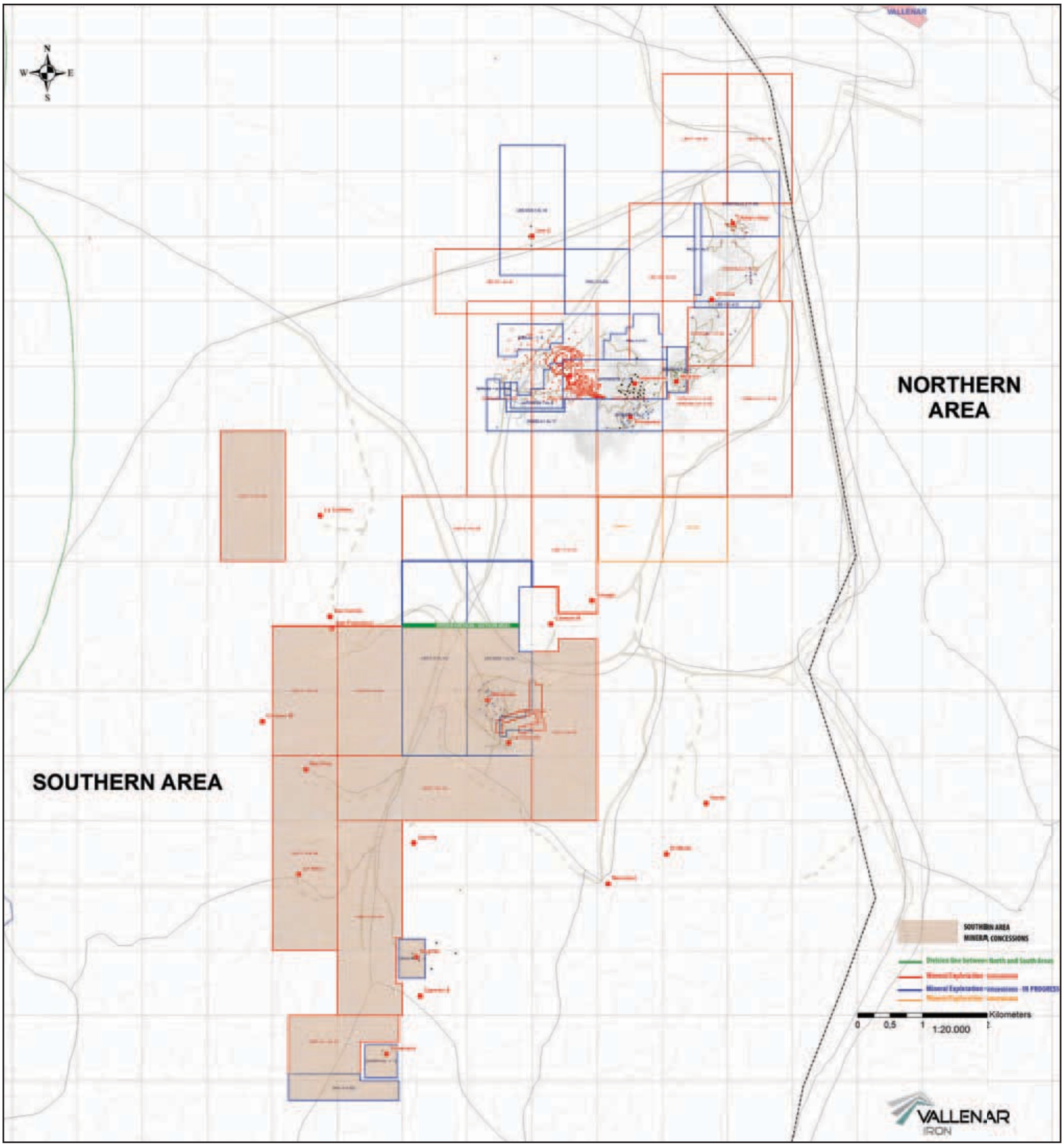
Schedule of Mining Tenements

Harper Mines Group Land Tenure Position



Schedule of Mining Tenements (Continued)

Tenement Reference	*Registered Holder*	*Country*	*Project Group*
NORTHERN REGION - HARPER GEOLOGICAL DISTRICT			
Japonesa 1-8	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Japonesita 1-17	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Phil	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Gibaiju 1-9	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Pamela 1-7	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Tatiana 1-3	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Phil Tres 1-20	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Leo Dos 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Leo 20, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Zapallo Uno, 1-30	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Zapallo Dos, 1-30	Sociedad Contractual Minera Vallenar Iron Company	Chile	Japonesa Group
Mirador 1-30	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Phil Dos 1-7	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Leo Quince, 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Chinchilla Cuatro 1-20	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mirador Group
Leo Tres, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Leo Cuatro, 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
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
Chivi Uno	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Chivi Dos	Sociedad Contractual Minera Vallenar Iron Company	Chile	Chillán Viejo Group
Leo Uno, 1	Sociedad Contractual Minera Vallenar Iron Company	Chile	Viviana Group
Zapallo Cinco, 1-30	Sociedad Contractual Minera Vallenar Iron Company	Chile	Viviana Group
Chinchilla Uno, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Viviana Group
Natasha 1-5	Sociedad Contractual Minera Vallenar Iron Company	Chile	Primavera Group
Zapallo Tres, 1-30	Sociedad Contractual Minera Vallenar Iron Company	Chile	Primavera Group
Leo 16, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Primavera Group
Leo 7, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Primavera Group
Dani Dos	Sociedad Contractual Minera Vallenar Iron Company	Chile	Primavera Group
Dani Tres	Sociedad Contractual Minera Vallenar Iron Company	Chile	Primavera Group

Schedule of Mining Tenements (Continued)

Tenement Reference	*Registered Holder*	*Country*	*Project Group*
SOUTHERN REGION - HARPER GEOLOGICAL DISTRICT			
Negrita 1-4	Sociedad Contractual Minera Vallenar Iron Company	Chile	Negrita Group
Leo Doce, 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Negrita 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, 1-30	Sociedad Contractual Minera Vallenar Iron Company	Chile	Soberana Group
Leo Cinco, 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo Seis, 1-58	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo Ocho, 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo Nueve. 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo Diez, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo Once, 1-40	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
Leo Trece, 1-60	Sociedad Contractual Minera Vallenar Iron Company	Chile	Mariposa Group
OTHER SECTORS - CHILE			
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
Leo 14, 1-40	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
Japosur	Sociedad Contractual Minera Vallenar Iron Company	Chile	Other Tenements
OTHER TENEMENTS - AUSTRALIA			
M39/159	100% Pyke Hill 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

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 16 to 18 are in accordance with the Corporations Act 2001 including:

i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and

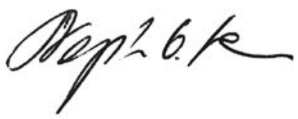
ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) 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 2010.

Signed in accordance with a resolution of the Directors.



Stephen C. Prior
Director
Melbourne, 30 September 2010.

Independent Auditor's Report

PKF

Chartered Accountants
& Business Advisers

Independence Auditor's Report to the members of Admiralty Resources NL

Report on the Financial Report

We have audited the accompanying financial report of Admiralty Resources NL, which comprises the statement of financial position as of 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of 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' Responsability 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 appropiate 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 Finacial 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 appropiate 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 appropiateness 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 appropiate 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 consolidated entity's financial position as at 30 June 2010 and its 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 Report Standards as disclosed in Note 1.

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Independent Auditor's Report (Continued)

Chartered Accountants
& Business Advisers

Independence Auditor's Report to the members of Admiralty Resources NL (Continued)

Emphasis of Matter - 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 for the year ended 30 June 2010 the consolidated entity had an operating loss before tax of $1,688,228 (2009: $51,815,761), and the negative cash flow from operating activities of $6,818,092 (2009:$25,147,069). Furthermore, the consolidated entity does not have a source of income and is reliant on equity capital, or the funds from the proposed divestment of a subsidiary to meet its operating costs. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amount stated in the financial report.

The financial report 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 if the entity does not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 18 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the Corporations Act 2001.

PKF

R A Dean
Partner

30 September 2010
Melbourne

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	Note	2010 $	2009 $
Continuing operating revenue			
Operating revenue	2	503,198	16,786,196
Other revenue	2	725,276	631,679
Total revenue	2	**1,228,474**	**17,417,875**
Expenses			
Impairment expense	3	-	26,390,499
Amortisation expense	3	69,957	75,422
Allowance for loss on onerous contract	3	(5,366,012)	(4,769,970)
Depreciation expense	3	458,467	738,098
Operational expenses		233,721	27,924,216
Employee costs	3	3,382,697	4,995,062
Consultancy and professional expenses		1,475,969	3,979,697
Occupancy expenses		479,151	338,856
Travel expenses		85,609	349,922
Finance costs		165,369	3,566,828
Bad debts expense		137,457	-
Administration expenses		1,053,372	2,320,009
Loss on foreign exchange translation	3	718,945	3,324,997
Total expenses		**(2,894,702)**	**(69,233,636)**
LOSS BEFORE INCOME TAX EXPENSE		(1,666,228)	(51,815,761)
Income tax benefit	5	-	(2,676)
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		**(1,666,228)**	**(51,818,437)**
Profit from discontinuing operations	28(a)	-	14,626,250
LOSS AFTER TAX		**(1,666,228)**	**(37,192,187)**
Other comprehensive income			
Foreign exchange differences arising in translation of foreign operations		(524,666)	4,137,440
Income tax on other comprehensive income		-	-
Total other comprehensive income/(loss) net of taxes		(524,666)	4,137,440
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,190,894)**	**(33,054,747)**
Loss for the year is attributable to:			
Non-controlling interest		-	(5,109,671)
Members of the parent entity		(2,190,894)	(27,945,076)
		(2,190,894)	**(33,054,747)**
Basic and diluted loss per share from continuing operations (cents per share)		(0.11)	(3.62)
Basic and diluted profit per share from discontinuing operations (cents per share)		-	1.24
Basic and diluted loss per share (cents per share)	9	(0.11)	(2.38)

Notes to the financial statements are included on pages 30 to 58.

Consolidated Statement of Financial Position

as at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	22A	1,265,227	1,071,482
Trade and other receivables	8	1,119,541	2,339,532
Other financial assets	11	3,600	3,600
Inventories	12	3,874,304	4,114,441
Other	16	35,305	-
Total current assets		**6,297,977**	**7,529,055**
Non-current assets			
Property, plant and equipment	15	1,488,721	4,119,727
Mining interests	14	38,483,602	38,787,897
Other	16	650,708	701,265
Total non-current assets		**40,623,031**	**43,608,889**
TOTAL ASSETS		**46,921,008**	**51,137,944**
Current liabilities			
Trade and other payables	17	2,059,028	4,754,630
Provision of income tax payable	5	-	2,756
Onerous contract provision	29	-	5,958,942
Borrowings	18	-	6,125,235
Total Current Liabilities		**2,059,028**	**16,841,563**
Non-current liabilities			
Provision for make-good of mine	14	1,417,943	1,553,750
Trade and other payables	17	2,760,061	2,763,457
Total non-current liabilities		**4,178,004**	**4,317,207**
TOTAL LIABILITIES		**6,237,032**	**21,158,770**
NET ASSETS		**40,683,976**	**29,979,174**
Equity			
Contributed equity	19	129,289,824	112,919,023
Option premium reserve		-	3,475,105
Foreign currency translation reserve	20	8,534,135	9,058,801
Accumulated losses		(97,139,983)	(95,473,755)
TOTAL EQUITY		**40,683,976**	**29,979,174**

Notes to the financial statements are included on pages 30 to 58.

Statement of Changes in Equity
for the year ended 30 June 2010

	Contributed equity $	Option premium reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
At 1 July 2009	112,919,023	3,475,105	9,058,801	(95,473,755)	29,979,174
Loss for the year	-	-	-	(1,666,228)	(1,666,228)
Other comprehensive loss	-	-	(524,666)	-	(524,666)
Total comprenhensive loss for the year	**-**	**-**	**(524,666)**	**(1,666,228)**	**(2,190,894)**
Transactions with owners in otheir capacity as owners					
Option premium reserve transferred in / (out)	3,475,105	(3,475,105)	-	-	-
Fair value adjustment for share-based payments	(40,000)	-	-	-	(40,000)
Issue of share capital net of costs	12,935,696	-	-	-	12,935,696
Balance as at 30 June 2010	**129,289,824**	**-**	**8,534,135**	**(97,139,983)**	**40,683,976**

	Contributed equity $	Option premium reserve $	Foreign currency translation reserve $	Accumulated losses $	Non-controlling interests $	Total equity $
At 1 July 2008	107,539,613	3,475,105	4,921,361	(63,391,239)	5,443,682	57,988,522
Loss for the year	-	-	-	(32,082,516)	(5,109,671)	(37,192,187)
Other comprehensive income	-	-	4,137,440	-	-	4,137,440
Total comprenhensive income / (loss) for the year	**-**	**-**	**4,137,440**	**(32,082,516)**	**(5,109,671)**	**(33,054,747)**
Transactions with owners in other capacity as owners						
Non-controlling interest eliminated on 100% acquisition	-	-	-	-	(334,011)	(334,011)
Shares granted to executives and consultants	200,000	-	-	-	-	200,000
Issue of share capital net of costs	5,179,410	-	-	-	-	5,179,410
Balance as at 30 June 2009	**112,919,023**	**3,475,105**	**9,058,801**	**(95,473,755)**	**-**	**29,979,174**

Notes to the financial statements are included on pages 30 to 58.

Consolidated Statement of Cash Flows

for the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Receipts from customers		367,680	16,647,092
Payments to suppliers and employees		(7,037,634)	(39,107,711)
Interest received		17,221	15,480
Interest and other cost of finance paid		(165,359)	(2,701,930)
Net cash used in operating activities	22(B)	**(6,818,092)**	**(25,147,069)**
Cash flows from investing activities			
Payment for property, plant and equipment		(175,390)	(1,309,283)
Proceeds from sale of property, plant and equipment		2,514,592	-
Payment of royalty liability		(266,600)	-
Puchase of non-controlling interest		(1,724,228)	-
Conversion of marketable securities to cash		-	1,273,350
Proceeds from sale of Rincon Lithium Ltd	28(a)	-	31,889,133
Proceeds from guarantees returned		-	1,331,661
Cash gained on consolidation of subsidiaries	28(c)	-	603,454
Net cash from investing activities		**348,374**	**33,788,315**
Cash flows from financing activities			
Proceeds from issues of equity securities		9,358,755	-
Proceeds from receivables		-	1,382,500
Proceeds from loans		250,000	1,940,000
Repayments of loans		(250,000)	(12,692,919)
Proceeds from convertible loan		-	5,468,000
Repayments of convertible loan		(2,672,747)	(5,349,230)
Net cash from/(used in) financing activities		**6,686,008**	**(9,251,649)**
Net increase/(decrease) in cash held		216,291	(610,403)
Cash and cash equivalents at the beginning of the financial year		1,071,482	1,477,564
Effects of exchange rate changes on the translation of foreign controlled entities		(22,546)	204,321
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	22(A)	**1,265,227**	**1,071,482**

Notes to the financial statements are included on pages 30 to 58.

Notes to the Financial Statements
for the financial year ended 30 June 2010

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 16, 379 Collins Street
Melbourne VIC 3000
Tel: +61 3 9620 7144

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 Interpretations, and complies with other pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Interpretations.

During the year ended 30 June 2010, the Federal Government introduced amendments to the Corporations Act 2001, removing the requirement for consolidated groups to include full parent entity financial statements when preparing consolidated financial statements. Royal Assent for these amendments was received on 28 June 2010. The Group has adopted these amendments for the consolidated financial statements for the year ended 30 June 2010.

The consolidated financial statements of the consolidated entity comply with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Directors on 30 September 2010.

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(u) 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 consolidated entity to continue as a going concern:

- For the year ended 30 June 2010 the consolidated entity (Group) incurred an operating loss of $1,666,228 and accumulated losses of $97,139,983 respectively;
- Negative cash flow from operating activities of $6,818,092 (2009: $25,147,069).

Note 1 Summary of Accounting Policies (Continued)

(a) Going concern (Continued)

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

The ability of the consolidated entity to continue as a going concern 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:

- Subsequent to year end, the Company proposed a sale of its shares in VIC to Icarus Derivatives Ltd. Under the agreement, the Company will receive US$4 million in upfront payments with US$1 million payable on the date of completion and a further US$1 million on each of the 8th, 16th and 24th month anniversaries in addition to an ongoing royalty stream over the life of the mine; and
- Through the sale of VIC, the consolidated entity will encounter significantly reduced operating expenditure and working capital requirements for the consolidated entity.
- In September 2010, the consolidated entity raised $638,032 in cash via the issue of 99,692,546 shares to help fund working capital requirements.

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) 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.

Note 1 Summary of Accounting Policies (Continued)

(d) 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.

(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.

Note 1 Summary of Accounting Policies (Continued)

(f) Income tax (Continued)

Current and deferred for the period

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, 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

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 Statement of Comprehensive Income 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.

(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.

Note 1 Summary of Accounting Policies (Continued)

(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.

Revenue from the sale of goods is recognised at the point delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

(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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 the statement of comprehensive income 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 Statement of Comprehensive Income immediately.

Note 1 Summary of Accounting Policies (Continued)

(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 Statement of Financial Position 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 statement of cash flows 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) Segment reporting

As of 1 July 2009 the Group determines and presents operaing segments (refer to Note 23) based on the information that is internally provided to the Board of Directors and the executive managment team. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Group's other components) whose operating results are regularly reviewed by the entity's executive management team to make decisioins about resources to be allocated to the segment, assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitiave criteria as prescribe by AASB 8 are reported separately. However, an operating segment that does not meet the quantitiave criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(s) Provision for make-good of mine

The Group recognises the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. Typically the obligation arises when the ground/environment is disturbed at the mine location and is calculated on a site by site basis with reference to the actual work required.

When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining interests. Additional distrubances or changes in make-good of mine costs will be recognised as additions or changes to the corresponding asset and rehabilition liability when incurred. The carrying amount capitalised as a part of mining assets is amortised over the life of the mine.

Note 1 Summary of Accounting Policies (Continued)

(t) Matters of significance

Included in the accounts at 30 June 2010 was a credit to expenses of $5,336,012 including exchange variations in respect of a reversal of a provision for estimated potential losses under an unfavourable sale and purchase agreement. During the 2009 year, a provision of $5,958,942 was raised however this was reversed in the current year as management assessed that it is improbable a liability currently exists.

(u) New standards and interpretations

(i) Changes in accounting policy and disclosures

The Group has adopted all of the new and/or revised Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2009. Those adopted are:

- AASB 3 - Business Combinations
- AASB 7 - Financial Instruments: Disclosures
- AASB 8 - Operating Segments
- AASB 101 - Presentation of Financial Statements
- AASB 127 - Consolidated and Separate Financial Statements
- AASB 2008-1 - Share-based Payments: vesting Conditions and Cancellations
- AASB 2009-2 - Improving Disclosures about Financial Instruments

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial staements or performance of the Group, its impact is described below:

AASB 101 - Presentation of Financial Statements
Adoption of AASB 101 has impacted the disclosures included in the financial statements. The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with no-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The consolidated entity has elected to present all items of recognised income and expense in one single Statement of Comprehensive Income.

Note 1 Summary of Accounting Policies (Continued)

(u) New standards and interpretations (Continued)

(ii) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been isued or amended but are not yet effective and have been adopted by the Group for the annual reporting period ending 30 June 2010, are outlined in the table below:

Reference	*Title*	*Details of New standard / amendment / interpretation*	*Impact on the Group*	*Application date for the Group*
AASB 9	Financial Instruments	This standard includes the requirements for the classification and measurement of financial assets resulting from the Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement.	(iii)	1 July 2013
AASB 124 (revised)	Related Party Disclosures	The main amendments simplify and clarify the intended meaning of the definition of a related party and provides a partial exemption for the disclosure requirements of government-related entities.	(i)	1 July 2011
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	The amendments affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	(ii)	1 Jul 2010
AASB 2009-8	Amendments to Australian Accounting Standards - Group Cash-settled Share-Based Payment Transactions [AASB 2]	The amendments resolve diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date.	(ii)	1 Jul 2010
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.	(ii)	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of Rights Issue [AASB 132]	The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all exsiting owners of the same class of its own non-derivative equity instruments.	(ii)	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	The amendments include introducing two categories for financial assets being amortised cost or fair value; removal of the requirement to separate embedded derivatives in financial assets and changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.	(ii)	1 Jan 2013

(i) The Group's current accounting policy complies with the amendment.
(ii) The adoption of this new standard, amendment or interpretation will not have a material impact on the Group's financial statements.
(iii) The Group has not yet determined the potential effect of the standard.

Notes to the Financial Statements for the year ended 30 June 2010 (Continued)

Note 2 Revenue

	Note	2010 $	2009 $
Sale of goods		503,198	16,786,196
Other income			
Interest income		17,221	76,743
Profit on sale of fixed assets		703,145	-
Proceeds from settlement		-	384,353
Other income		4,910	170,583
		1,228,474	**17,417,875**

Note 3 Expenses

	Note	2010 $	2009 $
Wages and salaries		3,413,697	4,779,459
Superannuation		9,000	15,603
Executive share plan (i)		(40,000)	200,000
		3,382,697	**4,995,062**
Depreciation of non current assets		458,467	738,098
Amortisation of make-good of mine		69,957	75,422
		528,424	**813,520**
Allowance for loss on iron ore contract	1(t), 29	(5,366,012)	(4,769,970)
Foreign exchange translation:			
Realised		718,945	786,796
Unrealised		-	2,538,201
		718,945	**3,324,997**
Impairment expense:			
Mining Interests	14	-	24,910,982
Property, plant & equipment	15	-	1,479,517
		-	**26,390,499**

(i) The shares were granted by the Board prior to 30 June 2009; however, were not issued until shareholder approval was obtained, which was after the lodgment of the 2009 Annual Report. The Consolidated Entity recognised the expense in the 2009 Annual Report as the estimated value of services rendered, being the fair value of the shares as per the ASX listing price at 30 June 2009. and subsequently revised this expense to the fair value of the shares on the date of issue.

Note 4 Parent Entity

As at, and throughout, the financial year ending 30 June 2010 the parenty company of the Group was Admiralty Resources NL. The results and financial position of the parent entity are detailed below.

Result of the parent entity	*2010* *$*	*2009* *$*
Profit for the year		
Other comprehensive income	(11,133,952)	(32,082,516)
Total comprehensive income for the year	-	-
	(11,133,952)	**(32,082,516)**
Financial position of the parent entity at year end		
Current assets	639,968	819,210
Non-current assets	31,255,767	35,924,359
Total assets	**31,895,735**	**36,743,569**
Current liabilities	154,816	6,764,395
Non-current liabilities	-	-
Total liabilities	**154,816**	**6,764,395**
Net assets	**31,740,919**	**29,979,174**
Total equity of the parent entity comprising of:		
Contributed equity	129,289,824	112,919,023
Option premium reserve	-	3,475,105
Accumulated losses	(97,548,905)	(86,414,954)
Total equity	**31,740,919**	**29,979,174**

Parent entity contingencies and commitments

The following table represents the operating commitments of the parent entity.

Operating expenditure commitments	*2010* *$*	*2009* *$*
Payable		
no later than 1 year (office rent)	8,400	-
later than 1 year but not later than 5 years	-	-
	8,400	**-**

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has a contingent liability in respect of letters of financial support given to its subsidiaries.

Note 5 Income Taxes

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

	Note	2010 $	2009 $
Loss from continuing operations		(1,666,228)	(54,818,437)
Profit/(loss) from discontinued operations		-	14,626,250
		(1,666,228)	**37,192,187**
Prima facie tax payable to ATO on loss from Australian continuing activities before income tax at 30% (2009: 30%)		(553,108)	620,102
Prima facie tax payable to Servicio de Impuestos on loss from Chilean continuing activities before income tax at 17% (2009: 17%)		30,169	(6,673,608)
Profit on acquisition of S.B. Graneles S.A.		-	(3,092)
Reversal of allowance for loss on onerous contract		(912,222)	(810,895)
Impairment expense		(251,518)	4,486,385
Provision for make-good of mine		11,893	12,822
Unrealised foreign exchange losses/(gains)		-	902,676
Fortune Global Holdings Corporation expenditure		7,808	-
Losses forfeited on winding up of S.B. Graneles S.A.		183	-
Capital loss on disposal of Nilnav Orthopaedics Pty Ltd		(998,649)	-
Non-assessable capital gain on sale of Rincon Lithium Limited		-	(2,197,630)
Tax losses not brought to account as deferred tax assets		2,665,444	3,665,916
Income tax expense attributable to loss from continuing activities		**-**	**2,676**
Foreign exchange translation		-	80
Provision for income tax expense		**-**	**2,756**
The deferred tax assets not brought to account as assets:			
Tax losses – revenue		18,261,865	16,595,070
Tax losses – capital		998,649	-
		19,260,514	**16,595,070**

Realisation of the above benefits is dependent on:

a) the ability of 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 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.

The Directors estimate the potential tax losses available to be those disclosed above however it has not been determined if the company has met the continuity of ownership test or if not, the same business test, to enable all or part of these losses to be utilised.

Note 6 Key Management Personnel Disclosure

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) Key management personnel

The Directors of Admiralty Resources NL during the year were:

- Professor J. Ross Harper, Chairman
- Stephen C. Prior, Executive Director (appointed 1 February 2010)
- Michael S. Perry, Non-executive Director (appointed 13 October 2009)
- John Anderson, Executive and Non-executive Director (resigned 23 April 2010)
- R. Michael Clarke, Executive Director (resigned 23 September 2009)

The executives of the consolidated entity during the financial year were:

- John Anderson, Executive and Non-executive Director (resigned 23 April 2010)
- Stephen C. Prior, Executive Director (appointed 1 February 2010)
- R. Michael Clarke, Executive Director and President of VIC
- Esteban Torres, Vice-President of VIC
- Ricardo González, Executive of VIC

(b) Key management personnel compensation

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

	2010 *$*	*2009* *$*
Short-term employee benefits	1,701,548	1,796,606
Post-employee benefits	-	-
Other long-term benefits	-	-
Retirement benefits	249,000	-
Share-based payments	(32,000)	160,000
Total	**1,918,548**	**1,956,606**

The comparative figures have been restated to reflect the current year disclosure.

(d) Shareholdings

Number of shares held by parent entity Directors and other key management personnel:

Directors and Executives	*Balance 1 July 2009*	*Issued under executive share plan*	*Net change other**	*Balance 30 June 2010*
J. Ross Harper	1,320,000	-	-	1,320,000
Stephen C. Prior	-	2,000,000	3,000,000	5,000,000
Michael S. Perry	-	-	2,000,000	2,000,000
John Anderson	-	4,000,000	(4,000,000)	-
R. Michael Clarke	-	4,000,000	-	4,000,000
Esteban Torres	-	-	-	-
Ricardo González	-	-	-	-
Total	**1,320,000**	**10,000,000**	**1,000,000**	**12,320,000**

* Net change other refers to shares purchased or sold during the financial year.

Note 6 Key Management Personnel Remuneration and Equity Holdings (Continued)

	Balance 1 July 2008	Issued under executive share plan	Net change other*	Balance 30 June 2009
Directors and Executives				
J. Ross Harper	1,320,000	-	-	1,320,000
John Anderson	-	-	-	-
R. Michael Clarke	-	-	-	-
Esteban Torres	-	-	-	-
Ricardo González	-	-	-	-
Total	**1,320,000**	**-**	**-**	**1,320,000**

* Net change other refers to shares purchased or sold during the financial year.

(e) 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 options granted under the employee option plan is as follows:

	30 June 2010 number of options	30 June 2010 weighted average exercise price $	30 June 2009 number of options	30 June 2009 weighted average exercise price $
Balance at beginning	1,000,000	0.10	1,000,000	0.10
Granted	-	-	-	-
Forfeited	(1,000,000)	0.10	-	-
Exercised	-	-	-	-
Balance at end of year	-	-	1,000,000	0.10
Exercisable at end of year	**-**	**-**	**1,000,000**	**0.10**

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

Note 6 Key Management Personnel Remuneration and Equity Holdings (Continued)

(e) Share based payment plans (Continued)

Executive and consultants share plan

An executive and consultants share plan has been established which is open to Executives, Consultants 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 executive and consultants share plan is as follows:

	30 June 2010 Number of Shares	30 June 2010 Value $	30 June 2009 Number of Shares	30 June 2009 Value $
Balance at beginning	-	-	-	-
Granted (i)	-	(40,000)	10,000,000	200,000
Balance at end of year	**-**	**(40,000)**	**10,000,000**	**200,000**

(i) The shares were granted by the Board prior to 30 June 2009; however, the shares were not issued until shareholder approval was obtained, which was after the lodgment of the 2009 Annual Report. The Consolidated Entity recognised the expense in the 2009 Annual Report as the estimated value of services rendered, being the fair value of the shares as per the ASX listing price at 30 June 2009 being 2c per share. The Consolidated Entity revised this expense to the fair value of the shares on the date of issue being 1.6c per share.

(f) Remuneration

Details of Director and executive remuneration are disclosed in the Remuneration Report on pages 16 to 18.

Note 7 Remuneration of Auditors

	2010 $	2009 $
Audit and review fees for the parent entity	74,390	116,388
Audit and review fees for the subsidiary, Rincon Lithium Ltd paid to PKF Argentina	-	11,363
Audit and review fees for the subsidiary, SCM Vallenar Iron Company paid to PKF Chile	27,205	34,090
	101,595	**161,841**

The auditor of the consolidated entity is PKF Chartered Accountants.

Note 8 Trade and Other Receivables

	Note	2010 $	2009 $
Current			
Security deposits		8,563	31,950
Sundry receivables	(a)	1,080,475	2,249,616
Goods and services tax (GST) receivable		30,503	57,966
		1,119,541	**2,339,532**

(a) Sundry receivables include VAT receivable of approximately $930,000 (2009: $1.5 million) and various trade and other debtors, none of which are impaired.

Note 9 Earnings per Share

		2010 $	2009 $
a.	Reconciliation of earnings to net profit or loss		
	Total comprehensive loss for the year	(2,190,894)	(27,945,076)
	Loss used in the calculation of basic EPS	(2,190,894)	(27,945,076)
	Loss used in the calculation of dilutive EPS	(2,190,894)	(27,945,076)
		Number	*Number*
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,918,916,560	1,175,008,375
	Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	1,918,916,560	1,175,008,375
c.	Basic and diluted earnings/(loss) per share (cents per share)	(0.11)	(2.38)
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

Note 10 Dividends

No dividends were paid or declared during the year ended 30 June 2010.

At 30 June 2010, the balance of the franking account of the consolidated entity and the parent entity was $nil (2009:$nil).

Note 11 Other Financial Assets

		2010 $	2009 $
Current			
Available for sale investments carried at fair value			
Shares in listed corporations, at fair value	(a)	3,600	3,600
		3,600	**3,600**
Non-Current			
Shares – at cost	(b)	-	3,328,830
Less: Provision for impairment	(b)	-	(3,328,830)
		-	-

(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) The consolidated entity held 10% (2009: 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. Nilnav Orthopaedics Pty Ltd was placed into liquidation on 27 July 2009 and, as a result, the asset has been written off during the year.

Note 12 Inventories

	2010 $	2009 $
Inventories at cost		
Iron ore stockpiles	3,874,304	4,114,441
	3,874,304	**4,114,441**

Note 13 Controlled Entities

Admiralty Resources NL is the ultimate parent entity of the group.

Name of entity	Country of incorporation	Principal activity	Percentage owned (%) 2010	2009
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	Currently dormant	100%	100%
Admiralty Minerals Chile Pty Ltd *(formerly Five Star Resources Pty Ltd)* *	Australia	Currently dormant	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 for SCM Vallenar Iron Company	100%	100%
Sociedad Contractual Minera Vallenar Iron Company	Chile	Iron ore exploration	100%	100%
S.B. Graneles S.A.	Chile	Wound up	0%	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 Mining Interests

	Note	2010 $	2009 $
Exploration interest - at cost		62,915,147	63,190,555
Accumulated amortisation - exploration interests	(a)	(967,739)	(967,739)
Impairment writedown		(24,739,955)	(24,910,982)
Provision of make-good of mine	(b)	1,417,943	1,553,750
Accumulated amortisation of make-good	(b)	(141,794)	(77,687)
		38,483,602	**38,787,897**

(a) Amortisation was suspended on cessation of mining activity.

(b) The cost to repair the mine site has been estimated and is being expensed over a 20 year period.

Note 14 Mining Interests (Continued)

Movements in carrying amounts

	2010 $	2009 $
Balance at the beginning of the year	38,787,897	66,158,974
Additions	-	6,264,069
Disposals	-	(10,593,378)
Amortisation of mining interests	(66,372)	(75,422)
Impairment of mining interests	-	(24,910,982)
FX adjustment	(237,923)	1,944,636
Carrying amount at the end of year	**38,483,602**	**38,787,897**

Note 15 Property Plant and Equipment

	2010 $	2009 $
Plant and equipment		
Plant and equipment		
At cost	1,613,333	6,660,017
Accumulated depreciation	(295,702)	(1,389,398)
Impairment writedown	-	(1,479,517)
	1,317,631	**3,791,102**
Motor vehicles		
At cost	116,115	333,489
Accumulated depreciation	(39,554)	(116,081)
	76,561	**217,408**
Office furniture		
At cost	130,905	134,047
Accumulated depreciation	(36,376)	(22,830)
	94,529	**111,217**
NET BOOK VALUE	**1,488,721**	**4,119,727**

2010 Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment.

	Plant and Equipment $	Motor Vehicles $	Office Furniture $	Total $
Balance at the beginning of year	3,791,102	217,408	111,217	4,119,727
Additions	175,390	-	-	175,390
Disposals	(1,921,068)	(84,396)	-	(2,005,464)
Depreciation expense	(424,310)	(21,189)	(12,968)	(458,467)
FX Adjustment	(303,483)	(35,262)	(3,720)	(342,465)
Carrying amount at the end of year	**1,317,631**	**76,561**	**94,529**	**1,488,721**

Note 15 Property Plant and Equipment (Continued)

2009 Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment.

	Plant and Equipment $	Motor Vehicles $	Office Furniture $	Low Value Pool $	Total $
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**

Note 16 Other Assets

		2010 $	2009 $
Current			
Other		35,305	-
		35,305	**-**
Non-current			
Deposits receivable	(a)	644,105	691,705
Other		6,603	9,560
		650,708	**701,265**

(a) Deposits receivable includes a bank deposit of $629,143 which secures a bank guarantee in respect of the Punta Alcade maritime concession.

Note 17 Trade and Other Payables

		2010 $	2009 $
Current			
Trade payables and accruals	(a)	1,772,792	2,579,380
Deferred purchase consideration	(c)	-	1,864,500
Long-term royalties acquired	(b)	286,236	310,750
		2,059,028	**4,754,630**
Non-current			
Long-term royalties acquired	(b)	2,760,061	2,763,457
		2,760,061	**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.

(c) The consolidated entity paid in full during the year the remaining deferred purchase consideration liabilty relating to the purchase of the non-controlling interest in VIC.

Note 18 Borrowings

		2010 $	2009 $
Current			
Convertible loans	(a)	-	6,125,235
		-	**6,125,235**

(a) The convertible note borrowing was repaid in full including exchange variations of $254,988 during the year via the issue of 158,219,823 shares valued at $3,197,500 and the payment of $2,672,747 in cash.

Note 19 Contributed Equity

		2010 $	2009 $
2,311,155,977 (2009: 1,361,393,317) fully paid ordinary shares	(a)	129,289,824	112,919,023
		129,289,824	**112,919,023**

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

(a) Ordinary shares

		2010 $	2009 $
Ordinary shares			
At the beginning of the financial year		112,919,023	107,539,613
Shares capital issued under the executive and consultants share plan	(i)	(40,000)	200,000
Transferred from option premium reserve		3,475,105	-
Issue of share capital net of costs		12,935,696	5,179,410
Contributed equity at the end of the financial year		**129,289,824**	**112,919,023**

(i) The shares were granted by the Board prior to 30 June 2009; however, the shares were not issued until shareholder approval was obtained, which was after the lodgment of the 2009 Annual Report. The Consolidated Entity recognised the expense in the 2009 Annual Report as the estimated value of services rendered, being the fair value of the shares as per the ASX listing price at 30 June 2009 being 2c per share. The Consolidated Entity revised this expense to the fair value of the shares on the date of issue being 1.6c per share.

	2010 Number	2009 Number
Ordinary shares		
At the beginning of the financial year	1,361,393,317	1,133,457,841
Shares issued during the year		
Shares issued under the executive and consultants share plan	10,000,000	-
Shares issued to sophisticated investors	363,864,833	-
Shares issued under rights issue	417,678,004	-
Shares issued via conversion of convertible loans	158,219,823	227,935,476
At the end of the financial year	**2,311,155,977**	**1,361,393,317**

Note 19 Contributed Equity (Continued)

(b) Options

	2010 Number	2009 Number
Options expiring 27/11/2009		
At the beginning of the financial year	1,000,000	1,000,000
Expired during the year	(1,000,000)	-
At the end of the financial year	**-**	**1,000,000**

(c) 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 2009.

Note 20 Foreign Currency Translation Reserve

	2010 $	2009 $
Balance at the beginning of financial year	9,058,801	4,921,361
Exchange differences arising on translation of foreign operations	(524,666)	4,137,440
Balance at the end of the financial year	**8,534,135**	**9,058,801**

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:

	2010 $	2009 $
Payable		
no later than 1 year	589,087	-
later than 1 year but not later than 5 years	677,459	-
	1,266,546	**-**

Note 22 Notes to the Statement of Cash Flows

		2010 $	2009 $
(A)	*Reconciliation of cash and equivalents*		
	Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
	Cash and cash equivalents	**1,265,227**	**1,071,482**
(B)	*Reconciliation of net cash flow from operating activities with loss for the year*		
	Loss for the year	(1,666,228)	(37,192,187)
	Non-cash flows in loss from continuing activities:		
	Depreciation	458,467	973,353
	Provision for make-good of mine	69,957	75,422
	Allowance for loss on contract	(5,366,012)	(4,769,970)
	Bad debts	137,457	-
	Gain of disposal of fixed assets	(703,145)	-
	Non-cash interest expense	-	400,317
	Impairment expense	-	26,390,499
	Share-based payments	(40,000)	200,000
	Non-cash provisions	-	715,416
	Profit on acquisition and disposal of businesses	-	(14,644,436)
	Unrealised foreign exchange loss	(299,553)	(53,797)
	Changes in assets and liabilities net of effects from acquisition and disposal of businesses:		
	Increase/(decrease) in trade and term debtors	1,219,991	(246,959)
	Decrease in inventory	240,137	1,465,801
	(Increase)/decrease in other assets	(35,305)	10,277
	(Increase)/decrease in current tax liability	(2,756)	2,756
	Decrease/(increase) in trade creditors and accruals	(831,102)	1,526,439
	Net cash from operating activities	**(6,818,092)**	**(25,147,069)**

Note 23 Segment Reporting

Identification of reportable segments

The predominant activity of the consolidated entity is the exploration for mineral resources. Geographically, the consolidated entity operated in three geographical locations: Australia, Argentina and Chile.

The head office and management activities of the group take place predominantly in Australia. Exploration, appraisal, development and production activities for mineral resources predominantly takes place in Chile and in Australia. The operations in Argentina are discontinued as a result of the sale of Rincon Lithium Ltd.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors and the Executive Management Team (the chief operating decision makers).

The operating segments have been determined based on a geographical perspective and the following reportable segments have been identified: Australia and Chile.

Segment information is prepared in conformity with the consoloidated entity's policy described in this note. There were no inter-segments sales.

Note 23 Segment Reporting (Continued)

	Australia		*Argentina*		*Chile*		*Consolidated Entity*	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue								
Operating revenue from continuing operations	-	-	-	-	503,198	16,786,196	503,198	16,786,196
Other revenue from continuing operations	-	-	-	-	703,145	-	703,145	-
Other revenue from discontinuing operations	-	-	-	17,168,719	4,910	-	4,910	17,168,719
Total allocated segment revenue	**-**	**-**	**-**	**17,168,719**	**1,211,253**	**16,786,196**	**1,211,253**	**33,954,915**
Unallocated interest income							17,221	631,679
Entity revenue							**1,228,474**	**34,586,594**
Result								
Segment result from continuing operation	(1,843,691)	(12,561,919)	-	-	177,463	(39,256,518)	(1,666,228)	(51,818,437)
Segment result from discontinuing operation	-	-	-	14,626,250		-	-	14,626,250
Total segment result	**(1,843,691)**	**(12,561,919)**	**-**	**14,626,250**	**177,463**	**(39,256,518)**	**(1,666,228)**	**(37,192,187)**
Losses attributable to non-controlling interest							-	5,109,671
Operating profit before income tax							(1,666,228)	(32,082,516)
Assets								
Segment assets	704,414	869,773	-	-	46,216,594	50,268,171	46,921,008	51,137,944
Consolidated total assets							**46,921,008**	**51,137,944**
Liabilities								
Segment liabilities	154,816	6,764,395	-	-	6,082,216	14,394,375	6,237,032	21,158,770
Consolidated total liabilities							**6,237,032**	**21,158,770**
Other								
Acquisitions of non-current segment assets	2,340	449	-	-	173,050	864,434	175,390	864,883
Depreciation & amortisation of segment assets	2,844	2,793	-	235,253	455,623	810,727	528,424	813,520

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 24 Events Subsequent to Reporting Date

Subsequent to year end, the consolidated entity entered into a share sale agreement to sell the whole of Admiralty's interests in VIC to Icarus Derivatives Ltd ("Icarus"). The Agreement provides for the consolidated entity to retain a direct interest in the Southern region of the Harper Geological District. The sale consideration consists of US$4 million in guaranteed payments over the first 24 months and a royalty agreement on production. The calculation of the royalty will be by reference to published benchmark prices and the quantities and qualities of the iron ore fines extracted from the mineral concessions retained by VIC. Icarus is subject to a minimum sales level of 1.5 million tonnes per annum after the fourth anniversary of completion in respect of these royalties.

The consolidated entity raised $638,032 in cash in September 2010 through the issue of 99,692,546 shares to fund working capital requirements.

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 13 to the financial statements.

(b) Key management personnel remuneration

Key management personnel remuneration is disclosed in Note 6 to the financial statements and in the remuneration report in the Directors' report.

(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

During the year, eMerge Consulting Group Pty Ltd, an entity associated with Mr John Anderson, provided a loan of $250,000 to the Company. Interest on the loan was charged at 8.75% until the loan was repaid in full on 6 November 2009. The total interest charged to the Company was $5,574.

(e) Loans to subsidiary

The Company has a loan to its subsidiary, SCM Vallenar Iron Company, of $48,442,166. 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.

(f) Transactions with related parties of key management personnel

- During the year, Prior & Co. Pty Ltd, a related party of Mr Stephen C. Prior, provided several services to the Company. The following is a list of the details and amounts of these related party transactions:
- $19,600 was paid to Prior & Co. Pty Ltd for rent of Admiralty Resources NL's office before Stephen C. Prior's appointment as Director on 1 February 2010;
- $14,000 was paid to Prior & Co. Pty Ltd for rent of Admiralty Resources NL's office after Stephen C. Prior's appointment as Director on 1 February 2010;
- $70,000 was paid to Prior & Co. Pty Ltd for Mr Stephen C. Prior's services as Company Secretary before Stephen C. Prior's appointment as Director on 1 February 2010;
- $50,000 was paid to Prior & Co. Pty Ltd for Mr Patrick Rossi's services as Company Secretary after Stephen C. Prior's appointment as Director on 1 February 2010;
- $26,460 was paid to Prior & Co. Pty Ltd for executive assistant services before Stephen C. Prior's appointment as Director on 1 February 2010;
- $18,900 was paid to Prior & Co. Pty Ltd for for executive assistant services after Stephen C. Prior's appointment as Director on 1 February 2010; and
- $139,732 was paid to Prior & Co. Pty Ltd for accounting and tax services provided to the Company before Stephen C. Prior's appointment as Director on 1 February 2010.

All related party transactions are charged at market rates.

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.

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:

			Fixed Interest Rate Maturity				
2010	*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	0.22	164,349	-	-	-	1,100,878	1,265,227
Receivables		-	-	-	-	1,119,541	1,119,541
Listed shares		-	-	-	-	3,600	3,600
Total financial assets		**164,349**	**-**	**-**	**-**	**2,224,019**	**2,388,368**
Financial liabilities							
Trade payables and accruals		-	-	-	-	2,059,028	2,059,028
Long-term payables		-	-	-	-	2,760,061	2,760,061
Total financial liabilities		**-**	**-**	**-**	**-**	**4,819,089**	**4,819,089**

Note 26 Financial Instruments (Continued)

(c) Interest rate risk (Continued)

2009	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**

(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 statement of financial position 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.

(e) Foreign currency risk management

The consolidated entity is exposed to foreign currency risk as a direct result of their foreign operations in 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 eonsolidated 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.

Note 26 Financial Instruments (Continued)

(f) Liquidity risk management

Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The consolidated entity manages this risk through the following mechanisms:

- by maintaining centralised cash balances;
- by matching capital commitments to draw down of funding facilities and equity raisings;
- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities; and
- managing credit risk related to financial assets.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Acutal timing may therefore differ from that disclosed. The table below summarised the expected financial liability and financial asset maturity.

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$
Financial assets								
Cash and cash equivalents	1,265,227	1,071,482	-	-	-	-	1,265,227	1,071,482
Trade, term and loans receivables	1,119,541	2,339,532	-	-	-	-	1,119,541	2,339,532
Listed shares	3,600	3,600	-	-	-	-	3,600	3,600
	2,388,368	**3,414,614**	**-**	**-**	**-**	**-**	**2,388,368**	**3,414,614**
Financial liabilities								
Trade and other payables	2,059,028	4,754,630	946,165	947,329	1,813,896	1,816,128	4,819,089	7,518,087
Convertible loan	-	6,125,235	-	-	-	-	-	6,125,235
Total outflows	2,059,028	10,879,865	946,165	947,329	1,813,896	1,816,128	4,819,089	13,643,322
Net (outflow)/inflow on financial instruments	**329,340**	**(7,465,251)**	**(946,165)**	**(947,329)**	**(1,813,896)**	**(1,816,128)**	**(2,430,721)**	**(10,228,708)**

(g) Fair Values

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

	2010	*2009*
	$	*$*
Financial assets		
Cash	1,265,227	1,071,482
Receivables	1,119,541	2,339,532
Listed shares	3,600	3,600
Total financial assets	**2,388,368**	**3,414,614**
Financial liabilities		
Payables	2,059,028	4,754,630
Long-term payables	2,760,061	3,074,207
Convertible loan	-	6,125,235
Total financial liabilities	**4,819,089**	**13,954,072**

Note 26 Financial Instruments (Continued)

(g) Fair values (Continued)

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	*Equity*
		2010	*2010*
		$'000's	*$'000's*
AUD/USD	+ 5%	138	138
	- 5%	(138)	(138)
AUD/CLP	+ 5%	33	16
	- 5%	(33)	(16)

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:

	2010	*2009*
	$	*$*
United States Dollars (USD)		
Cash	4,516	745,800
Convertible loan	-	(6,125,235)
Chilean Pesos (CLP)		
Cash	656,127	314,788

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:

	2010 $	2009 $
Cash consideration received	-	31,944,259
Cash and equivalents	-	55,125
Inventory	-	602,750
Exploration interests	-	3,727,420
Mining interests	-	6,865,958
Fixed assets	-	3,524,287
Net assets disposed	-	14,755,540
Gain on disposal of discontinued operations	**-**	**17,168,719**
Discontinued operations		
Gain on disposal	-	17,168,719
Operational expense	-	(1,433,172)
Employee benefit expense	-	(750,179)
Depreciation	-	(235,255)
Other expenses	-	(123,863)
PROFIT FROM DISCONTINUED OPERATIONS	**-**	**14,626,250**

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:

		2010 $	2009 $
Purchase Consideration			
Deferred purchase consideration	(i)	-	1,972,388
		-	**1,972,388**
Assets and liabilities held at acquisition date			
Non-controlling interest acquired		-	334,011
Mining interests		-	1,638,377
		-	**1,972,388**

(i) The purchase consideration paid for the remaining 40% of SCM Vallenar Iron Company was US$1.5 million.

Note 28 Business Combinations (Continued)

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

During the 2009 financial year, the consolidated entity acquired 100% interest in S.B. Graneles S.A.

	2010 $	*2009* $
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**

Note 29 Contingent Liabilities and Contingent Assets

Included in the accounts at 30 June 2009 was a provision of $5,958,942 for estimated potential losses under an unfavourable CFR contract entered into during 2006. By 30 June 2010, it is now considered unlikely a liability currently exists that will lead to an outflow of resources. Accordingly, the provision of $5,366,012 (2009:$4,769,970) was reversed via the Statement of Comprehensive Income. The Company has taken steps to receive confirmation that the contract is no longer valid, although as yet, no response has been received. It is management's view that should a demand be bought forward under this contract, the Company's position can successfully be defended.

Additional Information for Public Listed Companies

1. Shareholder Information

(a) Distribution of shareholders by class at 31 August 2010.

Category (size of holding)	*Ordinary Shares*	*No of Holders*
1 - 1,000	58,365	156
1,001 - 5,000	5,030,969	1,550
5,001 – 10,000	10,862,501	1,304
10,001 - 100,000	213,457,538	4,996
100,001 and over	2,081,746,604	3,109
	2,311,155,977	**11,115**

(b) The number of shareholdings held in less than marketable parcels is 7,141 at 31 August 2010.

(c) The number of holders of each class of equity security as at 31 August 2010 was:

Class of Security	*Number*
Ordinary fully paid shares	11,115

(d) There were no substantial shareholders listed in the holding Company's register as at 31 August 2010.

(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.

1. Shareholder Information (Continued)

(f) 20 Largest Shareholders - Ordinary Capital as at 31 August 2010.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	HSBC Custody Nominees (Australia) Limited	65,847,873	2.85
2	ANZ Nominees Limited <Cash Income A/C>	40,966,638	1.77
3	Mr Yongjin Luo	37,534,668	1.62
4	Dr Richard Stuart Parry & Mrs Judity Nancy Parry <R S Parry Super Fund A/C>	21,264,625	0.92
5	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	19,333,057	0.84
6	Grace Fashion Pty Ltd	17,608,020	0.76
7	Citicorp Nominees Pty Limited	16,723,781	0.72
8	Merrill Lynch (Australia) Nominees Pty Limited	15,855,509	0.69
9	National Nominees Limited	15,038,334	0.65
10	Mr Soon Jeung Yuen	14,750,000	0.64
11	Complete Holdings Pty Ltd <Gilliland Superannuation Fund A/C	11,800,000	0.51
12	Mr Paul James Madden	10,251,500	0.44
13	Mr Youssef Oubani	10,000,000	0.43
14	Mr Paul Anthony Sifis	10,000,000	0.43
15	DMG & Partners Securities Pte Ltd <Clients A/c>	9,660,000	0.42
16	Mr Warren William Brown & Mrs Marilyn Helena Brown	9,600,000	0.42
17	Helen Ma Pty Ltd <Stevema Super Fund A/C>	8,806,000	0.38
18	Ms Chooi Wan Lee	8,407,590	0.36
19	Mr Robert Joseph Harris	8,125,000	0.35
20	Mr Stephen Harris	8,000,000	0.35
		359,572,595	**15.56**

2. The name of the Company Secretary is Patrick Rossi

3. Administrative and Registered Office details

Administrative Office

Level 16, 379 Collins Street
Melbourne, Victoria 3000
Telephone: (03) 9620 7144
Facsimile: (03) 8677 6949

Registered Office

C/- Prior & Co. Pty. Ltd
Level 16, 379 Collins Street
Melbourne Victoria 3000
Telephone: (03) 9621 2322
Facsimile: (03) 9621 2422

4. Share Registry details

Computershare Investor Services Pty Limited
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 2010.

7. Unquoted Securities

There were no unquoted securities as at 31 August 2010.

Appendix

1. JORC Compliant Mineral Resources Statement by SRK Consulting (Chile) S.A.

SRK Consulting
Engineers and Scientists

SRK Consulting (Chile) S.A.
Av. Apoquindo 4001, Piso 7º
Las Condes - Santiago
Chile

santiago@srk.cl
www.srk.cl

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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.

1. JORC Compliant Mineral Resources Statement by SRK Consulting (Chile) S.A. (Continued)

Table 1. Mineral Resource Statement for the Japonesa iron mine, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., December 2006.*

Resource Classification	*Tonnage (Kilotonnes)*	*Iron Grade (Percentage)*
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 grade of 10% Fe.

Table 2. Mineral Resource Statement for the Japonesita iron project, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009.*

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

* reported at a cut-off grade of 10% Fe.

Table 3. Mineral Resource Statement for the Mariposa iron project, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009.*

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

* reported at a cut-off grade of 10% Fe.

Table 4. Mineral Resource Statement for the Primavera iron project, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009.*

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

* reported at a cut-off grade of 10% Fe.

1. JORC Compliant Mineral Resources Statement by SRK Consulting (Chile) S.A. (Continued)

Table 5. Mineral Resource Statement for the Mirador iron project, Vallenar, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009.*

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

* reported at a cut-off grade of 10% Fe.

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*	
CUT-OFF GRADE	*TONNAGE Kilotonne*	*FE %*	*TONNAGE Kilotonne*	*FE %*	*TONNAGE Kilotonne*	*FE %*	*TONNAGE Kilotonne*	*FE %*
30	159	32.7	9	30.7	0	-	168	32.6
25	340	29.9	123	27.5	206	26.6	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	,722	15	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*	
CUT-OFF GRADE	*TONNAGE Kilotonne*	*FE %*	*TONNAGE Kilotonne*	*FE %*	*TONNAGE Kilotonne*	*FE %*
40	169	45.6	625	4.9	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	78,850	15.7
TOTAL	**55,664**	**12.6**	**22,856**	**23.3**	**78,850**	**15.7**

1. JORC Compliant Mineral Resources Statement by SRK Consulting (Chile) S.A. (Continued)

Table 8. Iron Mineral Resources by cut-off grade for the Mariposa iron deposit.

	INDICATED		INFERRED		TOTAL	
CUT-OFF GRADE	TONNAGE Kilotonne	FE %	TONNAGE Kilotonne	FE %	TONNAGE Kilotonne	FE %
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	
CUT-OFF GRADE	TONNAGE Kilotonne	FE %	TONNAGE Kilotonne	FE %	TONNAGE Kilotonne	FE %
40	986	45.4	887	44.5	1,873	45.0
35	1,319	4.4	1,256	42.4	2,575	42.9
30	2,519	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**

1. JORC Compliant Mineral Resources Statement by SRK Consulting (Chile) S.A. (Continued)

Table 10. Iron Mineral Resources by cut-off grade for the Mirador iron deposit.

	INDICATED		INFERRED		TOTAL	
CUT-OFF GRADE	TONNAGE Kilotonne	FE %	TONNAGE Kilotonne	FE %	TONNAGE Kilotonne	FE %
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**

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.

Ernesto Jaramillo
Principal Resource Geologist
SRK Consulting, Chile

George G. Even
MAIG, MAusIMM
Principal Geologist
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Corporate Details

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 Limitada
  (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)
- Admiralty Minerals Chile Pty Ltd *(formerly Five Star Resources Pty Ltd)*
  (currently inactive)

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