



31 January 2008

Company Announcements Office
ASX Limited
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

DECEMBER 2007 QUARTERLY REPORT

HIGHLIGHTS

Corporate

- The Company commissioned an independent expert to value the Rincon Lithium Business, provide tax advice to Admiralty share holders who post the demerger, may sell their Admiralty or Rincon Lithium shares, and to report on the solvency of Admiralty pre and post the demerger. At this point, it seems likely that all shareholders will be invited to an extraordinary meeting in March 2008 to vote on the demerger.
- 1,337 shareholders with 340,730 Admiralty shares, that were not held as marketable parcels were given the option to buy more shares, or keep their shares or if there was no response from them, advised that the Company would acquire their shares and mail the proceeds to them when the shares were sold. The close date for this offer was the 12 January 2008 and 242,360 shares were sold after 112 responses were received.
- A two year loan facility for US\$15m was put in place to assist with working capital at Cia Minera Santa Barbara.
- Rincon Lithium Limited currently has US\$1.5m in cash in Argentina to progress with its commissioning and construction program for the quarter.

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. While some equipment arrived during the quarter and was installed, the primary crushers are still to arrive. Daily production ranged from 750 to 2,000 tonnes per day.
- The Port of Caleta closed on 31 October 2007 to allow fruit loading operations to commence. The port will reopen on 15 February 2008 and our first shipment is scheduled for the 16 February 2008. There is currently 129,700 tonnes of Santa Barbara iron ore and a similar stockpile of Santa Fe iron ore some seven metres high, ready for shipping. Because the stockpile area is full at the port, we have also started stockpiling iron ore at the mine site.

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- Substantial negotiations were held with WISCO in Wuhan and other clients in China, during December 2007 which culminated in a binding heads of agreement with WISCO and legal contract negotiations finalised. These contracts will be finalised once final production targets are set for 2008. The first half of the renegotiated WISCO 2006 contract will be delivered in February to May 2008. We are anticipating at least two shipments per month subject to shipping availability.
 - A draft certificate was received from the Chilean Maritime Authorities increasing the official depth of the Caleta Port to 11.18 metres from 10.63m.

Argentina – Rincon Salar

- Dr Ricardo N Alonso (254 papers in international peer reviewed journals, 1100 science divulgation articles, Fellow of the Economic Geology Society, Fellow of the American Geological Society, Hussein Prize to Science, ADEPA Prize to scientific journalism, Argentinean Mining Prize of 2007) one of the foremost geologists in the Puna, Argentina and ex Secretary of Mining of Salta joined us with the specific mission of leading our exploration efforts and identifying new mining opportunities in the region.
- 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. From the large number of responses received, 13 were selected to receive a full set of documents after all confidentiality agreements and anti-collusion documents were signed and returned.
- The Pilot Plant was commissioned on 11 Dec 2007, with first production of unrefined lithium carbonate expected on 16 Apr 2008. Purification of this material will take a further week and production of refined commercial lithium carbonate is expected by the end of April 2008. We also expect to produce about 20 tonnes of potash.
- The Argentinean Government recently announced that it would impose a 10% tax on sales revenue received by Companies selling gold and other base metals in Argentina. They have reduced the tax to 5% for Companies like Rincon Lithium, who will sell non metallic minerals such as lithium carbonate. Because the tax contravenes the agreements reached with the previous government by Companies in what is referred to as a fiscal stability statement (of which Rincon has also lodged a statement previously), five chemical producers have challenged the decision in the Supreme Court and payments of the tax have been suspended pending the outcome of the hearing.
- The four pilot ponds have been filled and are evaporating at rates equal or exceeding our calculated rates. Evaporation to the point of precipitating unrefined lithium carbonates is estimated to take 108 days.

- The Two Environmental Impact Statements for the operation of the Rincon and Rio Grande deposits were filed with the Authorities on 27 September 2007 and was formally approved by the government in December 2007.
- We have received a term sheet from the Bank that we submitted our banking feasibility study. We are now completing further due diligence.

Bulman

- A substantial geomagnetic, gravity and radiometric survey was run in October and the results received in January 2008 were very encouraging. It is clear there are a number of possible structures to the east which may have economic mineralisation and will be drilled to determine the extent and presence of lead and zinc.
- Drilling has been booked for May 2008 when more satisfactory weather occurs and we have had time to consider the full interpretation of the geomagnetics.

KEY OBJECTIVES FOR THE JAN TO MAR 2008 QUARTER

Corporate

- a. Complete work on the demerger, hold the Extraordinary General Meeting, and if the resolutions are passed list Rincon Lithium Limited.
- b. Continue discussions with buyers and others regarding the Rincon Salar off-take and agency agreements
- c. Continue work on the project finance arrangements for Rincon Salar.

Chile

- a. Install additional processing equipment at Santa Barbara.
- b. Complete a review of our engineering and metallurgy at Santa Barbara to improve efficiency and yield (Geos Mining contracted for this assignment).
- c. Finalise and release JORC resource studies at Mariposa.
- d. Finalise sales contracts for 2008-2011 and the heads of agreement for 2011-2018.
- e. Finalise additional finance for second part of 2008 expansion.

Argentina

- a. Commence construction of the facilities at Rio Grande sodium sulphate deposit and Julio Limestone deposit.
- b. Continue processing at the pilot plant at Rincon Salar.
- c. Finalise exploration program and target minerals.

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- a. Interpret geophysics data.
- b. Commence planning for drilling program.



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