



ADMIRALTY RESOURCES

Admiralty Resources NL

ACN 010 195 972

Offer Document

Non-renounceable 1 for 3 rights offer to shareholders
to raise up to \$3,893,573

The Rights Offer is underwritten by Jin Xin International Pty Ltd (ACN 102 839 172) as trustee for the Jin Xin International Investment Trust (ABN 32 989 479 893 in respect of the Underwritten Shares

1 Important Notice

It is important that you carefully read this Offer Document in its entirety before deciding to invest further in the Company and, in particular, that you consider the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stock broker, lawyer or other professional adviser before deciding whether to invest.

This Offer Document is not a prospectus. It does not contain all the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or in respect of the rights and liabilities attaching to, the New Shares.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Rights Offer that is not contained in this Offer Document. Any information or representation not contained in this Offer Document may not be relied upon as having been authorised by the Company in connection with the Rights Offer. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under the Rights Offer, except as required by law and then, only to the extent so required.

In making representations in this Offer Document, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Restrictions on distribution of this Offer Document

This Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Shares in any place outside of Australia and New Zealand in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Offer Document and the accompanying Entitlement and Acceptance Form in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Offer Document and the accompanying form should seek advice and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

The Rights Offer is not extended to, and no New Shares will be issued to, Shareholders having registered addresses outside Australia and New Zealand, unless a formal offer has been made to those Shareholders, in accordance with the legislation and regulations within such jurisdiction.

Defined terms and abbreviations

Terms and abbreviations used in this Offer Document are defined in the Glossary (see part 9).

Application for New Shares

If you wish to apply for New Shares, you must complete and return the personalised Entitlement and Acceptance Form which accompanies this Offer Document along with a cheque or alternatively, make payment via BPAY® by the Closing Date. If you have not received a personalised Entitlement and Acceptance Form, please contact Boardroom Pty Limited on 1300 737 760 (local call cost within Australia) or +61 2 9290 9600 (outside of Australia) or enquiries@boardroomlimited.com.au or Share Registry, Boardroom Pty Limited, GPO 3993 Sydney NSW 2001.

Privacy disclosure

The Company collects information about each Eligible Shareholder provided on the Entitlement and Acceptance Form for the purpose of processing Entitlement and Acceptance Forms, and, if the Eligible Shareholder is successful, to administer the Eligible Shareholder's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Eligible Shareholder agrees that the Company may use the information provided on an Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, related bodies corporate, agents, contractors, and third party service providers, including mailing houses and professional advisers, and to the ASX and other regulatory authorities.

The Corporations Act requires the Company to include information about the security holder (including name, address, and details of the securities held) in its public register. The information contained in the Company's public registers must remain there even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports, and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information on an Entitlement and Acceptance Form, the Company may not be able to accept or process the form.

An Eligible Shareholder has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. Access requests must be made in writing to the Company's registered office.

2 Timetable and important dates*

| | |
|--|--|
| Announcement of Rights Offer and ASX Appendix 3B and Offer Document lodged with ASX | Thursday, 1 May 2014 |
| Notice sent to Eligible Shareholders | Friday, 2 May 2014 |
| Shares quoted on an “ex-rights” basis** | Monday, 5 May 2014 |
| Record date for determining entitlements of Eligible Shareholders under the Rights Offer | 7.00 pm AEST on Wednesday, 7 May 2014 |
| Rights Offer letter and Entitlement and Acceptance Forms dispatched to Shareholders | Monday, 12 May 2014 |
| Closing Date for acceptances under the Rights Offer | Friday, 23 May 2014 |
| Expected commencement of trading on a deferred settlement basis of New Shares on ASX | Monday, 26 May 2014 |
| Shareholder holding statements dispatched and deferred settlement trading ends | Thursday, 29 May 2014 |
| Normal trading of New Shares commences | Friday, 30 May 2014 |

* These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, to vary the dates of the Rights Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases. You are encouraged to submit your application as soon as possible. Any extension of the Closing Date will have a consequential effect on the date of the issue of the New Shares. Neither the Rights Offer nor the Shortfall Offer requires the approval of Shareholders.

** Shares in the Company commence trading without the right to participate in the Rights Offer.

3 Letter from the Board of Directors

Dear Shareholder,

The Board is pleased to offer Shareholders the opportunity to participate in the Company's one (1) for three (3) pro-rata non-renounceable rights issue to raise up to approximately \$3,893,573 (before expenses) (**Rights Offer**).

All Shareholders registered as at 7.00 pm (AEST) on Wednesday 7 May 2014 and who have a registered address in Australia or New Zealand will be entitled to participate in the Rights Offer. The price payable on application for each New Share is \$0.016 (as compared with \$0.013), which was the closing price of Shares on Wednesday, 30 April 2014.

The Closing Date for acceptances of the Rights Offer is 5.00 pm (AEST) on Friday, 23 May 2014.

Shareholders wishing to subscribe for New Shares in excess of their Entitlement are invited to submit an application for New Shares forming part of the Shortfall.

Jin Xin International Pty Ltd ACN 102 839 172 as trustee for Jin Xin International Investment Trust ABN 32 989 479 893 which is an entity associated with Mr Hanrui Zhong and Mrs Qing Zhong (both directors of the Company) has agreed to underwrite the Rights Offer in respect of the Underwritten Shares, as per the terms set out in part 8 of this Offer Document.

The funds raised from the Rights Offer and Shortfall Offer will be used to accelerate the Company's existing exploration programme at the Harper South and Pampa Tololo districts in Chile, advance the Soberana project towards early production and to provide the Company with additional working capital to enable it to support its activities and the retirement of some debt relating to the convertible loan facility agreements in place. Further information regarding the use of the funds raised under the Rights Offer and Shortfall Offer is set out in part 6 of this Offer Document.

The Board takes this opportunity to thank all Shareholders for their support and looks forward to their continued support in the future.

Yours faithfully,



Hanrui Zhong
Managing Director



Scott Bennison
Director

4 Details of the Rights Offer and Shortfall Offer

The Company is making the Rights Offer to existing Shareholders. For further details in relation to the Rights Offer, please refer to part 4.1 of this Offer Document.

In addition to the Rights Offer, Eligible Shareholders are invited to subscribe for any New Shares which form part of the Shortfall pursuant to the Shortfall Offer. For further details in relation to the Shortfall Offer, please refer to part **Error! Reference source not found.**9 of this Offer Document.

4.1 Rights Offer

The Company offers for subscription approximately 243,348,327 New Shares pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one (1) New Share for every three (3) shares held on the Record Date at an issue price of \$0.016 per New Share.

Based on the capital structure of the Company, the maximum number of New Shares to be issued pursuant to the Rights Offer is approximately 243,348,327. The Rights Offer will raise up to approximately \$3,893,573. The purpose of the Rights Offer and the use of funds raised are set out in part 6 of this Offer Document.

The Rights Offer is non-renounceable, which means that rights are unable to be traded. Eligible Shareholders should either take up their Entitlement in whole or in part, otherwise their Entitlement will lapse.

The Rights Offer is not conditional and there is no minimum subscription.

The Underwriter has agreed to underwrite the Rights Offer in respect of the Underwritten Shares, as per the terms of the Underwriting Agreement summarised in part 8 of this Offer Document.

4.2 Overseas shareholders

The Rights Offer does not, and is not intended to, constitute an offer of New Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas shareholders, the number and value of shares these shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Rights Offer is not being extended and New Shares will not be issued to shareholders with a registered address which is outside Australia or New Zealand, unless a formal offer has been made to those Shareholders, in accordance with the legislation and regulations within such jurisdiction

Shareholders resident in New Zealand should consult their professional advisors as to whether any governmental or other consent are required, or whether other formalities need to be observed, to enable them to exercise their Entitlements under the Rights Offer.

4.3 Quotation of New Shares by ASX

Application for official quotation by ASX of the New Shares will be made within 7 days after the date of this Offer Document. The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

4.4 Allotment of New Shares

New Shares issued pursuant to the Rights Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the New Shares on the basis of a Shareholder's Entitlement and Acceptance Form. The Shortfall will then be allotted on the basis set out in part 4.9 of this Offer Document. Where the number of New Shares issued is less than the number applied for, or where no allotment is made, surplus application money will be refunded, without interest, to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the New Shares, or the payment of any refunds, all application money will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

4.5 Rights and liabilities attaching to New Shares

All New Shares issued pursuant to the Rights Offer and the Shortfall Offer will, from the time they are issued, rank *pari passu* with all the Company's existing Shares.

Full details of the rights and liabilities attaching to New Shares are set out in the Company's Constitution, a copy of which is available for inspection on the Company's website and at the Company's registered office during normal business hours.

4.6 Taxation implications

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of applying for New Shares under the Rights Offer, as it is not possible to provide a comprehensive summary of the possible taxation consequences for individual Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences of investing in the Rights Offer. Shareholders should consult their own professional tax adviser in connection with the taxation implications of acquiring New Shares under the Rights Offer.

4.7 Privacy Act

If you complete and return an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or through the Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate dividend payments and corporate communications to you as a Shareholder and carry out necessary administration functions.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies (including

the Australian Taxation Office), authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Share Registry on +61 2 1300 737 760 if you wish to do so.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988 (Cth)*, the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on your Entitlement and Acceptance Form, the Company may not be able to accept or process your application for New Shares.

4.8 Withdrawal of Rights Offer

The Company reserves the right not to proceed with the Rights Offer at any time before the issue of New Shares to Eligible Shareholders. If the Rights Offer does not proceed, the Company will return all application money, without interest, as soon as practicable after giving notice of its withdrawal.

4.9 Shortfall Offer

The offer of the Shortfall is a separate offer by the Company in accordance with ASX Listing Rule 7.2, Exception 3.

Under the above exception (which is an exception to Listing Rule 7.1, which requires shareholder approval to an issue of securities in excess of 15% of a company's issued share capital), the Company may issue any Shortfall at the Directors' discretion, provided that:

- (a) the price at which New Shares forming part of the Shortfall are issued is not less than the issue price for the New Shares under the Rights Offer; and
- (b) the Shortfall (or any part of it) is issued within 3 months of the Closing Date.

If there is a Shortfall following completion of the Rights Offer, the Board reserves the right to utilise the above exception to Listing Rule 7.1, in which case, the Board may, subject to the terms of the Underwriting Agreement:

- (c) seek bids from institutions and other prospective sophisticated investors for the Shares comprising the Shortfall; and
- (d) determine the issue price and allot the Shortfall on the basis of those bids.

Eligible Shareholders (including Jin Xin International Pty Limited as trustee for the Jin Xin International Investment Trust) may also apply for New Shares forming part of the Shortfall. The Shortfall Offer to Eligible Shareholders will be made no later than three months following the Rights Offer. The allocation of New Shares forming part of the Shortfall, including as between Eligible Shareholders and other Applicants, will be determined at the sole discretion of the Board.

Any New Shares forming part of any Shortfall Offer that are issued to Eligible Shareholders will not be included in the calculation of the Underwritten Shares to be issued under the Underwriting Agreement.

Jin Xin International Pty Limited as trustee for the Jin Xin International Investment Trust may apply for New Shares forming part of the Shortfall Offer either in its capacity as Eligible Shareholder (in which case Jin Xin International Pty Limited as trustee for the Jin Xin International Investment Trust will not be entitled to any underwriting commission in respect of those New Shares) or as an Underwriter.

If you wish to apply for New Shares forming part of the Shortfall, please refer to part 5.2 of this Offer Document.

4.10 Enquiries

Shareholders with queries in relation to the Rights Offer may contact the Share Registry on +61 2 1300 737 760

5 Action required by Shareholders

5.1 How to accept the Rights Offer

Your acceptance of the Rights Offer may be made on the Entitlement and Acceptance Form accompanying this Offer Document. Your acceptance under the Rights Offer must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Rights Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or
 - (ii) make payment via BPAY® as per the instructions for BPAY® set out in the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate application money (at \$0.016 per New Share); or
 - (ii) make payment via BPAY® as per the instructions for BPAY® set out in the Entitlement and Acceptance Form; or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All payments made by cheques must be drawn on an Australian Bank or bank draft made payable in Australian currency to “Admiralty Resources NL – Trust Account” and crossed “Not Negotiable”.

For payments made by cheque, your completed Entitlement and Acceptance Form, together with your cheque, must be forwarded to the Share Registry:

Admiralty Resources NL
Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Those who elect to pay via BPAY® must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form. Investors who elect to pay via BPAY® will not need to return their completed Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms and cheques must be received by the Share Registry no later than 5.00 pm (AEST) on the Closing Date. Please note that payment via BPAY® must be made by no later than 4.00 pm (AEST) on the Closing Date. Applicants should be aware that their own financial institution may implement earlier cut off times with

regard to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY® by the date and time mentioned above. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form.

5.2 Participation in Shortfall Offer

If you wish to take up your Entitlement in full and also apply for New Shares forming part of the Shortfall, you should complete the part of the accompanying Entitlement and Acceptance Form relating to the Shortfall in accordance with the instructions set out in the form and return it, together with payment for the full amount payable, so that it is received by the Closing Date.

If you do not wish to take up any part of your Entitlement under the Rights Offer, you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall.

5.3 Entitlement and Acceptance Forms are binding

A completed and lodged Entitlement and Acceptance Form, together with the application moneys for the number of New Shares applied for, cannot be withdrawn and constitutes a binding application for the number of New Shares specified in the Entitlement and Acceptance Form on the terms set out in this Offer Document. The Entitlement and Acceptance Form does not need to be signed to be binding.

If the Entitlement and Acceptance Form is not completed correctly, the Company, in its absolute discretion, can reject it or treat it as valid. The Company's decision as to whether to accept or reject an Entitlement and Acceptance Form or how to construe, amend or complete it is final.

6 Purpose and Effect of the Rights Offer

6.1 Purpose of the Offer

The purpose of the Rights Offer is to raise up to approximately \$3,893,573. The proceeds of the Rights Offer and the Shortfall Offer are planned to be used in accordance with the table set out below:

| Proceeds of the Rights Offer and Shortfall Offer | \$ |
|--|--------------------|
| Progress the exploration programme at Harper South and Pampa Tololo districts in Chile and advance the Soberana project, working capital and retirement of some debt relating to current convertible loan facility agreements. | \$3,693,573 |
| Expenses of the Rights Offer and Shortfall Offer | \$200,000 |
| Total | \$3,893,573 |

** All amounts are approximations

6.2 Effect on capital structure and control

A comparative table of changes in the capital structure of the Company as a consequence of the Rights Offer is set out below.

| | Number |
|--|--------------------|
| Shares on issue at date of Rights Offer | 730,044,981 |
| Maximum number of New Shares to be issued pursuant to the Rights Offer | 243,348,327 |
| Total Shares on issue after completion of the Rights Offer* | 973,393,308 |

* Assuming all New Shares are fully taken up (including as part of the Shortfall Offer and any Underwritten Shares).

As at the date of this Offer Document, there are no options to acquire Shares on issue.

6.3 Effect on Control

Pursuant to the terms of the Underwriting Agreement, the Underwriter is underwriting the Rights Offer for the number of New Shares equal to the lesser of:

- (a) the number of New Shares in the Shortfall; and
- (b) the number (calculated upon completion of the Rights Offer) of such Shares in the Shortfall that, when combined with the number of Shares in which the Underwriter or any of its associates (including Mr Hanrui Zhong and Mrs Qing Zhong directors of the Company) then has a relevant interest, is closest to (but not equal to or exceeding) 20% of the total Shares then on issue (subject to rounding down any fractional Share).

As at the date of this Offer Document, the Underwriter has a relevant interest in 16.94% of the Company's voting shares. The maximum potential increase in the voting power of the Underwriter (together with its associates,) in the Company as a result of its participation in the Rights Offer and its underwriting the Underwritten Shares, will be to an amount less than 20% on completion of the Rights Offer. Accordingly, the Underwriter will not be in contravention of section 606(1) of the Corporations Act.

Under the terms of the Underwriting Agreement, the Underwriter may appoint sub-underwriters to sub-underwrite the Underwritten Shares, with the Company's consent.

The final relevant interest of the Underwriter (together with its associates) in the Company's voting shares upon completion of the Rights Offer will depend upon the extent to which:

- (c) Eligible Shareholders take up their Entitlements (and any additional New Shares under the Shortfall Offer); and
- (d) The Underwriter appoints sub-underwriters to sub-underwrite part or all of the Underwritten Shares.

The Company is of the view that the Rights Offer will not have a material effect on the control of the Company, notwithstanding the likely increase in the relevant interest of the Underwriter in the issued capital of the Company as a result of the Rights Offer.

To the extent that a Shareholder does not take up their Entitlement, the proportionate shareholding interest of that Shareholder in the Company will be diluted.

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7 Risk factors

The New Shares offered under this Rights Offer are considered a speculative investment, and involve investors being exposed to risk. The Directors strongly recommend potential Applicants consult their professional advisers before deciding whether to apply for New Shares pursuant to the Rights Offer.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors.

The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price or value of the New Shares.

The following summary, which is not exhaustive, represents some of the major risk factors of which potential investors need to be aware. Other factors, whilst not specifically referred to below, may in the future materially affect the financial performance of the Company and the value of the New Shares. New Shares offered under the Rights Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the New Shares.

Unless otherwise indicated by the context, the references to the Company in this section include the Company's subsidiaries.

7.1 Risks specific to the Company and its industry

Exploration, evaluation and development risks

The Company holds legal title to a series of mineral exploration and exploitation concessions in Chile and Australia. The Company has engaged in several geological exploration programs, the results of which have been used to estimate the measured, indicated and inferred mineral resources at one of the ore bodies covered by the mineral concessions. The Company is currently in the initial stages of a geological exploration program to advance its inferred and indicated mineral resources to the proven ore reserve category, in addition to endeavouring to identify further minerals resources at other ore bodies.

Resources exploration, project development and mining involve elements of significant risk. The future success of the Company's business will be dependent upon a range of factors, many of which are beyond the control of the Company. These factors include:

- ◆ the maintenance of the Company's mineral exploration and exploitation concessions and tenements in Chile and Australia, and the grant of any approvals required for the conduct of mining activities;
- ◆ the identification, confirmation and exploitation of mineral resources in the areas covered by the Company's mineral concessions and tenements;
- ◆ the inherent uncertainty of measured, indicated and inferred resource estimates. The calculation and interpretation of these resource estimates are by their nature matters of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when more comprehensive examinations are done. This may result in changes to the Company's

development and mining plans, which in turn may adversely affect the Company's operations;

- ◆ access to sufficient funding to progress the Company's exploration programme, development and mining operations;
- ◆ adverse changes in governmental policies or legislation affecting mining exploration, development and exploitation activities;
- ◆ unanticipated delays and cost overruns in the progression of the Company's development activities;
- ◆ adverse weather conditions, accidents or industrial disputes; and
- ◆ fluctuations in the market price for the mineral resources exploited by the Company.

Dispute relating to SCM Vallenar Iron Company

The Company sold all of its shares in SCM Vallenar Iron Company (**VIC**) to Australis Mining Ltd (**Australis**) in November 2010. As part of that sale transaction, the Company entered into a royalty agreement with VIC, pursuant to which VIC will be required to pay the Company a royalty in respect of the iron ore extracted from the area covered by VIC's mineral concessions at Harper North.

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

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

The Company is currently investigating the position to determine the most appropriate action to protect its interests in this regard.

Environmental risks

The Company is subject to various regulations regarding environmental matters and the discharge of hazardous wastes and materials. Whilst the Company intends to conduct its activities in an environmentally responsible manner, risks arise in relation to compliance with these regulations and the impact of the introduction of more stringent environmental regulations.

Native title and community risks

Many countries (including Australia but excluding Chile) have native title, community title/empowerment, or heritage legislation and/or regulations. These rules impose certain requirements on mining companies which undertake or plan to undertake various exploration, development or drilling activities. The risks associated with the rules are generally associated with the imposition of various uncertainties as to timetables and costs. No assurance can be given that the Company will be able to explore or conduct drilling activities within acceptable timeframes or on terms acceptable to it.

Operating risks

If the Company achieves exploration success and then proceeds to undertake mining operations, the development and ongoing production from such operations may be adversely affected by various factors, including operational and technical difficulties encountered in production, metallurgical issues (including the adaptability of iron ore to separation and creation of a saleable product), difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, access to ports and transport, adverse weather conditions, industrial and environmental accidents, industrial disputes and

unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Future capital requirements

The Company's ongoing activities will require substantial expenditure. The exploration, development and production budgets of the Company are based on certain estimates and assumptions. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may be materially different. The funds raised through the Rights Offer and the Shortfall Offer will not be sufficient to achieve all of the Company's objectives. There can be no guarantee that the Company will be able to raise additional finance on acceptable terms or in a timely manner.

Any additional equity financing may be dilutive to Shareholders and any debt financing (if available) is likely to include restrictive financial and non-financial covenants, which may limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

Reliance on key personnel

The Company is reliant on the continued involvement of key personnel as executives within the business, the loss of whom could adversely affect the achievement of its business plan. There can be no guarantee that such key personnel will remain in an executive capacity.

Agents, contractors and joint venture parties

The Company may enter into business relationships with various parties, including agency and joint venture relationships and sub-contract agreements in respect of its involvement in mining and development projects.

In these business relationships, there is the risk of an adverse impact on the Company associated with insolvency, default or other managerial failure of agents, contractors or joint venture participants.

Contractual risks

All agreements and other contractual arrangements entered into by the Company are subject to interpretation. There is no guarantee that the Company will be able to enforce all its rights under its agreements with third parties.

Mergers and acquisitions

The Company may in the future pursue merger and acquisition strategies as part of the expansion of its business if an appropriate opportunity becomes available. In addition, the Company may continue to establish business operations in foreign countries (in addition to its current operations in Australia and Chile).

Operations in foreign countries carry substantial risks, including a greater risk of managerial failure, and the forfeiture of assets.

The Company's ability to pursue its merger and acquisition strategies depends upon the Company being able to identify opportunities that the Company considers will generate, or has the potential to generate, a rate of return for the Company that is acceptable having regard to the associated risks being assumed through the merger or acquisition.

The Company's inability to identify such businesses, or the acquisition of businesses that generate a lower than expected rate of return, could dilute Shareholder returns, and result in the return to investors from an investment in the Company being lower than the returns achieved from the existing business.

7.2 General risks

Market conditions

The price of shares quoted for trading by ASX is impacted by various international and domestic factors. As the Company is listed on ASX, its share price is subject to numerous influences which may affect both the share market generally or the Company's share price in particular.

The factors which may create share price fluctuations include inflation, economic conditions, commodity prices, interest rates, exchange rates and investor sentiment generally.

Economic risk and external market forces

Factors including, but not limited to, political movements, stock market trends, changing commodity prices, exchange rates, interest rates, inflation levels, industrial disruption, terrorism or other hostilities, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may all have an adverse impact on the Company's operating costs, profit margins and share price. These factors are beyond the control of the Company and the Company cannot, to any degree of certainty, predict how they will impact on the Company from time to time.

Taxation

The Company's profitability may be affected by changes in Chilean and Australian government taxation laws and policies and in the operation of international tax treaties between the two countries.

Government policy

The Company operates its business in a climate that is subject to various forms of government policy and regulation. Mining exploration and exploitation can be affected by changes in government policy and regulation, both within Australia and internationally, that are beyond the control of the Company.

Other legal risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and therefore on the financial performance of the Company and the price or value of the Shares.

8 Underwriting Agreement

The Company has entered into an underwriting agreement with the Underwriter pursuant to which the Underwriter has agreed to underwrite the Rights Offer in respect of the Underwritten Shares.

The Underwriter is an entity controlled by Mr Hanrui Zhong and Mrs Qing Zhong, directors of the Company.

Under the Underwriting Agreement, the Underwriter is required to subscribe for the amount of the Shortfall equal to the lesser of:

- (a) the number of Shares in the Shortfall (after allocation by the Company of Shares in the Shortfall to Eligible Shareholders); and
- (b) the number (calculated upon Completion of the Rights Offer) of such Shares in the Shortfall that, when combined with the number of Shares in which the Underwriter or any of its Associates (including Mr and Mrs Zhong) then has a relevant interest, is closest to (but not equal to or exceeding) 20% of the total Shares then on issue (subject to rounding down any fractional Share).

Subject to completion of the Rights Offer, the Company has agreed to pay the Underwriter a commission of 8% of the value (based on the issue price) of the Underwritten Shares underwritten by the Underwriter.

The Underwriter may, with the Company's consent, appoint sub-underwriters to sub-underwrite the Underwritten Shares under the Underwriting Agreement. The Underwriter must pay all fees and commissions due to sub-underwriters of the Underwritten Shares.

The Underwriter is entitled to terminate the Underwriting Agreement, if prior to the completion of the Rights Offer, any one or more of the following events occur:

- (a) the Company materially breaches the Underwriting Agreement and fails to remedy the breach to the reasonable satisfaction of the Underwriter or any warranty or representation by the Company under the Underwriting Agreement is or becomes materially false, misleading or deceptive;
- (b) the Company contravenes:
 - (i) any law, regulation, authorisation, ruling, consent, judgment, order or decree of any Governmental Agency (as defined);
 - (ii) its Constitution; or
 - (iii) the ASX Listing Rules;
- (c) ASX has not given approval for Quotation of the New Shares by the Closing Date or the date which is 3 months after the date of the Offer Document (whichever is earlier) or ASX refuses to grant, other than subject to customary conditions, or withdraws ASX approval;

- (d) an Insolvency Event (as defined in the Underwriting Agreement) occurs in relation to the Company;
- (e) a Prescribed Event (as defined in the Underwriting Agreement) occurs in relation to the Company;
- (f) the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Part 6.10 of the Corporations Act, which has a material adverse effect on the Company;
- (g) an officer or senior manager of the Company is charged with or convicted of a criminal offence or becomes a bankrupt, or steps are taken to achieve such an outcome;
- (h) the Company fails to deliver the necessary certificates to the Underwriters confirming, inter alia, that it has complied with its obligations under the Underwriting Agreement and it is not in breach of any of its representations or warranties;
- (i) the Company withdraws or terminates the Offer Document or the Offer;
- (j) any circumstance arises after the announcement of the Rights Offer that results in the Company either repaying the money received from Applicants or offering Applicants an opportunity to withdraw their applications for New Shares and be repaid their application money; or
- (k) the notification of the Shortfall is delayed for more than five Business Days other than as the direct result of actions taken by the Underwriters (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the Underwriters' prior written consent).

If any of these events occurs and as a result, the Underwriter terminates the Underwriting Agreement, but the Company does not terminate the Offer, Applicants will not be entitled to withdraw their applications.

The Company has given warranties, covenants and indemnities to the Underwriter which are customary in an agreement of this nature.

The potential effect on the control of the Company as a result of the underwriting by the Underwriter of the Underwritten Shares is described in part 6.3 of this Offer Document.

9 Glossary

In this Offer Document:

AEST means Australian Eastern Daylight Saving Time.

AEST means Australian Eastern Standard Time.

Applicant means a Shareholder who applies for Shares pursuant to the Rights Offer.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

ASX Listing Rules means the Listing Rules of the ASX.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Rights Offer, being 5:00pm (AEST) on Friday, 23 May 2014 (unless extended).

Company means Admiralty Resources NL (ACN 010 195 972).

Constitution means the Company's constitution as at the date of this Offer Document.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Offer Document.

Dollar or "\$" means Australian dollars.

Eligible Shareholders means all Shareholders at 5:00pm AEST on the Record Date whose registered addresses are in Australia and New Zealand.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Rights Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Offer Document.

New Shares means the Shares to be issued by the Company pursuant to the Rights Offer and the Shortfall Offer.

Official List means the official list of ASX.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 7.00 pm (AEST) on Wednesday, 7 May 2014.

Rights Offer means the offer by the Company of non-renounceable rights to be issued New Shares pursuant to the terms set out in this Offer Document.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Share Registry means Boardroom Pty Limited (ACN 003 209 836).

Shortfall means those New Shares under the Rights Offer not applied for by Shareholders under their Entitlement by the Closing Date.

Shortfall Offer means the offer described in part **Error! Reference source not found.**9 of this Offer Document.

Underwriter or **Underwriters** means Jin Xin International Pty Ltd ACN 102 839 172 as trustee for the Jin Xin International Investment Trust ABN 32 989 479 893.

Underwritten Shares means the number of Shares equal to the lesser of:

- (a) the number of Shares in the Shortfall; and
- (b) the number (calculated upon completion of the Offer) of such Shares in the Shortfall that, when combined with the number of Shares in which the Underwriter or any of its Associates (including Mr Hanrui Zhong and Mrs Qing Zhong) then has a relevant interest, is closest to (but not equal to or exceeding) 20% of the total Shares then on issue (subject to rounding down any fractional Share).

Underwriting Agreement means the underwriting agreement between the Company and the Underwriters dated 1 May 2014.