

Adelaide Resources Limited

(ACN 061 503 375)

FINANCIAL REPORT

For the Half-Year Ended

31 December 2015

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Directors' Report

The names of the Directors of the company during the half-year and as at the date of this report are:

Colin G Jackson MSc, BSc (Hons), DIC, Grad Dip Bus Admin
Chairman

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

Nicholas J Harding FCPA, F Fin, AGIA, ACIS
Executive Director and Company Secretary

Jonathan P Buckley BEc, SF Fin, GAICD
Non Executive Director and Audit and Risk Committee Chairman

Operating and Financial Review

Strategy

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

- The Company will maintain a strong commodity focus on gold and copper. Directors consider the outlook for these metals remains positive, and believe these are commodities well suited to Adelaide Resources. The two metals occur naturally together in several of the Company's key projects, and the capital cost of developing a gold or copper mine of a size that would transform the Company is within its financing capacity.
- The Company's Board believes it is in shareholders' best interests to retain maximum equity in its tier one projects and consequently seeks to self-fund exploration programmes on these projects when equity markets allow. The Board will contemplate third party investment in a tier one project if it believes the consequent loss of shareholder equity is more than compensated by increased financial certainty and the project de-risking that may accrue.
- The Company will pursue opportunities which have potential to unlock value in its other mineral assets, and will maintain an active lookout for quality new gold and copper projects in Australia and overseas.
- The Company will build shareholder wealth while adhering to principles of good corporate governance, caring for its employees, conducting its operations in an environmentally sensitive manner, and maintaining respect for other stakeholders and for the communities in which it operates.

Financial Results

The net result of operations for the six months ending 31 December 2015 was a loss after income tax of \$1,036,815 (2014: loss of \$1,101,602).

Exploration expenditure for the six months was \$822,674, the majority of which was directed to the Drummond Epithermal Gold Project. Net administration expenses and employee benefits for the six months totalled \$571,073 which is inclusive of valuation costs of performance rights provided to employees during the half year under the Company's Performance Rights Plan and shares issued to management under the newly approved Loan Funded Employee Share Plan. At the 31 December 2015 the Company held cash and cash equivalents totalling \$885,043.

In October 2015 the Company completed a Shareholder Share Purchase Plan and top-up placement raising \$927,533 before costs with subscribers receiving shares issued at 2.0 cents each.

A number of cost saving initiatives, including cuts to staff and executive director salaries and renegotiation of some administrative costs including office rental and share registry services, were implemented after 31 December 2015 in an effort to conserve cash for direct exploration activities.

Exploration Activities

In the half year ended 31 December 2015 Adelaide Resources continued its exploration programmes of work undertaken at the Drummond Epithermal Gold Project in Queensland and the Eyre Peninsula Gold Project (including the Thurlga Joint Venture with Investigator Resources Limited) in South Australia. Activity on the Moonta (SA) and Rover (NT) Projects was focused on attracting third party investment.

Drummond Epithermal Gold Project

A maiden drilling programme was completed in the six month period following highly encouraging results returned from earlier surface exploration programmes including prospecting, rock chip sampling and Field Portable X-Ray Fluorescence soil geochemistry at the South West Limey Dam prospect, located on the 100% owned EPM 18090.

The drilling programme totalled 25 diamond drill holes for 1,855 metres. Holes tested targets below outcropping epithermal veins which had returned high grade gold in rock chip samples in the north of the prospect, and conceptual targets below a large zone of silicified and arsenic anomalous host rocks in the southern part of the prospect.

Intersections from epithermal quartz veins in the north of the prospect included 0.71 metres at 9.11g/t gold, and 0.70 metres at 1.43g/t gold. Holes in the south of the prospect intersected broad zones of low grade mineralisation including 19.0 metres at 0.19g/t gold, and 96.5 metres at 1.01g/t silver.

The 3-dimensional geology and geochemistry of the South West Limey Dam prospect revealed by the drilling is interpreted to reveal a large hot spring geothermal-epithermal system exposed near the contemporary land surface. The near total preservation of the South West Limey Dam epithermal system allows the presence of a high grade gold deposit at depth, while the prospect geology is seen to be closely analogous to a number of multi-million ounce gold deposits located in Australia and elsewhere.

The future exploration challenge at South West Limey Dam remains the identification of quartz veins that have better lateral and vertical continuity than those tested in the 2015 drilling programme, and to target these veins at the depth where high to bonanza grades of gold are anticipated to occur.

The drilling programme at South West Limey Dam was supported through a Collaborative Drilling Initiative grant of \$100,000 from the Queensland Government.

On adjacent EPM 25660, field work defined a new gold target called Bunyip. A number of epithermal textured quartz veins and associated zones of silicification crop out at Bunyip, with the total strike of these features being approximately 2,000 metres.

Rock chip sampling of the veins has returned strongly anomalous gold to a maximum of 19.65g/t gold. Epithermal pathfinder metals are also present at anomalous concentrations including arsenic (to 309ppm), molybdenum (to 96ppm), and antimony (to 12ppm).

The vein geochemistry, vein textures, and the nearby presence of high level epithermal system elements such as siliceous sinters all support the interpretation that any gold zone will remain preserved at depth.

An aboriginal heritage clearance has been completed at Bunyip and found no areas where exploration activities could not be undertaken, allowing drill testing in 2016.

On 23 February 2016, the Company announced that it had lodged applications for two new, wholly owned, exploration tenements in the Drummond Basin, tripling the Company's ground holdings in the region to 838 square kilometres. Historical gold prospects and occurrences are located on the new tenements, with records suggesting they include mineralisation of epithermal style.

Eyre Peninsula Gold Project

During the reporting period analytical results from a diamond drilling programme completed in the previous six month period were received. The drilling programme totalled seven holes for 1,287 metres, with four holes drilled at the Barns prospect and three at the nearby Baggy Green prospect.

Assays confirmed that all seven holes intersected gold mineralisation. Results from Barns included 16.1 metres at 3.06g/t gold, 15 metres at 1.25g/t gold, 15 metres at 0.75g/t gold and 7 metres at 1.1g/t gold. At Baggy Green results include 11 metres at 1.87g/t gold contained within a broader zone assaying 30 metres at 0.86g/t gold, and 8 metres at 1.22g/t gold.

The drilling programme confirmed that the boundaries of mineralisation were as predicted by earlier generated models, most significantly at Baggy Green where previous drilling was very coarse spaced.

The drill results were used to update the 3-D mineralisation models of Barns and Baggy Green, following which a new Exploration Target was estimated. The new Exploration Target estimates that the combined Barns, White Tank and Baggy Green deposits may contain between 2.5 and 3.5 million tonnes of material at a grade ranging between 1.3g/t gold and 2.0g/t gold. The new Exploration Target is restricted to material that falls within 200 metres of the surface. The potential tonnage and grade of the new Exploration Target is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource, and it remains uncertain if further exploration will result in the estimation of a Mineral Resource.

A high level scoping study is underway to establish development potential of the Barns prospect and to identify various parameters where additional work can improve the economic outcome.

A research and development related programme of biogeochemical (mallee leaf) sampling at the Empire copper-gold-zinc-nickel anomaly, located approximately 10 kilometres east of Baggy Green, was completed late in the six months period, with results currently being assessed.

The Thurlga Joint Venture, with Investigator Resources Limited, covers one of the Company's Eyre Peninsula tenements. During the six months work on the Thurlga JV included surface soil geochemistry surveys and the reprocessing and analysis of historically acquired airborne electromagnetic survey data.

Moonta and Rover Copper Gold Projects

The Company is exploring potential opportunities to co-fund future exploration activities at Moonta and Rover with the view to both de-risking the projects financially and accelerating their development progress. Third parties are currently reviewing project data from these projects under confidentiality agreement.

Outlook and Future Developments

The planned exploration programme for the second half of the 2015/16 financial year includes:

- A programme of further low cost rock chip sampling and FPXRF soil geochemistry on the Drummond Epithermal Gold Project to define new drill targets;
- A programme of reverse circulation or diamond drilling to test the Bunyip Prospect on the Drummond Epithermal Gold Project;
- Continuing modelling and high level economic scoping studies on the Barns, Baggy Green and White Tank gold prospects on Eyre Peninsula, potentially leading to programmes of further drilling.
- Completion of further low cost surface FPXRF and biogeochemistry on the Eyre Peninsula Gold Project, potentially leading to shallow aircore drilling programmes;
- On-going soil geochemistry on the Thurlga Joint Venture on the Eyre Peninsula;
- Continued activity to deliver value from the Moonta and Rover copper-gold projects through divestment or introduction of third parties.
- Identification and acquisition of new gold focussed projects in Australia.

A number of these programmes are contingent on the Company having adequate financial capacity to initiate and complete them.

Competent Person Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Chris Drown, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Drown is employed by Drown Geological Services Pty Ltd and consults to the Company on a full time basis. Mr Drown has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 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.

Subsequent Events

On 4 January 2016, 1,125,000 performance rights lapsed due to the non-achievement of performance conditions under which they were issued.

The Company has implemented a number of cost saving initiatives since 31 December 2015, including a 30% reduction to staff and executive director salaries and the renegotiation of some of the larger administrative costs including office rental costs and share registry services, which will reduce ongoing expenditures for the second half of the financial year.

Other than the above, there have been no other matters or circumstances which have arisen since the end of the half-year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 7 of the half year financial report.

Dated at Adelaide this 10th day of March 2016 and signed in accordance with a resolution of the directors.



CG Drown
Managing Director



J P Buckley
Non-Executive Director

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

10 March 2016

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 review of the financial statements of Adelaide Resources Limited for the half-year ended 31 December 2015, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


Darren Hall
Partner
Chartered Accountants

**Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
for the Half-Year ended 31 December 2015**

	Half-Year Ended 31/12/15	Half-Year Ended 31/12/14
	\$	\$
Revenue (Bank interest)	10,487	21,901
Other income (Note 2)	50,650	126,953
Exploration expenditure written-off (Note 3)	(473,196)	(589,266)
Administration expenses	(244,730)	(228,573)
Corporate consulting expenses	(142,012)	(157,151)
Company promotion	(42,926)	(24,341)
Salaries and wages	(33,043)	(40,201)
Directors fees	(46,060)	(52,274)
Occupancy expenses	(43,091)	(42,296)
Share based remuneration	(19,211)	(74,562)
	<hr/>	<hr/>
Loss before income tax	(983,132)	(1,059,810)
Income tax expense	(53,683)	(41,792)
	<hr/>	<hr/>
Loss for the period	(1,036,815)	(1,101,602)
	<hr/>	<hr/>
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive income for the period (loss)	(1,036,815)	(1,101,602)
	<hr/> <hr/>	<hr/> <hr/>
Earnings Per Share		
Basic (cents per share) – (Loss)	(0.32)	(0.46)
Diluted (cents per share) – (Loss)	(0.32)	(0.46)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Financial Position
as at 31 December 2015**

	31/12/15 \$	30/06/15 \$
CURRENT ASSETS		
Cash and cash equivalents	885,043	1,603,699
Trade and other receivables	31,030	45,911
TOTAL CURRENT ASSETS	916,073	1,649,610
NON CURRENT ASSETS		
Exploration and evaluation expenditure (Note 3)	12,109,204	11,759,726
Plant and equipment	42,563	68,853
Other financial assets	100,171	100,171
TOTAL NON CURRENT ASSETS	12,251,938	11,928,750
TOTAL ASSETS	13,168,011	13,578,360
CURRENT LIABILITIES		
Trade and other payables	151,857	387,011
Provisions	34,032	24,825
TOTAL CURRENT LIABILITIES	185,889	411,836
NON-CURRENT LIABILITIES		
Provisions	16,200	35,272
Other liabilities	551,783	501,783
TOTAL NON-CURRENT LIABILITIES	567,983	537,055
TOTAL LIABILITIES	753,872	948,891
NET ASSETS	12,414,139	12,629,469
EQUITY		
Issued capital (Note 4)	37,036,094	36,233,820
Reserves	30,995	11,784
Accumulated losses	(24,652,950)	(23,616,135)
TOTAL EQUITY	12,414,139	12,629,469

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

Condensed Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2015

	Issued capital	Employee Equity- Settled Benefits Options	Employee Equity- Settled Benefits Performance Rights	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	34,058,144	1,082,197	430,506	(23,779,442)	11,791,405
Loss attributable to the period	-	-	-	(1,101,602)	(1,101,602)
Total comprehensive income for the period	-	-	-	(1,101,602)	(1,101,602)
Issue of share capital through a share purchase plan at 3.0 cents	1,227,259	-	-	-	1,227,259
Costs associated with the issue of shares	(139,308)	-	-	-	(139,308)
Related income tax	41,792	-	-	-	41,792
Fair value of performance rights issued to employees	-	-	74,562	-	74,562
Shares issued to directors as part payment of director fees	3,000	-	-	-	3,000
Shares issued on the exercise of listed options	1,613	-	-	-	1,613
Balance at 31 December 2014	<u>35,192,500</u>	<u>1,082,197</u>	<u>505,068</u>	<u>(24,881,044)</u>	<u>11,898,721</u>
Balance at 1 July 2015	36,233,820	-	11,784	(23,616,135)	12,629,469
Loss attributable to the period	-	-	-	(1,036,815)	(1,036,815)
Total comprehensive income for the period	-	-	-	(1,036,815)	(1,036,815)
Issue of share capital through a share purchase plan and top-up placement at 2.0 cents	927,533	-	-	-	927,533
Costs associated with the issue of shares	(178,942)	-	-	-	(178,942)
Related income tax	53,683	-	-	-	53,683
Fair value of performance rights issued to employees	-	-	16,281	-	16,281
Fair value of shares issued to employees under the loan funded employee share plan	-	-	2,930	-	2,930
Balance at 31 December 2015	<u>37,036,094</u>	<u>-</u>	<u>30,995</u>	<u>(24,652,950)</u>	<u>12,414,139</u>

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

**Condensed Consolidated Statement of Cash Flows for the
Half-Year ended 31 December 2015**

	Half-Year Ended 31/12/15 Inflows (Outflows) \$	Half-Year Ended 31/12/14 Inflows (Outflows) \$
Cash flows related to operating activities		
Payments to suppliers and employees	(538,722)	(532,489)
Net operating cash flows	(538,722)	(532,489)
Cash flows related to investing activities		
Interest received	10,828	22,817
Payments for exploration and evaluation expenditure	(1,039,353)	(535,493)
Proceeds received from R&D claim	-	161,967
Proceeds received from government grants	100,000	-
Proceeds from sale of plant and equipment	-	150,000
Net investing cash flows	(928,525)	(200,709)
Cash flows related to financing activities		
Proceeds from share issues	927,533	1,228,871
Payment for share issue costs	(178,942)	(140,676)
Net financing cash flows	748,591	1,088,195
Net (decrease)/increase in cash and cash equivalents	(718,656)	354,997
Cash and cash equivalents at beginning of financial period	1,603,699	1,376,050
Cash and cash equivalents at end of financial period	885,043	1,731,047

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

Notes to the financial statements

Half-Year ended 31 December 2015

1. BASIS OF PREPARATION OF ACCOUNTS

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2015 annual financial report.

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 their operations and effective for the current reporting period.

Going concern

The financial report has been prepared on the going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. This includes the Group's exploration expenditure commitments.

For the half-year ended 31 December 2015 the Group incurred a net loss of \$1,036,815 (31 December 2014: \$1,101,602), had a net cash outflow from operating activities of \$538,722 (31 December 2014: \$532,489) and incurred exploration and evaluation expenditure of \$1,039,353 (31 December 2014: \$535,493). At 31 December 2015, the Group has cash and cash equivalents of \$885,043 (30 June 2015: \$1,603,699).

In order to meet the Group's planned exploration activities and administration costs, and continue to pay its debts as and when they fall due and payable, the Group will rely on taking appropriate steps, including:

- Raising further capital of at least \$800,000 (after costs) by September 2016 through one or a combination of the following: placement of shares, pro-rata issue to Shareholders and/or further issue of shares to the public; and/or
- Meeting its obligations by either farmout or full or partial sale of one or more of the Group's exploration interests.

If the Group is unable to successfully complete the above steps, there is significant uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. OTHER INCOME

	Half-Year Ended 31/12/15 \$	Half-Year Ended 31/12/14 \$
Profit on sale of assets	-	126,578
Government grant	50,000	-
Other	650	375
	<u>50,650</u>	<u>126,953</u>

3. EXPLORATION AND EVALUATION EXPENDITURE

	Half-Year Ended 31/12/15 \$	Half-Year Ended 31/12/14 \$
Costs brought forward	11,759,726	10,478,639
Expenditure incurred during the year	822,674	533,784
	<u>12,582,400</u>	<u>11,012,423</u>
Expenditure written off	(473,196)	(589,266)
	<u>12,109,204</u>	<u>10,423,157</u>

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been, or are likely to be, surrendered \$473,196 (2014: \$589,266).

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.

4. ISSUED CAPITAL

	Half-Year Ended 31/12/15 \$	Half-Year Ended 31/12/14 \$
Fully paid ordinary shares	37,106,094	35,192,500
Treasury stock	(70,000)	-
	37,036,094	35,192,500
	37,036,094	35,192,500

Movement in issued shares for the year:

	Half-Year Ended 31/12/15 No.	Half-Year Ended 31/12/15 \$	Half-Year Ended 31/12/14 No.	Half-Year Ended 31/12/14 \$
<i>Fully paid ordinary shares</i>				
Balance at 1 July	304,545,685	36,233,820	229,079,813	34,058,144
Share Purchase Plan and top-up placement at 2.0 cents	46,376,667	927,533	-	-
Share issue under the Loan Funded Employee Share Plan at 1.0 cent	7,000,000	70,000	-	-
Rights issue at 3.0 cents	-	-	40,908,622	1,227,259
Shares issued in lieu of director fees	-	-	100,000	3,000
Exercise of listed options	-	-	27,217	1,613
Costs associated with the issue of shares	-	(178,942)	-	(139,308)
Related income tax	-	53,683	-	41,792
Balance at 31 December	357,922,352	37,106,094	270,115,652	35,192,500
<i>Treasury stock</i>				
Balance at 1 July	-	-	-	-
Share issue under the Loan Funded Employee Share Plan at 1.0 cent	(7,000,000)	(70,000)	-	-
Balance at 31 December	(7,000,000)	(70,000)	-	-
Total issued capital	350,922,352	37,036,094	270,115,652	35,192,500

5. ISSUE OF SECURITIES

During the half-year ended 31 December 2015, 45,285,000 shares were issued as a result of a Share Purchase Plan with a further 1,091,667 shares issued as a top-up placement to the SPP. In addition, a further 7,000,000 shares were issued to employees under the Loan Funded Employee Share Plan which was approved at the AGM on 30 November 2015.

During the half-year ended 31 December 2014, 40,908,622 shares were issued as a result of a Rights Issue. In addition, 100,000 shares were issued to directors as part payment of their December 2014 director fees and 27,217 shares were issued through the exercise of listed share options by shareholders during the 6 months to 31 December 2014.

During the half-year ended 31 December 2015, no listed share options were issued (2014: 20,454,354).

During the half-year ended 31 December 2015, 375,000 performance rights to shares were issued (2014: 750,000), no performance rights vested (2014: 0) and no performance rights lapsed (2014: 2,250,000).

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2015.

7. 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.

8. ACQUISITION OF SUBSIDIARY

On 16 December 2015, ADN LFESP Pty Ltd was incorporated at a cost of \$10 and became a wholly owned subsidiary of the Company.

9. SUBSEQUENT EVENTS

On 4 January 2016, 1,125,000 performance rights lapsed due to the non-achievement of performance conditions under which they were issued.

The Company has implemented a number of cost saving initiatives since 31 December 2015, including a 30% reduction to staff and executive director salaries and the renegotiation of some of the larger administrative costs including office rental costs and share registry services, which will reduce ongoing expenditures for the second half of the financial year.

Other than the above, there have been no other matters or circumstances which have arisen since the end of the half-year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or 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 disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) 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 consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001

On behalf of the directors



CG Drown
Managing Director



J P Buckley
Non-Executive Director

Adelaide, South Australia
10th March 2016

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

We have reviewed the accompanying half-year financial report of Adelaide Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Adelaide Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adelaide Resources Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that for the half-year ended 31 December 2015 the consolidated entity incurred a net loss of \$1,036,815 (31 December 2014: \$1,101,602), had a net cash outflow from operating activities of \$538,722 (31 December 2014: \$532,489) and cash outflows relating to exploration expenditure of \$1,039,353 (31 December 2014: \$535,493). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business.



DELOITTE TOUCHE TOHMATSU



Darren Hall
Partner
Chartered Accountants
Adelaide, 10 March 2016