

# NEWS RELEASE

Release Time IMMEDIATE

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## Santa Barbara Update

- **10 year takeoff contract for 50% of production negotiations to be finalised in China in July 2008**
- **Standby Letter of Credit securing \$US40m loan agreed**
- **Six senior Shougang executives scheduled to Visit Cia Minera Santa Barbara in June 2008 postponed due to delays in visa issue**
- **Besalco recommences production after maintenance completion with 19,700 tonnes iron ore produced to 26 May 2008**
- **Plan to acquire two mobile crushers each with 500 tonnes per hour crushing capacity - four months lead time**
- **Candelaria Port panamax option now ranked third, in comparison to new panamax port option located 65 kilometers from the mine and the second option a cape size port north of the Santa Barbara mine.**

Our 60% owned joint venture, Cia Minera Santa Barbara intends to provide 50% of all iron ore production to Shougang and 50% to WISCO over the next ten year period. Shougang has reviewed the due diligence information provided to them and are now in a position to finalise the contract. A draft contract has been received from Shougang. Admiralty Resources and Cia Minera Santa Barbara are in the process of reviewing it to encompass our three stage production expansion plans that will be complete in 2011.

Our Executive Director will visit China early in July 2008 to finalise the contract and negotiations around the loan security being provided by way of standby letter of credit of US\$40m, to secure a loan from National Australia Bank. A draft of the proposed SBLC to be provided by Shougang International's bank has been accepted by our Bankers.

Shougang has advised that they are experiencing a delay in having visas issued to enter Chile to visit the mine, stockpile and port facilities. While two executives from Shougang have already conducted a detailed visit, other executives will visit when they have been issued with the appropriate visa documentation.

## **Production**

After extended delays in maintenance and recommencement of plant operations, mine and plant operations are currently underway and production is increasing. The monthly target for June is 45,000 tonnes and then with the purchase of new equipment from the \$40m loan facility, will be increased up to 90,000 tonnes per month. At a production ratio of seven to one, the two crushers will increase final product output by 71,000 tonnes per month.

Further studies have revealed that we can reduce our production costs by reprocessing material that has been stockpiled as waste. We have in excess of one million tonnes of this material.

This target of 90,000 tonnes has been chosen because this is the maximum capacity per month at the Caleta Port which is being shared with Santa Fe. Production will be increased accordingly to more than 3 million tonnes per annum once shipping capacity is implemented closer to the mine site at either Huasco and the new northern port location we are negotiating.

## **Expansion of Production Capacity 2009**

With the availability the \$40m in funds an initial six month capex program of US\$50m will be implemented to take production up to the target of 3 million tonnes per annum. Some of the major items include:

Primary crushers	\$2,800,000
Engineering and installation of primary crusher	\$1,200,000
Conceptual engineering for iron ore conveyor	\$1,200,000
Additional plant equipment required to achieve 135,000 metric tonnes per month	\$14,500,000
Exploration and geological studies	\$4,500,000
Purchase and installation of an electrical substation	\$3,700,000
Electrical power line =	\$1,700,000
Engineering studies for loading at the new Port	\$800,000
Loading Installation at the new Port	\$6,100,000
Mine site office, employee facilities, warehouse	\$1,200,000

## **Shipping**

CMSB has been successful in commencing negotiations with an additional two port owner much closer to the mine site. Therefore negotiations with the port owners of Candelaria have been sidelined, until a decision is reached with either or both ports. The second port has a cape size facility with a loading capacity of 60,000 tonnes per day.

## **JORC Reserve Calculations**

SRK advise they have nearly completed the Mariposa and Japonesta studies and will provide a JORC resource compliant estimate before the end of June. They also believe they will have completed another study and JORC estimate in July. These estimates will be released to the ASX as they are received.

A draft of a study for a pellet feed operation has been received from SRK and the management team are considering it given the initial feasibility is very encouraging. Pellet feed production is being targeted at 4 million tonnes per annum, at a similar price to iron ore fines. Because pellet feed is ground up to be very fine, the profitability is much higher than fines because the average ratio of ore to final product is 3:1 rather than 7:1 for fines. Shougang has a pellet production facility in Peru and WISCO have expressed a keen interest to examine our pellet feed sales proposal.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Phillip Thomas".

Phillip Thomas  
Executive Director

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Further information on Admiralty Resources NL can be found on our Internet site:

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