

Quarterly Activities Report

for the quarter ended
31 December 2012



Admiralty Resources NL (ASX: ADY) is pleased to report its activities for the December 2012 quarter on the Company's mineral projects in Chile and Australia.

Highlights

- **Soberana:** Maiden Inferred Resource of 90.2 Mt at 24.5% Fe, at a cut-off grade of 15% Fe.
- **Soberana:** Environmental Impact Declaration submitted.
- **Mariposa:** Resource Upgrade to 174.5 Mt at 24.5% Fe, at a cut-off grade of 15% Fe.
- Total Resources for Harper South (Mariposa & Soberana) trebled during the quarter, at a cut-off grade of 15% Fe.
- Total Resources now 264.7 Mt at 24.5% Fe, at a cut-off grade of 15% Fe, from 87.9 Mt at 23.3% Fe.
- **Mariposa & Soberana:** Final work is being performed on the Pre-Feasibility Study and Scoping Study respectively, with results expected during the March quarter.
- A total of 5,204m of RC drilling were completed at **La Chulula** (Harper South) during September-October 2012 and December 2012-January 2013.
- \$1,668,000 was spent in exploration and evaluation. An exploration budget of \$500,000 has been allowed for the March quarter.
- The quarter ended with cash on hand of \$2,426,000 (previous quarter: \$4,633,000).

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ADMIRALTY RESOURCES

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 projects on Admiralty’s exploration pipeline being Mariposa, Soberana and La Chulula.



Location map showing Admiralty's main projects location.

Mariposa

Updated Resource Statement

Subsequent to the quarter ending, Admiralty announced that Redco Mining Engineers (“Redco”) updated the JORC Mineral Resource estimate for its Mariposa Project.

The Mariposa resource update is a result of the new information obtained from the 3,040m diamond drilling campaign completed earlier in 2012 and the additional chemical and metallurgical analysis performed during 2012 on the following variables: Total Iron (FeT), Magnetic Iron (FeMag) and Davis Tube Weight Recovery (RDTT).

The updated Mineral Resource Statement quantifies the resources at Mariposa at 174.5 Mt at 24.5% Fe at a cut-off grade of 15% Fe in the Measured, Indicated and Inferred categories as follows¹:

Cut-off grade FeT %	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)	Average FeT (%)	Average FeMag (%)
15	43.4	7.6	123.5	174.5	24.5	18.0

¹ Refer to ASX announcement from 25 January 2013 for full details of the updated resource estimation.

The updated Resource Statement has doubled the total mineral resources previously defined by SRK Consulting Chile S.A. for Mariposa (as per ASX announcement on 2/9/2009) from 87.8 Mt at 23.3% Fe to 174.5 Mt at 24.5% Fe, at a cut-off grade of 15% Fe. If considering a cut-off grade of 10% Fe, which was the previously adopted cut-off grade, the total resources for Mariposa have trebled, increasing from 168.4 Mt to 513.4 Mt.

The JORC-compliant updated Resource Statement has been highlighted using a cut-off grade of 15% Fe in accordance with management's assessment of the economically viable production of magnetite through a dry magnetic separation process.

In addition to the increase in the total resources for Mariposa, this updated Resource Evaluation has recorded a maiden Measured Resource of 43.4 Mt and has measured the magnetic iron content of the resource, which is a crucial aspect for the plant design and equipment selection for a dry magnetic separation process.

Redco's report has also delivered an updated geological model of Mariposa (refer to Figure 1), where four rock types have been identified:

- *Disseminated Magnetite* (total iron grade below 40%, mean 12%; magnetic iron grade below 32%, mean 10%);
- *Magnetite in Veins* (total iron grade below 60%, mean 30%; magnetic iron grade below 55%, mean 25%) in a *Waste* matrix (andesite); and
- Subvertical Veins of *Massive Magnetite* (total iron grade below 64%, mean 46%; magnetic iron grade below 58%, mean 43%) covered by *Disseminated Magnetite* and Magnetite in a stockwork shape.
- *Waste*.

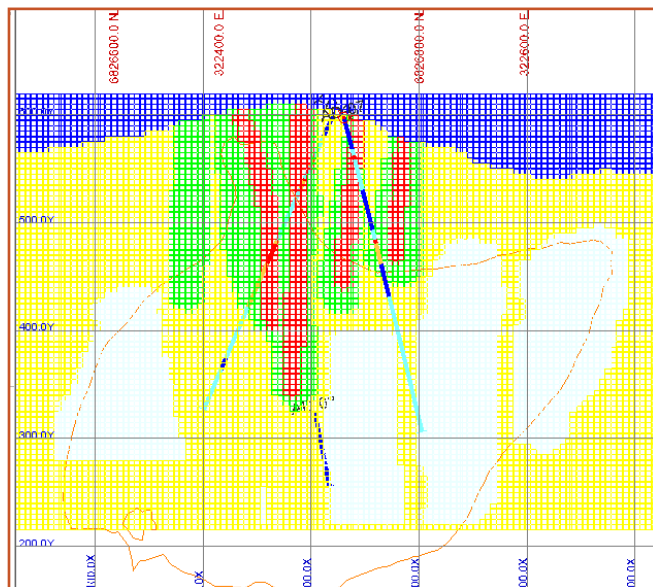


Figure 1: Vertical section of the Mariposa geological model where:

- The blue blocks represent the air;
- The light blue blocks (sub-vertical Magnetite in Veins rock type) are pre-conceived such as inferred resources;
- The green blocks represent sub-vertical Magnetite in Veins rock type which can be inferred, indicated or measured;
- The red blocks represent the Massive Magnetite rock type;
- The yellow blocks represent the Disseminated Magnetite rock type; and
- The orange line represents the boundary of the magnetic susceptibility at 0.6 S.I. units.

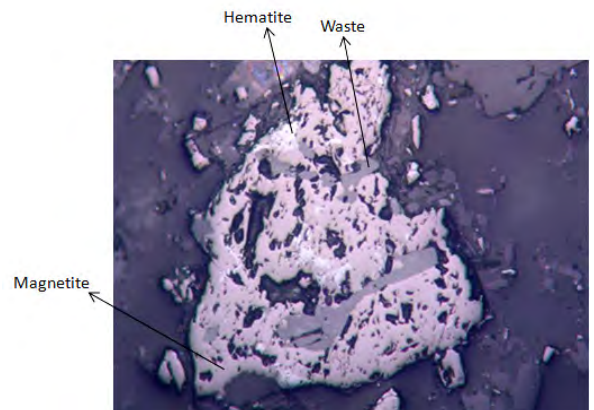


Figure 2: Laboratory image of mineralogical analysis of Mariposa sample showing Magnetite (490 microns) with Waste and Hematite [Guarachi Laboratory].

Pre-Feasibility Study (PFS)

Redco is in the final stages of completing the PFS on Mariposa. During the quarter, they have focussed on finalising the updated resource statement as reported above, the mine plan, the processing of the ore, equipment sourcing and mine operations.

Redco has provided a preliminary draft of the PFS, which is currently being refined. It is expected that the final complete PFS report will be released during the March quarter.

The report will include a maiden reserve statement for Mariposa.

Soberana

Background

Management is currently evaluating the commissioning of a small scale production from Soberana in order to provide Admiralty with its first income stream from the Harper South district, taking advantage of the prime geographical location: 7km from a main highway, 6km from a railway line and 20 km from the township of Vallenar, which is approximately 50 km from the coast.

Maiden Resource Statement

Subsequent to the quarter end, Admiralty announced a maiden inferred mineral resource estimate at Soberana of 90.2 Mt at 24.5% Fe (at a cut-off grade of 15% Fe)², prepared by Redco in accordance with the guidelines of the JORC Code (2004) and is as follows:

Cut-off grade FeT %	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)	Average FeT (%)
15	-	-	90.2	90.2	24.5

Redco prepared the mineral resource estimation for Soberana based on the following data:

1. Topography study performed in October 2011;
2. Results of the high-resolution ground magnetic survey;
3. 684m reverse circulation drilling campaign;
4. Mineralogical testing of drilling samples; and
5. Resource model construction.



Figure 3: Finished product out of Soberana from live testing, undertaken at Minera MACS S.A., a local Chilean minor iron ore producer, in July 2012.

² Refer to ASX announcement from 15 January 2013 for full details of the updated resource estimation.

The Soberana resource estimation confirmed the consistent nature of the iron mineralisation within Harper South and highlights the Company's potential to increase its resource base beyond the currently stated JORC compliant total resources for Harper South, which currently stand as follows:

Cut-off grade FeT %	Mariposa Resources ^(a)		Soberana Resources ^(b)		Total Resources	
	Tonnage (Mt)	FeT (%)	Tonnage (Mt)	FeT (%)	Tonnage (Mt)	FeT (%)
15	174.5	24.5	90.2	24.5	264.7	24.5
<small>(a) Expressed in Measured, Indicated and Inferred Resources (refer to ASX announcement on 25 January 2013). (b) Expressed in Inferred Resources (refer to ASX announcement on 15 January 2013).</small>						

Submission of Environmental Impact Declaration - Soberana

Subsequent to the quarter ending, Admiralty submitted an Environmental Impact Declaration (*Declaración de Impacto Ambiental in Spanish*) (“**DIA**”) for its Soberana Iron Project in Chile with the Servicio de Evaluación Medioambiental (“**SEA**”).

The DIA is a compulsory step required by the Chilean Environmental Authority to assess the environmental impact of mining operations. An archaeological study, a flora and fauna study and an environmental management plan have been completed, applying industry best practice to ensure that any potential impacts are minimal and confined to the smallest possible area.

The scope of the DIA is to assess an open pit production of up to 540,000 tonnes per annum in lumps and/or fines of iron ore with an average 62-64% Fe through a dry magnetic separation process.

The lodgement of the DIA is the natural step following the exploration activities that took place in Soberana during 2012 and Admiralty expects that SEA's assessment of the project will be handed out in the June Quarter 2013. In the meantime, management aims to continue its discussions with equipment suppliers and mining operators in order to fast-track the evaluation of small-scale production in 2013.

Scoping Study - Soberana

Redco is in the final stages of completing the Scoping Study on Soberana. During the quarter, they have focussed on preparing the maiden resource statement, assisting with the documentation for the DIA as referred above and finalising the mine production plan & costing.

It is expected that the Scoping Study report will be completed during the March quarter.

La Chulula

Background

La Chulula was marked as a high priority target for Admiralty following the results of the 3-D inversion and interpretation of the results of the high-resolution ground magnetic survey undertaken in 2011, which showed La Chulula as the ore body with highest susceptibility and depth within Harper South.

These results were followed up by a 600m diamond drilling test hole in February 2012 and a 2,748m maiden reverse circulation (“RC”) drilling campaign in June-July 2012.

5,204m of Reverse Circulation (RC) drilling programmes

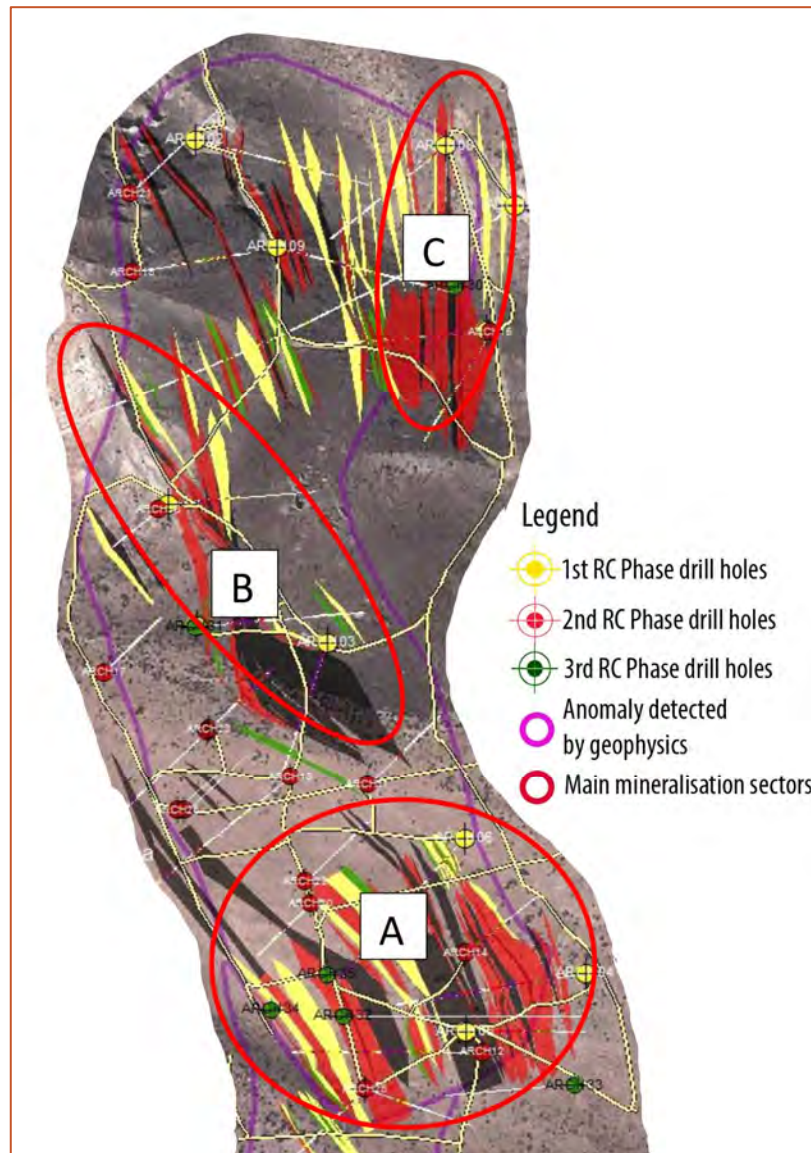
A second RC drilling campaign of 3,772m covering 16 holes between 150m-314m depth was completed during September and October 2012, with further samples from this campaign being selected and sent for assaying.

A third 1,432m RC campaign covering 6 holes between 130-342m depth took place in December 2012-January 2013. The purpose of this campaign was to do infill drilling in non-covered areas or areas of interest and test the depth of the ore body.

The data gathered from three campaigns is currently being consolidated in order to construct the geological model of the sectors A, B and C of the ore body (refer to Figure 4).

A maiden mineral resource statement has been commissioned and is expected during the March quarter.

Figure 4: Delineation of the La Chulula magnetic susceptibility image with the location of all drill holes sunk to date.



Negrita, La Vaca & Mal Pelo

These targets were subject to high-resolution ground magnetic survey in August 2011 and February 2012. However, no further work has been carried out since then.

Pampa Tololo District

Background

Pampa Tololo District covers 3,455 hectares and is located north of Vallenar, Chile, 200m across from Los Colorados, one of the most successful iron mines in Chile, owned by the largest iron producer in the area, Compañía Minera del Pacífico (“CMP”).

Admiralty completed a high resolution ground magnetic survey over the Pampa Tololo concessions in September 2011. The results and 3-D inversion of the survey revealed three distinct iron targets: Cochrane, O’Brien and Simpson.

Simpson is the most important target in relation to size and susceptibility: 800m in diameter, located at a depth of 200-250m and exhibiting magnetic susceptibility of approximately 0.5 S.I. units.

Reverse circulation drilling programme at Simpson

A RC drilling campaign consisting of 3,253m, distributed in 7 holes was completed at Simpson in July and August 2012, heralding the first drilling undertaken at the Pampa Tololo district since Admiralty acquired the concessions in 2007.

Management is currently assessing the initial geological model produced from the results of the geological mapping and laboratory results.

No further activities have been undertaken during this quarter.

El Cojin District

Background

El Cojin District covers 647 hectares and makes up 10% of Admiralty’s mineral tenure in Chile. The district is located 43km south of the township of Vallenar and 8km from El Algarrobo, an iron ore mine owned by CMP, which supplies pre-concentrates to CMP’s iron pellet plant in the port of Huasco (*refer to Figure 5 for location*).



Figure 5: Geographical location of El Cojin District, 90 km from the ports in the Huasco area.

Admiralty completed a high resolution ground magnetic survey over El Cojin in March 2012. The results and 3-D inversion of the survey confirmed iron targets: C1, C2, C3, C4 and C5 exhibiting susceptibility values of up to 0.90 S.I. units and depths up to 750m.

Activities during the quarter

An internal road network of approximately 10.50 km was built during the quarter in order to pave the way for future exploration.

El Cojin had some access roads in the north of its concessions. Hence, it was required to build a road network that allowed access to areas of geological interest which could accommodate drilling platforms.

The Company's external geologist has also designed a 10-hole drilling programme (*refer to Figure 6*) and is currently working on determining the azimuth, angle and length of each of the holes.

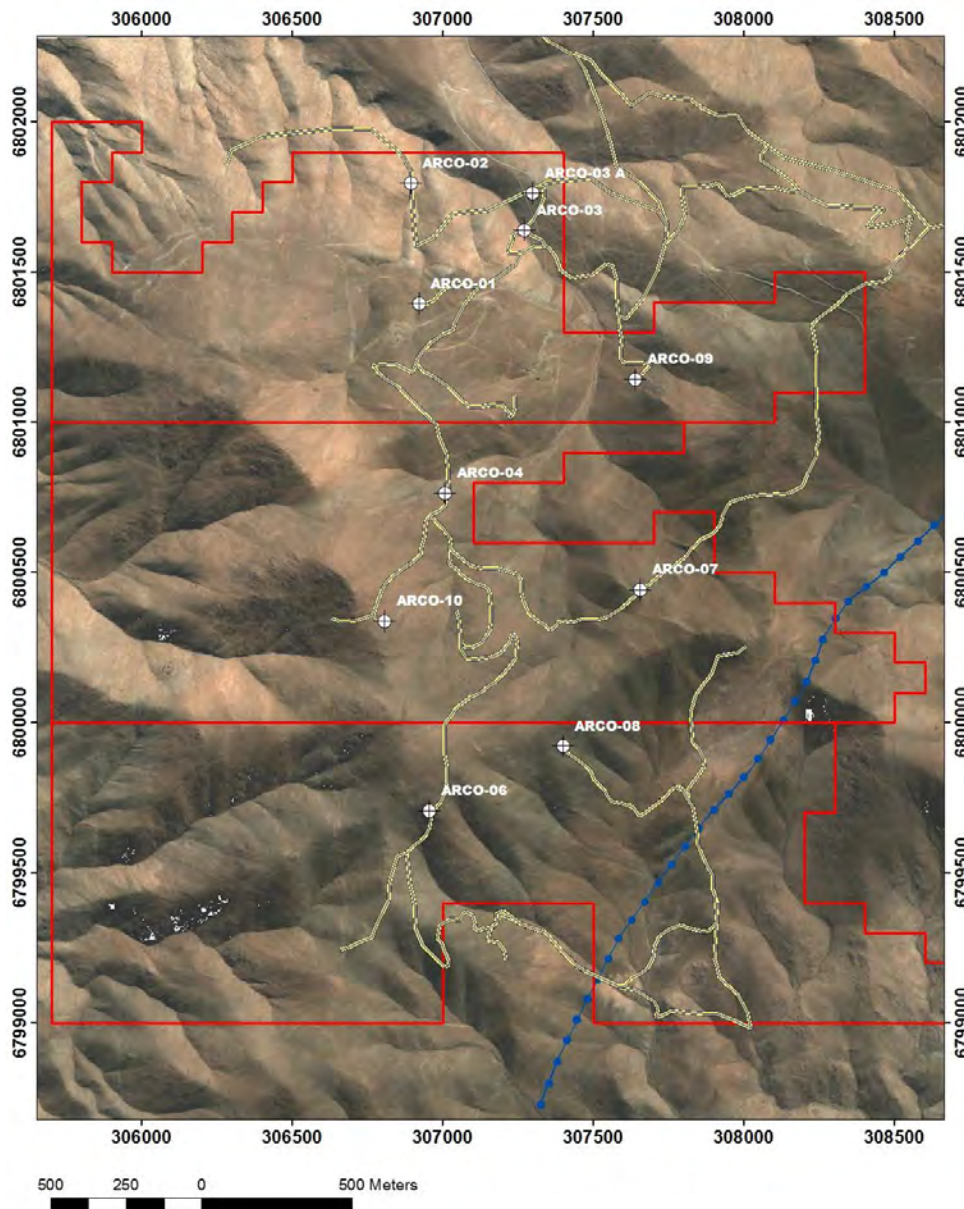


Figure 6: Boundaries of El Cojin district, made out of 3 mineral concessions, showing the total road network and location of future drill holes.

Bulman Resources Pty Ltd (“Bulman”), Northern Territory

The following exploration programme (refer to *Figure 5* for working areas) for Admiralty’s lead and zinc Bulman Project in the Northern Territory (“NT”) took place during the September quarter:

- Geological mapping, rock chip and soil sampling;
- Access track preparation;
- Ground based electromagnetic (“EM”) surveying of selected anomalies; and
- 1,000m of RC drilling. The programme focussed on promising lead and zinc (“Pb-Zn”) target areas where a thicker sedimentary sequence and deeper dolerite contact was detected by the airborne electromagnetic (“AEM”) survey.

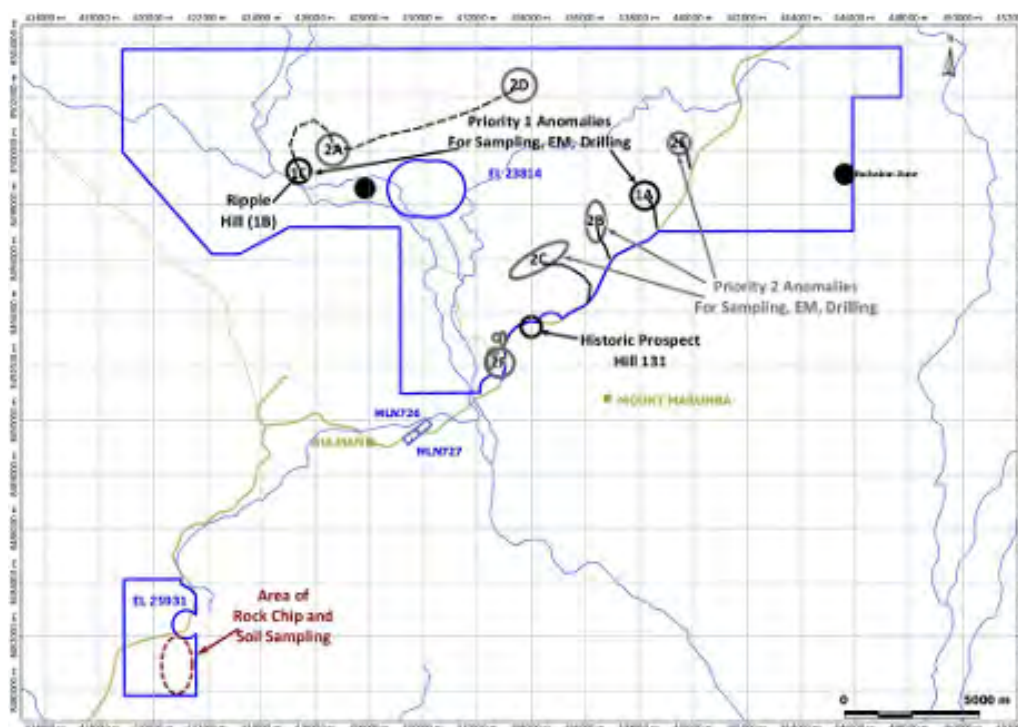


Figure 5: Map showing where the different exploration activities will be taking place within the mineral interests in the Bulman Project: exploration licences EL23814 (top) and EL25931.

The results of the programme have been delayed due to the unavailability of a suitable geological firm to interpret them in addition to the recent holiday period. They are expected to be received during the March quarter.

Pyke Hill Resources Pty Ltd (“Pyke Hill”), Western Australia

No activity took place during the quarter other than ongoing discussions with Cougar Metals NL, the tenant in respect of mineral rights, and Richore Pty Ltd, holder of 50% of the tenement, to facilitate a favourable commercial outcome for all parties that allow the exploitation of the asset.

Corporate

Strengthening of the partnership with Sino Investment & Holding Pty Ltd (“Sino Investment”)

In December 2012, Mrs Qing Zhong was appointed as an Alternate Director for Dr Shaoqing Li.

Mrs Zhong is a director of Sino Investment, a substantial shareholder and cornerstone investor of Admiralty. Her appointment heralds even closer communication between Admiralty and Sino Investment.

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 million 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\$1m 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.

Outline for the March Quarter

Exploration

1. **Exploration budget:** \$500,000.
2. **Mariposa**
 - Completion and release of the Pre-Feasibility Study, including a Maiden Reserve Statement.
 - Continue discussions for plant construction and operation with third parties.
3. **Soberana**
 - Completion and release of the Early Mine Production Study.
 - Continue discussions for plant construction and operation by third parties.
 - Monitor of Environmental Impact Declaration's (DIA) progress.
4. **La Chulula**
 - Create geological model based on geological mapping and laboratory results collected during the drilling campaigns carried out in 2012.
 - Release of a Maiden Resource Statement.
5. **Bulman**
 - Receipt of the results of the ground magnetic survey, soil and rock sampling and 1,000m of RC drilling.
 - Assessment of the results and the economic viability of the Bulman Project.

Corporate

6. Australis

Management and the Board will continue discussions with Australis/VIC in the hope of achieving a sensible commercial outcome.

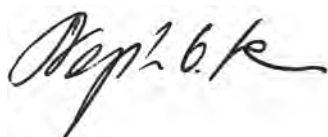
In the meantime, legal proceedings for the recovery of the monies owed and possible recovery of VIC's assets will continue.

7. Financing

The Company will receive in Chile several Chinese parties interested in exploring possible development opportunities, in conjunction with Admiralty.

The Company is also exploring finance options in Australia.

Yours faithfully,



Stephen C. Prior
Managing Director
31 January 2013

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 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 early 2013.
- **La Chulula**. A high resolution ground magnetic survey carried out in 2011 showed it as the ore body 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 resource statement is expected in the March 2013 quarter.
- **Soberana** has a JORC compliant resource of 90.2 Mt (*as per ASX announcement on 15/1/2013*) and the Company is evaluating the commissioning of a small scale production from this target in 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. A mine management plan following up on the targets identified by the 2011 airborne electromagnetic survey has been completed recently and results are expected in the March quarter.

Pyke Hill Project

The Pyke Hill Project comprises a single granted Mining Lease which covers an area of 5.37km² 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 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

727,822,759 shares (as of 31 December 2012)

727,822,759 shares (previous quarter)

Top 20 shareholders: 65.64% (as of 31 December 2012)

Top 20 shareholders: 65.76% (previous quarter)

Directors' holdings: 15.46% (as of 31 December 2012)

Directors' holdings: 15.39% (previous quarter)

Board

Chairman

Professor J. Ross Harper

Managing Director

Mr Stephen C. Prior

Non-executive Directors

Mr Michael Perry

Dr. Shaoqing Li

Mrs Qing Zhong (*Alternate*)

Mr Hanjing Xu

Company Secretary

Patrick Rossi

Contact

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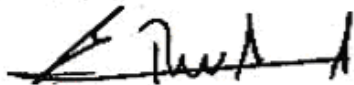
Website: www.ady.com.au

Competent Person's Statement

The information in this report that relates to Mineral Resources is based upon information prepared, compiled and reviewed by Dr Enrique Rubio-Esquivel, M.Sc, PhD from the University of British Columbia (Canada), who is a Member of the Australasian Institute of Mining and Metallurgy.

Dr Rubio is a full time employee of INGENIERÍA REDCO LIMITADA 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".

Dr Rubio-Esquivel consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Dr Enrique Rubio-Esquivel, PhD, General Manager of REDCO Mining Consultants
#308955 (AusImm)