



NEWS RELEASE

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VALLENAR IRON'S CLAIMS AGAINST BESALCO'S UNDERPERFORMANCE

The Company makes the following announcement with regard to its 60% owned Chilean subsidiary, Vallenar Iron Company ("**Vallenar Iron**").

On March 12, 2008, Vallenar Iron and Besalco Maquinarias S.A. ("**Besalco**") entered into an arbitration process in Chile and on June 13, 2008, Vallenar Iron filed a legal writ against Besalco for breach of contract and seeking a financial indemnity in favor of Vallenar Iron in the amount of US \$ 83,000,000 for lost production for the period from February to May 31, 2008. The arbitration process with Besalco is currently ongoing.

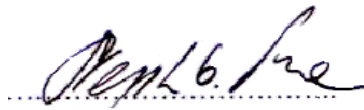
On November 6, 2008, Besalco, the primary mine services contractor that executes mining and mineral processing operations at Vallenar Iron's Japonesa open pit iron mine, made a unilateral decision to suspend all of its operations as a result of non-payment by Vallenar Iron of Besalco's September 2008 invoice. The legally valid contracts that are currently in place between Vallenar Iron and Besalco do not permit the latter party to unilaterally suspend or cease operations at the Japonesa mine.

The existing and legally binding contracts between Vallenar Iron and Besalco require the latter party to produce 6,500,000 tonnes of iron fines within a sixty five month period commencing in February 2007. To date, Besalco has produced 486,615 tonnes of iron fines and if Besalco does not increase its current year 2008 monthly average production of 23,172 tonnes of iron fines per month, it is estimated that it will take 23.4 years for Besalco to meet its contractual obligation to achieve the target of 6,500,000 tonnes of iron fines.

Negotiations carried out this year between Vallenar Iron and Besalco focused on encouraging Besalco to meet its contractual obligations under the existing contracts have not been successful. In spite of the fact that the existing contracts do have a price re-adjustment factor for inflation in favor of Besalco demands for further price increases have been continuously made by Besalco upon Vallenar Iron. The existing contracts between the parties were signed by Mr. Leonardo Farkas, the then Chairman of the Board of Directors of Minera Santa Barbara (now Vallenar iron) and the General Manager of Besalco.

Vallenar Iron has informed Besalco and the Judge Arbitrator presiding over the arbitration process that Vallenar Iron will be filing an additional legal writ covering the period from June 1, 2008 onwards and in the writ Vallenar Iron Company will be presenting a further demand for financial indemnity for loss of production.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Stephen C. Prior", is written over a horizontal dotted line.

Stephen C. Prior
Company Secretary

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