

Worthy of a salute?

CRITERION, THE AUSTRALIAN

Tim Blue | *July 19, 2007*

Admiralty Resources (ADY) 37.5c

ADMIRALTY Resources is one of those happy travellers that sit astride not one but two hot commodities, iron ore and lithium - the latter used to run our mobile phones. At 37.5c, the stock is close to its high, having quadrupled in six months on the back of progress in flogging iron ore from Brazil to China, and a pilot plant at Rincon Salar in Argentina to produce lithium carbonate.

Rarely has iron ore been in such demand. Macquarie Bank, Citigroup, JPMorgan and UBS have all revved up their forecasts for 2008, declaring iron ore prices will rise 10 per cent instead of falling 20 per cent as previously expected. It's up 120 per cent in four years.

Admiralty Resources started shipping iron ore to a Chinese steelmaker in April from stockpiles in South America, where it has a deal to buy 1.2 million tonnes of iron ore a year from a Chilean refiner.

Later it will mine its own ore, through its 49 per cent interest in Chilean miner Cia Minera Santa Barbara, which owns nine former iron ore mines in northern Chile which it plans to reopen.

Admiralty has the rights to build a port at Huasco Bay in Chile, only 60 kilometres from its mines at Japonesa, that would cost about \$US30 million (\$34 million) to build, including stockpile areas and 14 kilometres of road improvements.

The company is looking at its options for funding the new port, managing director Phillip Thomas has said. At 3.6 million tonnes a year, Admiralty would be a bigger iron ore producer than, say, Mount Gibson, but smaller than Portman, and may even get to produce up to 5 million tonnes a year if Thomas has his way.

Admiralty's share price might have leapt when the sales agreement was signed with Wuhan Iron and Steel. But mobile phones are here for the duration, and given what the pundits are saying about ore prices, Criterion would have to rate Admiralty as a speculative buy.

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