



ADMIRALTY RESOURCES



Admiralty Resources NL

ABN: 74 010 195 972

**FINANCIAL REPORT
FOR THE HALF -YEAR ENDED
31 DECEMBER 2017**

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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 Hong Kong
BL1, HSBC Main
Building 1 Queen's
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**

DIRECTOR'S REPORT

The Directors of Admiralty Resources NL submit the half-year financial report of the Company for the half year ended 31 December 2017 which comprises the results of Admiralty Resources NL and the entities it controlled during the period.

Directors

The names of the Directors of the Company during or since the end of the previous financial period and up to the date of this report are:

- Qing Zhong (Managing Director)
- Hanrui Zhong (Non-Executive Director)
- Bin Li (Non-executive Director)

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 results for the six month period reflect a loss after tax of \$2,155,344 (2016 profit: \$279,484). The loss incorporates a loss on revaluation of the convertible note facility of \$1,640,547 (2016: \$NIL) due to the extension of the term.

REVIEW OF OPERATIONS

HIGHLIGHTS:

Soberana Project

We engaged Mr. Eduardo Guerra from Goldberg Resources in Santiago to complete a full analysis of the Fe content with a handheld XRF analyzer and loaded in a block model of 96,000 blocks. We are currently engaged in talks with a couple of companies from China and Chile using the latest results to see if we can attract investment in Soberana for production as we had the DIA approved in 2015 and equipment from CNI22 on-site and ready for use.

After more than 6 months of negotiations and due diligence, we are in the final stages of a deal with Rocterra, a local mining company that specialises in drilling, blasting and mining. Rocterra has a long history in local mining projects and they are currently mining the iron ore for CAP Minería ("CAP"). We engaged NLD to draft both the mine lease agreement and equipment hire agreement, aiming to finalise the deal by the end of March 2018. Production is anticipated to start in April with a minimum of 20,000 tons per month and up to 50,000 tons according to our DIA.

Mariposa Project DIA Process Update

During FY17, Ambiental Chile SpA was engaged in Santiago to apply for the Mariposa DIA after their successful completion of the Soberana DIA bid.

We are very pleased to announce that on 28 February 2018, ADY received the final approval from more than 30 government departments regarding our Mariposa project. The final approval and receipt of the official RCA documents from the authority are expected in approximately mid-March 2018.

DIRECTOR'S REPORT (CONTINUED)

Upon approval, as noted above, under the outlined intentions of the agreement with China Nuclear Industry 22nd Construction Co Ltd ("CNI22") they are to assist in the future progress of this project once DIA approval is obtained.

Concurrently with the above, we are negotiating with CNI22 regarding the next step forward, as it's been more than 2 years since the original frame agreement was signed. The negotiations will need to address the total investment required according to the lodged DIA project. The Board meets with representatives of CNI22 during March to discuss the finer details of the proposal, which at present will focus on the timeline of the project and the terms of funding.

Further to the above, ADY is seeking strategic relationships with local Chilean mining companies, including CAP and Rocterra, to gauge interest in the project which now has pending final DIA approval.

Convertible Note Maturity Date Extension

On 28 September 2017, a Deed of Amendment was signed where the maturity date of the facility was extended to 31 December 2019. There were no other changes to the terms or facility ceiling.

Events Subsequent to Balance Date

Subsequent to the reporting period, the Group drew down a further US \$200,000 on the convertible note facility which is held with Smart East Global (SEG). These funds will be used for maintenance costs associated with exploration activities in Chile and provide working capital.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within these financial statements on page 6.

Signed in accordance with a resolution of directors.

On behalf of the Directors



Qing Zhong
Managing Director
16 March 2018

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Admiralty Resources NL for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

G N Sherwood
G N Sherwood
Partner

Sydney, NSW
Dated 16 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

| | | Consolidated Group | |
|---|------|--------------------|------------------|
| | Note | 31 December 2017 | 31 December 2016 |
| | | \$ | \$ |
| Revenue | | | |
| Interest | 2 | - | 1,712 |
| Other Income | 2 | - | 605,225 |
| Foreign exchange gain | 2 | - | 336,477 |
| | | - | 943,414 |
| Expenses | | | |
| Administration expenses | | (61,070) | (63,756) |
| Consultancy and professional expenses | | (174,657) | (82,148) |
| Depreciation expense | | (8,398) | (11,133) |
| Employee benefits expense | | (122,070) | (97,880) |
| Exploration expenses | | (211) | - |
| Finance costs | | (130,116) | (369,381) |
| Foreign exchange differential | | (2,732) | (10,934) |
| Occupancy expenses | | (14,832) | (26,937) |
| Loss on revaluation of financial assets at fair value through profit or loss | | (1,640,547) | - |
| Travel expenses | | (711) | (1,761) |
| | | (2,155,344) | (663,930) |
| (Loss)/profit before income tax | | (2,155,344) | 279,484 |
| Tax expense | | - | - |
| (Loss)/profit after income tax for the year | | (2,155,344) | 279,484 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising from foreign operations | | 14,870 | (1,189) |
| Total other comprehensive income for the year | | 14,870 | (1,189) |
| Total comprehensive income for the year | | (2,140,474) | 278,295 |
| (Loss)/profit after income tax attributable to: | | | |
| Members of the parent entity | | (2,155,344) | 279,484 |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | (2,140,475) | 278,295 |
| Earnings (loss)/profit per share | | | |
| Basic and diluted earnings (loss)/profit per share (cents) | | (0.1869) | 0.0241 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

| | | Consolidated Group | |
|--------------------------------------|------|--------------------|-------------------|
| | Note | 31 December 2017 | 30 June 2017 |
| | | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 67,800 | 93,194 |
| Trade and other receivables | | 61,757 | 61,159 |
| Total Current Assets | | 129,557 | 154,353 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 247,270 | 255,668 |
| Mining interests | 3 | 19,423,377 | 19,423,377 |
| Total Non-Current Assets | | 19,670,647 | 19,679,045 |
| Total Assets | | 19,800,204 | 19,833,398 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 580,114 | 561,540 |
| Borrowings | 4 | 169,452 | 389,185 |
| Total Current Liabilities | | 749,566 | 950,725 |
| Non-Current Liabilities | | | |
| Borrowings | 4 | 4,014,794 | 1,706,355 |
| Total Non-Current Liabilities | | 4,014,794 | 1,706,355 |
| Total Liabilities | | 4,764,360 | 2,657,080 |
| Net Assets | | 15,035,844 | 17,176,318 |
| EQUITY | | | |
| Issued capital | 6 | 145,649,257 | 145,649,257 |
| Reserves | 10 | (758,618) | (773,488) |
| Accumulated losses | | (129,854,795) | (127,699,451) |
| Total Equity | | 15,035,844 | 17,176,318 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

| | Contributed Equity | Foreign Currency Reserve | Accumulated Losses | Total Equity |
|--|-----------------------|--------------------------------|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2016 | 145,649,257 | (770,142) | (129,144,799) | 15,734,316 |
| Comprehensive income | | | | |
| Profit after income tax | - | - | 279,484 | 279,484 |
| Other comprehensive income for the period | - | (1,189) | - | (1,189) |
| Total comprehensive income for the period | - | (1,189) | 279,484 | 278,295 |
| Balance at 31 December 2016 | 145,649,257 | (771,331) | (128,865,315) | 16,012,611 |
| Balance at 1 July 2017 | 145,649,257 | (773,488) | (127,699,451) | 17,176,318 |
| Comprehensive income | | | | |
| Loss after income tax | - | - | (2,155,344) | (2,155,344) |
| Other comprehensive income for the period | - | 14,870 | - | 14,870 |
| Total comprehensive income for the period | - | 14,870 | (2,155,344) | (2,140,474) |
| Balance at 31 December 2017 | 145,649,257 | (758,618) | (129,854,795) | 15,035,844 |

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

| | Consolidated Group | |
|--|--------------------|------------------|
| | 31 December 2017 | 31 December 2016 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | - | - |
| Payments to suppliers and employees | (343,730) | (490,791) |
| Interest received | - | 1,712 |
| Finance costs paid | - | (7) |
| Refund from suppliers | - | 34,093 |
| Net cash outflow from operating activities | (343,730) | (454,993) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for exploration expenditure on mining interests | - | (55,882) |
| Net cash outflow from investing activities | - | (55,882) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of equity securities net of costs | - | 10,388 |
| Proceeds from issue of convertible notes | 319,123 | 424,328 |
| Net cash inflow from financing activities | 319,123 | 434,716 |
| Net decrease in cash and cash equivalents | (24,607) | (76,159) |
| Cash and cash equivalents at beginning of financial year | 93,194 | 244,419 |
| Effects of exchange rate changes on the translation of foreign controlled entities | (787) | 2,105 |
| Cash and cash equivalents at end of financial year | 67,800 | 170,365 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

(a) Statement of compliance

These general purpose financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The financial statements were authorised for issue by the Directors on 16 March 2018.

(b) Basis of Preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Admiralty Resources NL and its controlled entities ("the Group"). As such, it does not contain all information that would normally be included in annual financial statements. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

(c) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

I. 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 half year ended 31 December 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 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. In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full, on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

ii. 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.

iii. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

As disclosed in the half-year interim financial report, the Group incurred a loss after tax of \$2,155,344 and had net cash outflows from operating activities of \$343,730 for the half year ended 31 December 2017. As at that date the Group had net current liabilities of \$620,009.

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

- As stated in Note 4, as at 31 December 2017 the Group has only drawn down approximately USD \$3,075,000 of its USD \$3,600,000 convertible note facility. It therefore has approximately USD \$525,000 available to fund its operating costs for the next 12 months which the directors consider adequate under the circumstances;
- The Board is awaiting the imminent response to the final submission of the Declaration of Environmental Impacts ("DIA") made in the first half of the financial year. Should this be obtained, the company can progress the evaluation of alternative funding sources to complete the for the development of the mining asset; and
- The Board has continued to make concerted efforts to reduce reliance on the financing facility by reducing costs, the effect of which has been to reduce the quarterly drawdown on the note facility to US\$100,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Accordingly, the Directors believe that the Group 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.

(d) 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.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Key judgements

i. Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$19,423,377 (30 June 2017: \$19,423,377). Mining interests are contained in Note 3 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Key estimates

i. Impairment – general

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

ii. Convertible Note

At 31 December 2017, the Group had a debt of \$4,133,796. 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.

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 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.

(e) New and revised accounting requirements applicable to the current half- year reporting period.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are yet to be mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 2: REVENUE AND OTHER INCOME

| | Consolidated Group | |
|--|--------------------|----------------------|
| | 31 December 2017 | 31 December 2016 |
| | \$ | \$ |
| Revenue from continuing operations | | |
| Interest Income | - | 1,712 |
| Other Income | | |
| Gain on revaluation of embedded derivative financial liability to fair value | - | 571,124 ¹ |
| Other income | - | 34,101 |
| Gain on foreign exchange | - | 336,477 |
| | - | 943,414 |

1. Gain on de-recognition of convertible note

On 1 July 2015 the Group repaid its first Convertible loan facility, between Admiralty Resources NL and Smart East Global Limited. This was achieved by drawing down an additional US\$1,500,000 under the second facility Agreement which was used to repay the loan. The second facility agreement is held between Admiralty Resources (Hong Kong) Limited and Smart East Global Limited. As a result of the full repayment of the second facility, a gain was recognised and accounted for in profit and loss.

NOTE 3: MINING INTERESTS

| | Consolidated Group | |
|---|--------------------|-------------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Carrying amount | 19,423,377 | 19,423,377 |
| <i>Movement in carrying amounts:</i> | | |
| Balance at the beginning of the period | 19,423,377 | 19,351,536 |
| Additions | - | 71,841 |
| Balance at the end of the period | 19,423,377 | 19,423,377 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 4: BORROWINGS

| | Consolidated Group | |
|--|--------------------|------------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Current | | |
| Convertible Note – Cash Coupon Payable ⁽ⁱ⁾ | 119,002 | 338,735 |
| Other borrowings | 10,388 | 10,388 |
| Loans from related parties ⁽ⁱⁱⁱ⁾ | 40,062 | 40,062 |
| | 169,452 | 389,185 |
| Non-current | | |
| Convertible Note – Debt Host Liability ⁽ⁱ⁾ | 561,316 | 619,120 |
| Convertible Note – Derivative Liability ⁽ⁱ⁾ | 3,453,478 | 1,087,235 |
| | 4,014,794 | 1,706,355 |

- (i) The term of the loan has been extended to mature on 31 December 2019 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. The Group has drawn down approximately USD 3,075,000 of its USD 3,600,000 facility. It therefore has approximately USD 525,000 available to fund its operating costs over the term of the note agreement.

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

NOTE 5: FINANCIAL INSTRUMENTS

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

| | Fair Value Measurements at 31 December 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 | - | - | \$ 680,318 (AUD) |
| Convertible note – debt host liability | - | - | \$ 3,453,478 (AUD) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 6: ISSUED CAPITAL

| | Consolidated Group | |
|---|----------------------|----------------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Ordinary Shares | | |
| Contributed equity | 145,649,257 | 145,649,257 |
| | 145,649,257 | 145,649,257 |
| | | |
| | 31 December 2017 | 30 June 2017 |
| | No. of Shares | No. of Shares |
| Ordinary Shares | | |
| At the beginning of the financial period | 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 |
| | 1,153,249,877 | 1,153,249,877 |

NOTE 7: CAPITAL COMMITMENTS

| | Consolidated Group | |
|--------------------------------------|--------------------|----------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Payable: | | |
| No later than twelve months | 63,081 | 106,600 |
| Between twelve months and five years | 252,324 | 142,133 |
| | 315,405 | 248,733 |

NOTE 8: EVENTS AFTER REPORTING DATE

Subsequent to the reporting period, the Group drew down a further US \$200,000 on the convertible note facility which is held with Smart East Global (SEG). These funds will be used for maintenance costs associated with exploration activities in Chile and provide working capital.

NOTE 9: OPERATING SEGMENTS

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 9: OPERATING SEGMENTS (CONTINUED)

b. Intersegment transactions

There are no inter-segment sales.

c. Business segments

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

| | Australia 31-Dec 2017 \$ | HK 31-Dec 2017 \$ | Chile 31-Dec 2017 \$ | Consolidated Entity 31-Dec 2017 \$ |
|---------------------------------------|-----------------------------------|----------------------------|-------------------------------|--|
| Revenue | | | | |
| Revenue from continuing operations | - | - | - | - |
| Revenue from discontinuing operations | - | - | - | - |
| Total segment revenue | - | - | - | - |
| Entity revenue | | | | - |
| Loss | | | | |
| Total segment result | (196,099) | (1,770,854) | (188,391) | (2,155,344) |
| Unallocated | | | | |
| Operating profit before income tax | (196,099) | (1,770,854) | (188,391) | (2,155,344) |
| | Australia 31-Dec 2017 \$ | HK 31-Dec 2017 \$ | Chile 31-Dec 2017 \$ | Consolidated Entity 31-Dec 2017 \$ |
| Assets | | | | |
| Segment assets | 1,507,149 | 10,725 | 18,282,330 | 19,800,204 |
| Segment liabilities | (4,716,123) | (598) | (47,639) | (4,764,360) |
| Segment net assets | (3,208,973) | 10,127 | 18,234,691 | 15,035,845 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 9: OPERATING SEGMENTS (CONTINUED)

| | Australia 31-Dec 2016 \$ | HK 31-Dec 2016 \$ | Chile 31-Dec 2016 \$ | Consolidated Entity 31-Dec 2016 \$ |
|---------------------------------------|-----------------------------------|----------------------------|-------------------------------|--|
| Revenue | | | | |
| Revenue from continuing operations | 35,812 | 907,602 | - | 943,414 |
| Revenue from discontinuing operations | - | - | - | - |
| Total segment revenue | 35,812 | 907,602 | - | 943,414 |
| Entity revenue | | | | 943,414 |
| Loss | | | | |
| Total segment result | (158,638) | 537,015 | (98,893) | 279,484 |
| Unallocated | | | | |
| Operating profit before income tax | (158,638) | 537,015 | (98,893) | 279,484 |
| | | | | |
| | Australia 30-Jun 2017 \$ | HK 30-Jun 2017 \$ | Chile 30-Jun 2017 \$ | Consolidated Entity 30-Jun 2017 \$ |
| Assets | | | | |
| Segment assets | 1,541,748 | 16,431 | 18,275,218 | 19,833,398 |
| Segment liabilities | (2,608,843) | (598) | (47,639) | (2,657,080) |
| Segment net assets | (1,067,095) | 15,833 | 18,227,579 | 17,176,318 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 10: RESERVES

| | Consolidated Group | |
|--|--------------------|------------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Foreign currency translation reserve | | |
| Balance at the beginning of the financial period | (773,488) | (770,142) |
| Exchange differences on translation of foreign controlled entities | 14,870 | (3,346) |
| Balance at the end of the financial period | (758,618) | (773,488) |
| Equity portion of convertible note | | |
| Balance at beginning of financial period | - | - |
| Revaluation of equity reserve – convertible note | - | - |
| Balance at the end of the financial period | - | - |
| Total Reserves | (758,618) | (773,488) |

NOTE 11: CONTINGENCIES

There were no contingent assets or liabilities at 31 December 2017.

DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 7 to 20, are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standard 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of the performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by section 303(5)(a) of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Qing Zhong
Managing Director
16 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

ADMIRALTY RESOURCES NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Admiralty Resources NL which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Admiralty Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Admiralty Resources NL, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Admiralty Resources NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS


G N Sherwood
Partner

Sydney, NSW
Dated: 16 March 2018