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ADMIRALTY RESOURCES



Admiralty Resources NL

ABN: 74 010 195 972

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2017**

CORPORATE DIRECTORY

Admiralty Resources NL

ABN: 74 010 195 972

Directors:

Qing Zhong
Hanrui Zhong
Bin Li

Company Secretary:

Jarrold White

Principle place of business:

C/- Traverse Accountants
Suite 305, Level 3
35 Lime Street
Sydney NSW 2000

Registered Office:

C/- Traverse Accountants
Suite 305, Level 3
35 Lime Street
Sydney NSW 2000

Securities Quoted:

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

Auditors:

RSM Australia Partners
Level 13, 60 Castlereagh Street
Sydney NSW 2000

Bankers:

Westpac Banking Corporation
447 Bourke Street
Melbourne VIC 3000
Australia

Banco Bilbao Vizcaya Argentaria
Av. Costanera Sur 2710
Piso 21 Torre A. Las Condes,
Santiago, Chile

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

HSBC Bank
China Insurance Group Building
DES Vouex Road
Central
Hong Kong

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

Addisons Lawyers
Level 12, 60 Carrington 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)
- Admiralty Resources (Hong Kong) Limited
- ADY Investments Pty Ltd (currently inactive)
- Fortune Global Holdings Corporation (currently inactive)
- Servicios Admiralty Resources Chile Limitada



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CHAIRMAN'S REPORT

Dear Shareholders,

This has been an eventful year for the Board, with much time and emphasis placed on advancing the Mariposa project application with the Republic of Chile.

As announced during the year the Company successfully lodged its Declaration of Environmental Impacts ("DIA") (RCA) at its Mariposa Project which has subsequently been being progressed by the Company and Chilean Project team.

At the time of this report, the Board has received positive responses from the government authorities after several trips to meet with the local government authorities and stakeholders. As a result of the meetings held in September 2017, the Board is hopeful of a near term approval of the DIA and looks forward to keeping shareholders informed.

DIA approval is a fundamental step forward in establishing the Mariposa project as a project capable of attracting potential investment and advancing key relationships such as the cooperation agreement with state owned China Nuclear Industry 22nd Construction Co. LTD ("CNI22").

Management has continued to reduce expenses and liabilities of the Group, with net assets increased over the financial period to \$17.1m (2016: \$15.7m). The increase in net assets is largely driven by the Board's concerted efforts to reduce liabilities and expenses. Total liabilities have fallen by \$1.5m in FY17, while expenses have fallen \$1m in the same period.

In September 2016, the Group revised the Convertible Note Facility to provide for a further increase in the facility ceiling to US\$3.6m. On 28 September 2017, the maturity date of the Facility was extended to 31 December 2019.

This extension was considered necessary to provide comfort to the stakeholders of the Group that there will not be working capital pressure during FY18.

On behalf of the Directors, I would like to thank you for your ongoing support.

Yours sincerely,



Bin Li
Chairperson
29 September 2017

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

Introduction

The Directors of Admiralty Resources NL (the “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 optimised.

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 (3RD Edition) as published by the ASX Corporate Governance Council, which was released on 27 March 2014 and came into effect on 1 July 2014.

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.

CORPORATE GOVERNANCE STATEMENT

Council Principle 1: Lay solid foundations for management and oversight

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 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.

CORPORATE GOVERNANCE STATEMENT

Responsibility of the Managing Director:

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

The responsibilities of the Managing Director include:

- developing and recommending to the Board strategies, business plans and annual budgets for the Company;
- implementing the strategies, business plans and budgets adopted by the Board;
- managing resources within budgets approved by the Board;
- ensuring compliance with applicable laws and regulations; and
- ensuring the Board is given sufficient information to enable it to perform its functions, set strategies and monitor performance.

Appointment, induction and training

In selecting new Directors, the Board must ensure that the candidate has the appropriate range of skills, experience and expertise that will best complement Board effectiveness.

The Company ensures that appropriate background checks are undertaken regarding the potential new Director's character, experience, education, criminal record and bankruptcy history before appointing or putting forward a Director to shareholders for election as a Director.

The Company also provides its shareholders with all material information in its possession that is relevant to their decision on whether or not to elect or re-elect a Director through the Notice of Meeting, Director Resumes and other information contained in the Annual Report and on the Company's website.

Upon appointment, each Director will receive a written agreement which sets out the terms of their appointment. New Directors will also attend an induction program where they are briefed on the Company's:

- operations and the industry sectors in which it operates;
- financial, strategic, operational and risk management position;
- governance matters, policies and procedures; and
- the Director and committee member's rights, duties and responsibilities.

Directors are also provided with regular professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

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.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

CORPORATE GOVERNANCE STATEMENT

The role of the Company Secretary includes:

- advising the Board and its committees (as established from time to time) on governance matters;
- monitoring that Board and committee policy and procedures are followed;
- coordinating the timely completion and despatch of board and committee papers;
- ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

Diversity Policy

The Company is committed to ensuring an inclusive workplace that encourages and embraces diversity but the current Board has not established a Diversity Policy due to the limited size of the Board and operations.

The respective proportions of men and women on the Board, in senior executive positions and across the Company are as below:

| | Men | Women |
|--------------------------|-----|-------|
| Board | 67% | 33% |
| Senior executive* | -% | 100% |

* Managing Director

Performance Review of Directors

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The level of remuneration for non-executive directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders. The Board also reviews the appropriate criteria for Board membership collectively.

A formal Board review was not undertaken in FY 2017 as the Board as the Directors have agreed to defer payment of their fees to manage working capital pressures.

Performance review of Executives

A performance evaluation of the Managing Director is conducted annually. The Managing Director is requested to provide feedback on how they feel they have performed over the 12 month period (360 degree feedback).

A formal Management review was not undertaken in FY 2017 as the Board as the Directors have agreed to defer payment of their fees to manage working capital pressures.

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.

Nomination

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.

CORPORATE GOVERNANCE STATEMENT

Nomination (continued)

The Board addresses succession issues and ensures the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively through regular review and assessment.

Board Skills and Experience

The length of service of each Director is set out in the Directors' Report of the Annual Report. The skills and experience of the directors are set out in the matrix below.

| Experience | Industry |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Mining investment • Mine engineering , development and management • Capital raising management • Corporate Finance | <ul style="list-style-type: none"> • Mining & Geology • Investment Banking • Legal • Finance and Accounting |

Independent Directors

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 Managing Director roles.

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

| Name | Position | Independent | Factors affecting independence | Length of Service |
|--------------|------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Bin Li | Non-Executive Chairman | Yes | Nominated by majority shareholder and elected as Non-Executive Director at General Meeting of Members on 21 September 2014. | 3 years |
| Hanrui Zhong | Non-Executive Director | No | 27,290,067 shares are controlled by Mr Zhong through a nominee entity. | 4 years, 3 months |
| Qing Zhong | Managing Director | No | Employed in an executive capacity as Managing Director. | 3 years, 10 months |

Induction and Training

When appointed to the Board, a new director will receive an induction appropriate to their experience.

Directors are encouraged to seek professional development to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

CORPORATE GOVERNANCE STATEMENT

Council Principle 3: Act ethically and responsibly

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.

Council Principle 4: Safeguard integrity in corporate reporting

Board Committees

The Board has not established an Audit Committee due to the limited size of the Board and the limited current activities of the Company.

Instead the function will be undertaken by the full Board in accordance with policies and procedures outlined in the Audit Committee Charter:

- overseeing the reliability and integrity of the Company's accounting policies, financial reporting and disclosure practices;
- reviewing 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 Board 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.

CEO Declaration under 295A of the Corporations Act 2001

The Company received from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

CORPORATE GOVERNANCE STATEMENT

External Auditor

RSM Australia Partners are the appointed external auditors of the Company and were appointed at the Company's 2015 Annual General Meeting. The performance of the external auditor is reviewed periodically and, if necessary, applications for tender of external audit services will be requested as deemed appropriate.

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

An analysis of fees paid to the external auditors, including a breakdown of any fees for any non-audit services, is provided in Note 6 to the financial statements. The Directors are satisfied that the provision of non-audit services during the year by RSM Australia Partners 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

Continuous Disclosure

All Directors have been made aware of the continuous disclosure requirements of the ASX Listing Rules and have been provided with a copy of the relevant rules and guidance notes. Continuous disclosure is included on the agenda for all formal meetings of the directors. Directors are made aware of the constraints applicable to private briefings and broker and analyst presentations.

The Directors have allocated responsibility to each director and the company secretary to alert the Board to any operational or regulatory matters respectively which they consider may require disclosure to the market under the continuous disclosure requirements of the ASX Listing Rules. The Directors then consider and approve the form of any such announcement.

All Company announcements require the approval of the board with provision for available directors to approve urgent announcements. The company secretary is responsible for communication with ASX.

The Annual Report contains a review of operations.

Council Principle 6: Respect the rights of shareholders

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 shareholder who requests it.
- The Half-Year 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

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CORPORATE GOVERNANCE STATEMENT

Council Principle 6: Respect the rights of shareholders (continued)

Communication Policy (continued)

the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Securities Exchange. The Half-Year 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;
- 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 and Latest information briefings;
- Notices of meetings and explanatory materials; and
- Quarterly, Half-Year 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

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.

It has not established a separate committee to deal with these matters as the directors consider the size of the Company and its operations does not warrant a separate committee at this time.

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.

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CORPORATE GOVERNANCE STATEMENT

Council Principle 7: Recognise and manage risk (continued)

Oversight and Management of Material Business Risks (continued)

Additionally, it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws, regulations and professional practice. The Managing Director and the Company Secretary declare in writing to the Board that the financial reporting, risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively.

The Managing Director and the Company Secretary make this representation prior to the Directors' approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

This assessment was completed as part of the 30 June 2017 Annual Report and 31 December 2016 Half Year Report.

Internal Audit

The Company does not have an internal audit function, and due to its size and current activities the Board does not believe one is warranted at this time. The Board evaluates and monitors internal control processes to continually improving the effectiveness of its risk management.

Material exposure to economic, environmental and social sustainability risks

This information is disclosed in Note 23 – Financial Risk Management in the Annual Report.

Council Principle 8: Remunerate fairly and responsibly

Remuneration Committee

Due to the relatively small size of the Company and its operations, the Board does not consider it appropriate, at this time, to form a separate committee to deal with executive remuneration. The Board as a whole establishes and reviews annually the remuneration of the executive directors, senior executives and employees.

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 Company does not have an equity-based remuneration scheme.

DIRECTORS' REPORT

The Directors of Admiralty Resources NL submit the Annual Financial Report of the Company for the financial year ended 30 June 2017 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.

| | |
|--------------|--------------------------------------------------|
| Bin Li | Non-Executive Chairperson/Non-Executive Director |
| Qing Zhong | Managing Director |
| Hanrui Zhong | Non-Executive Director |

Managing Director and Chief Executive Officer

Mrs Qing Zhong is Managing Director and Chief Executive Officer.

Company Secretary

Mr Jarrod White

BOARD OF DIRECTORS

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

Qing Zhong

Managing and Chief Executive Officer

Ms Zhong is the Managing Director and Chief Executive Officer of the company and held these positions for the entire 2017 financial year.

Ms Zhong holds a Bachelor of Arts and is a Director of Sino Investment & Holdings Pty Ltd who is a cornerstone investor in Admiralty Resources NL. She is also a Director of a number of unlisted Australian companies that have significant investments in the property market and the mining industry.

Ms Zhong's has no special responsibilities in the company.

Bin Li

Non-Executive Chairperson

Mr Li is the Non-Executive Chairman of the company and held this position for the entire 2017 financial year.

Mr Li holds a Bachelor of Engineering and is a senior mining engineer with over 26 years' experience in metallurgy and a graduate of mining and metallurgy from the Jiang Xi Metallurgy University, and has brought 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

REMUNERATION REPORT – AUDITED

Hanrui Zhong

Non-Executive Director

Mr Zhong is a Non-Executive Director of the Company and held this position for the entire 2017 financial year.

Mr Zhong has a Master's 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, a Director of Jin Xin Investments Pty Limited and a shareholder of Admiralty Resources NL.

Mr Zhong had no special responsibilities in the company.

Jarrod Travers White, B. Bus, CA, CTA

Company Secretary

Mr White is the Company Secretary of the company and held this position for the entire 2017 financial year.

Mr White is a Chartered Accountant and Director of Traverse Accountants Pty Ltd. Mr White has been associated with Admiralty Resources NL since January 2014 when he was engaged as the external consultant providing corporate, financial, and taxation services to the Company.

In conjunction with his Corporate Advisory roles Mr White has been appointed Company Secretary and Chief Financial Officer of several other listed entities that operate on the Australian Securities Exchange and London Stock Exchange and has a strong knowledge of corporate governance and compliance.

Remuneration policy for Directors and Executives

The matters of remuneration for Directors are usually dealt with by the Board of Directors and are determined according to merit and market considerations. Remuneration levels are not directly linked to the performance of the consolidated entity.

Remuneration

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

Director and Executive details

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

| | |
|--------------|---------------------------|
| Bin Li | Non-Executive Chairperson |
| Qing Zhong | Managing Director |
| Hanrui Zhong | Non-Executive Director |
| Jarrod White | Company Secretary |

DIRECTORS' REPORT

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.

| | <i>Duration of Contract</i> | <i>Termination Notice of Contract</i> | <i>Termination Payment provided under Contract</i> |
|---------------------------|-----------------------------|---------------------------------------|----------------------------------------------------|
| Executives | | | |
| Qing Zhong ¹ | N/A | N/A | NIL |
| Non – executives | | | |
| Bin Li ¹ | N/A | N/A | NIL |
| Hanrui Zhong ¹ | N/A | N/A | NIL |

(1) It is noted that the Directors have not been remunerated for their services in the financial year.

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 and all remuneration is fixed. Non-executive Directors' 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.

Executive remuneration

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

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:

| | <i>Salary & Fees</i> | <i>Retirement Benefits</i> | <i>Non-monetary Share Based Payments</i> | <i>Consisting of Share Based Payments</i> | <i>Total</i> |
|---------------------------|--------------------------|----------------------------|------------------------------------------|-------------------------------------------|--------------|
| 2017 | \$ | \$ | \$ | % | \$ |
| Bin Li ¹ | - | - | - | - | - |
| Qing Zhong ¹ | - | - | - | - | - |
| Hanrui Zhong ¹ | - | - | - | - | - |
| Total | - | - | - | - | - |

(1) It is noted that the directors have not been remunerated for their services in the financial year.

DIRECTORS' REPORT

Remuneration Report – Audited

| | Salary & Fees | Retirement Benefits | Non-monetary Share Based Payments | Consisting of Share Based Payments | Total |
|---------------------------|----------------|---------------------|-----------------------------------|------------------------------------|----------------|
| 2016 | \$ | \$ | \$ | % | \$ |
| Bin Li ¹ | 40,000 | - | - | - | 40,000 |
| Qing Zhong ² | 120,000 | 2,400 | - | - | 122,400 |
| Hanrui Zhong ³ | 40,000 | - | - | - | 40,000 |
| Total | 200,000 | 2,400 | - | - | 202,400 |

(1) Mr Li's remuneration package was \$40,000 pa, commencing on 1 October 2014.

(2) Mrs Zhong's remuneration package consists of two components, (1) Directors fee of \$24,000 pa, plus superannuation and (2) Service fees for managing director services paid to related entity Jin Xin International Pty Limited of \$96,000 pa.

(3) Mr Zhong's remuneration package was \$40,000 pa commencing on 1 July 2014.

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 | Balance at End of Year |
|---------------------|------------------------------|-----------------------------------------|-----------------------------------------------|-------------------------------|------------------------|
| 30 June 2017 | | | | | |
| Bin Li | 25,000,000 | - | - | - | 25,000,000 |
| Qing Zhong | 217,611,465 | - | - | - | 217,611,465 |
| Hanrui Zhong | 97,791,965 | - | - | - | 97,791,965 |
| Total | 340,403,430 | - | - | - | 340,403,430 |

| | Balance at Beginning of Year | Granted as Remuneration during the Year | Issued on Exercise of Options during the Year | Other Changes during the Year | Balance at End of Year |
|---------------------|------------------------------|-----------------------------------------|-----------------------------------------------|-------------------------------|------------------------|
| 30 June 2016 | | | | | |
| Bin Li | 25,000,000 | - | - | - | 25,000,000 |
| Qing Zhong | 196,849,965 | - | - | 20,761,500 | 217,611,465 |
| Hanrui Zhong | 97,791,965 | - | - | - | 97,791,965 |
| Total | 319,641,390 | - | - | 20,761,500 | 340,403,430 |

Value of shares and options granted to Directors and Executives

No shares or options were issued a part of the Director's and/or Executives remuneration in the 2017 Financial Year.

This concludes the remuneration report which is audited.

DIRECTORS' REPORT

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 income for the year amounted to \$1,442,002 (2016 loss: \$2,342,915).

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, a power line and operating shipping ports.

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.

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



DIRECTORS' REPORT

Mariposa

Mariposa is Admiralty's most developed target showing resources, as announced on 25 January 2013. The following table shows Mineral Resource Statement 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 |

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

In addition to the increase in the total resources for Mariposa, this 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. The following table shows the inferred resource statement has been prepared by Redco Mining Engineers Ltd. ("**Redco**"), a Chilean engineering firm. The Soberana mineral resource estimate has been classified as inferred resources and was 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 |

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

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.

Favourable Environmental Qualification – Soberana Project

On 13 August 2015, the Republic of Chile through the Environmental Evaluation Commission of the Atacama Region has made a favourable environmental qualification for Admiralty's Soberana project. The Commission has certified that the project complies with the requirements of environmental nature as contained in Environmental Permits 88, 91, 93, 94, 96, 99 and 106 as listed in the items of the Regulation of the System of Environmental Impact Evaluation. The Commission assessed the project on an assumed workforce of 245 people and annual production of 540,000 tonnes of iron concentrate grading 64% FeT.

DIRECTORS' REPORT

La Chulula

La Chulula is a project located 15km south of the city of Vallenar, III Region, Chile. 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.

Maiden Mineral Resources Estimate Update

As announced to the market on 16 April 2015 Admiralty commissioned Golder Associates S.A. (Golder) to prepare a Resource Evaluation Statement for the La Chulula project. The resource estimate is based on the results obtained from the reverse circulation and diamond drilling campaign completed in 2012 and was prepared in accordance with the guidelines of Australasian Code for Reporting Joint Ore Reserves Committee (2012). The Mineral Resources Estimate quantifies the resources at La Chulula at 96 Mt at 24% Fe for a 15% Fe-cut off the inferred category and is as follows.

| Project Name | Measured Resources (Mt) | Indicated Resources (Mt) | Inferred Resources (Mt) | Total Resources (Mt) | Average FeT (%) |
|---------------------|--------------------------------|---------------------------------|--------------------------------|-----------------------------|------------------------|
| Mariposa | 43.4 | 7.6 | 123.5 | 174.5 | 24.5 |
| La Chulula | - | - | 96.0 | 96.0 | 24.0 |
| Soberana | - | - | 90.2 | 90.2 | 24.5 |
| TOTAL | 43.4 | 7.6 | 309.7 | 360.7 | 24.4 |

Convertible Notes

On 1 September 2016 the Group made a decision to revise the Convertible note loan facility agreement between Admiralty Resources (Hong Kong) Limited and Smart East Global Limited. The revision would provide a further loan in the amount of USD\$1,500,000, with the total amount drawn down under the Second Facility Agreement increased to USD\$3,600,000. The terms of the facility remained in place with the term of the loan being for 2 years with interest due and payable at a rate of 12% per annum on a quarterly basis and unpaid interest amounts are accrued and applied on the face value of the accumulated balance of the loan. 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. This revision was treated as a new and separate facility with the previous facility settled.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Convertible Note

On 28 September 2017, a Deed of Amendment was signed where the maturity date of the facility was extended to 31 December 2019.

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

DIRECTORS' REPORT

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the year, nor are any recommended at 30 June 2017 (2016: NIL).

FINANCIAL POSITION

The net assets of the economic entity have increased over the financial period to \$ 17,176,318 (2016: \$15,734,316). The increase in net assets is largely driven by the Board's concerted efforts to reduce liabilities and expenses. Total liabilities have fallen by \$1.6m in FY17, while expenses have fallen \$1m in the same period.

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

| | <i>Board of Directors</i> | | <i>Audit and Risk Committee</i> | |
|--------------|---------------------------|-----------------|---------------------------------|-----------------|
| | <i>Held</i> | <i>Attended</i> | <i>Held</i> | <i>Attended</i> |
| Bin Li | 4 | 4 | - | - |
| Qing Zhong | 4 | 4 | - | - |
| Hanrui Zhong | 4 | 3 | - | - |

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 2017 financial year.

DIRECTORS' REPORT

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.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

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 RSM Australia Partners, the Company's Auditors (2016: NIL).

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 23 of the Annual Report.

DIRECTORS' 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 3 to 11 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



Qing Zhong
Managing Director
29 September 2017

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DIRECTORS' DECLARATION

The directors of the company declare that, in the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including
 - (i) giving a true and fair view of the financial position and performance of the consolidated entity; and
 - (ii) complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;
- (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1;
- (c) the Directors have been given the declarations required by s.295A of the Corporations Act; and
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

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

On behalf of the Directors



Qing Zhong
Managing Director
29 September 2017

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RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Admiralty Resources NL for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM

RSM AUSTRALIA PARTNERS

G N Sherwood

G N Sherwood
Partner

Sydney, NSW

Dated: 29 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Consolidated Group | |
|-----------------------------------------------------------------------|------|--------------------|--------------------|
| | | 2017 \$ | 2016 \$ |
| Revenue | | | |
| Interest | 3 | 1,712 | 3,316 |
| Other income | 3 | 2,901,550 | 114,199 |
| Expenses | | | |
| Administration expenses | | (213,040) | (239,497) |
| Bad debts expense | | (21,370) | - |
| Consultancy and professional expenses | | (289,616) | (480,868) |
| Depreciation expense | | (49,937) | (26,040) |
| Employee benefits expense | | (242,115) | (494,931) |
| Exploration expenses | | (81,822) | (227,240) |
| Finance costs | | (477,982) | (721,819) |
| Foreign exchange loss | | (19,154) | - |
| Occupancy expenses | | (56,623) | (88,744) |
| Tenement expenses | | - | (43,242) |
| Travel expenses | | (6,255) | (136,016) |
| Profit/(loss) before income tax | | 1,445,348 | (2,340,882) |
| Tax expense | 4 | - | - |
| Profit/(loss) after income tax for the year | | 1,445,348 | (2,340,882) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising from foreign operations | 24 | (3,346) | (2,033) |
| Total other comprehensive loss for the year | | (3,346) | (2,033) |
| Total comprehensive income/(loss) for the year | | 1,442,002 | (2,342,915) |
| Profit/(loss) after income tax attributable to: | | | |
| Members of the parent entity | | 1,445,348 | (2,340,882) |
| Total comprehensive profit/(loss) attributable to: | | | |
| Members of the parent entity | | 1,442,002 | (2,342,915) |
| Earnings per share | | | |
| Basic and diluted earnings/(loss) per share (cents) | 7 | 0.13 | (0.23) |

The above Consolidated statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

| | Note | Consolidated Group | |
|----------------------------------------|-------|--------------------|-------------------|
| | | 2017 \$ | 2016 \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 93,194 | 244,419 |
| Trade and other receivables | 9 | 61,159 | 89,951 |
| Total Current Assets | | 154,353 | 334,370 |
| Non-Current Assets | | | |
| Property, plant and equipment | 11 | 255,668 | 305,605 |
| Exploration and evaluation expenditure | 12 | 19,423,377 | 19,351,536 |
| Total Non-Current Assets | | 19,679,045 | 19,657,141 |
| Total Assets | | 19,833,398 | 19,991,511 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 13 | 561,540 | 763,503 |
| Borrowings | 14,15 | 389,185 | 3,493,692 |
| Total Current Liabilities | | 950,725 | 4,257,195 |
| Non-Current Liabilities | | | |
| Borrowings | 14,15 | 1,706,355 | 3,493,692 |
| Total Non-Current Liabilities | | 1,706,355 | 4,257,195 |
| Total Liabilities | | 2,675,080 | 4,257,195 |
| Net Assets | | 17,176,318 | 15,734,316 |
| EQUITY | | | |
| Issued capital | 16 | 145,649,257 | 145,649,257 |
| Reserves | 24 | (773,488) | (770,142) |
| Accumulated losses | 25 | (127,699,451) | (129,144,799) |
| Total Equity | | 17,176,318 | 15,374,316 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

| | Note | Contributed Equity \$ | Convertible Note Equity Reserve \$ | Foreign Currency Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|-------------------------------------------------------------|------|-----------------------------|---------------------------------------------|--------------------------------------|-----------------------------|-----------------------|
| Balance at 1 July 2015 | | 143,237,430 | 212,980 | (768,109) | (126,803,917) | 15,878,384 |
| Comprehensive income | | | | | | |
| Loss after income tax | | - | - | - | (2,340,882) | (2,340,882) |
| Other comprehensive loss for the year | 24 | - | - | (2,033) | - | (2,033) |
| Total comprehensive loss for the year | | - | - | (2,033) | (2,340,882) | (2,342,915) |
| Issue of share capital net of transaction costs | 16 | 2,381,827 | - | - | - | 2,381,827 |
| Shares issued in lieu of consulting fees | 16 | 30,000 | - | - | - | 30,000 |
| De-recognise equity component of convertible note liability | 24 | - | (212,980) | - | - | (212,980) |
| Balance at 30 June 2016 | | 145,649,257 | - | (770,142) | (129,144,799) | 15,734,316 |
| Balance at 1 July 2016 | | 145,649,257 | - | (770,142) | (129,144,799) | 15,734,316 |
| Comprehensive income | | | | | | |
| Profit after income tax | | - | - | - | 1,445,348 | 1,445,348 |
| Other comprehensive income for the year | 24 | - | - | (3,346) | - | (3,346) |
| Total comprehensive income for the year | | - | - | (3,346) | 1,445,348 | 1,442,002 |
| Balance at 30 June 2017 | | 145,649,257 | - | (773,488) | (127,699,451) | 17,176,318 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Consolidated Group | |
|------------------------------------------------------------------------------------|------|--------------------|-------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Refund from suppliers | | - | 934 |
| Exploration and development expenses | | - | (61,083) |
| Payments to suppliers and employees | | (1,029,178) | (1,362,923) |
| Interest received | | 1,712 | 3,316 |
| Finance costs paid | | (7) | (220,288) |
| Net cash outflow from operating activities | 20a | (1,027,473) | (1,640,044) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for exploration expenditure on mining interests | | (99,760) | (645,785) |
| Share application money received | | 10,388 | - |
| Loans from related parties | | - | 40,062 |
| Net cash inflow/(outflow) from investing activities | | 89,372 | (605,723) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of equity securities net of costs | | - | 1,136,232 |
| Proceeds from borrowings | | 971,045 | 701,059 |
| Net cash inflow from financing activities | | 971,045 | 1,837,291 |
| Net decrease in cash and cash equivalents | | (145,800) | (408,476) |
| Cash and cash equivalents at beginning of financial year | | 244,419 | 648,040 |
| Effects of exchange rate changes on the translation of foreign controlled entities | | (5,425) | 4,855 |
| Cash and cash equivalents at end of financial year | 8 | 93,194 | 244,419 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

General information and Statement of compliance

Basis of Preparation

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Admiralty Resources NL is a for-profit entity for the purpose of preparing the financial statements.

Admiralty Resources NL is the Group's Ultimate Parent Company. Admiralty Resources NL Ltd is a Public Company incorporated and domiciled in Australia.

The consolidated financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 29 September 2017.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the statements are as follows:

a. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by the Company at the end of the reporting period and the results for all subsidiaries for the year ended 30 June 2017. The Company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date of 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 10 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. Parent entity information

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

c. Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

d. 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.

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.

e. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

e. Current and non-current classification (Continued)

A liability is classified as current when:

- it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

f. 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.

Land

Freehold land is stated at revalued amounts. As no finite useful life for land can be determined, related carrying amounts are not depreciated

Buildings

Buildings are carried at cost less accumulated depreciation for buildings.

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 the 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.

Depreciation

The depreciable amount of all buildings, 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 |
|-----------------------------------------------|--------------------------|
| Buildings | 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. 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

g. 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.

h. Exploration and Evaluation Expenditure

Chilean Tenements

The exploration in Chile is on highly prospective tenements which include 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.

i. 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.

j. 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 (i.e. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

j. Financial Instruments (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

k. Financial Instruments (Continued)

(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 to profit or loss.

(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.

(vi) Convertible Notes

Convertible notes are separated into the host liability and embedded derivative components based on the terms of the agreement. On issuance of the convertible notes, the embedded option is recognised at fair value using the Black Scholes method of options valuation. The host debt component of the convertible note is initially measured as the residual amount after separating the embedded derivative. The host debt is carried at amortised cost using the effective interest method until it is extinguished on conversion or redemption.

Embedded Derivative

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

The embedded derivative is separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. The embedded derivative is measured at fair value with changes in value being recorded in profit or loss.

De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

I. 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

m. Foreign Currency Transactions and Balances

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Parent Company

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.

Foreign operations

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.

n. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

o. 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.

p. 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.

q. 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.

r. 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(l) for further discussion on the determination of impairment losses.

s. 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.

t. 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

u. 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.

v. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

w. Going Concern

The consolidated entity reported a profit for the year of \$1,445,348, and had net cash outflows from operating activities of \$1,027,473 for the year ended 30 June 2017. Additionally as at 30 June 2017 the consolidated entity had net current liabilities of \$796,372 and net assets of \$17,176,318.

The Directors believe that there are reasonable grounds to assert that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- Included in the terms of the previous Deed of Amendment to Convertible Note Agreement it was confirmed that Smart East Global Limited (“SEG”) would offer to provide an additional amount of up to US\$1,500,000 as an extension to the current facility giving the total facility a maximum draw down value of US\$3,600,000. The total draw down as at the 30 June 2017 was only US\$2,766,105 leaving an un-drawn facility of US\$833,895 as at 30 June 2017.
- On 28 September 2017 SEG signed a new Deed of Amendment whereby SEG has offered to provide an extension to the maturity date of the Convertible Notes to 31 December 2019.
- The Company is regularly monitoring its cash outflows by implementing a leaner management structure, engaging with skilled consultants on a contractual basis and reducing its exploration and capital expenditure.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

w. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

w. Financial Instruments Issued By the Company

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 an expense consistent with the classification in the Statement of Financial Position of the related debt.

Issue Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares of options are shown in equity as a deduction, net of tax, from the proceeds.

x. New and Amended Standards not yet mandatory or early adopted

At the date of authorisation of the financial statements the following new standards and interpretations have not been early adopted. The below are a list of the standards and the likely impact.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending | Likely impact on initial application |
|------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB 9 'Financial Instruments' (December 2014) | 1 January 2018 | 30 June 2019 | The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019. |
| AASB 15 Revenue from Contracts with Customers | 1 January 2018 | 30 June 2019 | The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019. |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB 16 Leases | 1 January 2019 | 30 June 2020 | The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020. |
| AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 | 1 January 2018 | 30 June 2019 | Refer to the section on AASB 15 above. |
| AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) | 1 January 2018 | 30 June 2019 | Refer to the section on AASB 15 above. |
| AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2018 | 30 June 2019 | When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements. |
| AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 | 1 January 2017 | 30 June 2018 | Refer to the section on AASB 15 above. |
| AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses. | 1 January 2017 | 30 June 2018 | When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements. |
| AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 | 1 January 2017 | 30 June 2018 | When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements. |
| AASB 2016-03 Amendments to Australian Accounting Standards – Clarifications to AASB 15 | 1 January 2018 | 30 June 2019 | Refer to the section on AASB 15 above. |
| AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities | 1 January 2017 | 30 June 2018 | When these amendments become effective for the first time for the year ending 30 June 2019, there will be no impact on the entity. |
| AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions | 1 January 2018 | 30 June 2019 | When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements. |
| AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts | 1 January 2018 | 30 June 2019 | When these amendments become effective for the first time for the year ending 30 June 2019, there will be no impact on the entity. |
| AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments | 1 January 2018 | 30 June 2019 | When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements. |
| AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle | 1 January 2017 | 30 June 2018 | When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements. |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | | | |
|---------------------------------------------------------------------------|----------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 | 30 June 2019 | When this interpretation is adopted for the year ending 30 June 2019, there will be no material impact on the financial statements. |
| IFRS 17 Insurance Contracts | 1 January 2021 | 30 June 2022 | The entity is yet to undertake a detailed assessment of the impact of IFRS 17. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2022. |
| IFRIC 23 Uncertainty Over Income Tax Treatments | 1 January 2019 | 20 June 2020 | The entity has not yet assessed the full impact of this Interpretation. |

y. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements 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) Exploration and Evaluation Expenditure – Cost Allocation

Judgement is applied by management in determining when a project has reached a stage at which economically recoverable reserves exist and that development may be sanctioned. Management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Judgement is also applied by management in determining which costs are directly attributable to the exploration assets. Critical estimates are made in respect of the percentage time that management and other employees spend in the development of the various assets. While management used their best judgement in this regard, there remains a degree of estimation uncertainty surrounding the allocation of costs to the various assets.

Key judgements

(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.

(ii) Convertible Note

At 30 June 2017 the Group had a balance of \$2,095,540 in respect of the convertible notes. The terms of the convertible note include:

- a) Proceeds provided by the Lender are denominated in USD. The right to convert the debt into ADY NL ordinary shares, which are denominated in AUD;
- b) Right to convert into ADY NL ordinary shares equivalent to 80% of the Volume Weighted Average Price per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

y. Critical Accounting Estimates and Judgements (Continued)

As per AASB 139 paragraph 11

An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a *financial asset or financial liability*).

The Group has determined the characteristics of the convertible note meet the criteria of an embedded derivative according to the above accounting standards. Further the embedded derivative has been valued separately from the debt host liability and recorded at fair value at each reporting period, with changes in value being recorded in profit or loss.

The assessed fair values of the embedded derivative are determined using a Black-Scholes option pricing model and a revalued at conversion and/or reporting date. Details in relation to the split between the debt host liability and the derivative liability are reflected in Note 14.

(iii) Exploration and Evaluation Expenditure – General Impairments

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. There is significant judgement required on the part of the Management and the Board in determining whether exploration assets are impaired. To this extent they have considered the exploration activities, the current market conditions, the political climate in the jurisdiction in which the assets exist, as well as numerous other factors when determining asset impairments.

(iv) Carrying Value of Chilean Assets

As noted within note 12 of the financial statements, total exploration and evaluation expenditure in the year was \$71,841. The Group has submitted a Declaration of Environmental Impacts ('DIA') to the Chilean Authorities which is currently under review in relation to the environmental study of the area. The approval of the DIA is one of the final milestones to be achieved prior to the asset being able to move into production phase. While the capitalised costs associated with the assets appear small relative to the total investment, these costs are in line with expectations. Management has applied their judgement in determining that the carrying value of the capitalised asset is likely to be recovered through the successful development of the Chilean mining interests.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 2: PARENT ENTITY

| | Consolidated Group | |
|--|--------------------|------|
| | 2017 | 2016 |
| | \$ | \$ |

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 | 95,911 | 264,676 |
| Non-current assets | 17,225,912 | 16,657,391 |
| TOTAL ASSETS | 17,321,824 | 16,922,067 |

LIABILITIES

| | | |
|--------------------------|-------------------|-------------------|
| Current liabilities | 324,020 | 429,389 |
| Non-current liabilities | 3,130,347 | 2,151,873 |
| TOTAL LIABILITIES | 3,454,367 | 2,581,262 |
| NET ASSETS | 13,867,457 | 14,340,805 |

EQUITY

| | | |
|---------------------|-------------------|-------------------|
| Issued capital | 145,649,257 | 145,649,257 |
| Reserves | - | - |
| Accumulated losses | (131,308,452) | (131,308,452) |
| TOTAL EQUITY | 13,867,457 | 14,340,805 |

Statement of Profit or Loss and Other Comprehensive Income

| | | |
|---------------------------------|------------------|--------------------|
| Loss after income tax | (473,348) | (2,905,787) |
| Total comprehensive loss | (473,348) | (2,905,787) |

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 Asset

Refer to note 18 for details of contingent assets at 30 June 2017.

Contractual commitments

| | | |
|------------------------------------------------------------|---|---------------|
| Payable – no later than one year | - | 14,300 |
| Payable – later than one year but not later than two years | - | - |
| | - | 14,300 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 3: REVENUE AND OTHER INCOME

| | Consolidated Group | |
|--------------------------------------------------------------------------------------------------------|--------------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Revenue from continuing operations | | |
| Revenue: | | |
| – Interest income - bank | 1,712 | 3,316 |
| | 1,712 | 3,316 |
| Other Income: | | |
| – Other income | 44,155 | 934 |
| – Gain on foreign exchange | 361,739 | - |
| – Gain on de-recognition of convertible note | - | 113,265 |
| – Gain on revaluation of embedded derivative financial liability to fair value net of imputed interest | 2,495,656 | - |
| Total revenue and other income | 2,903,262 | 117,515 |

Gain on de-recognition of convertible note

On 1 September 2016 the Group made a decision to revise the Convertible note loan facility agreement between Admiralty Resources (Hong Kong) Limited and Smart East Global Limited. This revision was treated as a new and separate facility with the previous facility settled. As a result of the full repayment, a gain was recognised and accounted for in profit and loss.

NOTE 4: INCOME TAX EXPENSE

| | Consolidated Group | |
|--------------------------------------------------------------------------------------|--------------------|-------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| The components of income tax expense comprise: | | |
| Current tax | - | - |
| Deferred tax | - | - |
| Aggregate Income expense | - | - |
| Numerical reconciliation of income tax expense and tax at statutory rate: | | |
| Profit before income tax expense | 1,445,348 | (2,340,882) |
| Tax at the statutory rate of 27.5% (2016: 30%) | 397,471 | (702,265) |
| Tax effect amounts which are not deductible/(taxable) in calculation taxable income: | (529,821) | 245,401 |
| Tax losses not brought to account as deferred tax asset | 132,350 | 456,864 |
| Income tax expense | - | - |
| The estimated deferred tax assets not brought to account: | | |
| - Revenue | 16,729,505 | 16,597,156 |
| - Capital | 2,978,019 | 2,978,019 |
| | 19,707,524 | 19,575,175 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

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.

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.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

The Directors and other members of the key management personnel of the Company during the year were:

| | |
|--------------|------------------------|
| Bin Li | Executive Chairperson |
| Qing Zhong | Managing Director |
| Hanrui Zhong | Non-Executive Director |

a) Key management personnel compensation

| | 2017 | 2016 |
|----------------------------------|----------|----------------|
| | \$ | \$ |
| Short-term employee benefits (i) | - | 200,000 |
| Retirement benefits | - | 2,400 |
| Total | - | 202,400 |

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

The Board sets all remuneration packages, taking into account current market conditions to determine what the appropriate level of remuneration should be. The Board remuneration policy is to ensure that the remuneration package of each key management persons properly reflects that person's duties and responsibilities.

b) Equity instrument disclosures relating to key management personnel

The numbers of shares in the Company held during the financial year by each Director and other key management personnel of the entity, including their personally related parties, are set out below.

| | Balance at Beginning of Year | Granted as Remuneration during the Year | Issued on Exercise of Options during the Year | Other Changes during the Year | Balance at End of Year |
|---------------------|------------------------------------|--------------------------------------------------|--------------------------------------------------------|----------------------------------------|---------------------------|
| 30 June 2017 | | | | | |
| Bin Li | 25,000,000 | - | - | - | 25,000,000 |
| Qing Zhong | 217,611,465 | - | - | - | 217,611,465 |
| Hanrui Zhong | 97,791,965 | - | - | - | 97,791,965 |
| Total | 340,403,430 | - | - | - | 340,403,430 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 6: AUDITORS REMUNERATION

| | Consolidated Group | |
|-------------------------------------------------------------------|--------------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Remuneration of the auditor for: | | |
| RSM Australia Partners: | | |
| – auditing or reviewing the financial statements of parent entity | 60,000 | 60,000 |
| – Fees for non-audit services | - | - |
| | 60,000 | 60,000 |

NOTE 7: EARNINGS PER SHARE

| | Consolidated Group | |
|-------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| a. Reconciliation of earnings to profit or loss: | | |
| Total loss after tax used in the calculation of basic and dilutive EPS | 1,445,348 | (2,340,882) |
| b. Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS (number) | 1,153,249,877 | 1,007,906,669 |
| c. Basic and diluted loss per share (cents per share) | 0.13 | (0.23) |

NOTE 8: CASH AND CASH EQUIVALENTS

| | Consolidated Group | |
|--------------------------|--------------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Cash at bank and on hand | 93,194 | 182,776 |
| Short term bank deposit | - | 61,643 |
| | 93,194 | 244,419 |

NOTE 9: TRADE AND OTHER RECEIVABLES

| | Consolidated Group | |
|-------------------------------------------|--------------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| CURRENT | | |
| Security deposits | 25,109 | 26,909 |
| Sundry receivables | - | 21,765 |
| GST receivable | 36,050 | 41,277 |
| Total current trade and other receivables | 61,159 | 89,951 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 10: CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned (%) | |
|---------------------------------------------------|--------------------------|----------------------|------|
| | | 2017 | 2016 |
| Subsidiaries of Admiralty Resources NL: | | | |
| Bulman Resources Pty Limited | Australia | 100% | 100% |
| Pyke Hill Resources Pty Limited | Australia | 100% | 100% |
| ADY Investments Pty Limited (iii) | Australia | 100% | 100% |
| Admiralty Minerals Chile Pty Limited | Australia | 100% | 100% |
| Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile (Branch) | 100% | 100% |
| Admiralty Resources (HongKong) Limited (ii) | Hong Kong | 100% | 100% |
| Fortune Global Holdings Corporation (ii) | British Virgin Islands | 100% | 100% |
| Servicios Admiralty Resources Chile Ltd (i) | Chile (Branch) | 100% | 100% |

(i) This operation is a branch of Admiralty Minerals Chile Pty Limited

(ii) Currently dormant.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated Group | |
|---------------------------------------|--------------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Land and Buildings | | |
| At cost | 178,892 | 178,892 |
| Accumulated depreciation | (27,671) | - |
| | 151,221 | 178,892 |
| Plant and Equipment | | |
| At cost | 147,390 | 147,390 |
| Accumulated depreciation | (80,530) | (69,089) |
| | 66,860 | 78,301 |
| Motor Vehicles | | |
| At cost | 83,245 | 83,245 |
| Accumulated depreciation | (55,629) | (46,423) |
| | 27,616 | 36,822 |
| Office Furniture and Equipment | | |
| At cost | 21,009 | 21,009 |
| Accumulated depreciation | (11,038) | (9,419) |
| | 9,971 | 11,590 |
| | 255,668 | 305,605 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 1 July 2015 | 178,892 | 90,335 | 49,096 | 13,322 | 331,645 |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Depreciation expense | - | (12,034) | (12,274) | (1,732) | (26,040) |
| Balance at 30 June 2016 | 178,892 | 78,301 | 36,822 | 11,590 | 305,605 |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Depreciation expense | (27,671) | (11,441) | (9,206) | (1,619) | (22,266) |
| Balance at 30 June 2017 | 151,221 | 66,860 | 27,616 | 9,971 | 255,668 |

NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated Group | |
|---------------------------------------|--------------------|-------------------|
| | 2017 \$ | 2016 \$ |
| Cost | 20,004,890 | 19,933,049 |
| Accumulated impairment losses | (581,513) | (581,513) |
| Net carrying amount | 19,423,377 | 19,351,536 |
| <i>Movement in carrying amounts:</i> | | |
| Balance at the beginning of the year | 19,351,536 | 18,664,270 |
| Additions | 71,841 | 687,266 |
| Balance at the end of the year | 19,423,377 | 19,351,536 |

NOTE 13: TRADE AND OTHER PAYABLES

| | Consolidated Group | |
|---------------------------------------|--------------------|----------------|
| | 2017 \$ | 2016 \$ |
| CURRENT | | |
| Unsecured liabilities: | | |
| Trade payables | 541,288 | 673,521 |
| Other payables | 20,252 | 89,891 |
| Balance at the end of the year | 561,540 | 763,503 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 14: BORROWINGS

| | Consolidated Group | |
|--------------------------------------------|--------------------|------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| CURRENT | - | - |
| Convertible Note – Derivative Liability(i) | 338,735 | 1,231,258 |
| Convertible Note – Debt Host Liability(i) | - | 2,222,372 |
| Other borrowings | 10,388 | - |
| Loans from related Parties (ii) (Note 22) | 40,062 | 40,062 |
| | 389,185 | 3,493,692 |
| NON-CURRENT | | |
| Convertible Note – Derivative Liability(i) | 619,120 | - |
| Convertible Note – Debt Host Liability(i) | 1,087,235 | - |
| | 1,706,355 | - |

(i) Convertible Note

On 1 September 2016 the Group made a decision to revise the Convertible note loan facility agreement between Admiralty Resources (Hong Kong) Limited and Smart East Global Limited. The revision would provide a further loan in the amount of USD\$1,500,000, with the total amount of the Second Facility Agreement increased to USD\$3,600,000.

The term of the loan is for two years and interest is due and payable at a rate of 12% per annum on a quarterly basis. Unpaid interest amounts are accrued and applied on the face value of the accumulated balance of the loan. 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. The facility is denominated in USD and is treated as a new and separate facility i.e. the previous facilities were fully settled.

(ii) This loan is at call, unsecured and is non-interest bearing.

NOTE 15: FAIR VALUE MEASUREMENT

The following table gives an overview of the financial instruments valued at fair value.

Fair Value Measurements at 30 June 2017 Using:

| | Quoted Prices in Active Markets for Identical Assets | Significant Observable Inputs | Significant Unobservable Inputs |
|--------------------------------------------------|------------------------------------------------------------|-------------------------------------|---------------------------------------|
| | \$ (Level 1) | \$ (Level 2) | \$ (Level 3) |
| Financial Liabilities | | | |
| Convertible note – embedded derivative component | - | - | \$957,853 (AUD) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 15: FAIR VALUE MEASUREMENT (Continued)

Valuation Techniques

In the absence of an active market for an identical liability, the Group selects and uses one or more valuation technique to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

The assessed fair values of the embedded derivative are determined using a Black-Scholes option pricing model and a revalued at conversion and/or reporting date.

Key Inputs:

- Underlying share price \$0.004
- Risk free rate: 1.78%
- Volatility: 121.73%
- Expected term: 14 months
- Vesting date: 31 August 2018

NOTE 16: ISSUED CAPITAL

| | Consolidated Group | |
|------------------------------------------------------------|--------------------|--------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Ordinary Shares | | |
| At the beginning of the financial year | 145,649,257 | 143,237,430 |
| Shares issued in lieu of directors fees | - | 40,000 |
| Shares issued in lieu of consulting fees | - | 30,000 |
| Shares issued via underwritten rights offer | - | 1,093,288 |
| Shares issued on conversion of convertible debt | - | 1,205,595 |
| Shares issued via private placement | - | 100,000 |
| Share issue transaction costs | - | (57,056) |
| Contributed equity at the end of the financial year | 145,649,257 | 145,649,257 |

| | 2017 | 2016 |
|------------------------------------------------------------|----------------------|----------------------|
| | Number | Number |
| Ordinary Shares | | |
| At the beginning of the financial year | 1,153,249,877 | 959,576,495 |
| Shares issued in lieu of consulting fees | - | 1,000,000 |
| Shares issued via underwritten rights offer | - | 54,664,403 |
| Shares issued on conversion of convertible debt | - | 129,675,646 |
| Shares issued via private placement | - | 8,333,333 |
| Contributed equity at the end of the financial year | 1,153,249,877 | 1,153,249,877 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Note 16: ISSUED CAPITAL (Continued)

Options

The number of options on issue during the financial year was NIL (2016: NIL).

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 2015.

NOTE 17: CAPITAL AND LEASING COMMITMENTS

| | | Consolidated Group | |
|----|--------------------------------------------|--------------------|----------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| a. | Exploration Expenditure Commitments | | |
| | Payable : | | |
| | – not later than 12 months | 106,600 | 389,000 |
| | – between 12 months and five years | 142,133 | 20,000 |
| | | <u>248,733</u> | <u>409,000</u> |

NOTE 18: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities present for the Group at balance date.

NOTE 19: 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 take place predominately in Australia. Exploration, appraisal, development and production activities for mineral resources takes place in Chile and the borrowing facility is held in Hong Kong. (Note 14.)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 19: OPERATING SEGMENTS (Continued)

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 There are no inter-segment sales.

c. Business Segments – The Group operates in one business segment – mineral exploration.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

d. Segment information

| | Australia 2017 \$ | Australia 2016 \$ | Chile 2017 \$ | Chile 2016 \$ | HK 2017 \$ | HK 2016 \$ | Consolidated 2017 \$ | Consolidated 2016 \$ |
|-------------------------------------------------------------------|-------------------------|-------------------------|---------------------|---------------------|------------------|------------------|----------------------------|----------------------------|
| Revenue | | | | | | | | |
| Other revenue from continuing operations | 45,867 | 117,515 | - | - | 2,857,395 | - | 2,903,262 | 117,515 |
| Total segment revenue | 45,867 | 117,515 | - | - | 2,857,395 | - | 2,903,262 | 117,515 |
| Segment revenue from continuing operations before tax loss | | | | | | | 2,903,262 | 117,515 |
| Total segment result | (476,387) | (1,249,263) | (454,625) | (358,483) | 2,376,360 | (733,136) | 1,445,348 | (2,340,882) |
| Net profit/(loss) before tax from continuing operations | | | | | | | 1,445,348 | (2,340,882) |
| Segment assets | 149,100 | 323,739 | 18,275,218 | 19,661,797 | 16,431 | 5,975 | 18,440,749 | 19,991,511 |
| Segment liabilities | 563,753 | 659,055 | 47,639 | 143,912 | 598 | 3,454,228 | 611,990 | 4,257,195 |
| Other | | | | | | | | |
| Depreciation of segment assets | 5,888 | 6,518 | 44,049 | 19,522 | - | - | 49,937 | 26,040 |
| Impairment | - | - | - | - | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 20: CASH FLOW INFORMATION

| | | Consolidated Group | |
|----|-------------------------------------------------------------------------------------------------|--------------------|------------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| a. | Reconciliation of Cash Flow from Operations with Loss after Income Tax | | |
| | Loss after income tax | 1,445,348 | (2,340,882) |
| | Non-cash flows in profit: | | |
| - | Doubtful debts | 21,370 | - |
| - | Depreciation | 49,937 | 26,040 |
| - | Impairment expense | - | - |
| - | Foreign exchange gain | (342,585) | 32,770 |
| - | Gain on fair value of derivative liability | (2,495,656) | - |
| - | Share based payments | - | 70,000 |
| - | Interest expense | 477,981 | 501,531 |
| - | Accrued expenses | 54,600 | - |
| - | Accruals reversed | (44,156) | - |
| | Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| - | Decrease in trade and other receivables | 28,792 | 24,329 |
| - | (Decrease)/Increase in trade and other payables | (151,263) | 46,168 |
| - | Increase in capitalised expenses | (71,841) | - |
| | Cash flow (used in)/provided by operating activities | (1,027,473) | 1,640,044 |

NOTE 21: EVENTS AFTER THE REPORTING PERIOD

The following events took place after the reporting period:

Convertible Note

On 28 September 2017, a Deed of Amendment was signed where the maturity date of the facility was extended to 31 December 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 22: RELATED PARTY TRANSACTIONS

- a. The Group's main related parties are as follows:
- Sun Investments Holdings – related party of Qing Zhong
 - Jin Xin International Pty Ltd – related party of Qing Zhong and Hanuri Zhong

| | Consolidated Group | |
|----------------------------------------------------------------------------------------------------------------------|--------------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Sun Investment Holdings: | | |
| - Rent of Admiralty Resources NL office | 33,367 | 57,200 |
| | 33,367 | 57,200 |
| Loans from related parties: | | |
| - Jin Xin International Pty Ltd | 40,062 | 40,062 |
| The following balances are outstanding at the reported date in relation to transactions with related parties: | | |
| Jin Xin International Pty Ltd | 40,062 | 40,062 |
| Sun Investments Holdings | 73,883 | 47,667 |
| | 113,945 | 87,729 |

NOTE 23: FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives

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

(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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

| | Weighted average Effective Interest Rate % | Fixed Interest Rate \$ | Floating Interest Rate \$ | Non- Interest Bearing \$ | Total \$ |
|------------------------------------|--------------------------------------------------------|---------------------------------|---------------------------------|-----------------------------------|------------------|
| 2017 | | | | | |
| Financial Assets | | | | | |
| Cash | 0.93% | - | 93,194 | - | 93,194 |
| Trade and other receivables | - | - | - | 61,159 | 61,159 |
| Total financial assets | - | - | 93,194 | 61,159 | 154,353 |
| Financial Liabilities | | | | | |
| Trade and other payables | - | - | - | 541,288 | 541,288 |
| Convertible Notes | 12.00% | 2,045,088 | - | - | 2,045,088 |
| Loans from third parties | - | - | - | 10,388 | 10,388 |
| Loans from related parties | - | - | - | 40,062 | 40,062 |
| Total financial liabilities | - | 2,045,088 | - | 591,738 | 2,636,826 |

| | Weighted average Effective Interest Rate % | Fixed Interest Rate \$ | Floating Interest Rate \$ | Non- Interest Bearing \$ | Total \$ |
|------------------------------------|--------------------------------------------------------|---------------------------------|---------------------------------|-----------------------------------|------------------|
| 2016 | | | | | |
| Financial Assets | | | | | |
| Cash | 0.74% | - | 244,419 | - | 244,419 |
| Trade and other receivables | - | - | - | 89,951 | 89,951 |
| Total financial assets | - | - | 244,419 | 89,951 | 334,370 |
| Financial Liabilities | | | | | |
| Trade payables | - | - | - | 763,503 | 763,503 |
| Convertible Notes | 12.00% | 3,453,630 | - | - | 3,453,630 |
| Loans from related parties | - | - | - | 40,062 | 40,062 |
| Total financial liabilities | - | 3,453,630 | - | 665,900 | 4,257,195 |

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

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 financing activities; and
- managing credit risk related to financial assets.

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

| | Within 1 year | | 1 to 5 Years | | Over 5 Years | | Total | |
|-------------------------------|----------------|----------------|--------------|------|--------------|------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | | | | |
| Cash | 93,194 | 244,419 | - | - | - | - | 93,194 | 244,419 |
| Trade and other receivables | 61,159 | 89,951 | - | - | - | - | 61,159 | 89,951 |
| Total financial assets | 154,353 | 334,370 | - | - | - | - | 154,353 | 334,370 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

| | Within 1 year | | 1 to 5 Years | | Over 5 Years | | Total | |
|------------------------------------|----------------|------------------|------------------|----------|--------------|----------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Liabilities | | | | | | | | |
| Trade payables | 541,288 | 763,503 | - | - | - | - | 541,288 | 763,503 |
| Convertible Note | - | 3,453,630 | 2,045,088 | - | - | - | 2,045,088 | 3,453,630 |
| Loans to related parties | 40,062 | 40,062 | - | - | - | - | 40,062 | 40,062 |
| Total financial liabilities | 581,350 | 4,257,195 | 2,045,088 | - | - | - | 2,626,437 | 4,257,195 |

(g) Fair values

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

| | 2017 | 2016 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash | 93,194 | 244,419 |
| Trade and other receivables | 61,159 | 89,951 |
| Total financial assets | 154,353 | 334,370 |
| Financial Liabilities | | |
| Trade payables and accruals | 541,288 | 763,503 |
| Convertible note | 2,045,088 | 3,453,630 |
| Loans to related parties | 40,062 | 40,062 |
| Total financial liabilities | 2,626,437 | 4,257,195 |

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 effect 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

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 | | Equity | |
|---------|-----|---------------|---------|----------|---------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | \$ | \$ | \$ | \$ |
| AUD/USD | +5% | 71,190 | 4,596 | 71,190 | 4,596 |
| | -5% | (71,190) | (4,596) | (71,190) | (4,596) |
| AUD/CLP | +5% | 5,497 | 632 | 5,497 | 632 |
| | -5% | (5,497) | (632) | (5,497) | (632) |
| AUD/HKD | +5% | 513 | 36 | 513 | 36 |
| | -5% | (513) | (36) | (513) | (36) |

NOTE 24: 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

Due to derecognition of the First Convertible Loan facility, the equity portion has been derecognised in the reporting period.

| | Consolidated Group | |
|--------------------------------------------------------------------|--------------------|------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Foreign currency translation reserve | | |
| Balance at the beginning of the financial year | (770,142) | (768,109) |
| Exchange differences on translation of foreign controlled entities | (3,346) | (2,033) |
| Balance at the end of the financial year | (773,488) | (770,142) |
| Equity portion of convertible note | | |
| Balance at beginning of financial year | - | 212,980 |
| Revaluation of equity reserve – convertible note | - | (212,980) |
| Balance at the end of the financial year | - | - |
| Total reserves | (773,488) | (770,142) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 25: ACCUMULATED LOSSES

| | Consolidated Group | |
|--------------------------------------------------|----------------------|----------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Movements in accumulated losses were as follows: | | |
| Balance at the beginning of the financial year | (129,144,799) | (126,803,917) |
| Net profit/(loss) for the year | 1,445,348 | (2,340,882) |
| Balance at the end of the financial year | (127,699,451) | (129,144,799) |

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INDEPENDENT AUDITOR'S REPORT
To the Members of Admiralty Resources NL**Opinion**

We have audited the financial report of Admiralty Resource NL (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our audit addressed this matter |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Carrying Value of Capitalised Exploration Expenditure Refer to Note 12 in the financial statements</p> | |
| <p>The Group has capitalised exploration expenditure with a carrying value of \$19.4m. We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, including:</p> <ul style="list-style-type: none"> • Determination of whether expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest. • Assessing whether any indicators of impairment are present. • Determination of whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be determined | <p>Our audit procedures in relation to the carrying value of capitalised exploration costs included:</p> <ul style="list-style-type: none"> • Ensuring that the right to tenure of the areas of interest was current through confirmation with the relevant government departments • Critically assessing and evaluating management's assessment that no indicators of impairment existed; • Agreeing a sample of the additions to capitalised exploration expenditure during the year to supporting documentation, and ensuring that the amounts were capital in nature • Through discussions with the Group's management team, and review of the Group's ASX announcements and other relevant documentation, assessing management's determination that exploration activities have not yet progressed to the point where the existence or otherwise of an economically recoverable mineral resource may be determined. |
| <p>Accounting for Convertible Notes Refer to Note 14 in the financial statements</p> | |
| <p>During the year the Group revised their existing convertible note, which at the time was fully drawn down at US \$2,100,000. The revision resulted in additional available funding of US \$1,500,000 as well as extending the repayment date through to 31 August 2018.</p> <p>The convertible note has been treated as a compound financial instrument, with the debt component classified in the consolidated statement of financial position as borrowings \$1,087,235. The conversion option was classified as a derivative financial liability \$957,855 on the basis that it converted into a variable number of the Group's shares.</p> <p>The accounting for the convertible note was considered to be a key audit matter due to the following:</p> <ul style="list-style-type: none"> • It is a significant liability of the Group; and | <p>Our audit procedures in relation to the accounting for convertible note included:</p> <ul style="list-style-type: none"> • Reviewing the convertible note deed of amendment to understand the revision and the related accounting considerations; • Evaluating the accounting treatment to determine whether the accounting for the convertible notes issued were in compliance with Australian Accounting Standards; • Reviewing the valuation of the derivative financial liability at both inception and its subsequent measurement as at balance date, including the reasonableness of key inputs to the valuation model; and • Assessing the appropriateness of the disclosures in respect of the borrowings and the derivative financial liability. |

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <ul style="list-style-type: none"> The accounting is technically complex and requires judgement in valuing the derivative financial liability. | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Admiralty Resource NL, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

RSM

RSM AUSTRALIA PARTNERS

G N Sherwood
GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 29 September 2017

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ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

1. Shareholder Information

(a) Distribution of shareholders by class as at 25 September 2017.

| Category (size of holding) | Number of Holders | Ordinary shares |
|-------------------------------|----------------------|----------------------|
| 1-1,000 | 1,459 | 799,541 |
| 1,001-5,000 | 2,200 | 5,937,658 |
| 5,001-10,000 | 991 | 7,575,906 |
| 10,001-100,000 | 1,896 | 64,435,825 |
| 100,001-9,999,999,999 | 424 | 1,074,500,947 |
| Totals | 6,970 | 1,153,249,877 |

(b) The number of shareholdings held in less than marketable parcels is 6,268 as at 25 September 2017.

(c) The number of holders of each class of equity security as at 25 September 2017.

| Class of Security | Number |
|----------------------------|--------|
| Ordinary fully paid shares | 6,970 |

(d) Substantial holders as at 25 September 2017.

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

| Name | Number of Ordinary Fully Paid Share Held | % Held of Issued Ordinary Capital |
|-------------------------------|------------------------------------------------|--------------------------------------|
| BNP PARIBAS NOMINEES PTY LTD | 195,246,448 | 16.93 |
| PERSHING AUSTRALIA NOMINEES | 135,148,503 | 11.72 |
| SMART EAST GLOBAL LIMITED | 129,675,646 | 11.24 |
| CITICORP NOMINEES PTY LIMITED | 119,889,603 | 10.40 |
| SINO INVESTMENT AND HOLDING | 117,161,500 | 10.16 |

(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.

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ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

1. Shareholder Information (continued)

(f) 20 Largest Shareholders – Ordinary Capital as at 25 September 2017.

| <i>Name</i> | <i>Number of Ordinary Fully Paid Share Held</i> | <i>% Held of Issued Ordinary Capital</i> | |
|-------------|-------------------------------------------------|------------------------------------------|-------|
| 1 | BNP PARIBAS NOMINEES PTY LTD | 195,246,448 | 16.93 |
| 2 | PERSHING AUSTRALIA NOMINEES | 135,148,503 | 11.72 |
| 3 | SMART EAST GLOBAL LIMITED | 129,675,646 | 11.24 |
| 4 | CITICORP NOMINEES PTY LIMITED | 119,889,603 | 10.40 |
| 5 | SINO INVESTMENT AND HOLDING | 117,161,500 | 10.16 |
| 6 | SOPHIE ZHONG PTY LIMITED | 70,501,898 | 6.11 |
| 7 | HSBC CUSTODY NOMINEES | 32,600,855 | 2.83 |
| 8 | MR BAOJIANG LIU | 25,000,000 | 2.17 |
| 9 | AUSTRALIAN CHILE MINING | 25,000,000 | 2.17 |
| 10 | BNP PARIBAS NOMS PTY LTD | 8,511,704 | 0.74 |
| 11 | MISS XU CHEN | 8,465,373 | 0.73 |
| 12 | MR XIAN WEN XIANG | 8,333,333 | 0.72 |
| 13 | MR YONGJIN LUO | 7,506,934 | 0.65 |
| 14 | TAN AND VUONG FAMILY SUPER | 6,100,000 | 0.53 |
| 15 | MR GUOQING CHEN | 5,348,832 | 0.46 |
| 16 | MRS YAO XU | 5,000,000 | 0.43 |
| 17 | 3D PENCIL PTY LTD | 4,608,000 | 0.40 |
| 18 | DR RICHARD STUART PARRY & | 4,267,325 | 0.37 |
| 19 | MR BINRONG LIU | 4,156,599 | 0.36 |
| 20 | J P MORGAN NOMINEES AUSTRALIA | 3,991,534 | 0.35 |

2. The name of the Company Secretary is:

Jarrold Travers White

3. Office details

Registered Office:

C/- Traverse Accountants

Suite 305, Level 3

35 Lime Street

Sydney NSW 2000



ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

4. Share Registry Details

Boardroom Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: 1300 737 760 (within Australia)
+61 2 9690 9600 (international callers)
Facsimile: +61 2 9279 0664

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange Limited.

6. Vendor Securities

There are no restricted securities on issue as at 25 September 2017.

7. Unquoted Securities

There were no unquoted securities as at 25 September 2017.

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ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

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 |
| HARPER SOUTH | | | |
| Negrita 1-4 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Negrita Group |
| Leo Doce, 1-60 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Negrita Group |
| Soberana 1-5 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Soberana Group |
| Phil Cuatro, 1-16 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Soberana Group |
| Leo 101, 1-30 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Soberana Group |
| Leo Cinco, 1-60 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Mariposa Group |
| Leo Seis, 1-58 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Mariposa Group |
| Leo Ocho, 1-60 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Mariposa Group |
| Leo Nueve. 1-60 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Mariposa Group |
| Leo Diez, 1-40 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Mariposa Group |
| Leo Once, 1-40 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Mariposa Group |
| Leo Trece, 1-60 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Mariposa Group |
| OTHER SECTORS | | | |
| Pampa Tololo 1-2475 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Pampa Tololo Group |
| Cerro Varilla 1-732 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Pampa Tololo Group |
| Leo 14, 1-40 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Other Tenements |
| Leo 105 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Other Tenements |
| Leo 106 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Other Tenements |
| Leo 107 | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Other Tenements |
| Mal Pelo | Admiralty Minerals Chile Pty Ltd Agencia en Chile | Chile | Other Tenements |