



**Admiralty Resources NL**

**ABN: 74 010 195 972**

**FINANCIAL REPORT  
FOR THE HALF -YEAR ENDED  
31 DECEMBER 2014**

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## Admiralty Resources NL

ABN: 74 010 195 972

### Directors:

Qing Zhong

Hanrui Zhong

Bin Li (appointed 22 September 2014)

### Company Secretary:

Jarrod White

### Principal place of business:

Suite 1602, 87-89 Liverpool 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:

BDO East Coast Partnership

Level 14, 140 William Street

Melbourne VIC 3000 Australia

### Bankers:

Westpac Banking Corporation

447 Bourke Street

Melbourne VIC 3000 Australia

Citi Banco de Chile

Agustinas 1180

Santiago, Chile

National Australia Bank

Level 13, Tower B, 799

Pacific Highway

Chatswood NSW 2067

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

### Share Registry:

Boardroom Limited

Level 7, 207 Kent Street

Sydney NSW 2000 Australia

### Website:

[www.ady.com.au](http://www.ady.com.au)

### Admiralty Resources Group Structure

Admiralty Resources NL (ACN 010 195 972) has the following subsidiaries:

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

## Directors' Report

### For the Half-Year Ended 31 December 2014

The Directors of Admiralty Resources NL submit the half-year financial report of the Company for the half year ended 31 December 2014 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, appointed 22 September 2014)
- Aiping Wang (Non-Executive Director, resigned 30 January 2015)
- Scott Maurice Bennison (Non-Executive Director, resigned 28 November 2014)
- Alan Preston Beasley (Non-Executive Chairman, resigned 28 November 2014)

#### 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.

#### Review of Operations

The results for the six month period reflect a loss of \$1,679,888 (2013: \$1,629,944).

### Highlight:

#### Letter of intent signed with state owned China Nuclear Industry 22nd Construction Co. Ltd

On 28 November 2014 the Board of Admiralty Resources NL were pleased to announce that state owned China Nuclear Industry 22nd Construction Co. LTD ("CNI22") has signed a joint letter of intent indicating that they would like to cooperate with Admiralty on a number of ADY owned Iron ore projects proposed by ADY to the mutual benefit of both parties.

Key areas of interest for CNI22 are the Harper South district, the Pampa Tololo District and the El Cojin District, all located in Chile and on grounds controlled by the Company. Under the terms of the letter the goal of the cooperative venture is to move the areas of interest from exploration to production phase sites.

The letter of cooperation is a precursor to continued negotiations which if successful will result in a contractual relationship similar to a Joint Venture and follows several visits of delegations sent by CNI22 to inspect ADY's Chilean assets.

The cooperation model will be subject to the following terms;

- ADY is responsible for the confirmation of the deposits and reserves contained on the areas of interest and for obtaining any Chilean permits required to transition the sites from exploration to production. The Company is also responsible for further exploration of the areas of interest and obtaining JORC compliant evaluations of these areas and for any non-financial services required as a result of the cooperation;

- CNI22 is responsible for the production phase including funding, the construction of the living and production sites and for providing production machinery and organisation/coordination of the construction and production teams. CNI22 will also be responsible for the quality control of product, logistics and financing settlements;
- ADY can use its mines, resources and licenses (after valuation) as contributed capital to an eventual Joint Venture and can contribute mines separately to the venture (after valuation has been completed);
- CNI22 can use funds provided in accordance with the letter of intent;
- Inputs on or from CNI22 can be provided by CNI22's strategic partners on behalf of CNI22;
- Depending on the contributed capital by ADY, CNI22 can choose where and when to invest.

The letter is non-binding and sets out broadly the agreed terms for the parties to move to negotiate and sign a comprehensive cooperation agreement.

Co-operative work on the subject matter of the letter of intent commenced immediately after the signing of the agreement and is continuing.

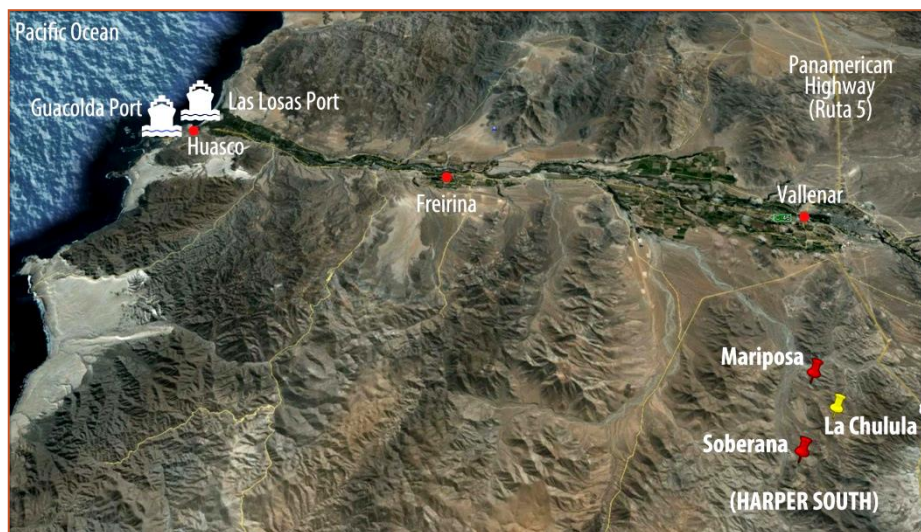
## Development Activities

### Harper South District

#### Background

The Harper South District ("Harper South") lies 15km south of the city of Vallenar in Region III of Chile. The district covers an area of 2,498 hectares, where exploration to date has identified six targets: 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 targets on Admiralty's exploration pipeline being Mariposa, Soberana and La Chulula. These targets are being further developed for the exploitation of iron in the form of magnetite.



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

## Mariposa

Mariposa is Admiralty's most developed target showing resources, as announced on 25 January 2013. The following table shows the Mineral Resource Statement quantifies the resources at Mariposa at 174.5 Mt at 24.5% Fe for a 15% Fe cut-off in the measured, indicated and inferred categories as follows:

Cut-off grade FeT %	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)	Average FeT (%)	Average FeMag (%)
35	12.7	1.2	4.0	17.9	42.8	35.7
30	19.2	1.8	16.7	37.7	37.3	30.1
25	27.8	2.9	35.9	66.6	33.1	26.1
20	36.5	4.4	60.7	101.6	29.5	22.7
<b>15</b>	<b>43.4</b>	<b>7.6</b>	<b>123.5</b>	<b>174.5</b>	<b>24.5</b>	<b>18.0</b>
10	53.1	14.4	445.9	513.4	16.3	10.5

Work is currently being undertaken in conjunction with China Nuclear Industry 22nd Construction Co. LTD ("CNI22") under the letter of intent referred to above. The work is concentrated on developing Mariposa first. Metallurgical testing, resource evaluation, process engineering studies and mine planning have been undertaken and are continuing in China. In Chile ADY is focussing on the engineering and logistical refinements necessary for the specific needs of the project in its local setting, preparatory to preparing an environmental impact declaration (DIA) for Mariposa.

## 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 based on the guidelines of the JORC Code (2004) and is as follows:

Cut-off grade FeT %	Measured Resources		Indicated Resources		Inferred Resources		Total Resources	
	Tonnage (Mt)	FeT (%)	Tonnage (Mt)	FeT (%)	Tonnage (Mt)	FeT (%)	Tonnage (Mt)	FeT (%)
35	-	-	-	-	10.1	48.4	10.1	48.4
30	-	-	-	-	26.6	37.1	26.6	37.1
25	-	-	-	-	34.3	34.9	34.3	34.9
20	-	-	-	-	39.3	33.4	39.3	33.4
<b>15</b>	-	-	-	-	<b>90.2</b>	<b>24.5</b>	<b>90.2</b>	<b>24.5</b>
10	-	-	-	-	107.5	22.5	107.5	22.5

On 11 February 2014, Admiralty signed a contract with Ambiental Chile SPA to perform the second stage of an environmental impact declaration (DIA) for Iron Mineral Processing Operations for the Soberana Project. The second stage should be completed before the end of the current financial year.

### La Chulula

The project La Chulula is a high priority target for Admiralty, because this deposit has the highest susceptibility and depths within Harper South. Admiralty has commissioned Golder Associates S.A. (Golder) to prepare a Resource Evaluation Statement for the La Chulula Project.

The data being used for the Resource Evaluation was the result of 3 drilling campaigns made by Admiralty between June 2012 and January 2013 at La Chulula.

Golder completed the first pass of the Resource Evaluation in October 2013, however it was not produced in a form which complied with JORC<sup>1</sup> 2012. Such findings therefore were in-conclusive to release to market. Admiralty has re-commissioned the Resource Evaluation with Golder. The second pass report has been received and is currently undergoing internal evaluation and further review by other consultants. This review is expected to be completed before the end of March 2015.

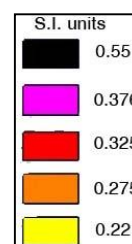
### Negrita

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

Exploration work to date consists of a high-resolution ground magnetic survey the results of which were announced to ASX on 21 May 2012. The survey, undertaken by Quantec Geoscience Chile Limitada (“**Quantec**”), was performed in order to identify structural trends and detect magnetite style mineralisation.

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

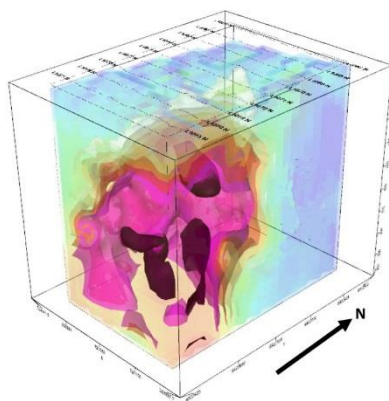
- **Upper area** – an oval shape zone registering high susceptibility levels greater than 0.55 S.I. units. It runs from the northwest to the southeast in the northern part of the grid, it measures approximately 75m x 50m x 100m at 490m elevation above sea-level.
- **Joining area** – this is a weaker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



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<sup>1</sup> Joint Ore Reserves Committee “Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves”

No activity took place during the half year.



### La Vaca & Mal Pelo

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

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

A review of the potentiality of these areas for surface copper extraction by trenching and blasting took place during the half-year. Preliminary indications are that the surface copper grades are insufficient to warrant surface extraction at the current lowered copper prices.

## Pampa Tololo District

This district is prospective for iron mineralisation in the predominate form of magnetite. It is immediately adjacent to the “Los Colorados” mine currently producing iron ore from a predominantly magnetite resource. Los Colorados has the largest production rate of any iron ore mine in Chile.

Exploration work includes a high-resolution ground magnetic survey the results of which were announced to ASX on 10 November 2011.

This work identified three priority targets named Cochrane, O’Brien and Simpson. Admiralty has conducted a preliminary drilling campaign at Simpson. The quantum of drilling completed to date is not sufficient to support a resource evaluation. No further activity has taken place.

## El Cojin District

This district is prospective for IOCG (Iron Oxide Copper Gold) mineralisation. Evidence of this type of mineralisation can be seen at surface.

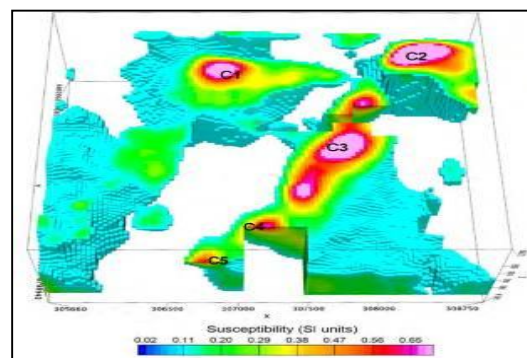
Exploration work to date consists of a high-resolution ground magnetic survey the results of which were announced to ASX on 27 June 2012.

The survey was commissioned to Quantec Geoscience Chile Limitada (“**Quantec**”) following a field visit in late 2011 by management and Admiralty’s external geological consultant, Goldberg Resources, who was excited at the prospectivity of the district, which exhibited copper sulphate amuck, hematite in large lumps, quartz and kaolin, a classical picture of an IOCG (Iron Oxide Copper Gold) deposit, very common in the Chilean iron belt, where Admiralty’s iron districts are located.



The purpose was to identify and define structural trends, define and detect magnetite style mineralisation and define potential targets both at depth and Admiralty has in plan a drilling campaign and prepared more than 14 kms of roads ready for this activity during the year 2013. No further activity has been undertaken.

*Right: Calculated susceptibility voxel model of the magnetic anomalies at the Cojin District.*



## Bulman Lead and Zinc Project (“Bulman”), Northern Territory

The Bulman project is located near the Bulman Aboriginal community within Arnhem Land, approximately 320km north east of Katherine (refer to *Figure 1* below). This project consists of two granted exploration licences (EL 23814 and 25931) and two granted mineral leases (MLN 726 and 727).

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

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

Admiralty deferred completing exploration planning until late 2014. The Board are not inclined to commit further significant funding for exploration at Bulman and are now assessing the future of the project in Admiralty’s hands.

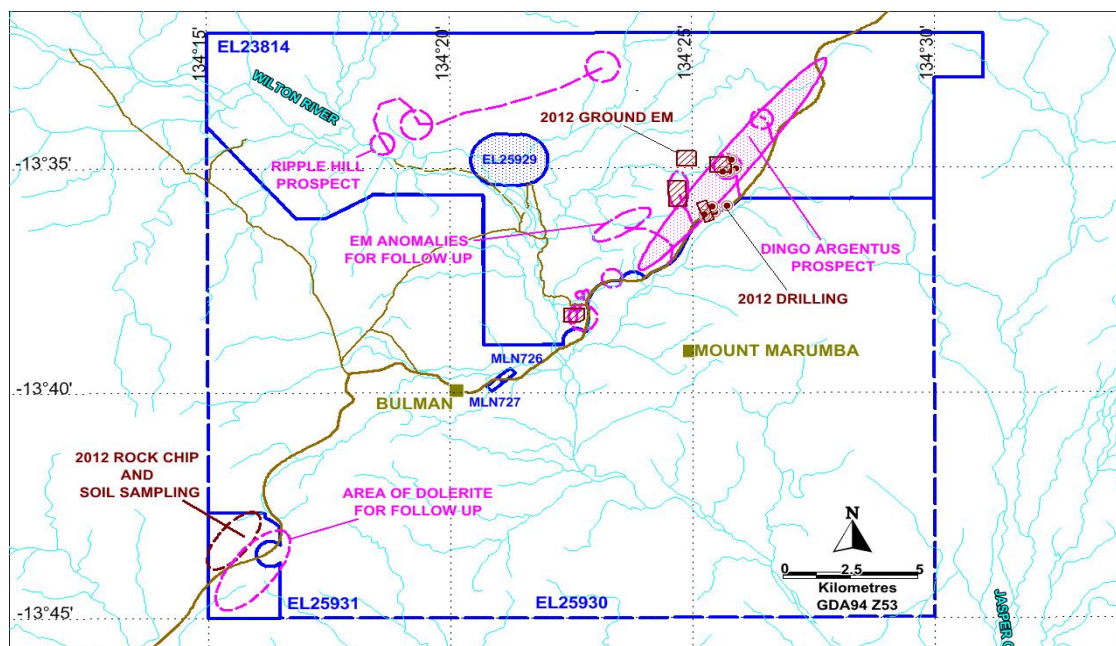


Figure 1: Location of 2012 Drilling/ EM and Proposed Exploration 2013-2014

## Pyke Hill Nickel & Cobalt Resource, Western Australia

The Pyke Hill Project comprises a single granted Mining Lease which covers an area of 5.37 square kilometres near

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

Admiralty has been named as the respondent in an application by Richore Pty Ltd (the other 50% owner of the mining lease) to have a caveat over Richore Pty Ltd's interests in the mining lease removed. Cougar Metals NL hold the relevant caveat. The matter is listed for mention at Perth Warden's court on 27 March 2015. Admiralty will brief an agent to appear on its behalf seeking strike out orders together with costs.

## Corporate

### Events Subsequent to Balance Date

#### Disputes relating to SCM Vallenar Iron Company ("VIC")

Admiralty announced to the market on 13 March 2015 that the Supreme Court of Victoria in Melbourne has made a judgment in favour in court proceedings against Australis Mining Limited ("**Australis**"), Corsair Capital Limited ("**Corsair**") and Base Resources Ltd ("**Base**").

With the consent of the parties, orders were made which have the following effect:-

1. Judgment for Admiralty against the defendants for its total claim of US\$ 1,700,000 and interest of US\$419,700.15;
2. The two counter-claims against Admiralty were dismissed;
3. An award of costs in the proceedings to Admiralty solely.

In order to procure the consent of the other parties and to avoid the cost and uncertainty of a full trial, Admiralty gave an undertaking to Australis, Corsair and Base not to enforce the judgment until 12 June 2015.

In the intervening three months from today the parties will attempt to negotiate an outcome to satisfy the judgment in Admiralty's favour. Failing that, Admiralty will be free to enforce the judgment from 12 June 2015.

#### 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.

Signed in accordance with a resolution of directors. On behalf of the Directors



**Qing Zhong**  
**Managing Director**  
**14 March 2015**

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

As lead auditor for the review of Admiralty Resources NL for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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



Alex Swansson  
Partner

**BDO East Coast Partnership**

Melbourne, 14 March 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2014

	Consolidated Group	
	31 December 2014 \$	31 December 2013 \$
<b>Revenue</b>		
Other	-	2,312
Other Income	1,456	24,057
	<b>1,456</b>	<b>26,369</b>
<b>Expenses</b>		
Administration expenses	141,445	252,214
Depreciation expense	20,422	10,722
Employee benefits expense	414,992	494,635
Exploration expenses	66,603	-
Finance costs	197,171	176,758
Foreign exchange differential	105,761	53,268
Consultancy & Professional expenses	536,985	503,952
Occupancy expenses	46,256	54,157
Tenement expenses	26,517	5,894
Travel expenses	125,192	104,713
	<b>(1,681,344)</b>	<b>(1,656,313)</b>
<b>Loss before income tax</b>	<b>(1,679,888)</b>	<b>(1,629,944)</b>
Tax expense	-	-
<b>Loss after income tax</b>	<b>(1,679,888)</b>	<b>(1,629,944)</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising from foreign operations	22,410	81,655
<b>Total other comprehensive income for the year</b>	<b>22,410</b>	<b>81,655</b>
<b>Total comprehensive income for the year</b>	<b>(1,657,478)</b>	<b>(1,548,289)</b>
<b>Loss after income tax attributable to:</b>		
Members of the parent entity	<b>(1,679,888)</b>	<b>(1,629,944)</b>
<b>Total comprehensive income attributable to:</b>		
Members of the parent entity	<b>(1,657,478)</b>	<b>(1,548,289)</b>
<b>Loss per share</b>		
Basic and diluted loss per share (cents)	(0.21)	(0.21)

## Consolidated Statement of Financial Position

as at 31 December 2014

		Consolidated Group	
		31 December 2014	30 June 2014
	Note	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,164,710	771,707
Trade and other receivables		122,372	71,064
<b>TOTAL CURRENT ASSETS</b>		<b>2,287,082</b>	<b>842,771</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		343,490	363,912
Mining interests	2	19,157,557	19,138,897
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,501,047</b>	<b>19,502,809</b>
<b>TOTAL ASSETS</b>		<b>21,788,129</b>	<b>20,345,580</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		404,306	614,132
<b>TOTAL CURRENT LIABILITIES</b>		<b>404,306</b>	<b>614,132</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		2,720,864	2,542,508
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,720,864</b>	<b>2,542,508</b>
<b>TOTAL LIABILITIES</b>		<b>3,125,170</b>	<b>3,156,640</b>
<b>NET ASSETS</b>		<b>18,662,959</b>	<b>17,188,940</b>
<b>EQUITY</b>			
Issued capital	4	143,237,440	140,105,943
Reserves		(540,391)	(562,801)
Accumulated losses		(124,034,090)	(122,354,202)
<b>TOTAL EQUITY</b>		<b>18,662,959</b>	<b>17,188,940</b>

## Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

	Contributed Equity	Convertible Note Equity Reserve	Foreign Currency Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	139,828,649	212,980	(681,218)	(119,209,141)	20,151,270
<b>Comprehensive income</b>					
Loss after income tax	-	-	-	(1,629,944)	(1,629,944)
Other comprehensive income for the period	-	-	81,655	-	81,655
<b>Total comprehensive income for the period</b>	-	-	<b>81,655</b>	<b>(1,629,944)</b>	<b>(1,548,289)</b>
Equity component of Convertible Note Liability					
<b>Balance at 31 December 2013</b>	<b>139,828,649</b>	<b>212,980</b>	<b>(599,563)</b>	<b>(120,839,085)</b>	<b>18,602,981</b>

	Contributed Equity	Convertible Note Equity Reserve	Foreign Currency Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	140,105,943	212,980	(775,781)	(122,354,202)	17,188,940
<b>Comprehensive income</b>					
Loss after income tax	-	-	-	(1,679,888)	(1,679,888)
Other comprehensive income for the period	-	-	22,410	-	22,410
<b>Total comprehensive income for the period</b>	-	-	<b>22,410</b>	<b>(1,679,888)</b>	<b>(1,657,478)</b>
Issue of share capital net of transaction costs	3,131,497	-	-	-	3,131,497
<b>Balance at 31 December 2014</b>	<b>143,237,440</b>	<b>212,980</b>	<b>(753,371)</b>	<b>(124,034,090)</b>	<b>18,662,959</b>

## Consolidated Statement of Cash Flows

for the half year ended 31 December 2014

	Consolidated Group	
	31 December 2014 \$	31 December 2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	-
Payments to suppliers and employees	(1,501,941)	(1,195,628)
Interest received	1,455	2,019
Finance costs paid	(159,888)	(177,858)
Net cash used in operating activities	<b>(1,660,374)</b>	<b>(1,371,467)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration expenditure on mining interests	(111,780)	-
Purchase of property, plant and equipment	-	(53,406)
Net cash used in investing activities	<b>(111,780)</b>	<b>(53,406)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity securities net of costs	3,131,497	-
Net cash provided by financing activities	<b>3,131,497</b>	-
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>1,359,343</b>	<b>(1,424,873)</b>
Cash and cash equivalents at beginning of financial year	771,707	2,199,808
Effects of exchange rate changes on the translation of foreign controlled entities	33,660	(86)
Cash and cash equivalents at end of financial year	<b>2,164,710</b>	<b>774,849</b>

## Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2014

### NOTE 1: SUMMARY OF ACCOUNTING POLICIES

#### Statement of compliance

These general purpose financial statements for the half-year reporting period ended 31 December 2014 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 14 March 2015.

#### 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 2014, 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.

#### 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.

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Admiralty Resources NL and its controlled entities as at 31 December 2014 and the results of all subsidiaries for the year then ended. Admiralty Resources NL and its controlled entities 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 and 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 that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.



## Notes to the Condensed Consolidated Financial Statements (continued) for the half-year ended 31 December 2014

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Critical Accounting Estimates and Judgments

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

### Key estimates

#### (i) *Impairment – general*

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

### Key judgments

#### (i) *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 \$19,157,557 (30 June 2014: \$19,138,897).

### Going Concern

These financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The directors continue the ongoing and active management of the expenditure incurred by the Group to protect the current cash levels. The cashflow forecast indicates that there are sufficient cash resources available to fund the planned activities and commitments of the Group for at least the next twelve months. In the unlikely event that unbudgeted costs are incurred, the Group has various alternatives available including the ability to reduce discretionary expenditure whilst additional finance is sought through capital raising arrangements or other means. During the previous period the Group has used \$US2,500,000 of its convertible note facility and still has available a further \$US2,500,000 funds from this facility.

The directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances. The directors note that the cashflow forecast excludes contingent expenditure relating to the current litigation with Australis and its guarantors and associated cost with regard to VIC's breach of its Royalty agreement with Wyndham, refer to Note 6: Contingent Liabilities.

## Notes to the Condensed Consolidated Financial Statements (continued) for the half-year ended 31 December 2014

### **New, revised or amending Accounting Standards and Interpretations adopted**

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

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

The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

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

The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

### **AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)**

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

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

## Notes to the Condensed Consolidated Financial Statements (continued) for the half-year ended 31 December 2014

### NOTE 2 : MINING INTERESTS

	Consolidated Group	
	31 December 2014 \$	30 June 2014 \$
Cost	19,157,557	19,138,897
<i>Movement in carrying amounts:</i>		
Balance at the beginning of the period	19,138,897	19,094,984
Additions	18,660	43,913
Balance at the end of the period	19,157,557	19,138,897

### NOTE 3: CAPITAL COMMITMENTS

	31 December 2014 \$	30 June 2014 \$
<b>Exploration Expenditure Commitment</b>		
Payable :		
not later than 12 months	250,000	200,000
between 12 months and five years	250,000	320,000
	500,000	520,000

### NOTE 4: ISSUED CAPITAL

	Consolidated Group	
	31 December 2014	30 June 2014
<b>Ordinary Shares</b>		
At the beginning of the financial period	140,105,943	139,828,649
Issue of share capital net of costs	3,131,497	277,294
<b>Contributed equity at the end of the financial period</b>	<b>143,237,440</b>	<b>140,105,943</b>
<b>Ordinary Shares</b>		
At the beginning of the financial period	746,600,539	727,822,759
Shares issued in lieu of director fees	-	2,222,222
Shares issued via underwritten Rights Offer	212,975,956	16,555,558
<b>Contributed equity at the end of the financial period</b>	<b>959,576,495</b>	<b>746,600,539</b>

## Notes to the Condensed Consolidated Financial Statements (continued) for the half-year ended 31 December 2014

### NOTE 5: EVENTS AFTER REPORTING DATE

#### Australis Mining Ltd

Admiralty announced to the market on 13 March 2015 that the Supreme Court of Victoria in Melbourne has made a judgment in favour in court proceedings against Australis Mining Limited (“**Australis**”), Corsair Capital Limited (“**Corsair**”) and Base Resources Ltd (“**Base**”).

With the consent of the parties, orders were made which have the following effect:-

- Judgment for Admiralty against the defendants for its total claim of US\$ 1,700,000 and interest of US\$419,700.15;
- The two counter-claims against Admiralty were dismissed;
- An award of costs in the proceedings to Admiralty solely.

In order to procure the consent of the other parties and to avoid the cost and uncertainty of a full trial, Admiralty gave an undertaking to Australis, Corsair and Base not to enforce the judgment until 12 June 2015.

In the intervening three months from today the parties will attempt to negotiate an outcome to satisfy the judgment in Admiralty’s favour. Failing that, Admiralty will be free to enforce the judgment from 12 June 2015.

No other matter or circumstance has arisen since 31 December 2014 that has significantly affected or may significantly affect the consolidated entity’s operations, the results of those operations, or the consolidated entity’s state of affairs in future financial years.

### NOTE 6: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

During the financial half-year there was an outstanding dispute relating to SCM Vallenar. Iron Company (“VIC”) Australis Mining Ltd (“Australis”) currently has an outstanding debt for US\$1,700,000 to Admiralty under the share sale agreement relating to the sale of VIC to Australis (“SSA”).

Subsequent to the date of this report the legal matter has been settled. Refer to Note 5 for details. The entity has no other contingent assets or liabilities at 31 December 2014.

### NOTE 7: 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.

Notes to the Condensed Consolidated Financial Statements (continued)  
for the half-year ended 31 December 2014

d. Segment information

	Australia 31-Dec 2014 \$	Australia 31-Dec 2013 \$	Hong Kong 31-Dec 2014 \$	Hong Kong 31-Dec 2013 \$	Chile 31-Dec 2014 \$	Chile 31-Dec 2013 \$	Consolidated 31-Dec 2014 \$	Consolidated 31-Dec 2013 \$
<b>Revenue</b>								
Other revenue from continuing operations	1,465	3,850	-	-	-	22,519	1,465	26,369
<b>Total segment revenue</b>	1,465	3,850	-	-	-	22,519	<b>1,465</b>	<b>26,369</b>
<b>Segment revenue from continuing operations before tax</b>							<b>1,465</b>	<b>26,369</b>
<b>Loss</b>								
Segment result from continuing operations	(982,507)	(1,493,196)	(353,979)	(17,753)	(343,402)	(118,995)	(1,679,888)	(1,629,944)
<b>Net loss from continuing operations before tax</b>	(982,507)	(1,493,196)	(353,979)	(17,753)	(343,402)	(118,995)	(1,679,888)	(1,629,944)
<b>Net loss before tax from continuing operations</b>							<b>(1,679,888)</b>	<b>(1,629,994)</b>
	<b>31-Dec 2014</b>	<b>30-June 2014</b>	<b>31-Dec 2014</b>	<b>30-June 2014</b>	<b>31-Dec 2014</b>	<b>30-June 2014</b>	<b>31-Dec 2014</b>	<b>30-June 2014</b>
Segment assets	1,845,549	744,155	11,111	54,961	19,931,469	19,546,464	21,788,129	20,345,580
Segment liabilities	1,859,356	2,002,923	1,265,814	1,153,717	-	-	3,125,170	3,156,640
<b>Net assets</b>							<b>18,662,959</b>	<b>17,188,940</b>

## 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 12 to 21, 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 2014 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 s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.



.....  
**Qing Zhong**  
**Managing Director**  
**14 March 2015**

## 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 2014, and 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 statement of accounting policies and other explanatory information, and the directors' declaration.

#### Directors of the Responsible Entity's Responsibility for the Half-Year Financial Report

The directors of the responsible entity of the Admiralty Resources NL 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 of the responsible entity 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 disclosing entity's financial position as at 31 December 2014 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 the responsible entity, would be in the same terms if given to the directors of the responsible entity as at the time of this auditor's review 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 2014 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*.

BDO East Coast Partnership

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

Alex Swansson  
Partner

Melbourne, 14 March 2015