



31 July 2008

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

## **JUNE 2008 QUARTERLY REPORT**

### **HIGHLIGHTS**

#### **Corporate**

- Admiralty received a notice from the liquidators of Hawkswood Investments Pty Ltd that the loan amount of A\$10.8m was due. We responded by asking the Supreme Court to determine that the repayment date is 30 September 2008 which was the date agreed upon by Hawkswood Directors and ourselves. The next return date in the Supreme Court is 10 September 2008.
- Cornell Capital converted US\$13million of its converting notes at 17.5 cents under a facility which was drawn down in January this year. The conversion price was initially set higher than this but due to a placement by Lodge Partners of A\$5m at 17.5 cents, Cornell were able to elect to use the lower conversion rate and US\$13m of debt was paid off. The outstanding amount which they can convert at this rate is US\$7m. Subject to debt funding availability, Admiralty intends to replace this facility.
- A placement of A\$5m was made by Lodge Partners at 17.5 cents to new institutional shareholders to the Company's register. These funds were deployed mostly in the joint venture, Cia Minera Santa Barbara. Lodge partners have reported keen interest from overseas and institutional buyers, and have been supporting these investors with updated research.
- Cia Minera Santa Barbara cashflow is expected to be strong in July and August with three shipments scheduled with total tonnage shipped of 100,000 tonnes of iron ore.
- The Company continues to work on and progress its demerger project. Substantial progress has been made in the past month. Meetings were held with the Independent Report provider BDO. We will advise when the extraordinary meeting to vote on the demerger will be held. The Company was not able to complete the objective set for the quarter due to some US SEC considerations, and to review the impact on major shareholders who are domiciled in other jurisdictions in terms of the demerger offer who previously were not on the share register.
- Detailed discussions continue to be held with Shougang International Trade and Engineering Corporation regarding supply of iron ore by our joint venture company Cia Minera Santa Barbara. As part of the supply agreement, a

US\$40m letter of credit will be provided by Shougang's bankers, to enable Admiralty to borrow against this letter of credit which will be used as security (and thus reduce the borrowing rate close to US treasury bills) rather than Admiralty or Santa Barbara assets or iron ore shipments.

- Preliminary due diligence was conducted by an arranger and financier in June 2008, and site visits to Rincon and Vallenar, Chile were held with their due diligence team.
- A Cia Minera Santa Barbara shareholders and board meeting was held on the 19 June 2008 in Chile and all resolutions were passed in favour of Admiralty interests being the majority shareholder.
- Substantial geological and pit engineering was completed at Japonesa and Japonesta by the inhouse geological and mine engineering teams. The results were presented to management in June 2008 at the mine.
- Pyke Hill Resources Pty Ltd was successful in its case against Richfile and its successor Richore Pty Ltd and is still waiting for the WA Mining Warden's decision.

### **Santa Barbara – Chile**

- Cia Minera Santa Barbara plant has been operating at between 17,000 and 24,000 tonnes per month as a direct result of Besalco having insufficient earthmoving and trucking capacity. Legal action and arbitration has been initiated for substantial compensation, and this is currently in its final stages, so far in Santa Barbara's favour.

Management in Chile are assessing their options of acquiring the Besalco plant, increasing its capacity 10 fold, operating the plant partly inhouse and partly outsourcing the operation. It is our intention to immediately add capacity to reach 90,000 tonnes per month to be shipped from Caleta as soon as possible. There is approximately 1 million tonnes of oversize material which has been extracted and is ready to be processed with the appropriate equipment. There has been keen interest from a number of local operators to provide a competitive contract.

- Management have been having very successful negotiations with plant suppliers regarding availability and delivery of equipment which are facing delivery delays in some cases of up to two years.
- The Cape Nelson handymax shipment due to be loaded on the weekend is the 9th WISCO 06 sales contract shipment.
- SRK have completed the Mariposa deposit and upgraded the grade average. The resource estimate was released to the market this month, which was very encouraging to our clients and confirmed our five year production targets were now achievable.
- Management in Chile have had very fruitful discussions with owners of a Cape size Port with a loading capacity of 60,000 tonnes per day. When this transaction is concluded we will have achieved a major breakthrough as

buyers of iron ore have a keen preference for shipping in cape size vessels and this improves our competitiveness.

- A detailed capital expenditure plan will be released as soon as funding is secured.

### **Argentina – Rincon Salar**

- The Rincon Salar has produced approximately 30 tonnes of raw brine ready for processing. We are waiting on delivery of centrifuge equipment for the final stage of processing. The Rio Grande sodium sulphate mine has been producing about 10,000 tonnes of sodium sulphate every twenty days, of which most is used in the lithium production process. A summary of the process is set out in the latest presentation on the website [www.ady.com.au](http://www.ady.com.au).
- The engineering and tender has been completed for the provision of a 15,000 tonnes sodium sulphate plant to produce industrial grade sodium sulphate to sell to manufacturers of detergent. The construction period is estimated to be 12 months and the contract is just being finalised. The expected revenue at \$250 per tonne is US\$3.75m providing a payback in less than one year. The plant will also allow us to produce premium grade sodium sulphate for other lithium based applications.
- The provisional patent for the Rincon Lithium carbonate production process was lodged in April 2008. A risk assessment document has been put together and a due diligence presentation pack for the final tenders interested in entering a 10 year contract for the purchase of 1,700 tonnes of lithium per annum. The final document will be issued shortly.
- The Australian and Argentinean auditors inspected the operations as part of their audit for this financial year and were impressed with our lithium carbonate production, albeit still at pilot scale.

### **Bulman**

- Drilling of more than 20 R/C holes were completed in June/July 2008 in addition to Nitron hand held XRF soil analysis. Geos Mining Consultants are evaluating the results of the various drilling targets and the drilling results from the two mineral leases 726 and 727. The purpose of the drilling program was to understand the geological depositional environment and test the various mineralised zones that had been targeted.

## **KEY OBJECTIVES FOR THE JULY TO SEP 2008 QUARTER**

### **Corporate**

- a. Progress work on the demerger, share consolidation, hold the Extraordinary General Meeting, and if the resolutions are passed list Rincon Lithium Limited.

- b. Issue final 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 and the proposed capital expansion for Cia Minera Santa Barbara.
- d. Complete the audits in Chile, Argentina and Australia and annual report.

### **Chile**

- a. Increase production to 45,000 tonnes per month using Besalco, our own internal operations and other contractors at Santa Barbara.
- b. Progress detailed engineering for Mariposa and Japonésita expansions.
- c. Finalise and release further resource estimates as SRK and internal resources become available on Mirador and other tenements.
- d. Finalise sales contracts for 2008-2011 and the heads of agreement and contracts for 2011-2018 for both WISCO and Shougang respectively.
- e. Finalise additional finance for second part of 2008 expansion (first part has been completed).
- f. Continue the basic scope of engineering for the port construction at Punta Alcalde and other port options we are considering.
- g. Continue negotiations and scope of engineering for a conveyor system to the new Cape Port option Port T.

### **Argentina**

- a. Announce winner of tender and commence construction of the sodium sulphate plant.
- b. Continue processing at the pilot plant at Rincon Salar.
- c. Plan and arrange excavation of more ponds for the first phase of evaporation after winter when the ground has thawed.

### **Bulman**

- a. Finalise drilling results and determine next exploration phase.

A tentative date for the Annual General Meeting has been set for the 28 October 2008 in Melbourne but this will be confirmed closer to the date.



Phillip Thomas  
Managing Director

For further details please email: [investors@ady.com.au](mailto:investors@ady.com.au)