

Iron target confirmed at the Negrita Prospect by high resolution ground magnetic survey

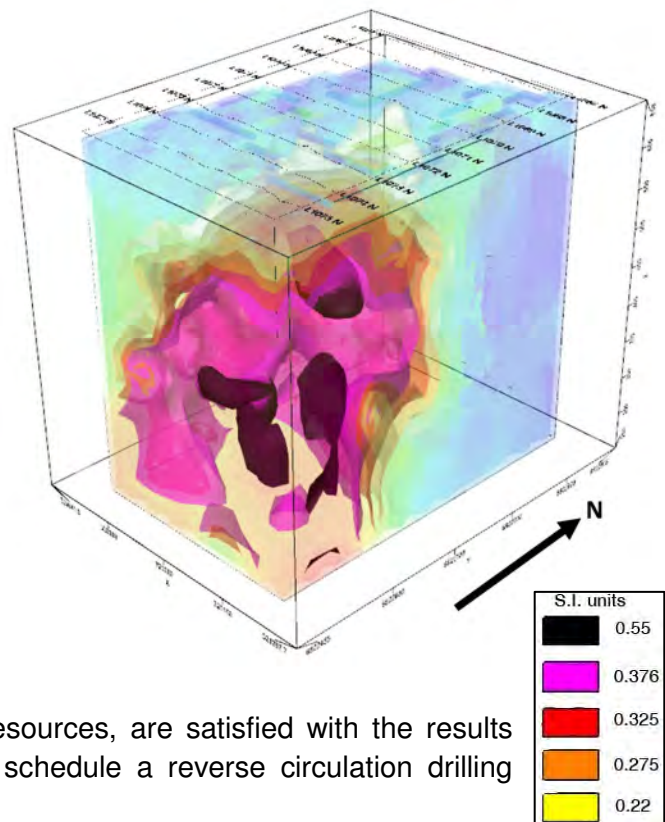
Admiralty Resources NL ("**Admiralty**" or "**the Company**") has received very positive results from a high resolution ground magnetic survey performed over the Negrita Prospect, within the Harper South District.

The survey consisted of 21 lines of between 400 and 460 metres length, spaced at 50 metres ("**m**") apart covering an area of 2.5 km and it was performed in two phases in August 2011 and February/March 2012.

The survey, undertaken by Quantec Geoscience Chile Limitada ("**Quantec**"), was performed in order to identify structural trends and detect magnetite style mineralisation.

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:

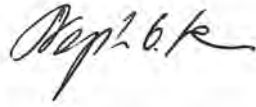
- **Upper area** – an oval shape zone registering high susceptibility levels greater than 0.55 S.I. units. It runs from the northwest to the southeast in the northern part of the grid, it measures approximately 75m x 50m x 100m at 490m elevation.
- **Joining area** – this is a weaker zone of susceptibility 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.



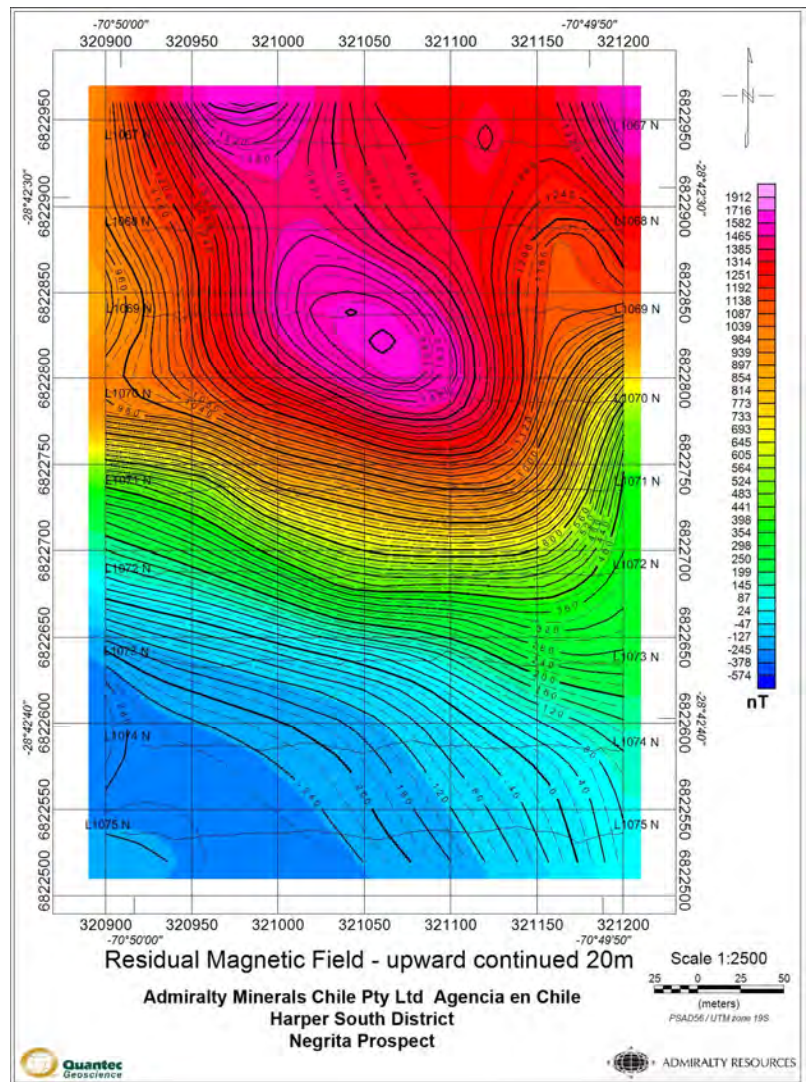
Our external geological consultants, Goldberg Resources, are satisfied with the results obtained and will review the results in order to schedule a reverse circulation drilling programme, likely to occur in 2013.

The full report is attached to this announcement.

Yours faithfully,
ADMIRALTY RESOURCES NL
PER:



Stephen C. Prior
 Managing Director



About Harper South

The Harper South district ("Harper South") lies 15 km south west of the city of Vallenar in Region III of Chile. It covers an area of 2,498 hectares, divided in 14 exploitation concessions and where exploration work to date has identified seven anomalous targets: Mariposa, La Chulula, Soberana, Media Soberana, Negrita, La Vaca and Mal Pelo, with Mariposa and La Chulula being the most prominent targets.

Mariposa is the most developed target and it has a JORC compliant resource statement. An engineering mine plan to produce one million tonnes of finished product per annum has been commissioned to Redco Mining Engineers. As part of this plan, a diamond drilling campaign has recently been conducted and an updated resource statement is expected this quarter.

A high resolution ground magnetic survey carried out in September 2011 showed La Chulula as the ore body with highest susceptibility and depth. A 600m test drill hole has been carried out at the La Chulula and a reverse circulation drilling campaign is currently being designed.

About Admiralty Resources NL

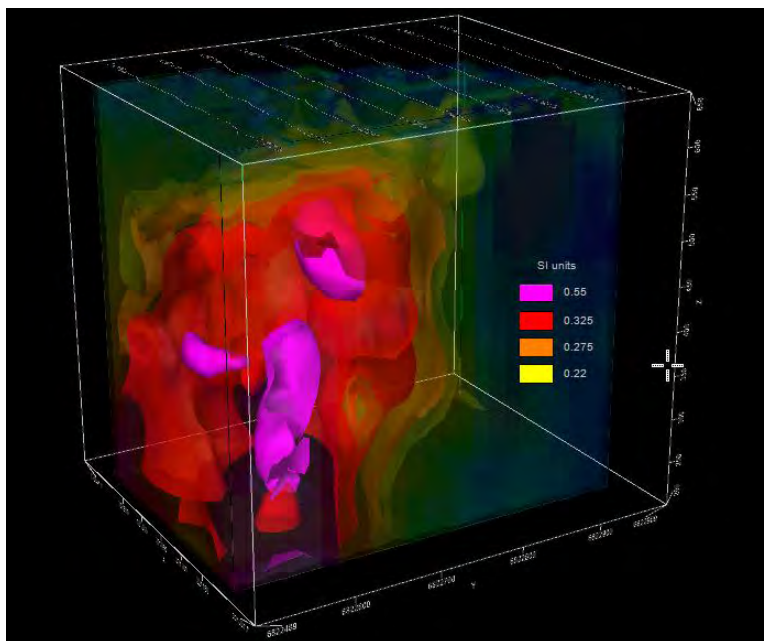
Admiralty Resources NL is a public diversified mineral exploration company listed in the Australian Securities Exchange (ASX: ADY) with mineral interests in Chile and in Australia.

Admiralty's flagship projects are the iron ore districts in Chile: Harper South (2,498 Ha) and Pampa Tololo (3,455 Ha) and Leo Sur (600 Ha).

The districts are located in prime locations, with close and easy access to the Panamerican Highway (a major route), a railway line and operating shipping ports.

Admiralty projects in Australia are the Bulman project, a zinc and lead prospect located in the Northern Territory and the Pyke Hill project, a cobalt and lead project in which Admiralty owns 50% of the mining lease.

QUANTEC GEOSCIENCE LTD
3D MAGNETIC INVERSION REPORT
HARPER SOUTH DISTRICT - NEGRITA PROSPECT
(CHILE)
ON BEHALF OF
ADMIRALTY MINERALS CHILE PTY LTD
AGENCIA EN CHILE



EXECUTIVE SUMMARY

INTRODUCTION

This report presents a 2.5 line kilometre block of data extracted from the 3D inversion results of the ground magnetic survey carried out during August 2011 (Phase I), and February-March, 2012 (Phase II) over the Negrita Prospect, in the Harper South District, on behalf of Admiralty Minerals Chile Pty. Ltd Agencia en Chile.

The first phase of the ground magnetic survey within the Negrita Prospect zone delineated some anomalies that were followed up as potential targets in the second phase.

The extracted ground magnetic survey data within the Negrita Prospect zone has delineated a gradient of the amplitude of the magnetic field from the northwest to the southeast, and one region of high magnetic intensity in the south of the grid.

This report discusses 2.5 line kilometres of data collected on nine survey lines in February-March 2012. These data have been extracted from 3D inversion results of Negrita Prospect magnetic data created from a survey block consisting of twelve east-west trending lines of four hundred metres length spaced fifty metres apart with samples every ten metres collected during phase I, and the additional nine east-west trending lines of four hundred sixty metres length spaced at fifty metres were collected during phase II using a walking magnetometer which samples magnetic field and GPS position at 1Hz. A hand held Garmin GPS unit was used to collect positioning information at each station. A magnetic base station was used to correct for diurnal magnetic variations.

SURVEY OBJECTIVES

The purpose of the ground magnetic survey within the Negrita Prospect, Harper South District, was to identify structural trends and detect and define magnetite style mineralization and alteration patterns.

RESULTS

The ground magnetic survey carried out within the Negrita Prospect was successful at detecting strong positive and negative anomalous patterns. The 3D inversion results obtained with the MAG3D UBC code highlighted one zone of anomalously high magnetic susceptibility.

The zone designated as **Negrita** is comprised of two oval shaped zones of higher susceptibility (>0.55 SI) that sit one almost atop the other and are joined by a weaker zone of susceptibility that is between 0.4 and 0.5 SI forming a dumbbell shape. The upper end of the dumbbell is modelled to be an oval shape approximately 75m by 50m by 100m centred close to 321090E and 6822680N and 490m elevation. The lower end of the dumbbell is modelled to be oval shaped and approximately 50m by 25m by 50m. It is centred close to 321010E and 6822650N at an elevation of 200m. The zone of susceptibility that joins them is modelled to be between 0.4 and 0.5 SI and is most clearly seen in Figure 2-6 L1072N.

It is recommended that the results of this survey and any other geophysical and geological and structural information be integrated to create a subsurface model that will provide a focus for further exploration to locate potential economic mineralization.

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1 INTRODUCTION

This report presents a 2.5 line kilometre block of data extracted from the 3D inversion results of the ground magnetic survey carried out during August 2011 (Phase I), and February-March, 2012 (Phase II) over the Negrita Prospect, in the Harper South District, on behalf of Admiralty Minerals Chile Pty. Ltd Agencia en Chile.

The extracted ground magnetic survey data within the Negrita Prospect zone has delineated a gradient of the amplitude of the magnetic field from the northwest to the southeast, and one region of high magnetic intensity in the south of the grid.

Raw data of the logistics and geophysical reports have been previously submitted to Admiralty Minerals Chile Pty. Ltd Agencia en Chile shortly after the completion of each of the surveys.

This report reflects the results of the 3D magnetic inversion performed with 3D UBC magnetic inversion code¹ developed by UBC-GIF. The results are presented as horizontal depth slices at different elevations, vertical sections and iso-surfaces of susceptibility solid model at different calculated susceptibility values.

1.1 SURVEY OBJECTIVES

The purpose of the ground magnetic survey within the Negrita Prospect, Harper South District, are the identification of structural trends and the detection and definition of magnetite style mineralization and alteration patterns.

The Negrita Prospect is located south of the magnetic equator where the geomagnetic field has an inclination of $\approx -28.02^\circ$, a declination of $\approx 0.33^\circ$ and average amplitude of 23587.5 nT.

The ground magnetic survey should provide an excellent means of delineating highly magnetic mineralization including magnetite and other magnetic minerals. In addition the ground magnetic survey can be used as a mapping tool for mapping geological contacts and mafic and ultramafic intrusive bodies where they can be differentiated by magnetic response.

1.2 GENERAL SURVEY INFORMATION

Quantec Project No.:	CH00697C
Client:	Admiralty Minerals Chile Pty. Ltd Agencia en Chile
Client Address:	Padre Mariano 87, Oficina 101 Providencia, Santiago Chile
Client representative:	Claudio Ferrada V.
Project Name:	Negrita Prospect (within Harper South District)
Survey Type:	Ground Magnetics
Project Survey Period:	August 2011 & February-March 2012
General Location:	Approximately 17 km southwest of Vallenar

¹ MAG3D ver.4.0

Province	Atacama Region
District	Harper South
Nearest Settlement:	Vallenar
Datum & Projection:	PSAD56 UTM Zone 19J
Latitude & Longitude:	Approx. 070°48'56"W, 28°40'17"S
UTM position:	Approx. 322802m E, 6826486m N
Number of lines Surveyed	21



Figure 1-1: Negrita Prospect Location with Harper South District blocks^{2,3}.

² Image downloaded from Google Earth™, 2012/05/02

³ Block boundaries provided by Admiralty Resources NL

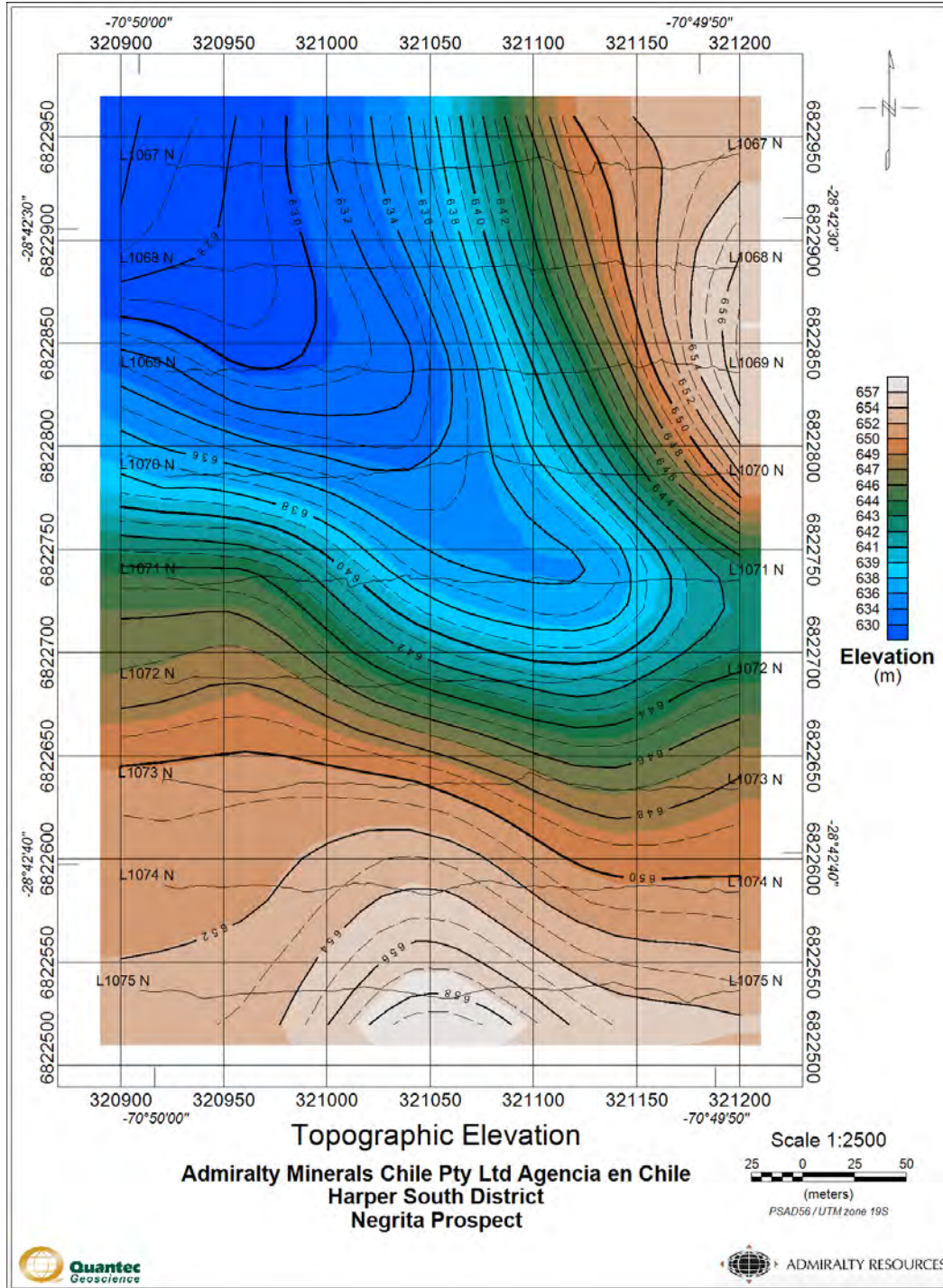


Figure 1-2: Topographic Elevation Map and survey layout.

2 RESULTS AND INTERPRETATION

2.1 DESCRIPTION MAG3D INVERSION PROCEDURE

The 3D magnetic inverse problem is formulated as an optimization problem where an objective function of the model is minimized subject to certain constraints. For magnetic inversion, the first question that arises concerns definition of the "model." Two possible choices are *the susceptibility K and $\ln(K)$* , but any function $g(K)$ can, in principle, be used. In general, K is used since the field anomaly is directly proportional to the susceptibility that varies on a linear scale. But depending upon the expected dynamic range of susceptibility and the physical interpretation attached to its value or variation, it may be that $\ln(K)$ is more desirable. To perform a numeric solution the model objective function is discretized using finite difference approximation on the mesh defining the susceptibility model and then defining a 2-norm misfit measure. The inverse problem is then solved by finding a model m which minimises the objective function Φ_m and misfits the data by a pre-determined amount. In summary the methodology providing a basic components for the 3D magnetic inversion consist in forward modeling, a model objective function that incorporates a depth weighing, a data misfit function, a trade-off parameter that ultimately determines the quality of the fit and the logarithmic barrier method to obtain the solution with positivity, although this last option is no longer necessary in the latest version of the software in which upper and lower bounds can be defined. By default the program uses susceptibility bounds of $[0, 1]$. While it is true that some rocks have susceptibility greater than 1.0 S.I. units MAG3D assumes small susceptibilities. However, in the case of very high magnetic susceptibilities, the relation between the incident and induced magnetization is no longer linear and the problem becomes more complicated. This, inverting the data in the presence of very high susceptibilities is still a topic of research, and the current version of MAG3D (4.0) does not allow for high susceptibilities in the solution.

2.2 DATA AND MAG3D PARAMETERS

The magnetic data were presented in Geosoft database with X, Y coordinates in PSAD56 /UTM zone 19S coordinate system. The data had been despiked using a non-linear filter. The regional component (IGRF) was calculated in Oasis montaj using the IGRF10 model, the date of February 17, 2012 and elevations derived from SRTM data. The IGRF was subtracted from the despiked magnetic data to create a residual magnetic field channel which was then upward continued 20m prior to inversion to remove any short wavelength magnetic responses introduced by surface debris.

The input data for the MAG3D inversion code⁴ was the filtered residual magnetic anomaly with station location and a topographic file derived from the SRTM. The size of the mesh in the horizontal direction (EW and NS) was fixed at 20m, whereas it was variable in the vertical direction, starting from 10m and increasing gradually up to 100m. The inversion was carried out with no constraints using a homogenous half space of 0.001 SI. The inversion assumes the following assumptions:

1. The magnetic susceptibility varies within a range of $[0, 1]$ and there is no negative susceptibility.
2. Only induced magnetization is in effect and there is no remnant magnetization.

A comprehensive overview about the inversion theory can be found in the papers listed in the References section of this report.

⁴ UBC-GIF, 2005

The inversion parameters are provided in Table 2-1 below.

Table 2-1: 3D magnetic inversion parameters for Negrita Prospect.

UBC 3D Magnetic Inversion Parameters	
No. of inverted data points	1,376
Mesh size	36 x 53 x 70
EW cell size	20m
NS cell size	20m
Vertical mesh size	Variable (starting from 10m)
Weighting option	distance
Mode	Chi factor (=1)
Initial model	Half-space (0.001 SI)
Iterations	5

2.3 DIGITAL ARCHIVE

The DVD attached to this report contains a copy of all the inversion results, Geosoft files including the 3D voxel, 3D inversion results in XYZ format, and an electronic copy of this report.

2.4 DISCUSSION OF RESULTS

Figure 2-1a is a map of the extracted portion of the residual magnetic field upward continued 20m which was used as input for the inversion. Figure 2-1b shows the 3D susceptibility model created by inverting the residual magnetic field. The display consists of isosurfaces which are the three dimensional analog of an isocontour. The isosurfaces represent points of identical value within the 3D susceptibility. In Figure 2-1b the isosurfaces have been created at Si unit intervals of 0.3 (yellow), 0.45 (orange), 0.6 (red) and 0.75 (magenta). The residual magnetic field map shows a strong anomaly in the centre of the area which ranges from <-1000 nT to >3000 nT.

In order to analyze the 3D results, a series of plan maps (depth slices) and vertical sections were generated from the voxel model. Figure 2-2 shows a 3D view of a combination of some horizontal slices and vertical sections, whereas Figure 2-3 and Figure 2-4 illustrate depths slices and vertical sections only, respectively.

The length of the lines and size of the area did not permit magnetic anomalies of a wavelength greater than 200m-500m to be collected. As a result no inversion results below the 200m elevation level are presented.

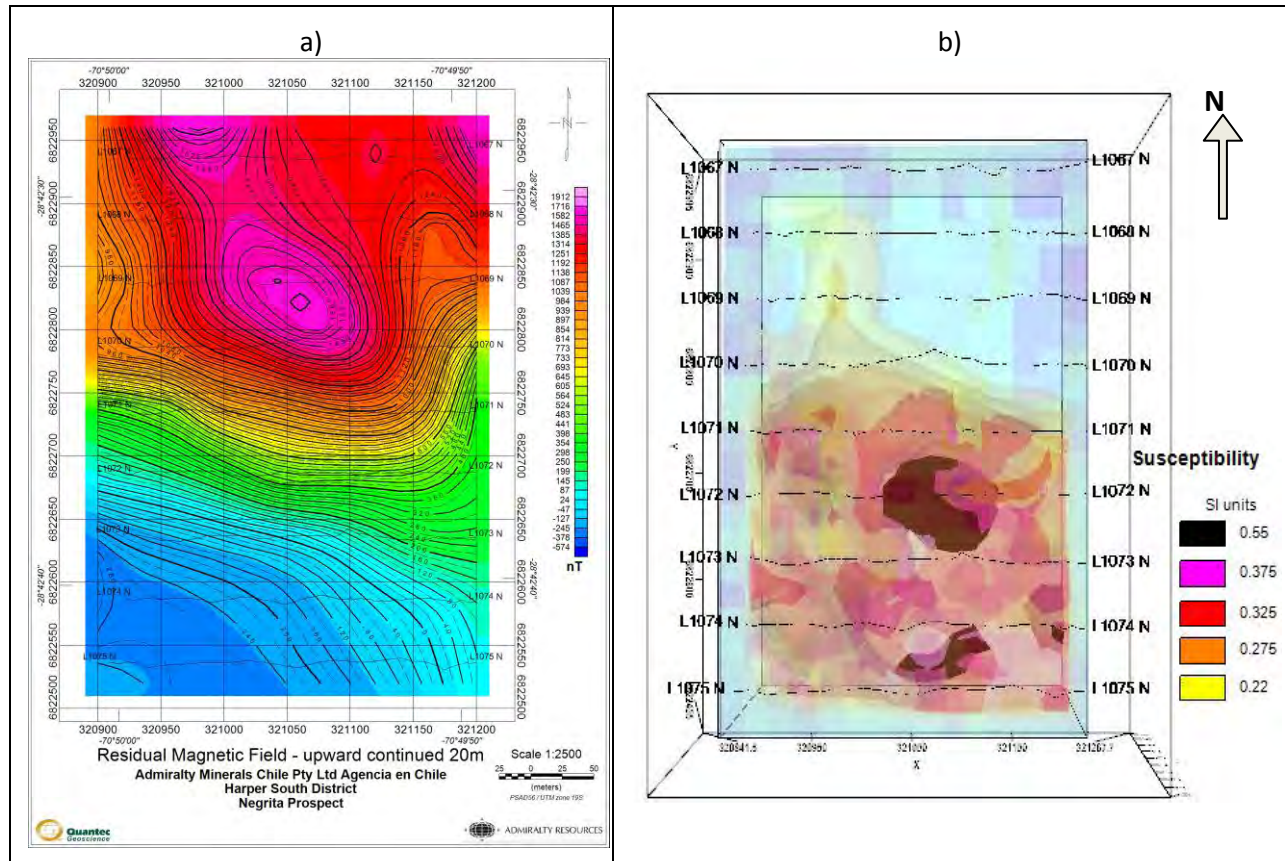


Figure 2-1: Residual magnetic field plan map of Negrita Prospect(a) and isosurfaces from calculated susceptibility Voxel model (b)

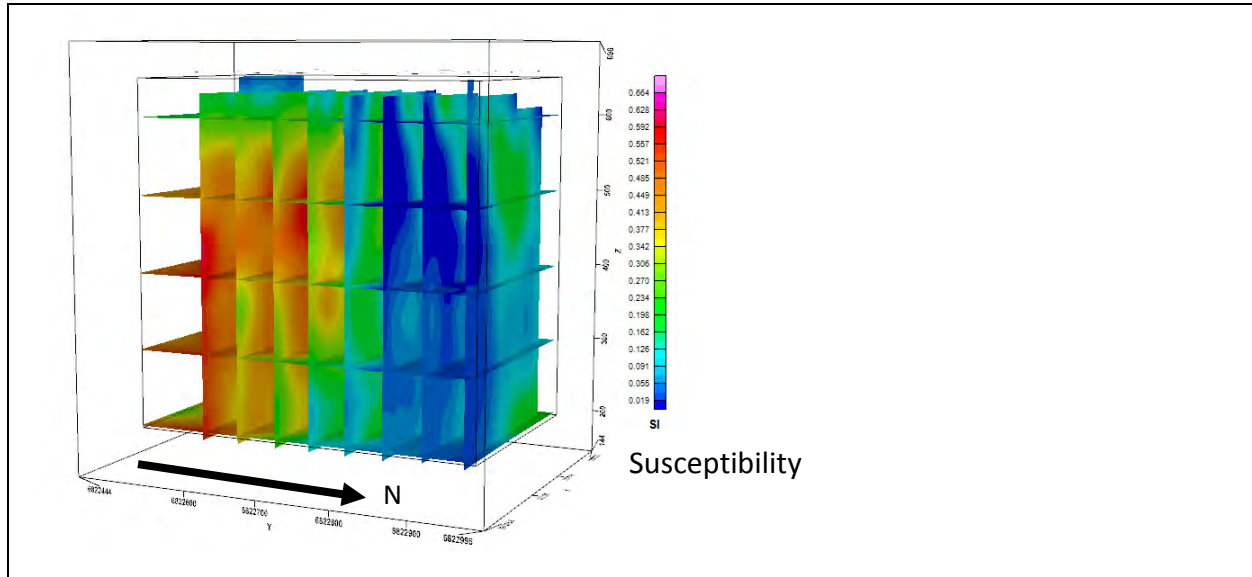


Figure 2-2: Combined horizontal depth slices and vertical sections.

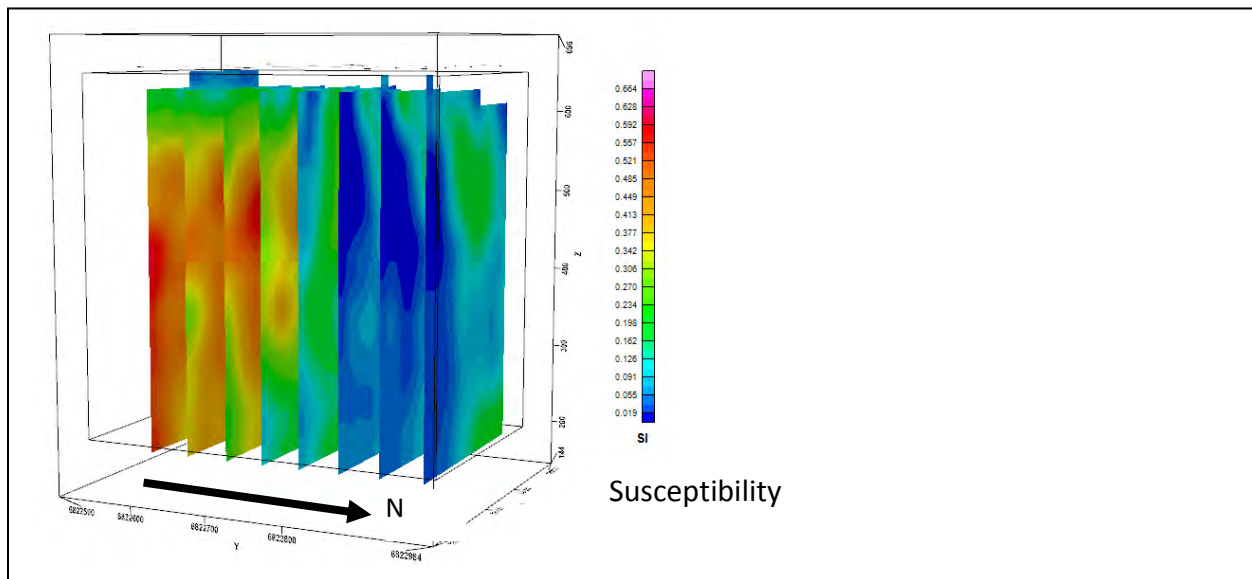


Figure 2-3: Vertical sections of magnetic susceptibility 100m spacing.

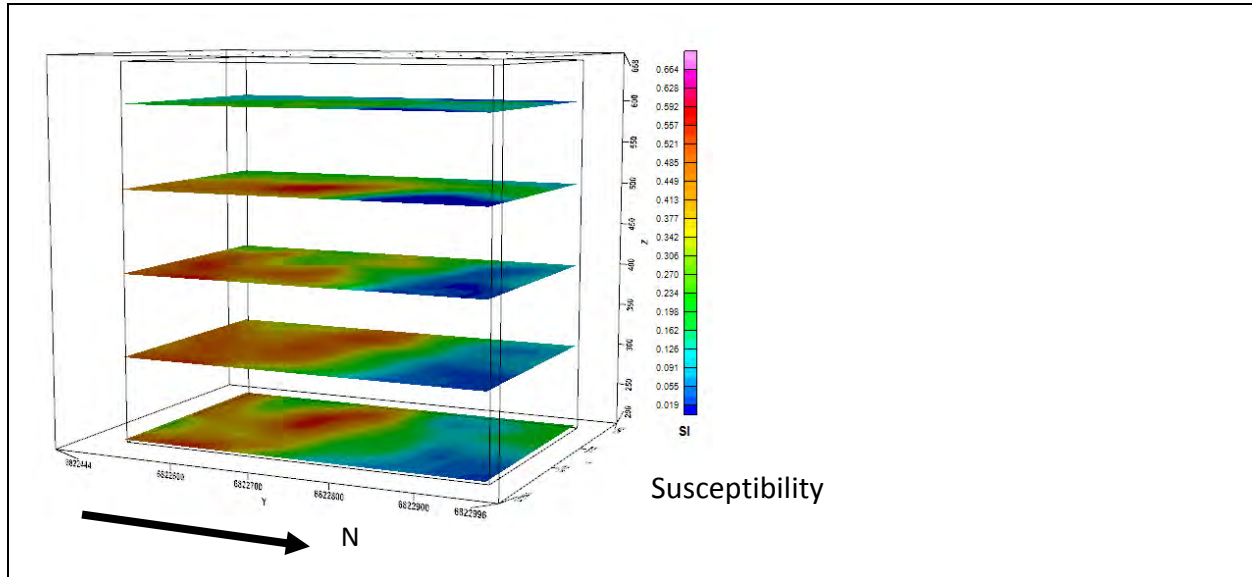


Figure 2-4: Depth slices of magnetic susceptibility 100m spacing

2.4.1 DEPTH (ELEVATION) SLICES

A series of magnetic susceptibility horizontal depth slices were extracted from the 3D model solution and presented for analysis. The depths range from 600m elevation to 200m elevation at 100 m increments (Figure 2-5).

The horizontal slices reveal one main area of anomalous susceptibility. This zone has been designated the Negrita anomaly and its maximum magnetic susceptibility is modelled to be approximately 0.57 S.I. units. Values in this range are consistent with the interpretation of some ferromagnetic source material. The core of this anomalous response is modelled to be at 321090E, 622660N (PSAD56 Z19S) and 500m elevation above mean sea level.

2.4.2 VERTICAL CROSS-SECTIONS

Vertical sections of the magnetic susceptibility for all survey lines are provided in Figure 2-6. The anomalous susceptibility zones denoted on the plan maps have been transferred to the sections to give information on their depth and vertical extent. These susceptibility sections have been presented with the same colour bar as the plan maps for ease of comparison.

2.4.3 SUSCEPTIBILITY ISO-SURFACES

Isosurfaces are the three dimensional analog of an isocontour. The isosurfaces represent points of identical value within the 3D susceptibility. In addition to the horizontal and vertical slices, susceptibility solid models represented as isosurfaces for susceptibility values of 0.22, 0.275, 0.375 and 0.55 SI units were generated and presented from a variety of viewpoints in Figure 2-7.

2.4.4 TARGET

In the light of the 3D magnetic inversion results and their interpretation, one potential target for possible mineralization exhibiting a high susceptibility (>0.55 S.I. units) was identified within the Negrita prospect (**Error! Reference source not found.**). The horizontal dimensions are poorly defined in all but the 0.55 SI unit iso-surface plot.

Negrita – Two oval shaped zones of higher susceptibility (>0.55 SI) sit one almost atop the other are joined by a weaker zone of susceptibility that is between 0.4 and 0.5 SI forming a dumbbell shape. The upper end of the dumbbell is modelled to be an oval shape approximately 75m by 50m by 100m centred close to 321090E and 6822680N and 490m elevation. The lower end of the dumbbell is modelled to be oval shaped and approximately 50m by 25m by 50m. It is centred close to 321010E and 6822650N at an elevation of 200m. The zone of susceptibility that joins them is modelled to be between 0.4 and 0.5 SI and is most clearly seen in Figure 2-6 L1072N.

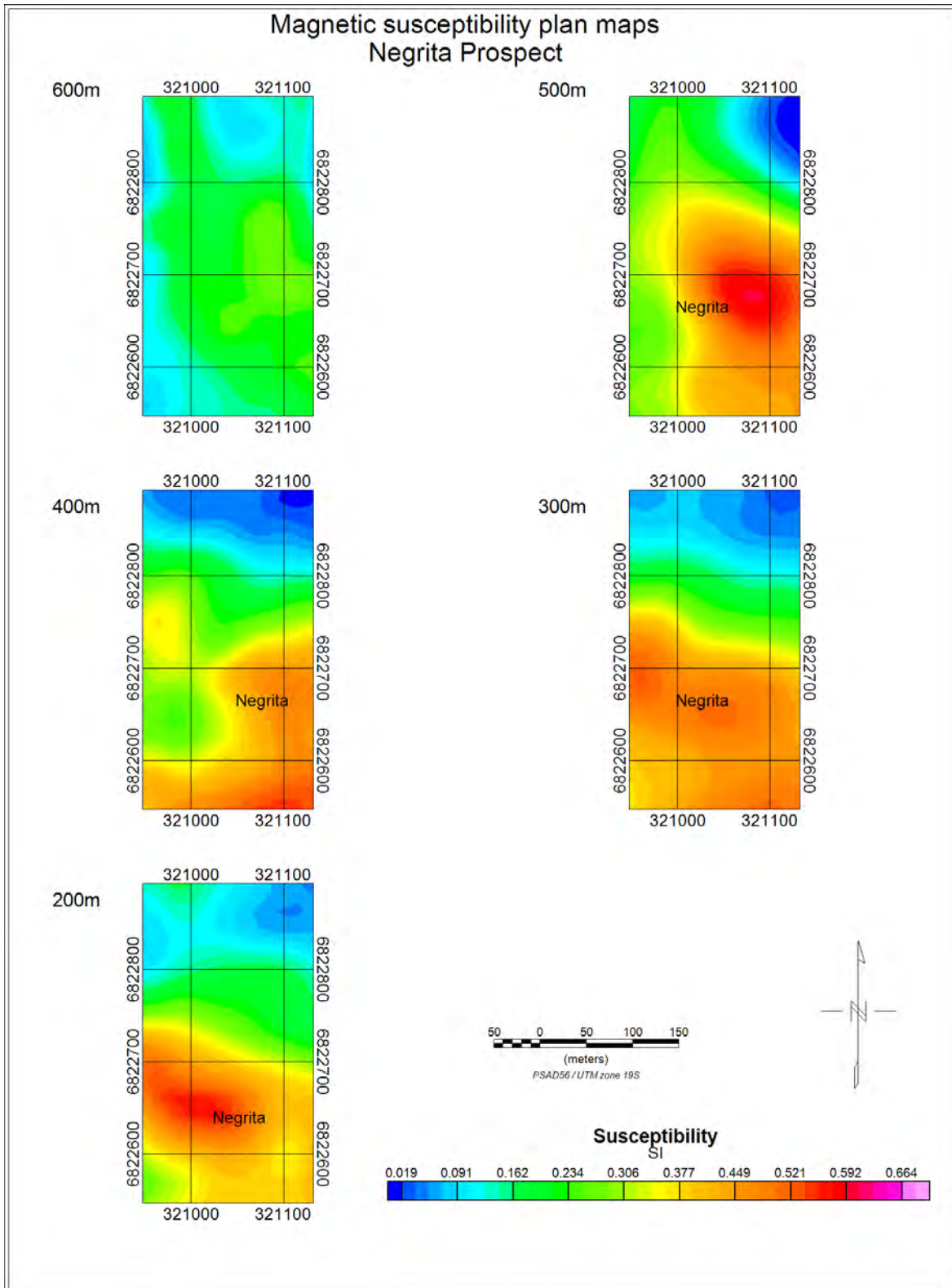


Figure 2-5: Depth slices of magnetic susceptibility

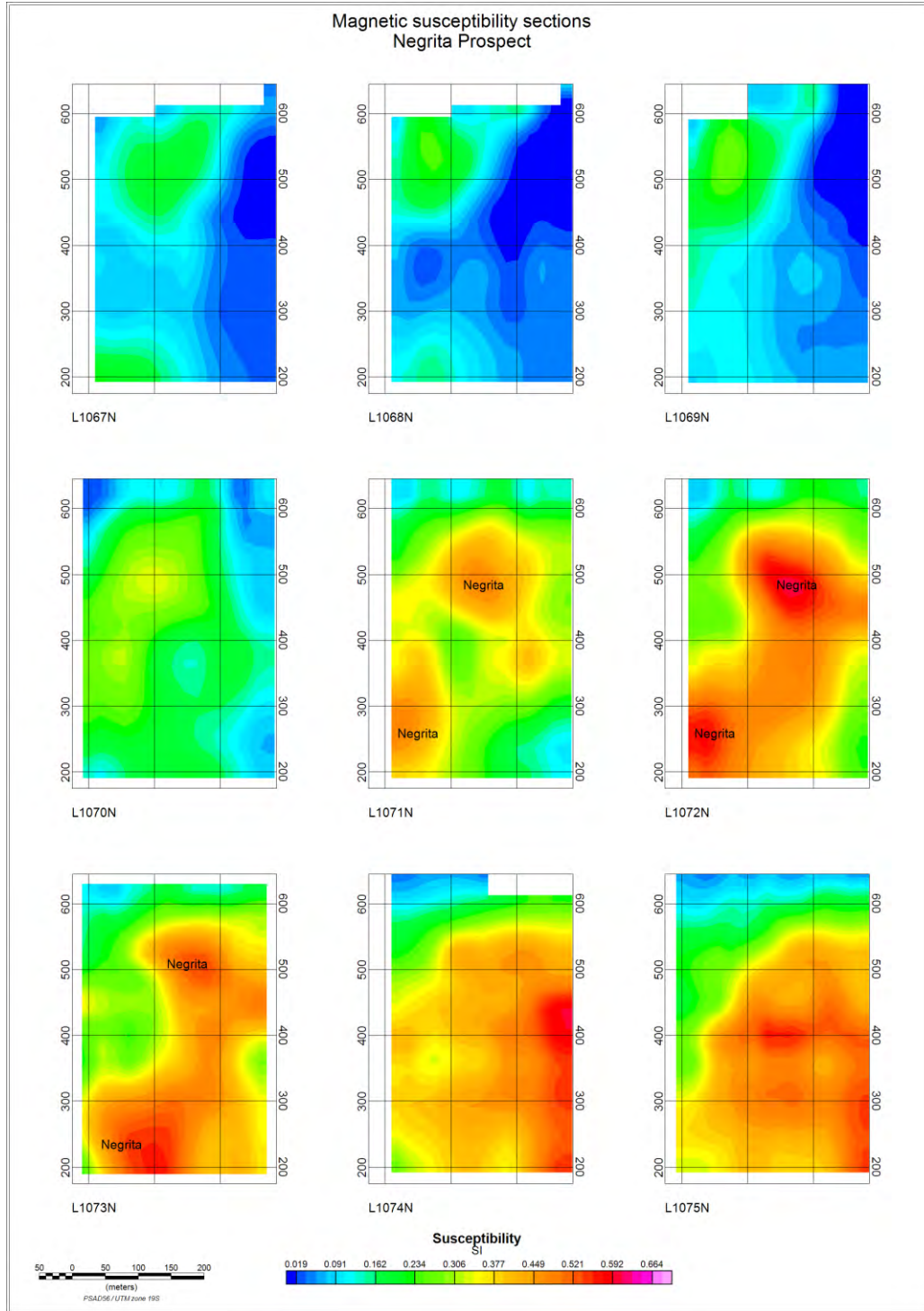


Figure 2-6: Vertical sections of magnetic susceptibility.

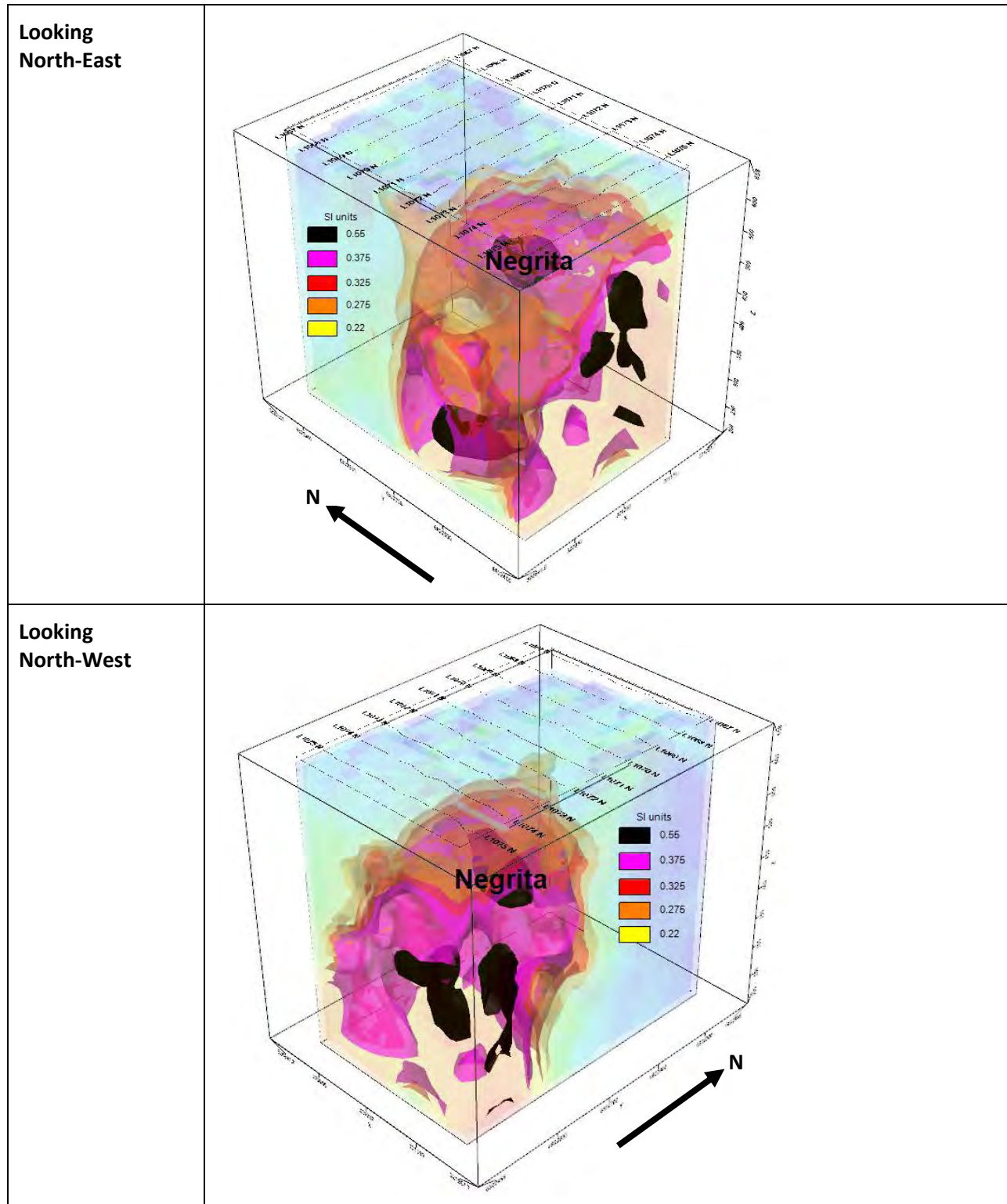


Figure 2-7: Susceptibility iso-surfaces.

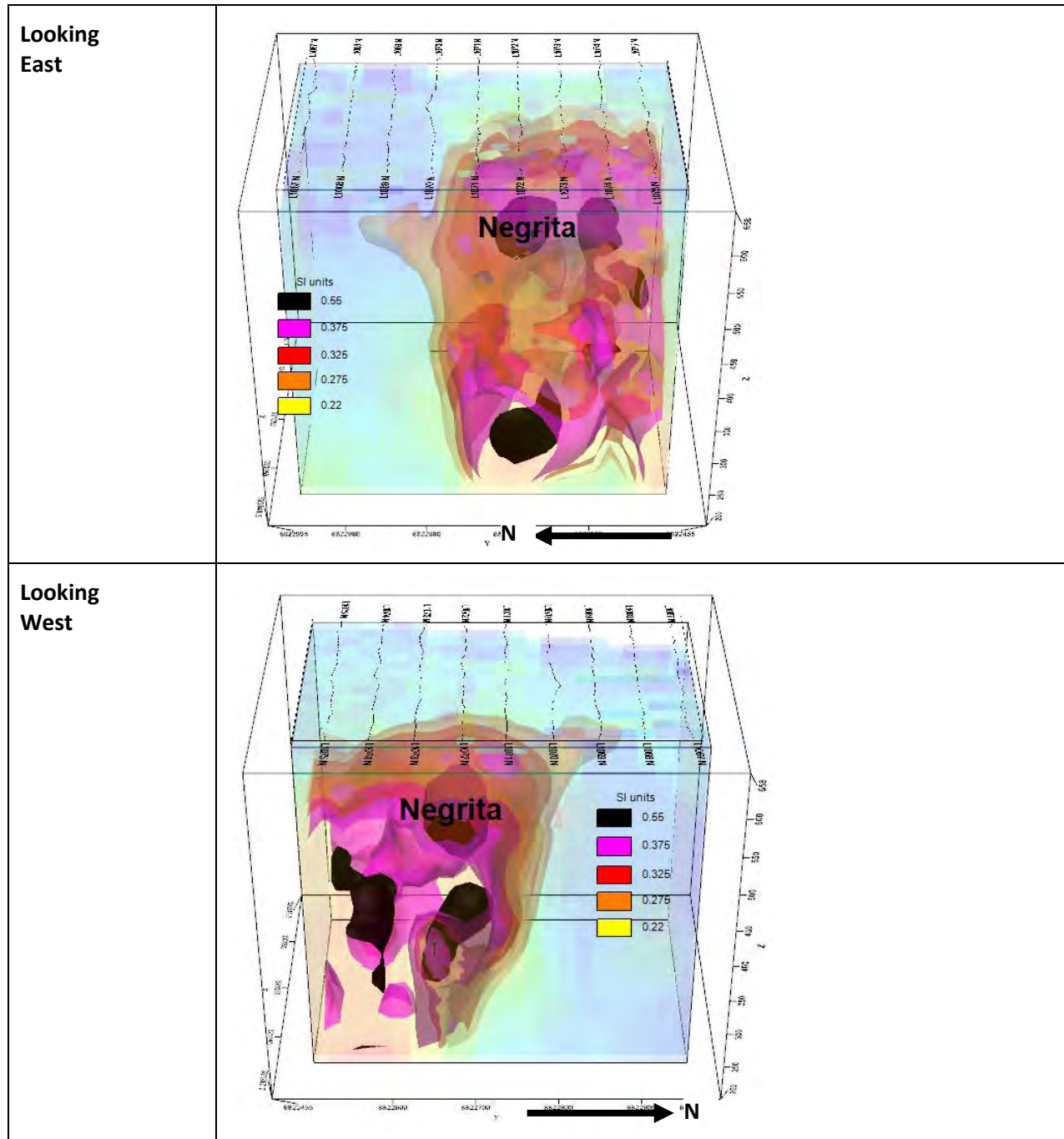


Figure 2-7 (cont): Susceptibility iso-surfaces

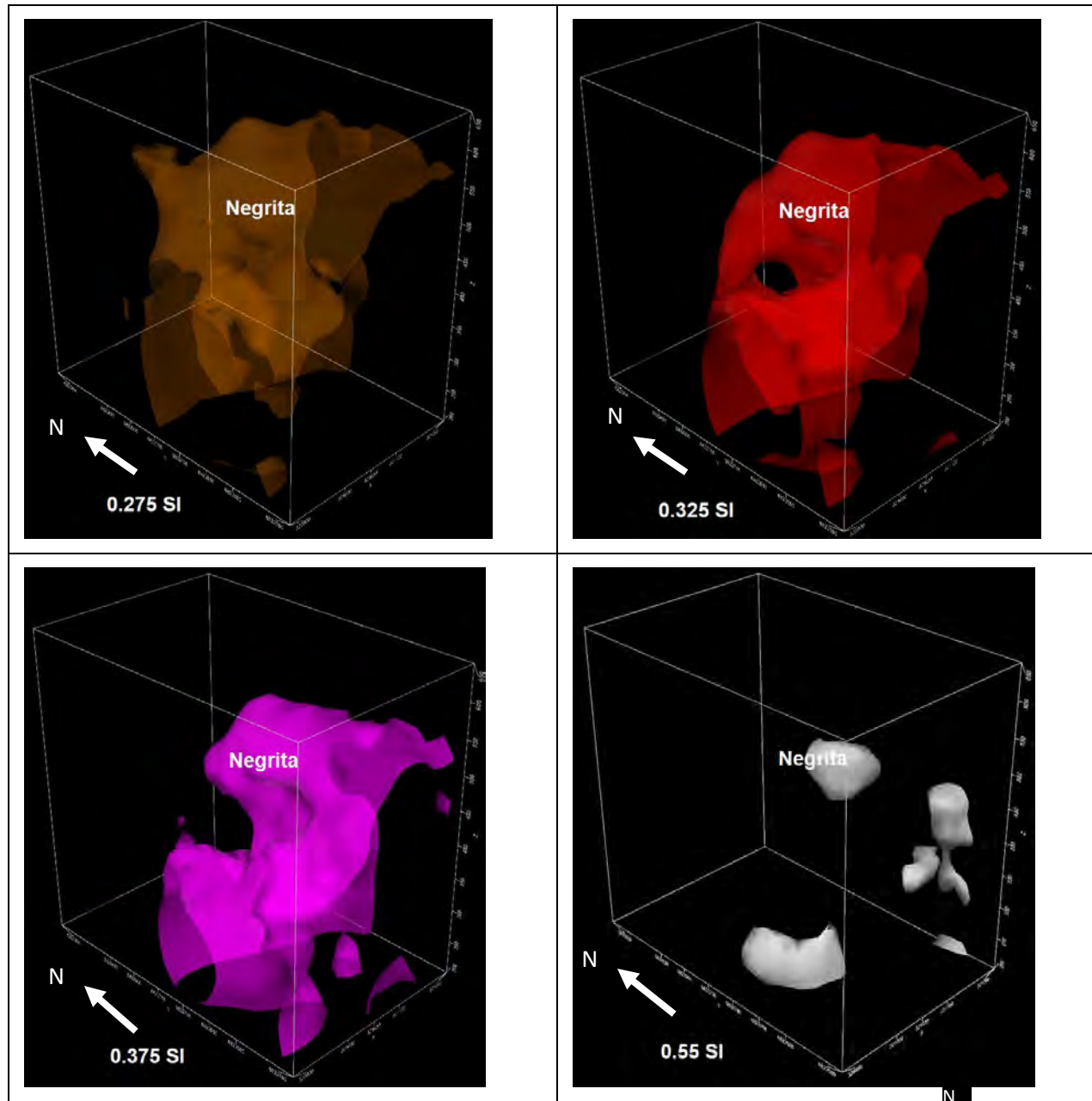


Figure 2-8 Individual susceptibility isosurfaces (clockwise from upper left 0.275 SI, 0.325 SI, 0.375 SI, 0.55 SI)

3 CONCLUSIONS AND RECOMMENDATIONS

The ground magnetic survey carried out within the Negrita Prospect was successful at detecting strong positive and negative anomalous patterns. The 3D inversion results obtained with the MAG3D UBC code highlighted three zones of anomalously high magnetic susceptibility.

It is recommended that the results of this survey and any other geophysical and geological and structural information be integrated to create a subsurface model that will provide a focus for further exploration to locate potential economic mineralization.

Respectfully Submitted

Toronto, ON, the 17/05/2012,

Kevin Killin HB.Sc, PGeo
Quantec Geoscience Ltd

Russell Imrie, BSc, PGeo
Quantec Geoscience Ltd

4 STATEMENT OF QUALIFICATIONS AND COMPETENT PERSON STATEMENT

KEVIN KILLIN, HBSc, PGEO

I, Kevin J. Killin, declare that

I am a Professional Geophysicist with residence in Whitby, Ontario and am presently employed as the Vice President of Interpretation overseeing the interpretation group with Quantec Geoscience Ltd., Toronto, Ontario.

I obtained an Honours Bachelor of Science Degree (HBSc), in Geological Geophysics from the University of Western Ontario in London Ontario, in 1986, including a Geology degree and Geophysics degree.

I am a Professional Geophysicist, with license to practice in the Province of Ontario (APGO member # 0823).

I am a member of the Prospectors and Developers Association of Canada, the Canadian Exploration Geophysics Society (KEGS), and the American Geophysical Union (AGU).

I have no interest, nor do I expect to receive any interest in the properties or securities of **Admiralty Resources NL**, its subsidiaries or its joint-venture partners;

I am the Professional Geophysicist responsible for supervising the interpretation and reporting of this project and have reviewed this Geophysical dataset. This includes reviewing the survey results, logistics, processing and inversion results contained in the interpretation report.

I can attest that these accurately and faithfully reflect the data acquired on site to the best of my knowledge.

The statements made in this report represent my professional opinion in consideration of the information available to me at the time of writing this report.

Toronto, Ontario, the 17/05/2012

KEVIN KILLIN, HBSc, PGEO.

QUANTEC GEOSCIENCE LTD.

Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Kevin Killin, who is a member of the Association of Professional Geoscientist of Ontario ("APGO"). APGO is a "Recognised Overseas Professional Organisation" ("ROPO") included in the list published by the ASX.

Kevin Killin is a full time employee of Quantec Geoscience Ltd. 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". Kevin Killin consents to the inclusion in the report of the matters based on his information and context in which it appears.

RUSSELL IMRIE, B.Sc., P.GEO

I, Russell Imrie, declare that:

I am a Geophysicist with residence in Palgrave, Ontario and am presently employed in this capacity with Quantec Geoscience Ltd., Toronto, Ontario;

I obtained a B.Sc. (Geology Specialist) in 1984, from the University of Toronto, Canada;

I am a registered geoscientist, since 2009, with license to practice in the Province of Ontario (APGO member # 1768);

I have practiced my profession from August 1984 to September 1990 and continuously since September, 1992 in North America;

I am a member of the Society of the Canadian Exploration Geophysics Society (KEGS);

I have no interest, nor do I expect to receive any interest in the properties or securities of **Admiralty Resources NL**, its subsidiaries or its joint-venture partners;

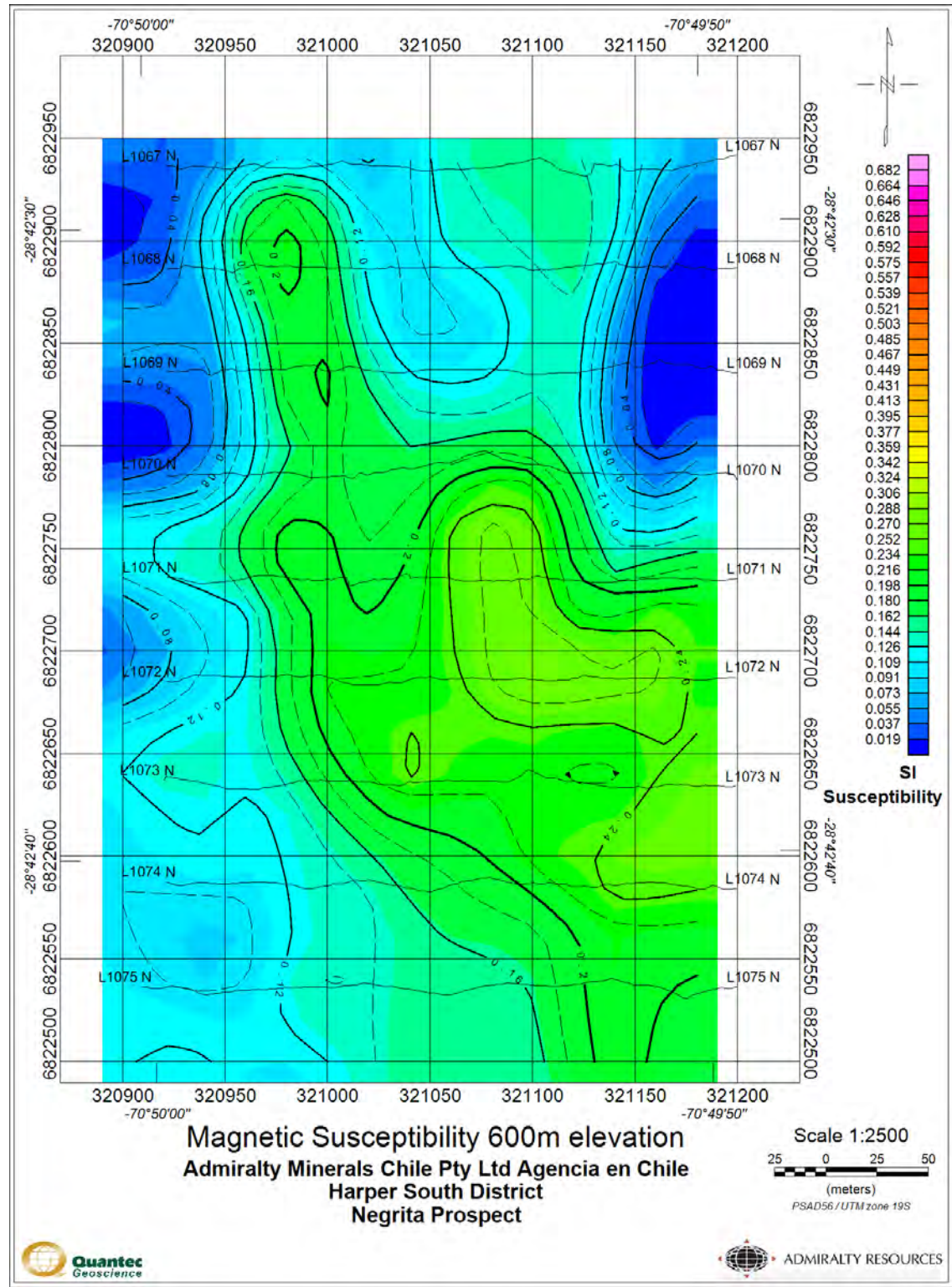
I undertook the 3D inversions of the magnetic data, and have compiled the results and authored this 3D magnetic interpretation report.

The statements made in this report represent my professional opinion in consideration of the information available to me at the time of writing this report.

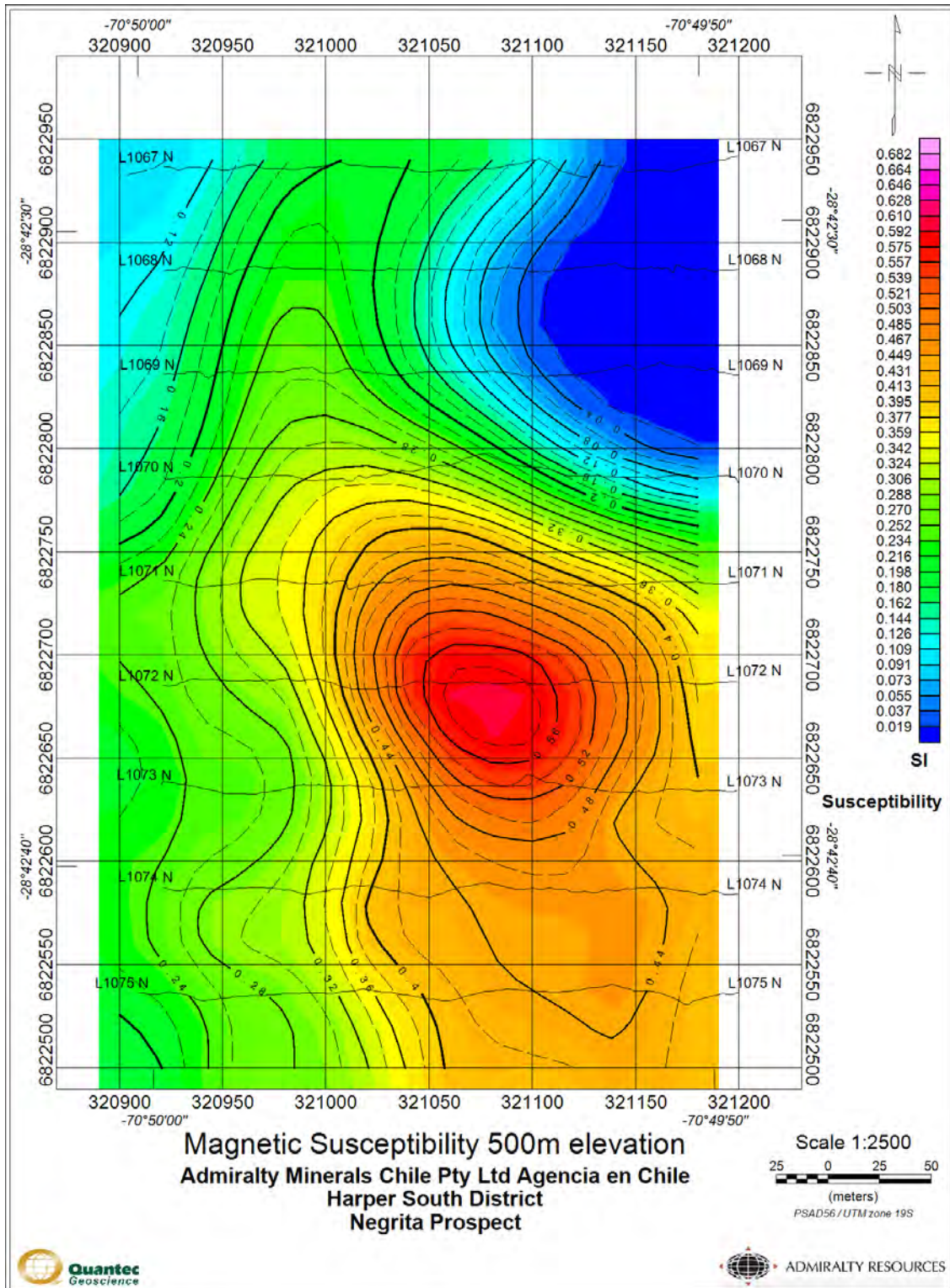
Toronto, Ontario, the 17/05/2012

Russell Imrie, B.Sc., P.Geo.
Quantec Geoscience Ltd.

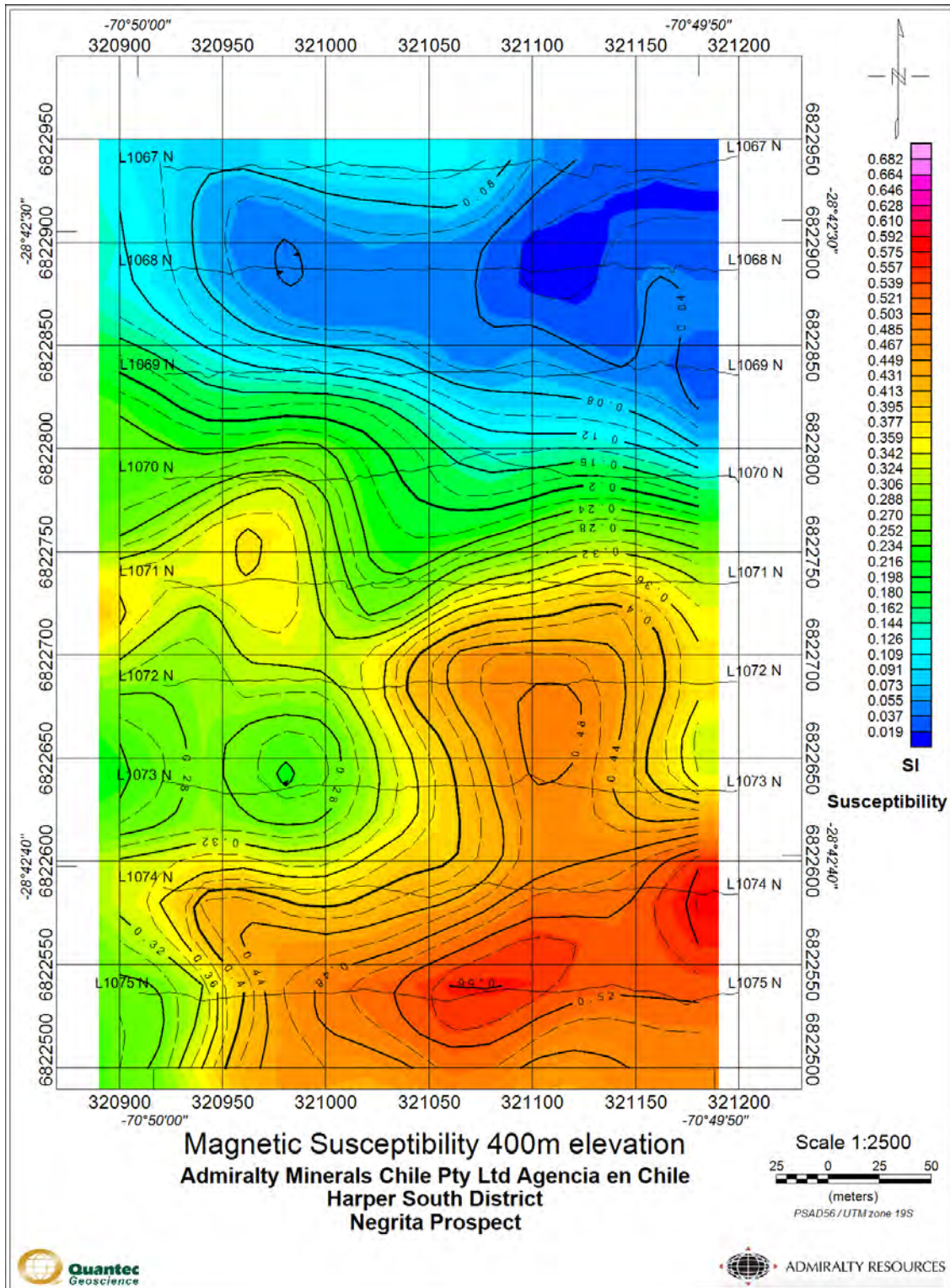
A GEOSOF PLAN MAPS OF THE 3D MAGNETIC SUSCEPTIBILITY MODELS



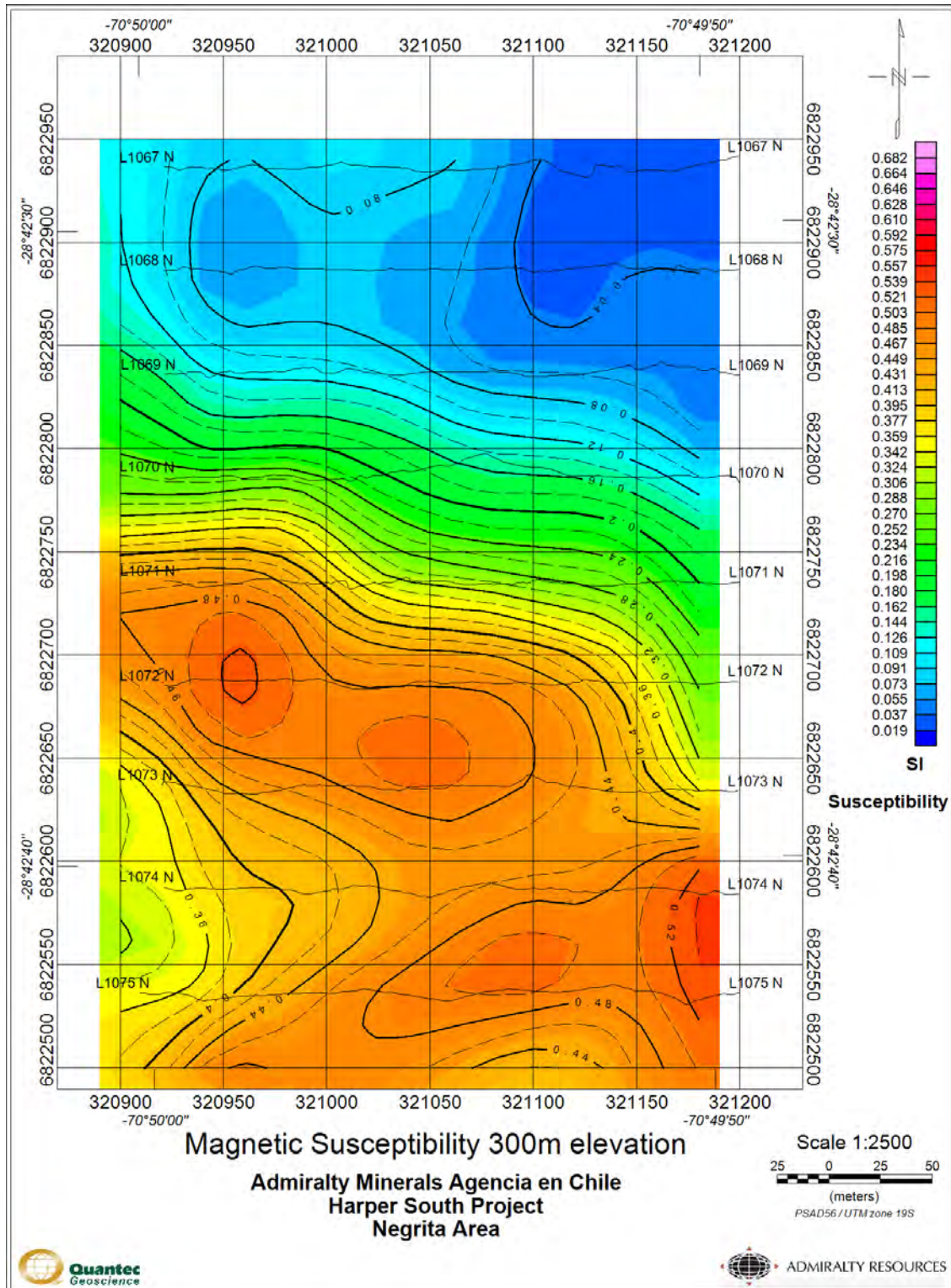
Plan Map at 600m Elevation of Magnetic Susceptibility.



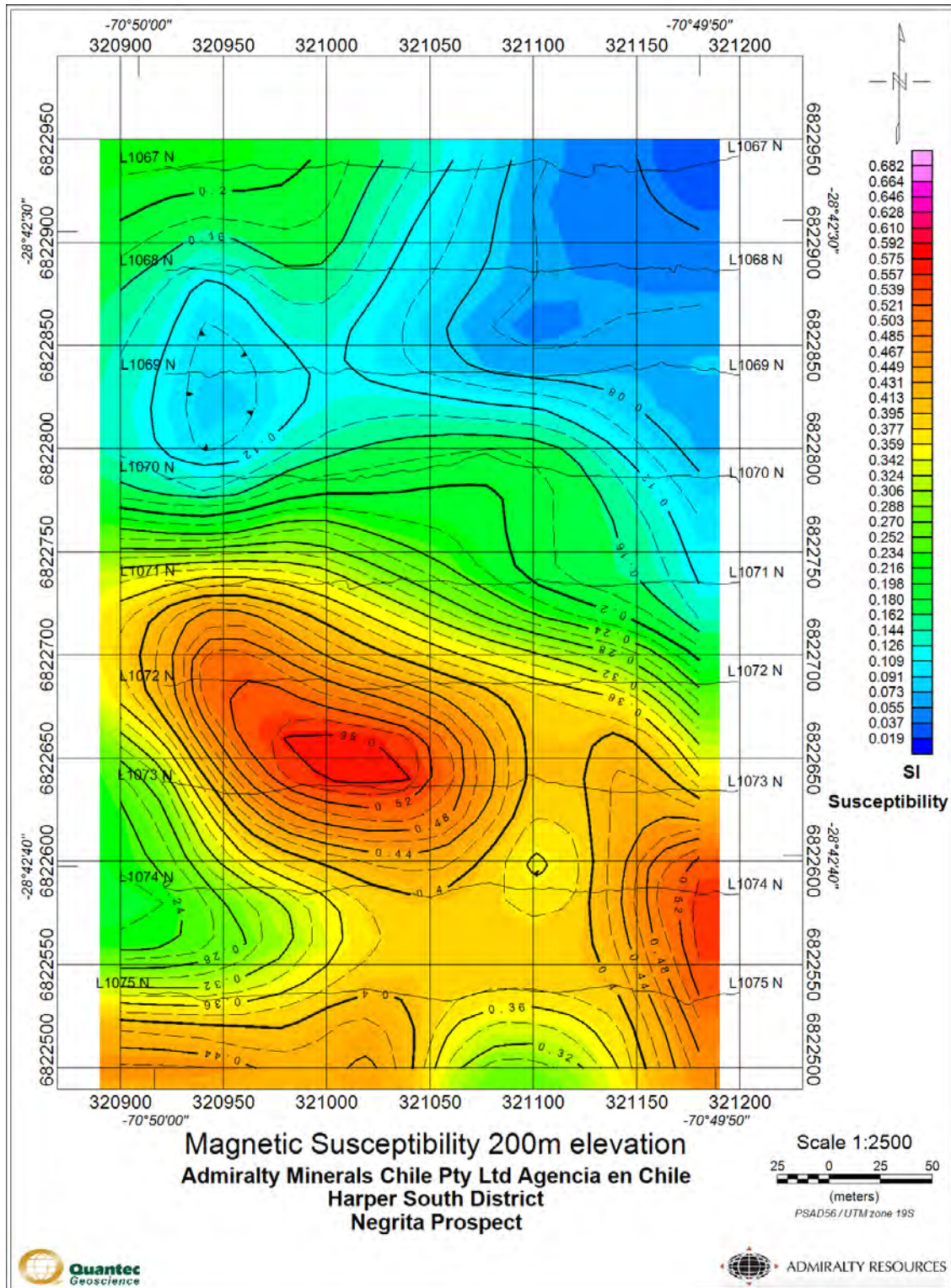
Plan Map at 500m Elevation of Magnetic Susceptibility.



Plan Map at 400m Elevation of Magnetic Susceptibility



Plan Map at 300m Elevation of Magnetic Susceptibility.



Plan Map at 200m Elevation of Magnetic Susceptibility.

B REFERENCES

Li, Y. and Oldenburg, D. W., 1996, 3D-inversion of magnetic data: *Geophysics*, 61, no 02, 394-408.

Li, Y. and Oldenburg, D. W., 1998, Separation of regional and residual magnetic field data: *Geophysics*, 63, no. 02, 431-439.

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MAG3D, A program Library for Forward Modeling and Inversion of Magnetic Data Over 3D Structures, ver. 4.0, 2005 UBC-GIF.