

26 June 2006

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

## **JUNE 2006 QUARTERLY REPORT**

### **HIGHLIGHTS**

#### **Corporate**

- Our first shipment of iron ore to a large concrete pipe coating manufacturer took place in June 2006. While the tonnage and revenue was not material, it was pleasing to see the plant in production.
- The pilot plant at Jujuy was commissioned in May well ahead of schedule and small amounts of potash, lithium carbonate and lithium chloride have been produced. An extensive laboratory was ordered and the equipment will be installed in August 2006.
- The land servitude (tenement) was granted to ADY Resources Ltd for 1,000 hectares beside the Rincon Salar lake where the evaporation ponds are being dug and lined. A supply of fresh water has been identified near the site.
- An equity line of credit facility was drawn down from Cornell Capital Partners LLP. The facility was reduced to US\$2m and the proceeds were applied to the Santa Barbara iron ore project. Subsequently through a small share issue \$US80,000 has been repaid. The interest on this convertible note has been prepaid until October 2006.
- We negotiated with the holder of the Converting note that was due to be converted on the 16 February 2007 into 196 million shares to pay the final instalment early. This has given us sufficient working capital to complete the Santa Barbara project and spend US\$1 million on the Rincon Salar lithium and potash project.
- The CEO of Admiralty Resources, Phillip Thomas has made sales and marketing trips to China, Japan, the UK and USA ensuring our relationships with potential clients for iron ore, lithium carbonate and lithium chloride and potash are at an advanced stage when product is available for delivery.
- CEO Phillip Thomas met with financiers in London and New York during April, in May he attended the Iron Ore buyers conference in Greece and he presented to the New York Society of Security Analysts.
- The final 125 page engineering report and drawings was received from K-UTEC and our technical team (three chemical engineers and technicians

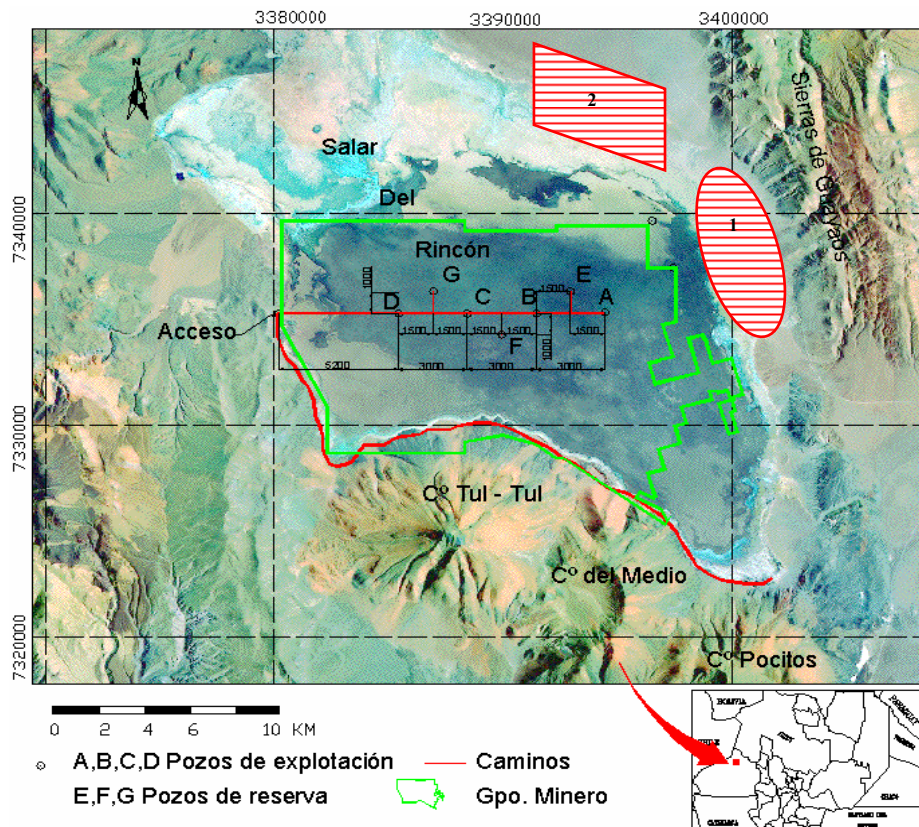
based in our Salta office and Dr Sorentino) are considering it and preparing for further work on the concentration process prior to the letting of the plant construction tender.

### Chile – Santa Barbara Joint Venture

- Besalco, our engineering and transport partner has commissioned the junior plant and started producing about 15,000 tonnes of ore per month in mid June 2006. Work on the twin processing plant has also been progressing favourably.
- SRK, the major international geological consulting organisation has completed their review of the mines and drill hole data at Vallenar in Chile and will provide a full briefing to Philip Thomas, Leonardo Farkas our partner and the Santa Barbara geotechnical team.
- The Port of Caldera environmental study was presented and finally approved.
- Work continues on the future port site of Punta Alcalde, with more feasibility reports having been received and discussions with other parties interested in using the Port for shipping of copper concentrates and importing coal.

### Argentina

- The road building tender has been completed and we have successfully built 40 kilometres of roads.





Site for evaporation ponds to be dug at Rincon Salar

- We have purchased our own portable drilling rig to do our own drilling and sampling. We have surveyed the ponds for drilling four reservoir holes and three observation holes. The brine will be pumped with submersible pumps to the evaporation ponds on the side of the Salar.
- Lithium Chloride and Lithium Carbonate prices increased dramatically during the quarter to US\$6,000 and \$5,000 per tonne respectively. At 17,000 tonnes per annum of planned production, 8,000 tonnes of lithium carbonate and 9,000 tonnes of lithium chloride, the revenues for 2008/9 are expected to be \$103 million per annum if all product is sold. Our cost of production has not been altered, however this will be reviewed once more accurate information is available from K-UTEC.
- We entered into a contract valued at US\$56,000 with Mercoaguas Geological consultants for the porosity determination and geochemical exploration of the Rincón Salar. Mercoaguas will be supported by two drilling and geochemistry/geophysics subcontractors – Geotec and Salta Perforations – and by Schlumberger for neutron and gamma profiling of the drill holes. Work will commence when the winter temperatures increase to above zero.

### **Bulman, Northern Territory**

- We are evaluating a proposal to complete an anthropological study of the sacred sites on the Exploration licence application. This is a pre-requisite before the exploration licence is granted.
- We have received from the Northern Land Council a draft contract for the Exploration License 23814 to be granted.

### **KEY OBJECTIVES FOR THE JUNE QUARTER**

#### **Corporate**

- a. Finalise our working capital funding from the converting note holder.
- b. Finalise the revamp of the website.
- c. Complete the year end audit and annual report.

## **Chile**

- a. Supervise Besalco for the delivery, installation and commissioning of the twin processing plant at Vallenar, prepare the port storage area and finalise engineering for the ship loading hopper system at Caldera.
- b. Finalise contracts for the supply of 125,000 tonnes per month of 63% Fe Sinter fines at current price levels.
- c. Complete a shipping tender in August for potential clients shipping ore from Chile to China and Europe.
- d. Lay down the base for the stockpile and put up the dust wall around the stockpile area.
- e. Finalise Installation of the laboratory equipment at Vallenar.
- f. Open letters of credit for Iron ore export.

## **Argentina**

- a. Review the final report from K-UTEC for the extraction process for potash and lithium chloride/lithium carbonate.
- b. Based on this report, continue with the hydrometallurgical and drilling contract to position the production wells and revise the JORC calculation once the effective porosity is known.
- c. Commence the drilling of the pump holes.
- d. Install the extensive laboratory in Jujuy.
- e. Finalise the environmental impact study for the excavation of the ponds.
- f. Install the radio controlled climatology meters.
- g. Visit Japan to have in-depth discussions with potential acquirers of lithium Carbonate and lithium Chloride with the view to establishing the framework for long term take off of supply agreements.

## **Bulman**

- a. Complete EL agreement with Northern Territory Land Council and Traditional Owners.
- b. Determine and implement what exploration work can be done prior to the wet season.



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