ADMIRALTY RESOURCES NL

ANNUAL REPORT 2011

Corporate Details

Admiralty Resources NL

ABN: 74 010 195 972

Directors:
Professor J. Ross Harper
Stephen C. Prior
Michael S. Perry
Dr Shaoqing Li

Company Secretary:
Patrick Rossi

Registered Office:
Level 16, 379 Collins Street
Melbourne VIC 3000 Australia
Tel + 61 3 9620 7144
Fax + 61 3 8677 6949

Principal Place of Business:
Level 16, 379 Collins Street
Melbourne VIC 3000 Australia
Tel + 61 3 9620 7144
Fax + 61 3 8677 6949

Securities Quoted:
Australian Securities Exchange Ltd (ASX)
Code: ADY (shares)
American Depositary Receipt Program (ADR)
Code: ARYRY (OTCBB)

Share Registry:
Boardroom Limited (*formerly known as Registries Limited*)
Level 7, 207 Kent Street
Sydney NSW 2000 Australia

Website:
www.ady.com.au

Auditors:
PKF Chartered Accountants
Level 14, 140 William Street
Melbourne VIC 3000 Australia

Bankers:
Westpac Banking Corporation
447 Bourke Street
Melbourne VIC 3000 Australia

Lawyers:
Hall & Wilcox
Level 30, 600 Bourke Street
Melbourne VIC 3000 Australia

Admiralty Resources Group Structure

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

- Admiralty Minerals Chile Pty Ltd
- Admiralty Minerals Chile Pty Ltd Agencia en Chile
  (Chilean branch of Admiralty Minerals Chile Pty Ltd, which owns the mineral concessions in Chile)
- Bulman Resources Pty Ltd
  (which explores in the Northern Territory)
- Pyke Hill Resources Pty Ltd
  (which has a 50% joint ownership with Richfile Pty Ltd and has a mining and production royalty agreement with Cougar Metals NL)
- ADY Investments Pty Ltd (currently inactive)
- Fortune Global Holdings Corporation
  (currently inactive)
  (It owned 60% of SCM Vallenar Iron Company up to 16 November 2010, when it disposed of the asset via the sale to Australis Mining Ltd (*formerly Icarus Derivatives Limited*))
- Inversiones Admiralty Resources Chile Limitada
  (currently inactive)
  (It owned 40% of SCM Vallenar Iron Company up to 16 November 2010, when it disposed of the asset via the sale to Australis Mining Ltd (*formerly Icarus Derivatives Limited*))

Table of Contents

The 2011 Annual Report provides an overview of Admiralty Resources NL's main operating activities for the year ended 30 June 2011.

Highlights

First Quarter: July to September 2010

- Conclusion of an exploration programme consisting of ground magnetic and gravity surveys in the Harper Geological District in Chile to detect and delineate additional anomalies in the geological district, resulting in the identification of 7 further areas of interest in Harper South.
- Geos Mineral Consultants completed a conceptual economic study providing indicative project parameters to guide future exploration at the Bulman Project in the Northern Territory, Australia.
- Agreement with Australis Mining Ltd ("Australis") (formerly Icarus Derivatives Ltd) for the sale of SCM Vallenar Iron Company ("VIC") for US$4,000,000 and a royalty agreement on all production for the life of the mine operations.

- Appointment of Dr Shaoqing Li as Non-executive Director.
- Sino Investment & Holding Pty Ltd becomes a substantial holder through the purchase of 72m shares at 4.2c, a 23% premium over the market price, raising $3,024,000.
- Appointment of Mr Stephen C. Prior as Managing Director.
- Removal of the mortgage over the Pampa Tololo concessions, located North of Vallenar (Chile) near Los Colorados and covering 3,455 hectares, after payment of US$285,068 and pursuant to the Purchase Agreement entered in September 2008.

Third Quarter: January to March 2011

Highlights

Second Quarter: October to December 2010

- Appointment of Mr Claudio Ferrada as our agent in Chile.
- Approval of the transaction with Australis granted by the shareholders: 351.2m voted for, 31.8m voted against, 2.6m abstained.
- Completion of the sale of VIC, resulting in the transfer of mineral concessions to Australis and receipt of US$1m. The discontinuing of the VIC operations have resulted in a profit before significant items* of $7,916,101 compared with a loss of $4,696,584 in 2010.
- Shareholders' approval for share consolidation and adoption of new constitution.
- New prospect with highly anomalous zinc and lead mineralisation, named "Ripple Hill", identified by Geos Mineral Consultants in the Bulman project following a reconnaissance geochemical sampling programme.
- Finalised the establishment of a branch in Chile, named Admiralty Minerals Chile Pty Ltd Agencia en Chile ("AMC").
- Completed the share consolidation on the basis of 1 new share for every 5 shares held, resulting in an issued capital of 482,170,235 shares.

* Please refer to Note 6 in the Notes to the Financial Statements for further information.

- Completion of Share Purchase Plan, issuing 52m shares at 3.3c, after receiving 338 applications with an average of $5,000 participation per holder, raising a total of $1,727,500.
- Change of Share Registry from Computershare Investor Services Pty Limited to Boardroom Limited, after a cost analysis reported savings of 38%.
- Receipt of the second instalment of US$1m from Australis in relation to the sale of VIC.
- As at 30 June 2011, Admiralty remained debt free and had cash on hand of $5,032,970 (2010: $1,265,227) and with the top 20 holders owning 50.49% of the shares (2010: 14.12%)

Fourth Quarter: March to June 2011

Chairman's Report

Dear Shareholder,

On behalf of the Board of Directors of Admiralty Resources NL, I proudly and gladly present our 2011 Annual Report.

This is the seventh annual report which I have tendered to shareholders and this is one which gives me great satisfaction. Over the last seven years, we have had more than our fair share of trouble, featuring amongst other events a worldwide recession. Mining is a difficult and can be an exasperating pursuit and during these last two years we have come across serious problems.

As a shareholder myself, I must say I am proud that, in a challenging year at various fronts, the Company continues to own worthwhile assets in Chile and in Australia, is debt free, has streamlined its management and reduced its administration overheads, has attracted a committed investor and has kick started its exploration activities. Most importantly, it has sold some of its Chilean assets to Icarus (Icarus Derivatives Ltd), now Australis Mining Ltd ("Australis").

What has brought about this transformation? In my view, our appointment of Stephen C. Prior as Executive Director and then Managing Director has been responsible for the remarkable turnaround of the Company. His honesty and integrity are such that he obtained the confidence of purchasers and colleagues alike with beneficial results.

Due to the inherited massive expenditure in Chile with no production, and accordingly no income, possible cessation of business drew closer and the situation was desperate. The management in Chile had instructions to dispose of all or part of our assets and avert disaster. Despite their confidence, no worthwhile offer was produced and we were all in danger of becoming extremely despondent.

Stephen, with the encouragement and support of the Board, added to the Chilean strategy, despite grave local opposition in Chile from our own management. He carried out intense negotiations with Icarus in Melbourne. Eventually, thanks to Stephen's robust negotiations, an offer was received from Icarus –the only binding offer. Despite the fact that it was the only binding offer, Stephen, with a 100% support of the Board, strengthened the deal time and time again and forcibly overthrew local management objections, cutting unsupportable cost and providing future income.

We have already received two instalments of US$1,000,000 each and with a fair wind could expect to bring in a total of about US$100 million for the first 10 million tonnes of SCM Vallenar Iron Company ("VIC") production at current prices. Should unforecast events occur to Australis or our agreement with them, we have the right to repossess.

On the light of this, we are undertaking further promising development work in the large Chilean areas not included in the Icarus' sale agreement.

Another important pillar of our successful year has been the strengthening of the Board through the appointment of Dr Shaoqing Li as a Non-executive Director in late March 2011. Dr Li, an accomplished civil engineer and entrepreneur, complements the Board with his technical expertise and his appointment coincided with Sino Investment & Holding Pty Ltd becoming a substantial shareholder, with 11% of the Company's issued capital.

The Board is very appreciative of Dr Li's belief in the Admiralty project and its influx of capital at a very crucial moment. The Board is fully aware of the role that Dr Li's appointment had in the consolidation of our shareholder base, represented by our top 20 members holding over 50% of the shares on issue at 30 June 2011, against a mere 14.12% at 30 June 2010. The latter has obviously resulted in a much more stable and upward trending share price.

Additionally, your Board has considerably benefited from the contributions and business acumen of Michael Perry, as non-executive Director. We are also happy that Patrick Rossi is now Company Secretary and relishing the task.

We had two expensive distractions. The first was serious and inaccurate allegations on a business gossip website. Court action was taken and the culprits (or their colleagues) were unfolded. The second was an act of a tiny shareholder, seeking to obtain information on the Icarus offer and the submissions of another company. Since it is a court matter, I shall not comment.

As always, I would like to extend my regard to you, my fellow shareholders, whether large or small, and invite you to attend our meetings and to keep in contact with the management with any queries that you may have. I truly believe the Company is well poised to unlock the potential of our mineral concessions in Chile and I expect to be able to report it to you next year.

I look forward to meeting you at our Annual General Meeting to be held in Melbourne in October 2011.

Yours sincerely,

Professor J. Ross Harper
Chairman

Managing Director's Report

The 2011 financial year has been an eventful year for our Company in which Admiralty has refocused on exploration and rebuilt its balance sheet. I am pleased to report our achievements this year, but more excited at the potential that lies ahead.

The highlights of our outstanding year can be summarized into:

- The successful completion of the sale of our previously owned subsidiary, SCM Vallenar Iron Company ("VIC") to Australis Mining Ltd ("Australis") (*formerly Icarus Derivatives Ltd*) for US$4,000,000 in cash payments and a royalty agreement on all future production from the Northern Region of the Harper Geological District ("Harper North");
- Our refocusing on the exploration programme, following the drastic reduction of administration and human resources costs that were inappropriate for a company of our size and capitalisation;
- The restructure of the Company's Chilean operations, which are now run as a Chilean legal branch or agency of Admiralty. We have done this in order to have full control over our contractors and future employees in Chile, as their work is for a branch of an Australian company, instead of a local company with a foreign shareholder. The difference may seem subtle but I believe that the new structure correctly reflects the reality and will help to ensure that the focus of objectives are followed in accordance with the guidelines of the Board of Directors; and
- Our good results at the corporate front where we executed a placement in September 2010 raising $638,032 from sophisticated investors, completed a Share Purchase Plan raising $1,727,500 in April 2011 and we raised a further $3 million via the issue of shares to Sino Investment & Holding Pty Ltd. A tremendous effort clearly indicating a supportive and committed shareholder base that enabled the Company to strengthen its financial position.

Completion of the sale of VIC

The Australis deal has dramatically reduced the administration overheads in Chile and given Admiralty direct control over its operations. It has provided the Company with the very much needed cash flow that will allow Admiralty to continue its exploration programme and prove up further mineral resources.

The transaction is also guaranteed by the participation of Admiralty in Australis' success through a royalty revenue stream and provides commercial synergies for the sale, shipping and export of iron ore fines from Admiralty's own operations once we move from pure exploration to the pre-development and production phase.

We are pleased with the progress which Australis is making towards production and we appreciate the opportunity to "look over their shoulders" as they undertake work to get Harper North into production.

We are afforded a valuable opportunity to emulate their successes and avoid potential pitfalls as we undertake our work in Harper South and Pampa Tololo.

Exploration

Chile

Admiralty has a strong position in the Chilean iron ore belt. This is a world-class geological area endowed with significant iron ore reserves. Admiralty has operated a mine in the region in the past and has kicked off an active exploration programme throughout the mineral concessions owned by its Agency in Chile.

As the Company's focus remains squarely in Chile, Admiralty will continue exploring, using geophysics work and reverse circulation and diamond drilling programmes, in the different areas of interest within our mineral concessions.

When we have resorted to the market to raise capital for the Company, we stressed the business plan was to drill out a resource and bring the project into production as soon as possible. That continues being the goal as we believe that the only way to improve the value of our current prospects is through an intensive exploration programme and mine development study that progresses the project from strength to strength.

To this end, previous exploration work has been reviewed and a small consulting exploration team has been established to complete the review of our geological information. This review will ensure that there is a good correlation between the mapping and sampling work, the airborne and ground magnetic surveys and gravitational surveys and the available drill hole data.

The objectives for this year are to continue the exploration on Harper South and Pampa Tololo concessions, increasing our JORC[1] compliant mineral resources, upgrading the existent resources to reserves and find suitable strategies to exploit the mineral concessions. In order to do this, the following tasks have been scheduled:

- Perform further geophysics work, mainly a high resolution ground magnetic survey and lithology work that will allow better definition of the drilling targets in Harper South;
- Conduct drilling programmes in **Mariposa, La Chulula, Negrita, Soberana, La Vaca** and **Mal Pelo**, with Negrita and Soberana's high quality samples showing a strong potential for future resources additions; and

(continues on page 8)

Exploration (Continued)

Chile (Continued)

- A ground magnetic survey over our Pampa Tololo iron prospect in order to delineate target zones of strong magnetic intensity which will be tested by drilling in the future.

Our most heavily explored and documented target is Mariposa, where most of the data from previous exploration work is available. We have commissioned an engineering firm to undertake a mining study and perform the following actions:

- Create a mine plan for the Mariposa deposit, meeting broad economic cut-off and processing grades;
- Select equipment capable of meeting the desired production schedule;
- Provide an annual production and grade schedule for processing plant feed; and
- Provide a costed model for pit production, equipment and activities.

At the end of the reporting period, Admiralty has 168 million tonnes[2] of inferred and measured JORC[1] compliant resources on its Mariposa ore body and the Company expects to re-assess this tonnage and elevate part of the resource to reserve status within the current financial year.

To this effect, I have been regularly travelling to Chile and personally meeting with contractors in order to define the scope of the works. Goldberg Resources, Redco Consultants, Quantec Geoscience Chile Ltda. and Ascui & Cia. are already doing work for Admiralty. We have met with specialists in other areas as well and proposals are being considered.

Australia

Although our exploration activities during the year were predominately focused in Chile, we still maintain interests in our Bulman project in Australia, which is prospective for lead and zinc.

The other story for Admiralty throughout the year was the identification of Ripple Hill in the Bulman project where Geos Mineral Consultants identified a highly prospective anomaly in lead and zinc.

We all await in hopeful anticipation the results of the airborne survey that has been undertaken during August this year. Our aim is to define a major ore body for further exploration within our over 250 km^2 concession in the Northern Territory of Australia.

Closure

Although Admiralty has not received any income from sales this year, it has not entered into any debt either. Our balance sheet, our current positive cash position and the projected income from our royalty stream are all strong and I believe we have the resources to conduct substantial exploration and investment in our existing projects in Chile and Australia. It is pleasing that our auditors have seen fit to remove the former "emphasis of matter" regarding the Company's ability to continue as a going concern from this year's audit report.

Admiralty has achieved significant exploration success in the 2010/11 year. The Company remains well positioned to capitalise on strong demand for commodities, with a methodical exploration programme planned during the year ahead.

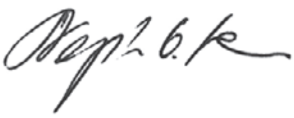
We have significant and complex projects. Admiralty is focused on ensuring we have the right people and structures in place to be recognised as a well-managed company, to meet the challenges ahead and deliver value for our shareholders.

The coming year will be one of the most important in Admiralty's 30 year history as the results from exploration flow and the Company moves towards project development, financing and production.

I would like to highlight the extraordinary efforts of our staff, our agent in Chile and our consultants in producing the excellent performance reported here. They have worked energetically on the development of our exploration business through difficult times and we all continue enjoying the challenge.

I express my thanks to my fellow Directors and our shareholders, who have again contributed in a committed fashion to our Company over the past year. Thank you for your continued support.

Yours faithfully,



Stephen C. Prior
Managing Director

[1] JORC stands for Joint Ore Reserves Committee.

[2] As per Mineral Resource Statement prepared by SRK Consulting (Chile) S.A. in Appendix, page 68 of this report.

Corporate Governance Statement

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

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

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

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 Managing Director, and subject to the oversight and supervision of the Board. It is the responsibility of the Managing Director, acting within his delegated authority, to manage the Company and its business.

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

Responsibilities of the Board

The Board's responsibilities include:

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

Responsibilities of the Board (Continued)

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

Appointment and Rotation of Directors

One third of Directors retire by rotation annually. Professor J. Ross Harper retires by rotation at the 2011 AGM and has agreed to submit himself for re-election. Having been appointed to the Board during the year, Dr Li will also seek election by the members at the 2011 AGM in accordance with the Company's constitution.

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 is structured to discharge adequately its responsibilities and duties in respect of the size and scale of operations.

Assessing the Independence of Directors

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

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

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

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

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

Independent Directors and Chairman

Currently the Board does not have a majority of independent Directors. The Company believes it has the right mix of skills and experience on the Board at this time. However, if it is deemed another director is required, the Company will endeavour to appoint an independent director to ensure it is in compliance with Principle 2 of the ASX Principles and Recommendations.

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

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

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

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 Managing Director, the Company Secretary and Consultants who have significant broad-ranging industry experience, who work together as a team and regularly share information on current activities.

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

Diversity Policy

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

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.

Directors' Report

The Directors of Admiralty Resources NL submit the annual financial report of the Company for the financial year ended 30 June 2011. 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 BCom (Melb.), FCA, FTIA

Managing Director

Mr Prior was appointed to the Board on 1 February 2010 and heads up the Company's administration as Managing Director. He holds the degree of Bachelor of Commerce from the University of Melbourne, is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Taxation Institute of Australia and is the senior partner in the accounting firm Prior & Co. Pty Ltd, with over 30 years experience in the accountancy profession.

His career has to date involved him in many and varied assignments in a wide range of industries including the sale of substantial businesses, structured finance arrangements, property acquisition and development, corporate activities including defending and facilitating takeovers. He holds and has held board positions in listed and unlisted public companies and has had experience in international property and commercial transactions and financing, particularly in Asia.

Stephen was appointed as Managing Director on 27 March 2011. Previously, he had been Executive Director of Admiralty for over a year and held the position of Company Secretary from 2004 to 2010.

Company Secretary

Patrick Rossi BCom (Melb.), CA

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 BCom (Melb.), FCA, SA Fin MAICD

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.

Dr Shaoqing Li BSc, PhD, MIEAust, CPEng

Director

Dr Li joined the Board of Admiralty as a non-executive director on 29 March 2011. He holds the degree of Bachelor of Science (Engineering) majoring in civil engineering from Zhejiang University and has also completed a PhD in Civil and Maritime Engineering with the University of New South Wales.

Dr Li holds and has held board and senior management positions in listed and unlisted public companies and private companies across Australia, China and Hong Kong.

Dr Li's previous positions include Executive Director of a large private software and computer organisation in China, a senior technical manager at Sino Gold Ltd and senior geotechnical engineer/project manager at Golder Associates Ltd. He is a director of Sino Investment & Holding Pty Ltd, a substantial shareholder in Admiralty.

Operating Results

The consolidated comprehensive income of the economic entity amounted to $5,206,333 (2010 loss: $2,190,894).

Dividends Paid or Recommended

No dividends were paid during the year, nor are any recommended at 30 June 2011.

Review of Operations

Admiralty is a diversified exploration company with mineral interests in Chile and Australia. Admiralty's flagship project is the iron ore prospects located in Region III of Chile, a project in which Admiralty 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, which is leased to Cougar Metals NL.

Corporate

Completion of the sale of SCM Vallenar Iron Company

The shareholders of Admiralty Resources NL voted in favour of the sale of Admiralty's Chilean subsidiary, Sociedad Contractual Minera Vallenar Iron Company ("VIC"), to Australis Mining Ltd ("Australis") *(formerly Icarus Derivatives Ltd).*

The transaction with Australis provided for the division of the Harper Geological District into two similar halves: the Northern Region ("Harper North") and the Southern Region ("Harper South") with Harper South and Pampa Tololo remaining under the control of the consolidated entity and Harper North and the maritime concession in Punta Alcalde passing to the control of Australis.

The rationale behind the decision of the Board to support the Australis 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 had encountered accessing the funding to complete exploration and resume production at a profitable scale of operations.

With completion of the agreement on 16 November 2010, Admiralty secured cash payments from Australis of US$4m spread across two years and a long-term royalty stream on all production from the tenements in Harper North. So far two payments of US$1m have been received in accordance with the schedule.

The transaction with Australis enables Admiralty to build a robust project around the Harper South mineral concessions and the Pampa Tololo iron prospect with a strong cash flow and following a modest capital outlay.

Additionally, the agreement with Australis provides for commercial synergies for the sale, shipping and export of iron ore production. Under the agreement, VIC is required to grant Admiralty the right, on reasonable commercial terms, to use the port at Punta Alcalde, when constructed, to ship its own product. Also, Australis has agreed to procure VIC to enter into a put and call supply agreement with Admiralty, whereby any final product produced by Admiralty in the future can be sold to VIC.

Capital Raisings

During the year, the Company raised $5.2 million (after costs) through the following placements and corporate actions:

- Issue of 99,692,546 shares to clients of Lodge Partners Pty Ltd raising $638,032 in September 2010. The funds raised were used mainly for working capital requirements whilst the Company finalised discussion with several parties, including Australis Mining Ltd.
- Placement of 72,000,000 shares at 4.2c per share to Sino Investment & Holding Pty Ltd on 29 March 2011. The placement was done at 23% premium over the market price of the Company's securities at the time and totalled $3,024,000.
- Completion of a Share Purchase Plan, resulting in the issue of 52,348,731 shares at 3.3c raising $1,727,500 in April 2011.

As at 30 June 2011, the Company had 606,518,966 shares on issue and had cash in hand of $5,032,970.

Changes in Management and Board of Directors

Stephen C. Prior was appointed Managing Director by the Board on 27 March 2011, after a tenure of approximately 14 months as Executive Director.

Dr Shaoqing Li was appointed to the Board on 29 March 2011 following the allotment of 72,000,000 shares to Sino Investment & Holding Pty Ltd.

Other Corporate Matters

- In December 2010 and after obtaining shareholder approval at the Annual General Meeting, a capital restructure to consolidate the Company's shares on a basis of 1 new share for every 5 shares held was launched.
- Following the issue of 72,000,000 shares in March 2011, Sino Investment & Holding Pty Ltd became a substantial holder of the Company, holding 11.87% of the issued capital of the Company.
- The Company's share price has strengthened and so has its shareholder base, with the top 20 shareholders holding 50.49% of the issued capital at 30 June 2011 (30 June 2010: 14.12%).
- Admiralty Minerals Chile Pty Ltd Agencia en Chile ("AMC"), the Chilean legal branch of an Australian subsidiary was established in Chile. The new structure, administered through AMC, which departs from the previous setup as a full service organisation ready for mobilisation as a mining company, will significantly reduce operational overheads and allow the Board to have a tighter control over the daily operations in Chile.
- Mr Claudio Ferrada was appointed legal representative and agent of AMC in Chile in October 2010.

Chile

Assets

The mineral exploration and exploitation concessions covering approximately 6,700 hectares are located within the Chilean Iron Belt in the Atacama Desert at an altitude of 380 metres above sea level in the surroundings of the township of Vallenar in the Third Region of Chile.

The mineral concessions are owned by Admiralty's Chilean branch AMC and they are grouped into the following projects:

- Harper South, located 15 km south of Vallenar, covering over 3,100 hectares and which includes Mariposa, La Chulula, Soberana, Negrita, La Vaca and Mal Pelo.
- Pampa Tololo Iron Prospect, covering approximately 3,455 hectares and located 33 kilometres north of Vallenar, adjacent to Los Colorados, the largest producing iron ore mine in Chile, owned by Compañía Minera del Pacífico.
- Leo Sur, covering approximately 200 hectares and located south-west of the Harper South concessions.

Location map of Admiralty's mineral concessions: Pampa Tololo in the north, Harper South in the middle and Leo Sur in the south.

Review of Operations (Continued)

Chile - Assets (Continued)

The tenements can be accessed via Route 5 and then by secondary gravel roads and explorations tracks within the concessions. They are in a prime location from an infrastructure point of view: 2.5 kilometres away from the Pan American Highway, 7.5 kilometres from a railway transportation service privately owned by Ferronor S.A., 60 kilometres from the Port of Huasco and between the cities of Copiapó and La Serena, linked by regular air services with Santiago.

The above mentioned infrastructure places AMC in a position that can have a very positive impact on the mine development, construction and operating costs.

Location map of the Harper South mineral concessions, close to the Route 5.

Exploration

The Company defined its short-term exploration strategy and goals after its strengthened cash position due to the capital raisings undertaken in March and April 2011.

Admiralty's primary focus is to accelerate the exploration in the Harper South project and prioritise the exploration of the Pampa Tololo concessions due to their relatively unexplored nature and close proximity to Los Colorados iron ore mine, which is owned and operated by Compañía Minera del Pacífico S.A, the largest iron ore producer in Chile.

Harper South - Exploration Programme

The exploration of the Harper South project is still in its relative infancy, except for the Mariposa ore body. Several geological exploration programmes have been executed in the Harper South concessions by the internal geological department of the former holder of the tenements, VIC, and by SRK Consulting Chile S.A. These geological exploration programmes included greenfield and brownfield exploration works, geophysics, rock chip sampling, trench sampling and aircore drilling and resulted in a JORC[1] compliant mineral resource estimation of 168 million tonnes.

An exploration programme consisting of a ground magnetic and gravity surveys to detect and delineate additional anomalies was performed during the year. The combined geological and geophysical results of the programme complemented by a recent geological review performed by Goldberg Resources, has identified a total of 6 targets: Mariposa, La Chulula, Negrita, Soberana, La Vaca and Mal Pelo. Admiralty plans to conduct a high resolution ground magnetic survey over the coming months and be in a position to create a geological model and conduct reverse air circulation and diamond drilling campaigns in order to increase the mineral resource base.

Subsequent to the end of the year, AMC commissioned Quantec Geoscience Chile Ltda to conduct a high resolution ground magnetic survey over the six identified primary targets in the Harper South concessions.

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.

Additionally to the exploration work, we have engaged a mining engineering firm to build on work previously done by SRK Consulting (Chile) S.A. in creating a detailed mine plan for Mariposa to bring it into production. The report will include resource evaluation, mine design and planning, process design, operating and capital costs estimation and review of possible transportation and logistics solutions.

[1] JORC stands for Joint Ore Reserves Committee.

Harper South - Mineral Resources

Ore Body	Measures Resources (Kilotonnes)	Indicated Resources (Kilotonnes)	Inferred Resources (Kilotonnes)	Total Resources (Kilotonnes)	Iron Grade
Mariposa	-	70,289	98,119	168,408	18.0%

All mineral resources reported here are at a cut-off grade of 10% Fe.
Complete Mineral Resources Statement and Competent Person Statement are included in the Appendix, on page 68 of this report.

Pampa Tololo

During the year, a mortgage over the Pampa Tololo concessions was removed following final payment of US$285,068. Following the transfer of the tenements to AMC, exploration and development of the Pampa Tololo concessions were prioritised and the Board has detailed an action plan with the first step being a ground magnetic survey that will be followed by a targeted drilling campaign.

Subsequent to the end of the year, AMC commissioned Quantec Geoscience Chile Ltda to conduct a ground magnetic survey over the Pampa Tololo concessions, including the Cerro Varilla tenement, located north of Vallenar.

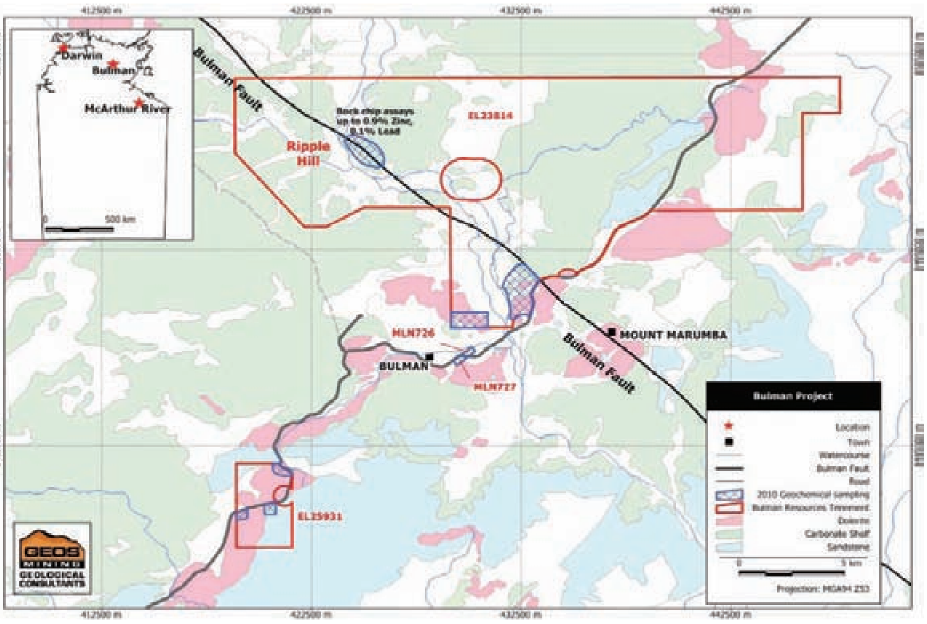
The objective of the geophysical survey is to delineate structural features, mineralisation and alteration patterns. The survey consists of South-South West to North-North East bearing lines, with a varying line separation of 50 and 100 meters and readings at 10 meter separation, with approximately 550 kilometres of magnetic coverage. The results, including interpretation of the data, are expected to be received during September 2011 and will be used to design a suitable drilling campaign.

Australia

Bulman Project - Northern Territory

The Bulman Project is a zinc and lead oxide exploration concession located near the Bulman Aboriginal community in southern Arnhem Land, approximately 320 kilometres north east of Katherine, in Australia's Northern Territory and owned by Bulman Resources Pty Ltd ("Bulman Resources"), a wholly owned subsidiary of Admiralty. This project consists of two granted mineral leases (MLN 726 and 727) and two exploration licences (EL 23814 and 25931).

Bulman's exploration and mining licences, showing the new prospective area, Ripple Hill.



Exploration

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.

Review of Operations (Continued)

Australia - Bulman - Northern Territory (Continued)

Further to this, Geos also completed a reconnaissance geochemical sampling programme which was tailored to the findings of a conceptual economic model study completed earlier in the period. The programme identified a new prospect termed "Ripple Hill" which returned rock chip assays of up to 8960 ppm[2] from selected samples and the XRF analyser gave readings of up to 1000 ppm[2] lead. Although, the XRF analyser values are indicative only, the combined geochemical signature with the highly anomalous zinc assays is very encouraging and is the first significant discovery outside of the historical mining areas.

Subsequent to the end of the year, an airborne magnetic survey has been executed. The results, including interpretation of the data, are expected to be received during September 2011.

Pyke Hill Project - Western Australia

The Pyke Hill Project in Western Australia comprises a single granted Mining Lease which covers an area of 5.37 km^2. The project is located approximately 40 km southeast of the Murrin Murrin nickel joint venture (60% owned by Minara Resources Limited), it is considered prospective for a high grade nickel laterite deposit and it hosts a JORC[1] compliant Measured and Indicated Resources of 14.7 million tonnes[3] grading 0.9% Ni and 0.06% Co[6].

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 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.

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 year, Admiralty has kept in touch with representatives of the other 50% owner and Cougar Metals NL to keep up the dialogue and to foster cordial relationships.

Financial Position

The net assets of the economic entity have increased by $10,430,772 from 30 June 2010 to 30 June 2011. The increase has largely resulted from the following factors:

- Total comprehensive profit for the year of $5,206,333; and
- The issue of shares net of costs to the value of $5,224,439.

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

There have been no significant events subsequent to reporting date.

Options

There are no options over shares at balance date.

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

[2] Ppm stands for particles per million.

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

Meetings of Directors

During the financial year 17 Directors' meetings were held. Attendances at the meetings were as follows:

	Board of Directors		Remuneration Review Committee		Audit Committee	
	Held*	Attended	Held*	Attended	Held*	Attended
Professor J. Ross Harper	17	17	2	2	2	2
Stephen C. Prior	17	17	1	1	-	-
Michael S. Perry	17	16	2	2	2	2
Dr Shaoqing Li	4	4	-	-	-	-

* 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
Professor J. Ross Harper	1,518,546	-
Stephen C. Prior	2,654,546	-
Michael S. Perry	1,254,546	-
Dr Shaoqing Li	73,553,031	-

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 2011 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 Remuneration Committee of 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 and Managing Director
- Michael S. Perry, Non-executive Director
- Dr Shaoqing Li, Non-executive Director (appointed 29 March 2011)

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

- Stephen C. Prior, Executive Director and Managing Director
- R. Michael Clarke, President and General Manager of SCM Vallenar Iron Company (ceased 12 October 2010)
- Esteban Torres, Vice-President of SCM Vallenar Iron Company (ceased 12 October 2010)
- Ricardo González, Executive of of SCM Vallenar Iron Company (ceased 12 October 2010)

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
Non - executives			
Professor J. Ross Harper	Open Ended	12 Months	Nil
Michael S. Perry	Open Ended	Nil	Nil
Dr Shaoqing Li	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.

Remuneration Report - Audited (Continued)

Retirement allowances for Directors

Other than statutory superannuation, 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 & termination 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				
2011 Directors & Executives	*Salary & Fees* $	*Termination & Retirement Benefits* $	*Non-monetary Share Based Payments* $	*Consisting of Share Based Payments* %	*Total* $
Professor J. Ross Harper	120,000	-	-	-	120,000
Stephen C. Prior	280,477	23,186	-	-	303,663
Michael S. Perry	80,000	-	-	-	80,000
Dr Shaoqing Li	20,658	-	-	-	20,658
Directors Total	501,135	23,186	-	-	524,321
R. Michael Clarke	198,295	205,019	-	-	403,314
Esteban Torres	66,637	100,702	-	-	167,339
Ricardo González	61,715	89,270	-	-	150,985
Executives Total	326,647	394,991	-	-	721,638
Total	**827,782**	**418,177**	**-**	**-**	**1,245,959**

Remuneration Report - Audited (Continued)

Elements of remuneration related to performance (Continued)

2010 Directors & Executives	Short – Term Salary & Fees $	Termination & Retirement Benefits $	Non-monetary Share Based Payments $	Consisting of Share Based Payments %	Total $
Professor J. Ross Harper	75,572	-	-	-	75,572
Stephen C. Prior	100,000	9,000	-	-	109,000
Michael S. Perry	56,667	-	-	-	56,667
John Anderson (a)	151,563	240,000	(16,000)	(4.26%)	375,563
Directors total	383,802	249,000	(16,000)	(2.59%)	616,802
R. Michael Clarke	780,935	-	(16,000)	(2.09%)	764,935
Esteban Torres	276,975	-	-	-	276,975
Ricardo González	259,836	-	-	-	259,836
Executives Total	1,317,746	-	(16,000)	(1.23%)	1,301,746
Total	**1,701,548**	**249,000**	**(32,000)**	**(1.67%)**	**1,918,548**

(a) John Anderson ceased as a Director on 23 April 2010.

Value of shares and options granted to Directors and executives

There were no shares or options granted during the 2011 annual reporting period.

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

Directors	2011 Number of Shares	2011 Value of Shares granted	2010 Number of Shares	2010 Value of Shares granted (i)
John Anderson	-	-	-	(16,000)
R. Michael Clarke	-	-	-	(16,000)
Total	-	-	-	**(32,000)**

(i) There were shares 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 and revised this expense to the fair value of the shares on the date of issue being 1.6c per share during the year ended 30 June 2010.

Auditor's Independence Declaration

The Auditor's Independence Declaration, which forms part of this report, is included on page 25.

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
Managing Director
Melbourne, 2 September 2011

Auditor's Independence Declaration

PKF

Chartered Accountants
& Business Advisers

LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors
Admiralty Resources NL and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

R A Dean
Partner
PKF

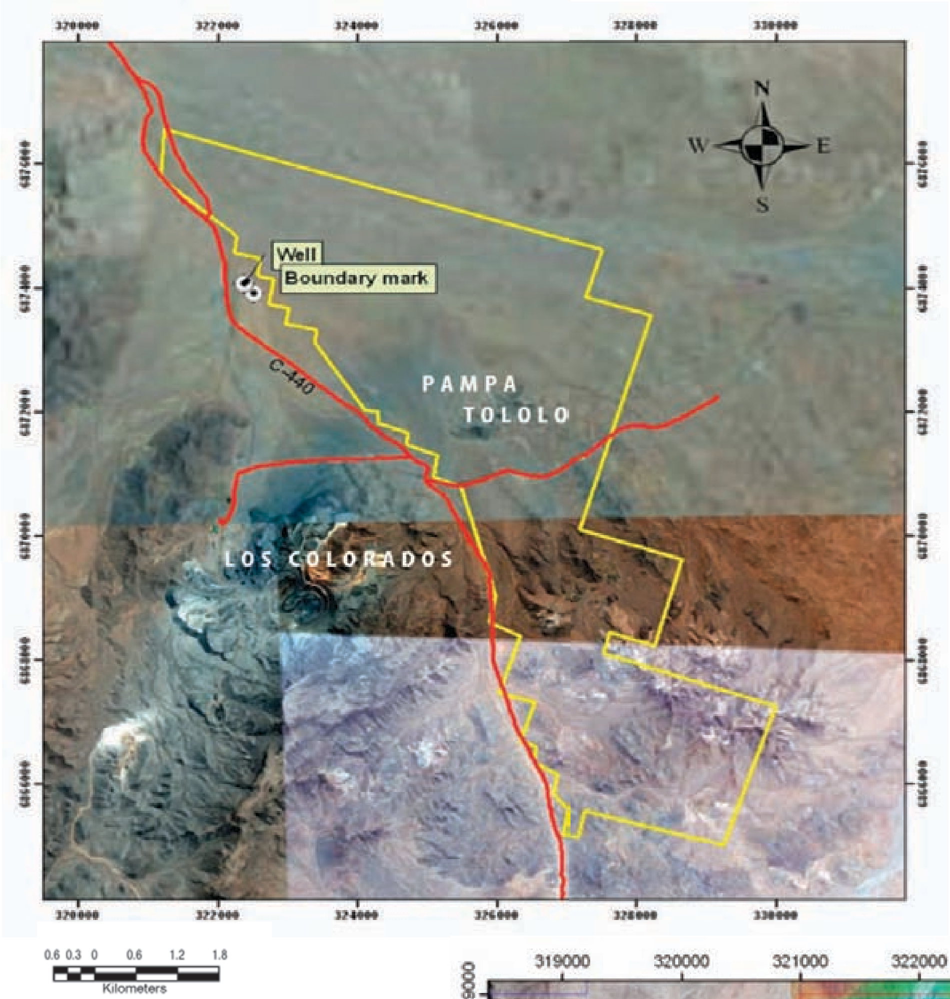
2 September 2011
Melbourne

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

72471_1.DOCX

Schedule of Tenements

Tenement Reference	*Registered Holder*	*Country*	*Project Group*
M39/159 (50%)	Pyke Hill Resources Pty Ltd	Australia	Pyke Hill
MLN 726	Bulman Resources Pty Ltd	Australia	Bulman
MLN 727	Bulman Resources Pty Ltd	Australia	Bulman
EL 25931	Bulman Resources Pty Ltd	Australia	Bulman
EL 23814	Bulman Resources Pty Ltd	Australia	Bulman
HARPER SOUTH			
Negrita 1-4	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Negrita Group
Leo Doce, 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Negrita Group
Soberana 1-5	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Soberana Group
Phil Cuatro, 1-16	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Soberana Group
Leo 101, 1-30	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Soberana Group
Leo Cinco, 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Seis, 1-58	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Ocho, 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Nueve. 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Diez, 1-40	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Once, 1-40	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Trece, 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
OTHER SECTORS			
Pampa Tololo 1-2475	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Pampa Tololo Group
Cerro Varilla 1-732	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Pampa Tololo Group
Leo 14, 1-40	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements
Leo 105	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements
Leo 106	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements
Leo 107	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements
Japosur	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements



Map of Pampa Tololo, covering 3,455 hectares

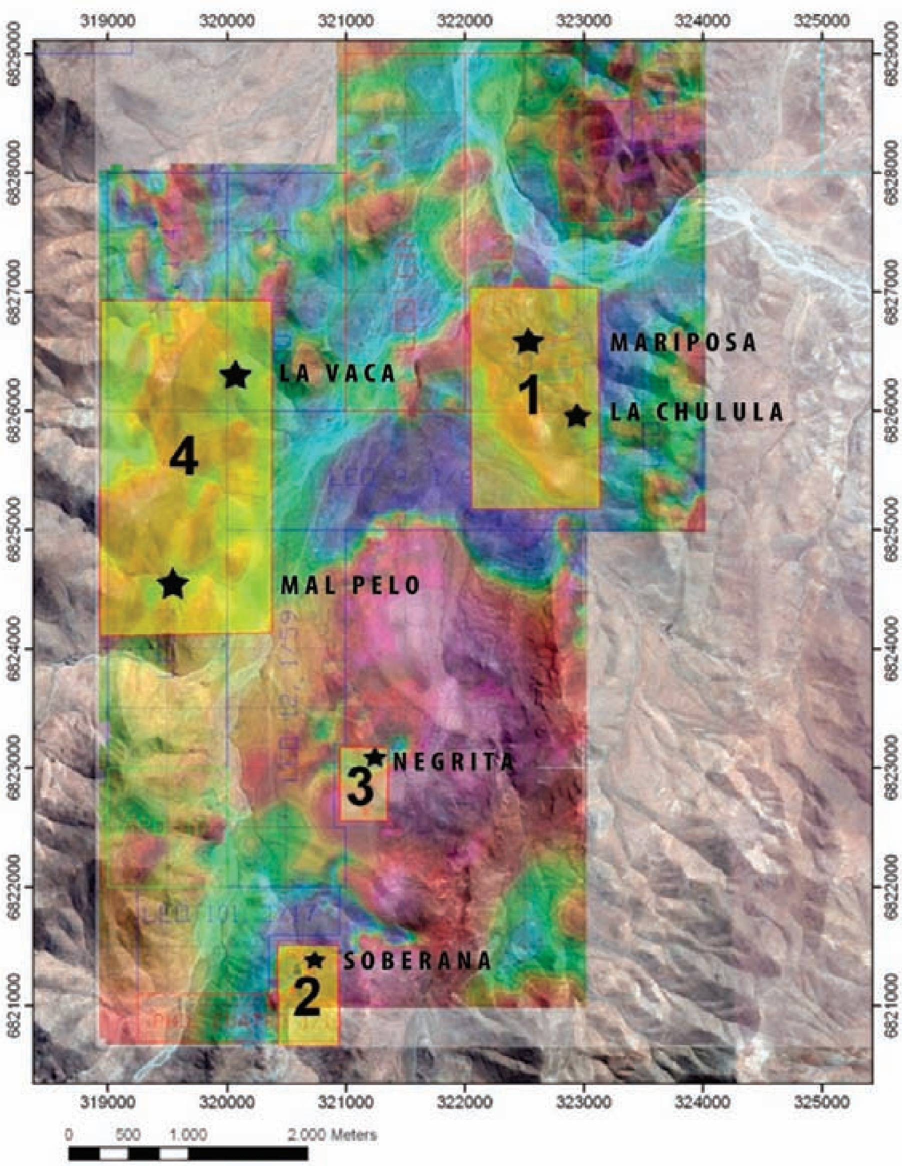
The area is located north of Vallenar and borders Los Colorados, Chile's largest iron ore mine which is owned by Compañía Minera del Pacífico.

Legend

Landmarks

Roads Condition Good

Pampa Tololo



Map of Harper South, covering over 3,100 hectares

The areas numbered and shown in yellow indicate the areas that have been defined to be targeted by a high resolution ground magnetic survey.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- 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 Managing Director and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors,

Stephen C. Prior
Managing Director
Melbourne, 2 September 2011.

Independent Auditor's Report

PKF

Chartered Accountants
& Business Advisers

**INDEPENDENT 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 at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Admiralty Resources NL (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 24 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Admiralty Resources NL for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

PKF

PKF

R A Dean
Partner

2 September 2011
Melbourne

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

	Note	2011 $	2010 $
Continuing revenue			
Other revenue	2	203,491	237,484
Total revenue		**203,491**	**237,484**
Expenses			
Depreciation expense	3	2,363	70,892
Employee and director costs	3	533,510	617,317
Consultancy and professional expenses		994,709	717,583
Occupancy expenses		43,267	110,946
Travel expenses		68,128	58,988
Finance costs		-	162,717
Bad debts expense		-	137,457
Administration expenses		699,013	697,240
Loss on foreign exchange translation	3	195,510	-
Total expenses		**(2,536,500)**	**(2,573,140)**
LOSS BEFORE INCOME TAX EXPENSE		**(2,333,009)**	**(2,335,656)**
Income tax expense		-	-
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		**(2,333,009)**	**(2,335,656)**
Profit from discontinuing operations	6	16,748,682	669,428
PROFIT/(LOSS) AFTER TAX		**14,415,673**	**(1,666,228)**
Other comprehensive income			
Foreign exchange differences arising in translation of foreign operations	21	(9,209,340)	(524,666)
Income tax on other comprehensive income		-	-
Total other comprehensive loss net of taxes		(9,209,340)	(524,666)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**5,206,333**	**(2,190,894)**
Profit/(loss) after tax for the year is attributable to:			
Members of the parent entity		14,415,673	(1,666,228)
		14,415,673	**(1,666,228)**
Basic and diluted loss per share from continuing operations (cents per share)		(0.46)	(0.60)
Basic and diluted profit per share from discontinuing operations (cents per share)		3.30	0.17
Basic and diluted profit/(loss) per share (cents per share)	10	2.84	(0.43)

Notes to the financial statements are included on pages 34 to 64.

Consolidated Statement of Financial Position

as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	23A	5,032,970	1,265,227
Trade and other receivables	9	85,917	1,119,541
Other financial assets	12	854,511	3,600
Inventories	13	-	3,874,304
Other	18	-	35,305
Total current assets		**5,973,398**	**6,297,977**
Non-current assets			
Property, plant and equipment	17	10,355	1,488,721
Other financial assets	12	777,992	-
Contractual royalty rights	16	29,373,250	-
Mining interests	15	15,321,691	38,483,602
Other	18	21,656	650,708
Total non-current assets		**45,504,944**	**40,623,031**
TOTAL ASSETS		**51,478,342**	**46,921,008**
Current liabilities			
Trade and other payables	19	363,594	2,059,028
Total current liabilities		**363,594**	**2,059,028**
Non-current liabilities			
Provision for make-good of mine		-	1,417,943
Trade and other payables	19	-	2,760,061
Total non-current liabilities		**-**	**4,178,004**
TOTAL LIABILITIES		**363,594**	**6,237,032**
NET ASSETS		**51,114,748**	**40,683,976**
Equity			
Contributed equity	20	134,514,263	129,289,824
Foreign currency translation reserve	21	(675,205)	8,534,135
Accumulated losses		(82,724,310)	(97,139,983)
TOTAL EQUITY		**51,114,748**	**40,683,976**

Notes to the financial statements are included on pages 34 to 64.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

	Contributed equity $	*Option premium reserve* $	*Foreign currency translation reserve* $	*Accumulated losses* $	*Total equity* $
At 1 July 2010	129,289,824	-	8,534,135	(97,139,983)	40,683,976
Profit for the year	-	-	-	14,415,673	14,415,673
Other comprehensive loss	-	-	(9,209,340)	-	(9,209,340)
Total comprehensive profit/(loss) for the year	**-**	**-**	**(9,209,340)**	**14,415,673**	**5,206,333**
Transactions with owners in their capacity as owners					
Issue of share capital net of costs	5,224,439	-	-	-	5,224,439
Balance as at 30 June 2011	**134,514,263**	**-**	**(675,205)**	**(82,724,310)**	**51,114,748**

	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 comprehensive loss for the year	-	-	**(524,666)**	**(1,666,228)**	**(2,190,894)**
Transactions with owners in their 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**

Notes to the financial statements are included on pages 34 to 64.

Consolidated Statement of Cash Flows

for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Receipts from customers		-	367,680
Payments to suppliers and employees		(3,161,209)	(7,037,634)
Interest received		40,760	17,221
Interest and other costs of finance paid		-	(165,359)
Net cash used in operating activities	23(B)	**(3,120,449)**	**(6,818,092)**
Cash flows from investing activities			
Payment for property, plant and equipment		-	(175,390)
Proceeds from sale of property, plant and equipment		-	2,514,592
Payment of royalty liability		-	(266,600)
Purchase of non-controlling interest		-	(1,724,228)
Proceeds from sale of shares		5,640	-
Proceeds from sale of SCM VIC	6	1,971,603	-
Payment of Pampa Tololo option liability		(285,068)	-
Payment of costs to be reimbursed		(335,377)	-
Receipt of reimbursed costs		318,019	-
Net cash from investing activities		**1,674,817**	**348,374**
Cash flows from financing activities			
Proceeds from issues of equity securities net of costs		5,224,439	9,358,755
Proceeds from loans		200,000	250,000
Repayments of loans		(200,000)	(250,000)
Repayments of convertible loan		-	(2,672,747)
Net cash from financing activities		**5,224,439**	**6,686,008**
Net increase in cash held		3,778,807	216,290
Cash and cash equivalents at the beginning of the financial year		1,265,227	1,071,482
Effects of exchange rate changes on the translation of foreign controlled entities		(11,064)	(22,545)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	23(A)	**5,032,970**	**1,265,227**

Notes to the financial statements are included on pages 34 to 64.

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1 Summary of Accounting Policies

General information

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

Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorised for issue by the Directors on 2 September 2011.

Basis of preparation

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(x).

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity can be found at Note 4.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Admiralty Resources NL ("Company" or "parent entity") as at 30 June 2011 and the results of the subsidiaries for the year ended 30 June 2011. Admiralty Resources NL and its subsidiaries together are referred to in the financial statements as the "consolidated entity".

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the "management approach", where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 1 Summary of Accounting Policies (Continued)

(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 Directors continue the ongoing and active management of the expenditure incurred by the consolidated entity to protect the current cash levels. The cash flow forecast indicates that there are sufficient cash resources available to fund the planned activities and commitments of the consolidated entity for at least the next twelve months. In the unlikely event that unbudgeted costs are incurred, the consolidated entity has various alternatives available including the ability to reduce discretionary expenditure whilst additional finance is sought through capital raising arrangements or other means. In addition, the consolidated entity expects to begin receiving cash flows from SCM Vallenar Iron Company relating to the royalty stream on all production of iron ore fines from Harper North by the end of the 2012 calendar year.

The Directors have reviewed the consolidated entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

(b) 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.

(c) 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 and the cost method in the Company's 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.

(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.

Note 1 Summary of Accounting Policies (Continued)

(e) 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).

Current and deferred tax for the period

Current and deferred tax for the period 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.

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 or consolidated entity intends to settle its current tax assets and liabilities on a net basis.

(f) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income.

(g) 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.

Note 1 Summary of Accounting Policies (Continued)

(h) 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 of inventories less all estimated costs of completion and costs necessary to make the sale.

(i) 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
Plant & Equipment	4 – 20 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.

(j) 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(s) for accounting policy related to compound instruments.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant amount of risk of changes in value.

(l) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Note 1 Summary of Accounting Policies (Continued)

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of the discounting is immaterial.

(n) Accounts payable

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) 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.

(p) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Contractual royalty rights

The annual report for the consolidated entity includes non-current assets relating to contractual royalty rights to the amount of $29,373,250. These rights represent the value of royalties due under an agreement with SCM Vallenar Iron Company ("VIC"). The royalties are on all production of iron ore fines produced by VIC from Harper North. As a result, the royalty will be amortised using a method based on the production of iron ore fines.

Note 1 Summary of Accounting Policies (Continued)

(q) Provision for make-good of exploration, development and mining operations

The consolidated entity 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 disturbances or changes in make-good of mine costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred. The carrying amount capitalised as a part of mining assets is amortised over the life of the mine.

(r) 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.

(s) 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.

Note 1 Summary of Accounting Policies (Continued)

(t) 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 consolidated entity 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.

(u) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement for the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the consolidated entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to the dilutive potential ordinary shares.

(w) 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 2010 year as management assessed that it was improbable a liability existed. This gain relates to discontinued operations and is therefore included in discontinued operations as disclosed in Note 6.

Note 1 Summary of Accounting Policies (Continued)

(x) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and other expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Fair value and hierarchy of financial instruments

The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified at level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustment based on observable inputs.

(y) New standards and interpretations

(i) Changes in accounting policy and disclosures

The consolidated entity 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 2010. Those adopted are:

- AASB 2 - Share-based Payment Transactions;
- AASB 2009-5 - Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2010-3 - Amendments to Australian Accounting Standards arising from the Annual Improvements Project; and
- Interpretation 19 - Extinguishing Financial Liabilities with Equity Instruments.

The adoption of these Standards or Interpretations is not deemed to have a material impact on the financial statements or performance of the consolidated entity.

Note 1 Summary of Accounting Policies (Continued)

(y) New standards and interpretations (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have been adopted by the consolidated entity for the annual reporting period ending 30 June 2011, are outlined in the table below:

Reference	*Title*	*Details of New standard / amendment / interpretation*	*Impact*	*Application date*
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 2009-11	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
AASB 2009-12	Amendments to Australian Accounting Standards	These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 "Operating Segments" and requires an entity to exercise judgement in assessing whether a government and entities known to be under control of that government are considered a single customer for the purposes of operating segment disclosures.	(ii)	1 July 2011
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	These amendments make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosure in AASB 7 "Financial Instruments: Disclosures" and provides guidance of significant events and transactions in AASB 134 "Interim Financial Reporting".	(ii)	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards	These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes to the text of International Financial Reporting Standard by the International Accounting Standards Board.	(ii)	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards - Disclosure of Transfer of Financial Assets	These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets. The adoption of these amendments will increase the disclosure requirements when an asset is transferred but is not derecognised and new disclosures required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale.	(ii)	1 July 2011
AASB 2010-8	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets	These amendments bring a practical approach for the measurement of deferred tax relating to investments properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model.	(iii)	1 July 2011

(i) The consolidated entity'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 consolidated entity's financial statements.
(iii) The consolidated entity has not yet determined the potential effect of the standard.

Note 2 Revenue

	2011 $	2010 $
Other income		
Interest income	40,762	14,779
Profit on sale of fixed assets	27,261	-
Profit on foreign exchange	-	214,482
Finance income	135,468	8,223
	203,491	**237,484**

Note 3 Expenses

	Note	2011 $	2010 $
Wages, salaries and director fees		510,324	648,317
Superannuation		23,186	9,000
Executive share plan	(i)	-	(40,000)
		533,510	**617,317**
Depreciation of non-current assets		2,363	70,892
		2,363	**70,892**
Foreign exchange translation:			
Realised		85,159	-
Unrealised		110,351	-
		195,510	**-**

(i) The shares were granted by the Board prior to 30 June 2009; however, they 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, which was during the year ended 30 June 2010.

Note 4 Parent Entity

As at, and throughout, the financial year ended 30 June 2011 the parent company of the consolidated entity was Admiralty Resources NL. The results and financial position of the parent entity are detailed below.

	2011	*2010*
	$	*$*
Result of the parent entity		
Profit for the year	12,831,511	(11,133,952)
Other comprehensive income	-	-
Total comprehensive income for the year	**12,831,511**	**(11,133,952)**
Financial position of the parent entity at year end		
Current assets	5,894,719	639,968
Non-current assets	44,265,582	31,255,767
Total assets	**50,160,301**	**31,895,735**
Current liabilities	363,433	154,816
Non-current liabilities	-	-
Total liabilities	**363,433**	**154,816**
Net assets	**49,796,868**	**31,740,919**
Total equity of the parent entity comprising of:		
Contributed equity	134,514,263	129,289,824
Accumulated losses	(84,717,395)	(97,548,905)
Total equity	**49,796,868**	**31,740,919**

Parent entity contingencies and commitments

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

Operating expenditure commitments	*2011*	*2010*
	$	*$*
Payable		
no later than 1 year	8,400	8,400
	8,400	**8,400**

Note 5 Income Taxes

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

	2011	*2010*
	$	*$*
Loss from continuing operations	(2,333,009)	(2,335,656)
Profit from discontinued operations	16,748,682	669,428
	14,415,673	**(1,666,228)**
Prima facie tax payable to ATO on loss from Australian continuing activities before income tax at 30% (2010: 30%)	(2,693,362)	(553,108)
Prima facie tax payable to Servicio de Impuestos on profit from Chilean continuing activities before income tax at 17% (2010: 17%)	3,976,902	30,169
Reversal of allowance for loss on onerous contract	-	(912,222)
Impairment expense	-	(251,518)
Provision for make-good of mine	-	11,893
Unrealised foreign exchange gains	(54,604)	-
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)
Unbooked tax benefit of capital loss on loan forgiven	2,086,868	-
Non-assessable accounting gain on disposal of VIC	(5,537,525)	-
Tax losses not brought to account as deferred tax assets	2,221,721	2,665,444
Income tax expense attributable to loss from continuing activities	**-**	**-**
Foreign exchange translation	-	-
Provision for income tax expense	**-**	**-**
The estimated deferred tax assets not brought to account:		
Tax losses – revenue	20,483,586	18,261,865
Tax losses – capital	3,085,517	998,649
	23,569,103	**19,260,514**

Realisation of the above benefits is dependent on:

- 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;
- the ability of the consolidated entity to continue to comply with the conditions for deductibility imposed by law; and
- 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 Discontinued Operations

Disposal of SCM Vallenar Iron Company

On 16 November 2010, the consolidated entity sold 100% ownership of SCM Vallenar Iron Company. Details of the fair value of assets and liabilities disposed of are as follows:

	Note	2011 $	2010 $
Consideration received or receivable			-
Cash consideration received at completion	(a)	1,029,000	-
Deferred purchase consideration - Current	(a)	1,013,400	-
Deferred purchase consideration - Non-current	(b)	1,607,773	-
Contractual royalty rights		29,373,250	-
		33,023,423	**-**
The carrying amount of assets and liabilities at the time of the disposal			
Cash and cash equivalents		5,049	-
Inventory		3,682,202	-
Mining Interests		21,592,201	-
Fixed Assets		1,277,530	-
Guarantees		599,946	-
Other assets		930,235	-
Total assets disposed		**28,087,163**	-
Other liabilities		2,704,214	-
Accruals & provisions		1,514,128	-
Total liabilities disposed		**4,218,342**	**-**
Net assets disposed		23,868,821	-
Gain on disposal of discontinuing operations		**9,154,602**	**-**
Profit from discontinuing operations			
Gain on disposal		9,154,602	-
Other revenue		127,341	1,097,420
Operational expenses		(265,874)	(563,831)
Employee benefit expense		(764,846)	(3,213,610)
Depreciation		(33,047)	(387,575)
Other expenses		(302,075)	(1,628,988)
Profit/(Loss) before significant items	(c)	**7,916,101**	**(4,696,584)**
Reserves realised on disposal		8,832,581	-
Allowance for loss on onerous contract		-	5,366,012
Profit from discontinuing operations		**16,748,682**	**669,428**

(a) The actual cash consideration received during the year was $1,971,603 and includes cash consideration received at completion and deferred purchase consideration - current, net of exchange movements.
(b) The value of these receivables at 30 June 2011 has changed due to foreign exchange movements.
(c) Significant items are those which are incurred on a one-off basis.

Note 7 Key Management Personnel Disclosure

Key management personnel requires disclosure of the five most highly remunerated S.300A Directors and executives. The Directors do not consider the Company Secretary as a consolidated entity executive and therefore 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 and Managing Director
- Michael S. Perry, Non-executive Director
- Dr Shaoqing Li, Non-executive Director (appointed 29 March 2011)

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

- Stephen C. Prior, Executive Director and Managing Director
- R. Michael Clarke, President of VIC (ceased 10 October 2010)
- Esteban Torres, Vice-President of VIC (ceased 10 October 2010)
- Ricardo González, Executive of VIC (ceased 10 October 2010)

(b) Key management personnel compensation

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

		2011 *$*	*2010* *$*
Short-term director benefits	(i)	501,135	383,802
Short-term executive benefits		326,647	1,317,746
Retirement and termination benefits		418,177	249,000
Share-based payments		-	(32,000)
Total		**1,245,959**	**1,918,548**

(i) Benefits paid to personnel who classify as both a director and executive have been included in director benefits.

(c) Shareholdings

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

Directors and Executives		*Balance 1 July 2010*	*Net change other (i)*	*Reduction due to consolidation (ii)*	*Balance 30 June 2011*
Professor J. Ross Harper		1,320,000	1,254,546	(1,056,000)	1,518,546
Stephen C. Prior		5,000,000	7,454,546	(9,800,000)	2,654,546
Michael S. Perry		2,000,000	2,454,546	(3,200,000)	1,254,546
Dr Shaoqing Li		-	73,553,031	-	73,553,031
Total Directors		**8,320,000**	**84,716,669**	**(14,056,000)**	**78,980,669**
R. Michael Clarke	(iii)	4,000,000	(800,000)	(3,200,000)	-
Esteban Torres		-	-	-	-
Ricardo González		-	-	-	-
Total Executives		**4,000,000**	**(800,000)**	**(3,200,000)**	**-**
Total		**12,320,000**	**83,916,669**	**(17,256,000)**	**78,980,669**

(i) Net change other refers to shares purchased or sold during the financial year.
(ii) Share consolidation on a basis of 1 new share for every 5 shares held was approved by members at the 2010 AGM.
(iii) The net change reflects the shares held by R. Michael Clarke at the date of ceasing with the consolidated entity.

Note 7 Key Management Personnel Remuneration and Equity Holdings (Continued)

Directors and Executives	*Balance 1 July 2009*	*Issued under executive share plan*	*Net change other**	*Balance 30 June 2010*
Professor 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)	-
Total Directors	**1,320,000**	**6,000,000**	**1,000,000**	**8,320,000**
R. Michael Clarke	-	4,000,000	-	4,000,000
Esteban Torres	-	-	-	-
Ricardo González	-	-	-	-
Total Executives	**-**	**4,000,000**	**-**	**4,000,000**
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.

(d) Share based payment plans

Employee option plan

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

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

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

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

Participants in the option plan cannot encumber the options.

Information with respect to the number of options granted under the employee option plan is as follows:

	30 June 2011 number of options	*30 June 2011 weighted average exercise price $*	*30 June 2010 number of options*	*30 June 2010 weighted average exercise price $*
Balance at beginning	-	-	1,000,000	0.10
Forfeited	-	-	(1,000,000)	0.10
Balance at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-

No options were on issue during the year and 1,000,000 options lapsed during the 2010 year.

Note 7 Key Management Personnel Remuneration and Equity Holdings (Continued)

(d) 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 2011 Number of Shares	30 June 2011 Value $	30 June 2010 Number of Shares	30 June 2010 Value $
Balance at beginning	-	-	-	-
Granted (i)	-	-	-	(40,000)
Balance at end of year	**-**	-	**-**	**(40,000)**

(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.

(e) Remuneration

Details of Director and Executive remuneration are disclosed in the Remuneration Report on pages 22 to 24.

Note 8 Remuneration of Auditors

	2011 $	2010 $
Audit and review fees for the parent entity	74,000	74,390
Audit and review fees for the subsidiary, SCM Vallenar Iron Company paid to PKF Chile	17,278	27,205
	91,278	**101,595**

The auditor of the consolidated entity is PKF Chartered Accountants.

Note 9 Trade and Other Receivables

	Note	2011 $	2010 $
Current			
Security deposits		8,563	8,563
Sundry receivables	(a)	77,354	1,080,475
Goods and services tax (GST) receivable		-	30,503
		85,917	**1,119,541**

(a) Sundry receivables include VAT refundable of approximately $66,000 (2010: $930,000) and various trade and other debtors, none of which are impaired.

Note 10 Earnings per Share

		2011 $	2010 $
a.	Reconciliation of earnings to net profit or loss		
	Loss from continuing operations used in the calculation of basic and dilutive EPS	(2,333,009)	(2,335,656)
	Profit from discontinued operations used in the calculation of basic and dilutive EPS	16,748,682	669,428
	Total profit/(loss) after tax for the year used in the calculation of basic and dilutive EPS	14,415,673	(1,666,228)
		Number	*Number*
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	508,034,815	383,783,312
c.	Basic and diluted loss per share from continuing operations (cents per share)	(0.46)	(0.60)
	Basic and diluted earnings per share from discontinued operations (cents per share)	3.30	0.17
	Basic and diluted earnings/(loss) per share (cents per share)	2.84	(0.43)
d.	There are no options on issue therefore basic and diluted earnings per share are identical.		

Note 11 Dividends

No dividends were paid or declared during the year ended 30 June 2011.

At 30 June 2011, the balance of the franking account of the consolidated entity and the parent entity was $nil (2010:$nil).

Note 12 Other Financial Assets

	Note	2011 $	2010 $
Current			
Deferred purchase consideration	(a)	854,511	-
Available for sale investments carried at fair value			
Shares in listed corporations, at fair value	(b)	-	3,600
		854,511	**3,600**
Non-current			
Deferred purchase consideration	(a)	777,992	-
		777,992	**-**

(a) The consolidated entity is due to receive the remaining US$2,000,000 relating to the sale of SCM VIC from Australis Mining Ltd in two US$1,000,000 tranches due in March 2012 and November 2012. These receivables were initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

(b) The consolidated entity owned 300,000 ordinary shares in SmartTrans Holdings Ltd, a mining exploration and technology company, at 30 June 2010. These shares were sold during the year ended 30 June 2011.

Note 13 Inventories

	2011 $	2010 $
Inventories at cost		
Iron ore stockpiles	-	3,874,304
	-	**3,874,304**

Note 14 Controlled Entities

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

Name of entity	Country of incorporation	Principal activity	Percentage owned (%) 2011	2010
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 *	Australia	Iron ore exploration	100%	100%
Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile (Branch)	Iron ore exploration	100%	0%
Fortune Global Holdings Corporation	British Virgin Islands	Currently dormant Former shareholder of SCM Vallenar Iron Company	100%	100%
Inversiones Admiralty Resources Chile Ltda	Chile	Currently dormant Former shareholder of SCM Vallenar Iron Company	100%	100%
Sociedad Contractual Minera Vallenar Iron Company	Chile	Iron ore exploration	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 15 Mining Interests

	Note	2011 $	2010 $
Exploration interest - at cost		15,321,691	62,915,147
Accumulated amortisation - exploration interests	(a)	-	(967,739)
Impairment writedown		-	(24,739,955)
Provision of make-good of mine	(b)	-	1,417,943
Accumulated amortisation of make-good	(b)	-	(141,794)
		15,321,691	**38,483,602**

(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.

Movements in carrying amounts	2011 $	2010 $
Balance at the beginning of the year	38,483,602	38,787,897
Additions	-	-
Disposals	(21,592,211)	-
Amortisation of mining interests	-	(66,372)
Impairment of mining interests	-	-
FX adjustment	(1,569,710)	(237,923)
Carrying amount at the end of year	**15,321,691**	**38,483,602**

Note 16 Contractual Royalty Rights

	Note	2011 $	2010 $
Contractual royalty rights	(a)	29,373,250	-
Accumulated amortisation		-	-
		29,373,250	**-**

Movements in carrying amounts	2011 $	2010 $
Balance at the beginning of the year	-	-
Additions	29,373,250	-
Disposals	-	-
Amortisation	-	-
Carrying amount at the end of year	**29,373,250**	**-**

(a) The contractual royalty rights were received as part of the consideration for the disposal of VIC as disclosed in Note 6. Corsair Capital Ltd ("Corsair") has guaranteed the Purchaser's obligation in respect of the first 5 million tonnes of iron ore extracted from the Northern Region of the Harper Geological District. Corsair's obligations under this guarantee are secured by a mortgage over the shares in Australis Mining Ltd (formerly Icarus Derivatives Limited) ("Australis"), the owner of VIC. Under the share sale agreement, Australis are prohibited from selling, transferring or disposing of any of the tenements held by VIC without prior written consent from the Company.

Note 17 Property Plant and Equipment

	2011 $	2010 $
Plant and equipment		
Plant and equipment		
At cost	14,064	1,613,333
Accumulated depreciation	(7,074)	(295,702)
	6,990	**1,317,631**
Motor vehicles		
At cost	-	116,115
Accumulated depreciation	-	(39,554)
	-	**76,561**
Office furniture		
At cost	11,968	130,905
Accumulated depreciation	(8,603)	(36,376)
	3,365	**94,529**
NET BOOK VALUE	**10,355**	**1,488,721**

2011 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	1,317,631	76,561	94,529	1,488,721
Disposals	(1,308,781)	(76,561)	(90,661)	(1,476,003)
Depreciation expense	(1,860)	-	(503)	(2,363)
Carrying amount at the end of year	**6,990**	**-**	**3,365**	**10,355**

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 18 Other Assets

	Note	2011 $	2010 $
Current			
Other		-	35,305
		-	**35,305**
Non-current			
Deposits receivable	(a)	15,544	644,105
Other		6,112	6,603
		21,656	**650,708**

(a) Deposits receivable includes a bank deposit of $nil (2010: $629,143) which secured a bank guarantee in respect of the Punta Alcalde maritime concession.

Note 19 Trade and Other Payables

	Note	2011 $	2010 $
Current			
Trade payables and accruals	(a)	363,594	1,772,792
Long-term royalties acquired	(b)	-	286,236
		363,594	**2,059,028**
Non-current			
Long-term royalties acquired	(b)	-	2,760,061
		-	**2,760,061**

(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 time frame.

(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. This liability was disposed of via the sale of VIC.

Note 20 Contributed Equity

	Note	2011 $	2010 $
606,518,966 (2010: 2,311,155,977) fully paid ordinary shares	(a)	134,514,263	129,289,824
		134,514,263	**129,289,824**

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

(a) Ordinary shares

	Note	2011 $	2010 $
Ordinary shares			
At the beginning of the financial year		129,289,824	112,919,023
Shares capital issued under the executive and consultants share plan	(i)	-	(40,000)
Transferred from option premium reserve		-	3,475,105
Issue of share capital net of costs		5,224,439	12,935,696
CONTRIBUTED EQUITY AT THE END OF THE FINANCIAL YEAR		**134,514,263**	**129,289,824**

(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 during the 2010 year to the fair value of the shares on the date of issue being 1.6c per share.

	Note	2011 Number	2010 Number
Ordinary shares			
At the beginning of the financial year		2,311,155,977	1,361,393,317
Shares issued or reduced during the year			
Shares issued under the executive and consultants share plan		-	10,000,000
Shares issued to sophisticated investors		99,692,546	363,864,833
Shares issued to existing shareholders under the Rights Issue		-	417,678,004
Shares issued via conversion of convertible loans		-	158,219,823
Total pre-consolidation shares		**2,410,848,523**	**2,311,155,977**
Share restructure	(ii)	(1,928,678,288)	-
Total post-consolidation shares		**482,170,235**	-
Shares issued to substantial holder		72,000,000	-
Shares issued to existing shareholders under the Share Purchase Plan		52,348,731	-
At the end of the financial year		**606,518,966**	**2,311,155,977**

(ii) Share consolidation on a basis of 1 new share for every 5 shares held was approved by members at the 2010 AGM.

Note 20 Contributed Equity (Continued)

(b) Options

	2011 Number	2010 Number
Options expiring 27/11/2009		
At the beginning of the financial year	-	1,000,000
Expired during the year	-	(1,000,000)
At the end of the financial year	-	-

(c) Capital management

The consolidated entity manages its capital to ensure that entities in the consolidated entity 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, 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 2010.

Note 21 Foreign Currency Translation Reserve

	2011 $	2010 $
Balance at the beginning of financial year	8,534,135	9,058,801
Exchange differences realised on disposal of foreign operations	(8,832,581)	-
Exchange differences arising on translation of foreign operations	(376,759)	(524,666)
Movement in foreign currency translation reserve	(9,209,340)	(524,666)
Balance at the end of the financial year	**(675,205)**	**8,534,135**

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 22 Capital and Leasing Commitment

The consolidated entity is committed to minimum exploration expenditure on its various mining tenements and leases as follows:

	2011 $	2010 $
Payable		
no later than 1 year	80,000	589,087
later than 1 year but not later than 5 years	280,000	677,459
	360,000	**1,266,546**

The minimum expenditure is the estimated annual costs relating to the consolidated entity's tenements.

Note 23 Notes to the Statement of Cash Flows

		2011 $	2010 $
(A)	***Reconciliation of cash and cash 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	**5,032,970**	**1,265,227**
(B)	***Reconciliation of net cash flow from operating activities with profit/(loss) for the year***		
	Profit/(loss) for the year	14,415,673	(1,666,228)
	Non-cash flows in loss from continuing activities:		
	Depreciation	2,363	458,467
	Provision for make-good of mine	-	69,957
	Allowance for loss on contract	-	(5,366,012)
	Bad debts	-	137,457
	Gain of disposal of fixed assets	-	(703,145)
	Unwinding of discount on deferred purchase consideration	(135,468)	-
	Share-based payments	-	(40,000)
	Profit on disposal of business	(9,154,602)	-
	Derecognition of foreign currency reserve	(8,832,581)	-
	Unrealised foreign exchange loss	486,796	(299,553)
	Changes in assets and liabilities net of effects from disposal of businesses:		
	Increase/(decrease) in trade and term debtors	(108,955)	1,219,991
	Decrease in inventory	-	240,137
	(Increase)/decrease in other assets	-	(35,305)
	(Increase)/decrease in current tax liability	-	(2,756)
	Decrease/(increase) in trade creditors and accruals	206,325	(831,102)
NET CASH USED IN OPERATING ACTIVITIES		**(3,120,449)**	**(6,818,092)**

Note 24 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 two geographical locations: Australia and Chile.

The head office and management activities of the consolidated entity take place predominantly in Australia. Exploration, appraisal, development and production activities for mineral resources takes place in both Chile and Australia.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors and the Managing Director (the chief operating decision maker).

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 consolidated entity's policy described in this note. There were no inter-segments sales.

Note 24 Segment Reporting (Continued)

	Australia		*Chile*		*Consolidated Entity*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*
	$	*$*	*$*	*$*	*$*	*$*
Revenue						
Operating revenue from continuing operations	-	-	-	-	-	-
Other revenue from continuing operations	135,468	-	27,261	237,484	162,729	237,484
Other revenue from discontinuing operations	-	-	-	865,717	-	865,717
Total allocated segment revenue	**135,468**	**-**	**27,261**	**1,103,565**	**162,729**	**1,103,565**
Unallocated interest income					40,762	17,221
Entity revenue					**203,491**	**1,120,786**
Result						
Segment result from continuing operation	(2,021,644)	(2,513,119)	(311,364)	177,463	(2,333,008)	(2,335,656)
Segment result from discontinuing operation	-	-	16,748,682	669,428	16,748,682	669,428
Total segment result	**(2,021,644)**	**(2,513,119)**	**16,437,318**	**846,891**	**14,415,674**	**(1,666,228)**
Losses attributable to non-controlling interest					-	-
Operating profit/(loss) before income tax					14,415,674	(1,666,228)
Assets						
Segment assets	36,107,465	704,414	15,370,877	46,216,594	51,478,342	46,921,008
Consolidated total assets					**51,478,342**	**46,921,008**
Liabilities						
Segment liabilities	158,414	154,816	205,180	6,082,216	363,594	6,237,032
Consolidated total liabilities					**363,594**	**6,237,032**
Other						
Acquisitions of non-current segment assets	-	2,340	-	173,050	-	175,390
Depreciation & amortisation of segment assets	2,363	2,844	-	455,623	2,363	458,467

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 25 Events Subsequent to Reporting Date

There have been no significant events subsequent to reporting date.

Note 26 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions are 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 14 to the financial statements.

Equity interests in other related parties

Details of interests in other related parties are disclosed in Note 14 to the financial statements.

(b) Key management personnel remuneration

Key management personnel remuneration is disclosed in Note 7 to the financial statements and in the Remuneration Report in the Directors' Report.

(c) Key management personnel equity holdings

Details of specified key management personnel equity holdings are disclosed in Note 7 to the financial statements.

(d) Loans

The consolidated entity had no loans with related parties during the year.

(e) 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 table below provides the details and amounts of these related party transactions.

	2011	*2010*
	$	*$*
Rent of Admiralty Resources NL's office	33,600	33,600
Services by Mr Patrick Rossi for Company Secretarial and accounting services	120,000	50,000
Services of Mr Stephen C. Prior as Company Secretary	-	70,000
Executive Assistant services	45,360	45,360
Accounting and tax services	5,861	139,732
	204,821	**338,692**

All related party transactions are charged at market rates.

Note 27 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 derivative 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				
		Weighted Average Effective Interest Rate	*Floating Interest Rate*	*Less than 1 year*	*1-5 years*	*More than 5 years*	*Non-Interest Bearing*	*Total*
2011		%	$	$	$	$	$	$
Financial assets								
Cash		2.85	3,629,843	-	-	-	1,403,127	5,032,970
Receivables			-	-	-	-	85,917	85,917
Deferred purchase consideration	(a)		-	-	-	-	1,632,503	1,632,503
Total financial assets			**3,629,843**	**-**	**-**	**-**	**3,121,547**	**6,751,390**
Financial liabilities								
Trade payables and accruals			-	-	-	-	363,594	363,594
Long-term payables			-	-	-	-	-	-
Total financial liabilities			**-**	**-**	**-**	**-**	**363,594**	**363,594**

(a) The consolidated entity is due to receive the remaining US$2,000,000 relating to the sale of VIC from Australis Mining Ltd in two US$1,000,000 tranches due in March 2012 and November 2012. These receivables were initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Note 27 Financial Instruments (Continued)

(c) Interest rate risk (Continued)

2010	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	0.22	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**

(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 consolidated entity's income and expenditure 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 27 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. Actual 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	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*
Financial assets								
Cash and cash equivalents	5,032,970	1,265,227	-	-	-	-	5,032,970	1,265,227
Trade, term and loans receivables	85,917	1,119,541	-	-	-	-	85,917	1,119,541
Deferred purchase consideration	854,511	-	777,992	-	-	-	1,632,503	-
Listed shares	-	3,600		-	-	-	-	3,600
	5,973,398	**2,388,368**	**777,992**	**-**	**-**	**-**	**6,751,390**	**2,388,368**
Financial liabilities								
Trade and other payables	363,594	2,059,028	-	946,165	-	1,813,896	363,594	4,819,089
Total outflows	**363,594**	**2,059,028**	**-**	**946,165**	**-**	**1,813,896**	**363,594**	**4,819,089**
Net financial assets/(liabilities)	**5,609,804**	**329,340**	**777,992**	**(946,165)**	**-**	**(1,813,896)**	**6,387,796**	**(2,430,721)**

Note 27 Financial Instruments (Continued)

(g) Fair values

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

	2011	*2010*
	$	*$*
Financial assets		
Cash	5,032,970	1,265,227
Receivables	85,917	1,119,541
Deferred purchase consideration	1,632,503	-
Listed shares	-	3,600
Total financial assets	**6,751,390**	**2,388,368**
Financial liabilities		
Payables	363,594	2,059,028
Long-term payables	-	2,760,061
Total financial liabilities	**363,594**	**4,819,089**

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*
		2011	*2011*
		$	*$*
AUD/USD	+ 5%	151,000	151,000
	- 5%	(151,000)	(151,000)
AUD/CLP	+ 5%	-	-
	- 5%	-	-

Note 28 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:

	2011	*2010*
	$	*$*
United States Dollars (USD)		
Cash	1,378,402	4,516
Deferred purchase consideration	1,632,503	-
Chilean Pesos (CLP)		
Cash	7,450	656,127

Note 29 Contingent Liabilities and Contingent Assets

The Company has no material contingent liabilities or contingent assets.

Additional Information for Public Listed Companies

1. Shareholder Information

(a) Distribution of shareholders by class at 31 August 2011.

Category (size of holding)	Ordinary Shares	Number of Holders
1 - 1,000	961,556	1,685
1,001 - 5,000	7,778,285	2,824
5,001 – 10,000	10,844,491	1,392
10,001 - 100,000	97,818,598	2,812
100,001 and over	489,116,036	570
	606,518,966	**9,283**

(b) The number of shareholdings held in less than marketable parcels is 5,492 at 31 August 2011.

(c) The number of holders of each class of equity security as at 31 August 2011.

Class of Security	Number
Ordinary fully paid shares	606,518,966

(d) Substantial holders as at 31 August 2011.

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act 2001 are:

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Sino Investment and Holding Pty Ltd	72,000,000	11.87%

(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 2011.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Ordinary Issued Capital
1	Sino Investment & Holding Pty Ltd	72,000,000	11.87
2	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	71,083,434	11.72
3	HSBC Custody Nominees (Australia) Limited	46,228,282	7.62
4	Mcneil Nominees Pty Limited	38,829,553	6.40
5	Phillip Securities (Hong Kong) Ltd <Client A/C>	27,153,900	4.48
6	National Nominees Limited	24,400,288	4.02
7	JP Morgan Nominees Australia Limited <Cash Income A/C>	13,431,890	2.22
8	Mr Yongjin Luo	7,506,934	1.24
9	Dr Richard Stuart Parry & Mrs Judith Nancy Parry <R S Parry Super Fund A/C>	4,265,426	0.70
10	Mr Soon Jeung Yuen	3,403,000	0.56
11	Citicorp Nominees Pty Limited	3,281,877	0.54
12	Merrill Lynch (Australia) Nominees Pty Limited	3,014,380	0.50
13	Mrs Frannie Fang Xu Wu	2,657,800	0.44
14	RBC Dexia Investor Services Australia Nominees Pty Limited <Mlci A/C>	2,455,936	0.41
15	Fortieth Agenda Pty Ltd <India Louise Prior A/C>	2,254,546	0.37
16	Mr Charles John Lewis	2,125,023	0.35
17	Mr Glenn Keys & Mrs Amelda Keys <G & A Keys Family A/C>	2,100,000	0.35
18	Mr Paul Sifis	2,000,000	0.33
19	Mr Warren William Brown & Mrs Marilyn Helena Brown	1,920,000	0.32
20	Ms Tamara Milstein	1,770,000	0.29
		331,882,269	**54.71%**

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
Level 16, 379 Collins Street
Melbourne, Victoria 3000
Telephone: (03) 9621 2322
Facsimile: (03) 9621 2422

4. Share Registry Details

Boardroom Limited *(formerly known as Registries Limited)* (as of 6 June 2011)
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: 1300 737 760 (within Australia)
+61 2 9690 9600 (international callers)
Facsimile: +61 2 9279 0664

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 2011.

7. Unquoted Securities

There were no unquoted securities as at 31 August 2011.

Appendix

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

Tel: +(56-2) 4890 800
Fax: +(56-2) 4890 801

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

Mineral Resources Statement for the Mariposa iron deposit, III Region, Chile, SRK Consulting (Chile) S.A., September 2, 2009

Table 1. 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 2. 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**

COMPETENT'S PERSON STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources of the Mariposa iron deposit, 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
SRK Consulting, Chile

ADMIRALTY RESOURCES
Investor Relations

Tel: +61 3 9620 7144 Fax: +61 3 8677 6949
Email: investors@ady.com.au
Web: www.ady.com.au

CHILE