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Corporate Details

Admiralty Resources NL
ABN: 74 010 195 972

Directors:
Hanrui Zhong
Qing Zhong
Scott Maurice Bennison
Aiping Wang
Alan Preston Beasley

Secretary:
Robert Kineavy

Registered Office:
Level 2, Suite 3
71 Longueville Road
Lane Cove NSW 2066 Australia

Business Address:
Level 16, Suite 1602
87-89 Liverpool Street
Sydney NSW 2000 Australia

Securities Quoted:
Australian Securities Exchange Ltd (ASX)
Code: ADY (shares)
American Depository Receipt Program (ADR)
Code: ARYRY (OTCBB)

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

Website:
www.ady.com.au

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

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 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 (50% ownership interest in the Pyke Hill Nickel/Cobalt resource in Western Australia subject to an exploitation agreement with Cougar NL)*
- *ADY Investments Pty Ltd (currently inactive)*
- *Fortune Global Holdings Corporation (currently inactive)*
- *Servicios Admiralty Resources Chile Limitada (formally Inversiones Admiralty Resources Chile Limitada, currently inactive)*
- *Admiralty Resources (Hong Kong) Ltd (100% ownership, incorporated 15 August 2013)*
- *Admiralty Resources Shanghai (branch of Admiralty Resources NL established 15 August 2013)*

Bankers:

Westpac Banking Corporation	*National Australia Bank*	*Citi Banco de Chile*
447 Bourke Street	*Level 13, 799 Pacific Highway*	*Agustinas 1180*
Melbourne VIC 3000 Australia	*Chatswood NSW 2067 Australia*	*Santiago, Chile*

Lawyers:

Hall & Wilcox	*Noguera, Larrain & Dulanto*	*Gillis Delaney*
Level 30, 600 Bourke Street	*Abogados, El Golf 40 piso 11*	*Level 40, 161 Castlereagh Street*
Melbourne VIC 3000 Australia	*Las Condes, Santiago, Chile*	*Sydney NSW 2000 Australia*

Directors Report
For the Half-Year Ended 31 December 2013

The Directors of Admiralty Resources NL submit the half year financial report of the Company for the half year ended 31 December 2013 which comprises the results of Admiralty Resources NL and the entities it controlled during the year.

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:

- Alan Preston Beasley (Non-Executive Chairman, appointed 17 December 2013)
- Hanrui Zhong (Managing Director)
- Scott Maurice Bennison (Non-Executive Director)
- Qing Zhong (Non-Executive Director, appointed 4 December 2013)
- Aiping Wang (Non-Executive Director)
- David Karpin (Non-Executive Director, resigned 11 December 2013)
- Lexing Ling (Non-Executive Director, resigned 16 October)
- Blair Lucas (Company Secretary, resigned 13 December 2013)
- Robert Kineavy (Company Secretary, appointed 13 December 2013)

Review of Operations
The Board of Admiralty Resources NL is pleased to present the Half Yearly Report for the Company for the period to 31 December 2013.

The results for the six month period reflect a total comprehensive income of $(1,579,296).

The Company has, during the period, continued its activities in Chile with the recent signing of contract for services with Ambiental Chile to prepare for Admiralty an Environmental Impact Assessment (EIA) for the Soberana project. This is the next stage in the process in developing this area.

Admiralty is finalising arrangements for delegations from China Railway and Baosteel Group Corporation (China), to visit our projects in Chile. Admiralty is seeking to establish a business relationship with these corporations to mine our iron ore deposits in Chile.

The Bulman Project is a zinc and lead exploration project located near the Bulman Aboriginal community within Arnhem Land, approximately 320km northeast of Katherine, in the NT and it comprises two exploration licences and two mineral leases.

Multiple exploration activities have taken place over the years; however the area is remote with very difficult access. Two small drilling programmes have intersected weak lead-zinc mineralisation.

Admiralty is currently developing strategies to present to the Traditional Owners that will hopefully progress the project.

The Pyke Hill Project comprises a single granted Mining Lease which covers an area of 5.37km^2 and is located near Leonora in WA, approximately 40km southeast of the Murrin Murrin Nickel Operation operated by Minara Resources Limited. The Pyke Hill Project has a publicly available JORC 2004 compliant nickel and cobalt mineral resource, is 50% owned by Admiralty and leased to Cougar Metals NL (ASX: CGM).

Directors Report (continued)
For the Half-Year Ended 31 December 2013

No activity has taken place during the year other than ongoing discussions with Cougar Metals NL, the tenement holder, and Richore Pty Ltd, holder of the remaining 50% of the tenement, to facilitate a favourably commercial outcome for all parties that allow the exploitation of the asset.

The board is reviewing its operations in Pyke Hill and will advise in due course.

Corporate

Royalty stream from SCM Vallenar Iron Company ("VIC")

Australis Mining Ltd ("Australis") currently has an outstanding debt of US$1,700,000 to Admiralty.

This debt relates to the default of the mutually agreed deferred payment plan in 5 of the 8 instalments in respect of US$1,000,000 payable on 16 March 2012. The first three instalments of US$100,000 were received; however the remaining US$700,000 has been overdue since 16 October 2012.

Admiralty has been in discussions with Australis' management in this respect from June to October 2012; however no successful outcome was reached. As a result, Admiralty's external legal consultants, Hall & Wilcox, issued a Letter of Demand to Australis on 26 October 2012 for the outstanding debt to be paid.

Australis also defaulted on the fourth and last instalment of US$1,000,000 for the cash consideration in respect of the sale of VIC on 16 November 2012, which triggered a second Letter of Demand to Australis requesting immediate payment and a call upon the guarantees issued by Corsair Capital Ltd ("Corsair") and Base Resources Ltd ("Base"), shareholders of Australis, in respect of the US$1,700,000 outstanding to be paid within 7 days.

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

As a consequence, Admiralty instructed its legal counsel to proceed with legal action in order to recover the amounts due, which may include exercising Admiralty's security over the assets owned by VIC (mineral concessions in Harper North and the Punta Alcalde maritime concession) and proceedings were filed in the Supreme Court of Victoria in late November.

Admiralty and Australis entered into an Memorandum of Understanding (MOU) in an attempt to resolve the dispute however Australis withdrew from the process and Admiralty have instructed its Lawyers to continue recovery actions of the debt.

Counterclaim by Australis Mining Ltd

In May 2013, Australis and Corsair filed a counter-claim against Admiralty in which they alleged Admiralty breached various warranties and engaged in misleading and deceptive conduct in respect of the sale of VIC in November 2010. Admiralty does not agree with the claims by Australis and Corsair and filed a defence in late July 2013.

The counterclaim is derived from the results of a tax audit by the Chilean tax authority of the 2008 and 2009 calendar years which may result in forward carried losses for approximately 6,859,427,911 CLP being disallowed and approximately A$300,000 additional tax being payable by Vallenar Iron Company (VIC) due to expenses being disallowed as business deductions. Admiralty has been advised by Australis' legal counsel that the Chilean tax authority is close to delivering its assessment as a result of its audit of the 2010 calendar year.

Directors Report (continued)
For the Half-Year Ended 31 December 2013

Accordingly, Australis wishes to amend and update its counter-claim to include the 2010 calendar year assessment. The Court has ordered Australis to serve its amended counter-claim by 28 April 2014. The matter will next be in Court on 16 May 2014 for further directions, after which time it is likely that the parties will carry out the steps to prepare for trial.

Payment of Royalties under Wyndham Agreement

The Company ("Admiralty") has been notified that VIC has failed in making a royalty payment of US$250,000 to an associate of Wyndham which was due on or before 31 December 2013 in respect of an obligation of VIC arising out of an agreement with Wydham Exporations S.A. ("Wyndham") dated 11 May 2009.

As VIC's obligations under that agreement are secured by encumbrances over VIC's mining tenements in Chile and also over part of Admiralty's mining tenements in Chile, this is a matter of concern to Admiralty.

Admiralty is currently investigating the position to determine the most appropriate action to protect Admiralty's interests.

Financing
Admiralty Resources NL (ASX: ADY) ("the Company") is pleased to announce that its subsidiary, Admiralty Resources (Hong Kong) Limited has executed a Convertible Loan Facility Agreement ("the Agreement") with Smart East Global Limited ("SEGL"). The Agreement provides for SEGL to lend up to US$1,500,000 to the Admiralty Resources (Hong Kong) Limited, and grants SEGL an option to convert the loan sums (together with any accrued interest) into ordinary shares in Admiralty Resources NL. Please refer to the ASX announcement dated 14 March 2014 for more details

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

Hanrui Zhong
Managing Director
14 March 2014

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Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
AUSTRALIA

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 2013, 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 2014

Consolidated Statement of Profit or Loss and other Comprehensive Income
For the Half-Year Ended 31 December 2013

	Consolidated Group	
	31 December 2013 $	31 December 2012 $
Revenue		
Interest received	2,312	125,327
Finance income	-	49,993
Other income	24,057	26,611
	26,369	**201,931**
Expenses		
Administration expenses	252,214	193,979
Impairment of assets	-	25,539
Consultancy and professional expenses	365,876	311,882
Depreciation expense	10,722	8,452
Employee benefits expense	494,635	359,118
Exploration expenses	-	587,115
Finance costs	176,758	53
Foreign exchange differential	53,268	15,242
Legal fees	138,076	59,346
Occupancy expenses	54,157	22,222
Tenement expenses	5,894	21,238
Travel expenses	104,713	59,287
Loss before income tax	**(1,629,944)**	**(1,461,542)**
Tax expense	-	-
Loss after income tax	**(1,629,944)**	**(1,461,542)**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from foreign operations	81,655	(981)
Total other comprehensive income for the half-year, net of tax	81,655	(981)
Total comprehensive income for the half-year	**(1,548,289)**	**(1,462,523)**
Total comprehensive income attributable to:		
Members of the parent entity	**(1,548,289)**	**(1,462,523)**
Loss per share		
From continuing and discontinued operations:		
Basic and diluted loss per share (cents)	(0.21)	(0.20)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the attached notes.

Consolidated Statement of Financial Position
as at 31 December 2013

	Consolidated Group	
	31 December 2013 $	**30 June 2013 $**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	774,849	2,199,808
Trade and other receivables	221,979	204,248
Other assets	27,273	-
TOTAL CURRENT ASSETS	**1,024,101**	**2,404,056**
NON-CURRENT ASSETS		
Property, plant and equipment	350,519	307,836
Mining interests	19,094,984	19,094,984
TOTAL NON-CURRENT ASSETS	19,445,503	19,402,820
TOTAL ASSETS	**20,469,604**	**21,806,876**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	430,127	248,021
TOTAL CURRENT LIABILITIES	430,127	248,021
NON-CURRENT LIABILITIES		
Borrowings	1,436,496	1,407,585
TOTAL NON-CURRENT LIABILITIES	1,436,496	1,407,585
TOTAL LIABILITIES	1,866,623	1,655,606
NET ASSETS	**18,602,981**	**20,151,270**
EQUITY		
Issued capital	139,828,649	139,828,649
Reserves	(386,583)	(468,235)
Accumulated losses	(120,839,085)	(119,209,141)
TOTAL EQUITY	**18,602,981**	**20,151,270**

The above Consolidated Statement of Financial Position is to be read in conjunction with the attached notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2012

	Issued Capital $	Convertible Note Equity Reserve $	Foreign Currency Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2012	139,828,649	-	(689,535)	(98,031,216)	41,107,898
Loss after income tax	-	-	-	(1,461,542)	(1,461,542)
Other comprehensive income for the period	-	-	(981)	-	(981)
Total comprehensive income for the period	**-**	**-**	**(981)**	**(1,461,542)**	**(1,462,523)**
Balance at 31 December 2012	**139,828,649**	**-**	**(690,516)**	**(99,492,758)**	**39,645,375**

For the half-year ended 31 December 2013

	Issued Capital $	Convertible Note Equity Reserve $	Foreign Currency Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2013	139,828,649	212,980	(681,218)	(119,209,141)	20,151,270
Loss after income tax	-	-	-	(1,629,944)	(1,629,944)
Other comprehensive income for the year	-	-	81,655	-	81,655
Total comprehensive income for the year	**-**	**-**	**81,655**	**(1,629,944)**	**(1,548,289)**
Transactions with owners, in their capacity as owners					
Equity component of Convertible Note Liability	-	-	-	-	-
Total transactions with owners and other transfers	-		-	-	
Balance at 31 December 2013	**139,828,649**	**212,980**	**(599,563)**	**(120,839,085)**	**18,602,981**

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the attached notes.

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2013

	Consolidated Group	
	31 December 2013 $	31 December 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	13,979
Payments to suppliers and employees	(1,195,628)	(1,103,462)
Interest and borrowing costs	(177,858)	
Exploration expenses	-	(544,723)
Interest received	2,019	56,031
Net cash used in operating activities	**(1,371,467)**	**(1,578,175)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capitalised exploration expenditure on mining interests	-	(2,042,489)
Purchase of property, plant and equipment	(53,406)	(184,235)
Reimbursement of guarantees	-	7,613
Net cash used in investing activities	**(53,406)**	**(2,219,111)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity securities net of costs	-	-
Net cash used in financing activities	**-**	**-**
Net decrease in cash and cash equivalents	(1,424,873)	(3,797,286)
Cash and cash equivalents at beginning of financial period	2,199,808	6,222,753
Effects of exchange rate changes on the translation of foreign controlled entities	(86)	-
Cash and cash equivalents at end of financial period	**774,849**	**2,425,467**

The above Consolidated Statement of Cash Flows is to be read in conjunction with the attached notes.

Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2013

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

Statement of compliance
These general purpose financial statements for the half-year reporting period ended 31 December 2013 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 2014.

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 2013, 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.

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

Where controlled entities have entered or left the Group during the period, the financial performance of those entities is included only for the period that they were controlled. There has been no change in the Company's holdings in controlled entities since 30 June 2013 to the date of this report except for the establishment of a subsidiary in Hong Kong, Admiralty Resources (Hong Kong) Limited that is 100% owned, and a branch at Shanghai.

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

<u>Critical Accounting Estimates and Judgments</u>
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.

<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 Consolidated Financial Statements (continued)
for the half-year ended 31 December 2013

Key judgments

(i) Provision for impairment of assets
In the annual financial statements of the Group for the year ended 30 June 2013, directors recognised impairment losses totalling $18,115,198 (Half-year to 31 December 2012: $Nil) as they believe the amounts receivable by the Group in respect of contractual royalty rights and deferred sale consideration to be impaired at that reporting date. After allowance for impairment recognised as at 30 June 2012 and 30 June 2013, these assets had a carrying value of nil (31 December 2012: $17,749,361). During the half-year ended 31 December 2013 to the date of this report, there has been no change in the director's assessment of the carrying value of these assets, which have a carrying value of nil as at 31 December 2013.

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

(ii) Exploration and evaluation expenditure
The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $19,094,984 (31 December 2012: $18,799,252).

Going Concern

For the financial half-year ended 31 December 2013, the Group had an operating loss of $1,629,944 and net cash outflows from operating activities of $1,371,467. Furthermore the Group does not have a source of revenue and is reliant on equity capital or loans from third parties to meet its operating costs. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business.

The Directors continue the ongoing and active management of the expenditure incurred by the Group to protect the current cash levels. Additional finance can be sought through capital raising arrangements or other means. During the period the Group has used most of the first drawdown of its convertible note facility of US$1,500,000 and can request an additional US$1,500,000 under this facility. The Group is currently in the process for establishing additional funding from the same financier.

The cashflow forecast prepared by the Directors 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.

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.

Notes to the Consolidated Financial Statements (continued)
for the half-year ended 31 December 2013

Should the Company be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the half year financial statements. These half year financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Company be unable to continue as a going concern.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

(i) *Consolidated financial statements, joint arrangements and disclosure of interests in other entities*

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

– AASB 10: Consolidated Financial Statements;

– AASB 127: Separate Financial Statements (August 2011);

– AASB 128: Investments in Associates and Joint Ventures (August 2011);

– AASB 12: Disclosure of Interests in Other Entities;

– AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards; and

– AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

– Consolidated financial statements:

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: Business Combinations) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Notes to the Consolidated Financial Statements (continued)
for the half-year ended 31 December 2013

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(a).

– Disclosure of interest in other entities:

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. New disclosures are not material to this interim financial report and associated with the Group's interests in subsidiaries and joint arrangements as prescribed by AASB 12.

(ii) *Fair value measurements and disclosures*

The Group has adopted AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. These Standards do not significantly impact the fair value amounts reported in the Group's financial statements.

(iii) Other

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

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

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations

Notes to the Consolidated Financial Statements (continued)
for the half-year ended 31 December 2013

NOTE 2: MINING INTERESTS

	Consolidated Group	
	31 December 2013 $	**30 June 2013 $**
Cost	**19,094,984**	**19,094,984**
Movement in carrying amounts:		
Balance at the beginning of the year	19,094,984	16,898,587
Additions	-	2,196,397
Balance at the end of the year	**19,094,984**	**19,094,984**

Note: During the first six month to 31 December 2013, Admiralty was focused on securing assets from VIC through the MOU that it had signed with Australis, therefore the only expenditure spent in developments of mining interest was $20,000 advanced to Australis for operational expenses and therefore was not capitalised. Despite Australis cancelling the MOU with Admiralty in November 2013, Admiralty expects that future funding will be allocated to our mining interest during the next 6 month up to 30 June 2014.

NOTE 3: CAPITAL COMMITMENTS

	Consolidated Group	
	31 December 2013 $	**30 June 2012 $**
Exploration Expenditure Commitments		
Payable :		
not later than 12 months	210,000	383,000
between 12 months and five years	-	210,000
	210,000	**593,000**

NOTE 4: EVENTS AFTER REPORTING DATE
The following events took place during the period.

<u>Australis Mining Ltd ("Australis")</u>
Admiralty entered into an Memorandum of Understanding (MOU) with Australis on 4 November 2013 to commence a due diligence process for the consideration of reacquiring VIC. Unfortunately during this process Austrails terminated this agreement. Admiralty has since instructed its lawyers to continue its action against Australis for the recovery of outstanding amounts due under the sale agreement, refer to Note: 5 Contingent Liabilities.

Notes to the Consolidated Financial Statements (continued)
for the half-year ended 31 December 2013

NOTE 5: CONTINGENT LIABILITIES AND CONTINGENT ASSETS
Estimates of the potential financial effect of contingent liabilities that may become payable:

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

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

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

As a consequence, Admiralty instructed its legal counsel to proceed with legal action in order to recover the amounts due, and proceedings were filed in the Supreme Court of Victoria in late November 2012.

In May 2013, Australis and Corsair filed a counter-claim against Admiralty in which they alleged Admiralty breached various warranties and engaged in misleading and deceptive conduct in respect of the sale of VIC in November 2010. Admiralty does not agree with the claims by Australis and Corsair and filed a defence in late July 2013.

The counterclaim is derived from the results of a tax audit by the Chilean tax authority of the 2008 and 2009 calendar years which may result in forward carried losses for approximately 6,859,427,911 CLP being disallowed and approximately A$300,000 additional tax being payable by Vallenar due to expenses being disallowed as business deductions. Admiralty has been advised by Australis' legal counsel that the Chilean tax authority is close to delivering its assessment as a result of its audit of the 2010 calendar year.

Accordingly, Australis wishes to amend and update its counter-claim to include the 2010 calendar year assessment. The Court has ordered Australis to serve its amended counter-claim by 28 April 2014. The matter will next be in Court on 16 May 2014 for further directions, after which time it is likely that the parties will carry out the steps to prepare for trial.

Payment of Royalties under Wyndham Agreement
The contingent liability in this regard will depend on the declaration of VIC´s bankruptcy in Chile.

If the courts in Chile declare VIC bankrupt, Wyndham credits against VIC will be accelerated (Article 67 of the Bankruptcy Law). This means that Wyndham could collect the total amount owed by VIC (US$4,000,000) and not only the amount of US$250,000, that is the unpaid amount on 31 December 2013.

Pursuant to the Royalty Agreement VIC must pay to Wyndham 20 annual installments of US$250,000 on 31 December each year. At this time, VIC has paid 4 installments for the total amount of US$1,000,000 and is still pending to pay 16 installments for the total amount of US$4,000,000.

If bankruptcy is not declared, Wyndham might require to VIC to pay US$250.000. However, if the bankruptcy is declared Wyndham might require to VIC to pay the total amount of US$4,000,000.

Notes to the Consolidated Financial Statements (continued)
for the half-year ended 31 December 2013

If Admiralty pays to Wyndham US$250.000, if bankruptcy will be declared Admiralty pay to Wyndham an additional amount of US$3,750,000 to avoid the rescission of the purchase and sale agreement and the restitution of the mining concessions.

NOTE 6: OPERATING SEGMETNS

The predominant activity of the group is the exploration for mineral resources. Geographically, the Group operates in two geographical locations – Australia 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 Consolidated Financial Statements (continued)
for the half-year ended 31 December 2013

d. Segment information

	Australia 31-Dec 2013 $	Australia 31-Dec 2012 $	Hong Kong 31-Dec 2013 $	Hong Kong 31-Dec 2012 $	Chile 31-Dec 2013 $	Chile 31-Dec 2012 $	Consolidated 31-Dec 2013 $	Consolidated 31-Dec 2012 $
Revenue								
Other revenue from continuing operations	3,850	187,308	-	-	22,519	14,623	26,369	201,931
Total segment revenue	3,850	187,308	-	-	22,519	14,623	**26,369**	**201,931**
Segment revenue from continuing operations before tax							**26,369**	**201,931**
Loss								
Segment result from continuing operations	(1,493,196)	(1,127,777)	(17,753)	-	(118,995)	(333,765)	(1,629,994)	(1,461,542)
Net loss from continuing operations before tax	(1,493,196)	(1,127,777)	(17,753)	-	(118,995)	(333,765)	(1,629,994)	(1,461,542)
Net loss before tax from continuing operations							**(1,629,994)**	**(1,461,542)**

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 18, 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 2013 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.

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Hanrui Zhong
Managing Director
14 March 2014

BDO

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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 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of 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's 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 2013 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 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 2013 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*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Alex Swansson
Partner

Melbourne, 14 March 2014