2011 ANNUAL REPORT

Adelaide Resources Limited

THE COMPANY

Profile

Adelaide Resources Limited is an Australian Securities Exchange listed minerals exploration company based in Adelaide, South Australia.

The Company's Board of Directors comprises a team of five individuals with years of experience in the minerals industry, and with a strongly complementary range of technical, financial, managerial and directorship skills relevant to the Company.

The Chairman, Andrew Brown, has extensive experience in the Australian equity market as a stockbroker, corporate investor, company director and funds manager.

Managing Director, Chris Drown is an exploration geologist who has searched for minerals predominantly in the terrains in which the Company's main exploration assets are located.

The Company's non-executive directors include John Horan, an accountant with a life long history of involvement in the minerals industry including holding numerous directorships with other exploration companies; John den Dryver, a mining engineer who has substantial expertise in corporate management, feasibility studies and mine development; and Mike Hatcher, a geologist with a glittering career in mineral exploration and mine development.

Senior Management positions are held by geologist Barbara Anderson (Exploration Manager) and accountant Nick Harding (Chief Financial Officer and Company Secretary), both of whom have long and successful careers in the resources industry. A small staff is engaged to undertake exploration and administrative functions.

Since its public listing in 1996, Adelaide Resources' exploration projects have been located in South Australia, the Northern Territory and Queensland. The Company focuses its efforts on the discovery of gold, copper and uranium deposits.

Adelaide Resources' vision is to be a sustainable minerals exploration company providing shareholders with risk managed discovery, development and mining opportunities.

Highlights

- Significant progress achieved on the Rover Project in the Northern Territory with further high grade copper and gold intersections achieved in Adelaide Resources' part of the Rover 1 deposit. Both the mineralisation and its host rocks remain unclosed.
- Also at Rover, further significant copper and gold intersections were returned from two zones of coherent mineralisation at Rover 4. Both zones remain open and one is the shallowest mineralisation yet discovered in the broader Rover Field.
- At the Moonta Project in South Australia drilling confirmed the discovery of a shallow, moderate grade copper gold deposit at Willamulka, while additional work has delineated a solid pipeline of additional, highly regarded, exploration targets elsewhere on the project.
- The Corrobinnie Uranium Joint Venture with Quasar Resources Pty Ltd on South Australia's Eyre Peninsula enjoyed positive results with uranium mineralisation intersected in both palaeochannel and basement geological settings.
- On the downside, an attempt to demerge the Company's South Australian and Queensland assets through the Peninsula Resources IPO failed due to negative market conditions.
- Cash and liquid investments totaled $8.612 million at year end enabling a continuation of high levels of exploration activity on the Company's projects.

Directors

Andrew Brown	Non-Executive Chairman
Chris Drown	Managing Director
John Horan	Non-Executive Director
John den Dryver	Non-Executive Director
Michael Hatcher	Non-Executive Director

Company Secretary

Nicholas Harding

Registered and Principal Office

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Unley, South Australia 5061

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Share registry

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GPO Box 1903, Adelaide SA 5000
Enquiries (within Australia): 1300 134 685
Enquiries (outside Australia): +61 3 9415 4617

Auditors

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide, South Australia 5000

Solicitors

Kelly & Co. Lawyers
Level 17, Westpac House
91 King William Street
Adelaide, South Australia 5000

Bankers

BankSA
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Stock Exchange listing

Australian Stock Exchange Limited
Home Exchange: Adelaide
ASX code: ADN

ABN/ACN

75 061 503 375 / 061 503 375

Contents

CHAIRMAN'S LETTER

Fellow Shareholders,

In the year to 30 June 2011, Adelaide Resources spent over $4.2million on exploration. To put this in context, it's four and a half times the annual average spend in the decade between 2000-2009. We have spent $7.5million in the past two years, compared to $9.3million in the decade before that. When we compare Adelaide Resources to our peer group of approximately 700 ASX listed "explorer developers", the Board of Directors is proud to say, that relative to our size, we are "providing shareholders with discovery opportunities".

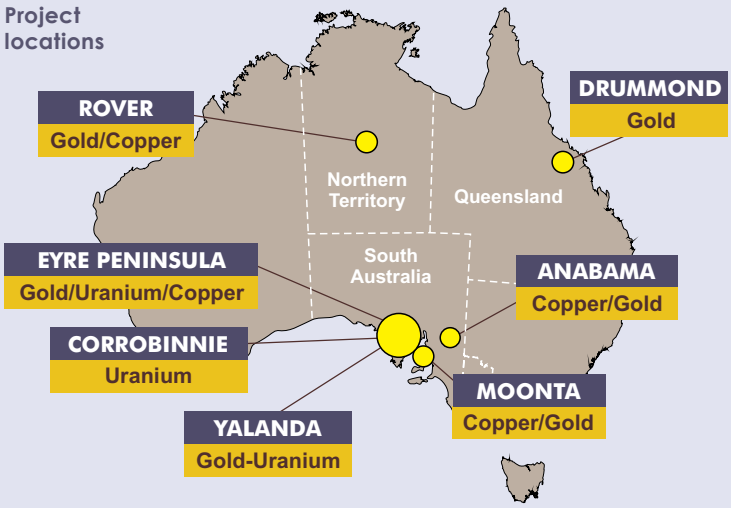
Our expenditure in the past year produced further excellent drilling results at the Company's wholly owned Rover Gold-Copper Project, 85 kilometers from Tennant Creek, NT. We have gained far greater knowledge of both of the Rover discoveries – Rover 1 and Rover 4. In particular, Rover 4 has been especially exciting over the past year given the shallower nature of the discovery, as well as the good copper and gold grades.

The results from Rover are driving us to an even more aggressive program at the project in the 2012 financial year, with a budgeted spend in excess of $3.3million, to continue the process of delineation at Rover 1 and Rover 4, but also more discovery-type drilling at the large scale Rover 12 ironstone system and Rover 11 East. The board continue to believe our Company has a major asset, which should derive benefit from the progress of near neighbour, Westgold Resources Limited, in attempting to bring its portion of the Rover 1 deposit into production during the second half of the calendar 2013 year.

Our other major project, the Moonta Copper-Gold Prospect on the Yorke Peninsula, SA similarly saw very encouraging copper grades at the Willamulka Prospect, from extremely shallow depths. The discovery appears to have real coherence and has encouraging associated gold mineralsation and warrants a more aggressive and deeper drilling program early in the 2012 calendar year.

The magnitude of our expenditure does, of course, come with other responsibilities. Aside from obtaining value for money from our exploration spend, we try to maintain a tight hold on administration expenses. The very small increase in this area in 2011 in the statement of cash flows is obscured by the costs of the withdrawn Peninsula Resources IPO. However, most of all, we have a responsibility to ensure that this exploration spend is reflected to the best degree possible in the price of the Company's securities. It's obvious to all shareholders that it presently is not, given that net asset value, including the carried forward exploration spend, is over 14cents per share – far higher than the prevailing share price. This is the KEY challenge for your Board over the next twelve months.

At last year's Annual General Meeting, we expounded a slightly pessimistic viewpoint as to the pricing of financial assets and noted that the board's analysis of the global situation was such that they felt that the "environment in which your directors have to make decisions about capital management, exploration expenditure and other commitments (is) rather more difficult than has been the case for the past few years."



It would be delightful to say that we were completely wrong – but unfortunately that is not the case. We were 100% correct. As a consequence, the 2011 financial year has proved to be rather more difficult for the Company than we envisaged at this stage of 2010, particularly so over the past six months. From the turn of the calendar year, we have had to weather a multitude of storms to ensure our Company can function optimally. Apart from genuine storms of a meteorological nature, which delayed the commencement of our 2011 drilling program at Rover by around eight weeks to late-May, we have had to endure the metaphorical "financial" storms.

The financial situation was manifested in increased risk aversion; the best measure of sentiment in smaller mining exploration and development companies – the ASX S&P Small Resources Index – rose by close to 47% between 30 June 2010 and 31 December 2010; in the second six months of the 2011 financial year, however, the same index fell by just over 20%. The bulk of this fall – some 16% - was seen in the final quarter of the financial year. This is one uncontrollable direct impact on our share price. This risk aversion was initially partly a function of profit taking but more recently reflects volatile global financial markets and, it has to be said, domestic policy uncertainties. Clearly things have become even more troublesome in the period after the close of the financial year.

This risk aversion was far greater than we anticipated at the 2010 AGM when we announced the intention to float the non-Tennant Creek assets of the Company via a spin-off, Peninsula Resources Limited. As a consequence of volatile equity markets, and despite respectable support for the float, the directors of both companies decided on 16 June 2011 that we should withdraw the Peninsula prospectus and halt the float process.

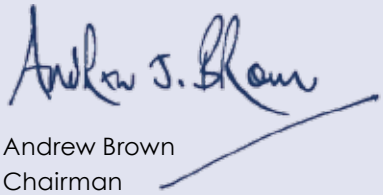
The first step towards meeting our key challenge in the 2012 year was for the board to meet for extensive strategy sessions in July 2011. It emerged with a number of new initiatives which we hope will strengthen Adelaide Resources in the future. Whilst a number of the initiatives are necessarily commercially sensitive, we have engaged Kevin Lines, a respected geologist with considerable industry experience, in a consulting capacity to assist in this respect. The Company believes it has a number of corporate opportunities which will yield cumulative value to shareholders well ahead of the current share price, by unlocking some of the nascent tenement value we possess. This is not a simple "asset sale" or "JV" type process, since we see opportunities for tenement amalgamations and acquisitions in certain of our chosen areas.

We hope to be able to report on progress on some of these initiatives by the time of the AGM, but it should be noted that discussions will need to be held with counterparties.

We will also be assisted in this respect by the connections, expertise and knowledge of a new board member, Mike Hatcher, who was appointed in late July 2011. Mike is a geologist with over 40 years experience in the resources industry, including 16 years with the Newmont/Normandy Mining/North Flinders Mines corporate group where he held a number of senior positions. Many of the pre-existing board have known Mike for some years, and his counsel during the Peninsula float process was invaluable, as have been his initial contributions.

It is only due to your backing as shareholders that the Company can function effectively. We thank you for your support and hope that the 2012 financial year may prove more fruitful in revaluing the traded price of your Company's securities closer to what the board believe is their real worth. As Chair, I am confident that we have an excellent directorial mix of geological, engineering and corporate skills to meet this challenge.

Sincerely,



Andrew Brown
Chairman

Introduction

During the year Adelaide Resources maintained an active exploration program with the objective of identifying economic mineral deposits. Exploration programs were completed at projects located in South Australia and the Northern Territory.

Direct exploration expenditure for the year totaled $4.137 million with additional contributions of $0.565 million from joint venturers earning an interest in certain joint ventures.

The Company is principally targeting gold and copper deposits, with uranium forming a secondary target. In keeping with this commodity focus, Adelaide Resources maintained its strategy of self-funding its gold and copper search, and of funding its uranium search through joint ventures.

Adelaide Resources' 2010/11 efforts were rewarded with further excellent exploration results at its Rover Gold Copper Project in the Northern Territory; the discovery of the Willamulka copper-gold deposit on its Moonta Copper Gold Project in South Australia; and the receipt of additional encouraging drilling results from the Corrobinnie Uranium Joint Venture with Quasar Resources Pty Ltd in South Australia.

During the year the Company attempted to demerge its South Australian and Queensland exploration assets through the ASX listing of Peninsula Resources Limited, however this initiative failed as a result of adverse market conditions.

Strategy

To achieve the goal of growing shareholder wealth, Adelaide Resources' directors have formulated a company strategy comprising the following key principles:

- The Company will maintain a strong commodity focus on gold and copper, with uranium remaining an important, but secondary, target. Directors believe the outlooks for gold and copper remain very positive and believe these to be commodities well suited to Adelaide Resources with the two metals occurring naturally together in several of the Company's key projects. Uranium is considered to have a solid future albeit under a more burdensome regulatory regime. The Company's current portfolio of properties and expertise is well matched to this commodity focus.
- The Company remains in a strong financial position allowing it to conduct financially prudent programs of work that can deliver value to shareholders. The Company will continue to self-fund exploration programs on projects where it believes it is in shareholders best interests to retain maximum equity. In this regard the forward focus for the Company will be jointly directed towards both the Tennant Creek district in the Northern Territory, and the Yorke Peninsula district in South Australia. The Company will also continue its strategy of using joint ventures to fund its search for uranium.
- The Company will pursue opportunities it has identified which have potential to unlock value in its other South Australian and Queensland tenement holdings. The Company has engaged a respected consulting geologist with considerable industry experience to assist it in this regard.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Chris Drown, who is a Member of The Australasian Institute of Mining and Metallurgy and who consults to the Company on a full time basis. Mr Drown has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Drown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Rover Gold Copper Project – NT

Adelaide Resources holds a strategic ground position in the Rover Field located south west of Tennant Creek *(Figure 1)*. The Company's wholly owned Rover Gold Copper Project tenements cover an area of 287 sq km and secure the majority of the area where "Tennant Creek style" iron-oxide hosted gold-copper systems are confirmed to be present. The Rover Project remains the Company's flagship project.

Several of the historically mined gold and copper ore bodies at Tennant Creek were of exceptional grade, and deposits of "Tennant Creek" style represent very attractive exploration targets. Geologically analogous mineral systems located beneath cover sediments in the Rover Field present the opportunity of discovering a new high grade gold and copper mining district.

The Rover Project was acquired in 2005 from Newmont Gold Exploration Pty Limited. In consideration for the purchase, Newmont was granted a net smelter return royalty ranging between 1.5% and 2.5% on gold production scaled to cumulative production and to the prevailing gold price. Where the product is other than gold, the royalty is 1.5%. By foregoing the royalty, Newmont could alternatively exercise a once only right to buy back a 70% interest in the project on pre-agreed terms in the event that 2 million or more ounces of gold are discovered. The buy back right cannot be triggered by the establishment of resources of copper or other metals. In February 2009, Newmont assigned its royalty/buy back interest to Franco-Nevada Australia Pty Ltd.

The announcement in 2010 by neighbouring explorer Westgold Resources Limited (Westgold) of a positive mining scoping study for its part of the Rover 1 deposit places the broader Rover Field firmly on the development path, with potentially positive consequences for Adelaide Resources.

Exploration Program

Exploration during the year comprised diamond drilling programs at the Rover 1 and Rover 4 prospects, and detailed gravity surveys over selected, highly ranked targets. Since last years annual report, a total of 31 drillholes and wedged daughter holes have been drilled for a total of 11,428.5 metres, with 14 holes completed at Rover 1 and 17 holes completed at Rover 4.

Rover 1 Prospect

The Rover 1 prospect straddles the southern boundary of SEL 27372 *(Figures 1 and 2)*. In 2009 neighbouring explorer, Westgold Resources Limited, announced a series of high grade gold and copper intersections at the then newly discovered Western Zone of the Rover 1 Prospect.

Westgold's Western Zone intersections persisted to within metres of the common tenement boundary, and Adelaide Resources drilled hole R1ARD30 to test if mineralisation persisted north into SEL 27372. The results were excellent with R1ARD30 intersecting three broad zones of copper and gold mineralisation, including intervals of exceptional grade.

Since the discovery of mineralisation in R1ARD30, the Company has embarked on a significant program of drilling into its part of the Rover 1

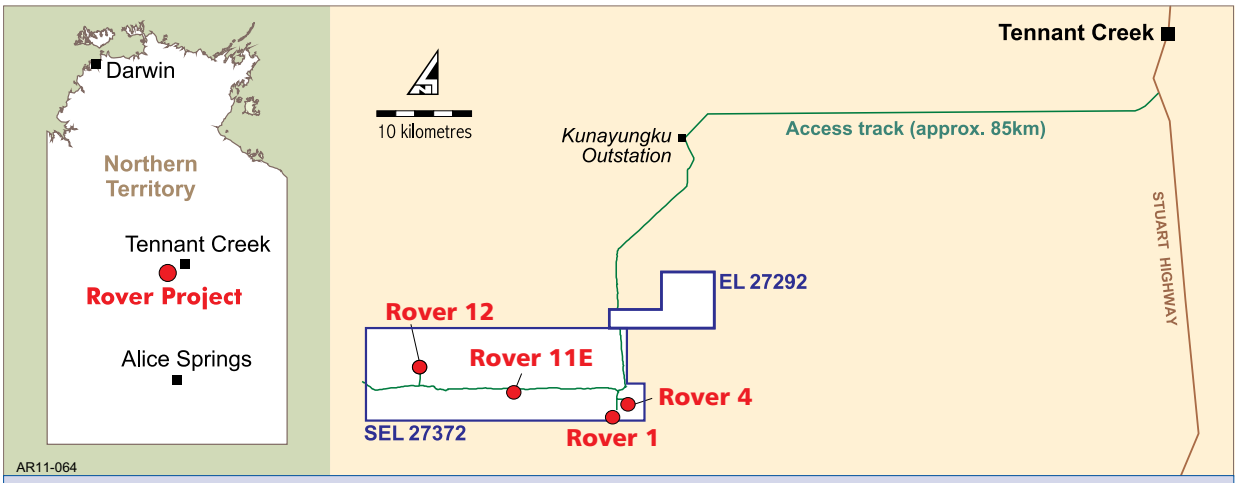


Figure 1: *Rover Project Location Plan.*

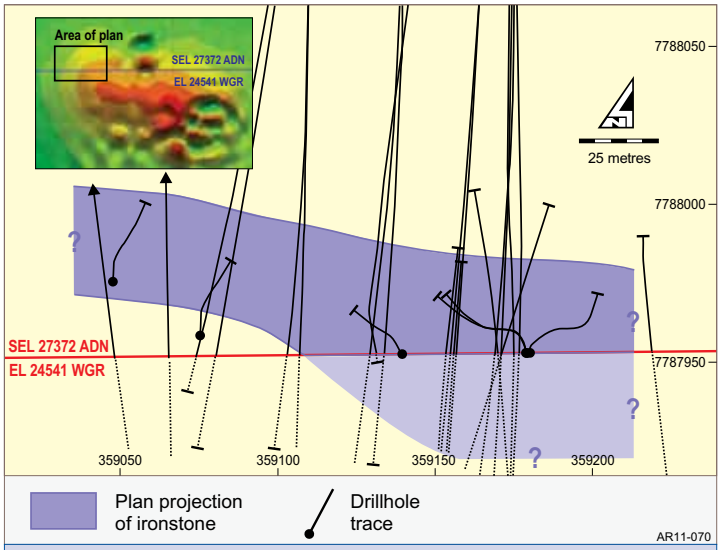


Figure 2: *Rover 1 Plan.*

deposit, with further high grade copper and gold intersections achieved in many holes. Several of these intersections occur in holes drilled under a financially advantageous co-operative agreement with Westgold Resources whereby holes drilled by one company are extended into the others tenement at their cost and risk. *Table 1* lists significant intersections achieved since last years Annual Report was released.

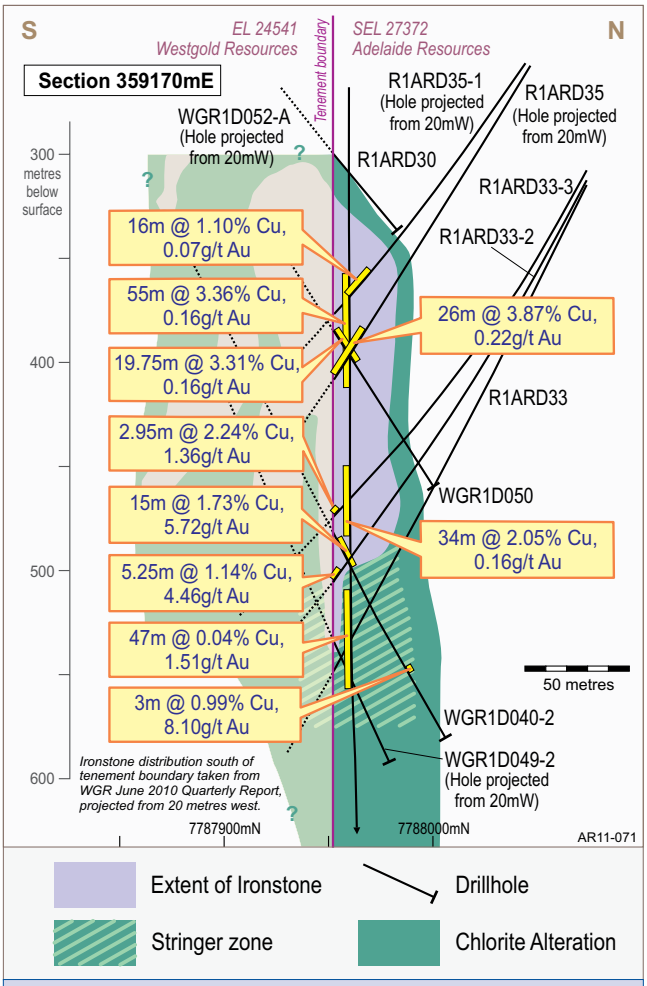


Figure 3: *Rover 1 Section 359170mE.*

The Company's goal at Rover 1 is to establish the resource potential of its share of the deposit, and thereby determine the best option to extract value from this asset.

Drilling to date confirms that a significant strike length (approximately 180 metres) of prospective ironstone and underlying stringer zone is present on Adelaide Resources' tenement. The vertical dimension of the ironstone/stringer zone system is up to 250 metres, with the across strike dimension averaging about 35 metres *(Figures 2 and 3)*.

Copper and gold mineralisation of probable economic grade is present within part of this prospective host rock package. Continuity of mineralised zones, which is an important attribute required for confident resource estimation, is evident.

The ironstone/stringer zone system remains very well developed in the western-most holes completed on Adelaide Resources' tenement to date, and potential for it to continue further in this direction is excellent. The system also remains open to the east.

Rover 4 Prospect

The Company has also undertaken a significant program of drilling at the Rover 4 prospect. The Rover 4 system falls entirely within Adelaide Resources SEL 27372 *(Figure 4)*.

The drilling effort at Rover 4 has been rewarding with a range of potentially economic intersections achieved during the year *(Table 1)* which add to significant results achieved at this prospect in previous years.

Drilling at Rover 4 reveals a large prospective host sequence of dolomite-jasper-hematite alteration enclosing hematite-magnetite ironstone bodies. The ironstone/alteration system has a confirmed strike length of 600 metres and remains open to the east, north and west *(Figure 4)*.

Two significant zones of mineralisation have been discovered within these host rocks, and are generally associated with the ironstone bodies.

Table 1: *Rover Project Significant Assays.*

Prospect	Drillhole Name	Easting (mga94)	Northing (mga94)	Dip	Azimuth	Start Depth	Final Depth	From (m)	To (m)	Interval (m)	Au g/t	Cu %
Rover 1	R1ARD33-2	359169	7788194	-70	177	302.9	561.25	556	561.25	5.25	4.46	1.14
							incl.	559	560	1	16.5	1.49
	R1ARD33-3	359169	7788194	-70	177	261.8	535.95	533	535.95	2.95	1.36	2.24
	R1ARD33-4	359169	7788194	-70	177	417.7	619.50	571	574	3	1.83	0.03
	R1ARD35	359168	7788193	-61	179		471.00	445	471	26	0.22	3.87
							incl.	448	451	3	0.47	8.37
							and	457	459	2	0.95	8.36
	R1ARD35-1	359168	7788193	-61	179	249.6	445.60	418	434	16	0.07	1.10
							incl.	425	429	4	0.04	2.20
	R1ARD36a	359108	7788164	-68	178	390.6	*483.05*	442	457	15	0.09	1.33
							incl.	450	451	1	0.21	4.11
	R1ARD38-1	359110	7788229	-70	177	269.0		575	576	1	3.16	1.04
	R1ARD41-1	359139	7788149	-68	172	243.9	474.36	436	440	4	1.07	0.05
								463	474	11.40	1.42	2.63
							incl.	469	474	5.40	1.64	4.21
	WGR1D049-2	359149	7787752	-71	357	571.3	639.15	587	589	2	1.09	0.26
	WGR1D050	359150	7787757	-65	355	436.3	525.80	436.25	456	19.75	0.16	3.31
							incl.	438	451	13	0.22	4.62
	WGR1D051	359060	7787756	-60	360	376.5	515.80	433	437	4	~	0.93
Rover 4	R4ARD34	360260	7790135	-64	178		434.80	337	344	7	0.08	1.24
								380	389	9	0.33	2.12
							incl.	383	384	1	0.53	4.90
								396	397	1	4.97	0.09
	R4ARD40	360700	7789920	-64	180		459.10	164	179	15	1.48	1.70
							incl.	164	171	7	2.55	2.11
								185	187	2	0.08	1.13
								212	234	22	1.30	1.87
							incl.	226	232	6	3.56	2.90
								271	273	2	3.74	0.31
								348	349	1	12.22	0.05
	R4ARD42	360700	7789895	-64	177		396.00	227	231	4	0.08	1.35
								283	284	1	2.45	0.07
	R4ARD43	360660	7789905	-65	177		384.50	256	257	1	2.57	1.2
								262	263	1	2.15	0.61
	R4ARD44	360660	7789930	-65	177		384.59	299	302	3	1.32	0.09
								307	309	2	1.37	0.31
	R4ARD45	360660	7789955	-65	170		369.43	311	313	2	2.04	0.52
	R4ARD46	360740	7789930	-65	174		388.17	229	233	4	1.67	1.10
								245	247	2	11.79	0.09
								273	275	2	0.07	1.62
								281	282	1	2.29	0.03
	R4ARD47	360340	7790150	-64	175		447.29	351	353	2	0.03	1.18
								385	387	2	1.14	1.09
	R4ARD48	360340	7790140	-64	175		450.44	314	326	12	0.29	1.36
	R4ARD49	360220	7790182	-66	174		495.30	402	407	5	0.16	1.13
	R4ARD52	360540	7789930	-67	177		390.55	221	249	28	0.04	1.62
							incl.	225	240	15	0.03	2.37

Gold determined by fire assay with AA finish. Copper determined by mixed acid digest followed by ICP-AES or AA finish. Assays based on 1 metre cut half core samples of HQ or NQ2 core. Core recovery for reported intervals is very high. Intersections are downhole lengths with grades weighted for specific gravity. True widths are not known.

The Western Zone is defined by a series of copper dominant drill intersections, has a strike of about 150 metres and remains open particularly to the west.

The Central/Eastern Zone is currently interpreted to be a continuous zone with a strike of about 300 metres which remains open particularly to the east. The Eastern Zone appears to be more gold endowed than the copper-dominant Western Zone. Significantly, the Eastern Zone is also the shallowest mineralisation yet discovered within the entire Rover Field.

Broad intervals of anomalous gold and copper also occur in strongly chlorite altered sediments beneath the dolomite-jasper-hematite-magnetite body suggesting potential may exist for higher grade gold in this part of the deposit.

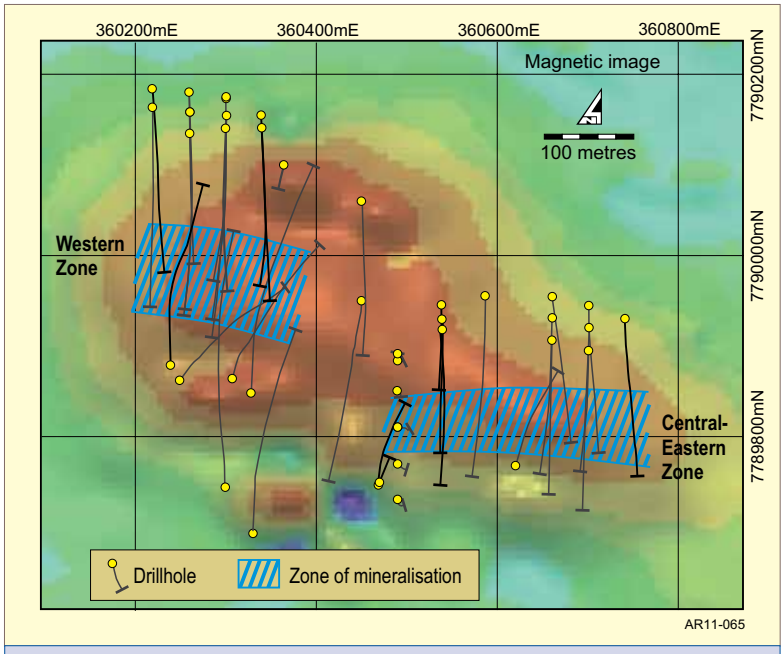


Figure 4: *Rover 4 Plan.*

Drilling is continuing at Rover 4 with the goal of extending the known limits of mineralisation and drilling mineralised zones in sufficient detail to estimate mineral resources.

Other Prospects

Drilling has recently commenced at Rover 12, located in the western part of the Rover Project *(Figure 1)*. The Rover 12 magnetic anomaly is comparable in size to the Rover 1 anomaly and Rover 12 is potentially a similar sized ironstone system to Rover 1. Previous drilling at Rover 12 totals seven holes which confirm the presence of a Tennant Creek style magnetite ironstone system. All seven holes record intervals of significantly anomalous copper, gold and bismuth mineralisation confirming the prospectivity of this target.

Detailed 50 metre spaced gravity surveying was completed at a number of highly ranked targets on the project during the year.

At the Rover 11 East Prospect, gravity surveying defined a discreet density anomaly to the east of the two historic holes drilled at the prospect. Both of the historic holes intersected anomalus copper and gold and the adjacent gravity anomaly represents a compelling exploration target planned for testing later in 2011 *(Figure 5)*.

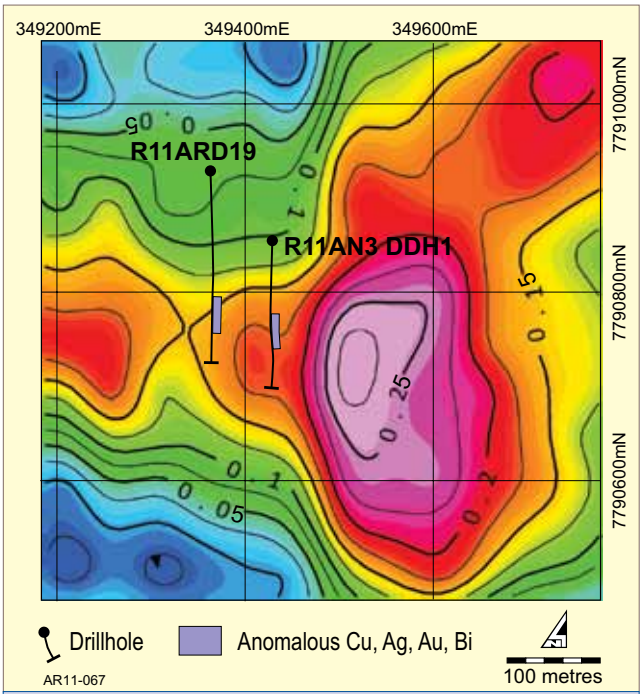


Figure 5: *Rover 11 Eats Residual Gravity Plan.*

Moonta Copper Gold Project – SA

The Moonta Copper Gold Project is located on the Yorke Peninsula of South Australia at the southern end of the Olympic Copper Gold Province, and secures the historic "Copper Triangle" mining district near Moonta and Kadina *(Figure 6)*. The world class Olympic Dam and Prominent Hill mining operations, and Rex Minerals Limited's Hillside Deposit, also occur in this belt.

The majority of the project tenement, EL 3733, is owned 100% by Adelaide Resources. The Company holds 90% equity in the smaller Moonta Porphyry Joint Venture area, with Breakaway Resources Limited holding the remaining 10%.

Exploration Program

In 2010, the Company achieved a number of promising copper and gold drill intersections at the Willamulka Prospect, located in a 100% owned part of the project tenement *(Figure 6)*.

Consequently, a substantial 2011 drilling program was undertaken to further advance Willamulka, while additional target definition work was completed elsewhere on the project tenement to establish a pipeline of additional prospects.

Willamulka Copper – Gold discovery

The 2011 drilling program at Willamulka comprised a total of 79 aircore and aircore hammer holes for a total advance of 6399 metres. All drilling at Willamulka now totals 123 holes for 9035 metres, with holes drilled on 17 traverses spaced not more than 100 metres apart *(Figure 7)*. The Willamulka drilling now confirms that the Company has discovered a shallow, moderate grade, copper-gold deposit.

At Willamulka, copper-gold mineralisation (defined as samples assaying greater than 0.2% copper or 0.1g/t gold) is continuous over 16 adjacent drill traverses indicating a total mineralised strike length of 1200 metres. This mineralised zone remains open along strike in both directions. *Table 2* presents a list of significant drill intersections achieved during the 2011 program.

A shoot of shallow copper-gold mineralisation (Shoot A) of significant thickness and moderate grade is present in the southwestern part of the mineralised zone *(Figures 7 and 8)*. Shoot A has a confirmed strike length of 550 metres. On several drill traverses Shoot A persists up to the base of thin cover sediments, a depth below surface of about 7 metres, and it remains open at depth for about 450 metres of its 550 metre defined extent.

Shoot A plunges at a shallow angle, estimated to be between 5 and 10 degrees, to the southwest, presenting the possibility that it will continue still further in this direction, but below the depth tested by existing drilling.

Regional Target Delineation

A total of 3261 calcrete geochemical samples were collected from the broader Moonta Project area to provide geochemical coverage of previously

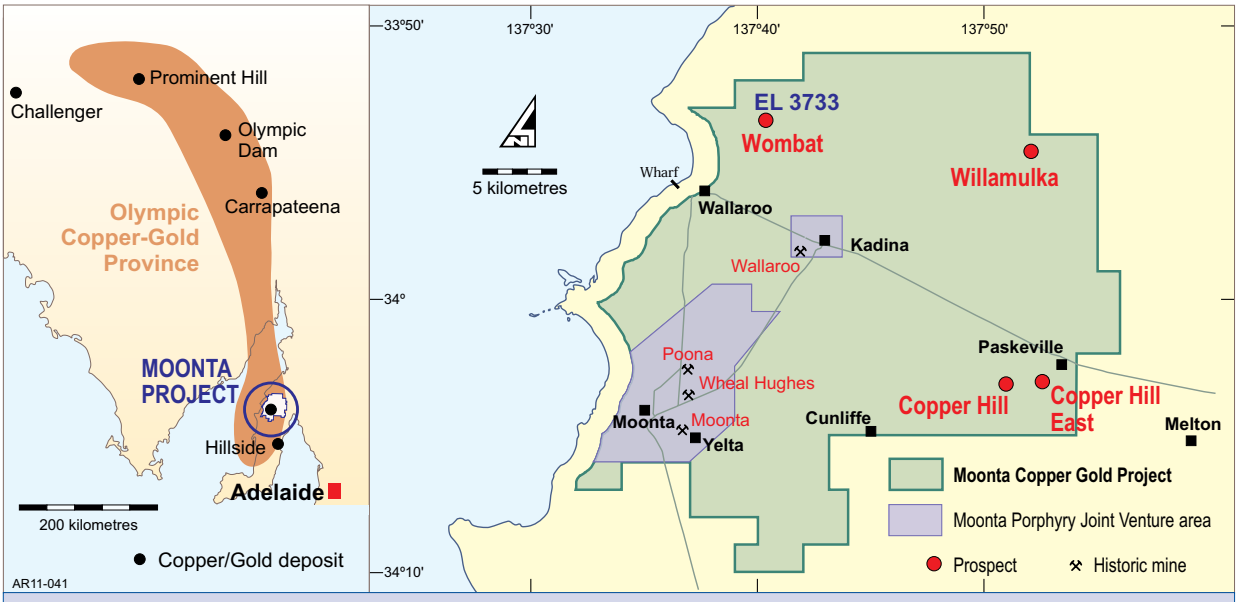


Figure 6: *Moonta Project Location Plan showing gold/copper anomalies.*

un-sampled areas of the project tenement, and to better define pre-existing copper and gold geochemical anomalies.

Assays confirmed that many of the calcrete samples have copper and gold at anomalous levels and together with pre-existing samples define several targets that warrant drill testing.

One of the newly detailed geochemical anomalies, named Copper Hill East *(Figure 6)* includes samples in which both gold and copper concentrations match or exceed those in the geochemical samples that define the Willamulka Anomaly. Limited shallow historical drilling has been completed in the Copper Hill East area, and while not directly testing the peak geochemical response, intersected anomalous copper and gold confirming the presence of sub-surface mineralisation.

In light of the history of the Willamulka discovery, historical exploration data from elsewhere on the Moonta Project has been reassessed. This investigation reveals that similar exploration opportunities may be present elsewhere on the Moonta Project.

Table 2: *Willamulka Prospect Significant Assays.*

Hole ID	Easting (GDA94)	Northing (GDA94)	Dip	Azimuth	Total Depth	From (m)	To (m)	Interval (m)	Cu %	Au g/t
WAC-57	765122	6244218	-60	135	79	44	48	4	0.56	0.78
WAC-59	764930	6243912	-60	135	101	11	22	11	0.36	0.01
WAC-60	764920	6243922	-60	135	113	29	64	35	1.14	0.72
					incl.	40	51	11	1.52	0.93
						87	93	6	0.46	0.17
WAC-63	764862	6243938	-60	135	85	70	74	4	0.37	0.07
						76	81	5	0.48	0.54
WAC-67	764887	6243866	-60	135	120	32	45	13	0.81	0.02
					incl.	35	38	3	2.11	0.42
WAC-68	764868	6243883	-60	135	114	19	53	34	0.46	0.14
WAC-69	764851	6243899	-60	135	120	56	64	8	0.06	0.73
						65	94	29	0.59	0.49
WAC74	764843	6243849	-60	135	75	19	36	17	1.07	2.62
					incl.	21	23	2	0.31	20.85
					and	24	30	6	2.30	0.39
WAC75	764826	6243867	-60	135	75	56	75	19	0.95	0.36
					incl.	66	71	5	2.52	0.54
WAC86	764630	6243772	-60	135	65.5	39	51	12	0.41	0.06
WAC94	764479	6243775	-60	135	75	64	66	2	~	2.34
WAC97	764953	6243946	-60	135	106	30	46	16	0.31	0.12
WAC98	764941	6243958	-60	135	76	36	56	20	0.34	0.32
WAC99	764929	6243970	-60	135	78	50	56	6	0.63	0.04
						74	78	4	0.50	0.37
WAC100	765008	6244049	-60	135	75	24	38	14	0.34	0.07
WAC101	764990	6244066	-60	135	73	36	62	26	0.31	0.17
						66	70	4	0.63	0.38
WAC119	765357	6244413	-60	135	99	43	44	1	0.02	3.11
WAC124	764809	6243813	-60	135	96	48	54	6	0.18	1.32
WAC125	764791	6243830	-60	135	57	45	57	12	0.30	0.04
WAC129	764746	6243808	-60	135	103	49	62	13	0.70	0.22
WAC130	764817	6243875	-60	135	118	49	57	8	0.18	1.31
					incl.	55	57	2	0.23	4.61
						70	77	7	0.89	0.07
						88	99	11	0.42	0.23
WAC132	764911	6243931	-60	135	96	35	73	38	0.79	0.41
					incl.	38	45	7	1.01	0.18
					and	59	69	10	1.47	0.83

Au determined by nominal 30gm fire assay with ICP-AES finish – check samples determined by fire assay with AA finish. Cu determined by mixed acid digest followed by ICP-AES with over range samples determined using AA finish. Intersections are downhole lengths and true widths are not known. The above results are based on 1 and 3 metre riffle split drill samples.

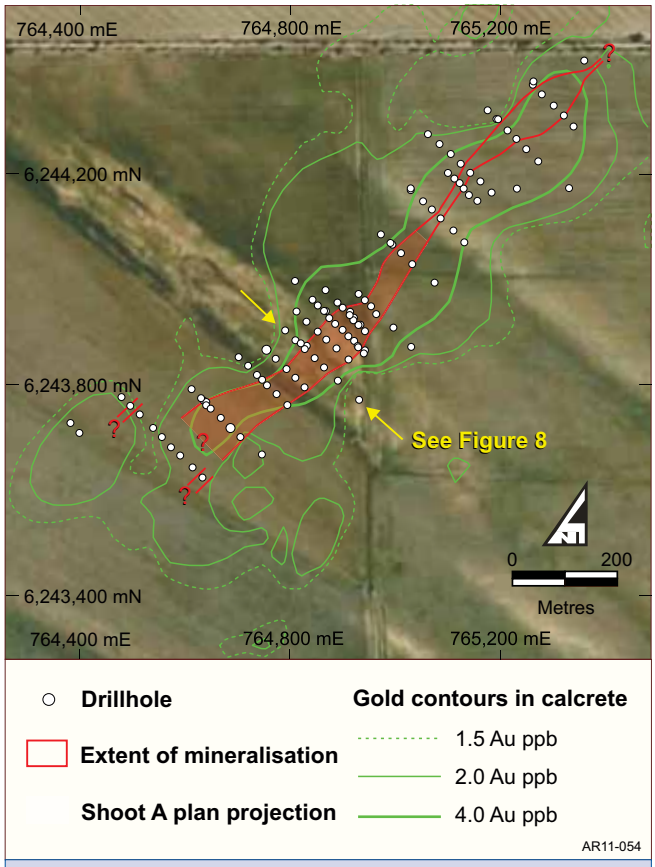


Figure 7: *Willamulka Prospect Summary Plan.*

At Copper Hill West *(Figure 6)*, previous vertical aircore drilling intersected what appears to be a coherent zone of shallow copper mineralisation with a best intersection of 19 metres at 0.93% copper from 6 metres downhole in MPDAC-341, an intersection of a grade and width comparable to those achieved in Shoot A at Willamulka.

Similarly, at the Wombat Prospect *(Figure 6)*, historical shallow aircore drilling intersected mineralisation in weathered rock over a 1000 metre strike length. Better intersections include 27 metres at 0.46% copper from 20 metres downhole in MPDAC-335, and 36 metres at 0.51% copper from 18 metres in MPDAC-368. Seven inclined diamond holes returned a best intersection of 36 metres at 1.14% copper and 0.29g/t gold from 239 metres in drill hole MPD-05-21, confirming that significant mineralisation is also present at depth.

Forward Exploration Program

The Board believes that further work on the Moonta Project can potentially deliver a copper gold mineral resource, and that such a resource may well be comprised of two or more individual, but geographically well located, mineral deposits.

At Willamulka investigations to establish copper phase mineralogy, and metallurgical bench testing to establish potential copper and gold recoveries are in progress. Positive results from these studies would lead to the estimation of a mineral resource for the deposit.

Additionally, well defined targets exist where Shoot A is open at depth or down plunge, and the intersection of further mineralisation in these areas will build the size of any resource defined at Willamulka. Testing of these targets will require reverse circulation or diamond drilling methods, and this drilling is planned to be undertaken in early 2012 following the cereal harvest.

Drilling is warranted to complete an initial test of the Copper Hill East anomaly and to further investigate the Copper Hill West and Wombat prospects where the potential to establish mineral resources appears sound. This work is also planned for early 2012.

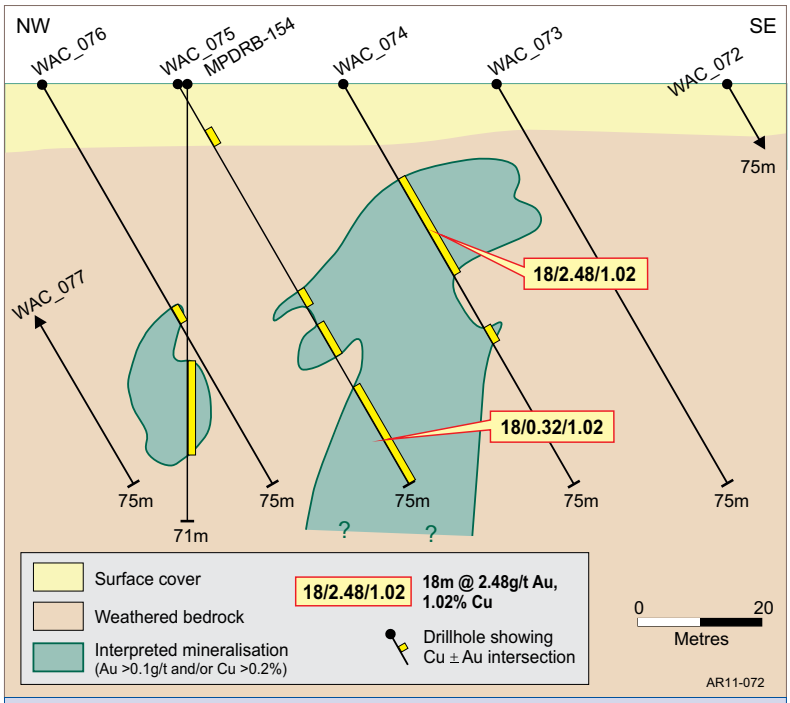


Figure 8: *Willamulka Prospect Section.*

Corrobinnie Uranium Joint Venture – SA

The Corrobinnie Uranium Joint Venture, between Adelaide Resources and Quasar Resources Pty Ltd (Quasar), is searching for uranium deposits on the Eyre Peninsula of South Australia. Quasar manage and operate the Joint Venture.

The Joint Venture's goal is the discovery and delineation of "roll front" style deposits hosted in palaeochannel systems, or of "hard rock" uranium deposits hosted in the basement rocks.

The Joint Venture covers a total area of 4602 sq km, and has rights to all minerals over a sub area of 2395 sq km, and the rights to palaeo-channel deposits only over the remaining 2207 sq km *(Figure 9)*.

In October 2010, Quasar advised Adelaide Resources that its total sole funded expenditure on the Joint Venture had reached $3 million, the expenditure threshold required for Quasar to earn an initial 60% interest.

Adelaide Resources elected not to contribute to the proposed $1 million exploration program and budget for 2011, but to dilute its interest. Assuming the full budget is spent, Adelaide Resources' equity will fall to approximately 33% by year end. The company retains the option of contributing to exploration programs in future years. Importantly, Adelaide Resources' interest in the Joint Venture may not be diluted below 25%, at which time it would be free carried to a Decision to Mine.

During the year an aircore drilling program, totaling 108 holes for 4185 metres, investigated unexplored parts of the Thurlga palaeochannel, while a 36 hole 2094 metre rotary mud drilling program was completed to follow-up positive results achieved in previous aircore drilling programs *(Figure 9)*.

Assays of aircore drill samples revealed weak uranium anomalism in some channel sediments, while anomalous uranium hosted in weathered basement rocks was also discovered. Five traverses of coarse spaced aircore drilling define a possible 7 km long belt of basement hosted uranium anomalism with assays in separate holes to 1 metre at 162ppm U_3O_8, and 1 metre at 163ppm U_3O_8.

Downhole gamma logs of a number of the rotary mud program drill holes revealed significant zones of uranium mineralisation in the vicinity of palaeochannel hosted uranium discovered in 2009. Assays confirmed a best intersection of 6 metres at 260ppm U_3O_8 commencing from 28 metres downhole in CBM0007, the southern-most drillhole completed *(Figure 9)*.

The 2011 drilling program is scheduled to commence in October and is dominated by programs of aircore, rotary mud and reverse circulation drilling with a strong focus on the Thurlga area.

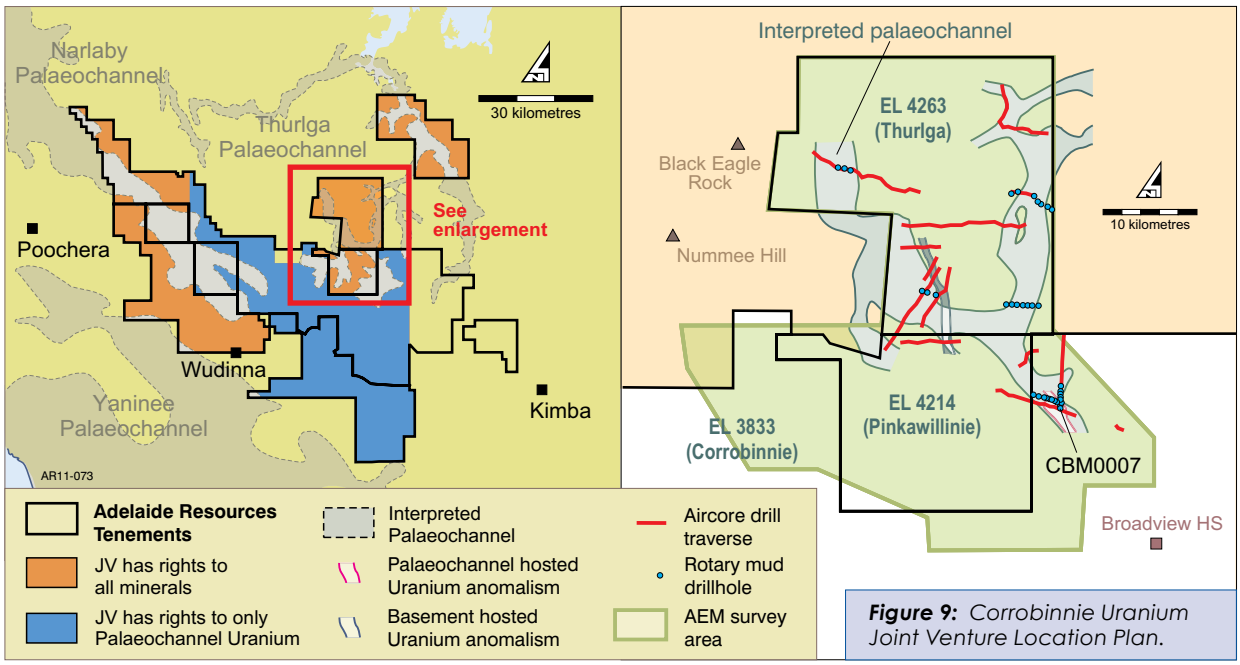


Figure 9: *Corrobinnie Uranium Joint Venture Location Plan.*

Yalanda Hill Joint Venture – SA

The Yalanda Hill Joint Venture with Investigator Resources Limited (formerly Southern Uranium Limited) is exploring for uranium and other minerals on three tenements located on the eastern Eyre Peninsula of South Australia.

During the year reconnaissance soil sampling over the three licences was completed with samples collected on either 1km by 1km, or 1km by 500 metre, spacings. The soil sampling identified two uranium and three gold anomalies warranting further investigation *(Figure 10)*.

In February 2011, Investigator Resources advised Adelaide Resources that its total sole funded expenditure on the Yalanda Hill Joint Venture has reached $250,000, the threshold required for Investigator to increase its interest to 60%. Adelaide Resources will determine whether to contribute to ongoing expenditure and hold its equity position, or else elect to dilute, upon receipt of a forward program and budget from Investigator Resources.

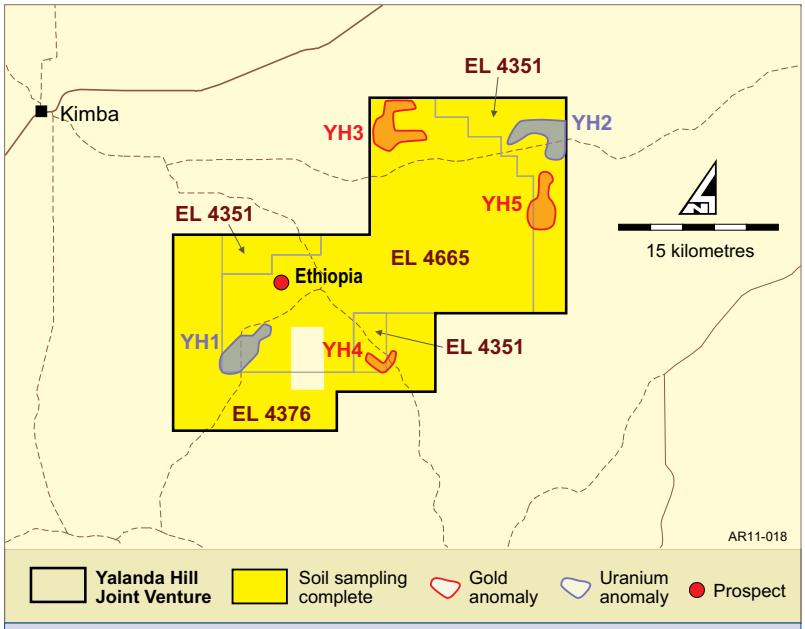


Figure 10: *Yalanda Hill Joint Venture Location Plan.*

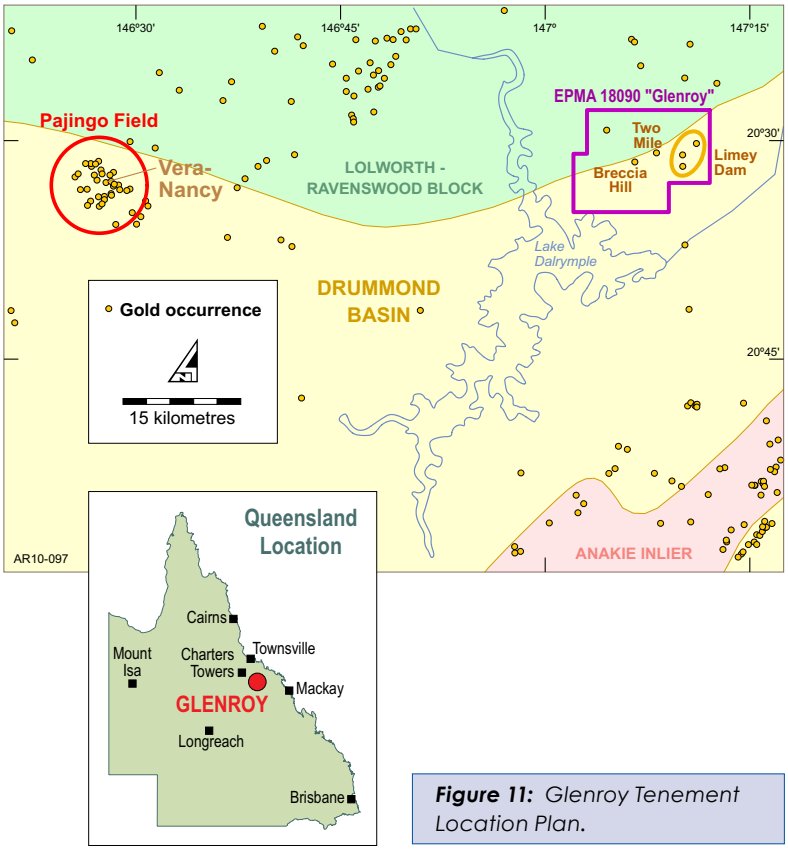


Figure 11: *Glenroy Tenement Location Plan.*

Drummond Gold Project – QLD

Tenement application EPMA 18090 "Glenroy" secures a 196 sq km area of gold prospective ground on the northern margin of the Drummond Basin in Queensland *(Figure 11)*.

The tenement is considered to be prospective for high grade, low sulphidation epithermal gold and silver mineralisation of a style similar to the Vera-Nancy deposit in the Pajingo Field, also located near the northern margin of the Drummond Basin west of the Glenroy tenement application.

Previous exploration identified multiple gold systems associated with quartz veining. Limited past drilling achieved anomalous gold intersections including 12 metres at 0.48g/t gold at the Limey Dam prospect, and 17 metres at 0.26g/t gold at the Breccia Hill.

Granting of the tenement is anticipated before the end of 2011.

Eyre Peninsula Basement Project – SA

The company retains a substantial ground position on the Eyre Peninsula of South Australia *(Figure 12)*. That part of the tenement package not subject to the Corrobinnie Palaeochannel Uranium Joint Venture totals 3185 sq km. The area is prospective for gold, uranium and copper deposits.

The project includes the Barns, Baggy Green and White Tank gold prospects, discovered by Adelaide Resources during past exploration programs, together with numerous other gold prospects and targets that remain to be evaluated. The company has also discovered bedrock hosted uranium mineralisation at the Ulysses and KO11S prospects (not subject to the Corrobinnie Uranium JV), and identified a highly ranked copper geochemical anomaly at the Empire Prospect.

Adelaide Resources is currently pursuing an initiative aimed at unlocking the latent value in this highly regarded mineral asset.

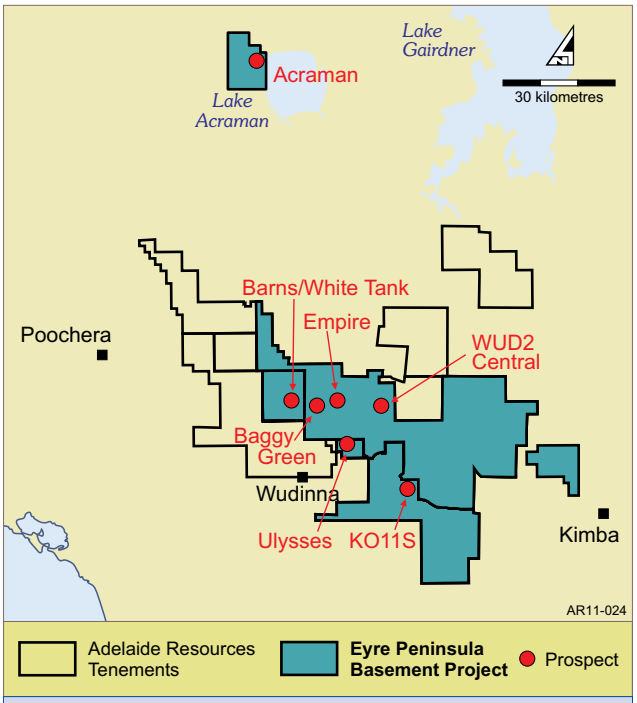


Figure 12: *Eyre Peninsula Basement Project Location Plan.*

Anabama Copper Project – SA

Exploration Licence 3816 is located south of Olary in eastern South Australia *(Figure 13)*.

In 2007 Adelaide Resources discovered copper mineralisation at a prospect it named Dark Horse. Intersections included 40 metres at 0.2% copper, including 6 metres at 0.57% copper and 0.25% zinc. Surficial gossanous material at Dark Horse can be traced for over 3 kilometres indicating that a sizable sulphide bearing system is present.

Airborne magnetic data also shows that an approximately 2 km long strike length of the Braemar Iron Formation is secured by the tenement at Ironstone Dam. The iron ore (magnetite) potential of the Braemar Iron Formation is being investigated by a number of companies in the region.

The company is seeking to progress exploration of the Anabama Project through the involvement of a third party.

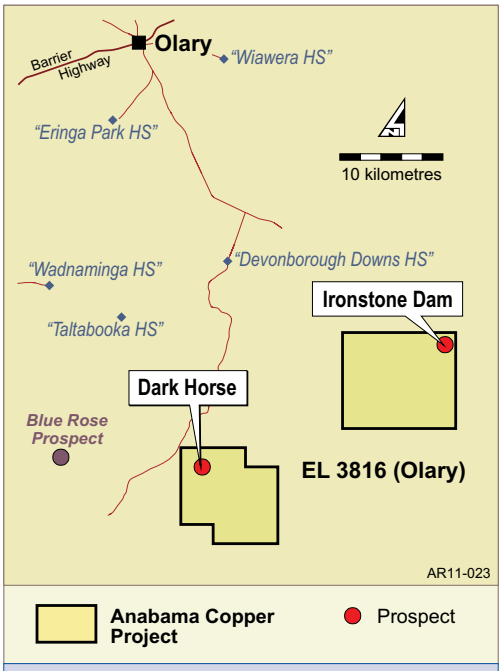


Figure 13: *Anabama Copper Project Location Plan.*

Schedule of tenements as at 30 June 2011

Project	Tenement	Tenement Name	Area km²	Registered Holder or Applicant	Nature of Company's Interest %
South Australia					
Corrobinnie Uranium Joint Venture	EL 4145	Pildappa	139	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources Pty Ltd increasing to 67%)
	EL 4163	Waverley	169	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources Pty Ltd increasing to 67%)
	EL 4191 (Part)	Yantanabie	64	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources Pty Ltd increasing to 67%)
	EL 4214	Pinkawillinie	186	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources Pty Ltd increasing to 67%)
	EL 4263	Thurlga	332	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources Pty Ltd increasing to 67%)
	EL 4690	Yaninee	769	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources Pty Ltd increasing to 67%)
	EL 3546	Mount Ive	394	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources Pty Ltd increasing to 67%)
	EL 3833 (Part)	Corrobinnie	342	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources Pty Ltd increasing to 67%)
	EL 4459	Wudinna Hill	42	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources increasing to 67%) - cover only
	EL 3743	Minnipa	184	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources increasing to 67%) - cover only
	EL 3705	Waddikee Rocks	700	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources increasing to 67%) - cover only
	EL 3833 (Part)	Corrobinnie	1281	Peninsula Resources Ltd	Diluting to 33% (Quasar Resources increasing to 67%) - cover only
Eyre Peninsula Basement Project	EL 4191 (Part)	Yantanabie	69	Peninsula Resources Ltd	100%
	EL 3834	Verran	174	Peninsula Resources Ltd and Olliver Geological Services	90% - option to acquire 100% from Olliver Geological Services Pty Ltd
	EL 4186	Acraman	163	Peninsula Resources Ltd	100%
	EL 3564	Kimba	219	Peninsula Resources Ltd and Olliver Geological Services	90% - option to acquire 100% from Olliver Geological Services Pty Ltd
	EL 3833 (Part)	Corrobinnie	425	Peninsula Resources Ltd	100%
Yalanda Hill Joint Venture	EL 4665	Yalanda Hill	425	Peninsula Resources Ltd	40% - Southern Uranium Limited 60%
	EL 4351	Yalanda East	144	Investigator Resources Ltd	40% - Southern Uranium Limited 60%
	EL 4376	Carpie Puntha Hill	189	Investigator Resources Ltd	40% - Southern Uranium Limited 60%
Moonta Copper Gold Project	EL 3733	Moonta-Wallaroo	713	Peninsula Resources Ltd	100%
	EL 3733	Moonta Porphyry	106	Peninsula Resources Ltd	90% - option to acquire 100% from Breakaway Resources Limited
Anabama Copper Project	EL 3816	Olary	176	Peninsula Resources Ltd	100%
Northern Territory					
Rover Project	EL 27292	Rover North	39	Adelaide Exploration Pty Ltd	100% (Franco-Nevada retain 70% buyback right)
	SEL 27372	Rover SEL	248	Adelaide Exploration Pty Ltd	100% (Franco-Nevada retain 70% buyback right)
Queensland					
Drummond Gold Project	EPMA 18090	Glenroy	196	Adelaide Exploration Pty Ltd	100%

[1]*Peninsula Resources Limited (incorporated 18 May 2007) is a wholly-owned subsidiary of Adelaide Resources Limited.*

[2]*Adelaide Exploration Pty Ltd (incorporated 13 July 2001) is a wholly-owned subsidiary of Adelaide Resources Limited.*

Adelaide Resources Limited has consistently supported the principles of effective corporate governance since the Company's inception and is committed to adopting the highest standards of performance and accountability, commensurate with the size of the Company and its available resources.

The following statement outlines the principal governance practices which the Company currently has established.

BOARD OF DIRECTORS

The Board of Directors has responsibility for the overall corporate governance of the Company including strategic direction, establishment of goals for management, and monitoring the achievement of those goals.

The directors are aware of their duties and responsibilities and subscribe to the Code of Conduct of the Australian Institute of Company Directors (see www.companydirectors.com.au). They recognise that their primary responsibility is to the owners of the Company, its shareholders, while simultaneously having regard for the interests of all stakeholders of the Company and the broader community.

The Board's primary role is the protection and enhancement of long term shareholder value.

The Board's policy is to review its performance and composition on a regular basis to ensure that there is an appropriate balance of experience and skills to match the size, scope and nature of the Company's activities. When a vacancy arises, for whatever reason, or where it is considered the Board would benefit from the appointment of a director with particular skills and experience, the Board's policy is to select potential candidates, with advice from an external consultant if necessary. The most suitable candidate is then appointed, subject to election at the next general meeting of shareholders.

The Board currently aims to meet at least every two months. In addition, strategy meetings and special meetings are held at such other times as may be necessary to address specific significant matters that may arise.

The directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company.

The Board as a whole addresses the governance aspects of the full scope of the Company's activities to ensure that it adheres to appropriate ethical standards. Currently all matters which might properly be dealt with by certain special committees are subject to regular scrutiny at full Board meetings.

The Board of Directors recognises that the performance of the Company depends on the quality of its directors and other key management personnel and, therefore, it must attract, motivate and retain appropriately qualified industry personnel.

Committees

The Board has chartered both an Audit Committee and a Remuneration Committee and directors are appointed to the Committees, from time to time, as the Board considers necessary. The Committees operate according to their own charters and provide recommendations for consideration of the full Board as required.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the chairman is required, which approval will not be unreasonably withheld.

SECURITIES TRADING

The Company has a Securities Trading Policy which prohibits trading in its securities by directors, employees, contractors, or their close associates during defined periods related to the date of an announcement to the Australian Securities Exchange of any price sensitive information. This policy also requires directors, employees, contractors and their close associates not to trade in the Company's securities when they are in possession of any relevant information that could affect the Company's share price and which is not available to the investing public.

SHAREHOLDERS

The Board places a high priority on communicating effectively with the Company's shareholders, and has a shareholder communication policy particularly for disclosure of information on important corporate activities or proposals.

This disclosure is through regular shareholder communications, including the annual and quarterly reports (mailed to shareholders when requested), the Company's website and the distribution of specific announcements covering major transactions or events. Directors believe these arrangements are both effective and, importantly, flexible enough to meet shareholders' needs and expectations.

Shareholders are encouraged to exercise their right to vote, either by attending shareholders' meetings, or by lodging a proxy. The Company's external auditors and legal advisors attend all shareholders' meetings.

CONTINUOUS DISCLOSURE

The Board is acutely aware of the continuous disclosure regime and the Company has a Continuous Disclosure Policy to address all necessary disclosure issues and adequate corporate compliance.

The Policy, and accompanying procedures, covers the continuous disclosure requirements of the Australian Securities Exchange and the Australian Securities and Investments Commission in accordance with the Corporations Act 2001. It also includes the Company's procedures on information disclosure to external parties including stockbrokers, analysts, the media and importantly, its shareholders.

BUSINESS RISK

Risk management is a high priority for the Company and the Board of Directors has required management to design and implement a risk management and internal control system to manage the Company's material business risks.

Whilst the full Board is ultimately responsible for identifying and managing areas of significant business risk, and ensuring that arrangements are in place to adequately manage these risks, the Company's Audit Committee takes a lead role in this process.

Management, working with the Audit Committee, has identified Adelaide Resources' risk areas, and specific risks within each area, and is developing a corporate risk register which lists and rates these risks.

The areas of risk that have been identified are:

- Statutory/regulatory
- Financial
- IT management
- Tenement management
- Community
- Asset management
- Corporate and strategic
- Environmental
- Personnel and safety

The Audit Committee continues to evaluate the Company's risks and is developing specific cost-effective strategies and action plans for minimising and treating the risks. The control measures, and improvement actions for minimising and treating each risk, are noted in detail in the Company's corporate risk register to be followed by employees and contractors.

The Board requires management to report to it on whether the Company's material business risks are being managed effectively, and management has reported to the Board as to the effectiveness of the Company's management of those risks.

The Board also receives assurances from the managing director and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A copy of the Company's risk management policy is included on the Company's website.

EXTERNAL AUDITORS

The Company uses the services of a major audit firm, Deloitte Touche Tohmatsu. The auditors attend all shareholder meetings and have access to the Company's directors at all times. Rotation of the external audit engagement partner occurs every five years.

CODE OF CONDUCT

The Board has established a Corporate Code of Conduct whereby all directors, employees and contractors are expected to observe the highest ethical standards and act with the utmost integrity and objectivity in their dealings with other parties. They are expected to strive at all times to enhance the reputation and performance of the Company, particularly in the communities in which it operates.

INDIGENOUS PEOPLE

The Company has an Indigenous Peoples Policy aimed at fostering a trusting, respectful and co-operative relationship with indigenous people who may have interests in areas where the Company operates. In striving for this objective it endeavours to generate frank and open communication with indigenous people and their advisors.

ENVIRONMENT

The Company recognises the importance of sound environmental practice. It has an Environmental Policy which promotes environmental awareness by all of its employees and contractors, with the objective of achieving the highest standards of environmental management by complying with and, where possible, exceeding government requirements.

The Policy encourages transparency in regard to environmental performance and a commitment to continuous improvement of practices.

WEBSITE INFORMATION

A copy of the Company's Corporate Governance Statement in the Annual Report, together with the Company's policies on continuous disclosure, securities trading, shareholder communication, the environment, and indigenous people, is listed on the Company's website.

The Company's code of conduct and its audit committee and remuneration committee charters, and its risk management policy, are also disclosed on the website. Interested parties may refer to the website or, alternatively, request the same information by contacting the Company.

Website: **www.adelaideresources.com.au**.

The Corporate Governance Principles and Recommendations

The Board continues to review its corporate governance practices in light of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations.

The following table sets out the Company's present position with regard to the adoption of these Principles. (**A** = Adopted, **N/A** = Not Adopted)

ASX Principles		Status	Reference/Comment
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	**A**	Matters reserved to the board are included on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	**A**	The process of evaluating the performance of senior executives is disclosed in the Corporate Governance Statement in the Company's annual report and on the website.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	**A**	

ASX Principles		Status	Reference/Comment
Principle 2: Structure the board to add value			
2.1	A majority of the board should be independent directors.	**N/A**	The board comprises five directors, two of whom are independent.
2.2	The chair should be an independent director.	**N/A**	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	**A**	The position(s) of chairman and managing director are held by separate persons.
2.4	The board should establish a nomination committee.	**N/A**	The board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for screening and appointing new directors. In view of its size and the resources available to the Company, it is not considered that a separate nomination committee would add any substance to the process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	**A**	Performance evaluation of the board, directors and key executives is the responsibility of the Remuneration Committee.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	**A**	The skills and experience of directors are set out in the Company's annual report and on its website.
Principle 3: Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	**A**	The Company has formulated a code of conduct which can be viewed on the Company's website.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	**A**	The Company has formulated a securities trading policy which can be viewed on the Company's website.

ASX Principles		Status	Reference/Comment
Principle 3: Promote ethical and responsible decision-making *(Cont.)*			
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	**A**	
Principle 4. Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	**A**	
4.2	The audit committee should be structured so that it:	**A**	
	• consists only of non- executive directors	**A**	
	• consists of a majority of independent directors	**A**	Consists of two directors. The chairman of the audit committee is an independent director.
	• is chaired by an independent chair, who is not chair of the board	**A**	
	• has at least three members.	**N/A**	
4.3	The audit committee should have a formal charter.	**A**	The Company has formulated an audit committee charter which can be viewed on the Company's website.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	**A**	
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	**A**	The Company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	**A**	The board receives regular updates on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each board meeting.

ASX Principles		Status	Reference/Comment
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	**A**	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including annual reports, half-yearly reports, quarterly reports, the Company website and the distribution of specific releases covering major transactions and events or other price sensitive information.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	**A**	The Company has formulated a shareholder communication policy as part of the Corporate Governance Statement which can be viewed on the Company's website.
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	**A**	Risk management is a high priority for the Company and the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing those risks. Control measures and improvement actions for minimising and treating risks are contained in the Company's corporate risk register to be understood and followed by management. The areas of risk that have been identified are: • Statutory/regulatory • Financial • IT management • Tenement management • Community • Asset management • Corporate and strategic • Environmental • Personnel and safety

ASX Principles		Status	Reference/Comment
Principle 7: Recognise and manage risk *(Cont.)*			
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	**A**	The Company has developed a risk management policy for the oversight and management of material business risks, which is available on the Company's website. The board, with the assistance of its external auditors, has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with relevant laws and regulations. Additionally, the board receives regular assurances from the managing director on internal control and risk management, and a declaration in accordance with section 295A of the Corporations Act on the integrity of the Company's financial statements. *Management is continuing to review the Company's risk management and internal control system for review by the audit committee prior to implementation by the board.*
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	**A**	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	**A**	
Principle 8: Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	**A**	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	**A**	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	**A**	Refer to the remuneration report *(page 29)*.

STATUTORY REPORTS

Directors' Report

The directors present this Directors' Report and the attached Annual Financial Report of Adelaide Resources Limited for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

Directors

The names and details of the directors of the Company during or since the end of the financial year are:

Andrew J Brown *BA Econ (Hons) – Non-Executive Chairman*

Andrew Brown has an honours degree majoring in economics and econometrics from the University of Manchester, England. He has 30 years experience in the Australian equity market as a stockbroker, corporate investor, company director and funds manager including working in London and New York. Mr Brown's particular expertise is in the analysis of financial services companies.

In 1987, Mr Brown joined Natcorp Holdings Limited as Investment Manager, responsible for provision of detailed analysis pertaining to potential listed company acquisitions and investments.

From late 1988 until April 1994, Mr Brown returned to stockbroking with Baring Securities (Australia) Limited, later joining County NatWest Securities Australia Limited and ANZ McCaughan Securities. During this period, he was a highly rated banking and insurance analyst, as well as focusing on smaller company research.

In 1994 he joined AMP Investments Australia's Separately Managed Portfolio (SMP) team, helping to manage over $2 billion of Australian equity investments.

In September 1997, he joined Rothschild Australia Asset Management Limited as Head of Equities and was responsible for a $5 billion domestic portfolio. He helped engineer significant equity process and cultural change, resulting in a major improvement in investment performance until the middle of 2002.

Mr Brown is currently the largest shareholder and Managing Director of Tidewater Investments Limited, a strategic investment company.

He is executive director of the Cheviot Kirribilly Vineyard Property Group, Chairman of Merricks Capital Special Opportunity Fund Limited and is a non-executive director of Cheviot Bridge Limited.

Christopher G Drown *BSc (Hons), MAusIMM, MAICD – Managing Director*

Chris Drown is a geologist with over 20 years experience in the Australian exploration and mining industry. He is a member of the Australasian Institute of Mining and Metallurgy, a member of the Australian Institute of Company Directors, and a member of the Geological Society of Australia.

A graduate of the University of Tasmania, Mr Drown worked in underground nickel mines at Western Mining Corporation Limited's Kambalda operations in Western Australia, and filled mining geology roles at Aberfoyle Resources Limited's Hellyer lead-zinc-silver deposit in western Tasmania.

In 1991, he moved from mine geology into exploration searching for base metal and gold deposits in the Northern Territory and South Australia.

Mr Drown was appointed exploration manager of Adelaide Resources shortly after it listed on the ASX and has since played a major role in the Company's activities. In March 2005 he accepted an invitation to join the Board of Adelaide Resources as an executive director and in November 2007 was appointed Managing Director.

John P Horan *FCPA, FCIS – Non-Executive Director and Company Secretary*
(resigned as Company Secretary on 17 November 2010)

John Horan is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Chartered Institute of Secretaries in Australia, a Member of the Finance and Treasury Association Limited, and a Member of the Australian Mining and Petroleum Law Association. He has many years experience in the financial, corporate, technical and management areas of the mining industry.

Mr Horan has been chairman and a director of a number of listed mining and exploration companies on the Australian Securities Exchange (ASX), the Alternative Investment Market (AIM) on the London Stock Exchange, the Toronto Stock Exchange (TSX) in Canada and the Port Moresby Stock Exchange (POMSoX) in Papua New Guinea. He is currently the chairman of Marengo Mining Limited (listed on ASX, TSX and POMSoX).

Mr Horan was the finance director of Homestake Gold of Australia Limited, now Barrick Gold Corporation, one of Australia's largest gold producers, from 1987 until June 1993. He first joined Homestake in 1978 and was responsible for financial, commercial and corporate management functions prior to 1987 when he played a substantial role in the float of the Australian subsidiary. He also fulfilled key responsibilities in subsequent very large debt and equity capital raisings.

From the early 1960s until the second half of the 1970s he held various financial, accounting, corporate administrative and management positions in Poseidon Limited and CRA Limited, following initial technical experience in CRA's mining operations at Broken Hill.

John J den Dryver *BE (Mining), MSc, FAusIMM – Non-Executive Director*
(Chairman of Audit Committee)

John den Dryver is a mining engineer with some 30 years experience in operational and corporate management as well as extensive experience in mining project studies and implementation.

In 1982, Mr den Dryver joined the junior explorer North Flinders Mines Limited as the company's mining engineer to become part of the small team that discovered the Granites gold mine in the Tanami Desert in the Northern Territory. He was executive director of North Flinders from 1988 to 1997.

In 1997, after Normandy Mining Limited gained control of North Flinders, Mr den Dryver joined Normandy as Executive General Manager – technical, leading a team of specialist geologists, mining engineers and metallurgists.

In 2003 he set up his own mining consultancy business and is currently a non-executive director of Helix Resources Limited, Gascoyne Resources Limited and Centrex Metals Limited.

Michael I Hatcher *BSc (Hons), MAusIMM – Non-Executive Director (appointed 29 July 2011)*

Mike Hatcher has a geology degree from the University of Adelaide and has over 40 years experience in the resources industry during which time he has held a range of senior technical and managerial positions.

Mr Hatcher's career includes 16 years with the Newmont/Normandy Mining/North Flinders Mines corporate group. During this period he held positions including director geology – Ghana, and was chief geologist for Normandy/Newmont's many Australian mines (including Golden Grove, Tanami, Jundee and Pajingo) as well as its New Zealand (Waihi), Turkey (Ovacik) and USA (Midas) operations. His role included acting as the group's Competent Person responsible for the quality of mineral resource estimates.

Mr Hatcher's exploration roles include exploration manager for Greenbushes Mines; exploration manager and director of Driffield Mining, a consortium of private exploration companies active in the Northern Territory; and exploration supervising geologist with North Flinders Mines where he was responsible for

that company's non-Tanami exploration projects. Mr Hatcher has extensive experience in the near mine exploration programs conducted at the many operations he has been involved with.

Mr Hatcher is a member of the Australasian Institute of Mining and Metallurgy, and is currently also a non-executive director of ASX listed Outback Metals Limited and ASX listed ERO Mining Limited.

Keith R Yates *BSc (Hons), FAusIMM – Non-Executive Director (resigned 17 September 2010)*

Keith Yates is a geologist with over 40 years experience in mineral exploration and mine development for a range of metals throughout Australia and in the Pacific and South-East Asia. He has lived in South Australia for over 30 years during which time he has accumulated a substantial knowledge of the geology and mineral potential of the Gawler Craton.

As a founding director of Adelaide Resources Limited, Mr Yates was the Executive Chairman from its public listing in 1996 until his retirement in 2007.

During his career he has held board and exploration management positions with a number of Australian mining companies and as senior geologist with an international mining group. In the 1980s he held senior positions with the Poseidon Limited group of companies including executive director of Australian Development Limited and director of Kalgoorlie Lake View Pty Ltd. In this period he was closely associated with the discovery of the rich White Devil gold mine at Tennant Creek, Northern Territory.

Mr Yates is chairman of the South Australian Resources Industry Development Board, a member of the South Australian Mining & Petroleum Experts Group and a past chairman of the Adelaide Branch of the Australasian Institute of Mining and Metallurgy.

Company Secretary

Nicholas J Harding *BA (Acc), Grad Dip (Acc), Grad Dip (Applied Finance), Grad Dip (Corp Governance), FCPA, F Fin, ACIS – (appointed 17 November 2010)*

Nick Harding is a qualified accountant and company secretary with over 25 years experience in the resources industry. He is a Fellow of the Australian Society of Certified Practicing Accountants, a Fellow of the Financial Services Institute of Australasia and an Associate of the Chartered Secretaries of Australia and possesses qualifications in accounting, finance and corporate governance. He has established his own consulting business providing accounting, financial and company secretarial support to a number of ASX listed exploration companies including Adelaide Resources Limited.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
A J Brown	Aequs Capital Limited	From 2005 to 2008
	Cheviot Bridge Limited	Since 2003
	Cheviot Kirribilly Vineyard Property (Group)	Since 2008
	Equities and Freeholds Limited	From 2007 to 2010
	Merricks Capital Special Opportunity Fund Limited	Since 2005
	Tidewater Investments Limited	Since 2003
J J den Dryver	Helix Resources Limited	Since 2004
	Gascoyne Resources Limited	Since 2009
	Centrex Metals Limited	Since March 2011
J P Horan	Marengo Mining Limited	Since 2003
M I Hatcher	Outback Metals Limited	Since 2010
	ERO Mining Limited	Since June 2011

Principal Activities

The principal continuing activity of the Group is the exploration for gold, copper, uranium, and other economic mineral deposits.

Financial Results

The net result of operations for the year was a loss after income tax of $1,263,166 (2010: loss of $644,187).

Dividends

No dividends were paid or declared since the start of the financial year, and the directors do not recommend the payment of dividends in respect of the financial year.

Review of Operations

(a) Overview

During the year the Group maintained an active exploration program with the objective of identifying economic mineral deposits. Exploration programs were completed at projects located in South Australia and the Northern Territory.

The Company is principally targeting gold and copper deposits, with uranium forming a secondary target. In keeping with this commodity focus, Adelaide Resources maintained its strategy of self-funding its gold and copper search, and of funding its uranium search through joint ventures.

Adelaide Resources' 2010/11 efforts were rewarded with positive exploration results achieved at its Rover Gold-Copper Project in the Northern Territory, its Moonta Copper-Gold Project in South Australia, and at its Corrobinnie Uranium Joint Venture with Quasar Resources Pty Ltd in South Australia.

The Company failed in an attempt to spin out its South Australian and Queensland exploration assets through the Peninsula Resources Limited initial public offering.

(b) Review of Operations

The Group maintained its active program during the year with exploration operations conducted in South Australia and the Northern Territory.

Direct exploration expenditure was $4.137 million with additional contributions totalling $0.565 million from parties earning an interest in two uranium joint ventures. The significant direct exploration spend reflects the continuation of an aggressive program of work to progress the Rover and Moonta gold-copper projects, both of which continue to deliver excellent results.

At the wholly owned Rover Gold-Copper Project near Tennant Creek in the Northern Territory, a substantial program of diamond drilling was undertaken at the Rover 1 and Rover 4 prospects, with copper and gold mineralisation of potentially economic grade and width intersected at both.

Drilling completed at Rover 1 confirmed that a significant body of prospective ironstone and underlying stringer zone is present on the Company's tenement, and that this body contains high grade copper and gold mineralisation in places. Outstanding copper and gold intersections reported from Rover 1 during the year included:

- 7 metres at 3.61g/t gold from 523 metres in hole R1ARD31b,
- 19.75 metres at 3.31% copper from 436.25 metres in WGR1D050,
- 5.25 metres at 4.46g/t gold and 1.14% copper from 556 metres in R1ARD33-2,
- 26 metres at 3.87% copper from 445 metres in R1ARD35,
- 16 metres at 1.1% copper from 418 metres in R1ARD35-1,
- 15 metres at 1.33% copper from 442 metres in R1ARD36, and
- 11.4 metres at 1.42g/t gold and 2.63% copper from 463 metres in R1ARD41-1.

At Rover 4 significant zones of mineralisation were returned from several holes. An upper intersection returned in hole R4ARD40 commences just 150 metres vertically below surface and represents the shallowest mineralisation discovered to date in the entire Rover Field. Rover 4 intersections include:

- 8 metres at 3.77g/t gold and 0.59% copper from 231 metres in R4ARD32,
- 7 metres at 1.24% copper from 337 metres in R4ARD34,
- 9 metres at 2.12% copper from 380 metres in R4ARD34
- 15 metres at 1.49g/t gold and 1.7% copper from 164 metres in R4ARD40,
- 22 metres at 1.3g/t gold and 1.87% copper from 212 metres in R4ARD40.

Following the northern wet season, drilling recommenced at Rover in May 2011 and is planned to continue until mid December 2011.

The Company holds 100% of the majority of the Moonta Project on Yorke Peninsula in South Australia. A significant program of aircore drilling and surface geochemical sampling was completed in 2011.

The drilling program was conducted at the Willamulka Prospect and confirmed the discovery of a shallow copper-gold deposit. Significant Willamulka drill intersections include:

- 35 metres at 0.72g/t gold and 1.14% copper from 29 metres in WAC60,
- 13 metres at 0.16g/t gold and 0.81% copper from 32 metres in WAC67,
- 29 metres at 0.48g/t gold and 0.59% copper from 65 metres in WAC69,
- 17 metres at 2.62g/t gold and 1.07% copper from 19 metres in WAC74,
- 19 metres at 0.36g/t gold and 0.95% copper from 56 metres in WAC75,
- 8 metres at 1.31g/t gold and 0.18% copper from 49 metres in WAC130.

Copper-gold mineralisation is present on 16 adjacent drill sections that define a mineralised strike length of 1200 metres at Willamulka. This mineralised zone includes a shallowly plunging shoot of higher grade, thicker mineralisation called "Shoot A" which extends for at least 550 metres and remains open at depth and down plunge.

The calcrete geochemistry program at Moonta delineated a number of robust copper/gold anomalies that warrant exploratory drilling. The Copper Hill East anomaly includes samples that have comparable gold values and higher copper concentrations to the samples which defined the Willamulka geochemical anomaly, and represents a high priority target.

The Corrobinnie Palaeochannel Uranium Joint Venture, between Adelaide Resources and Quasar Resources Pty Ltd, is searching for "roll front" style uranium deposits in ancient drainage systems on Eyre Peninsula. During the year Quasar met its initial expenditure commitment of $3 million and now holds a 60% equity interest in the Joint Venture, with Adelaide Resources retaining a 40% interest and diluting to 33%.

Drilling programs completed by the Corrobinnie Uranium Joint Venture during the year confirmed that palaeochannel hosted uranium mineralisation in the Thurlga channel is significant and warrants follow-up exploration, and additionally defined a seven kilometre long zone of uranium anomalism hosted in weathered basement rocks that also deserves further investigation.

The Yalanda Hill Joint Venture, with Investigator Resources Limited, is exploring for uranium and other minerals on three tenements located on eastern Eyre Peninsula in South Australia. During the year Investigator met its initial expenditure commitment of $250,000 and increased its interest in the joint venture from 40% to 60%. Adelaide Resources retains a 40% interest. A reconnaissance soil geochemical survey completed in the year located three gold and two uranium anomalies warranting infill sampling.

During the year the Company also attempted to de-merge its South Australian and Queensland exploration assets through the ASX listing of Peninsula Resources Limited, following which it was to distribute Peninsula Resources shares to Adelaide Resources shareholders.

Peninsula Resources' initial public offering opened on 5 May 2011, however as a result of adverse market conditions, especially in the smaller resources sector, the directors of Peninsula Resources Limited ("PRL") withdrew the initial public offering on 16 June 2011. As a consequence, the proposed in-specie distribution of Peninsula Resources shares did not occur.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Group.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental Developments

The Group carries out exploration activities on its properties in South Australia and in the Northern Territory. No mining activity has been conducted by the Group on its properties.

The Group's exploration operations are subject to environmental regulations under the various laws of South Australia, the Northern Territory, and the Commonwealth. While its exploration activities to date have had a low level of environmental impact, the Group has adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

Future Developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Remuneration Report

This report outlines the remuneration arrangements in place for directors and other Key Management Personnel of the Company and its wholly owned subsidiaries.

Where this report refers to the 'Date of Grant' of performance rights or options, the date mentioned is the date on which those performance rights or options were agreed to be issued (whether conditionally or otherwise).

Director and Other Key Management Personnel Details

The following persons acted as Key Management Personnel of the Company during or since the end of the financial year:

Directors

A J Brown (Non-Executive Chairman)
C G Drown (Managing Director)
J P Horan (Non-Executive Director) – Finance Director and Company Secretary until 17 November 2010
J J den Dryver (Non-Executive Director)
K R Yates (Non-Executive Director) – resigned 17 September 2010
M I Hatcher (Non-Executive Director) – appointed 29 July 2011

Other Key Management Personnel

N J Harding (Chief Financial Officer and Company Secretary) – appointed 17 November 2010
B E Anderson (Exploration Manager)

Relationship between the Remuneration Policy and Company Performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2011:

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Revenue	466,956	399,903	315,712	307,538	345,986
Net profit / (loss) before tax	(1,207,388)	(605,701)	4,038,576	(881,666)	(3,735,515)
Net profit / (loss) after tax	(1,263,166)	(644,187)	4,038,576	(887,701)	(3,788,956)

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Share price at beginning of the year	$0.14	$0.09	$0.16	$0.54	$0.38
Share price at end of year	$0.10	$0.14	$0.09	$0.16	$0.54
Basic earnings per share	$(0.0098)	$(0.0063)	$0.0485	$(0.0110)	$(0.0514)
Diluted earnings per share	$(0.0098)	$(0.0063)	$0.0462	$(0.0110)	$(0.0514)

No dividends have been declared during the five years ended 30 June 2011 and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2011.

There is no link between the Company's performance and the setting of remuneration except as discussed below in relation to performance rights and options for Key Management Personnel.

Remuneration Philosophy

The performance of the Group depends on the quality of its directors and other Key Management Personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre directors and other key management personnel;
- link executive rewards to shareholder value (by the granting of performance rights);
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

There is currently no policy or monitoring of Key Management Personnel's limiting their risk in relation to issued options.

Remuneration Policy

The Company has established a Remuneration Committee to assist the Board in discharging its responsibilities relating to the remuneration of directors and other Key Management Personnel. The Committee makes recommendations on all remuneration matters for consideration by the Board.

The Committee assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality directors and other Key Management Personnel. External advice on remuneration matters is sought whenever the Committee deems it necessary.

The remuneration of the directors and other Key Management Personnel is not dependent on the satisfaction of a performance condition. Share options have been issued to Key Management Personnel in prior years. These options do not have any performance conditions. The directors have decided that the exclusion of performance conditions was appropriate, after consideration of industry practice.

During the current year, performance rights were issued to the Managing Director. Some of these performance rights have performance conditions as set out below. The directors have decided that the exclusion of performance conditions on the other performance rights is appropriate, after consideration of industry practice.

Non-Executive Director Remuneration

The Remuneration Committee seeks to set remuneration of non-executive directors at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

Currently, the Non-Executive Chairman is entitled to receive $62,500 (2010 $62,500) per annum inclusive of the statutory superannuation. The non-executive directors are each entitled to receive $38,150 (2010 $38,150) per annum inclusive of the statutory superannuation. J P Horan was also entitled to receive the amounts set out below in the Company's consultancy agreement with an entity associated with him for the period up to 17 November 2010 when he was Finance Director and Company Secretary of the Company.

In addition, non-executive directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of directors and otherwise in the execution of their duties as directors.

Managing Director Remuneration

The Company aims to reward the Managing Director with a level and mix of remuneration commensurate with his position and responsibilities within the Company to:

- align the interests of the Managing Director with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Currently the Company has a services agreement with an entity associated with C G Drown, details of which are set out below.

Other Key Management Personnel Remuneration

The Company aims to remunerate other Key Management Personnel at a level commensurate with their position and responsibility within the Company.

Currently the Company has service agreements with entities associated with N J Harding and B E Anderson, details of which are set out below.

Summary of amounts paid to Key Management Personnel

The table below discloses the compensation of the Key Management Personnel of the Group during the year.

2011	Short-term employee benefits Salary & Fees (i)	Post employment superannuation	Sub total	Performance rights (ii)	Total	Total remuneration for the year that consists of performance rights/options
	$	$	$		$	%
Directors						
A J Brown	58,630	3,870	62,500	-	62,500	-
C G Drown	259,113	-	259,113	175,125	434,238	40.3
J P Horan	82,760	3,150	85,910	-	85,910	-
J J den Dryver	35,000	3,150	38,150	-	38,150	-
K R Yates	7,486	674	8,160	-	8,160	-
Other key management personnel						
N J Harding	67,410	-	67,410	-	67,410	-
B E Anderson	267,972	-	267,972	-	267,972	-
2011 Total	**778,371**	**10,844**	**789,215**	**175,125**	**964,340**	

(i) Includes consulting fees paid.
(ii) Performance rights do not represent cash payments to Key Management Personnel.

2010	Short-term employee benefits Salary & Fees (i)	Post employment superannuation	Sub total	Share-based payments options (ii)	Total	Percentage of total remuneration for the year that consists of options
	$	$	$	$	$	%
A J Brown	34,063	-	34,063	-	34,063	-
C G Drown	233,106	-	233,106	-	233,106	-
J P Horan	148,183	3,065	151,248	-	151,248	-
J J den Dryver	34,063	3,065	37,128	-	37,128	-
P J Dowd	53,670	-	53,670	-	53,670	-
K R Yates	34,063	3,065	37,128	-	37,128	-
2010 Total	**537,148**	**9,195**	**546,343**	**-**	**546,343**	

(i) Includes consulting fees paid.
(ii) Share options do not represent cash payments to Key Management Personnel and share options granted may or may not ultimately be exercised by the Key Management Personnel.

No Key Management Personnel appointed during the year received a payment as part of his consideration for agreeing to hold the position.

Service Agreements

The Group entered into service agreements with an entity associated with C G Drown for a term of three years from 5 November 2010. The consultancy agreement with an entity associated with J P Horan expired on 17 November 2010. The Group also entered into service agreements with an entity associated with N J Harding for a term of two years from 17 November 2010 and an entity associated with B E Anderson for a term of one year, extendable by a further twelve months, from 12 February 2011.

For the year ended 30 June 2010 the Group had service agreements with entities associated with C G Drown and J P Horan.

Should any of the above agreements be terminated by the Company earlier than their expiry date, a contingency exists for the contracted amount payable to the end of their terms. The entities associated with C G Drown, N J Harding and B E Anderson may terminate their agreements with three months notice. As at 30 June 2011, the Group had a contingent liability in relation to these agreements of $512,738 (2010: $nil).

Details of the current services and consultancy agreements are set out below:

2011

Director	Terms
C G Drown	Daily rate of $1,100 for a minimum of 210 days per annum
J P Horan	Daily rate of $960 for a minimum of 90 days per annum (the service agreement was cancelled on the 17 November 2010)
N J Harding	Daily rate of $960
B E Anderson	Daily rate of $975

2010

Director	Terms
C G Drown	Daily rate of $950 for a minimum of 218 days per annum
J P Horan	Daily rate of $960 for a minimum of 90 days per annum

The Group also entered into a consultancy agreement with J J den Dryver on 28 May 2008 to provide consulting services on an as needs basis at the rate of $1,300 per day (previously the rate was $1,000 per day).

Share Options held by Key Management Personnel

During the financial year, the following share options were on issue:

Options series	Grant date	Expiry date	Grant date fair value	Vesting date
DO November 2005	15 November 2005	14 November 2010	$0.3048	15 November 2005
DO November 2006	21 November 2006	14 November 2010	$0.2621	21 December 2006
ESOP March 2008	31 March 2008	30 March 2013	$0.1156	31 March 2008

"DO" means director share options and "ESOP" means share options issued under the employee share option plan.

During the year ended 30 June 2011 no share options were granted to Key Management Personnel or exercised by Key Management Personnel. During the year, 3,300,000 share options held by Key Management Personnel lapsed or were cancelled during the year. The value of these share options was nil.

Value of options – basis of calculation

- Value of options granted at grant date is calculated by multiplying the fair value of options at grant date by the number of options granted during the financial year.
- Value of options exercised at exercise date is calculated by multiplying the fair value of options at the time they are exercised (calculated as the difference between exercise price and the Australian Securities Exchange last sale price on the day that the options were exercised) by the number of options exercised during the financial year.
- Value of options lapsed at the lapsed/cancelled date is calculated by multiplying the fair value of options at the time they lapsed/cancelled multiplied by the number of options lapsed/cancelled during the financial year.

The total value of options included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment". Options granted during the financial year are recognised in compensation over their vesting period.

Performance Rights held by Directors

At the Annual General Meeting held on the 16 November 2010, the shareholder's approved the granting of 2,000,000 performance rights for no consideration to the Managing Director under the Adelaide Resources Limited Performance Rights Plan. Each performance right entitles the holder to one share in the capital of the Company upon vesting. The performance rights vest as follows as long as the holder remains as the Managing Director of the Company at the relevant vesting dates:

- 1,000,000 performance rights in 3 tranches, vesting as follows:
  - 333,333 performance rights vesting on 5 November 2011;
  - 333,333 performance rights vesting on 5 November 2012;
  - 333,334 performance rights vesting on 5 November 2013.
- 1,000,000 performance rights vest on the delineation of a JORC compliant resource of a minimum 500,000 ounces of gold equivalent from any of the Company's projects by 5 November 2012 or by satisfactory monetisation by that date of all or part of the Rover project to the Board's satisfaction.

No other performance rights were issued to Key Management Personnel.

During the year, no performance rights vested or lapsed/cancelled.

The value of performance rights granted during the year was $500,000.

Value of performance rights – basis of calculation

- Value of performance rights granted at grant date is calculated by multiplying the fair value of performance rights at grant date by the number of performance rights granted during the financial year.
- Value of performance rights vested is calculated by multiplying the fair value of performance rights at the time they vest (calculated as the difference between consideration paid and the Australian Securities Exchange last sale price on the day that the performance rights vested) by the number of performance rights vested during the financial year.
- Value of performance rights lapsed/cancelled at the lapsed date is calculated by multiplying the fair value of performance rights at the time they lapsed/cancelled multiplied by the number of performance rights lapsed/cancelled during the financial year.

The total value of performance rights included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment". Performance rights granted during the financial year are recognised in compensation over their vesting period.

Directors' Shareholdings

The following table sets out each director's relevant interest in shares in the Company as at the date of this report.

Directors	Fully paid ordinary shares Number	Options to acquire ordinary shares Number	Performance Rights Number
A J Brown	12,883,559	-	-
CG Drown	974,158	-	2,000,000
J P Horan	1,928,158	-	-
J J den Dryver	-	-	-
M I Hatcher	-	-	-
	15,785,875	-	2,000,000

The above table includes shares held by related parties of directors.

Meetings of Directors

The number of meetings of the Company's Board of Directors attended by each director during the year ended 30 June 2011 was:

2011	Meetings held while in office	Meetings attended
A J Brown	9	9
C G Drown	9	9
J P Horan	9	9
J J den Dryver	9	9
K R Yates	2	2

The Company held two meetings of the Audit Committee during the year ended 30 June 2011. The members of this committee comprise J J den Dryver (Chairman) and A J Brown and both attended the two meetings.

During the year the Company established a remuneration committee of two members, A J Brown (Chairman) and K R Yates. The committee held one meeting and both members attended.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 18 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 18 to the financial statements do not compromise the external auditor's independence for the following reasons:

All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 36 of this annual report.

Indemnification of Officers and Auditors

During the year the Company arranged insurance cover and paid a premium for directors in respect of indemnity against third party liability. At the Annual General Meeting of the Company held on 17 November 1997 shareholders resolved to extend the indemnification for a period of seven years after a director ceases to hold office. In accordance with the terms and conditions of the insurance policy, the amount of the premium paid has not been disclosed on the basis of confidentiality, as is permitted under Section 300 (9) of the Corporations Act 2001.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by an officer or auditor.

Signed at Adelaide this 23rd day of September 2011 in accordance with a resolution of the directors.

C G Drown
Managing Director

A J Brown
Chairman

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Adelaide Resources Limited
69 King William Road
UNLEY SA 5061

23 September 2011

Dear Board Members

Adelaide Resources Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Adelaide Resources Limited.

As lead audit partner for the audit of the financial statements of Adelaide Resources Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jody Burton
Partner
Chartered Accountants

Consolidated Statement of Comprehensive Income for the Year ended 30 June 2011

	Note	Year Ended 30/06/11 $	Year Ended 30/06/10 $
Revenue	4(a)	466,956	399,903
Other income	4(b)	-	47,802
Exploration expense written off	8	(76,085)	(82,937)
Administration expenses		(867,635)	(372,338)
Corporate consulting expenses		(153,757)	(178,192)
Company promotion		(73,365)	(94,399)
Salaries and wages		(118,074)	(64,682)
Directors fees		(136,116)	(189,920)
Occupancy expenses		(74,187)	(70,940)
Share based remuneration		(175,125)	-
Loss before income tax	4(b)	(1,207,388)	(605,703)
Tax expense	5	(55,778)	(38,484)
Loss for the period		(1,263,166)	(644,187)
Other comprehensive income			
Net gain on available-for-sale investments taken to equity		65,252	92,824
Income tax relating to components of other comprehensive income		(19,575)	(15,669)
Total other comprehensive income		45,677	77,155
Total comprehensive income for the period		**(1,217,489)**	**(567,032)**
Earnings Per Share			
Basic (cents per share) – (Loss)/profit	24	(0.98)	(0.63)
Diluted (cents per share) – (Loss)/profit	24	(0.98)	(0.63)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2011

	Note	30/06/11 $	30/06/10 $
CURRENT ASSETS			
Cash and cash equivalents		8,381,277	7,560,843
Trade and other receivables	6	155,665	209,993
Other financial assets	7	221,622	209,056
TOTAL CURRENT ASSETS		8,758,564	7,979,892
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	8	12,219,646	8,158,880
Shares in Iron Road Limited		177,026	124,340
Plant and equipment	9	309,140	260,579
TOTAL NON-CURRENT ASSETS		12,705,812	8,543,799
TOTAL ASSETS		21,464,376	16,523,691
CURRENT LIABILITIES			
Trade and other payables	10	478,145	520,970
Provisions	11	15,440	2,426
TOTAL CURRENT LIABILITIES		493,585	523,396
NON-CURRENT LIABILITIES			
Provisions	12	18,990	9,806
Other liabilities	13	129,357	129,357
TOTAL NON-CURRENT LIABILITIES		148,347	139,163
TOTAL LIABILITIES		641,932	662,559
NET ASSETS		20,822,444	15,861,132
EQUITY			
Issued capital	14	29,110,847	23,104,640
Reserves	15	1,339,560	1,121,289
Accumulated losses		(9,627,963)	(8,364,797)
TOTAL EQUITY		20,822,444	15,861,132

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the Year ended 30 June 2011

	Issued capital	Employee Equity-Settled Benefits	Perform-ance Rights	Available for Sale Revaluation Reserve	Accumu-lated losses	Total
	$	$	$	$	$	$
Balance at 1 July 2009	17,933,796	1,094,009	-	(40,594)	(7,720,610)	11,266,601
Loss attributable to the period	-	-	-	-	(644,187)	(644,187)
Valuation gain – other financial assets	-	-	-	95,977	-	95,977
Related income tax	-	-	-	(15,669)	-	(15,669)
Transfer from available for sale revaluation reserve to profit and loss on sale of other financial assets	-	-	-	(3,153)	-	(3,153)
Total comprehensive income for the period	-	-	-	77,155	(644,187)	(567,032)
Issue of share capital through a share placement at 19 cents	2,280,000	-	-	-	-	2,280,000
Issue of share capital through a share purchase plan at 19 cents	2,996,925	-	-	-	-	2,996,925
Costs associated with the issue of shares	(180,518)	-	-	-	-	(180,518)
Related income tax	54,156	-	-	-	-	54,156
Conversion of employee options at 4 cents	11,000	-	-	-	-	11,000
Transfer to issued capital of employee options transferred from employee equity-settled benefits reserve on conversion of employee share options	9,281	(9,281)	-	-	-	-
Balance at 30 June 2010	23,104,640	1,084,728	-	36,561	(8,364,797)	15,861,132
Loss attributable to the period	-	-	-	-	(1,263,166)	(1,263,166)
Valuation gain – other financial assets	-	-	-	65,252	-	65,252
Related income tax	-	-	-	(19,575)	-	(19,575)
Total comprehensive income for the period	-	-	-	45,677	(1,263,166)	(1,217,489)
Issue of share capital though a share placement at 18.5 cents	3,052,500	-	-	-	-	3,052,500
Issue of share capital through a share purchase plan at 18.5 cents	3,124,000	-	-	-	-	3,124,000
Costs associated with the issue of shares	(251,177)	-	-	-	-	(251,177)
Related income tax	75,353	-		-	-	75,353
Fair value of performance rights issued to employees	-	-	175,125	-	-	175,125
Conversion of employee options at 4 cents	3,000	-	-	-	-	3,000
Transfer to issued capital of employee options transferred from employee equity-settled benefits reserve on conversion of employee share options	2,531	(2,531)	-	-	-	-
Balance at 30 June 2011	29,110,847	1,082,197	175,125	82,238	(9,627,963)	20,822,444

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the Year ended 30 June 2011

	Inflows/(Outflows)	
	Year Ended 30/06/11 $	Year Ended 30/06/10 $
Cash flows relating to operating activities		
Payments to suppliers and employees	(1,194,123)	(750,696)
Other receipts	-	-
Net operating cash flows (Note (a))	(1,194,123)	(750,696)
Cash flows relating to investing activities		
Interest received	441,805	395,010
Payments for exploration and evaluation expenditure	(4,228,496)	(3,279,618)
Proceeds from the sale of other financial assets	-	48,853
State government grant received	-	90,909
Payments for plant and equipment	(127,075)	(230,401)
Net investing cash flows	(3,913,766)	(2,975,247)
Cash flows relating to financing activities		
Proceeds from share issues	6,179,500	5,287,925
Payments for capital raising costs	(251,177)	(180,518)
Net financing cash flows	5,928,323	5,107,407
Net increase in cash	820,434	1,381,464
Cash at beginning of financial year	7,560,843	6,179,379
Cash at end of financial year	8,381,277	7,560,843
Note (a): Reconciliation of loss for the period to net cash flow from operating activities.		
Loss for the period	(1,263,166)	(644,187)
Interest revenue	(466,956)	(399,903)
Share based remuneration	175,125	-
Depreciation	78,514	39,297
Profit on sale of other financial assets	-	(47,802)
Exploration written off	76,085	82,937
(Increase) decrease in receivables	79,479	118,433
(Increase) decrease in deferred tax asset	55,778	38,487
Increase/(decrease) in payables	48,820	87,591
Increase/(decrease) in provisions	22,198	(25,549)
Net operating cash flows	(1,194,123)	(750,696)

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements for the Financial Year Ended 30 June 2011

1. General information

Adelaide Resources Limited (the Company) is a listed public company, incorporated in Australia and operating in Australia.

Adelaide Resources Limited's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
69 King William Road	69 King William Road
Unley	Unley
South Australia 5061	South Australia 5061

2. Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Various other Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations do not affect the Group's present policies and operations. The directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially effect the amounts recognised in the financial statements of the Company or the Group but may change the disclosure presently made in the financial statements of the Company or the Group.

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 23rd September 2011.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

(b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits, expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

(c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale: or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories; financial assets 'at fair value through profit or loss', 'held to maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit and loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined based on quoted market prices. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are

recognised directly on the profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(e) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or:

(ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets (other than exploration and evaluation)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacting by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that

would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. Adelaide Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(h) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

(i) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(j) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of deprecation:

- Plant and equipment – at cost 3-5 years

(k) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is that rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(m) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that vest on or after 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(n) Government grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the balance sheet and recognised as income on a systematic basis when the related exploration and evaluation is written off.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which it becomes receivable.

(o) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of their fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquistion-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 "Income Taxes" and AASB 119 "Employee Benefits" respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 "Share-based Payment"; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

4. LOSS FROM OPERATIONS

	Year Ended 30/06/11 $	Year Ended 30/06/10 $
(a) Revenue from continuing operations consisted of the following items		
Interest income:		
Bank deposits	449,896	386,246
Income securities	17,060	13,657
	466,956	399,903
(b) Profit/(Loss) for the year includes the following gains and losses		
Other income		
Profit on sale of investments	-	47,802
	-	47,802
Other expenses		
Depreciation of plant and equipment	78,514	39,297
Operating lease rental expenses	74,187	70,940
Costs associated with the proposed listing of Peninsula Resources Limited	459,163	-
Employee benefit expense:		
Post employment benefits:		
Accumulated benefit superannuation plans	51,050	35,120
Share based payments:		
Equity settled share-based payments (i)	175,125	-
Other employee benefits	1,206,727	814,737
	1,432,902	849,857
Less amounts capitalised in exploration and evaluation expenditure	(927,041)	(417,686)
	505,861	432,171

(i) Share based payments relate to performance rights granted during the year to employees. Performance rights do not represent cash payments to employees and are converted into fully paid ordinary shares of the Company on the meeting of specific measures of performance.

5. INCOME TAX

	Year Ended 30/06/11 $	Year Ended 30/06/10 $
(a) Income tax recognised in profit or loss		
Current tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences and tax losses	55,778	38,484
Total tax expense	55,778	38,484

The prima facie income tax expense on the loss before income tax reconciles to the tax expense in the financial statements as follows:

Loss from continuing operations	(1,207,388)	(605,703)
Income tax income calculated at 30%	(362,216)	(181,711)
Share based payments	52,538	-
Other	14,331	17,167
Prior year tax losses recognised	(1,089,340)	(894,751)
Current year tax losses not recognised	1,440,465	1,097,779
Tax expense	55,778	38,484

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30/06/11 $	30/06/10 $
Trade and other receivables	(15,303)	(26,680)
Exploration and evaluation expenditure	(3,665,894)	(2,447,664)
Investments	(35,245)	(15,669)
IPO costs	109,766	18,781
Capital raising costs	93,981	56,425
Trade and other payables	57,942	50,769
Employee benefits	10,329	3,670
Other liabilities	38,807	38,807
	(3,405,617)	(2,321,561)
Tax value of losses carried forward	3,405,617	2,321,561
Net deferred tax assets / (liabilities)	-	-

(c) Unrecognised deferred tax assets:

A deferred tax asset has not been recognised in respect of the following item:

	30/06/11 $	30/06/10 $
Tax Losses-revenue	2,251,525	1,900,400

A deferred tax asset has not been recognised in respect of the above tax losses because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefit.

(d) Movement in recognised temporary differences and tax losses

	30/06/11 $	30/06/10 $
Opening balance	-	-
Recognised in equity	55,778	38,484
Recognised in income	(55,778)	(38,484)
Closing balance	-	-

(e) Tax consolidation

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities are in a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Adelaide Resources Limited.

Nature of tax funding arrangement

Entities within the tax-consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Adelaide Resources Limited and its wholly owned Australian resident entities have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the-consolidated group.

6. CURRENT TRADE AND OTHER RECEIVABLES

	30/06/11 $	30/06/10 $
Interest receivable	51,009	25,858
Other receivables	104,656	184,135
	155,665	209,993

7. OTHER CURRENT FINANCIAL ASSETS

Available for sale at fair value		
Income securities	221,622	209,056

8. EXPLORATION AND EVALUATION EXPENDITURE

	30/06/11 $	30/06/10 $
Costs brought forward	8,158,880	4,920,622
Expenditure incurred during the year	4,136,851	3,321,195
	12,295,731	8,241,817
Leases sold	-	-
Expenditure written off	(76,085)	(82,937)
	12,219,646	8,158,880

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been surrendered $76,085 (2010: $82,937).

The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

9. PLANT AND EQUIPMENT

	30/06/11 $	30/06/10 $
Gross carrying amount		
Balance at beginning of financial year	438,207	210,640
Additions	127,075	230,401
Disposals and write offs	-	(2,834)
Balance at end of financial year	565,282	438,207
Accumulated depreciation		
Balance at beginning of financial year	(177,628)	(141,165)
Depreciation for year	(78,514)	(39,297)
Disposals and write offs	-	2,834
Balance at end of financial year	(256,142)	(177,628)
Net book value at beginning of financial year	260,579	69,475
Net book value at end of financial year	309,140	260,579

10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables and accruals	478,145	520,970

11. CURRENT LIABILITIES – PROVISIONS

Employee benefits	15,440	2,426

12. NON-CURRENT LIABILITIES - PROVISIONS

Employee benefits	18,990	9,806

13. NON-CURRENT LIABILITIES – OTHER

Deferred income (government grant)	129,357	129,357

14. ISSUED CAPITAL

	30/06/11 $	30/06/10 $
144,665,368 fully paid ordinary shares (2010: 111,204,040)	29,110,847	23,104,640

Movement in issued shares for the year:

	No.	Year Ended 30/06/11 $	No.	Year Ended 30/06/10 $
Balance at beginning of financial year	111,204,040	23,104,640	83,156,035	17,933,796
Placement at 19 cents	-	-	12,000,000	2,280,000
Share Purchase Plan at 19 cents	-	-	15,773,005	2,996,925
Conversion of options at 4 cents	75,000	3,000	275,000	11,000
Transfer from employee equity-benefits settled reserve	-	2,531	-	9,281
Placement at 18.5 cents	16,500,000	3,052,500	-	-
Share Purchase Plan at 18.5 cents	16,886,328	3,124,000	-	-
Costs associated with the issue of shares	-	(251,177)	-	(180,518)
Related income tax	-	75,353	-	54,156
Balance at end of financial year	144,665,368	29,110,847	111,204,040	23,104,640

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid shares carry one vote per share and carry the right to dividends.

15. RESERVES

	30/06/11 $	30/06/10 $
Employee equity-settled benefits	1,082,197	1,084,728
Performance rights	175,125	-
Available-for-sale revaluation	82,238	36,561
	1,339,560	1,121,289

The employee equity-settled benefits reserve arises on the grant of share options to employees, consultants and executives under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments made under the plan are shown in note 16 to the financial statements.

The performance rights reserve arises on the grant of performance rights to employees, consultants and executives under the Employee Performance Rights Plan. Amounts are transferred out of the reserve and into issued capital when the performance rights are exercised. Further information about share based payments made under the plan are shown in note 16 to the financial statements.

The available-for-sale revaluation reserve arises on the revaluation of the available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

16. SHARE OPTION AND PERFORMANCE RIGHTS PLANS

During the current year, the Group replaced the Employee Share Option Plan with the Adelaide Resources Limited Performance Rights Plan. Details about these plans are set out below:

Share Option Plan

The Group had an ownership-based compensation plan for executives, employees and consultants. In accordance with the provisions of the Employee Share Option Plan, which was approved by shareholders at an annual general meeting, directors issued options to purchase shares in the company to executives, employees, and consultants, at an issue price determined by the market price of ordinary shares at the time the option was granted. No directors participated in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the financial year.

Options – Series	Number	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
December 2007	50,000	20/12/2007	19/12/2012	$0.35	$0.1993
March 2008	500,000	31/03/2008	30/03/2013	$0.30	$0.1156
December 2008	75,000	17/12/2008	16/12/2013	$0.04	$0.0337
Director Options					
November 2005	2,800,000	15/11/2005	14/11/2010	$0.55	$0.3048
November 2006	500,000	21/11/2006	14/11/2010	$0.55	$0.2621

No options were granted during the year (2010: nil).

The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year:

Share Option Plan	30/06/11		30/06/10	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	3,925,000	0.506	4,300,000	0.472
Granted during the financial year	-	-	-	-
Exercised during the financial year	(75,000)	(0.04)	(275,000)	(0.04)
Lapsed during the financial year	(3,300,000)	(0.55)	(100,000)	(0.35)
Balance at end of the financial year (i)	550,000	0.305	3,925,000	0.506

(i) Options outstanding at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of $0.305 (2010: $0.506) and a weighted average remaining contractual life of 630 days (2010: 279 days).

Performance Rights Plan

The Group has an ownership-based compensation plan for executives, employees and consultants. In accordance with the provisions of the Adelaide Resources Limited Performance Rights Plan (PRP), directors may issue performance rights to the company executives, employees and consultants. The performance rights are granted for no consideration and entitle the holder to be issued one fully paid ordinary share per performance right upon vesting. Other than the issue of performance rights to the Managing Director (see below), no other performance rights were issued during the year.

At the Annual General Meeting held on the 16 November 2010, the shareholder's approved the granting of 2,000,000 performance rights for no consideration to the Managing Director under the Adelaide Resources Limited Performance Rights Plan. Each performance right entitles the holder to one share in the capital of the Company upon vesting. The performance rights vest as follows as long as the holder remains as the Managing Director of the Company at the relevant vesting dates:

1,000,000 performance rights in 3 tranches, vesting as follows:

333,333 performance rights vesting on 5 November 2011;
333,333 performance rights vesting on 5 November 2012;
333,334 performance rights vesting on 5 November 2013.

1,000,000 performance rights vest on the delineation of a JORC compliant resource of a minimum 500,000 ounces of gold equivalent from any of the Company's projects by 5 November 2012 or by satisfactory monetisation by that date of all or part of the Rover project to the Board's satisfaction.

The following PRP awards were in existence during the financial year:

Rights - Series	Number	Grant Date	Vesting Date	Fair value at grant date
November 2010	2,000,000	16/10/2010	As described above	$0.25

The weighted average fair value of the performance rights granted during the financial year is $0.25.

Performance rights granted during 2011 were fair valued using a Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the right), and behavioural considerations.

Inputs into the 2011 performance right pricing model:

Grant date share price $0.25
Exercise price $0.00
Expected volatility 93.4%
Performance rights up to 3 years

The following reconciles the performance rights granted under the PRP at the beginning and end of the financial year:

Performance Rights Plan	Number of Performance Rights 2011
Balance at the beginning of financial year	-
Granted during the financial year	2,000,000
Balance at the end of the financial year	2,000,000

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of Adelaide Resources Limited during the year were:

Directors

A J Brown (Non-Executive Chairman)

C G Drown (Managing Director)

J P Horan (Non-Executive Director) – Finance Director and Company Secretary until 17 November 2010

J J den Dryver (Non-Executive Director)

K R Yates (Non-Executive Director) – resigned 17 September 2010

Other Key Management Personnel

N J Harding (Chief Financial Officer and Company Secretary) – appointed 17 November 2010

B Anderson (Exploration Manager)

The aggregate compensation of Key Management Personnel of the Group is set out below:

	Year Ended 30/06/11 $	Year Ended 30/06/10 $
Short-term employee benefits	778,371	537,148
Post employment benefits	10,844	9,195
Share-based payments (i)	175,125	-
	964,340	546,343

(i) Share based payments relate to performance rights granted during the year to employees. Performance rights do not represent cash payments to employees and are converted into fully paid ordinary shares of the Company on the meeting of specific measures of performance.

18. REMUNERATION OF AUDITORS

	30/06/11 $	30/06/10 $
Audit or Review of the Company's financial report	24,800	25,511
Audit or Review of Peninsula Resources Limited financial reports	19,000	-
Peninsula Resources Limited Independent Accountants Report	18,600	-
Tax return preparation and advice	70,302	12,128
	132,702	37,639

The auditor of Adelaide Resources Limited is Deloitte Touche Tohmatsu.

19. RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 25 to the financial statements.

Interests in joint ventures
Details of interests in joint ventures are disclosed in Note 20 to the financial statements.

(b) Key Management Personnel compensation

Details of key management personnel compensation are disclosed in Note 17.

(c) Transactions with Key Management Personnel

Other than as disclosed in Note 16 and Note 21(d), there were no transactions with key management personnel or their personally related entities during the year ended 30 June 2011 (2010: NIL).

(d) Transactions within wholly owned Group

The ultimate parent entity in the wholly-owned Group is Adelaide Resources Limited. During the financial year Adelaide Resources Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free advances. Tax losses have been transferred to Adelaide Resources Limited for no consideration.

(e) Equity holdings of Key Management Personnel

(i) Fully paid ordinary shares issued by Adelaide Resources Limited

2011	Balance 01/07/10	Net Changes	Balance 30/06/11	Balance held Nominally
Directors				
A J Brown	11,584,866	1,298,693	12,883,559	-
C G Drown	893,077	81,081	974,158	-
J P Horan	1,847,077	81,081	1,928,158	-
J J den Dryver	-	-	-	-
Other Key Management Personnel				
N J Harding	-	115,642	115,642	-
B E Anderson	-	203,947	203,947	-

2010	Balance 01/07/09	Net Changes	Balance 30/06/10	Balance held Nominally
A J Brown	12,261,208	(676,342)	11,584,866	-
C G Drown	839,130	53,947	893,077	-
J P Horan	1,793,130	53,947	1,847,077	-
J J den Dryver	-	-	-	-
K R Yates	5,743,408	53,947	5,797,355	-

(ii) Options to acquire fully paid ordinary shares issued by Adelaide Resources Limited

2011	Balance 01/07/10	Granted	Cancelled/ Lapsed	Balance 30/06/11	Balance held Nominally	Vested and exercisable
C G Drown	400,000	-	400,000	-	-	-
J P Horan	1,000,000	-	1,000,000	-	-	-
J J den Dryver	400,000	-	400,000	-	-	-
P J Dowd	500,000	-	500,000	-	-	-
K R Yates	1,000,000	-	1,000,000	-	-	-
Other Key Management Personnel						
B E Anderson	500,000	-	-	500,000	-	500,000

2010	Balance 01/07/09	Granted	Lapsed	Balance 30/06/10	Balance held Nominally	Vested and exercisable
C G Drown	400,000	-	-	400,000	-	400,000
J P Horan	1,000,000	-	-	1,000,000	-	1,000,000
J J den Dryver	400,000	-	-	400,000	-	400,000
P J Dowd	500,000	-	-	500,000	-	500,000
K R Yates	1,000,000	-	-	1,000,000	-	1,000,000

(iii) Performance rights issued by Adelaide Resources Limited

2011	Balance 01/07/10	Granted	Lapsed	Balance 30/06/11	Balance held Nominally	Vested and exercisable
C G Drown	-	2,000,000	-	2,000,000	2,000,000	See note 16 for details

20. JOINTLY CONTROLLED ASSETS

The Group had interests in unincorporated joint ventures at 30 June 2011 as follows:

	Percentage Interest 2011	Percentage Interest 2010
South Australia		
Moonta Porphyry Joint Venture (Note a) – Copper/Gold Exploration	90%	90%
Kimba-Verran Joint Venture (Note a) – Copper/Gold Exploration	90%	90%
Eyre Peninsula Uranium Joint Venture (Note b,c) – Uranium Exploration	40%	100%
Yalanda Hill Joint Venture (Note d) – Uranium Exploration	40%	60%

Notes:

(a) The Group has an option to purchase the remaining 10% at any time for a consideration of $200,000 cash or the equivalent of $200,000 in Adelaide Resources Limited shares.

(b) Under the terms of this joint venture agreement, Quasar Resources Pty Ltd is required to spend $3,000,000 over four years commencing 1 January 2007 to earn a 60% interest, with a minimum of $750,000 to be spent per year over the term of the joint venture. The $3,000,000 expenditure obligation by Quasar Resources was met and announced to the market on 28 October 2010 whereby the Group's interest under the joint venture reverted to 40%.

(c) After Quasar Resources Pty Ltd earned its 60% interest, the Group could elect to either contribute and hold its equity position, contribute or dilute on a program by program basis, or

immediately revert to a 25% equity in the joint venture, free carried to a decision to mine. If the Group chose the dilution path, its interest could not be diluted below 25%, at which time the interest will be free carried through to a decision to mine. If the Group elects not to contribute to mine development, it can opt to sell or revert to a 2% revenue based royalty. On 10 March 2011 the Group elected not to contribute to the cost of the 2011 program and dilute its interest but retained the option to contribute to future programs.

(d) A joint venture between 100% owned subsidiary Peninsula Resources Limited (formerly Eyre Energy Limited) and Investigator Resources Limited (IVR) (formerly Southern Uranium Limited) to explore for uranium on 3 Eyre Peninsula tenements. IVR could increase its equity to 60% through the expenditure of $250,000 by September 2011, which was achieved on 10 February 2011. Thereafter each party may contribute to ongoing expenditure in respect of their joint venture holding or else elect to dilute.

The amount included in mining tenements, exploration and evaluation (Note 8) includes $382,667 (2010: $369,213) relating to the above joint ventures.

21. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the company.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	2011 $	2010 $
Not later than one year:	929,000	1,095,000
Later than one year but not later than two years:	1,104,000	1,300,500
Later than two years but not later than five years:	3,212,000	5,279,000

(b) Rover Project – Northern Territory

Under an agreement entered into with Newmont Gold Exploration Pty Ltd ("Newmont") on 28 February 2005, Adelaide Exploration Limited acquired a 100% interest in the Rover Project (Exploration Licences 7739, 8921, and Exploration Licence Application 25512) located near Tennant Creek, Northern Territory, on the following terms.

A minimum of $400,000 to be spent on exploration activities within 18 months of approval being received from the Central Land Council. This obligation had been met by December 2005.

A net smelter return royalty to Newmont ranging from 1.5% to 2.5% after production, and

The grant of a once only option to Newmont to buy back a 70% interest should a resource of more than 2 million gold ounces be discovered, by paying Adelaide Exploration Limited the lesser of $A20 million or three times the expenditure by Adelaide Exploration Limited from the date of execution of the agreement.

Under an agreement entered into with Adelaide Exploration Limited, Adelaide Resources Limited and Franco-Nevada Australia Pty Ltd ("Franco") dated 11 February 2009, Newmont assigned its interest in the royalty buy back to Franco.

(c) Newcrest Mining Royalty Deed

By a Royalty Deed dated 13 February 2002 the Group is obliged to pay to Newcrest Mining Limited a royalty of 1.5% of the gross proceeds received from the sale of refined minerals, less allowable deductions, mined from certain tenements on the Eyre Peninsula, South Australia.

(d) Service Agreements

The Group entered into service agreements with an entity associated with C G Drown for a term of three years from 5 November 2010. The consultancy agreement with an entity associated with J P Horan expired on 17 November 2010. The Group also entered into service agreements with an entity associated with N J Harding for a term of two years from 17 November 2010 and an entity associated with B E Anderson for a term of one year, extendable by a further twelve months, from 12 February 2011.

For the year ended 30 June 2010 the Group had service agreements with entities associated with C G Drown and J P Horan.

Should any of the above agreements be terminated by the company earlier than their expiry date, a contingency exists for the contracted amount payable to the end of their terms. The entities associated with C G Drown, N J Harding and B E Anderson may terminate their agreements with three months notice. As at 30 June 2011, the Group had a contingent liability in relation to these agreements of $512,738 (2010: $nil).

Details of the current services and consultancy agreements are set out below:

2011

Key Management Personnel	Terms
C G Drown	Daily rate of $1,100 for a minimum of 210 days per annum
J P Horan	Daily rate of $960 for a minimum of 90 days per annum (the service agreement was cancelled on the 17 November 2010)
N J Harding	Daily rate of $960
B E Anderson	Daily rate of $975

2010

Director	Terms
C G Drown	Daily rate of $950 for a minimum of 218 days per annum
J P Horan	Daily rate of $960 for a minimum of 90 days per annum

The Group also entered into a consultancy agreement with J J den Dryver on 28 May 2008 to provide consulting services on an as needs basis at the rate of $1,300 per day (previously the rate was $1,000 per day).

(e) Native Title

Native Title claims have been made with respect to tenements in South Australia and Queensland in which Adelaide Resources Limited has interests. The Group is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the company or its projects.

(f) Bank Guarantees

As at 30 June 2011, the Group had given a bank guarantee of $50,000 (2010: $50,000) to the Central Land Council, Northern Territory, as a performance bond.

As at 30 June 2011, the Group had given a bank guarantee of $10,000 (2010: $10,000) to the Minister for Mineral Resources Development, South Australia, for an environmental bond.

As at 30 June 2011, the Group had given a bank guarantee of $32,500 (2010: $32,500) to Pink Pumpkin Pty Ltd for a rent guarantee.

The above bank guarantees are secured by a restricted cash deposit of $92,500.

(g) Operating Lease

Operating lease relates to the lease of office space with a lease term of four years, expiring on the 31 July 2011. The Group has extended the lease for a further one year. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

	2011 $	2010 $
Not longer than 1 year	77,873	74,187
Longer than 1 year and not longer than 5 years	6,515	6,490
Longer than 5 years	-	-
	84,388	80,677

22. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

Due to the nature of the Group's activities (exploration) the directors believe that the most advantageous way to fund activities is through equity and strategic joint venture arrangements. The Group's exploration activities are monitored to ensure that adequate funds are available.

Categories of financial instruments

	2011 $	2010 $
Financial assets		
Cash and cash equivalents	8,381,277	7,560,843
Loans and receivables	155,665	209,993
Available-for-sale financial assets	221,622	209,056
Shares in Iron Road Limited	177,026	124,340
Financial liabilities		
Amortised cost	478,145	520,970

Interest rate risk management

The company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and company's net profit would increase/decrease by $39,855 (2010: increase/decrease by $34,351). This is mainly attributable to interest rates on bank deposits.

The Group's sensitivity to interest rates has increased due to the increase in the current holding in cash compared to the prior year.

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather trading purposes. The Group does not activity trade these investments.

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

At reporting date, if the equity prices had been 5% pa higher or lower:

- net profit for the year ended 30 June 2011 would have been unaffected as the equity investments are classified as available-for-sale; and
- other equity reserves would increase/decrease by $13,952 (2010: increase/decrease by $11,743) for the Group, mainly as a result of the changes in fair value of available-for-sale shares.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than one year $
2011		
Non-interest bearing	-	478,145
2010		
Non-interest bearing	-	520,970

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Quoted prices

Financial assets in this category include income notes, shares and share options.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

23. SEGMENT INFORMATION

The Group has a number of exploration licenses in Australia which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future metal prices. Accordingly, the Group effectively operates as one segment, being exploration in Australia. This is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources within the Group.

24. EARNINGS PER SHARE

	Year Ended 30/06/11 Cents per share	Year Ended 30/06/10 Cents per share
Basic earnings per share – Profit / (loss)	(0.98)	(0.63)
Diluted earnings per share – Profit / (loss)	(0.98)	(0.63)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	$	$
Earnings	(1,263,166)	(644,187)
	Number	**Number**
Weighted average number of ordinary shares	129,181,980	102,274,567

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	$	$
Earnings	(1,263,166)	(644,187)
	Number	**Number**
Weighted average number of ordinary shares	129,181,980	102,274,567

25. CONTROLLED ENTITIES

Name of Entity		Country of Incorporation	Ownership Interest 2011 %	Ownership Interest 2010 %
Parent Entity				
Adelaide Resources Limited	(i)	Australia	100%	100%
Subsidiaries				
Adelaide Exploration Pty Ltd	(ii)	Australia	100%	100%
Peninsula Resources Limited (formerly Eyre Energy Pty Ltd)	(ii)	Australia	100%	100%

(i) Head entity in tax consolidated group
(ii) Members of tax consolidated group

26. PARENT ENTITY DISCLOSURES

	30/06/11 $	30/06/10 $
Financial Position		
Assets		
Current assets	8,680,080	6,842,799
Non-current assets	12,807,585	9,497,795
Total assets	21,487,665	16,340,594
Liabilities		
Current liabilities	493,587	523,398
Non-current liabilities	18,990	9,806
Total liabilities	512,577	533,204
Equity		
Issued capital	29,110,846	23,104,640
Accumulated losses	(9,475,318)	(8,418,539)
Reserves:		
Employee equity-settled benefits reserve	1,082,197	1,084,728
Performance rights	175,125	-
Available for sale revaluation reserve	82,238	36,561
Total equity	20,975,088	15,807,390

	Year Ended 30/06/11 $	Year Ended 30/06/10 $
Financial Performance		
Loss for the year	(1,056,779)	(692,285)
Other comprehensive income	45,677	77,155
Total comprehensive income	(1,011,102)	(615,130)

Commitment for expenditure and contingent liabilities if the parent entity

Note 21 to the financial statements discloses the Group's commitments for expenditure and contingent liabilities. Of the items disclosed in that note the following relate to the parent entity:

- service agreements
- bank guarantees
- operating leases

Letter of Support

The Company has provided a financial letter of support to Peninsula Resources Limited to enable Peninsula Resources Limited to pay its debts as and when they fall due.

27. SUBSEQUENT EVENT

There are no matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration

The directors declare that:

(a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements;

(c) In the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and consolidated entity; and

(d) The directors have been given the declaration required by Section 295A of the Corporation Act 2001.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors

C G Drown
Managing Director

A J Brown
Chairman

Adelaide, South Australia
23rd September 2011

Deloitte.

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Independent Auditor's Report to the Members of Adelaide Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Adelaide Resources Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 37 to 66.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Adelaide Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion:

(a) the financial report of Adelaide Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 34 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Adelaide Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jody Burton
Partner
Chartered Accountants
Adelaide, 23 September 2011

as at 29 September 2011

Substantial Shareholders

The names of substantial shareholders shown in the Company's share register are:

Shareholder	Number of Shares
Tidewater Investments Limited	13,450,324
HSBC Custody Nominees (Australia) Limited	10,140,581

Distribution of Shareholders

Number of ordinary shares held	No. of Holders	Ordinary shares
1–1000	304	101,197
1,001– 10,000	838	4,721,035
10,001–100,000	874	32,951,709
100,001–1,000,000	246	61,129,838
1,000,000–over	14	45,761,589
	2,276	144,665,368

All ordinary shares carry one vote per share without restriction.

At the closing price on SEATS at 29 September 2011 there were 812 shareholders with less than a marketable parcel of 6667 shares.

Top 20 Shareholders of ordinary shares

Issued	Shares	% Shares
HSBC Custody Nominees (Australia) Limited	10,140,581	7.01
Loftus Lane Investments Pty Limited	6,926,065	4.79
Loftus Lane Investments Pty Limited	5,462,301	3.78
Ariki Investments Pty Limited	3,500,000	2.42
Keith Yates & Assoc P/L <Yates Family Super Fund A/C>	3,451,158	2.39
HS Superannuation Pty Ltd <HS Superannuation Fund A/C>	2,500,000	1.73
Mr Keith Robert Yates	2,427,278	1.68
Sheerwater Pty Ltd	2,400,000	1.66
Howard-SmithInvestments Pty Ltd	1,831,081	1.27
Clodene Pty Ltd	1,739,727	1.20
Adelaide Resource Management Pty Ltd	1,500,000	1.04
Valui Pty Ltd <Fortis Super Fund A/C>	1,316,624	0.91
Ariki Investments Pty Limited	1,300,000	0.90
Weldbank Pty Ltd	1,266,774	0.88
Crenson Holdings Pty Ltd	1,000,000	0.69
Ginga Pty Lrd <T G Klinger Super Fund A/C>	1,000,000	0.69
Penson Australia Nominees Pty Ltd <Argonaut Account>	1,000,000	0.69
Valnera Holdings Pty Ltd	1,000,000	0.69
Bell Potter Nominees Ltd <BB Nominees A/C>	911,081	0.63
Damplin Investments Pty Ltd	900,000	0.62
Total of top 20 holdings	51,572,670	35.65
Other holdings	93,092,698	64.35
Total fully paid shares issued	144,665,368	100.00

Options and Performance Rights

There are 550,000 unlisted options held by employees under the Company's Employee Share Option Plan and 2,000,000 performance rights held by the Managing Director under the Company's Employee Performance Rights Plan.

Adelaide Resources Limited

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