

2012

annual report

ADMIRALTY RESOURCES NL

Corporate Details

Admiralty Resources NL

ABN: 74 010 195 972

Directors:

Professor J. Ross Harper
Stephen C. Prior
Michael S. Perry
Dr Shaoqing Li
Hanjing Xu

Company Secretary:

Patrick Rossi

Head Office:

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Melbourne VIC 3000 Australia
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Securities Quoted:

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

Share Registry:

Boardroom Limited
Level 7, 207 Kent Street
Sydney NSW 2000 Australia

Website:

www.ady.com.au

Auditors:

BDO East Coast Partnership
(formerly PKF Chartered Accountants)
Level 14, 140 William Street
Melbourne VIC 3000 Australia

Bankers:

Westpac Banking Corporation
447 Bourke Street
Melbourne VIC 3000 Australia

Citi
2 Park Street
Sydney NSW 2000 Australia

Banco de Chile
Agustinas 1180
Santiago, Chile

Lawyers:

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

Noguera, Larraín & Dulanto Abogados
El Golf 40, piso 11
Las Condes, Santiago, Chile

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 mineral concessions in Chile)
- **Bulman Resources Pty Ltd**
(100% ownership of the Bulman lead/zinc project in the Northern Territory, Australia)
- **Pyke Hill Resources Pty Ltd**
(has a 50% ownership interest in the Pyke Hill Nickel/Cobalt resource in Western Australia subject to an exploitation agreement with Cougar Metals NL)
- **ADY Investments Pty Ltd** (currently inactive)
- **Fortune Global Holdings Corporation**
(currently inactive)
- **Servicios Admiralty Resources Chile Limitada (formerly Inversiones Admiralty Resources Chile Limitada)**
(currently inactive)

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Highlights

Melbourne-based mineral exploration company Admiralty Resources NL (ASX: ADY) ("Admiralty" or "the Company") is pleased to report its activities for the 2012 Financial Year on the Company's projects in Chile and Australia.

Definition of a clear and methodical exploration strategy in Chile.

Admiralty engaged Inversiones Goldberg Resources ("Goldberg") as external geological consultants in 2010. Goldberg commissioned a full review of the exploration data at hand and recommended a corrective exploration strategy for Mariposa, the target for which Admiralty had the most exploration data on, and a rotating and methodical exploration strategy for all other targets in order to accurately assess the full potential of Admiralty's project in Chile.

The strategy consisted in three goal oriented phases: High-Resolution ground magnetic surveys in order to define drilling locations, 6,000-7,000m of aircore reverse circulation divided into two drilling programmes in order to define a mineral resource and 3,000m diamond drilling programme in order to define a reserve statement.

Maiden exploration activities in two of its three Chilean districts, Pampa Tololo and Cojin.

Harper South (2,498 Ha), Pampa Tololo (3,455 Ha) and Cojin –formerly known as Leo Sur- (647 Ha) comprise the mineral tenure of Admiralty in Chile. However, no exploration activities of any sort, be it geophysical, field related or drilling, had taken place in Pampa Tololo and Cojin since their acquisition.

As part of its exploration strategy, Admiralty conducted ground magnetic surveys in both Pampa Tololo and Cojin, resulting in a total of 8 targets and alternative mineralisation to that found in Harper South.

Complete magnetic susceptibility picture of the three Chilean iron ore districts.

The Company engaged Quantec Geoscience Chile Limitada ("Quantec") in July 2011 in order to perform High-Resolution ground magnetic surveys over all the mineral concessions covering its three districts in Chile: Harper South, Pampa Tololo and Cojin.

The 3-D inversion of the surveys' results were released to the market throughout the year and revealed a total of 15 targets (7 in Harper South, 3 in Pampa Tololo and 5 in Cojin), with susceptibilities between 0.15 to 0.95 S.I. units.

The survey results allows Admiralty to have a complete picture of the magnetic susceptibility of its three districts and are a proof of the great mineral potential

of Admiralty's project in the Chilean iron belt, with only one of the confirmed targets, Mariposa, currently having a JORC compliant mineral resource.

Highest number of metres drilled within a year.

Admiralty performed 3,600m of diamond drilling at the Mariposa and La Chulula targets between November 2011 and February 2012. It also announced two reverse circulation drilling programmes at La Chulula and Simpson. By the end of the financial year, 1,834m of the 2,748m programmed had been drilled at La Chulula, totalling 5,434m of drilling during the financial year.

Subsequent to the financial year, the Company has completed a further 914m of drilling at La Chulula, 684m of drilling at Soberana as part of the early mine production study and 3,311m of drilling at Simpson, which brings the total combined number of metres drilled from November 2011 to August 2012 to 10,343m, a record in Admiralty's history.

Significant progress was achieved in the advancement towards production at Mariposa and Soberana.

Redco Mining Engineers ("Redco") were engaged by Admiralty to perform a Pre-Feasibility Study in relation to the production of one million tonnes of finished product out of the Mariposa target. In addition, Redco were engaged to deliver an early mine production study out of Soberana.

Significant progress and resources have been dedicated to both projects during the year and results of both studies are expected before the end of 2012.

Keeping an eye on mineral and geographical diversity.

An airborne electro-magnetic survey was completed in the lead and zinc project held by the Company in Bulman, in the Northern Territory of Australia. The survey, performed in 2011, delivered 3 main and 6 secondary exploration targets, which are being followed up with an exploration programme to be carried out in September and October 2012.

Operational cost control and bolstered cash reserves.

Admiralty continued reinforcing its cost control policy, with funds directed towards the Company's most active year in exploration and a record exploration budget while remaining debt free. The Company had cash in hand of \$6,223,753 as of 30 June 2012, following the completion of a 1-for-5 pro-rata non-renounceable rights offer in April 2012 under which the Company issued 121,303,793 shares at an issue price of \$0.045, raising \$5,458,670.

Chairman's Report

Dear Shareholder,

It is with pleasure that, on behalf of the Board of Directors of Admiralty Resources NL, I report to you some of our activities for the 2011/12, a year which leaves Admiralty in its strongest financial and operational position to date.

The Company has successfully weathered the uncertainty of the last few years and now boasts three iron districts in Chile, a lead and zinc project in Australia, bolstered cash reserves and zero debt.

I said in my last report to you that, as a shareholder, I was proud the Company had been unburdened of its large administration expenditure, inherited debt and passive exploration activity and that your Board would endeavour to undertake promising development work in Chile and in Australia.

I am pleased that I have been correct in this prediction. In this financial year, the Company reached records in its exploration expenditure, number of metres drilled, number of survey lines, number of targets at hand and many other small achievements that are expected to contribute to Admiralty's ultimate goal: profitable iron ore production.

We have set the foundations to enable the restart of production not only with direct exploration activities, such as geophysics, topography studies and drilling, but also with the live testing of 240 tonnes out of Soberana and in depth iron recovery studies. This work will assist Admiralty in delivering shareholder value through the production of a high quality magnetite iron from a combination of low, medium and high quality raw product using a dry magnetic separation process.

Our results this year and the year to come would not be possible without the hard work and the dedication of our employees and contractors. I am grateful for the guidance and hands-on approach, expertise, diplomacy and dedication of our Managing Director, Stephen Prior, under whose tenure the Company has experienced a Copernican turn and been transformed from a debt laden and passive entity to an active exploration company with a bright future.

Another year in succession, the Company's journey has been supported by Sino Investment & Holding Pty Ltd, which has continued to be a substantial holder of the Company and also underwrote the 1-for-5 non renounceable rights offer Admiralty conducted this year and which successfully raised \$5.45 million.

Our Board has also been strengthened by the appointment of Mr Hanjing Xu as an independent Non-executive Director. Mr Xu has a proven business record and I am certain that Admiralty, its Board and its shareholders will benefit from his business acumen and achievements. I believe Mr Xu is a great addition to the Board and gladly welcome him in our journey.

I feel privileged to be a shareholder of Admiralty and Chairman of this Board. I wholeheartedly thank my other fellow Directors, Michael Perry and Dr Shaoqing Li, and our Company Secretary, Patrick Rossi, for their work, dedication and support during the year and I look forward to working alongside them in the next year. Many thanks to the redoubtable, indefatigable Maria Vazquez who turns her hand to numerous activities with gusto.

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 management with any queries that you may have. Our next Annual General Meeting, to be held in Melbourne on 23 October 2012, can be a good opportunity to share this year's success.

On behalf of the Board of Directors of Admiralty Resources NL, I proudly and gladly present our 2012 Annual Report.

Yours sincerely,



Professor J. Ross Harper
Chairman

Managing Director's Report

I am pleased to report on the Company's evolution as we make progress on operational and corporate fronts. We are targeting profitable iron ore production commencing in 2013-2014.

It takes some time to appreciate fully Admiralty's iron ore assets. We have magnetite rather than hematite, we require beneficiation rather than having direct shipping ore (DSO) and due to lack of water we must consider a dry magnetic beneficiation process rather than the more common wet process. Without a proper understanding, Admiralty's iron assets in Chile may at first glance appear inferior, but there are many reasons that make them eye-catching and extremely valuable, such as:

- close proximity to the coast and available ports, nestled near existing infrastructure including sealed roads, the main national highway, a railway line with power lines traversing our concessions;
- located in the Chilean iron belt with 15 identified targets of diverse mineralisation (magnetite style and IOCG – iron oxide, copper and gold);
- fully owned by Admiralty in a country with few industry players, low political risk and matured mining legislation; and
- an initial JORC compliant mineral resource.

These and many other attributes result in Admiralty being focused on developing our assets in Chile and becoming a profitable mid-tier iron ore producer.

Exploration

Admiralty has been actively developing its high quality portfolio of iron projects located in Chile through the last twelve months and has increased its budget allocation for the Bulman lead and zinc project in Australia.

We have demonstrated a clear strategy of growing value by applying discipline to our operational and strategic decisions and we expect this places us in a good position for the future.

In Chile, our methodical exploration strategy has delivered 15 targets, distributed among three iron districts and it has identified our most significant asset, perhaps our own crown jewel: La Chulula target. The La Chulula target exhibits depths up to 600m, magnetic susceptibility levels higher than 0.9 S.I. units between 600m and 0m elevations, fully confined within the boundaries of Admiralty's property in Harper South and located near the surface. The full significance of La Chulula was not known to Admiralty even as recently as the time of my last report to you 12 months ago. We have completed a first phase drilling programme at La Chulula and the second phase is scheduled to commence in just one week's time.

In Australia, an airborne magnetic survey identified over 19 targets in Bulman, which are being followed up by a mine management plan that includes geological mapping, rock chip and soil sampling, a ground electromagnetic survey of selected anomalies and 1,000 metres of reverse circulation drilling. This programme, scheduled to be run in September/October 2012, represents Admiralty's most ambitious shot at diversification and proving an economically feasible ore body in the Bulman project.

2012 Achievements

Significant milestone achievements were recorded during the year. We have applied prudent capital expenditure to sustain and enhance the value of our projects.

We have produced maiden exploration works in the Pampa Tololo and Cojin districts, where High-Resolution ground magnetic surveys have identified a total of 8 targets, in addition to the 7 targets of Harper South.

We have also taken decisive steps to define our resources and as such, a 3,000m diamond drilling programme was undertaken at Mariposa, a 600m diamond drill test hole was sunk at La Chulula and reverse circulation drilling programmes were initiated at La Chulula and Simpson targets by the end of the financial year, with 6,059m of drilling having been completed at La Chulula and Simpson by the time this report reaches you.

We have also moved forward towards production through the commissioning of a Pre-Feasibility Study at Mariposa and an early mine production study at Soberana.



Location map of the Company's three districts in Chile and surrounding infrastructure

Objectives for 2013

The Company's milestones for 2013 are focused on getting ready to commence profitable iron ore production, to increase our existing mineral resources and upgrade some of the existing resources to mineral reserves.

Production will more than likely initially commence on a small-scale at Soberana, where an early mine study is being prepared. This will be followed by longer term production of one million tonnes of finished product per annum at Mariposa.

As part of the Pre-Feasibility Study at Mariposa, we are expecting an updated mineral resource statement and a maiden reserve statement before the end of 2012. A maiden resource statement and reserve statements are planned for La Chulula (Harper South) and Simpson (Pampa Tololo) by the end of the 2013 financial year.

As stated above, our defining point for the 2014 financial year is expected to be profitable production, 15 or more targets to choose for development, a target for over 500 million tonnes of mineral resources and about 250 million tonnes of mineral reserves.

Production

We carried out a live testing of 240 tonnes of superior material from Soberana, returning finished product in the form of lump and fines. This live test has increased our confidence that a high grade marketable product can be efficiently produced.

The production at Soberana is scheduled to start at a notional level of 5,000 tonnes per month in the last quarter of 2012 and it is aimed to reach 30,000 tonnes per month within six months, depending on approval being granted by the environmental authorities, plant being constructed and process being refined.

We are expecting the results from the Pre-Feasibility Study on Mariposa in the next couple of months and we expect to be in a position to make the successful transition into profitable operations and quality production in 2013. Initial production from Mariposa is targeted at 1 million tonnes of finished product per annum (being iron ore fines less than 3mm and having a grade of 62% iron).

I believe production from Mariposa will become a core strength for Admiralty as we will be able to generate cash flow and give the Company the flexibility to take the lessons learnt from Mariposa and Soberana into the development of our most important target, La Chulula.

Iron Ore Prices

For all of us the recent decrease in ore prices and a slowdown in steel production in China are not breaking news. I follow iron ore prices closely and admit that recent falling prices are a reason for caution.

But I also believe it is not all doom. Few commentators emphasise the fact that Chinese steel production is fed in very large measure by China's own production of iron ore. In fact China is still by far the world's largest producer of iron ore, beating Australia and Brazil, the world's largest exporters of iron ore. However, China's iron resources are declining in volume and in grade and their production costs are high and rising. So in the medium term, even if China's steel production was static or even falling slightly, its demand for lower-cost imported iron ore will still be rising.

China is looking for other markets to supply it with iron ore. I am hopeful that our product from Chile will fit into its plans. I cannot predict the future of iron ore prices but I am sure that cost control, a conservative approach to production and a correct production process that maximises iron recoveries while minimising cost are key for Admiralty to have an opportunity to participate in an iron market driven by price movements.

I am also encouraged by the increase of steel consumption in Chile and South America generally and by the investment in expanding current production mines, opening new mines and infrastructure that Chile is witnessing as a nation.

Funding

Due to the scale of the projects, we will require additional funding for the production stage. I estimate approximately US\$30 million will be necessary to set up and operate an adequate processing plant at Mariposa capable of producing one million tonnes of finished product out of a combination of disseminated, in veins and massive magnetite raw material. In addition we will need a high level of working capital to fund the process from blasting, open-cut mining, processing, transport to port, stockpiling, ship-loading and shipment to market.

It is worth noting that we don't require a heavy investment in infrastructure as no new infrastructure is required to be developed by Admiralty, government or third parties. We have initiated discussions for access to sealed roads, haulage, power and port where required and I am confident that the prime location of our districts will play to our advantage as infrastructure remains key to any projects success.

Different finance options have been evaluated during this year and we maintain a preference to seek project finance which minimises dilution to existing shareholders. We remain focussed on proving the worth of the projects, which in turn will facilitate access to capital. Our Mariposa Pre-Feasibility Study will be important in arranging project finance, listing on additional exchanges or gaining the interest of a joint venture party. Once Mariposa and Soberana are in production, I expect cash flows from the production will fund further exploration and development of other targets throughout our areas of interest.

Managing Director's Report (Continued)

Australis

As reported during the year, Australis was scheduled to make the third US\$1 million cash instalment payment for the sale of SCM Vallenar Iron Company ("VIC") in March 2012. The funds were not forthcoming due to difficulties encountered by Australis and the payment was re-arranged in seven monthly instalments of US\$100,000 and a final instalment of US\$300,000. However, to date, Australis is behind with three instalments and continues to suffer from the financing difficulties that most projects in their inception are experiencing across the board.

We are monitoring Australis' course of action and are in regular contact with their representatives in respect of VIC's project feasibility, their finance arrangements and their commitment to honour the agreement completed with Admiralty in November 2010 in respect of cash payments and a minimum royalty stream. With the uncertainty, we have reduced the value of our contractual royalty rights by \$13.3 million, taking this as an expense during the year.

At this point in time, we are continuing discussions with Australis and I expect there will be a resolution to these issues in the current financial year.

Share Price

A glance at the share price shows no fanfare and our share price has even languished somewhat this year. In this regard, we are extending our efforts to get the story out and promote the Company. Our focus on deploying capital towards resource increases and upgrades will add the most value to shareholders.

I expect that as our exploration matures, our current resources increase and prove up into reserves and we commence production, our share price will be re rated.

Regardless of the above, our shareholding base has consolidated with the top 20 shareholders growing as a percentage of our issued capital from 37.33% as of 30 June 2011 to 65.20% as of 30 June 2012. This can be seen as a vote of confidence in Admiralty and its assets.

Team

Our team of employees, contractors, suppliers and other stakeholders have underpinned Admiralty's achievements for the year. I would like to sincerely thank them for their contribution, commitment and diligence throughout a challenging yet very rewarding year.

As you may imagine, exploration is not always straight forward and there are many variables to juggle and instant decisions to be made without deviating from the initial objective and within budget. I am proud to say I can rely on autonomous and proactive personnel

who daily contribute to Admiralty's objectives and my special appreciation goes to my three key supports being Maria Vazquez and Patrick Rossi in Australia and Claudio Ferrada in Chile.

In Chile we have had wonderful support from our geologists, Goldberg Resources; our mining engineers, Redco; our drilling contractors, Superex and Perfochile; Quantec who did our magnetometry and 3D inversions; our lawyers, NLD; and our tenement administrator, Iván Hormazábal.

In Australia, Geos Mining have provided excellent exploration services to our Bulman project. The work of our lawyers Hall & Wilcox has been exemplary as always.

Subsequent to the end of the financial year, we have had the pleasure to welcome a new independent Non-executive Director, Mr Hanjing Xu, to the Board. I look forward to count on his expert advice and business acumen in the financing stage of the projects and I am certain Admiralty, its Board and its shareholders will benefit from his proven track record.

I thank my other fellow Directors for their input and support during the year and I look forward to working cohesively this year to achieve our goals.

Admiralty values the safety and well being of our employees and contractors and we are glad to report that no human, equipment or capital loss or damage has occurred during the year.

Closure

I am pleased with the progress that Admiralty has made in its strategy to bring all the three iron ore districts to a stage where systematic exploration programmes can take place. Our vision now is that the projects can be taken into production gradually in the upcoming years and realise the goal which we are all striving for: to become a profitable iron ore producer in Chile.

I remain confident and upbeat on Admiralty's prospects and I am privileged to be part of the milestones achieved this year.

Yours faithfully,



Stephen C. Prior
Managing Director

Corporate Governance Statement

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

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

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

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

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

Principle 1: Laying Solid Foundations for Management and Oversight

Roles of the Board and Management

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

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

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

Responsibilities of the Board

The Board's responsibilities include:

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

Corporate Governance Statement (Continued)

Responsibilities of the Board (Continued)

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

Performance Review of Executives

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

Principle 2: Structuring the Board to Add Value

Board Structure and Composition

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

Assessing the Independence of Directors

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

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

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

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

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

Independent Directors and Chairman

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

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

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

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

Board Committees

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

- Audit and Risk Committee
- Remuneration Committee
- Finance Committee

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

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

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

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

Audit and Risk Committee

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

Remuneration Committee

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

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

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

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

Corporate Governance Statement (Continued)

Board Committees (Continued)

Finance Committee

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

Performance Review of Directors

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

Company Secretary

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

Principle 3: Promotion of Ethical and Responsible Decision-Making

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

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

Diversity Policy

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

Share Ownership Policy

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

Principle 4: Safeguarding Integrity in Financial Reporting

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

The structure includes:

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

Audit and Risk Committee

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

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

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

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

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

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

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

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

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

External Auditor

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

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

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

Corporate Governance Statement (Continued)

Principle 5: Making Timely and Balanced Disclosure

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

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

The Company has a Disclosure Policy which includes:

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

Principle 6: Respecting the Rights of Shareholders

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

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

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

Company's Website

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

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

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

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

Principle 7: Recognising and Managing Risk

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

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

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

Principle 8: Remunerate Fairly and Responsibly

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

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

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

Remuneration Committee

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

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

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

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

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

Annual Corporate Governance Review

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

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

Directors' Report

The Directors of Admiralty Resources NL submit the annual financial report of the Company for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors Profiles

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. He holds the degrees of Bachelor of Laws and Master of Arts from Glasgow University and 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, CTA, MAICD

Managing Director

Mr Prior was appointed to the Board on 1 February 2010 and heads up the Company's administration. He holds a Bachelor of Commerce degree from the University of Melbourne, is a Fellow of the Institute of Chartered Accountants in Australia, is a Chartered Tax Advisor and a member of the Australian Institute of Company Directors.

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 has had experience in international property and commercial transactions and financing, particularly in Asia. He is a partner in the accounting firm Prior & Co. Pty Ltd, with over 30 years experience in the accountancy profession.

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.



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 Australian Institute of Company Directors.

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.

***Hanjing Xu*****Director**

Mr Xu joined the Board of Admiralty as an independent non-executive director on 2 August 2012. Mr Xu is an experienced company director and has had more than 25 years of service with resource companies in a wide range of mining situations, commodities and overseas jurisdictions.

Mr Xu has a BA degree from Chengdu University of Electronic Sciences and has held senior management positions including Executive Director of Sino Gold Mining Limited and Managing Director of Eldorado Gold China. He is currently a non-executive director of Bligh Resources Ltd (ASX: BGH), as well as holding executive positions in private companies.

Mr Xu's career includes a privileged and rather unique position having played an essential role in executive decisions in Chinese state-owned conglomerates as Director of China Non-Ferrous Metals Industry Corporation ("CNNC") where he led the Chinese corporation in its opening to international resource industry with a number of breakthroughs in Chinese mining industry, including first trade investment in alumina, first international project finance for mining, and first international company mining in China.

Mr Xu's in-depth knowledge of China was instrumental to the success of Sino Gold Mining Limited and its successful A\$2.2B takeover by Eldorado Gold (ASX: EAU) in August 2009.

He is now actively involved in research on Chinese mining reform and regarded as a leading authority in this area.

**Company Secretary*****Patrick Rossi BCom (Melb.), CA, ACSA***

Mr Rossi was appointed Company Secretary on 1 February 2010. He is a Chartered Accountant, has completed a Graduate Diploma of Applied Corporate Governance and is an Associate Member of Chartered Secretaries Australia.

Patrick is employed by the accountancy firm Prior & Co. Pty Ltd, which has been providing accounting services to the Company since September 2004.

Directors' Report (Continued)

Principal Activities

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

Operating Results

The consolidated comprehensive loss of the economic entity amounted to \$15,321,236 (2011 profit: \$5,206,333).

Dividends Paid or Recommended

No dividends were paid during the year, nor are any recommended at 30 June 2012.

Financial Position

The net assets of the economic entity have decreased by \$10,006,850 from 30 June 2011 to 30 June 2012. The decrease has largely resulted from the following factors:

- The issue of shares net of costs to the value of \$5,314,386; less
- Total comprehensive loss for the year of \$15,321,236.

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 issued during the financial year as a result of exercise of an option.

Meetings of Directors

During the financial year 15 Directors' meetings were held. Attendances at the meetings were as follows:

	<i>Board of Directors</i>		<i>Remuneration Committee</i>		<i>Audit and Risk Committee</i>		<i>Finance Committee</i>	
	<i>Held⁽¹⁾</i>	<i>Attended</i>	<i>Held⁽¹⁾</i>	<i>Attended</i>	<i>Held⁽¹⁾</i>	<i>Attended</i>	<i>Held⁽¹⁾</i>	<i>Attended</i>
Professor J. Ross Harper	15	14	1	1	2	2	-	-
Stephen C. Prior	15	15	-	-	-	-	2	2
Michael S. Perry	15	15	1	1	2	2	2	2
Dr Shaoqing Li	15	15	-	-	-	-	-	-
Hanjing Xu ⁽²⁾	-	-	-	-	-	-	-	-

⁽¹⁾ The number of meetings held in the year which the Director was eligible to attend.

⁽²⁾ Mr Xu was appointed to the Board on 2 August 2012, subsequent to the end of the financial year.

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:

	<i>Number of Shares</i>	<i>Number of Options</i>
Professor J. Ross Harper	1,841,456	-
Stephen C. Prior	4,600,000	-
Michael S. Perry	2,000,000	-
Dr Shaoqing Li	98,603,638	-
Hanjing Xu	5,000,000	-

Proceedings on behalf of the Company

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

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

Environmental regulations

The consolidated entity aims to ensure that the highest standard of environmental care is achieved. The Board maintains the responsibility to ensure that the consolidated entity's environmental policies are adhered to and the consolidated entity is aware of and is in compliance with all relevant environmental legislation. There have been no environmental breaches during the 2012 financial year.

Non-audit services

During the year, non-audit services to the value of \$2,755 were provided by BDO East Coast Partnership, 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. The Company has paid a premium for a policy of insurance to cover legal liability and expenses in the event of any legal action against an Officer arising from their actions as Officers of the Company.

Directors' Report (Continued)

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's 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 or since the end of the financial year were:

- Professor J. Ross Harper, Chairman
- Stephen C. Prior, Managing Director
- Michael S. Perry, Non-executive Director
- Dr Shaoqing Li, Non-executive Director
- Hanjing Xu, Non-executive Director (appointed on 2 August 2012)

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

	<i>Duration of Contract</i>	<i>Termination Notice of Contract</i>	<i>Termination Payment provided under Contract</i>
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
Hanjing Xu	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.

Short - term incentives

There were no short term incentives other than listed below.

Remuneration packages includes the key elements of wages, consulting fees and retirement & termination benefits.

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.

Elements of remuneration related to performance

There are currently no elements of remuneration related to performance.

The following table discloses the remuneration of the key management personnel and Directors of the consolidated entity:

	Short – Term				
	Salary & Fees	Termination & Retirement Benefits	Non-monetary Share Based Payments	Consisting of Share Based Payments	Total
2012	\$	\$	\$	%	\$
Professor J. Ross Harper	120,000	-	-	-	120,000
Stephen C. Prior	300,000	36,583	-	-	336,583
Michael S. Perry	80,000	-	-	-	80,000
Dr Shaoqing Li	80,000	-	-	-	80,000
Hanjing Xu ⁽¹⁾	-	-	-	-	-
Total	580,000	36,583	-	-	616,583

⁽¹⁾ Mr Xu was appointed to the Board on 2 August 2012, subsequent to the end of the financial year.

	Short – Term				
	Salary & Fees	Termination & Retirement Benefits	Non-monetary Share Based Payments	Consisting of Share Based Payments	Total
2011 Directors & Executives	\$	\$	\$	%	\$
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 ⁽²⁾	198,295	205,019	-	-	403,314
Esteban Torres ⁽²⁾	66,637	100,702	-	-	167,339
Ricardo González ⁽²⁾	61,715	89,270	-	-	150,985
Executives Total	326,647	394,991	-	-	721,638
Total	827,782	418,177	-	-	1,245,959

⁽²⁾ Executives were employed by former subsidiary SCM VIC, and ceased with the consolidated entity during the year ended 30 June 2011.

Value of shares and options granted to Directors and executives

There were no shares or options granted during the 2012 annual reporting period.

Auditor's Independence Declaration

The Auditor's Independence Declaration, which forms part of this report, is included on page 28.

End of remuneration report

The audited remuneration report ends on page 21.

Directors' Report (Continued)

Review of Operations

Admiralty Resources NL is a public diversified mineral exploration company listed on the Australian Securities Exchange (ASX: ADY) with mineral interests in Chile and in Australia.

Admiralty's flagship projects are the iron ore districts in Chile: Harper South (2,498 Ha), Pampa Tololo (3,455 Ha) and Cojin –formerly known as Leo Sur- (600 Ha). The districts are located in prime locations, with close and easy access to the Pan-American Highway (the major national route), a railway line and operating shipping ports.

Admiralty's projects in Australia are the Bulman Project, a lead and zinc project located in the Northern Territory and the Pyke Hill Project, a cobalt and nickel project in Western Australia, whose mining lease is 50% owned by Admiralty.

Chile

Harper South District

The Harper South district ("Harper South") lies 15km south west of the city of Vallenar in the Third, or Atacama, Region of Chile and covers an area of 2,498 hectares.

As a result of the systematic exploration works conducted during the year, Admiralty has a more complete understanding of the potential of the Harper South district. Currently, Admiralty has confirmed seven primary targets located within the Harper South district: Mariposa, La Chulula, Soberana, Media Soberana, Negrita, Mal Pelo and La Vaca.

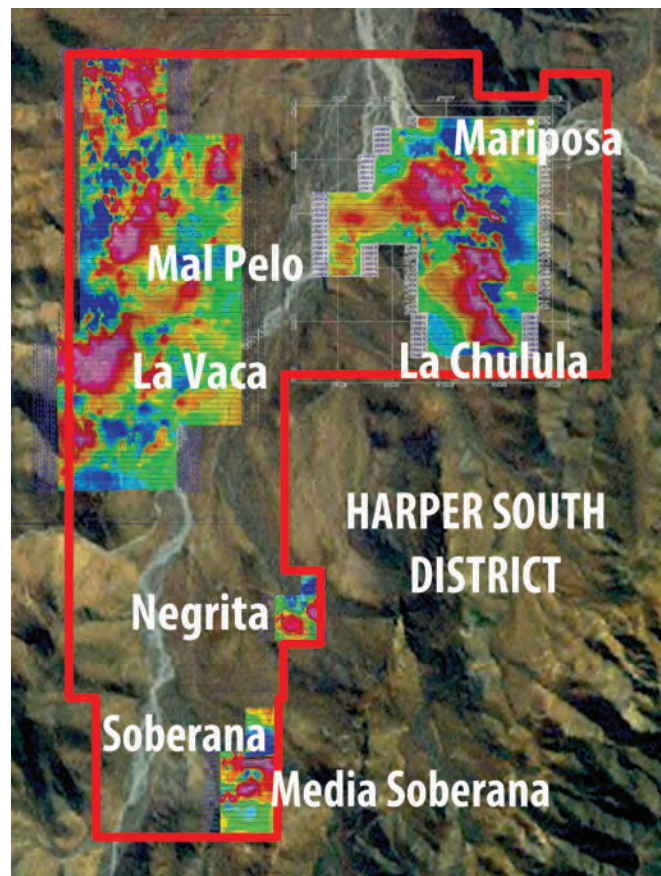
Mariposa

Mariposa is the most developed iron target within Admiralty's portfolio and has an existing JORC compliant resource of 168 million tonnes at an average grade of 18% fe.

During the year, the Company's external mining consultants, Redco Mining Engineers ("Redco") focused on proving up the economic viability of Mariposa as a stand-alone project. Redco worked diligently preparing an engineering mine plan (or Pre-Feasibility Study) to support an initial operation capable of producing one million tonnes of finished product per annum. The exploration and development activities completed as part of the Pre-Feasibility Study included:

- high-resolution ground magnetic surveys over Mariposa which revealed a target which displayed dimensions of 250m x 300m, located at a depth of less than 100m below the surface;
- a detailed surface topography of the project;
- a 3,000m diamond drilling programme which was based on the review of all the previous exploration work done at Mariposa including the high resolution ground magnetic survey and the topography;
- a variety of geotechnical, density, mineralogical and chemical samples have undergone laboratory testing in Chile, Brazil and China; and
- equipment sourcing including the evaluation of a proposal from PME S.A. ("PME"), a Chilean EPCM – engineering, procurement, construction and management- firm, able to supply a dry magnetic separation plant.

The work of Redco will culminate in a maiden reserve statement and full results of the Pre-Feasibility Study which are scheduled to be received in the coming months. This will bring Admiralty to the stage where it can seek to raise funds to develop Mariposa and bring the mine into production during the 2013/2014 financial year.



Combined magnetic susceptibility image of the Harper South district identifying seven targets

La Chulula

Admiralty's exploration work during the year has confirmed La Chulula as a priority target. While further exploration work is required to provide a full understanding of the size and mineralisation at La Chulula, the exploration and drilling completed during the year suggests it could become Company's most significant and valuable asset.

At the beginning of the year, the geological information had identified La Chulula as one of the many targets in Harper South. However, the results of the high-resolution ground magnetic survey carried out in September 2011 showed La Chulula to be the ore body with highest susceptibility and depth within the Harper South district. This survey was followed up by a second phase of the high-resolution ground magnetic survey to confirm the extension of the ore body beyond the original survey boundaries. The 3-D interpretation of both surveys confirmed an ore body with lateral dimensions of 250m x 900m, depth of 600m, located near-surface which was fully contained within the Company's tenements.

As a result of the outstanding survey results, Admiralty fast-tracked a drilling programme at La Chulula. A 600m test diamond drill hole was sunk in February 2012 which confirmed the existence of an ore body containing iron ore. Around the results of test drill hole and surveys, the first of a two phase reverse circulation ("RC") drilling campaign was designed. The first phase consisted of 2,748m distributed in 10 holes and was completed on 11 July 2012.

The results of the first phase, along with the high resolution ground magnetic surveys, has been used to design the second phase of RC drilling at La Chulula which will deliver a maiden resource statement. This second phase is expected to begin in September 2012 with the maiden resource statement due by the end of 2012 calendar year.

Soberana

Soberana was mined artisanally in the 1960s and exhibits very high grade exposed veins and has the potential to provide Admiralty with its first income stream from the Harper South district.

To achieve this, Redco are currently preparing a scoping study for early iron lump production. The study will focus on maximising the run of mine, minimising the capex involved in beneficiation process while producing a commercially marketable product.

The study seeks to fast-track small-scale production at Soberana and allow for initial production of 5,000 tonnes of finished product per month increasing to 30,000 tonnes of finished product per month over a minimum period of two years.

To ensure the resource will support the required production over a minimum of two years, a high-resolution ground magnetic survey was conducted over the Soberana area, which confirmed two targets susceptible to contain significant iron mineralisation, named Soberana and Media Soberana. This was followed by a RC drilling programme of 684m, distributed in nine holes which was completed subsequent to the end of the financial year.

The study has included a full review of the geological and survey data to fully define the scope of the study, with particular focus on the processing and plant design, permit requirements and mining subcontracting. To this end, 240 tonnes were extracted out of Soberana and taken to a plant owned by Minera MACS S.A. The ore was then subjected to "real live testing" including blasting, screening, crushing and concentration in early July. An initial assessment indicates that a fully marketable final product can be economically extracted.



Stockpile of iron lump finished product resulting from the "real live testing" at Soberana

Directors' Report (Continued)

Review of Operations (Continued)

Chile (Continued)

Negrita, La Vaca and Mal Pelo targets and T2 & T3 anomalies

During the year, high-resolution ground magnetic surveys were performed over other prospective areas in Harper South, including Negrita, La Vaca and Mal Pelo. The surveys pursued the identification of structural trends and detection of magnetite style mineralisation. The surveys returned very positive results along the three targets as follows:

- **Negrita.** An unique double magnetic field with susceptibility values between 0.22 and 0.55 S.I. units resulting in a dumbbell shape was detected. This shape revealed three areas within the target: the Upper, Joining and Lower areas;
- **La Vaca.** A north-east to south-west trending target, depicting a major 600m x 400m intrusive body, with a depth of more than 1,000m and exhibiting a magnetic susceptibility higher than 0.35 S.I. units;
- **Mal Pelo.** An elongated target, with dimensions 1,200m x 600m, with a depth of more than 500m and exhibiting a magnetic susceptibility higher than 0.35 S.I. units. Possibly an extension of La Vaca; and
- **T2 and T3;** these anomalies have been newly identified with susceptibility values from 0.15 to 0.35 S.I. and could be considered a continuation of the Mal Pelo target.

Preliminary indications show the west area of the Harper South district is an IOCG deposit type (iron oxide, copper and gold), commonly found in Chile.

Pampa Tololo

The Pampa Tololo district covers 3,455 hectares and is located north of Vallenar. The district is directly adjacent to Los Colorados mine, the largest producing iron mine in Chile, owned by Compañía Minera del Pacífico ("CMP").

The 2012 year was a landmark year for Pampa Tololo with the first exploration works being conducted since the district was obtained by Admiralty. The Pampa Tololo district was prioritised for exploration after Admiralty's thorough evaluation of all the geological information on its concessions and due to Pampa Tololo's relatively unexplored nature and proximity to Los Colorados mine.

High-Resolution ground magnetic survey

In September 2011, Admiralty commissioned Quantec to carry out a high-resolution ground magnetic survey over the entire district. The results and 3-D inversion of the survey revealed three distinct iron targets, named Simpson, Cochrane and O'Brien, in honour of three Chilean naval heroes, and defined as follows:

- **Simpson.** This is the most important target in relation to size/susceptibility. An oblate spheroid shape of 800m in diameter, located at a depth of 200-250m and exhibiting magnetic susceptibility of about 0.5 S.I. units.
- **Cochrane.** A more complex shape, elongating north/south up to 1000m, with a depth extension of 200-250m approximately.
- **O'Brien.** Showing an oblate sphere shape, with dimensions of 500 x 400 m, buried at depths between 200m and 300m.

The positive results of the survey defined structural trends and presence of mineralisation that assisted the geological team in designing a maiden drilling campaign at Simpson.



RC drill rig operating at Simpson during the recently completed programme

Reverse Circulation drilling programme

A RC drilling campaign was announced at Simpson in early June, when the preparation works for access roads and platforms were performed. This campaign is the first drilling to be undertaken at the Pampa Tololo district since Admiralty acquired the concessions in 2007. The drilling programme commenced on 25 July 2012, following the completion of the drilling programmes at La Chulula and Soberana.

The drilling campaign, which resulted in 3,311m distributed over 7 holes, was completed in August 2012. Samples have been selected and sent for mineralogical analysis and the on site team are now to proceed with the geological mapping of the target. A second campaign of approximately the same length is scheduled to be designed upon receipt of the laboratory results from the first campaign and following the completion of the second round of drilling at La Chulula.

It is expected a combined report with the results of both drilling campaigns will be available by the end of 2012 and will allow for a maiden mineral resource statement for Simpson.

Cojin

The Cojin district (formerly known as Leo Sur) covers 647 hectares and makes up 10% of Admiralty's mineral tenure in Chile. The district is located 42km south of the township of Vallenar, within 50km from Admiralty's other iron ore districts: Harper South and Pampa Tololo.

The Cojin District is 8 km from the El Algarrobo mine, one of the largest Chilean producers of iron preconcentrates for Chile's top iron producer, Compañía Minera del Pacífico (CMP), which uses the iron production out of the Huasco valley in their pellet plants.

The name given to the district, Cojin, originated during a field visit in late 2011 when a solitary example of a *grusonii*, the Latin name for a species of native cactus found in Chile, was noted in the property (refer to picture on the right).



Solitary Grusonii, specie of native cactus found in in the Cojin District

Grusonii are popularly known as "cojín de la suegra" in Spanish, which means "mother-in-law's cushion" in English.

High-Resolution ground magnetic survey

Quantec carried out a high-resolution ground magnetic survey over Cojin in February/March 2012 and the 3-D inversion of the results were released to the market in June 2012. The survey marked the first exploration work that had been completed in the Cojin district since the Company first acquired interest in the Chilean iron ore projects in 2005. The purpose of the survey was to identify and define structural trends, magnetite style mineralisation and potential targets both at depth and along strike for drill targeting.

The survey succeeded in detecting very strong positive and negative anomalous patterns in confirming five iron targets located near surface: C1, C2, C3, C4 and C5. These targets exhibited susceptibility values of up to 0.90 S.I. units and depths up to 700m as indicated in the following table:

	C1	C2	C3	C4	C5
	Most important targets due to size/susceptibility				
	Traceable at greater depths				
	May be aligned and represent the same structural control				
Susceptibility	0.6 S.I. units	0.9 S.I. units	0.9 S.I. units	0.6 S.I. units	0.8 S.I. units
Lateral dimensions (width)	300m x 250m	600m x 350m	1,500m x 350m	<100m x 100m	<100m x 100m
Vertical dimensions (vertical)	500m	500m	700m	<100m	<100m

Directors' Report (Continued)

Review of Operations (Continued)

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).

Airborne electromagnetic survey

Fugro Airborne Surveys Pty Ltd ("Fugro") carried out an airborne electromagnetic magnetic ("AEM") survey performed over EL 23814 in August 2011. The purpose of the AEM survey was to provide a geophysical interpretation of the data in order to determine the 3D geometry of the dolerite sills in the area and to identify any discrete bedrock conductors.

The AEM survey interpretation, released to the market in February 2012, highlighted areas of thicker sedimentary sequence and deeper dolerite contact of up to 178 metres in the region just east from the central area and again thick sedimentary sequence in the central north area of the tenement.

Geological consultants Geos Mining were later commissioned to review the data, images, and Fugro's interpretation and provide further information in relation to known mineralisation and locate potential mineralisation and prioritise exploration targets. Geos Mining identified three main and six secondary exploration targets and recommended these targets be followed up by a mine management plan, which was considered and accepted by the Board of Admiralty.

2012 exploration programme at Bulman

The exploration programme was been designed as a follow-up of the targets identified by the interpretation of the AEM survey performed by Fugro and Geos Mining and it also includes some rock chip and portable XRF sampling along a faulted contact in EL25931.

The proposed programme is scheduled to commence in September 2012 and run for approximately five to seven weeks. The programme's budget fulfils the regulatory expenditure levels required by the Department of Resources and it represents approximately 12% of the total exploration budget of Admiralty for the 2012-2013 financial year.



Sedimentary outcrop at a target of the 2012 work programme at Bulman.

The proposed exploration programme which has been approved by the Northern Land Council and the Traditional Owners, includes the following:

- geological mapping, rock chip and soil sampling;
- access track preparation;
- ground based electromagnetic ("EM") surveying of selected anomalies; and
- 1,000m of RC drilling distributed in seven holes. The programme will focus on promising Pb-Zn target areas where a thicker sedimentary sequence and deeper dolerite contact was detected by AEM survey.

Results of the programme are expected to be released prior to the end of 2012.

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 km². 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.

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.

During the year, Admiralty continued the line of communication with Cougar and the other 50% holder of the mining lease in respect of the future of the tenement and the project.

Corporate

Australis Mining Limited

During the year, SCM Vallenar Iron Company ("VIC"), under the control of Australis Mining Ltd ("Australis"), have progressed their operations towards expected initial production of 800,000 tonnes of finished product per annum. Australis have advised they are currently finalising finance arrangements to raise up to US\$70 million via a bond issue to develop the Harper North project.

Australis was due to make a payment of US\$1 million to Admiralty by 16 March 2012 as per the Share Sale Agreement, however Australis did not make this payment.

Admiralty and Australis agreed to a deferred payment plan in respect of the US\$1 million in 8 instalments with 7 monthly instalments of US\$100,000 and a final instalment of US\$300,000 which will be due on 16 October 2012. The first three instalments of US\$100,000 were received, however the June, July and August instalments of US\$100,000 have not yet been received. Australis have advised all outstanding funds will be provided upon the drawdown of their funding arrangements which it expects to occur shortly.

The Board is continuing to monitor the situation with Australis and eagerly awaits an update on their progress.

Capital Raisings

During the year, Admiralty completed a pro-rata non-renounceable rights offer at an issue price of \$0.045 which was underwritten by the Company's largest shareholder, Sino Investment & Holding Pty Ltd ("Sino Investment").

The rights offer was well supported by existing shareholders with over 1,000 applications received resulting in the issue of 59,415,507 shares raising \$2,673,697. An additional \$2,784,993 raised through the issue of 61,888,286 shares to Sino Investment and several of its nominated sub-underwriters pursuant to the underwriting agreement.

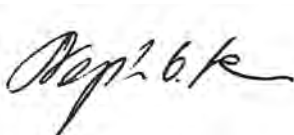
In total, Admiralty raised \$5,458,670 via the issue of 121,303,793 shares, bringing the number of shares on issue to 727,822,759 fully paid ordinary shares. We would like to thank all shareholders for their continued support, with particular thanks to Sino Investment for their further show of confidence through their underwriting and increased holding in the Company.

Appointment of Director to the Board

Subsequent to the end of the year, the Company further strengthened the Board through the appointment of Mr Hanjing Xu as independent Non-executive Director on 2 August 2012.

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, 31 August 2012.

Auditor's Independence Declaration



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AUSTRALIA

DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF ADMIRALTY RESOURCES NL

As lead auditor of Admiralty Resources NL for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in dark ink, appearing to read 'R Dean', with a long horizontal stroke extending to the right.

Richard Dean
Partner

BDO East Coast Partnership
Melbourne, 31 August 2012

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Directors' Declaration

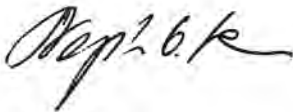
In the Directors' opinion:

- 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 2012 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 2012.

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,

A handwritten signature in black ink, appearing to read 'Stephen C. Prior', is written over a light grey rectangular background.

Stephen C. Prior
Managing Director
Melbourne, 31 August 2012.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue			
Other revenue	2	422,673	203,491
Total revenue		422,673	203,491
Expenses			
Administration expenses		399,505	699,013
Assets written off		2,121	-
Consultancy and professional expenses		723,354	994,709
Depreciation expense	3	9,680	2,363
Employee and director costs	3	613,901	533,510
Exploration expenses		349,282	-
Finance costs		25,681	-
Loss on foreign exchange translation	3	-	195,510
Impairment expense	15	13,332,337	-
Occupancy expenses		41,729	43,267
Tenement expenses		130,181	-
Travel expenses		101,808	68,128
Total expenses		(15,729,579)	(2,536,500)
LOSS BEFORE INCOME TAX EXPENSE		(15,306,906)	(2,333,009)
Income tax expense		-	-
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		(15,306,906)	(2,333,009)
Profit from discontinuing operations	6	-	16,748,682
PROFIT/(LOSS) AFTER TAX		(15,306,906)	14,415,673
Other comprehensive income			
Foreign exchange differences arising in translation of foreign operations	20	(14,330)	(9,209,340)
Income tax on other comprehensive income		-	-
Total other comprehensive loss net of taxes		(14,330)	(9,209,340)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(15,321,236)	5,206,333
Profit/(loss) after tax for the year is attributable to:			
Members of the parent entity		(15,321,236)	14,415,673
		(15,321,236)	14,415,673
Basic and diluted loss per share from continuing operations (cents per share)		(2.45)	(0.46)
Basic and diluted profit per share from discontinuing operations (cents per share)		-	3.30
Basic and diluted profit/(loss) per share (cents per share)	10	(2.45)	2.84

Notes to the financial statements are included on pages 34 to 63.

Consolidated Statement of Financial Position

as at 30 June 2012

	Note	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	22	6,222,753	5,032,970
Trade and other receivables	9	338,530	85,917
Other financial assets	12	1,622,371	854,511
Total current assets		8,183,654	5,973,398
Non-current assets			
Property, plant and equipment	16	168,607	10,355
Other financial assets	12	-	777,992
Contractual royalty rights	15	16,040,913	29,373,250
Mining interests	14	16,898,587	15,321,691
Other	17	6,112	21,656
Total non-current assets		33,114,219	45,504,944
TOTAL ASSETS		41,297,873	51,478,342
Current liabilities			
Trade and other payables	18	189,975	363,594
Total current liabilities		189,975	363,594
Non-current liabilities			
Trade and other payables		-	-
Total non-current liabilities		-	-
TOTAL LIABILITIES		189,975	363,594
NET ASSETS		41,107,898	51,114,748
Equity			
Contributed equity	19	139,828,649	134,514,263
Foreign currency translation reserve	20	(689,535)	(675,205)
Accumulated losses		(98,031,216)	(82,724,310)
TOTAL EQUITY		41,107,898	51,114,748

Notes to the financial statements are included on pages 34 to 63.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	<i>Contributed equity</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated losses</i>	<i>Total equity</i>
	\$	\$	\$	\$
At 1 July 2011	134,514,263	(675,205)	(82,724,310)	51,114,748
Loss for the year	-	-	(15,306,906)	(15,306,906)
Other comprehensive loss	-	(14,330)	-	(14,330)
Total comprehensive loss for the year	-	(14,330)	(15,306,906)	(15,321,236)
<i>Transactions with owners in their capacity as owners</i>				
Issue of share capital net of costs	5,314,386	-	-	5,314,386
Balance as at 30 June 2012	139,828,649	(689,535)	(98,031,216)	41,107,898

	<i>Contributed equity</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated losses</i>	<i>Total equity</i>
	\$	\$	\$	\$
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
<i>Transactions with owners in their capacity as owners</i>				
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

Notes to the financial statements are included on pages 34 to 63.

Consolidated Statement of Cash Flows

for the year ended 30 June 2012

		2012	2011
	Note	\$	\$
<i>Cash flows from operating activities</i>			
Receipts from customers		13,822	-
Payments to suppliers and employees		(2,570,344)	(3,161,209)
Interest received		106,289	40,760
Interest and other costs of finance paid		(25,681)	-
Net cash used in operating activities	22	(2,475,914)	(3,120,449)
<i>Cash flows from investing activities</i>			
Payment for property, plant and equipment		(192,673)	-
Payments for capitalised exploration expenditure on mining interests		(1,760,509)	-
Payment of guarantees		(15,751)	-
Proceeds from sale of shares		-	5,640
Proceeds from sale of VIC	6	293,771	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 (used in)/from investing activities		(1,675,162)	1,674,817
<i>Cash flows from financing activities</i>			
Proceeds from issues of equity securities net of costs		5,314,386	5,224,439
Proceeds from loans		-	200,000
Repayments of loans		-	(200,000)
Net cash from financing activities		5,314,386	5,224,439
Net increase in cash held		1,163,310	3,778,807
Cash and cash equivalents at the beginning of the financial year		5,032,970	1,265,227
Effects of exchange rate changes on the translation of foreign controlled entities		26,473	(11,064)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	22	6,222,753	5,032,970

Notes to the financial statements are included on pages 34 to 63.

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 Summary of Accounting Policies

General information

Admiralty Resources NL ("the Company") is a for-profit, 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 31 August 2012.

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(w).

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 2012 and the results of the subsidiaries for the year ended 30 June 2012. 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 the Statement of Comprehensive Income.

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.

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) Mining Interests

Mining Interests are shown at cost plus exploration costs to date less impairment. 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) Exploration and evaluation expenses

Australian tenements

Due to the significant uncertainty that exists in respect of the prospects of success in the Company's exploration activities being undertaken in Australia the directors have determined that the most appropriate treatment of expenditure on these tenements is to expense it as incurred.

Chilean tenements

The exploration in Chile is on highly prospective tenements which includes an existing resources statement and all exploration costs have been capitalised in Mining Interests. The directors are satisfied that the expenditure on these tenements meets the requirements of AASB 6 "Exploration for and Evaluation of Mineral Resources" in that the rights to tenure of the area of interest are current and at least one of the following conditions is met for each area of interest:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

(d) 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.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 1 Summary of Accounting Policies (Continued)

(e) Financial assets

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

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

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

(f) Income tax

Current tax

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

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.

Note 1 Summary of Accounting Policies (Continued)

(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.

(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:

<i>Class of Fixed Asset</i>	<i>Useful Life</i>
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 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.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

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. These rights represent the value of royalties due under an agreement with SCM Vallendar Iron Company ("VIC"). The royalties are on all production of iron ore fines produced by VIC from Harper North. 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.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

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.

Note 1 Summary of Accounting Policies (Continued)

(w) 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.

(x) 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 2011. Those adopted are:

- AASB 124 (revised) - Related Party Disclosures;
- AASB 2010-4 - Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2010-5 - Amendments to Australian Accounting Standards; and
- AASB 2010-6 - Amendments to Australian Accounting Standards - Disclosure of Transfer of Financial Assets.

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.

Notes to the Financial Statements

for the year ended 30 June 2012 (Continued)

Note 1 Summary of Accounting Policies (Continued)

(x) New standards and interpretations (Continued)

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

The most relevant Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective that have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2012, 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 2015
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 January 2012
AASB 10	Consolidated Financial Statements	The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has other rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity.	(ii)	1 January 2013
AASB 11	Joint Arrangements	The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation.	(ii)	1 January 2013
AASB 12	Disclosure of Interests in Other Entities	It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures.	(ii)	1 January 2013
AASB 119	Employee Benefits	The revised standard eliminates the corridor approach for the deferral of gains and losses: streamlines the presentation of changes in assets and liabilities arising from defined benefit plans.	(ii)	1 January 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	The amendments remove disclosure requirements from for individual key management personnel (KMP). The adoption of these amendments will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report.	(ii)	1 January 2013
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustment).	(ii)	1 July 2012

- (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

	2012	2011
	\$	\$
Other income		
Interest income	106,587	40,762
Profit on sale of fixed assets	-	27,261
Finance income	210,747	135,468
Profit on foreign exchange	91,517	-
Other income	13,822	-
	422,673	203,491

Note 3 Expenses

		2012	2011
	Note	\$	\$
Wages, salaries and director fees		583,538	510,324
Superannuation	(i)	19,253	23,186
Other employee costs		11,110	-
		613,901	533,510
Depreciation of non-current assets		9,680	2,363
		9,680	2,363
Loss on foreign exchange translation:			
Realised		-	85,159
Unrealised		-	110,351
		-	195,510

(i) An adjustment of \$17,330 for prior period superannuation benefits reversed was made during the year ended 30 June 2012.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 4 Parent Entity

As at, and throughout, the financial year ended 30 June 2012 the parent company of the consolidated entity was Admiralty Resources NL. The results and financial position of the parent entity are detailed below.

	2012	2011
	\$	\$
Result of the parent entity		
(Loss)/profit for the year	(14,458,762)	12,831,511
Other comprehensive income	-	-
Total comprehensive income for the year	(14,458,762)	12,831,511
Financial position of the parent entity at year end		
Current assets	7,799,584	5,894,719
Non-current assets	33,018,954	44,265,582
Total assets	40,818,538	50,160,301
Current liabilities	166,047	363,433
Total liabilities	166,047	363,433
Net assets	40,652,491	49,796,868
Total equity of the parent entity comprising of:		
Contributed equity	139,828,649	134,514,263
Accumulated losses	(99,176,158)	(84,717,395)
Total equity	40,652,491	49,796,868

Parent entity contingencies and commitments

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

Operating expenditure commitments	2012	2011
	\$	\$
Payable		
no later than 1 year	40,200	8,400
	40,200	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:

	2012	2011
	\$	\$
Loss from continuing operations	(15,306,906)	(2,333,009)
Profit from discontinued operations	-	16,748,682
	(15,306,906)	14,415,673
Prima facie tax payable to ATO on loss from Australian continuing activities before income tax at 30% (2011: 30%)	(4,585,684)	(2,693,362)
Prima facie tax payable to Servicio de Impuestos on profit from Chilean continuing activities before income tax at 20% (2011: 17%)	(4,258)	3,976,902
Impairment expense	3,999,701	-
Provision for leave entitlements	3,726	-
Unrealised foreign exchange gains	(21,868)	(54,604)
Deductible exploration expenses	(473,069)	-
Unbooked tax benefit of capital loss on loan forgiven	(103,865)	2,086,868
Non-assessable accounting gain on disposal of VIC	-	(5,537,525)
Tax losses not brought to account as deferred tax assets	1,185,317	2,221,721
Income tax expense attributable to loss from continuing activities	-	-
The estimated deferred tax assets not brought to account:		
Tax losses – revenue	13,495,401	20,483,586
Tax losses – capital	2,978,019	3,085,517
	16,473,420	23,569,103

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.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

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	2012 \$	2011 \$
<i>Consideration received or receivable</i>			
Cash consideration received at completion	(a)	-	1,029,000
Deferred sale consideration - Current	(a)	-	1,013,400
Deferred sale consideration - Non-current	(b)	-	1,607,773
Contractual royalty rights		-	29,373,250
		-	33,023,423
<i>The carrying amount of assets and liabilities at the time of the disposal</i>			
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
<i>Profit from discontinuing operations</i>			
Gain on disposal		-	9,154,602
Other revenue		-	127,341
Operational expenses		-	(265,874)
Employee benefit expense		-	(764,846)
Depreciation		-	(33,047)
Other expenses		-	(302,075)
PROFIT/(LOSS) BEFORE SIGNIFICANT ITEMS		-	7,916,101
Reserves realised on disposal		-	8,832,581
<i>Profit from discontinuing operations</i>		-	16,748,682

(a) The actual cash consideration received during the 2012 year was \$293,711 (2011: \$1,971,603) and relates to the deferred sale consideration due under the share sale agreement, net of exchange movements.

(b) The value of these receivables at 30 June 2011 had changed due to foreign exchange movements.

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 or since the end of 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
- Hanjing Xu, Non-executive Director (appointed 2 August 2012)

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

- Stephen C. Prior, Managing Director

(b) Key management personnel compensation

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

	2012 \$	2011 \$
Short-term director benefits (i)	583,538	501,135
Short-term executive benefits	-	326,647
Retirement and termination benefits (ii)	19,253	418,177
Total	602,791	1,245,959

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

(ii) An adjustment of \$17,330 in relation to prior period superannuation benefits of former employees was made during the year ended 30 June 2012.

(c) Shareholdings

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

<i>Directors and Executives</i>	<i>Balance 1 July 2011</i>	<i>Net change other (i)</i>	<i>Balance 30 June 2012</i>
Professor J. Ross Harper	1,518,546	322,910	1,841,456
Stephen C. Prior	2,654,546	1,945,454	4,600,000
Michael S. Perry	1,254,546	745,454	2,000,000
Dr Shaoqing Li	73,553,031	24,950,607	98,503,638
Hanjing Xu	-	5,000,000	5,000,000
Total	78,980,669	32,964,425	111,945,094

(i) "Net change other" refers to shares purchased or sold during the financial year.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

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

<i>Directors and Executives</i>	<i>Balance 1 July 2010</i>	<i>Net change other (i)</i>	<i>Reduction due to consolidation (ii)</i>	<i>Balance 30 June 2011</i>
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 (iii)	-	-	-	-
Ricardo González (iii)	-	-	-	-
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 Executives at the date of ceasing with the consolidated entity.

(d) Remuneration

Details of Director and Executive remuneration are disclosed in the Remuneration Report on pages 20 to 21.

Note 8 Remuneration of Auditors

	<i>2012</i>	<i>2011</i>
		\$
Audit and review fees for the parent entity	76,500	74,000
Audit and review fees for the subsidiary, SCM Vallenar Iron Company paid to PKF Chile	-	17,278
Fees for non-audit services	2,755	-
	79,255	91,278

The auditor of the consolidated entity is BDO East Coast Partnership.

Note 9 Trade and Other Receivables

	<i>2012</i>	<i>2011</i>
<i>Note</i>	\$	\$
Current		
Security deposits	41,466	8,563
Sundry receivables (a)	278,725	77,354
Goods and services tax (GST) receivable	18,339	-
	338,530	85,917

(a) Sundry receivables include VAT refundable of approximately \$278,000 (2011: \$66,000) and various trade and other debtors, none of which are impaired.

Note 10 Earnings per Share

	2012	2011
	\$	\$
(a) Reconciliation of earnings to net profit or loss		
Loss from continuing operations used in the calculation of basic and dilutive EPS	(15,306,906)	(2,333,009)
Profit from discontinued operations used in the calculation of basic and dilutive EPS	-	16,748,682
Total profit/(loss) after tax for the year used in the calculation of basic and dilutive EPS	(15,306,906)	14,415,673
	Number	Number
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	624,887,531	508,034,815
(c) Basic and diluted loss per share from continuing operations (cents per share)	(2.45)	(0.46)
Basic and diluted earnings per share from discontinued operations (cents per share)	-	3.30
Basic and diluted earnings/(loss) per share (cents per share)	(2.45)	2.84
(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 2012 (2011: \$nil).

At 30 June 2012, the balance of the franking account of the consolidated entity and the parent entity was \$nil (2011:\$nil).

Note 12 Other Financial Assets

		2012	2011
	Note	\$	\$
Current			
Deferred sale consideration	(a)	1,622,371	854,511
		1,622,371	854,511
Non-current			
Deferred sale consideration	(a)	-	777,992
		-	777,992

(a) The consolidated entity is due to receive the remaining US\$1,700,000 relating to the sale of VIC from Australis Mining Ltd. These receivables were initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. The consolidated entity was due to receive US\$1,000,000 on 16 March of which \$700,000 is still outstanding at 30 June 2012 with another US\$1,000,000 due on 16 November 2012. Australis have advised all outstanding amounts will be provided upon the drawdown of their funding arrangements which it expects to occur shortly.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 13 Controlled Entities

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

Name of entity	Country of incorporation	Principal activity	Percentage owned (%)	
			2012	2011
Bulman Resources Pty Ltd*	Australia	Lead, zinc exploration	100%	100%
Pyke Hill Resources Pty Ltd*	Australia	Nickel, cobalt assets	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	100%	100%
Servicios Admiralty Resources Chile Ltda (formerly Inversiones Admiralty Resources Chile Ltda.)	Chile	Currently dormant	100%	100%

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

Note 14 Mining Interests

	2012	2011
	\$	\$
Exploration interest - at cost	16,898,587	15,321,691

	2012	2011
	\$	\$
<i>Movements in carrying amounts</i>		
Balance at the beginning of the year	15,321,691	38,483,602
Additions	1,576,896	-
Disposals	-	(21,592,201)
FX adjustment	-	(1,569,710)
Carrying amount at the end of year	16,898,587	15,321,691

Note 15 Contractual Royalty Rights

		2012	2011
	Note	\$	\$
Contractual royalty rights	(a)	29,373,250	29,373,250
Impairment writedown	(b)	(13,332,337)	-
		16,040,913	29,373,250

		2012	2011
	Note	\$	\$
<i>Movements in carrying amounts</i>			
Balance at the beginning of the year		29,373,250	-
Additions		-	29,373,250
Disposals		-	-
Impairment writedown	(b)	(13,332,337)	-
Carrying amount at the end of year		16,040,913	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 Harper North. 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
- (b) The Board assessed that there were indicators of impairment as at 30 June 2012 and assessed the recoverable amount of the Contractual Royalty Rights based on the NPV of future cash flows using current assumptions reflecting delayed cash flows and changes in the spot price for iron ore and foreign exchange rates. The discount rate used was 30% (2011: 30%). The NPV of the future cash flows from the Contractual Royalty Rights was lower than the carrying amount of the asset and an impairment was raised for the year ended 30 June 2012.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 16 Property Plant and Equipment

	2012 \$	2011 \$
<i>Land and property</i>		
At cost	66,295	-
	66,295	-
<i>Plant and equipment</i>		
At cost	71,139	14,064
Accumulated depreciation	(10,327)	(7,074)
	60,812	6,990
<i>Motor vehicles</i>		
At cost	44,578	-
Accumulated depreciation	(4,336)	-
	40,242	-
<i>Office furniture</i>		
At cost	5,152	11,968
Accumulated depreciation	(3,894)	(8,603)
	1,258	3,365
NET BOOK VALUE	168,607	10,355

2012 Movements in carrying amounts

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

	<i>Land and Property</i> \$	<i>Plant and Equipment</i> \$	<i>Motor Vehicles</i> \$	<i>Office Furniture</i> \$	<i>Total</i> \$
Balance at the beginning of year	-	6,990	-	3,365	10,355
Additions	66,295	59,180	44,578	-	170,053
Assets written off	-	(327)	-	(1,794)	(2,121)
Disposals	-	-	-	-	-
Depreciation expense	-	(5,031)	(4,336)	(313)	(9,680)
Carrying amount at the end of year	66,295	60,812	40,242	1,258	168,607

Note 16 Property Plant and Equipment (Continued)

2011 Movements in carrying amounts

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

	<i>Plant and Equipment</i>	<i>Motor Vehicles</i>	<i>Office Furniture</i>	<i>Total</i>
	\$	\$	\$	\$
Balance at the beginning of year	1,317,631	76,561	94,529	1,488,721
Additions	-	-	-	-
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

Note 17 Other Assets

	<i>2012</i>	<i>2011</i>
	\$	\$
<i>Non-current</i>		
Deposits receivable	-	15,544
Other	6,112	6,112
	6,112	21,656

Note 18 Trade and Other Payables

	<i>2012</i>	<i>2011</i>
<i>Note</i>	\$	\$

Current

Trade payables and accruals	(a)	189,975	363,594
-----------------------------	-----	----------------	----------------

- (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.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 19 Contributed Equity

	<i>Note</i>	2012 \$	2011 \$
727,822,759 (2011: 606,518,966) fully paid ordinary shares	(i)	139,828,649	134,514,263
		139,828,649	134,514,263

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

(a) Ordinary shares

	2012 \$	2011 \$
Ordinary shares		
At the beginning of the financial year	134,514,263	129,289,824
Issue of share capital net of costs	5,314,386	5,224,439
CONTRIBUTED EQUITY AT THE END OF THE FINANCIAL YEAR	139,828,649	134,514,263

	<i>Note</i>	2012 Number	2011 Number
Ordinary shares			
At the beginning of the financial year		606,518,966	2,311,155,977
Shares issued or reduced during the year			
Shares issued to sophisticated investors		-	99,692,546
Total pre-consolidation shares		-	2,410,848,523
Share restructure	(ii)	-	(1,928,678,288)
Total post-consolidation shares		606,518,966	482,170,235
Shares issued to substantial holder		-	72,000,000
Shares issued to existing shareholders under the Share Purchase Plan		-	52,348,731
Shares issued via underwritten Rights Offer		121,303,793	-
At the end of the financial year		727,822,759	606,518,966

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

(b) Options

There number of options on issue during the year was nil (2011: nil).

(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 2011.

Note 20 Foreign Currency Translation Reserve

	2012 \$	2011 \$
Balance at the beginning of financial year	(675,205)	8,534,135
Exchange differences realised on disposal of foreign operations	-	(8,832,581)
Exchange differences arising on translation of foreign operations	(14,330)	(376,759)
Movement in foreign currency translation reserve	(14,330)	(9,209,340)
Balance at the end of the financial year	(689,535)	(675,205)

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

Note 21 Capital and Leasing Commitment

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

	2012 \$	2011 \$
Payable		
no later than 1 year	1,674,800	80,000
later than 1 year but not later than 5 years	280,000	280,000
	1,954,800	360,000

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

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 22 Notes to the Statement of Cash Flows

	2012 \$	2011 \$
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	6,222,753	5,032,970
b) Reconciliation of net cash flow from operating activities with profit/(loss) for the year		
Profit/(loss) for the year	(15,306,906)	14,415,673
Non-cash flows in loss from continuing activities:		
Depreciation	9,680	2,363
Assets written off	2,121	-
Impairment expense	13,332,337	-
Unwinding of discount on deferred sale consideration	(210,747)	(135,468)
Profit on disposal of business	-	(9,154,602)
Derecognition of foreign currency reserve	-	(8,832,581)
Foreign exchange loss/(gain)	(74,635)	486,796
Changes in assets and liabilities net of effects from disposal of businesses:		
Increase/(decrease) in trade and term debtors	(62,129)	(108,955)
Decrease in inventory	10,132	-
Decrease/(increase) in trade creditors and accruals	(175,767)	206,325
NET CASH USED IN OPERATING ACTIVITIES	(2,475,914)	(3,120,449)

Note 23 Segment Reporting

Identification of reportable segments

The predominant activity of the consolidated entity is the exploration for mineral resources. Geographically, the consolidated entity operated in 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 23 Segment Reporting (Continued)

	<i>Australia</i>		<i>Chile</i>		<i>Consolidated Entity</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	\$	\$	\$	\$	\$	\$
Revenue						
Other revenue from continuing operations	302,264	135,468	13,822	27,261	316,086	162,729
Total allocated segment revenue	302,264	135,468	13,822	27,261	316,086	162,729
Unallocated interest income					106,587	40,762
Entity revenue					422,673	203,491
Result						
Segment result from continuing operation	(14,805,795)	(2,021,644)	(501,111)	(311,364)	(15,306,906)	(2,333,008)
Segment result from discontinuing operation	-	-	-	16,748,682	-	16,748,682
Total segment result	(14,805,795)	(2,021,644)	(501,111)	16,437,318	(15,306,906)	14,415,674
Operating profit/(loss) before income tax					(15,309,906)	14,415,674
Assets						
Segment assets	23,898,433	36,107,465	17,399,440	15,370,877	41,297,873	51,478,342
Consolidated total assets					41,297,873	51,478,342
Liabilities						
Segment liabilities	166,047	158,414	23,928	205,180	189,975	363,594
Consolidated total liabilities					189,975	363,594
Other						
Acquisitions of non-current segment assets	690	-	1,746,259	-	1,746,949	-
Depreciation & amortisation of segment assets	2,137	2,363	7,543	-	9,680	2,363

Secondary reporting – Business Segments

The consolidated entity operates solely in one business segment, being mineral exploration.

Accounting Policies

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

Note 24 Events Subsequent to Reporting Date

There have been no significant events subsequent to reporting date.

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 25 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 13 to the financial statements.

Equity interests in other related parties

Details of interests in other related parties are disclosed in Note 13 to the financial statements.

(b) Key management personnel remuneration

Key management personnel remuneration is disclosed in 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.

	2012	2011
	\$	\$
Rent of Admiralty Resources NL's office	33,600	33,600
Company Secretarial and accounting services	120,000	120,000
Executive Assistant services	45,360	45,360
Accounting and tax services	1,955	5,861
	200,915	204,821

During the year, Sino Investment & Holding Pty Ltd, a related party of Dr. Shaoqing Li, received payment of \$97,474 in relation to underwriting fee. The fee was equal to 3.5% of the value of the shares issued pursuant to the rights offer underwriting agreement.

All related party transactions are charged at market rates.

Note 26 Financial Instruments

(a) Financial risk management objectives

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

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

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

It is, and has been throughout the period under review, the consolidated entity's policy that trading in financial instruments may be undertaken. However, the consolidated entity has not used 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:

	Weighted Average Effective Interest Rate	Fixed Interest Rate Maturity					Total
		Floating Interest Rate	Less than 1 year	1-5 years	More than 5 years	Non- Interest Bearing	
2012	%	\$	\$	\$	\$	\$	\$
Financial assets							
Cash	2.70	5,738,560	-	-	-	484,193	6,222,753
Receivables		-	-	-	-	338,530	338,530
Deferred sale consideration		-	-	-	-	1,622,371	1,622,371
Total financial assets		5,738,560	-	-	-	2,445,094	8,183,654
Financial liabilities							
Trade payables and accruals		-	-	-	-	189,975	189,975
Total financial liabilities		-	-	-	-	189,975	189,975

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 26 Financial Instruments (Continued)

(c) Interest rate risk (Continued)

	Weighted Average Effective Interest Rate	Fixed Interest Rate Maturity					Non- Interest Bearing	Total
		Floating Interest Rate	Less than 1 year	1-5 years	More than 5 years			
2011	%	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash	2.85	3,629,843	-	-	-	1,403,127		5,032,970
Receivables		-	-	-	-	85,917		85,917
Deferred purchase consideration		-	-	-	-	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

(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 26 Financial Instruments (Continued)

(f) Liquidity risk management

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

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

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. 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	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash and cash equivalents	6,222,753	5,032,970	-	-	-	-	6,222,753	5,032,970
Trade, term and loans receivables	338,530	85,917	-	-	-	-	338,530	85,917
Deferred purchase consideration	1,622,371	854,511	-	777,992	-	-	1,622,371	1,632,503
	8,183,654	5,973,398	-	777,992	-	-	8,183,654	6,751,390
Financial liabilities								
Trade and other payables	189,975	363,594	-	-	-	-	189,975	363,594
Total outflows	189,975	363,594	-	-	-	-	189,975	363,594
Net financial assets	7,993,679	5,609,804	-	777,992	-	-	7,993,679	6,387,796

Notes to the Financial Statements for the year ended 30 June 2012 (Continued)

Note 26 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:

	2012 \$	2011 \$
Financial assets		
Cash	6,222,753	5,032,970
Receivables	338,530	85,917
Deferred purchase consideration	1,622,371	1,632,503
Total financial assets	8,183,654	6,751,390
Financial liabilities		
Payables	189,975	363,594
Total financial liabilities	189,975	363,594

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.

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 2012 \$	Equity 2012 \$
AUD/USD	+ 5%	101,000	101,000
	- 5%	(101,000)	(101,000)
AUD/CLP	+ 5%	3,000	3,000
	- 5%	(3,000)	(3,000)

Note 27 Non-Hedged Foreign Currency Balances

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

	2012	2011
	\$	\$
<i>United States Dollars (USD)</i>		
Cash	389,697	1,378,402
Deferred purchase consideration	1,622,371	1,632,503
<i>Chilean Pesos (CLP)</i>		
Cash	64,689	7,450

Note 28 Contingent Liabilities and Contingent Assets

The Company has no material contingent liabilities or contingent assets.

Independent Auditor's Report



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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 consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 gives a true and fair view and 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 company's preparation of the financial report that gives a true and fair view 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 company'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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Admiralty Resources NL, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Admiralty Resources NL is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 20 to 21 of the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the Corporations Act 2001.

BDO East Coast Partnership

Richard Dean
Partner

Melbourne, 31 August 2012

Additional Information for Public Listed Companies

1. Shareholder Information

(a) *Distribution of shareholders by class at 30 August 2012.*

<i>Category (size of holding)</i>	<i>Ordinary Shares</i>	<i>Number of Holders</i>
1 - 1,000	896,600	1,599
1,001 - 5,000	7,278,567	2,657
5,001 – 10,000	9,869,244	1,279
10,001 - 100,000	87,144,481	2,551
100,001 and over	622,633,867	505
	727,822,759	8,591

(b) *The number of shareholdings held in less than marketable parcels is 5,683 at 30 August 2012.*

(c) *The number of holders of each class of equity security as at 30 August 2012.*

<i>Class of Security</i>	<i>Number</i>
Ordinary fully paid shares	8,591

(d) *Substantial holders as at 30 August 2012.*

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

	<i>Name</i>	<i>Number of Ordinary Fully Paid Shares Held</i>	<i>% Held of Issued Ordinary Capital</i>
1	Sino Investment and Holding Pty Ltd	96,400,000	13.245

(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.

Additional Information for Public Listed Companies (Continued)

1. Shareholder Information (Continued)

(f) 20 Largest Shareholders - Ordinary Capital as at 30 August 2012.

	<i>Name</i>	<i>Number of Ordinary Fully Paid Shares Held</i>	<i>% Held of Ordinary Issued Capital</i>
1	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	158,683,627	21.803
2	Sino Investment and Holding Pty Ltd	96,400,000	13.245
3	McNeil Nominees Pty Limited	42,078,306	5.781
4	HSBC Custody Nominees (Australia) Limited	41,497,769	5.702
5	Pershing Australia Nominees Pty Ltd <Phillip Securities (HK) A/C>	39,951,492	5.489
6	National Nominees Limited	28,277,372	3.885
7	JP Morgan Nominees Australia Limited <Cash Income A/C>	21,411,712	2.942
8	Mr Yongjin Luo	7,506,934	1.031
9	Mr Hanjing Xu	5,000,000	0.687
10	Mrs Frannie Fang Xu Wu	4,389,360	0.603
11	Dr Richard Stuart Parry & Mrs Judith Nancy Parry <R S Parry Super Fund A/C>	4,267,325	0.586
12	Fortieth Agenda Pty Ltd <India Louise Prior A/C>	4,100,000	0.563
13	Citicorp Nominees Pty Limited	3,485,162	0.479
14	Jin Xin International Pty Ltd	3,456,000	0.475
15	Merrill Lynch (Australia) Nominees Pty Limited	3,037,092	0.417
16	Mrs Yuwen Sheng	2,893,853	0.398
17	Mr Peter Kenneth Gilmour	2,500,000	0.343
18	Mr Soon Jeung Yuen	2,378,000	0.327
19	Mrs Svetlana Li	2,203,638	0.303
20	Wyuna-Sparkling Waters Pty Ltd <Perry Family Super A/C>	2,000,000	0.275
		475,517,642	65.334

2. The name of the Company Secretary is Patrick Rossi

3. Administrative and Registered Office details

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

4. Share Registry Details

Boardroom Limited
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 30 August 2012.

7. Unquoted Securities

There were no unquoted securities as at 30 August 2012.

Appendix I - Schedule of Tenements

<i>Tenement Reference</i>	<i>Registered Holder</i>	<i>Country</i>	<i>Project Group</i>
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
<i>HARPER SOUTH</i>			
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
<i>OTHER SECTORS</i>			
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

Appendix II - Competent Person's Statement

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



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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.

CUT-OFF GRADE	INDICATED		INFERRED		TOTAL	
	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

Appendix II - Competent Person's Statement (Continued)

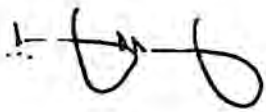
COMPETENT PERSON'S STATEMENT

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.



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SRK Consulting, Chile



George G. Even
MAIG, MAusIMM
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SRK Consulting, Chile



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