



29 January 2007

Company Announcements Office
Australian Stock Exchange Limited
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

2006 SECOND QUARTER REPORT

HIGHLIGHTS

Corporate

- On 28 December 2006 Admiralty signed a binding agreement with ITOCHU as the sales agent and Wuhan as the buyer for 940,000 tonnes of iron ore on a CFR basis with a value of approximately US\$65m. The contract documents were signed at a ceremonial signing event on 18 January 2007 in Wuhan, China.
- ITOCHU completed a loan of \$US2.0 million to Admiralty Resources NL which was advanced to Santa Barbara to increase production of iron ore to fulfil the contract.
- Anthony Blumberg joined the board and has been appointed to the finance committee.
- The CEO of Admiralty Resources NL increased his holding in the company by acquiring shares and exercising options and now holds 11.4 million shares.
- Visits were made to the Santa Barbara and Rincon operations in November 2006 with potential clients and to review progress.
- The AGM was held on 28 November 2006 and all resolutions proposed were passed by an overwhelming majority.
- A small capital raising of A\$2.145m was completed on 30 November 2006.

Chile – Santa Barbara

- Admiralty have now secured a CFR contract with Wuhan for up to 940,000 tonne of iron ore over 17 shipments until 30 September 2007. To increase load delivery and annual tonnage a panamax port facility is proposed at Caldera at the pier of Candelaria. Wuhan have expressed a keen interest to continue negotiations at 30 September 2007 for a long term contract. Admiralty have issued an invitation to their technical staff to visit the mine.
- Admiralty successfully secured a 50 year lease for the Port of Punta Alcalde from the Chilean Government and paid a bond of US\$562,000. Punta Alcalde is located 60 kilometres from the Santa Barbara mines. Our environmental

permit has been lodged with the authorities and we are waiting on requisitions which we expect to receive in February 2007.

- An environmental permit to operate mines in Japonésita, Mirador (which contains a stockpile of 1 million tonnes of previously processed iron ore fines), Primavera, Mariposa and Leo 6 has been lodged and we have received the requisitions. These mines cover a total area of 208 hectares compared to Japonésita that is 32 hectares and 32 million tonnes of ore.
- The equipment required to install a new process to reduce the silica to much lower levels using wash technology and take advantage of the microfines using a new magnetic drum technology left Brazil and is on its way to the Santa Barbara site.
- ITOCHU has arranged a site visit for Shougang, a major Chinese manufacturer to take place in early February at Santa Barbara.

Argentina – Rincon Salar

- Phillip Thomas, the CEO of Admiralty Resources, visited potential clients in Japan. The trip highlighted the chronic shortage of Lithium Carbonate in Japan and China. Prices are being maintained well above previous long term contract levels. Import statistics show prices of Lithium Carbonate imported from the USA, Argentina, Chile and China to be in excess of \$4,500 per tonne before sales and distribution margins.
- Due diligence is being carried out with a number of selected organisations with a view to securing large takeoff contracts when a target date for delivery is known.

Infrastructure

- ADY has acquired property rights over the land in the north of the Salar to ensure that the Project has free and unencumbered access to and from the Salar and the Evaporation Ponds Site. To date, we have established 14.6 km of mining roads inside the Salar.
- Another 14.2 km of mining roads are required to service the pipeline from the borefield to the evaporation ponds and to serve as an access road to the project.

Exploration

We have completed;

- The geological map of areas surrounding the Salar del Rincón and a high definition photo mosaic of the Salar. This also includes a topographic map of the Salar and its surroundings at 10 meters intervals. We have described the geology of the Salar surroundings. We have completed the lithographic description of the Salar including its mineralogy.
- Drilled 14 observation boreholes (100 mm diameter) cased to the end of the bore.
- Drilled four production boreholes (300 mm diameter) cased to the end of the bore and performed three pumping tests on production boreholes.

Salar Engineering

Results to date show that;

- The interposing halite (salt) body averages about 40 meters.
- The porosity of this halitic body is about 23%, although this figure may change once all the hydrological tests are completed.
- The porosity shows some variations in the vertical axis due to the presence of large bodies of solid halites.
- The pumping capacity of the halitic body ranges between 280 and 395 m³/h, indicating that there will be more than sufficient flow for the production of 15 to 20,000 t/y of lithium chloride.
- The surface halite crust is bounded at a depth of 40 m by a layer of unconsolidated pyroclastic sands. The depth, structures and geology between this depositional event and the bottom of the Salar remain unknown.

Metallurgy

Progress to date:

- Conceptualisation of the process to produce an enriched lithium brine to 10,000 ppm.
- We have determined the engineering parameters to allow detailed engineering including detailed engineering for the specification of the pilot plant.
- An in depth development schedule for the Salar del Rincón.
- Process yield, Li⁺ balance

Assuming an initial Li⁺ mass of 100 tonnes:

Volume of brine:	263,157 m ³
Mass of Li ⁺ contained	100.0 t
Less: Li ⁺ losses during process	23.8 t
Mass of Li ⁺ recovered	76.2 t

Project schedule

Preliminary risk analysis indicates that the major risk is climatic, that is to say, that the evaporation be less than the estimated 4.5 kg H₂O/day/m². In this case extra pondage will be needed. The ranges of uncertainty are:

	Low	Expected	High
Duration, days	491	545	654
Beginning of construction	15-Feb-07		
Date of full production	19-Jun-08	13-Aug-08	30-Nov-08

- Meteorological Station

A meteorological Station compliant with the standards of the International Meteorological Organization and with the requirements of the Servicio

Meteorológico Nacional Argentino became operational by 16 December 2006. This will be the first such station in the Andes and one of the highest in the world.

KEY OBJECTIVES FOR THE DECEMBER QUARTER

Corporate

- a. Make the final payment of US\$3.5m to increase our equity to 50% interest in Cia Minera Santa Barbara project.
- b. Continue discussions with buyers and others to finance the Rincon Salar development.

Chile

- a. Complete production of 50,000 tonnes of iron ore by end of February 2007.
- b. Install additional processing equipment at Santa Barbara
- c. Receive and answer environmental requisitions for Punta Alcalde and Japonesita mines.
- d. Open letters of credit for Iron ore export in February/March 2007.

Argentina

- a. Continue with exploration drilling and analysis from Schlumberger.
- b. Seal all roads that have been constructed.
- c. Add additional equipment to the pilot plant at Jujuy.
- d. Continue laboratory work on the final purification process.
- e. Install a new XRF analysis machine at our pilot plant.
- f. Commence construction of the solar ponds.

Bulman

- a. Receive four Exploration licences from Northern Territory Mines Department.
- b. Determine and implement what exploration work can be done prior to the wet season.



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