



ADMIRALTY RESOURCES

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Company Announcements Office
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MARCH 2008 QUARTERLY REPORT

HIGHLIGHTS

Corporate

- Admiralty drew down approximately A\$18m from its unsecured loan facility with Hawkeswood Investments over 2007, primarily to fund the acquisition of 10% of Cia Minera Santa Barbara and the Rio Grande sodium sulphate mine (a total of US\$15m). Hawkeswood onsold A\$10m of this loan to Leveraged Capital Pty Ltd and they immediately exercised a converting note arrangement to secure part of the loan. 37.37 million shares were issued at a 20% premium of 27 cents in early March 2008, reducing the debt facility to less than A\$10m plus capitalised interest. Hawkeswood was put into receivership following the Opes Prime collapse and we have met with their Receiver Deloitte. We are working with them to achieve a suitable repayment arrangement subject to Admiralty cashflows.
- Admiralty has experienced no effect from the Opes Prime collapse. Only one director had a (undrawn) facility related to him (Panopus Plc) and he has commenced Supreme Court action to recover these Admiralty shares that were to be transferred back to Panopus Plc's stockbroker chess account.
- The Company continues to work on and progress its demerger project. While final reports are yet to be completed, the current focus is on receiving a 45B class order from the Australian Taxation Office to ensure the distribution of Rincon Lithium shares are tax free. At this point, we are unable to estimate when the extraordinary meeting to vote on the demerger will be held.
- Detailed discussions were held with Mr Bin Hu, President of Shougang International Trade and Engineering Corporation and other key executives in Beijing regarding supply of iron ore by our joint venture and as part of the supply agreement, a US\$40m letter of credit provided by Shougang to enable Admiralty to borrow US\$40m from national Australia bank and immediately expand its production operations. A confidentiality agreement was signed that contained the key milestones for finance to be provided, supply agreements over ten years, and technical support to improve our beneficiation process. A detailed study of the multi-billion \$US Caofeidian iron and steel works currently under construction by Shougang was undertaken. This facility will be one of the five largest in the world.

- Discussions were held with several financiers regarding the issue of a bond by Admiralty to fund the expansion of its production facility at Santa Barbara, a possible slurry pipeline or conveyor system to transport the iron ore, 55 kilometres to the port and the construction of one or two cape size port facilities. Given the current state of the debt issuance market, we were very pleased with the reception we received from possible issuers given the size of the issue would be about US\$500m based on annual revenues at 10 million tonnes per annum iron ore production, of \$750 million and a profit of approximately 50% of this amount. Admiralty has appointed Baker McKenzie as its legal counsel for the issue. A short list of three investment banks has been selected for the issue.
- Rincon Lithium Limited currently has US\$1.0m in cash and receivables in Argentina to progress with its commissioning and construction program for the quarter.
- Cia Minera Santa Barbara had at 31 March 2008 US\$400,000 but since then has received a transfer of US\$4m from Admiralty on 4 April 2008 and a substantial VAT tax refund.
- Pyke Hill Resources Pty Ltd was successful in its case against Richfile and its successor Richore Pty Ltd. The Mining Warden is currently assessing the amount payable to Pyke Hill.

Chile – Santa Barbara

- Cia Minera Santa Barbara plant was put into a maintenance cycle for most of March and the beginning of April. It recommenced operations last Tuesday. The primary crushers that arrived were rejected as they did not have the capacity we require and firm quotes have been received from another Chinese based supplier with a 14 week lead time. As soon as the \$40m loan facility is in place the plant will be closed for short periods of time as new equipment is installed to take it up to full capacity of 100,000 tonnes per month. Shipping capacity until November 2008 is restricted to 90,000 tonnes per month from Caleta.
- The Port of Caleta reopened on 15 February 2008 to allowing operations to commence. The stockpile was completely exhausted with the two shipments to WISCO and one to Shougang. The MV Mandarin Moon left on 23 April 2008 and another shipment is scheduled to WISCO in May 2008. This May shipment will be the second last WISCO 06 shipment.
- Cia Minera Santa Barbara has established a new office in Santiago and hired two new General Managers covering Finance and Shipping responsibilities.
- The production contract with Besalco is currently being renegotiated, however CMSB are going to employ their own staff for some facets of the operation.
- SRK have completed phase one of a preliminary study to produce pellet feed from the Mariposa deposit and this is currently being turned into a JORC reserve estimate for this mine. The results are very promising. Shougang produce pellets from their facility in Peru.

Argentina – Rincon Salar

- The Argentinean Government approved our two applications under article 214 of the Mining Code for the operations at Rincon and Rio Grande to be exempt from paying any taxes for a period of five years from declaration of the mines. This means that Rincon Lithium Limited is exempt from income and provincial taxes until 2013. However, we will still pay royalties on sales revenue of 5% of the cost of production of the raw brine.
- Dr Ricardo N Alonso leading our exploration efforts and identifying new mining opportunities in the region has a focus on potash and is mobilising his team of three geologists to explore for significant potash reserves.
- Tender Invitations for the sale of 10% of production and agency agreements for 50% of production were sent to a large number of minerals traders, lithium battery and hybrid car manufacturers, and others. Discussions have been held with the major prospective clients on the pricing mechanism for the tender and we have now received general acceptance. The final document will be issued shortly.
- The Pilot Plant was commissioned on 11 Dec 2007, with first production of unrefined lithium carbonate was achieved on 16 April 2008. Purification of this material has been delayed, subject to fine tuning of the purification process. The fine tuning has led to a totally new approach to producing lithium carbonate which has a higher degree of purity, no boron, and very low impurity levels. This process was finalised on 24 April 2008. A number of patents have been applied for using the Patent Co-operation Treaty process. After this is completed next month, patents will be applied for on a country by country basis.
- There are eight pilot ponds which have been filled and are evaporating at rates equal or exceeding our calculated rates. Work on the pipeline construction for gas and brine has been suspended as the area is so cold that the concrete is not setting properly. This work will recommence as summer arrives.
- Potash prices in Japan have increased from \$175 to \$750 per tonne from July 07 to July 08 and we are actively managing the sale and agency relationships for our 80,000 tonne production estimated to be in full production in July 2010.



- The latest estimate for the construction of the plant is as follows:

	\$'000 Total
Civil works:	
Roads and roads maintenance	2,892
Gas Pipeline	2,548
Brine pipeline	1,527
Solar evaporation ponds. Stage I	15,250
Solar evaporation ponds. Stage II	16,250
Production plant:	
Brine pretreatment	3,100
Li purification	25,500
Chloro-alkali plant	15,300
Mobile plant, vehicles and MV maintenance	1,310
Engineering, Construction and Project Management	12,498
Ancillary systems	
Production laboratory	700
Office and R&D facilities Rincon and Jujuy	2,500
Sales and marketing, head office, project management	1,000
Contingencies	3,250
Capital Expenditure	104,625

Bulman

- Drilling will be possible for May/June 2008 as the roads through the Bulman area have become accessible. We are waiting on the Northern Land Council to give us final approval to commence the program.

KEY OBJECTIVES FOR THE APR TO JUN 2008 QUARTER

Corporate

- a. Complete work on the demerger, share consolidation, hold the Extraordinary General Meeting, and if the resolutions are passed list Rincon Lithium Limited.
- b. Issue tender document to tender finalists regarding the Rincon Salar off-take and agency agreements
- c. Continue work on the project finance arrangements for Rincon Salar.
- d. Implement work programs for quarter – expenditure US\$1.5m

Chile

- a. Review and complete Besalco contract and install additional processing equipment at Santa Barbara.
- b. Complete preliminary scope of engineering for Mariposa, Mirador, and Japonesta expansions.
- c. Complete a review of our engineering and metallurgy at Santa Barbara to improve efficiency and yield (Geos Mining contracted for this assignment).
- d. Finalise and release JORC resource studies at Mariposa.
- e. Finalise sales contracts for 2008-2011 and the heads of agreement and contracts for 2011-2018 for both WISCO and Shougang respectively.
- f. Finalise additional finance for second part of 2008 expansion (first part has been completed).
- g. Establish a basic scope of engineering for the port construction at Punta Alcalde and other port options we are considering.
- h. Establish a scope of engineering for a conveyor system to the Port and review the cost of a slurry system.

Argentina

- a. Commence construction of the processing facilities at Rio Grande sodium sulphate deposit and Julio Limestone deposit.
- b. Continue processing at the pilot plant at Rincon Salar.
- c. Finalise the patent for the Rincon Lithium Carbonate extraction process
- d. Finalise exploration program for Potash.
- e. Excavate more ponds for the first phase of excavation.

Bulman

- a. Finalise drilling plan.
- b. Commence operations planning for drilling program.

A handwritten signature in black ink, appearing to read 'R. M. Clarke', with a long horizontal flourish extending to the right.

Robert Michael Clarke
Managing Director
General Manager
Minera Santa Barbara SCM

For further details please email: investors@ady.com.au