



ADMIRALTY RESOURCES



Admiralty Resources NL

ABN: 74 010 195 972

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014**

Corporate Details

Admiralty Resources NL

ABN: 74 010 195 972

Directors:

Aiping Wang
Qing Zhong (appointed 4 December 2013)
Hanrui Zhong
Scott Bennison Alan Beasley (appointed 16 December 2013)
Bin Li (appointed 22 September 2014)

Company Secretary:

Jarrod White (appointed 1 October 2014)

Principal place of business:

Suite 1602, 87-89 Liverpool Street
Sydney NSW
2000

Registered Office:

C/- Traverse Accountants
Suite 404, Level 4
25 Lime Street
Sydney NSW 2000

Securities Quoted:

Australian Securities Exchange Ltd (ASX)
Code: ADY (shares)

Auditors:

BDO East Coast Partnership
Level 14, 140 William Street
Melbourne VIC 3000 Australia

Bankers:

Westpac Banking Corporation
447 Bourke Street
Melbourne VIC 3000 Australia

Citi Banco de Chile
Agustinas 1180
Santiago, Chile

National Australia Bank
Level 13, Tower B, 799 Pacific Highway
Chatswood NSW 2067

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

Gillis Delaney
Level 11, 279 Elizabeth Street
Sydney NSW 2000 Australia

Share Registry:

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

Website:

www.ady.com.au

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** (currently inactive)
- **Admiralty Resources (Hong Kong) Limited**

Chairperson's Report

Dear Shareholders,

I was appointed to the Board of Directors of Admiralty Resources NL in May 2013 by shareholders, and became Chairperson in June 2014.

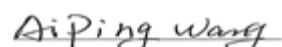
Admiralty has experienced significant changes in its board of directors and management since May 2013. This is understandable as the company strives to re-focus its direction to enhance shareholder value by establishing strong relationships in China.

Our Managing Director, Susan Zhong, is working to build a management team suited to the new direction of Admiralty. I am pleased with the progress that our management team are making.

Iron ore prices are currently on a cyclical low. Whilst this presents its problems for us in developing our iron resources in Chile, I am heartened by two comparative advantages we enjoy – close proximity to the Chilean coastline and mining cost structures much lower than in, say, Australia. Our focus in building new partnerships in China will be to enhance our published resources and reserves and working through access to infrastructure which will enable us to lower our operating costs when we are in production. By doing this we will add value to the company for the benefit of shareholders.

I look forward to participating in improving the value of your Company.

Yours sincerely,



Aiping Wang
Chairperson
7 October 2014

Corporate Governance Statement

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

Introduction

The Directors of Admiralty Resources NL (“Company”) 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. These policies and procedures are summarised below.

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. It influences how the objectives of the Company are achieved, how risk is monitored and assessed and how performance is optimized.

The Board and management are committed to corporate governance and, to the extent that they are applicable to the Company, have adopted the Corporate Governance Principles as set out in the Corporate Governance Principles and Recommendation (2nd Edition) as published by the ASX Corporate Governance Council, which 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.

Whilst the Board has demonstrated, and continues to demonstrate, its commitment to best practice in corporate governance, it emphasises that good corporate governance is only one factor contributing to the success of the Company's operations.

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.

Additional information about the Company's corporate governance practices is set out on the Company's website at www.ady.com.au.

Council Principle 1: Lay solid foundations for management and oversight

1.1 Role of the Board

The Board's primary role is the protection and enhancement of medium to long term shareholder value. To fulfil this role, 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.

Corporate Governance Statement (Continued)

Responsibility of the Board

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.

The Board is collectively responsible for promoting the success of the Company by:

- 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 and 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;
- 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 environment management; risk and internal control and regulatory compliance for both employees and contractors.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities. Between regular meetings it will also ensure that important matters are addressed by way of circular resolutions. The Board may, from time to time, delegate some of the responsibilities listed above to its senior management team.

1.2 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 they feel they have performed over the 12 month period (360 degree feedback).

Corporate Governance Statement (Continued)

Council Principle 2: Structure the board to add value

The Company considers that each director possesses skills and experience suitable for building the Company. 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.

2.1 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.

2.2 and 2.3 Independent Directors and role of Chair and CEO

Currently, the Board does not have a majority of Directors which are considered to be independent. However, the Company believes it has the right mix of skills, independence and experience on the Board at this time, given the Company's current business objectives and stage of growth.

At all times during the year, the Company has maintained a separation between the Chair and Chief Executive Office roles.

Corporate Governance Statement (Continued)

The following table provides information in relation to the independence of Directors as at year end:

Name	Position	Independent	Factors affecting independence
Aiping Wang	Non-Executive Chair	Yes	Nominated by majority shareholder and elected as Non-Executive Director at General Meeting of Members on 21 May 2013.
Hanrui Zhong	Non-Executive Director	No	27,290,067 shares are controlled by Mr Zhong through a nominee entity.
Qing Zhong	Managing Director	No	Employed in an executive capacity as Managing Director.
Alan Beasley	Non-Executive Director	Yes	Appointed to the Board as Non-Executive Director on 16 December 2013.
Scott Bennison	Non-Executive Director	Yes	Appointed to the Board as Non-Executive Director in 26 June 2013.

2.4 Board Committees

The Board has established the following three committees to assist in carrying out the Board's responsibilities: These committees meet as required and form part of the regular Board Meetings.

- 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.

Corporate Governance Statement (Continued)

2.5 Performance Review of Directors

The performance of all Board members is reviewed annually.

Company Secretary

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

Council Principle 3: Promote ethical and responsible decision-making

The Company complies with this recommendation other than with regard to the adoption of a diversity policy covered by Recommendations 3.2, 3.3, 3.4 and 3.5.

3.1 Code of Conduct

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 a conflict exists.

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.

Council Principle 4: Safeguard integrity in financial reporting

4.1 Audit and Risk Committee

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

Corporate Governance Statement (Continued)

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).

4.2 Audit and Risk Committee Structure

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

- consists only of Non-Executive directors; and
- is chaired by a 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 is 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.

4.3 Audit and Risk Committee Charter

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 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.

Corporate Governance Statement (Continued)

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 7 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.

Council Principle 5: Make timely and balanced disclosure

5.1 Compliance with ASX Listing Rules

The Company has adopted the compliance procedures for ASX Listing Rule disclosure requirements. It has appointed the Managing Director and Company Secretary to be responsible for compliance.

Their responsibilities include ensuring compliance with the continuous disclosure requirements, overseeing and coordinating information disclosure to the ASX, shareholders, the media and the public.

Council Principle 6: Respect the rights of shareholders

6.1 Communication Policy

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.

Information will be communicated to shareholders as follows:

- The Annual Report is distributed to all shareholders. The Board ensures that the Annual Report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act. The Annual Report is made available on the Company's website, and is provided in hard copy format to any shareholder who requests it.
- The Half-Yearly Report contains summarised financial information and a review of the operations of the consolidated entity during the year. The half-year audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Securities Exchange. The Half-Yearly Report is made available on the Company's website, and is sent to any shareholder who requests it.
- The Quarterly Report contains summarised cash flow financial information and details about the Company's activities during the quarter. The Quarterly Report is made available on the Company's website, and is sent to any shareholder who requests it.
- Announcements in accordance with the ASX Listing Rules and the Continuous Disclosure obligations;

Corporate Governance Statement (Continued)

- A general meeting of shareholders held at least annually, including providing them with notice of meeting and proxy form; and
- The Company's website is well promoted to shareholders and shareholders may register to receive updates, either by email or in hard copy.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as resolutions. The Company also ensures that the audit partner attends the Annual General Meeting.

Company's website

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

On its website, the Company makes the following information available on a regular and up-to-date basis:

- Company announcements;
- Latest information briefings;
- Notices of meetings and explanatory materials; and
- Quarterly, Half-Yearly and Annual Reports.

The website is being continuously updated with any information the directors and management may feel is material. 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 including three years of financial data.

Council Principle 7: Recognise and manage risk

7.1, 7.2 and 7.3 Oversight and Management of Material Business Risks

The Company is aware of 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

Corporate Governance Statement (Continued)

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.

Council 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.

8.1 and 8.2 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.

8.3 Remuneration Structure

The Company has established a policy to clearly distinguish the remuneration of non-executive director's from that of executive directors and senior executives. Remuneration is based on external data including information published by various recruiting firms, the time commitment of Directors,

Corporate Governance Statement (Continued)

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.

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.

Admiralty Resources NL's corporate governance practices were in place for the financial year ended 30 June 2014 and to date of signing the Director's report.

Various Corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Admiralty Resources NL, please refer to our website: www.ady.com.au.

Directors' Report

The Directors of Admiralty Resources NL submit the annual financial report of the Company for the financial year ended 30 June 2014 which comprises the results of Admiralty Resources NL and the entities it controlled during the year.

DIRECTORS

The names and details of the Directors of Admiralty Resources NL ("Company") in office during the financial year and until the date of this report are set out below. Directors have been in office for the entire period unless otherwise stated.

Aiping Wang	Non-Executive Chairperson
Qing Zhong	Managing Director (appointed Director 4 December 2013 and Managing Director on 4 June 2014)
Alan Beasley	Non-executive Director, Non-Executive Chairman (17 December 2013 to 23 June 2014) (appointed 17 December 2013)
Scott Bennison	Non-executive Director
Bin Li	Non-executive Director (appointed 22 September 2014)
Hanrui Zhong	Non-executive Director, Managing Director (21 June 2013 to 4 June 2014)
David Karpin	Non-executive Director (appointed 30 July 2013, resigned 11 December 2013)
Zexing Ling	Non-executive Chairman (resigned 16 October 2013)

Managing Director and Chief Executive Officer

Mr Hanrui Zhong resigned as Managing Director and Chief Executive Officer of Admiralty on 4 June 2014. He is replaced by Mrs Qing Zhong as Managing Director and Chief Executive Officer with appointment effective the same day.

Company Secretaries

Mr Jarrod White (appointed 1 October 2014)
 Mr Robert Kineavy (appointed 13 December 2013, resigned 1 October 2014)
 Mr Blair Lucas (resigned 13 December 2013)

BOARD OF DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Aiping Wang

Non-Executive Chairperson

Ms Wang was appointed to the Board on 21 May 2013 as an independent non-executive Director following the general meeting of members on 21 May 2013.

Ms Wang has a Masters in economics degree from Xian Jiaotong University in China. Ms Wang is currently a director of Zhonjin Tianrun Equity Management Company which focuses on mining investment in China.

Ms Wang previously held the position of senior manager at Ping An Insurance (Group) Company of China Ltd where she was responsible for mining investment and was also a senior manager for Parkson Retail Group.

Ms Wang's special responsibilities include appointment to the Remuneration and Finance Committees and Chairperson of the Remuneration Committee.

Directors' Report (Continued)

Qing Zhong

Managing Director and Chief Executive Officer

Ms Zhong was appointed to the board of directors on 4 December 2013, and as managing director and CEO on 3 June 2014 to replace Mr Zhong.

Ms Zhong is a Director of Sino Investment & Holdings Pty Ltd who is a cornerstone investor in Admiralty Resources NL.

Ms Zhong is a Director of a number of unlisted Australian companies that have significant investments in the property market and the mining industry.

Ms Zhong's special responsibilities include appointment to the Audit and Risk Committee.

Scott Bennison Bbus, Dip FP, JP, CA

Non-Executive Director

Mr Bennison was appointed to Board on 26 June 2013 as a Non-Executive Director.

Mr Bennison's professional qualifications include Chartered Accountant, Registered Company Auditor (ASIC), Financial Planner, Registered Tax Agent and Justice of the Peace.

Mr Bennison has had over 25 years experience in the financial services industry with the last 9 years being a principal director of Infinity Financial.

Mr Bennison has also spent the last 6 years in Local Government as a Councillor for Lane Cove Council and the last 12 months as Mayor. Mr Bennison has extensive experience in governance, budgeting, leadership, project management and understands the political process of all levels of Government.

Mr Bennison's special responsibilities include appointment as Chairman of the Audit and Risk Committee.

Bin Li

Non-Executive Director

Mr Li was appointed to the Board on 22 September 2014.

Mr Li is a senior mining engineer with over 25 years' experience in metallurgy and a graduate of mining and metallurgy from the Jiang Xi Metallurgy University and will bring this relevant technical experience with him to the Board.

His past appointments include being Vice-Director of the Yang Shan iron mine and Mine Director at Shuang Qi Hill where he was in charge of the establishment of the metallurgical plant and gold mine in the Fu Jian Province. Other current appointments included his Chairmanship of Wan Qi Technology Limited and Xia Men Si Mai Da Investment Limited.

Mr Li has no special responsibilities in the company.

Directors' Report (Continued)

Hanrui Zhong

Non-Executive Director

Mr Zhong was appointed to the Board on 21 June 2013.

Mr Zhong has a Masters Degree in Economics and extensive experience in executive positions in China and Hong Kong. During his career, Mr Zhong has been responsible for capital management and mining investments in China, Mexico and Australia. Mr Zhong is currently a director of Taishan Resources Company in Mexico and a Director of Jin Xin Investments Pty Limited, a shareholder of Admiralty Resources NL.

Mr Zhong had no special responsibilities in the company.

Alan Beasley

Non-Executive Director

Mr Beasley was appointed to Board on 16 December 2013 as a Director and Non-Executive Chairman (16 December 2013 to 23 June 2014).

Mr Beasley has worked in the financial services industry for Bankers Trust, Goldman Sachs, and BNP Paribas, over the past 30 years. He is an experienced company director having served on the board of numerous companies.

Mr Beasley had no special responsibilities in the company.

Zexing Ling

Non-Executive Director

Mr Ling resigned from the Board on 16 October 2013.

David Simon Karpin AM, B.Com. (Hons), MBA, Hon LLD, FCPA, FAICD, FAIM, ACTS, MACS

Non-Executive Director

Mr Karpin resigned from the Board on 11 December 2013.

Directors' Report (Continued)

Directors' Shares and Options Holdings

The Directors disclose their interest in shares and options, as at the date of this report, including shares and options held beneficially or where there is a relevant interest:

	Number of shares held		Number of Options
	Directly	Indirectly	
Aiping Wang	-	4,069,000	-
Qing Zhong	-	126,348,067	-
Scott Bennison	-	1,204,861	-
Alan Beasley	-	-	-
Bin Li	25,000,000	-	-
Hanrui Zhong	-	27,290,067	-

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 consolidated entity. The Remuneration Committee did not meet during the financial year because there were no reviews of the remuneration of Directors.

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 and executives of Admiralty Resources NL during or since the end of the financial year were:

Aiping Wang	Non-Executive Chairperson
Qing Zhong	Managing Director (appointed Director 4 December 2013 and Managing Director on 4 June 2014)
Alan Beasley	Non-executive Director, Non-Executive Chairman (16 December 2013 to 23 June 2014) (appointed 16 December 2013)
Scott Bennison	Non-executive Director
Bin Li	Non-executive Director (appointed 22 September 2014)
Hanrui Zhong	Non-executive Director, Managing Director (21 June 2013 to 4 June 2014)
David Karpin	Non-executive Chairman (appointed 30 July 2013, resigned 11 December 2013)
Zexing Ling	Non-executive Director (resigned 16 October 2013)
Hongbiao Xu	COO (appointed 30 July 2013, resigned 18 June 2014)
Blair Lucas	Company Secretary (resigned 13 December 2013)
Robert Kineavey	Company Secretary (appointed 13 December 2013, resigned 1 October 2014)
Jarrod White	Company Secretary (appointed 1 October 2014)

Directors' Report (Continued)

Remuneration Report – Audited

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 of directors and executives during the year

	<i>Duration of Contract</i>	<i>Termination Notice of Contract</i>	<i>Termination Payment provided under Contract</i>
Executives			
Qing Zhong	N/A	N/A	Nil
Non – executives			
Aiping Wang (1)	N/A	N/A	Nil
Alan Beasley (2)	N/A	one month	one month
Hanrui Zhong (3)	N/A	N/A	Nil
Scott Bennison (4)	N/A	N/A	Nil
David Karpin (5)	N/A	N/A	Nil
Hongbiao Xu (6)	N/A	Four weeks	Nil
Zexing Ling	N/A	N/A	Nil
Blair Lucas	N/A	N/A	Nil
Robert Kineavy	N/A	N/A	Nil

(1) Mrs Wang total remuneration package was \$US40,000 pa commencing from 1 July 2013.

(2) Mr Beasley's remuneration package was \$60,000 pa plus superannuation. Mr Beasley role as chairman was terminated on 23 June 2014 and he was remunerated to 31 July 2014.

(3) Mr Zhong total remuneration package was \$120,000 pa commencing from 1 November 2013. The remuneration package consists of two components, (1) Directors fee of \$24,000 pa plus superannuation and (2) Service fee via related entity Jin Xin International Pty Limited of \$96,000 pa.

(4) Mr Bennison's total remuneration package was \$70,000 pa commencing 1 July 2013 consisting of \$50,000 service fee paid to his related entity, Infinity Financial, and 1,111,111 ordinary shares issued a market value that was approved at the last Annual General Meeting. His service agreement has been reduced to \$40,000 pa commencing 1 July 2014.

(5) Mr Karpin's total remuneration package was \$50,000 pa commencing 1 July 2013 consisting of \$30,000 salary and 1,111,111 ordinary shares issued at market value that was approved at the last Annual General Meeting.

(6) Mr Xu's total remuneration package was \$US100,000 plus expenses that commenced 31 July 2013 and was terminated on 3 June 2014.

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

Remuneration packages include the key elements of wages, consulting fees and retirement benefits.

Retirement benefits

Other than statutory superannuation, there are currently no other retirement allowances for Directors.

Directors' Report (Continued)

Remuneration Report – Audited

Executive remuneration

Fees and payments to executives reflect the demands which are made on, and the responsibilities of the executive. The company did not engage a remuneration consultant during the year.

Voting and comments made at the company's 27 November 2013 Annual General Meeting ('AGM')

The company received 97.80% of 'for' votes in relation to its remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

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 Executives and Directors of the consolidated entity:

	Short – Term				
	Salary & Fees	Retirement Benefits	Non-monetary Share Based Payments	Consisting of Share Based Payments	Total
2014	\$	\$	\$	%	\$
Aiping Wang(1)	41,223	-	-	-	41,223
Qing Zhong (2)	21,515	-	-	-	21,515
Hanrui Zhong (3)	68,182	925	-	-	69,107
Scott Bennison(4)	50,000	-	20,000	-	70,000
Alan Beasley (5)	36,800	4,200	-	-	41,000
David Karpin (6)	12,500	-	20,000	-	32,500
Zexing Ling (7)	-	-	-	-	-
Hongbiao Xu (8)	105,018	-	-	-	105,018
Robert Kineavy (9)	21,000	-	-	-	21,000
Blair Lucas (10)	113,578	-	-	-	113,578
Total	469,816	5,125	40,000	-	514,941

(1) Mrs Wang remuneration package was US\$40,000pa commencing from 1 July 2013;

(2) Mrs Zhong's remuneration package consists of two components, (1) Directors fee of \$40,000 pa and (2) Service fees for managing director services paid to related entity Jin Xin International Pty Limited of \$96,000 pa (from date of appointment as Managing Director on 4 June 2014).

(3) The Service Agreement for Mr Zhong commenced on 1 November 2013. Mr Zhong's remuneration is \$120,000pa plus Superannuation. Throughout the year the remuneration package consisted of two components, (1) Directors fee of \$24,000 and (2) Service fee via related entity Jin Xin International Pty Limited of \$96,000 pa which has now ceased (applied dated ceased as Managing Director through to 4 June 2014).

(4) Service Agreement for Mr Bennison commenced on 1 July 2013. Mr Bennison's remuneration is \$70,000pa consisting of \$50,000 cash payments and 1,111,111 ordinary shares that were approved at the 2013 Annual General Meeting. Mr Bennison's service agreement has been reduced to \$40,000pa from 1 July 2014.

(5) Service Agreement for Mr Beasley commenced on 16 December 2013. Mr Beasley's remuneration is \$60,000 plus GST and Superannuation. Mr Beasley's contract for chairman services was terminated on 23 June 2014.

(6) Mr Karpin resigned from the Board 11 December 2013. Mr Karpin's total remuneration package was \$50,000 pa commencing 1 July 2013 consisting of \$30,000 salary and 1,111,111 ordinary shares issued at market value that was approved at the last Annual General Meeting

(7) Mr Ling was not a paid officer or employee of the company.

(8) Mr Xu's total remuneration package was \$US100,000 and commenced 31 July 2013 before termination on 3 June 2014.

(9) Mr Kineavy resigned as company secretary on 1 October 2014.

(10) Mr Lucas resigned as company secretary on 13 December 2013.

Directors' Report (Continued)

Remuneration Report – Audited

2013	Short – Term				Total \$
	Salary & Fees \$	Retirement Benefits \$	Non-monetary Share Based Payments \$	Consisting of Share Based Payments %	
Professor J. Ross Harper	103,808	120,000	-	-	233,808
Stephen C. Prior (1)	325,000	-	-	-	325,000
Michael S. Perry	78,000	-	-	-	78,000
Dr Shaoqing Li	76,250	-	-	-	76,250
Hanjing Xu	64,583	-	-	-	64,583
Zexing Ling(2)	-	-	-	-	-
Aiping Wang(2)	-	-	-	-	-
Hanrui Zhong(3)	-	-	-	-	-
Scott Bennison(4)	-	-	-	-	-
David Karpin(5)	-	-	-	-	-
Qing Zhong(6)	-	-	-	-	-
Blair Lucas(7)	-	-	-	-	-
Patrick Rossi(7)	-	-	-	-	-
Total	647,641	120,000	-	-	767,641

(1) Mr Prior's service contract was terminated on 30 August 2013 and as a result the company was required to pay severance of \$350,000 plus superannuation of \$25,000 over 12 months. During the financial year payments to Mr Prior amounted to \$375,000 inclusive of superannuation.

(2) Service commenced 21 May 2013. Mr Ling's and Ms Wang's remuneration was nil for the first 12 months of their appointment.

(3) Service Agreement for Mr Zhong commenced on 21 May 2013. Mr Zhong's remuneration is nil for the first three months and commencing 1 October 2013 will be \$120,000pa plus Superannuation. Mr Zhong's Service Agreement is for a two year period.

(4) Service Agreement for Mr Bennison commenced on 1 July 2013. Mr Bennison's remuneration is \$40,000pa consisting of \$20,000 salary and 2,000,000 ordinary shares.

(5) Service Agreement for Mr Karpin commenced on 1 August 2013. Mr Karpin's remuneration is \$50,000pa consisting of \$25,000 salary and 2,500,000 ordinary shares.

(6) Ms Zhong was an alternate Director to Mr Li and was not paid as a Director of the company.

(7) Mr Lucas and Mr Rossi were not paid officers or employees of the company.

Directors' Report (Continued)

Remuneration Report – Audited

KMP Shareholdings

The number of ordinary shares in the Company held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year (i)	Balance at End of Year
30 June 2014					
Aiping Wang	4,069,000	-	-	-	4,069,000
Qing Zhong (ii)	-	-	-	126,348,067	126,348,067
Hanrui Zhong	25,961,067	-	-	1,329,000	27,290,067
Scott Bennison	-	1,111,111	-	93,750	1,204,861
Alan Beasley	-	-	-	-	-
David Karpin(iii)	-	1,111,111	-	-	1,111,111
Zexing Ling(iii)	-	-	-	-	-
Bin Li (ii)	-	-	-	-	-
Hongbiao Xu	-	-	-	-	-
Blair Lucas	-	-	-	-	-
Robert Kineavy	-	-	-	-	-
	30,030,067	2,222,222	-	127,770,817	160,023,106

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year (i)	Balance at End of Year
30 June 2013					
Prof J Ross Harper(iii)	1,841,456	-	-	-	1,841,456
Stephen C. Prior(iii)	4,600,000	-	-	-	4,600,000
Michael S. Perry(iii)	2,000,000	-	-	-	2,000,000
Dr Shaoqing Li(iii)	98,503,638	-	-	100,000	98,603,638
Hanjing Xu(iii)	5,000,000	-	-	-	5,000,000
Hanrui Zhong(ii)	25,961,067	-	-	-	25,961,067
Aiping Wang	4,069,000	-	-	-	4,069,000
Scott Bennison	-	-	-	-	-
Patrick Rossi	-	-	-	-	-
Qing Zhong	-	-	-	-	-
Zexing Ling	-	-	-	-	-
Blair Lucas	-	-	-	-	-
	141,975,161	-	-	100,000	142,075,161

(i) Other changes refer to shares purchased or sold during the financial year.

(ii) Or balance held at date of appointment to Board of Directors.

(iii) Or balance held at date of resignation from Board of Directors.

Directors' Report (Continued)

Remuneration Report – Audited

Value of shares and options granted to Directors and executives

During the current period 2,222,222 of shares were issued to directors, these were valued at 1.8 cents per share for a total value of \$40,000.

As a result of the rights issue, 93,750 shares at 1.6 cents (\$1,500) were issued to directors prior to 30 June 2014. A further 70,501,898 shares at 1.6 cents (\$1,128,030) were issued to directors after 30 June 2014.

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Revenue	45,710	590,246	422,673	203,491	503,198
EBITDA	(2,900,936)	(2,858,208)	(2,387,562)	(2,534,137)	(2,436,235)
EBIT	(2,931,240)	(20,994,004)	(15,306,906)	(2,333,009)	(1,666,228)
(Loss)/profit after Tax	(3,145,061)	(21,177,925)	(15,306,906)	14,415,673	(1,666,228)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Share price at financial year end (\$A)	1.2 cents	2 cents	4 cents	5 cents	13 cents
Total dividends declared (cents per share)	Nil	Nil	Nil	Nil	Nil
Basic loss per share (cents per share)	(0.43)	(2.90)	(2.45)	2.84	(0.11)

This concludes the remuneration report which is audited.

Directors' Report (Continued)

OPERATING AND FINANCIAL REVIEW

Principal Activities

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

Operating Results

The consolidated total comprehensive loss of the economic entity amounted to \$3,239,624 (2013 loss: \$21,169,608). Please refer to the Review of Operations section for more details.

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 its iron ore districts in Chile: Harper South, Pampa Tololo and El Cojin. The districts are located in prime locations, with close and easy access to the Pan-American Highway (a major national route), a railway and power 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

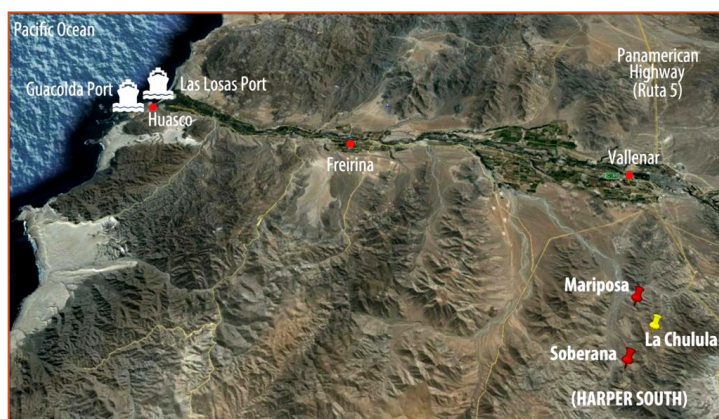
Harper South District

The Harper South district ("Harper South") lies 15 km south west of the city of Vallenar in the Atacama Region of Chile, covers an area of approximately 2,498 hectares, where exploration to date has identified six targets via high-resolution ground magnetic surveys: Mariposa, Soberana, La Chulula, Negrita, Mal Pelo and La Vaca.

Harper South is the most advanced district in respect of the Company's exploration portfolio, with the three most important projects in Admiralty's exploration pipeline being Mariposa, Soberana and La Chulula.

Directors' Report (Continued)

REVIEW OF OPERATIONS



Location map showing location of Admiralty's Harper South District and the three primary targets.

Mariposa

Mariposa is the most developed target within Admiralty's portfolio. The Company has completed an updated JORC compliant mineral resource statement and a pre-feasibility study to evaluate production of 1 million tonnes per annum of finished product at a 62% Fe grade (see ASX announcement 6 May 2013).

Updated Mineral Resource Statement – JORC compliant

The Mariposa mineral resource update, released in January 2013, is a result of the new information obtained from the 3,040m diamond drilling campaign completed and the additional chemical and metallurgical analysis performed during 2012 on the following variables: Total Iron (FeT), Magnetic Iron (FeMag) and Davis Tube Weight Recovery (RDTT).

The updated Mineral Resource Statement is JORC compliant and quantifies the resources at Mariposa at 174.5 Mt at 24.5% Fe at a cut-off grade of 15% Fe in the Measured, Indicated and Inferred categories as follows¹:

Cut-off grade FeT %	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)	Average FeT (%)	Average FeMag (%)
15	43.4	7.6	123.5	174.5	24.5	18.0

¹ Refer to ASX announcement of 25 January 2013 for full details of the updated resource estimation

The updated Mineral Resource Statement doubled the total mineral resources previously defined by SRK Consulting Chile S.A. for Mariposa (as per ASX announcement on 2 September 2009) from 87.8 Mt at 23.3% Fe to 174.5 Mt at 24.5% Fe, at a cut-off grade of 15% Fe. If considering a cut-off grade of 10% Fe, which was the previously adopted cut-off grade, the total resources for Mariposa have trebled, increasing from 168.4 Mt to 513.4 Mt.

The JORC-compliant updated Resource Statement has been highlighted using a cut-off grade of 15% Fe in accordance with management's assessment of the economically viable production of magnetite through a dry magnetic separation process.

Directors' Report (Continued)

REVIEW OF OPERATIONS

In addition to the increase in the total resources for Mariposa, this updated Resource Evaluation recorded a maiden Measured Resource of 43.4 Mt and it measured the magnetic iron content of the resource, which is a crucial aspect for the plant design and equipment selection for a dry magnetic separation process.

Soberana

Soberana currently ranks as Admiralty's second most developed target with a completed Scoping Study showing resources, as announced on 15 January 2013.

Soberana was mined artisanally in the 1960s and exhibits very high grade exposed veins of iron, with the potential to provide Admiralty its first income stream while requiring a low capital expenditure.

The scoping study was for an early production up to maximum of 360,000 tonnes of finished product per annum. The study focused on maximising the run of mine, minimising the capex involved in the beneficiation process and mining subcontracting while producing a commercially marketable product.

A topographic and lithology study, a 9-hole 680m reverse circulation drilling programme and a 240 tonnes "live testing" including blasting, screening, crushing and concentration were part of the study, which deemed the operations feasible and profitable.

Maiden Mineral Resource Statement

In January 2013, Admiralty announced a maiden inferred mineral resource estimate at Soberana of 90.2 Mt at 24.5% Fe (at a cut-off grade of 15% Fe)², prepared in accordance with the guidelines of the JORC Code (2004) and is as follows:

Cut-off grade FeT %	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)	Average FeT (%)
15	-	-	90.2	90.2	24.5

² Refer to ASX announcement of 15 January 2013 for full details of the updated resource estimation.

The mineral resource estimation for Soberana was based on the following data:

1. Topography study performed in October 2011;
2. Results of the high-resolution ground magnetic survey;
3. 684m reverse circulation drilling campaign;
4. Mineralogical testing of drilling samples; and
5. Resource model construction.

The Soberana resource estimation confirmed the consistent nature of the iron mineralisation within Harper South and highlighted the Company's potential to increase its resource base beyond the currently stated JORC compliant total resources for Harper South.

Directors' Report (Continued)

REVIEW OF OPERATIONS

Dry magnetic separation process

Our magnetite iron ores in Chile requires beneficiation before shipping in order to reduce freight costs. Lack of immediately available water drives us towards using a dry magnetic separation process. Maximising the metallurgical recovery of our iron in this process is highly advantageous. Fortunately, the use of a dry magnetic separation process also delivers two other positive outcomes – low environmental impact and low capital costs.

Submission of Environmental Impact Declaration

In February 2013, Admiralty submitted an Environmental Impact Declaration (*Declaración de Impacto Ambiental* in Spanish) ("DIA") for its Soberana Iron Project in Chile with the Servicio de Evaluación Medioambiental ("SEA"). On 11 February 2014, Admiralty signed a contract with Ambiental Chile SPA to perform the second stage of an environmental impact assessment report (EIA) for Iron Mineral Processing Operations for the Soberana Project. The approval process should be completed before the end of the current year 2014.

La Chulula

La Chulula was marked as a high priority target for Admiralty following the results of the 3-D inversion and interpretation of the results of the high-resolution ground magnetic survey undertaken in 2011, which showed La Chulula as the ore body with highest susceptibility and depth within Harper South.

Drilling programmes

These results were followed up by a 600m diamond drilling test hole in February 2012 and a 7,952m of reverse circulation ("RC") drilling, divided in three campaigns, throughout June 2012 to January 2013 as follows:

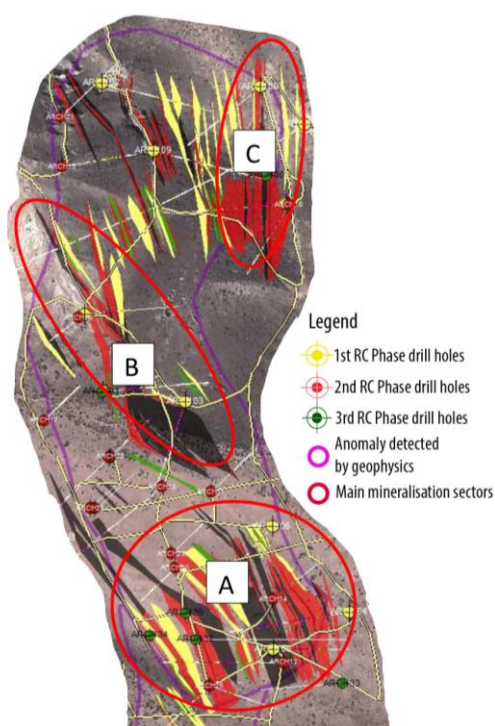
- Maiden RC campaign of 2,748m covering 10 holes with depths between 200-350m in June and July 2012;
- Second RC campaign of 3,772m covering 16 holes depths between 150m-314m, completed during September and October 2012;
- A final RC campaign of 1,432m covering 6 holes between 130-342m depth took place in December 2012-January 2013. The purpose of this campaign was to do infill drilling in non-covered areas or areas of interest and test the depth of the ore body.

Directors' Report (Continued)

REVIEW OF OPERATIONS

A batch of samples was selected during each of the campaigns and was sent to a laboratory for assaying. The results from the laboratory and the quick log of the drilling data are currently being consolidated in order to construct the geological model of the sectors A, B and C of the ore body (*refer to figure below*).

Delineation of the La Chulula magnetic susceptibility image with the location of all drill holes sunk to date.



Admiralty has commissioned Golder Associates S.A. (Golder) to prepare a Resource Evaluation Statement for the La Chulula project. The data being used for the Resource Evaluation was the result of 3 drilling campaigns made by Admiralty between June 2012 and January 2013 at La Chulula.

Golder completed the first pass of the Resource Evaluation in October 2013, however it was not produced in a form which complied with JORC ¹2012. Such findings therefore were in-conclusive to release to market. Admiralty has re-commissioned the Resource Evaluation with Golder and the results are expected shortly.

Negrita

This target is prospective for iron mineralisation in the form of magnetite. Evidence of the mineralisation can be seen at surface.

Exploration work to date consists of a high-resolution ground magnetic survey the results of which were announced to ASX on 21 May 2012. The survey, undertaken by Quantec Geoscience Chile Limitada

¹ Joint Ore Reserves Committee "Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves"

Directors' Report (Continued)

REVIEW OF OPERATIONS

("Quantec"), was performed in order to identify structural trends and detect magnetite style mineralisation.

The survey has been successful in detecting an unique double magnetic field with susceptibility values between 0.22 and 0.55 S.I. units resulting in a dumbbell shape target comprised by:

- **Upper area** – an oval shape zone registering high susceptibility levels greater than 0.55 S.I. units. It runs from the northwest to the southeast in the northern part of the grid, it measures approximately 75m x 50m x 100m at 490m elevation above sea-level.
- **Joining area** – this is a weaker zone of susceptibility between 0.4 and 0.5 S.I. units that joins the Upper and Lower areas.
- **Lower area**, another oval shape zone registering high susceptibility levels greater than 0.55 S.I. units, located at the southern part of the grid. It dimensions are 50m x 25m x 50m at 200m elevation.

La Vaca & Mal Pelo

These targets are prospective for IOCG (Iron Oxide Copper Gold) mineralisation. Evidence of the mineralisation can be seen at surface.

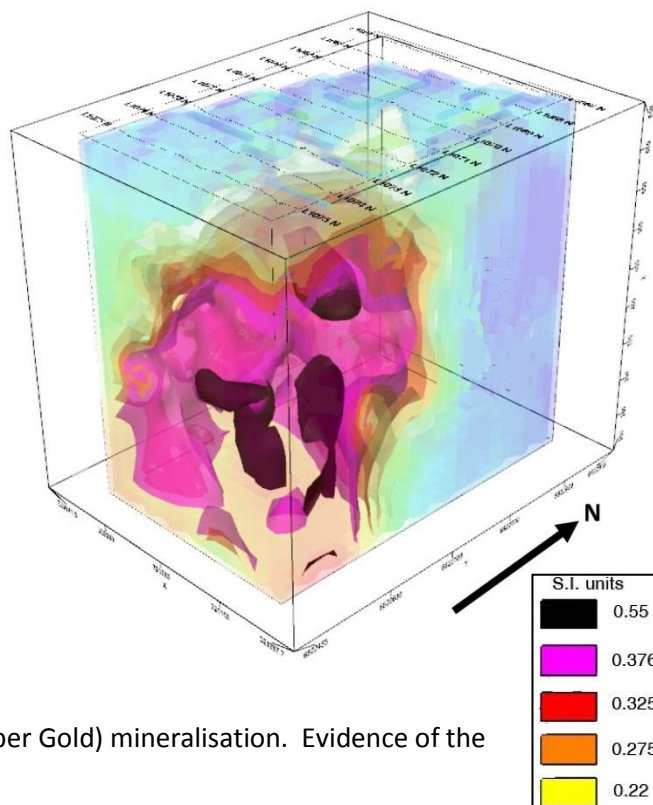
Exploration work to date consists of a high-resolution ground magnetic survey the results of which were announced to ASX on 21 May 2012.

Pampa Tololo District

Pampa Tololo District covers 3,455 hectares and is located north of Vallenar, Chile, closely adjacent to Los Colorados, one of the most successful iron mines in Chile, owned by the largest iron producer in the area, Compañía Minera del Pacífico ("CMP").

Admiralty completed a high resolution ground magnetic survey over the Pampa Tololo concessions in September 2011. The results and 3-D inversion of the survey revealed three distinct iron targets: Cochrane, O'Brien and Simpson.

Simpson is the most important target in relation to size and susceptibility: 800m in diameter, located at a depth of 200-250m and exhibiting magnetic susceptibility of approximately 0.5 S.I. units.

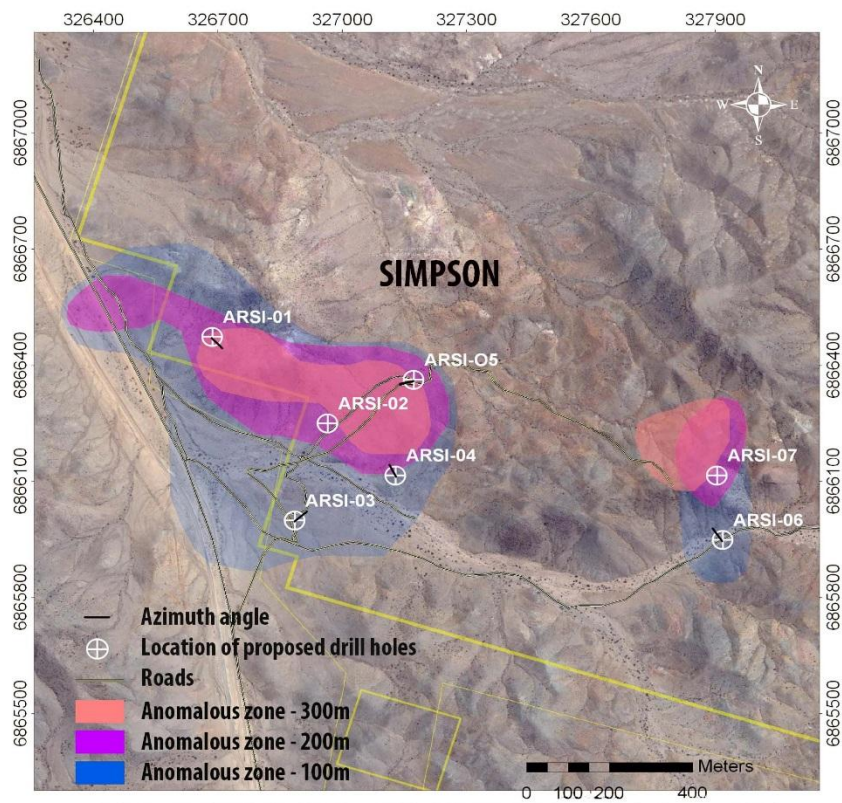


Directors' Report (Continued)

REVIEW OF OPERATIONS

Reverse circulation drilling programme at Simpson

A RC drilling campaign consisting of 3,253m, distributed in 7 holes with a depth between 402-495m (see figure below) was completed at Simpson in July and August 2012, heralding the first drilling undertaken at the Pampa Tololo district since Admiralty acquired the concessions in 2007. Laboratory testing was performed on a selected batch of samples and the results of the assays in combination with the quick log of the drilling date resulted in a preliminary geological model which will be used for further exploration.



3,253m REVERSE CIRCULATION DRILLING PROGRAMME (July/August 2012)

El Cojin District

El Cojin District covers 647 hectares and makes up 10% of Admiralty's mineral tenure in Chile. The district is located 43km south of the township of Vallenar and 8km from El Algarrobo, an iron ore mine owned by CMP, which supplies pre-concentrates to CMP's iron pellet plant in the port of Huasco (*refer to figure below for location*).

Directors' Report (Continued)

REVIEW OF OPERATIONS

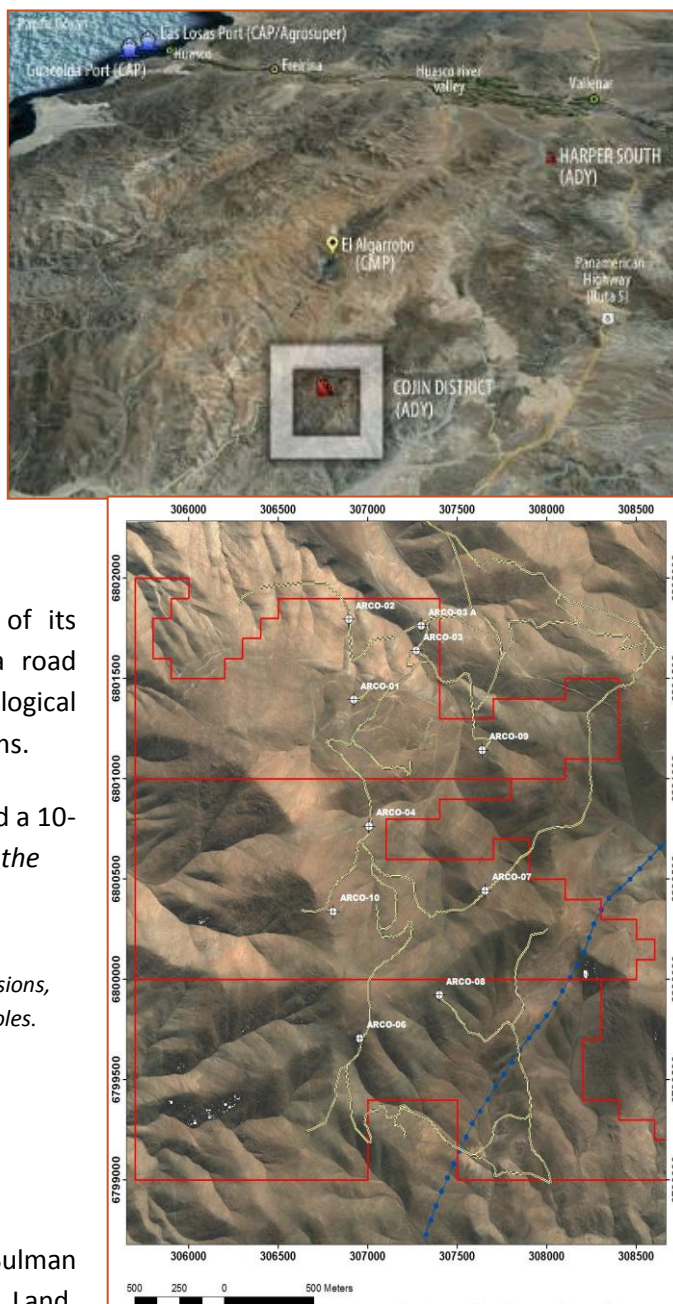
Admiralty completed a high resolution ground magnetic survey over El Cojin in March 2012. The results and 3-D inversion of the survey confirmed iron targets: C1, C2, C3, C4 and C5 exhibiting susceptibility values of up to 0.90 S.I. units and depths up to 750m.

During the December 2012 and March 2013 quarters, an internal road network of approximately 10.5 km was built in the quarter in order to pave the way for future exploration.

El Cojin had some access roads in the north of its concessions. Hence, it was required to build a road network that allowed access to areas of geological interest which could accommodate drilling platforms.

The Company's external geologist has also designed a 10-hole 2,000m drilling programme (refer to figure on the right).

Boundaries of El Cojin district, made out of 3 mineral concessions, showing the total road network and location of future drill holes.



Australia

Bulman Project, Northern Territory

The Bulman project is located near the Bulman Aboriginal community within Arnhem Land, approximately 320km north east of Katherine (refer to figure below). This project consists of two granted exploration licences (EL 23814 and 25931) and two granted mineral leases (MLN 726 and 727).

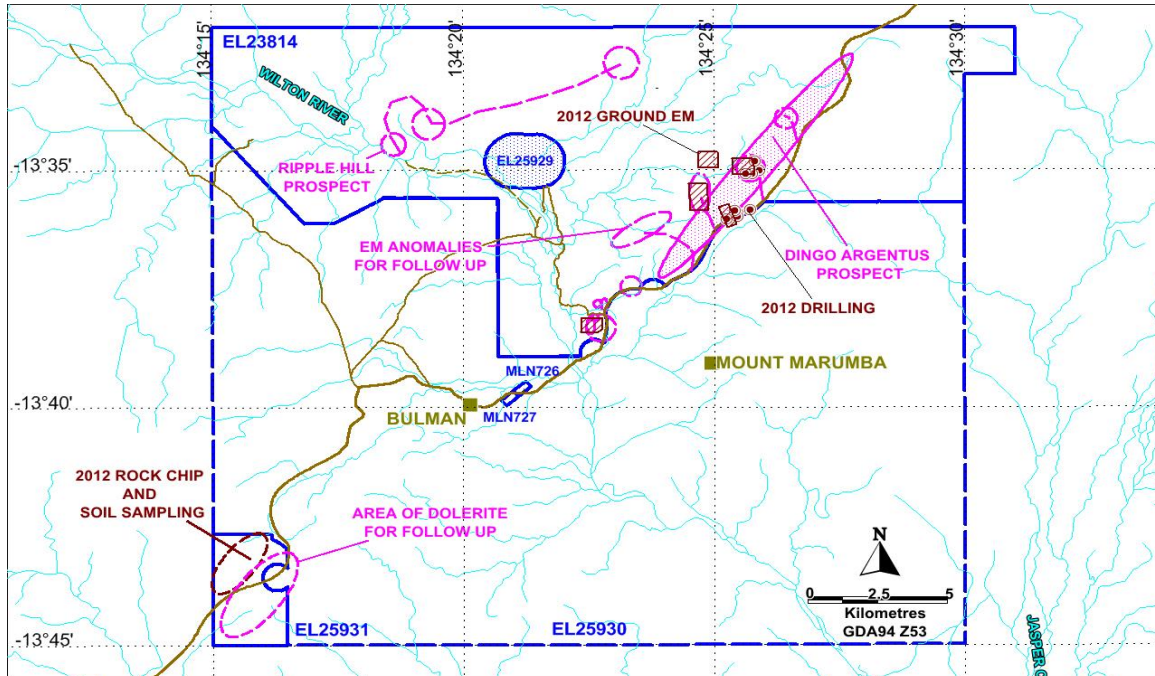
The project is an exploration play; targets have been defined and two small drilling programmes have been completed. Prospects for eventual delineation of resources of lead - zinc are considered reasonably good but the geological environment is poorly explored.

Following completion of airborne and ground electromagnetic surveys in 2011-2012, a small drilling programme was initiated to test geophysical and geological targets. Drill samples at the Dingo Argentus prospect, reported widespread zinc anomalism, highlighting the prospectivity of this area for future exploration.

Directors' Report (Continued)

REVIEW OF OPERATIONS

Admiralty has decided to defer further exploration planning until late 2014.



Location of Drilling and EM anomalies and potential Exploration Targets

Pyke Hill Project, Western Australia

The Pyke Hill Project comprises a single granted Mining Lease which covers an area of 5.37 square kilometres near Leonora in Western Australia, approximately 40km southeast of the Murrin Murrin nickel mine and processing plant operated by Minara Resources Limited. The Pyke Hill Project has a publicly available JORC compliant nickel and cobalt resource (see ASX: CGM). The Mining Lease is 50% owned by Admiralty and is sub-leased to Cougar Metals NL (ASX: CGM). No mining operations have yet been undertaken by Cougar Metals NL on the mining lease.

No activity took place during the year.

END REVIEW OF OPERATIONS

Directors' Report (Continued)

Matters Subsequent to the end of the financial year

Dispute relating to SCM Vallenar Iron Company ("VIC")

Australis Mining Ltd ("Australis") currently has an outstanding debt of US\$1,700,000 to Admiralty under the share sale agreement relating to the sale of VIC to Australis.

This debt relates to the default of the mutually agreed deferred payment plan in 5 of the 8 instalments in respect of US\$1 million that was payable on 16 March 2012. The first three instalments of US\$100,000 were received, however the remaining US\$700,000 has been overdue since 16 October 2012. On 16 November 2012, Australis also defaulted on the fourth and last instalment of US\$1m for the cash consideration in respect of the sale of VIC. Corsair Capital Ltd ("**Corsair**") and Base Resources Ltd ("**Base**"), shareholders of Australis, are guarantors in respect of Australis' obligations.

No payment was received from Australis, Corsair or Base, which triggered an '*event of default*' under the terms of the share mortgage over the Australis shares and that security became enforceable.

Admiralty Resources NL ("Admiralty") has been notified that Vallenar Iron Company ("VIC") has been placed into bankruptcy in Chile and a trustee appointed. Admiralty will make claims in the bankruptcy of VIC arising from the royalty agreement between VIC and ADY relating to the Harper North mineral district and other matters.

ADY's interest in the royalty agreement was treated as an impaired asset at 30 June 2013 and the current carrying value is nil. Accordingly, there is no significant additional charge to ADY's profit and loss account expected as a result of VIC's bankruptcy.

Lawyers acting for ADY and its subsidiaries in Chile will press ADY's claims in VIC's bankruptcy. Lawyers acting for ADY in Australia will assess the impact of VIC's bankruptcy on the current legal proceedings taken by ADY in the Supreme Court of Victoria against Australis Mining Limited, VIC's parent company.

Rights issue

The group successfully completed a rights issue on 5 September 2014. The rights issue successfully raised \$3,672,488 at the offer price of 1.6 cents per share. The proceeds will be used to repay corporate debt, progress exploration and provide working capital.

There have been no significant events subsequent to reporting date other than stated above.

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.

Dividends Paid or Recommended

No dividends were paid during the year, nor are any recommended at 30 June 2014 (2013: nil).

Directors' Report (Continued)

Financial Position

The net assets of the economic entity have decreased by \$2,962,330 from 30 June 2013 to 30 June 2014. The decrease has largely resulted from the following factors:

- Decrease of \$1.4m of cash and cash equivalents
- Increase in borrowings from \$1.4m to \$2.5m

Significant Changes in the 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.

Meetings of Directors

During the financial year, 12 Directors' meetings were held. Attendances at the meetings were as follows:

	Board of Directors		Remuneration Committee		Audit and Risk Committee		Finance Committee	
	<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>
Aiping Wang	12	9	-	-	-	-	-	-
Qing Zhong	8	8	-	-	-	-	-	-
Hanrui Zhong	12	12	-	-	-	-	-	-
Scott Bennison	12	11	-	-	2	2	-	-
Alan Beasley	7	7	-	-	-	-	-	-
David Karpin	3	3	-	-	-	-	-	-
Zexing Ling	2	0	-	-	-	-	-	-

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Likely developments and expected results of operations

The company is re-focusing its direction to enhance shareholder value by establishing strong relationships in China and is working to build a management team suited to the new direction of Admiralty. The company plans to use new partnerships in China to enhance published resources and reserves in Chile and work increase access to infrastructure.

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 2014 financial year.

Directors' Report (Continued)

Indemnifications of Officers and Auditors

During or since the end of 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. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Non-Audit Services

The Board, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the independence of the external auditor for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the audit services do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year, no non-audit services were provided by BDO East Coast Partnership, the Company's Auditors (2013: Nil).

Auditors Independence Declaration

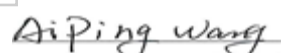
The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 35 of the Annual Report.

CORPORATE GOVERNANCE

The Directors recognise the Australian Securities Exchange Corporate Governance Council's Principles Recommendations and considers that the Company substantially complies with those guidelines. The Corporate Governance Statement and disclosures of the Company are contained on pages 4 to 13 of the Annual Report.

Signed in accordance with a resolution of the Board of Directors made pursuant to s298(2) of Corporations Act 2001.

On behalf of the Directors



Aiping Wang

Chairperson

7 October 2014

**DECLARATION OF INDEPENDENCE BY ALEX SWANSSON TO THE DIRECTORS OF ADMIRALTY
RESOURCES NL**

As lead auditor of Admiralty Resources NL for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in blue ink, appearing to read 'AS', followed by a long horizontal flourish.

Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 7 October 2014

Directors' Declaration

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Admiralty Resources NL, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 37 to 76 are in accordance with the *Corporations Act 2001* and:
 - a. company with Accounting Standards and other mandatory professional reporting requirements, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declaration required by s.295A of the *Corporations Act 2001* from Chief Executive Officer and Chief Financial Officer.

Aiping Wang

Aiping Wang

Chairperson

Dated 7 October 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

		Consolidated Group	
	Note	2014 \$	2013 \$
Revenue			
Other	3	22,983	254,712
Other Income	3	22,727	335,534
Expenses			
Administration expenses		416,737	268,652
Non-Recoverable VAT		62,912	529,208
Consultancy and professional expenses		965,166	849,915
Depreciation expense	4	30,304	20,598
Exploration expenses		55,311	646,182
Employee benefits expense	4	681,191	808,795
Finance costs		213,821	-
Impairment of assets	4	-	18,115,198
Legal costs		28,660	183,921
Loss on disposal of fixed assets		-	19,427
Occupancy expenses		97,182	110,895
Tenement expenses		127,684	106,127
Travel expenses		511,803	109,253
Loss before income tax		(3,145,061)	(21,177,925)
Tax expense	5	-	-
Loss after income tax		(3,145,061)	(21,177,925)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from foreign operations	26	(94,563)	8,317
Total other comprehensive income for the year		(94,563)	8,317
Total comprehensive income for the year		(3,239,624)	(21,169,608)
Loss after income tax attributable to:			
Members of the parent entity		(3,145,061)	(21,177,925)
Total comprehensive income attributable to:			
Members of the parent entity		(3,239,624)	(21,169,608)
Loss per share			
Basic and diluted loss per share (cents)	8	(0.43)	(2.90)

Notes to the financial statements are included on pages 42 to 76.

Consolidated Statement of Financial Position

as at 30 June 2014

		Consolidated Group	
	Note	2014 \$	2013 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	771,707	2,199,808
Trade and other receivables	10	71,064	204,248
Other financial assets	11	-	-
TOTAL CURRENT ASSETS		842,771	2,404,056
NON-CURRENT ASSETS			
Property, plant and equipment	13	363,912	307,836
Contractual royalty rights	14	-	-
Mining interests	15	19,138,897	19,094,984
TOTAL NON-CURRENT ASSETS		19,502,809	19,402,820
TOTAL ASSETS		20,345,580	21,806,876
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	614,132	248,021
TOTAL CURRENT LIABILITIES		614,132	248,021
NON-CURRENT LIABILITIES			
Borrowings	17	2,542,508	1,407,585
TOTAL NON-CURRENT LIABILITIES		2,542,508	1,407,585
TOTAL LIABILITIES		3,156,640	1,655,606
NET ASSETS		17,188,940	20,151,270
EQUITY			
Issued capital	18	140,105,943	139,828,649
Reserves	26	(562,801)	(468,238)
Accumulated losses		(122,354,202)	(119,209,141)
TOTAL EQUITY		17,188,940	20,151,270

Notes to the financial statements are included on pages 42 to 76.

Consolidated Statement of Changes in Equity

as at 30 June 2014

		Contributed Equity	Convertible Note Equity Reserve	Foreign Currency Reserve	Accumulated Losses	Total Equity
	Note	\$	\$	\$	\$	\$
Balance at 1 July 2012		139,828,649	-	(689,535)	(98,031,216)	41,107,898
Comprehensive income						
Loss after income tax		-	-	-	(21,177,925)	(21,177,925)
Other comprehensive income for the year	26	-	-	8,317	-	8,317
Total comprehensive income for the year		-	-	8,317	(21,177,925)	(21,169,608)
Transactions with owners, in their capacity as owners						
Equity component of Convertible Note Liability	26	-	212,980	-	-	212,980
Total transactions with owners and other transfers		-	212,980	-	-	212,980
Balance at 30 June 2013		139,828,649	212,980	(681,218)	(119,209,141)	20,151,270

Notes to the financial statements are included on pages 42 to 76.

Consolidated Statement of Changes in Equity (continued)

as at 30 June 2014

	Note	Contributed Equity \$	Convertible Note Equity Reserve \$	Foreign Currency Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2013		139,828,649	212,980	(681,218)	(119,209,141)	20,151,270
Comprehensive income						
Loss after income tax		-	-	-	(3,145,061)	(3,145,061)
Other comprehensive income for the year	26	-	-	(94,563)	-	(94,563)
Total comprehensive income for the year		-	-	(94,563)	(3,145,061)	(3,239,624)
Transactions with owners, in their capacity as owners						
Issue of share capital net of transaction costs	18	277,294	-	-	-	277,294
Equity component of Convertible Note Liability	26	-	-	-	-	-
Total transactions with owners and other transfers		277,294	-	-	-	277,294
Balance at 30 June 2014		140,105,943	212,980	(775,781)	(122,354,202)	17,188,940

Notes to the financial statements are included on pages 42 to 76.

Consolidated Statement of Cash Flows

for the year ended 30 June 2014

		Consolidated Group	
	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	13,979
Payments to suppliers and employees		(2,393,863)	(3,408,698)
Interest received		22,983	75,223
Finance costs paid		(130,313)	-
Net cash used in operating activities	22a	(2,501,193)	(3,319,496)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure on mining interests		(226,908)	(2,196,397)
Purchase of property, plant and equipment		(86,380)	(179,254)
Net cash used in investing activities		(313,288)	(2,375,651)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity securities net of costs	18	277,294	-
Proceeds from borrowings	17	1,076,125	1,620,565
Net cash provided by financing activities		1,353,419	1,620,565
Net decrease in cash and cash equivalents		(1,461,062)	(4,074,582)
Cash and cash equivalents at beginning of financial year		2,199,808	6,222,753
Effects of exchange rate changes on the translation of foreign controlled entities		32,961	51,637
Cash and cash equivalents at end of financial year	9	771,707	2,199,808

Notes to the financial statements are included on pages 42 to 76.

Notes to the Financial Statements

for the financial year ended 30 June 2014

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, Chile and Hong Kong.

The financial report covers Admiralty Resources NL as a consolidated entity consisting of Admiralty Resources NL and the entities it controls. The financial report is in Australian dollars which is Admiralty’s functional and presentation currency. The financial report consists of the financial statements, notes to the financial statements and the director’s declaration.

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 7 October 2014.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the 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. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The 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, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of Preparation

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 2.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. All applicable new accounting standards have been adopted for the year ended 30 June 2014 unless otherwise stated and their adoption did not have a significant impact on the financial performance or position of the consolidated entity.

a. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. They are de-consolidated from the date control ceases.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

b. **Income Tax**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at historical cost where applicable, less, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are carried at cost less accumulated depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the historical cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of property, plant and equipment	Depreciation Rate
Property	2%
Plant and equipment	5%–25%
Office furniture and equipment	8%–33%
Motor vehicles	15%–25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

d. Mining Interests

Mining interests are shown at historical cost plus exploration costs to date, less impairment, if any. Ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. Accumulated costs in relation to an abandoned area, or one considered to be of no commercial interest, are written off in full against profit or loss 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 accordingly to the rate of depletion of economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

e. Exploration and Development Expenditure and Provision for make-good of mine sites

Australian Tenements

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

Chilean Tenements

The exploration in Chile is on highly prospective tenements which includes an existing resources statement and as such all exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest as 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.

The group recognises the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. Typically the obligation arises when the ground/environment is disturbed at the mine location and is calculated on a site by site basis with reference to the actual work required. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining interests. Additional 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.

f. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

g. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1: SUMMARY OF ACCOUNTING POLICIES (continued)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Revenue and Other Income

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

Interest revenue is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

n. 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. Refer to Note 1(i) for further discussion on the determination of impairment losses.

o. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. Due to their short term nature, they are measured at amortised cost and not discounted.

p. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

q. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Group excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

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 financial 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.

r. Intangible Assets

The financial statements for the Group, includes in Note 14, an asset relating to contractual royalty rights. These rights represent the value of royalties due under an agreement with SCM Vallenar Iron Company ("VIC"). These royalties are on all production of iron ore fines produced by VIC from Harper North. As at 30 June 2013, the directors' determined that there was significant uncertainty associated with the recoverability of such amounts and accordingly recognised an impairment of \$16,040,913 during the period ended 30 June 2013.

Should any amounts be subsequently received, they will be taken to profit or loss using a method based on the production of iron ore fines.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

s. **Going Concern**

These financial statements have been prepared on a 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 Group to protect the current cash levels. The cashflow forecast indicates that there are sufficient cash resources available to fund the planned activities and commitments of the Group for at least the next twelve months. In the unlikely event that unbudgeted costs are incurred, the Group has various alternatives available including the ability to reduce discretionary expenditure whilst additional finance is sought through capital raising arrangements or other means.

As at 30 June 2014, the company had a further \$2.1m available under the Convertible Note agreement. Should the directors determine to undertake significant exploration or other expenditure they will ensure that sufficient funding is in place before committing to the costs.

Post year end the business has had a rights issue to raise more cash. At the date of signing the group has raised \$3,672,488 through this rights issue.

The directors have reviewed the Group'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. The directors note that the cashflow forecast excludes contingent expenditure relating to the current litigation with Australis and its guarantors, refer to Note 20: Contingent Liabilities.

t. **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 financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

u. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) *Impairment – general*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgments

(i) *Provision for impairment of assets*

The Directors have not recognised any impairment in the current period (30 June 2013: \$18,115,198).

The directors have assessed trade and other receivables for impairment and determine that no impairment is required to be recognised in respect of these receivables.

(ii) *Exploration and evaluation expenditure*

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$19,138,897 (2013: \$19,094,984).

v. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 2: PARENT INFORMATION

	2014 \$	2013 \$
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The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

Statement of Financial Position

ASSETS

Current assets	691,960	2,224,853
Non-current assets	17,200,136	19,317,410
TOTAL ASSETS	17,892,096	21,542,263

LIABILITIES

Current liabilities	536,540	223,844
Non-current liabilities	1,466,383	1,407,585
TOTAL LIABILITIES	2,002,923	1,631,429
NET ASSETS	15,889,173	19,910,834

EQUITY

Issued capital	140,105,943	139,828,649
Reserves	212,980	212,980
Accumulated losses	(124,429,750)	(120,130,795)
TOTAL EQUITY	15,889,173	19,910,834

Statement of Profit or Loss and Other Comprehensive Income/(Loss)

Loss after income tax	(4,298,955)	(20,954,637)
Total comprehensive loss	(4,298,955)	(20,954,637)

Guarantees

The Company has not entered into any guarantees, in the current or previous financial years, in relation to the debts of its subsidiaries.

Contingent liabilities

Refer to note 20 for details of contingent liabilities as at 30 June 2013 and 30 June 2014.

Contractual commitments

Payable – no later than one year	65,542	-
Payable – later than one year but not later than two years	11,011	-
	76,553	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 3: REVENUE AND OTHER INCOME

		Consolidated Group	
	Note	2014 \$	2013 \$
Revenue from continuing operations			
Other:			
– Interest income - bank		2,817	75,223
– Penalty interest on deferred consideration receivable		-	165,510
– Other income		20,166	13,979
		<u>22,983</u>	<u>254,712</u>
Other Income:			
– Finance Income		-	49,994
– Gain on foreign exchange		22,727	285,540
		<u>22,727</u>	<u>335,354</u>

NOTE 4: LOSS FOR THE YEAR

	Note	Consolidated Group	
		2014 \$	2012 \$
Loss before income tax from continuing operations includes the following specific expenses:			
a. Expenses			
Employee benefits expense:			
– Wages, salaries and directors' fees		619,467	749,641
– Superannuation		40,201	27,587
– Other employee costs		21,523	31,567
		<u>681,191</u>	<u>808,795</u>
Minimum lease payments made during the year		97,182	33,600
Depreciation	13	<u>30,304</u>	<u>20,598</u>
b. Impairment of assets			
The following significant expense items are relevant in explaining the financial performance:			
Impairment of royalty receivable	14	-	16,040,913
Impairment of deferred consideration receivable	11	-	2,074,285
Total impairment expense		<u>-</u>	<u>18,115,198</u>

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 5: INCOME TAX EXPENSE

	2014 \$	2013 \$
a. The components of income tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Aggregate Income expense	-	-
b. Numerical reconciliation of income tax expense and tax at statutory rate		
Profit before income tax expense	(3,145,061)	(21,177,925)
Tax at the statutory rate of 30%	(943,518)	(6,353,378)
Tax effect amounts which are not deductible/(taxable) in calculation taxable income:		
Impairment expense (<i>Contracted royalty rights</i>)	-	4,812,274
Impairment expense (<i>Deferred sale proceeds</i>)	-	622,285
Provision for leave entitlements	(14,968)	4,386
Superannuation payable	9,304	-
Unrealised foreign exchange gains	(28,369)	(87,028)
Deductible exploration expenses	(13,174)	(658,919)
Non-assessable interest income	-	(14,998)
Difference in tax rates	-	6,211
Tax losses not brought to account as deferred tax asset	990,725	1,669,167
Income tax expense	-	-
The estimated deferred tax assets not brought to account:		
– Revenue	16,140,293	15,149,568
– Capital	2,978,019	2,978,019
	19,118,312	18,127,587

The realisation of the above benefit is dependent upon:

- The ability of the Group 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 affecting the realisation of the benefit from the deductions.

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

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 5: INCOME TAX EXPENSE (continued)

As 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 and the Group has not been recognised in these financial statements.

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

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

a) Key management personnel ("KMP")

The directors of the Company during the financial year were:

Aiping Wang	Non-Executive Chairperson
Qing Zhong	Managing Director (appointed Director 4 December 2013 and Managing Director on 4 June 2014)
Alan Beasley	Non-executive Director, Non-Executive Chairman (16 December 2013 to 23 June 2014) (appointed 16 December 2013)
Scott Bennison	Non-executive Director
Bin Li	Non-executive Director (appointed 22 September 2014)
Hanrui Zhong	Non-executive Director, Managing Director (21 June 2013 to 4 June 2014)
David Karpin	Non-executive Director (appointed 30 July 2013, resigned 11 December 2013)
Zexing Ling	Non-executive Director (resigned 16 October 2013)

The executives of the group during the financial year were:

Hongbiao Xu	COO (appointed 30 July 2013, resigned 18 June 2014)
Blair Lucas	Company Secretary (resigned 13 December 2013)
Robert Kineavey	Company Secretary (resigned 1 October 2014)

b) KMP Compensation

The totals of remuneration paid to KMP of the Group during the year are as follows:

	2014 \$	2013 \$
Short-term employee benefits (i)	469,816	647,641
Retirement benefits	5,125	120,000
Share-based payments benefits	40,000	-
Total KMP compensation (ii)	514,941	767,641

- (i) Benefits paid to personnel who classify as both a director and executive have been included in director benefits.
- (ii) Remuneration includes those directors and executives that were in office up to and including 30 June 2014.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 7: AUDITORS' REMUNERATION

	Consolidated Group	
	2014	2013
	\$	\$
Remuneration of the auditor for:		
– auditing or reviewing the financial statements of parent entity	81,000	78,000
– Fees for non-audit services	-	-
	<u>81,000</u>	<u>78,000</u>

NOTE 8: EARNINGS PER SHARE

	Consolidated Group	
	2014	2013
	\$	\$
a. Reconciliation of earnings to profit or loss:		
Total loss after tax used in the calculation of basic and dilutive EPS	<u>(3,145,061)</u>	<u>(21,177,925)</u>
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS (number)	730,688,817	727,822,759
c. Basic and diluted loss per share (cents per share)	<u>(0.43)</u>	<u>(2.90)</u>

Subsequent to year end the company successfully completed a rights issue and raised gross proceeds of \$3,672,488 at \$0.016 per share, issuing 229,530,500 shares.

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2014	2013
	\$	\$
Cash at bank and on hand	755,977	2,157,557
Short-term bank deposits	15,730	42,251
	<u>771,707</u>	<u>2,199,808</u>

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>771,707</u>	<u>2,199,808</u>
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Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 10: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2014 \$	2013 \$
CURRENT			
Security deposits		27,070	42,298
Sundry receivables		21,370	124,948
GST receivable		22,624	37,002
Total current trade and other receivables		71,064	204,248

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11.

NOTE 11: OTHER FINANCIAL ASSETS

	Note	Consolidated Group	
		2014 \$	2013 \$
CURRENT			
Deferred sale consideration		2,074,285	2,074,285
Allowance for impairment		(2,074,285)	(2,074,285)
		-	-

The Group 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. As at 30 June 2012, the Group was due to receive US\$1,700,000 within 12 months, however no further amounts have been received to date.

The Group has commenced legal action for recovery of the amounts outstanding and are also relying on the guarantees provided by Corsair Capital Ltd (Hong Kong entity) and Base Resources Ltd (a BVI entity). Refer to Note 20: Contingent Liabilities.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 12: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2014	2013
Subsidiaries of Admiralty Resources NL and their principal activity:			
Bulman Resources Pty Limited	Australia	100%	100%
- Lead, zinc exploration			
Pyke Hill Resources Pty Limited	Australia	100%	100%
- Nickel, cobalt assets			
ADY Investments Pty Limited	Australia	100%	100%
- Currently dormant			
Admiralty Minerals Chile Pty Limited	Australia	100%	100%
- Iron ore exploration			
Admiralty Minerals Chile Pty Ltd Agencia en Chile (I)	Chile (Branch)	100%	100%
- Iron ore exploration			
Admiralty Resources (HongKong) Limited	Hong Kong	100%	-
- Currently dormant			
Fortune Global Holdings Corporation	British Virgin Islands	100%	100%
- Currently dormant			
Servicios Admiralty Resources Chile Ltd	Chile	100%	100%
- Iron ore exploration			
(I) This operation is a branch of Admiralty Minerals Chile Pty Limited.			

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2014 \$	2013 \$
Land and Buildings		
At cost	178,892	178,892
	178,892	178,892
Plant and Equipment		
At cost	147,390	109,840
Accumulated depreciation	(43,145)	(23,654)
	104,245	86,186
Motor Vehicles		
At cost	83,245	50,272
Accumulated depreciation	(17,783)	(8,609)
	65,462	41,663
Office Furniture and Equipment		
At cost	21,009	5,152
Accumulated depreciation	(5,696)	(4,057)
	15,313	1,095
	363,912	307,836

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in Carrying Amounts

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

	Land and Buildings \$	Plant and Equipment \$	Motor Vehicles \$	Office Furniture \$	Total \$
Consolidated Group:					
Balance at 30 June 2012	66,295	60,812	40,242	1,258	168,607
Additions	112,597	38,701	27,956	-	179,254
Disposals	-	-	(19,427)	-	(19,427)
Depreciation expense	-	(13,327)	(7,108)	(163)	(20,598)
Balance at 30 June 2013	178,892	86,186	41,663	1,095	307,836
Balance at 30 June 2013	178,892	86,186	41,663	1,095	307,836
Additions	-	37,550	32,973	15,857	86,380
Disposals	-	-	-	-	-
Depreciation expense	-	(19,491)	(9,174)	(1,639)	(30,304)
Balance at 30 June 2014	178,892	104,245	65,462	15,313	363,912

NOTE 14: CONTRACTUAL ROYALTY RIGHTS

	Consolidated Group	
	2014 \$	2013 \$
Contractual royalty rights – at cost (i)	29,373,250	29,373,250
Accumulated Impairment writedown (ii)	(29,373,250)	(29,373,250)
Balance at end of year	-	-

- (i) The contractual royalty rights were received in connection with the sale of VIC in the 2011 financial year. Corsair Capital Ltd and Base Resources Ltd (the shareholders of Australis) each have guaranteed Australis' and VIC's obligations in respect of the first 5 million tonnes of iron ore extracted from Harper North. Corsair's and Base's obligations under these guarantees are secured by mortgages over their respective shares in Australis Mining Ltd, which holds all of the shares in VIC. Under the share sale agreement and royalty agreement, Australis and VIC respectively are prohibited from selling, transferring or disposing of any of the tenements held by VIC without Admiralty's prior written consent.

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14: CONTRACTUAL ROYALTY RIGHTS (continued)

- (ii) The company currently has taken legal action regarding recovery of the deferred sale consideration in respect of the sale of VIC and have been issued with a counterclaim (refer Note 23). At the current time the progress by Australis towards commencing mining appears to have ceased and the recovery of the royalty other than through enforcing the security appears unlikely. Current legal action around the recovery and the counterclaims in place from Australis suggest that the recovery of the asset will be problematic and although continuing to take legal action to enforce the company's rights, the directors have determined that the uncertainty surrounding the royalty rights prevents a realistic estimate of their value at this time and accordingly an allowance for impairment of the full amount has been made.

NOTE 15: MINING INTERESTS

	Consolidated Group	
	2014 \$	2013 \$
Cost	19,138,897	19,094,984
Accumulated impairment losses	-	-
Net carrying amount	19,138,897	19,094,984
<i>Movement in carrying amounts:</i>		
Balance at the beginning of the year	19,094,984	16,898,587
Additions	43,913	2,196,397
Balance at the end of the year	19,138,897	19,094,984

NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2014 \$	2013 \$
CURRENT		
Unsecured liabilities:		
Trade payables	476,092	185,920
Other payables	138,040	62,101
Balance at the end of the year	614,132	248,021

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

NOTE 17: BORROWINGS

	Note	Consolidated Group	
		2014	2013
		\$	\$
NON-CURRENT			
Unsecured liabilities:			
Convertible notes		2,542,508	1,407,585
Total borrowings		<u>2,542,508</u>	<u>1,407,585</u>

Refer to Note 26 for disclosure relating to the equity component of the drawdown amount.

On the 26 June 2013 the Company signed a Convertible Loan Facility Agreement (“the Agreement”) with Smart East Global Limited (a BVI Company) for \$US3,000,000. As at 30 June 2014 \$US1,500,000 had been drawdown. The term of the loan is for three years and interest is due and payable at a rate of 12% per annum. The Agreement provides that the lender may convert the amount outstanding to ordinary shares at 4c per share.

On 1 March 2014 Admiralty Resources (Hong Kong) Limited, a wholly owned subsidiary of the company signed a Convertible Loan Facility Agreement (“the Agreement”) with Smart East Global Limited (a BVI Company) for \$US1,500,000. As at 30 June 2014 \$US1,000,000 had been drawdown. The term of the loan is for two years and interest is due and payable at a rate of 12% per annum. The agreement provides that the lender may convert the amount to ordinary shares at the amount equivalent to 80% of the Volume Weighted Average Price per share calculated 90 days immediately prior to the conversion date.

NOTE 18: ISSUED CAPITAL

	Note	Consolidated Group	
		2014	2013
		\$	\$
Ordinary Shares			
At the beginning of the financial year		139,828,649	139,828,649
Issue of share capital net of costs		277,294	-
Contributed equity at the end of the financial year		<u>140,105,943</u>	<u>139,828,649</u>

	Note	Consolidated Group	
		2014	2013
		Number	Number
Ordinary Shares			
At the beginning of the financial year		727,822,759	727,822,759
Shares issued in lieu of director fees		2,222,222	-
Shares issued via underwritten Rights Offer		16,555,558	-
Contributed equity at the end of the financial year		<u>746,600,539</u>	<u>727,822,759</u>

Options

The number of options on issue during the financial year was nil (2013: nil).

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 18: ISSUED CAPITAL (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Capital management

The consolidated entity manages its capital to ensure that entities in the consolidated group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the consolidated entity consists of debt, 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 issue of new shares, repayment of existing debt and the acquisition of new debt.

The capital management strategy remains unchanged from 2013.

NOTE 19: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group	
		2014 \$	2013 \$
a. Exploration Expenditure Commitments			
Payable :			
– not later than 12 months		200,000	383,000
– between 12 months and five years		320,000	210,000
		<u>520,000</u>	<u>593,000</u>

The Group's leasing commitments are the same as the parent company's. Refer to Note 2.

NOTE 20: CONTINGENT LIABILITIES

Estimates of the potential financial effect of contingent liabilities that may become payable:

Dispute relating to SCM Vallenar Iron Company ("VIC")

Australis Mining Ltd ("Australis") currently has an outstanding debt for US\$1,700,000 to Admiralty under the share sale agreement relating to the sale of VIC to Australis ("SSA").

This debt relates to the default of the mutually agreed deferred payment plan in 5 of the 8 instalments in respect of US\$1 million that was payable on 16 March 2012. The first three instalments of US\$100,000 were received, however the remaining US\$700,000 has been overdue since 16 October 2012. On 16 November 2012, Australis also defaulted on the fourth and last instalment of US\$1m for the cash consideration in respect of the sale of VIC. Corsair Capital Ltd ("Corsair") and Base Resources Ltd ("Base"), shareholders of Australis, are guarantors in respect of Australis' obligations.

Admiralty commenced legal proceedings in the Supreme Court of Victoria against Australis, Corsair and Base ("the defendants"). The defendants have filed a defence and counter-claim in which it is alleged that Admiralty breached certain warranties in the SSA and engaged in misleading and deceptive conduct in the course of the sale. Admiralty has filed its defence to the counter-claim and Australis has filed their rejoinder and reply to Admiralty's defence. The parties are in the process of providing discovery, reviewing evidence and scheduling a mediation proceeding. Admiralty is not in a position to make any comment as to whether it is likely to be ordered to pay damages in connection with these proceedings. It is too premature to make any such assessment.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 20: CONTINGENT LIABILITIES (continued)

The debt due by Australis was treated as an impaired asset at 30 June 2013 and the current carrying value is nil. Accordingly, there is no significant additional charge to ADY's profit and loss account expected as a result of the non-payment by Australis or its' guarantors

NOTE 21: OPERATING SEGMENTS

The predominant activity of the group is the exploration for mineral resources. Geographically, the Group operates in three geographical locations – Australia, Chile and Hong Kong.

The head office and management activities of the Group takes place predominately in Australia. Exploration, appraisal, development and production activities for mineral resources takes place in both Chile and Australia. Operating Segments have been determined based on a geographical basis, being Chile, Australia and Hong Kong.

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group. Segment revenue and expense are those directly attributable to the segments. Segment assets and liabilities include all those generated by the segments.

b. Intersegment transactions

The group pays an intercompany management fee from Australia to Hong Kong and Chile for reimbursement of interest payments.

c. Business segments

The Group operates in one business segment, being mineral exploration.

d. Segment information

	Australia 2014	Australia 2013	Chile 2014	Chile 2013	HK 2014	HK 2013	Consolidated 2014	Consolidated 2013
	\$	\$	\$	\$	\$	\$	\$	\$
30 June 2014								
Revenue								
Other revenue from continuing operations	4,354	501,044	26,381	13,979	14,976	-	45,711	515,023
Total segment revenue	4,354	501,044	26,381	13,979	14,976	-	45,711	515,023
Unallocated interest income							-	75,223
Segment revenue from continuing operations before tax							45,711	590,246
Loss								
Segment result from continuing operations	(2,715,228)	(19,926,740)	(411,588)	(1,251,185)	(18,245)	-	(3,145,061)	(21,177,925)
Net loss before tax from continuing operations							(3,145,061)	(15,306,906)

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 21: OPERATING SEGMENTS (continued)

	Australia 2014 \$	Australia 2013 \$	Chile 2014 \$	Chile 2013 \$	HK 2014	HK 2013	Consolidated 2014 \$	Consolidated 2013 \$
Segment assets	744,155	2,230,355	19,546,464	19,576,521	54,961	-	20,345,580	21,806,876
Total group assets							20,345,580	21,806,876
Segment liabilities	2,002,923	1,630,812	-	24,794	1,153,717		3,156,640	1,655,606
Total group liabilities							3,156,640	1,655,606
Other								
Acquisition of non-current segment assets	53,407	170,053	76,886	2,196,397		-	130,293	2,366,450
Depreciation of segment assets	8,104	2,116	22,200	18,482		-	30,304	20,598
Impairment losses	-	18,115,198	-	-		-	-	18,115,198

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 22: CASH FLOW INFORMATION

		Consolidated Group	
		2014	2013
		\$	\$
a.	Reconciliation of Cash Flow from Operations with Loss after Income Tax		
	Loss after income tax	(3,145,061)	(21,177,925)
	Non-cash flows in profit:		
	– Depreciation	30,304	20,598
	– Non recoverable VAT	62,912	529,208
	– Impairment expense	-	18,115,198
	– Loss on disposal of fixed assets	-	19,427
	– Penalty interest on deferred consideration receivable	-	(165,510)
	– Foreign exchange gain	(152,234)	(278,866)
	– Unwinding of discount on deferred sale consideration	-	(49,994)
	– Unwinding of discount on deferred sale consideration	83,508	-
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:	-	-
	– Decrease/(increase)in trade and other receivables	70,272	(389,678)
	– increase in trade and other payables	549,106	58,046
	Cash flow used in operations	<u>(2,501,193)</u>	<u>(3,319,496)</u>
	Loan Facilities		
b.	Loan facilities	4,775,175	3,241,130
	Amount utilised	<u>(2,652,875)</u>	<u>(1,620,565)</u>
		<u>2,122,300</u>	<u>1,620,565</u>

The company has not yet agreed with SEGL (the lender) the point during which the company will have the right to draw on the second tranches of funds.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 23: EVENTS AFTER THE REPORTING PERIOD

The following events took place after the reporting period:

Australis Mining Ltd

The Group is due to receive the remaining payments totalling \$US1,700,000 from Australis Mining Ltd relating to the sale of VIC (Note 11).

Australis Mining Ltd has not met its legal obligations under the share sale agreement relating to VIC and the Group has commenced legal action to recover amounts outstanding. Australis and its guarantors have lodged a counterclaim against the Group for breach of warranties and a tax indemnity relating to Chilean tax debts and breach of the *Competition and Consumer Act 2010* (Cth).

As at the date of this report, there is uncertainty as to the strength of the counterclaim and the impact that such a counterclaim would have on the Group's financial position.

The company commenced mediation with Australis on 30 October 2013.

Vallenar Iron Company (VIC)

The Group was due to receive royalties under the royalty agreement with VIC (Note 14). Australis has asserted a right of set off (which the Group disputes) in respect of the royalties payable by VIC. However due to VIC being placed into Liquidation it is unlikely that these royalties will eventuate

Rights issue

The group successfully completed a rights issue on 5 September 2014. The rights issue successfully raised \$3,672,488 at the offer price of 1.6 cents per share. The proceeds will be used to repay corporate debt, progress exploration and provide working capital.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 24: RELATED PARTY TRANSACTIONS

Related Parties

a. **The Group's main related parties are as follows:**

(i) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, including remuneration, refer to Note 6: Key Management Personnel Compensation.

(ii) *Equity interests in related parties:*

Refer to Note 12: Controlled Entities for details of equity holdings in related parties.

The following transactions happened with related parties:

- Sun Investments Holdings– related party of Qing Zhong
- Infinity Financial – related party of Scott Bennison
- Prior and Co Pty Ltd – related party of Stephen C. Prior in the FY13 financial year.

	Consolidated Group	
	2014	2013
	\$	\$
Prior and Co Pty Ltd:		
• Company secretarial and accounting services	-	132,298
• Rent	-	25,200
• Executive assistant services	-	68,019
• Accounting and tax services	-	5,062
Sun Investment Holdings :		
Rent of Admiralty Resources NL office	52,433	-
Infinity Financial :		
Company secretarial and accounting services	96,620	-
	<u>149,503</u>	<u>230,579</u>

NOTE 25: FINANCIAL RISK MANAGEMENT

(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 and both short and long-term borrowings. The main purpose of the financial instruments is to support the consolidated entity's operations.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 25: FINANCIAL RISK MANAGEMENT (continued)

(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 asset, 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 asset/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 \$	
2014							
Financial Assets							
Cash	2.54%	755,977	15,730	-	-	-	771,707
Trade and other receivable		-	-	-	-	71,064	71,064
Total financial assets		755,977	15,730	-	-	71,064	842,771
Financial Liabilities							
Trade payables		-	-	-	-	614,132	614,132
Convertible Notes	12%	-	-	2,542,508	-	-	2,542,508
Total financial liabilities		-	-	2,542,508	-	614,132	3,156,640

	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 \$	
2013							
Financial Assets							
Cash	3.12%	2,157,557	42,251	-	-	-	2,199,808
Trade and other receivable		-	-	-	-	204,248	204,248
Total financial assets		2,157,557	42,251	-	-	204,248	2,404,056
Financial Liabilities							
Trade payables		-	-	-	-	248,021	248,021
Convertible Notes	12%	-	-	1,407,585	-	-	1,407,585
Total financial liabilities		-	-	1,407,585	-	248,021	1,655,606

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 25: FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting 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.

Other than the impaired assets, 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

Other than the impaired deferred receivable, the consolidated entity is exposed to foreign currency risk as a direct result of their foreign operations in Chile and Hong Kong. Further, the consolidated entity is exposed to foreign currency risk on 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), Hong Kong Dollar (HKD) and Chilean Pesos (CLP) to manage receipts and payments in those currencies and to reduce and minimise currency conversion costs.

(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.

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 25: FINANCIAL RISK MANAGEMENT (continued)

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 summarises the expected financial liability and financial asset maturities.

	Within 1 year		1 to 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash	771,707	2,199,808	-	-	-	-	771,707	2,199,808
Trade and other receivables	71,064	204,248	-	-	-	-	71,064	204,248
Total financial assets	842,771	2,404,056	-	-	-	-	842,771	2,404,056
Financial Liabilities								
Trade payables	614,132	248,021	-	-	-	-	614,132	248,021
Convertible Notes	-	-	2,652,855	1,620,565	-	-	2,652,855	1,620,565
Total financial liabilities	614,132	248,021	2,652,855	1,620,565	-	-	3,267,007	1,868,586

(g) Fair values

The aggregate fair values of financial assets and liabilities as at reporting date is as follows:

	2014	2013
	\$	\$
Financial Asset		
Cash	771,707	2,199,808
Trade and other receivables	71,064	204,248
Total financial assets	842,771	2,404,056
Financial Liability		
Trade payable and accruals	614,132	248,021
Convertible note	2,542,508	1,407,585
Total financial liabilities	3,156,640	1,655,606

Notes to the Financial Statements

for the financial year ended 30 June 2014

NOTE 25: FINANCIAL RISK MANAGEMENT (continued)

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

- The carrying amount for cash, trade and other receivables, prepayments 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 the reporting date. This analysis considers the affect on current year loss 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 the reporting date. The sensitivity analysis considers the effect on current year loss and equity due to a change in the AUD / USD, AUD / CLP and AUD/HKD rates.

The table below summarises the impact of +/- 5% strengthening / weakening of the AUD against the USD, HKD and CLP. The analysis is based on the +/- 5% movement of each foreign currency (CLP, HKD 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 Loss 2014 \$	Equity 2014 \$
AUD/USD	+5%	7,631	7,631
	-5%	(7,631)	(7,631)
AUD/CLP	+5%	3,813	3,813
	-5%	(3,813)	(3,813)
AUD/ HKD	+5%	2,326	2,362
	-5%	(2,326)	(2,326)

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26: RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

Equity portion of convertible notes

The equity portion of the convertible note reserve identifies the substance of the convertible note rather than its legal form. The substance depends on the instrument's contractual right and obligations. The reserve represents the amount of the convertible note that is not considered a financial liability.

	Consolidated Group	
	2014 \$	2013 \$
Foreign currency translation reserve		
Balance at the beginning of the financial year	(681,218)	(689,535)
Exchange differences on translation of foreign controlled entities	(94,563)	8,317
Balance at the end of the financial year	(775,781)	(681,218)
Equity portion of convertible note		
Balance at beginning of financial year	212,980	-
Note issued during financial year	-	212,980
Balance at the end of the financial year	212,980	212,980
Total reserves	(562,801)	(468,238)

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 2014, the consolidated statement of profit or loss and other 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 significant 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 2014 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 in pages 17 to 22 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'Alex Swansson', is written over a faint, stylized 'BDO' logo.

Alex Swansson
Partner

Melbourne, 7 October 2014

Additional Information for Public Listed Companies

1. Shareholder Information

(a) *Distribution of shareholders by class as at 30 September 2014.*

<i>Category (size of holding)</i>	<i>Ordinary shares</i>	<i>Number of Holders</i>
1-1,000	847,749	1,531
1,001-5,000	6,580,889	2,418
5,001-10,000	8,738,483	1,136
10,001-100,000	74,760,868	2,179
100,001 and over	868,648,506	466
	959,576,313	7,730

(b) *The number of shareholdings held in less than marketable parcels is 7,087 as at 30 September 2014.*

(c) *The number of holders of each class of equity security as at 30 September 2014.*

<i>Class of Security</i>	<i>Number</i>
Ordinary fully paid shares	7,730

(d) *Substantial holders as at 30 September 2014.*

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 Share Held</i>	<i>% Held of Issued Ordinary Capital</i>
Sino Investment and Holding Pty Ltd	96,400,000	10.046%
Sophie Zhong Pty Limited <I Like Shopping Property A/C>	70,501,898	7.347

(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 September 2014.

<i>Name</i>		<i>Number of Ordinary Fully Paid Share Held</i>	<i>% Held of Issued Ordinary Capital</i>
1	Abn Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	179,170,868	18.672
2	Citicorp Nominees Pty Limited	108,856,651	11.344
3	Sino Investment And Holding Pty Ltd	96,400,000	10.046
4	Sophie Zhong Pty Limited <I Like Shopping Property A/C>	70,501,898	7.347
5	Hsbc Custody Nominees (Australia) Limited	36,709,937	3.826
6	National Nominees Limited	33,020,061	3.441
7	Ms Yan Li	28,974,058	3.019
8	Australian Chile Mining Holdings Pty Ltd <Australian Chile Min Inv A/C>	25,000,000	2.605
9	Mr Bin Li	25,000,000	2.605
10	Mr Baojiang Liu	25,000,000	2.605
11	J P Morgan Nominees Australia Limited	18,912,217	1.971
12	Yuhui Su	12,500,000	1.303
13	Feifan Holdings Limited	10,000,000	1.042
14	Ms Qiulan Liu	10,000,000	1.042
15	Mr Yongjin Luo	7,506,934	0.782
16	Mr Dong Ji	6,000,000	0.625
17	Mr Hanjing Xu	5,000,000	0.521
18	3D Pencil Pty Ltd <3D Pencil Super Fund A/C>	4,608,000	0.480
19	Dr Richard Stuart Parry & Mrs Judith Nancy Parry <R S Parry Super Fund A/C>	4,267,325	0.445
20	Mrs Xiuying Yin	3,677,572	0.383

2. The name of the Company Secretary is:

Jarrold Travers White

3. Office details

Registered Office:

C/- Traverse Accountants
Suite 404, Level 4
25 Lime Street
Sydney NSW 2000

Additional Information for Public Listed Companies (Continued)

4. *Share Registry Details*

- a. Boardroom Limited
- b. Level 7, 207 Kent Street
- c. Sydney NSW 2000
- d. Telephone: 1300 737 760 (within Australia)
 - 1. +61 2 9690 9600 (international callers)
- e. 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 September 2014.

7. **Unquoted Securities**

There were no unquoted securities as at 30 September 2014.

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
Mal Pelo	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements