

18 November 2007

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

LITHIUM PILOT PLANT UPDATE

There was no damage sustained at the Rincon Salar in last Thursday's earthquake in Chile that occurred near the town of Antofagusta, located about 750 miles from the Rincon Salar. The Rincon Salar is located in a geologically separate area to where this seismic activity is occurring. Santa Barbara's iron ore operations were also not affected by the earthquake that reached 7.7 in intensity.

Pilot Plant Operations to Commence in December 2007

The Directors are pleased to report that the Pilot Plant is expected to be operating by 19 Dec 2007, with first production of unrefined lithium carbonate on 16-26 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.



Pond 1A and 2A have been completed and filled with brine and ponds 3A and 4A will be completed and filled in the next 10 days. The workshop will also be completed and the kitchen equipment will be installed next week.

The project dateline for the tasks required to complete the pilot plant is:

Task	Duration, days	Begins	Ends
Pilot Plant Assembly			
• Complete plant testing	14	29 Oct	15 Nov
• Transport to site	3	16 Nov	20 Nov
• Assembly, including electrics	7	21 Nov	29 Nov
• Complete plant building	5	30 Nov	06 Dec
• In situ plant Testing	14	30 Nov	19 Dec
Evaporation Ponds Construction			
• Geomembranes welding and testing	14	29 Oct	15 Nov
• Trucking of brines to ponds,	50	16 Nov	24 Jan '08
Evaporation Ponds			
• Evaporation	108	16 Nov	15 Apr '08
• Unrefined Li_2CO_3 production	16 Apr '08		

The plant was assembled at the contractor's workshop in Jujuy, where it was tested. Some difficulties have been encountered with the procurement of some valves and pumps that have special characteristics. However, this is not expected to delay commissioning. Testing was completed on 15 November 2007.

The transport of the Plant to the Salar – an operation that required coordination with the road and traffic authorities and the police took three days. The plant will be installed in its own building that has no walls to facilitate the assembly of the equipment. The assembly of the plant, and the completion of the plant building, is expected to take a week. The final testing and commissioning will take another 14 days.

The Evaporation Ponds have been prepared and the HDPE geomembranes, which are already at the site, were welded and two teams of contract welders assembled the geomembranes and tested the welding over a period of two weeks. The ponds will require 30,000,000 litres of brine.

To reduce costs at this stage, brine from the ponds will be trucked from the production borefield, at a rate of 600,000 litres per day. Evaporation to the point of precipitating unrefined lithium carbonates is estimated to take 108 days from 16 Nov '07 to 15 Apr '08.

The onsite construction camp is half completed with sufficient capacity to provide accommodation to the Rincon Lithium personnel over the next 8 weeks during which time more sleeping quarters will be completed to provide accommodation for 20 workers. A secure fuel storage facility has been purchased to store 50,000 litres of fuel oil and will be ready in time for the commissioning of the pilot plant.

Environmental Impact Statement

The final environmental impact statement for the full Project was filed, with the relevant government authorities, on 27 Sep 2007. This EIS conforms to the requirements of Argentinean legislation that, in turn, has been modelled on the Operational Policies OP 4.01 of the World Bank for the Environmental Assessment of projects. These policies are used by the World Bank Group, including the International Finance Corporation. Therefore the EIS prepared by the Company also complies with the requirements of the Equator Principles of June 2006.

The initial response from the government authorities has been positive and it is expected the EIS will be formally approved by the government before the end of the year. The 572 page EIS is currently being

translated into English - 60% has been completed to date - and it is expected to be finalized by the end of November 2007.

Fiscal Stability Statement:

The Company has been formally advised that the Fiscal Stability Statement, which freezes taxes and fiscal imposts for 30 years, will apply from 2 August 2007 and apply until 1 August 2037. The Authority has requested some clarifications that do not affect the application itself or the granting of this benefit.

Blessing of the Pilot Plant:

The local community has requested that the Pilot Plant be blessed on 8 December 2007, during the celebrations of Immaculate Conception of the Virgin, an important festivity in the religious calendar and also a public holiday. This is interpreted as a significant act of goodwill by the community towards the Company and the Project.

Banking Feasibility Report

An application for USD\$70m was lodged with our project finance bankers on 20 October 2007 and good progress has been made.

Shipping from Duty Free Zone – Zona Franca

A decision has been made to evaluate the benefits to clients of shipping lithium product from a specially declared duty free zone called Zona Franca, located about 50 kilometres from Salta. Warehouse and shipping operations will be established there. Client orders will be bonded and exported via containers from Antofagusta or other nearby ports in Chile. At full production we expect to ship 110 containers per month.

.Yours sincerely,



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