ADMIRALTY RESOURCES

Admiralty Resources NL

ABN: 74 010 195 972

FINANCIAL REPORT

FOR THE HALF -YEAR ENDED

31 DECEMBER 2018

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CORPORATE DIRECTORY

Admiralty Resources NL

ABN: 74 010 195 972

Directors:
Qing Zhong
Jian Barclay
Bin Li

Company Secretary:
Jarrod 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	Scotiabank Azul 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

Lawyers:

Addisons Lawyers Level 12 60 Carrington Street Sydney NSW 2000 Australia	Noguera, Larraín & Dulanto Abogados El Golf 40, piso 11 Las Condes, Santiago Chile

Share Registry:
Boardroom Limited
Level 12, 225 George St
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 2018 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)
- Bin Li (Non-executive Director)
- Jian Barclay (Executive Director), appointed 26 February 2019
- Hanrui Zhong (Non-Executive Director), resigned 26 February 2019

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 profit after tax of $27,886 (2017: $2,155,344 loss).

REVIEW OF OPERATIONS

HIGHLIGHTS:

Soberana Project

Admiralty Resources NL was pleased to announce in the December quarter that it has signed a contract mining lease with Rocterra Limitada, a local Chilean mining Company. Rocterra provided 50% of the contracted deposit (approximately AU$103,000) required as a sign of their commitment to the project. Rocterra is currently finalising its pit designs and confirming external finance for the mine.

Under the terms of the lease, Admiralty will receive a monthly payment for its share of production. This will be paid as a fixed price per tonne of iron concentrate processed and sold during the immediately preceding month.

Production at the Soberana mine is expected to commence over the coming months.

Mariposa Project

During the first week of December 2018, the Company hosted a delegation of seven executives from the China Nuclear Engineering & Construction Corporation Limited (CNNC) head office, including the group Chairman Mr Jian Feng Yu. The intention of the delegation was to meet with the necessary government officials in Chile to secure commitments of key resources for the Mariposa project.

Results of these meetings were the firming of relations between the Company, CNNC and Chile which will help facilitate a smooth development of the project.

DIRECTOR'S REPORT (CONTINUED)

Subsequent to the visit, the Company commenced a detailed project costing for the Mariposa mine, with CNNC being engaged to draft the EPC+F (Engineering, Procurement and Construction plus Financing) agreement, with the final costing and a proposed mining plan expected to be available within the next couple of months.

The Company also engaged EuroAmerica, a Chilean financial services company to perform an independent valuation and additional scoping procedures as specified by CNNC with a view to providing a level of assurance for CNNC's anticipated investment into the project.

These reports and further evaluation works are all value accretive to the Company as it seeks to satisfy CNNC's due diligence requirements for the project.

Events Subsequent to Balance Date

Subsequent to the reporting period, the Group drew down a further US $300,000. These funds will be used for maintenance costs associated with exploration activities in Chile and provide working capital.

On 4 February 2019, the Company received the Mariposa Project valuation report from EuroAmerica, as discussed in Review of Operations. The Company is currently evaluating the results of this report.

The Company received the resignation of Mr Hanrui Zhong on 26 February 2019. Upon receipt of Mr Zhong's resignation, the Company appointed Ms Jian Barclay as an Executive Director. Ms Barclay has been a key member of the executive team and has been critical in the negotiation of contracts for the Chilean operations and the sourcing of local expertise required to progress interests in the region.

There were no other significant events subsequent to balance date.

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
15 March 2019

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 review of the financial report of Admiralty Resources NL for the half year ended 31 December 2018, 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

GNS

G N Sherwood
Partner

Sydney, NSW
Dated 15 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated Group 31 December 2018 $	31 December 2017 $
Revenue			
Other Income	2	2,529	-
Fair value gain on revaluation of derivative host liability	2,4	2,021,963	-
		2,024,492	**-**
Expenses			
Administration expenses		(103,929)	(61,070)
Consultancy and professional expenses		(257,070)	(174,657)
Depreciation expense		(18,863)	(8,398)
Employee benefits expense		(83,125)	(122,070)
Exploration expenses		(57,084)	(211)
Finance costs		(1,427,936)	(130,116)
Foreign exchange loss		(12,566)	(2,732)
Occupancy expenses		-	(14,832)
Fair value loss on revaluation of derivative host liability		-	(1,640,547)
Travel expenses		(36,033)	(711)
Profit /(loss) before income tax		**27,886**	**(2,155,344)**
Tax expense		-	-
Profit /(loss) after income tax for the year		**27,886**	**(2,155,344)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from foreign operations		13,684	14,870
Total other comprehensive profit/(loss) for the year		**13,684**	**14,870**
Total comprehensive profit/(loss) for the year		**41,570**	**(2,140,474)**
Profit / (Loss) after income tax attributable to:			
Members of the parent entity		**27,886**	**(2,155,344)**
Total comprehensive profit / (loss) attributable to:			
Members of the parent entity		**41,570**	**(2,140,474)**
Earnings loss per share			
Basic and diluted earnings per share (cents)		0.00	(0.19)

The above 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 31 DECEMBER 2018

	Note	Consolidated Group 31 December 2018 $	30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents		109,033	241,763
Trade and other receivables		74,090	85,966
Total Current Assets		**183,123**	**327,729**
Non-Current Assets			
Property, plant and equipment		222,422	228,841
Mining interests	3	19,846,634	19,423,377
Total Non-Current Assets		**20,069,056**	**19,652,218**
Total Assets		**20,252,179**	**19,979,947**
LIABILITIES			
Current Liabilities			
Trade and other payables		693,868	626,136
Borrowings	4	766,653	145,205
Total Current Liabilities		**1,460,521**	**771,341**
Non-Current Liabilities			
Borrowings	4	4,580,809	5,039,327
Total Non-Current Liabilities		**4,580,809**	**5,039,327**
Total Liabilities		**6,041,330**	**5,810,668**
Net Assets		**14,210,849**	**14,169,279**
EQUITY			
Issued capital	6	145,659,646	145,659,646
Reserves	10	(744,934)	(758,618)
Accumulated losses		(130,703,863)	(130,731,749)
Total Equity		**14,210,849**	**14,169,279**

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Contributed Equity	Foreign Currency Reserve	Accumulated Losses	Total Equity
	$	$	$	$
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**
Balance at 1 July 2018	**145,659,646**	**(758,618)**	**(130,731,749)**	**14,169,279**
Comprehensive income				
Profit after income tax	-	-	27,886	27,886
Other comprehensive income for the period	-	13,684	-	13,684
Total comprehensive income for the period	**-**	**13,684**	**27,886**	**27,886**
Balance at 31 December 2018	**145,659,646**	**(744,934)**	**(130,703,863)**	**14,210,849**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated Group	
	31 December 2018	**31 December 2017**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(579,574)	(343,730)
Refund from suppliers	2,529	-
Net cash outflow from operating activities	**(577,045)**	**(343,730)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure on mining interests	(423,256)	-
Net cash outflow from investing activities	**(423,256)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from receipt of bond	102,562	-
Proceeds from borrowings	757,035	-
Proceeds from issue of convertible notes	-	319,123
Net cash inflow from financing activities	**859,597**	**319,123**
Net decrease in cash and cash equivalents	**(140,704)**	**(24,607)**
Cash and cash equivalents at beginning of financial year	241,763	93,194
Effects of exchange rate changes on the translation of foreign controlled entities	7,974	(787)
Cash and cash equivalents at end of financial year	**109,033**	**67,800**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

(a) Statement of compliance

These general purpose financial statements for the half-year reporting period ended 31 December 2018 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 15 March 2019.

(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 2018, 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 2018. 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 2018

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. 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 fair value. 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 profit after tax of $27,886 and had net cash outflows from operating and investing activities of $202,797 and 423,256 respectively for the half year ended 31 December 2018. As at that date the Group had net current liabilities of $1,277,398.

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:

- The Company's loan facility with Shanghai Long Sheng Technology Development Co. Limited has been drawn down to $1,038,640 of the total facility of AU$1,500,000. It has a remaining balance of $461,360 available which the directors deem adequate to meet short term operating costs; and

- The Company has entered a contract mining lease with Rocterra Limitada in December 2018 in regard to the Soberana Project. Under the terms of the lease Admiralty will receive a monthly payment for its share of production. Production is expected to commence before the end of this financial year which will introduce sufficient new cash inflows well in excess of the current operating costs; and

- As stated in Note 8, on 4 February 2019, the Company received the Mariposa Project valuation report from EuroAmerica and is currently evaluating the results of this report which are favourable; and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

- The Directors are of the opinion that the existing Convertible Note facilities disclosed in Note 5 will either be converted to equity, or refinanced as required; and
- The Directors are of the opinion that existing shareholders and financiers will continue to fund the company in the short term, and if required additional share capital or debt funding can be sourced to develop the projects further; and

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.

<u>Key judgements</u>

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 $19,472,386 (30 June 2018: $19,423,377). Mining interests are contained in Note 3 of the financial statements.

<u>Key estimates</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

ii. Convertible Note

At 31 December 2018, the Group had a balance of $4,268,759 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.

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.

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

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

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a deferred revenue, accrued revenue, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There is no perceived impact on opening retained profits as at 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	31 December 2018	**31 December 2017**
	$	**$**
Revenue from continuing operations		
Other Income		
Gain on revaluation of embedded derivative financial liability to fair value	2,021,963	-
Other income	2,529	-
	2,024,492	**-**

NOTE 3: MINING INTERESTS

	Consolidated Group	
	31 December 2018	**30 June 2018**
	$	**$**
Carrying amount	**19,846,634**	**19,423,377**
Movement in carrying amounts:		
Balance at the beginning of the period	19,423,377	19,423,377
Additions	423,257	-
Balance at the end of the period	**19,846,634**	**19,423,377**

NOTE 4: BORROWINGS

	Consolidated Group	
	31 December 2018	**30 June 2018**
	$	**$**
Current		
Convertible Note – Cash Coupon Payable(i)	726,591	145,205
Loans from related parties	40,062	
	766,653	**145,205**
Non-current		
Loans from related party(ii)	-	40,062
Loans from related parties(iii)	1,038,640	263,122
Convertible Note – Debt Host Liability(i)	1,578,878	750,889
Convertible Note – Derivative Liability(i)	1,963,291	3,985,254
	4,580,809	**5,039,327**

(i) During HY19, the convertible notes have been drawn down to a value of US$3,600,000. The notes bear interest of 12% and are convertible into equity using the 90 day volume weighted average price (VWAP). No other amendments were made to the facility.

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

(iii) On 21 June 2018, the Group signed a loan facility agreement with Shanghai Long Sheng Technology Development Co. Limited to provide up to AU $1,500,000, at a rate of 5% per annum, with repayment of the loan and accrued interest by 1 October 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 5: FINANCIAL INSTRUMENTS

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

	Fair Value Measurements at 31 December 2018 Using:		
	Quoted Prices in Active Markets for Identical Assets $ (Level 1)	Significant Observable Inputs $ (Level 2)	Significant Unobservable Inputs $ (Level 3)
Financial Liabilities			
Convertible note – embedded derivative component	-	-	1,963,291

NOTE 6: ISSUED CAPITAL

	Consolidated Group	
	31 December 2018 $	**30 June 2018 $**
Ordinary Shares		
Contributed equity	145,659,646	145,659,646
	145,659,646	**145,659,646**

	31 December 2018 No. of Shares	**30 June 2018 No. of Shares**
Ordinary Shares		
At the beginning of the financial period	1,154,115,564	1,153,249,877
Shares issued upon grant of share application	-	865,687
	1,154,115,564	**1,154,115,564**

NOTE 7: CAPITAL COMMITMENTS

	Consolidated Group	
	31 December 2018 $	**30 June 2018 $**
Payable:		
No later than twelve months	70,841	67,649
Between twelve months and five years	283,366	270,599
	354,207	**338,248**

NOTE 8: EVENTS AFTER REPORTING DATE

Subsequent to the reporting period, the Group drew down a further US $300,000. These funds will be used for maintenance costs associated with exploration activities in Chile and provide working capital.

On 4 February 2019, the Company received the Mariposa Project valuation report from EuroAmerica, as discussed in Review of Operations. The Company is currently evaluating the results of this report.

The Company received the resignation of Mr Hanrui Zhong on 26 February 2019. Upon receipt of Mr Zhong's

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 8: EVENTS AFTER REPORTING DATE (CONTINUED)

resignation, the Company appointed Ms Jian Barclay as an Executive Director. Ms Barclay has been a key member of the executive team and has been critical in the negotiation of contracts for the Chilean operations and the sourcing of local expertise required to progress interests in the region.

There were no other significant events subsequent to balance date.

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.

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 2018 $	HK 31-Dec 2018 $	Chile 31-Dec 2018 $	Consolidated Entity 31-Dec 2018 $
Revenue				
Revenue from continuing operations	-	2,021,963	2,529	2,024,492
Total segment revenue	-	2,021,963	2,529	2,024,492
Entity revenue				**2,024,492**
Profit				
Total segment result	(255,808)	594,027	(310,333)	**(27,886)**
Unallocated				-
Operating profit before income tax				**(27,886)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 9: OPERATING SEGMENTS (CONTINUED)

	Australia 31-Dec 2018 $	HK 31-Dec 2018 $	Chile 31-Dec 2018 $	Consolidated Entity 31-Dec 2018 $
Assets				
Segment assets	1,506,509	10,725	18,734,945	**20,252,179**
Segment liabilities	5,891,875	598	148,857	**6,041,330**
Segment net (liabilities)/assets	(4,385,366)	10,127	18,586,088	**14,210,849**

	Australia 31-Dec 2017 $	HK 31-Dec 2017 $	Chile 31-Dec 2017 $	Consolidated Entity 31-Dec 2017 $
Revenue				
Revenue from continuing operations	-	-	-	-
Total segment revenue	-	-	-	-
Entity revenue				**-**
Loss				
Total segment result	(196,099)	(1,770,854)	(188,391)	**(2,155,344)**
Unallocated				
Operating loss before income tax	(196,099)	(1,770,854)	(188,391)	**(2,155,344)**

	Australia 30-Jun 2018 $	HK 30-Jun 2018 $	Chile 30-Jun 2018 $	Consolidated Entity 30-Jun 2018 $
Assets				
Segment assets	1,656,395	10,725	18,312,827	**19,979,947**
Segment liabilities	5,755,498	599	54,572	**5,810,669**
Segment net (liabilities)/assets	(4,099,103)	10,123	18,258,259	**14,169,279**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 10: RESERVES

	Consolidated Group	
	31 December 2018	**30 June 2018**
	$	**$**
Foreign currency translation reserve		
Balance at the beginning of the financial period	(758,618)	(773,488)
Exchange differences on translation of foreign controlled entities	13,684	14,870
Balance at the end of the financial period	**(744,934)**	**(758,618)**
Total Reserves	**(744,934)**	**(758,618)**

NOTE 11: CONTINGENCIES

There were no contingent assets or liabilities at 31 December 2018.

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 2018 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
15 March 2019

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

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 2018, 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 2018 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 2018 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

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 15 March 2019