Questions and Answers on the ADMIRALTY RESOURCES demerger

Q: What is the process for the Admiralty Resources demerger and how will my share holding be affected?

Step 1: Consolidation of Admiralty Resources (ADY) shares

Admiralty Resources (ADY) shares will be consolidated on the basis of 1 new ADY share for every 4.0480 existing shares held.

As an example, at the time of the demerger a shareholder has 100,000 ADY shares trading at 20 cents. After consolidation their holding would equate to approximately 24,703 shares trading at $0.81.

Step 2: Issue of Rincon Lithium shares

All shareholders will then be issued 1 Rincon Lithium share for every consolidated ADY share they hold.

This will occur after the experts report, director's report, prospectus for the demerger, cost base for Admiralty Resources and Rincon Lithium shares are calculated and an EGM (Extraordinary General Meeting) is held.

Q: When will the demerger take place?

At this stage the demerger is scheduled for the first quarter of 2008-2009 but there are many issues which could affect this date.

We are waiting on a response from the ATO regarding the free Rincon share that ADY shareholders will receive. We want it to be tax free, not subject to CGT.

If we receive an adverse response from the ATO, we will defer the demerger.

Q: Why can't the consolidation of shares be done immediately (ie: before the demerger in April)?

We need to have the provision to do so in our constitution. We require waivers and approvals from both ASIC and ASX as well as shareholder approval at an EGM to change the constitution.

Q: What requirements need to be met in order to

consolidate? Please see above.

Q: When is the cut-off date to receive RLL shares for each ADY share held?

The date will be set after the three independent expert's reports are received and we have 30 clear days to provide an agenda and the reports to all shareholders.

The books will close for voting 48 hours prior to the meeting and all those who hold shares on that date will be eligible to receive the Rincon share distribution.

Q: How will the demerger affect share price?

It is likely that the ADY share price will drop after the demerger reflecting the value of the Rincon business being extracted.

The Rincon Lithium share price will assume a premium to the value currently held in Admiralty. This is because pure chemical companies trade at a 25-50% earnings premium to iron ore companies.

The affect of the demerger is to give shareholders a free increase in price by virtue of the different P/E's.

Q: How will the value and subsequent cost base of the new ADY shares and Rincon Lithium shares be calculated?

We will get an expert to calculate the value and subsequent cost base of the Santa Barbara business as well as that of the Rincon lithium business.

Q: The Financial Review suggested that a valuation has or is being done on both the Santa Barbara Iron Ore and Rincon Lithium businesses to present to both the market and the current shareholders. Is this the case and when is this likely to occur?

A valuation is being done to determine the cost base for CGT purposes. This is slightly different to the valuation of the companies. We will have an expert's report on the valuation of the companies for accounting compliance only. This is a complex job and it is being undertaken.