



# ADMIRALTY RESOURCES

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## JUNE 2007 QUARTERLY REPORT

### HIGHLIGHTS

#### Corporate

- Fortune Global Holdings Corporation, a wholly owned subsidiary paid Wyndham Explorations the final payment of USD\$3.5m to acquire 50% of Cia Minera Santa Barbara (CMSB). The total purchase cost for 50% of the joint venture was USD\$8.5million and the issue of 15 million shares when the share price was 10.1 cents. Initially 421 hectares was acquired, however this has been increased to 7,421 hectares. CMSB subsequently acquired 3,600 hectares adjacent to the Las Colorodos mine, which is owned by Cia Minera del Pacifico (CMP) and Mitsubishi and has reserves of 73 million tonnes.
- Subsequent to this reporting period, a further 10% of Cia Minera Santa Barbara was acquired taking Fortune Global Holdings Corporation to 60% ownership.
- The US\$2.0 million loan from ITOCHU was repaid.
- The US\$6.0 million converting loan from Cornell Capital Partners LLP was repaid in shares at an 23.4 cents per share under a provision in the loan that was triggered by Cornell Capital Partners.
- A US\$4 million short term debt facility was put in place with a private investor. No issue of shares was involved.
- The top 20 shareholders and option holders have been posted on the website in response to queries on the number of 30 November 2007 options still to be exercised.

#### Chile – Santa Barbara

- Cia Minera Santa Barbara plant has been operating at about 30,000 tonnes per month, which is slightly below capacity, given the status of construction and delivery of equipment. This was primarily due to equipment not arriving on time from the USA and changes to the configuration that resulted from our metallurgical studies to improve our recuperation. In June, five high speed drums were delivered. However capacity may not increase dramatically until September when the final grizzly crushers arrive.

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- We completed four shipments in the June quarter shipping approximately 157,000 tonnes of iron ore and Cia Minera Santa Barbara (CMSB) received more than US\$11million in revenue. CMSB received an Fe bonus for every shipment, exceeding our contract guarantee of 63.5% by more than 1% in some cases. Wuhan has expressed their delight at the quality of the iron ore and are considering it for other iron ore applications. They are sympathetic to the issues associated with the start up of the Santa Barbara plant, and will renegotiate the delivery schedule for the balance of the contract past 30 September 2007.
- Hoppers used by the stevedores have successfully loaded 15,000 tonnes per day, and the Gitta Oldendorf vessel achieved 18,000 tonnes loading rate per day. This achievement reduced our shipping costs on the CFR contracts.
- SRK, a major international geological consulting firm completed the drilling results analysis covering more than 14,500 metres in total, and provided an outstanding JORC resource report on 14 May 2007. We are working on producing JORC resource and reserve estimates (measured and indicated) at the mines adjacent to the Japonesa mine, being Japonesita, Primavera and Mariposa mines which are located within 4 kilometres of the plant.
- Santa Fe which has also had lower than targetted production results due to processing wastage has improved dramatically by recirculating waste containing iron ore over the magnetic belts and reducing the size of the material.
- The trucking operation of delivering 150,000 tonnes of iron ore over 35 days to the stockpile in Caldera has been very smooth considering more than 50 trucks per day running three shifts travel 230 kilometres each trip.
- The environmental permit for Japonesita, Mirador, Primavera and Mariposa was issued being total production capacity to 3.9 million tonnes per annum. This is a significant achievement given the time frames other mining companies have had to wait to get their permits issued, in some cases more than two years. Plans to implement expansion have been commenced.
- Finance arrangements are being negotiated to borrow USD\$29 million to:
  - Make a payment for the construction of the Candelaria Panamax Port of \$7.5m.
  - Install another \$3.5m in plant and equipment at Santa Barbara to accelerate expansion.
  - Expend another \$3.5m on mine planning, drilling and JORC reserve and resource estimates to extend the life of the mine. We have completed a JORC resource estimate for the Japonesa mine that covers 32 hectares and we will complete another to report on the 310 hectares at Japonesita and Mariposa.
  - Pay Wyndham Explorations US\$10m in cash and repay our overdraft facility of US\$4.0 million.

- An office was constructed at the Iron ore stockpile at the port of Caleta to closely monitor the loading of the ships and a webcam link was enabled. Alex Stewart our quality analysis providers have also established an office.
- CMSB have been accident free since inception, and all other contractors on the mine site have completed 30 days to date that is accident free.

### Argentina – Rincon Salar

- A major upgrade of the calculation of the amount of brine and the lithium and potash it contains was released to the market as a JORC compliant reserve estimate. The reserve summary is as follows:  
 (1) Lithium Reserves, expressed as Li, after 75% recovery:

	Low	Expected	High	Uncertainty of the estimate
	Thousand tonnes			
Proved Reserves	746	911±53	1,098	±10%
Probable Reserves	288	492±72	762	±25%
Total Reserves	1,035	1,403±126	1,861	±15%

- (2) Potash Reserves, expressed as KCl, after 70% recovery:

	Low	Expected	High	Uncertainty of the estimate
	Million tonnes			
Proved Reserves	27.1	33.0±1.9	39.5	±10%
Probable Reserves	10.5	17.8±2.6	27.4	±24%
Total Reserves	37.5	50.8±4.5	67.0	±15%

Dr Sorentino, the author of the report states that he has:

- Read and understood the requirements of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('2004 JORC Code').
- I am a Competent Person as defined by the 2004 JORC Code, having five years experience which is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Fellow or Fellow of The Australasian Institute of Mining and Metallurgy and a Chartered Professional of the Australasian Institute of Mining and Metallurgy
- I have reviewed the Report to which this Consent Statement applies. He is employed as the Director of Technical Services of Admiralty Resources N.L. and ADY Resources Limited.

- Phillip Thomas, the CEO of Admiralty Resources, visited potential clients in USA in May 2007. The trip highlighted the price increases of Lithium Carbonate in the USA and Japan, and that lithium usage in batteries will soon be the major use of lithium carbonate. Import statistics, contained in recent presentations show prices of Lithium Carbonate imported from the USA, Argentina, Chile and China to Japan to be in excess of \$4,500 per tonne before sales and distribution margins.
- Due diligence and negotiations continue to be carried out with a number of selected organisations with a view to securing large takeoff contracts when a target date for delivery is known.
- 4 hectares of earthworks constructing pilot ponds were completed at the Rincon, and plastic lining will be completed in August. A further

US\$500,000 of work will be completed in August. A contracts manager has been appointed in Argentina.

### **Major Tasks**

Good progress has been made on all the major tasks currently underway that include:

- Construction of the pre-treatment pilot plant
- Gas pipeline extension study
- Plant Building
- Maintenance workshop
- Fresh water supply at Rincon Salar
- Brine pumping pipeline and pumps
- Generators, boilers and pumping equipment

### **Bulman**

- A exploration work permit was issued by the Mining Department of the Department of Primary Industry, Fisheries & Mines, Northern Territory.
- Geos Consulting geologists will be on the ground in late July to complete a further geochemical survey and to reconfirm previous work on zinc and lead outcrops and soil samples.
- Due to the huge demand in mining services the earliest that an aeromagnetic survey can be flown completed is October 2007 and the first available drill rig for the area will be January 2008 weather permitting.

### **KEY OBJECTIVES FOR THE JUNE TO SEPT 2007 QUARTER**

#### **Corporate**

- a. Complete finance for the funding of Cia Minera Santa Barbara project and pilot plant development at Rincon.
- b. Continue discussions with buyers and others to finance the Rincon Salar development.

#### **Chile**

- a. Install additional processing equipment at Santa Barbara and Santa Fe.
- b. Complete a review of our engineering and metallurgy at Santa Barbara to improve efficiency and yield.
- c. Finalise and release JORC resource studies

#### **Argentina**

- a. Complete construction of the pilot plant solar ponds.
- b. Complete the virtual equity document for circulation to interested parties.

**Bulman**

- a. Commence exploration work and a ground survey.



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