

Dear Shareholder,

### *2011 Highlights and Annual General Meeting*

On behalf of the Board of Admiralty Resources NL ("Admiralty"), I am pleased to enclose the 2011 Highlights with an abbreviated Chairman's Report and Managing Director's Report.

These are extracts from the 2011 Annual Report, which can be viewed on the Company's website at [www.ady.com.au](http://www.ady.com.au) or a copy can be requested through Investor Relations by emailing [investors@ady.com.au](mailto:investors@ady.com.au) or by calling +61 3 9620 7144.

I also gladly invite you to Admiralty's 2011 Annual General Meeting ("AGM") on 27 October 2011. Enclosed is the Notice of Meeting setting out the business of the AGM and the Proxy Form.

If you are unable to attend the AGM, I encourage you to complete the enclosed proxy form. The proxy form should be lodged with Boardroom Limited by 10.30am (AEDT) on Tuesday, 25 October 2011.

Yours sincerely,



Patrick Rossi  
Company Secretary

## Chairman's Report

Dear Shareholder,

On my seventh year as Chairman of Admiralty, I present you our 2011 Highlights.

Over the last seven years, we have had more than our fair share of trouble. 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.



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 came forward.

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 and, eventually, an offer was received from Icarus. 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 we could expect to bring in about US\$100m for the first 10 million tonnes of SCM Vallenar Iron Company ("VIC") production at current prices. On the light of this, we are undertaking further promising development work in our Chilean assets, Harper South and Pampa Tololo.

Another important pillar of our successful year was the strengthening of the Board and our shareholder base 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.

Your Board has also 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.

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.

Yours sincerely,



Professor J. Ross Harper  
Chairman

# 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.

- 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

# Managing Director's Report



The 2011 financial year has been an eventful and successful year for our Company in which Admiralty has refocused on exploration and rebuilt its balance sheet. The highlights of our outstanding year can be summarized into:

- The completion of the sale of our former subsidiary, SCM Vallenar Iron Company ("VIC") to Australis Mining Ltd ("Australis") (formerly *Icarus Derivatives Ltd*);
- Our refocusing on the exploration programme, following the drastic reduction of costs, 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 to ensure that the focus of objectives are followed in accordance with the guidelines of the Board of Directors; and
- Our good corporate results, where we executed two placements raising \$3.6m and completed a Share Purchase Plan raising \$1.7m, enabling the Company to strengthen its financial position.

## Completion of the sale of VIC

The Australis deal provided 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"). Two instalments of US\$1,000,000 have already been received.

The transaction has dramatically reduced the administration overheads in Chile and has provided the Company with the very much needed cash flow to continue its exploration programme and prove up further mineral resources.

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

## Exploration

**Chile.** Admiralty has a strong position in the Chilean iron ore belt, where the Company has kicked off an active exploration programme throughout the mineral concessions owned by its Agency in Chile.

The programme consists of geophysics work and reverse circulation and diamond drilling campaigns, in the different areas of interest, following our goal to improve the value of our asset via drilling out a resource and bringing the project into production as soon as possible.

To this end, previous exploration work has been reviewed and a small consulting exploration team has been established to ensure that there is a good correlation between all available data.

The objectives for this year are to continue the exploration on Harper South and Pampa Tololo concessions, increasing our JORC compliant mineral resources, upgrading the existent resources to reserves and find suitable strategies to exploit the mineral concessions through the following activities:

- A high resolution ground magnetic survey and lithology work in Harper South;
- Drilling programmes in **Mariposa, La Chulula, Negrita, Soberana, La Vaca and Mal Pelo**; and
- A ground magnetic survey over our Pampa Tololo iron prospect, followed by a drilling programme.

Our most heavily explored and documented target is Mariposa. We have commissioned an engineering firm to undertake a mining study and create a mine plan for the Mariposa deposit, meeting broad economic cut-off and processing grades and provide a costed model for pit production, equipment and activities.

Admiralty expects to re-assess Mariposa's current resources 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 meeting with contractors to define the scope of the works.

**Australia.** Admiralty continues to maintain interests in the Bulman project, a 250 km<sup>2</sup> concession prospective for lead and zinc and located in the Northern Territory.

A new highly prospective anomaly in lead and zinc named Ripple Hill was identified during the year and we await in hopeful anticipation the results of the airborne survey that has been undertaken in August 2011.

## 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 and I am, therefore, very excited of the potential that lies ahead as the Company remains well positioned to capitalise on strong demand for commodities.

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 express my thanks to my fellow Directors, our shareholders, our staff, our agent in Chile and our consultants, who have again contributed in a committed fashion to our Company over the past year.

Yours faithfully,

Stephen C. Prior  
Managing Director