

# QUARTERLY ACTIVITIES REPORT

**For the quarter ended 30 September 2014**

Admiralty Resources NL (ASX: ADY) is pleased to report its activities for the September 2014 quarter on the Company's mineral projects in Chile and Australia.

## **Highlights**

- EIA - Soberana
- New Non-executive Director
- Completion of Rights Issue
- Annual General Meeting

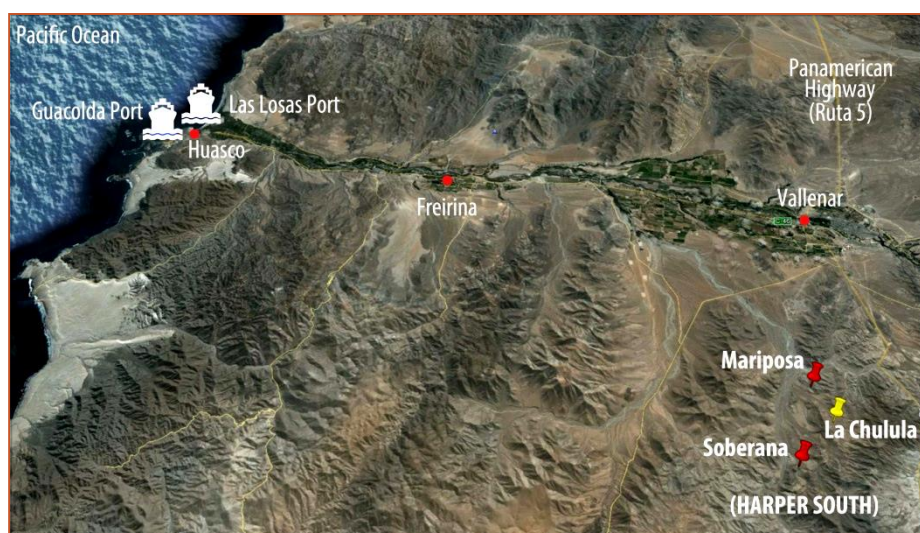
## Activities for the Quarter

### 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

## 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
15	-	-	-	-	90.2	24.5	90.2	24.5
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 assessment report (EIA) for Iron Mineral Processing Operations for the Soberana Project. The approval process should be completed before the end of the current year 2014.

## 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 and the results are expected in the current quarter.

## Negrita

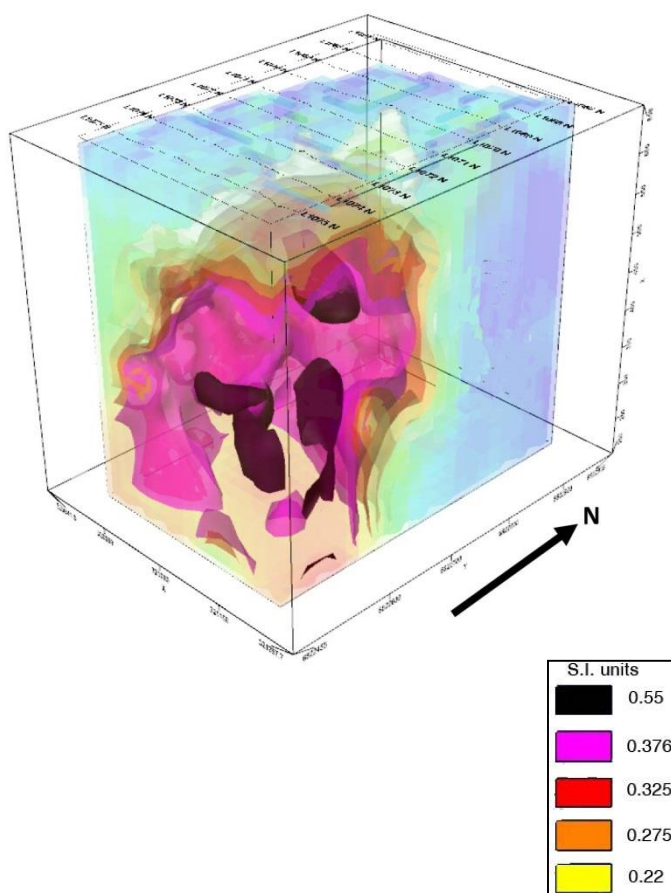
This target is prospective for iron mineralisation in the form of magnetite. Evidence of the mineralisation can be seen at surface.

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.

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

The survey has been successful in detecting an 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.



No activity took place during the quarter.

### 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

No activity took place during the quarter.

## 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 activity took place during the quarter.

## 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.

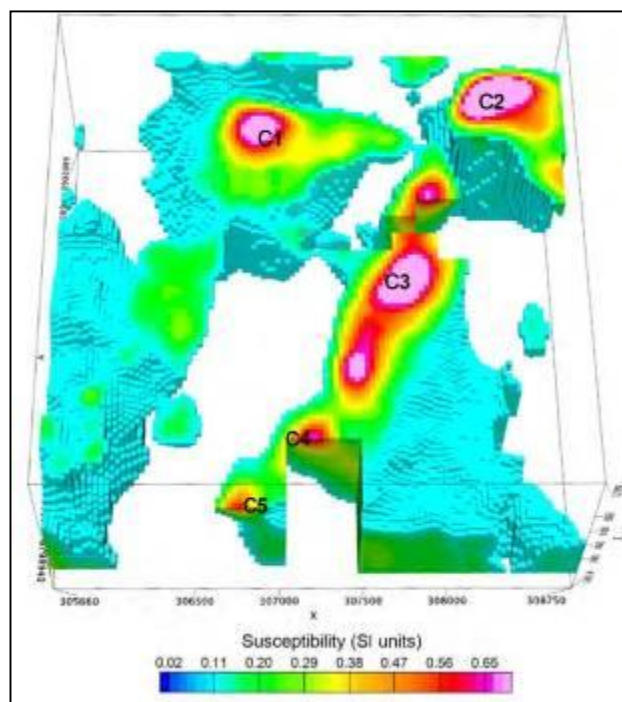
The survey was commissioned to Quantec Geoscience Chile Limitada (“**Quantec**”) following a field visit in late 2011 by management and Admiralty’s external geological consultant, Goldberg Resources, who was excited at the prospectivity of the district, which exhibited copper sulphate amuck, hematite 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

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

Admiralty has in plan a drilling campaign and prepared more than 14 kms of roads ready for this activity during the year 2013.

No activity took place during the quarter.



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

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 Quarterly Reports). Drill samples at the Dingo Argentus prospect, reported widespread zinc anomalism, highlighting the prospectivity of this area for future exploration.

Admiralty has decided to defer completing exploration planning until late 2014.

No activity took place during the quarter.



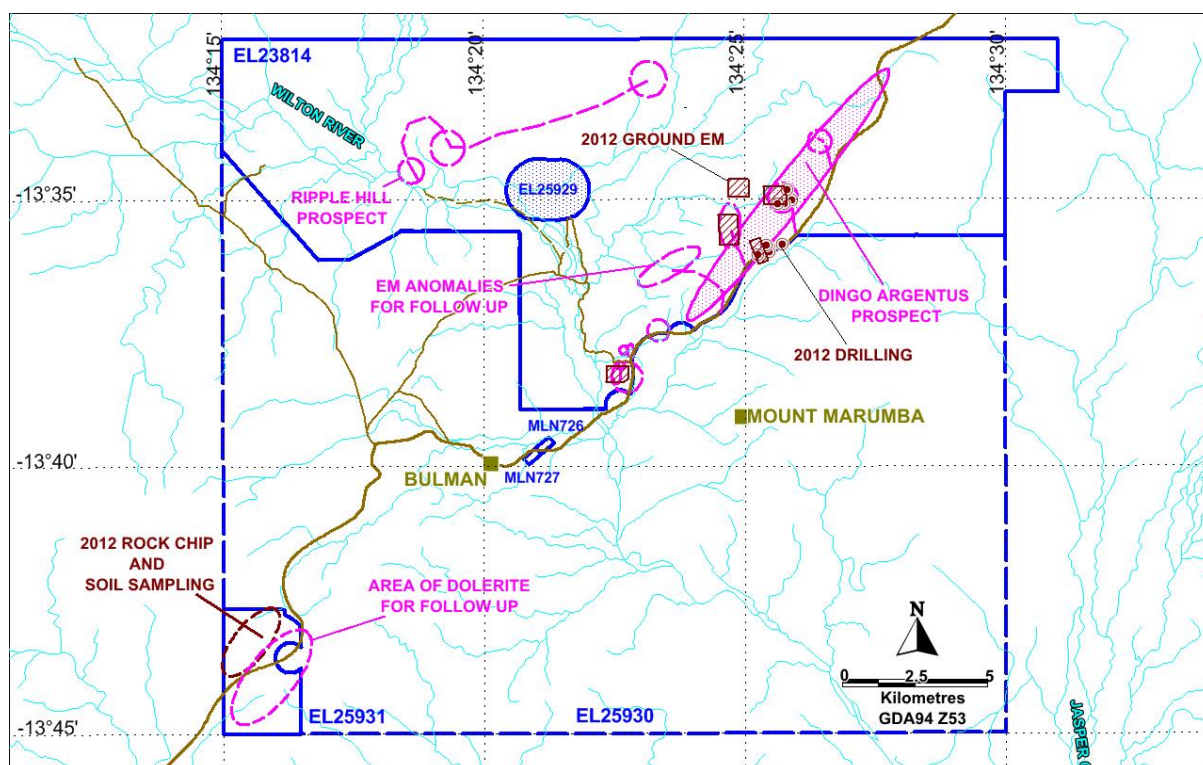


Figure 1: Location of 2012 Drilling/ EM and Proposed Exploration 2013-2014

## 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.

No activity took place during the quarter.

# Corporate

## Changes to Board

### Non-executive Director

The Board welcomes the appointment of Mr Bin Li as non-executive Director of the company. Mr Li is currently chairman of the Supervisory Board for An Hui Province Lu Jiang Dragon Bridge Mining Company and Vice Chairman of the An Hui Province Ma Gang River Mining Company.

## Completion of Rights Issue

This group successfully completed a rights issue on 5 September 2014. The rights issue successfully raised \$3,672,488 at the offer price of 1.6 cents per share. The proceeds will be used to repay corporate debt, progress exploration and provide working capital.

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

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

Admiralty has brought proceedings in the Supreme Court of Victoria against Australis and its two guarantors, Corsair Capital Ltd ("Corsair") and Base Resources Ltd ("Base"), collectively "the defendants".

The defendants have entered appearances and lodged defences and a counter-claim in which it is alleged that Admiralty breached certain warranties in the share sale agreement and engaged in misleading and deceptive conduct in the course of the sale. Admiralty has filed its defence to the counter-claim and Australis has filed its rejoinder and reply to that defence. The parties have provided discovery and witness statements. A mediation has been set for 26 November 2014. If the matter fails to settle, a directions hearing set for early December will set a trial date expected to be in the first half of 2015.

Since commencing the proceedings against the defendants, VIC has been placed into bankruptcy and a trustee appointed. The first meeting of creditors of VIC was held in Chile on 24 October 2014. Admiralty was represented at that meeting. Admiralty is preparing formal claims in the bankruptcy relating to monies owed and owing in the future by VIC to Admiralty in respect of royalties. The meeting disclosed that a proposal to rent the VIC concessions had been received by the trustee from a third party. A second meeting of creditors has been called for 6 November 2014 to consider that proposal. After the first meeting of creditors Admiralty engaged in discussion with the third party, which is continuing.

## Annual General Meeting

The company has advised that its Annual General Meeting will be held on Friday 28 November 2014, 2 pm at the offices of the Institute of Chartered Accountants, The King Room, Level 1, 33 Erskine Street Sydney.

## Payment of Royalties under Wyndham Agreement

Admiralty Resources NL has been advised 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 an agreement with 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 has been in discussions with Wyndham and has reached an 'in principle' understanding to settle the matter on the following terms, although no binding settlement agreement has yet been executed by the parties.

The terms are that Admiralty will pay Wyndham \$US500,000 in exchange for Wyndham transferring its royalty rights in respect of VIC to Admiralty. Wyndham will release any encumbrances over mining tenements held by Admiralty; however, encumbrances over mining tenements held by VIC will remain in force.

Vic has since being placed into Liquidation and it is uncertain how this will impact on negotiations with Wyndham. The Board seeking advise in regard these new developments and will advise the market in due course.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Zhong', with a stylized flourish at the end.

**Qing Zhong**  
CEO/Managing Director  
31 October 2014



## About Admiralty

Admiralty Resources NL (ASX: ADY) is a public diversified mineral exploration company listed on the Australian Securities Exchange with mineral interests in Chile and in Australia.

Admiralty's flagship projects are the iron ore districts in Chile: Harper South (2,498 Ha), Pampa Tololo (3,455 Ha) and El Cojin (600 Ha). The districts are located in prime locations, with close and easy access to the Pan-American Highway (a major route), a railway and power line and operating shipping ports.

Admiralty's projects in Australia are the Bulman Project, a lead and zinc project located in the Northern Territory and the Pyke Hill Project, a cobalt and nickel project in Western Australia, whose mining lease is 50% owned by Admiralty.

### Admiralty in Chile

The **Harper South district** ("Harper South") is the most advanced district in respect to exploration. To date, six targets have been confirmed as carriers of iron mineralisation: Mariposa, La Chulula, Soberana, Negrita, La Vaca and Mal Pelo.

- **Mariposa** has a JORC 2004 compliant resource of 174.5 Mt (*as per ASX announcement on 25/1/2013*). An engineering mine plan (or Prefeasibility Study) for an initial production of one million tonnes of finished product per annum has been commissioned to Redco Mining Engineers and final reports are expected in March 2014.
- **La Chulula.** A high resolution ground magnetic survey carried out in 2011 showed it as the deposit with highest susceptibility and depth within Harper South. Since then, a 600m diamond test drill hole was sunk in February 2012 and three reverse circulation drilling campaigns totalling 8,262m have been conducted since then. A revised resource statement is expected in the March 2014 quarter.
- **Soberana** has a JORC 2004 compliant resource of 90.2 Mt (*as per ASX announcement on 15/1/2013*).

The **Pampa Tololo district.** A high resolution ground magnetic survey carried out in 2011 identified three targets: Cochrane, O'Brien and Simpson. A reverse circulation drilling campaign of 3,311m took place at Simpson in July/August 2012. The results of this campaign are currently being evaluated by the Company.

**El Cojin district.** It is the least advanced of the Admiralty's projects in Chile, with the first piece of exploration work being a high resolution ground magnetic survey carried out in 2012. The survey identified 5 targets in total with 3 of them showing great depth and high susceptibility.

### Admiralty in Australia

#### Bulman Project

The Bulman Project is located within Arnhem Land, approximately 320km northeast of Katherine, in the NT and it comprises two exploration licences and two mineral leases. Two small drilling campaigns have identified lead-zinc mineralisation in a geological setting similar to other Australian lead-zinc deposits at Mt Isa and McArthur River.

#### Pyke Hill Project

The Pyke Hill Project comprises a single granted Mining Lease which covers an area of 5.37km<sup>2</sup> and it 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 and it is 50% owned by Admiralty and it is leased to Cougar Metals NL (ASX: CGM).

### ***Issued capital***

959,576,495 shares (as of 30 September 2014)

*746,600,539 shares (previous quarter)*

Top 20 shareholders: 74.11% (as of 30 September 2014)

*Top 20 shareholders: 69.016% (previous quarter)*

Directors' holdings: 19.95% (as of 30 September 2014)

*Directors' holdings: 16.72% (previous quarter)*

### ***Board***

#### **Chairman**

Ms Aiping Wang

#### **Managing Director**

Ms Qing Zhong

#### **Non-executive Directors**

Mr Scott Bennison

Mr Alan Beasley

Mr Hanrui Zhong

Mr Bin Li

#### **Company Secretary**

Mr Jarrod White

### ***Contact***

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## Schedule of Mining Tenements

<i>Tenement Reference</i>	<i>Registered Holder</i>	<i>Country</i>	<i>Project Group</i>
M39/159 (50%)	Pyke Hill Resources Pty Ltd	Australia	Pyke Hill
MLN 726	Bulman Resources Pty Ltd	Australia	Bulman
MLN 727	Bulman Resources Pty Ltd	Australia	Bulman
EL 25931	Bulman Resources Pty Ltd	Australia	Bulman
EL 23814	Bulman Resources Pty Ltd	Australia	Bulman
<b>HARPER SOUTH</b>			
Negrita 1-4	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Negrita Group
Leo Doce, 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Negrita Group
Soberana 1-5	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Soberana Group
Phil Cuatro, 1-16	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Soberana Group
Leo 101, 1-30	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Soberana Group
Leo Cinco, 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Seis, 1-58	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Ocho, 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Nueve. 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Diez, 1-40	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Once, 1-40	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
Leo Trece, 1-60	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Mariposa Group
<b>OTHER SECTORS</b>			
Pampa Tololo 1-2475	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Pampa Tololo Group
Cerro Varilla 1-732	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Pampa Tololo Group
Leo 14, 1-40	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements
Leo 105	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements
Leo 106	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements
Leo 107	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements
Mal Pelo	Admiralty Minerals Chile Pty Ltd Agencia en Chile	Chile	Other Tenements

### Mining Tenements - Other Information

- There have been no mining tenements purchased during the quarter.
- There are no farm-in or farm-out agreements.

### Competent Person's Statement of Llyle Sawyer

The information in this report that relates to Exploration Results is based on information compiled by Mr Llyle Sawyer, who is a Member of the Australian Institute of Geoscientists.

Mr Sawyer is employed by Geos Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Sawyer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

A handwritten signature in black ink, appearing to read 'Llyle Sawyer', is displayed on a light gray background.

**Mr Llyle Sawyer, Geos Mining**