

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 2013. 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:

Michael I Hatcher BSc (Hons), MAusIMM – Non-Executive Chairman (appointed Chairman 25 June 2013)

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 a previous Non-Executive Director of ASX listed Outback Metals Limited and ERO Mining Limited.

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

Chris Drown is a geologist with over 25 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

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 was previously 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.

Andrew J Brown – *Non-Executive Chairman (resigned 25 June 2013)*

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, latterly 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 Chairman of Merricks Capital Special Opportunity Fund Limited, a Non-Executive Director of Cheviot Bridge Limited and was previously Executive Director of the Cheviot Kirribilly Vineyard Property Group

Company Secretary

Nicholas J Harding *BA (Acc), Grad Dip (Acc), Grad Dip (Applied Finance), Grad Dip (Corp Governance), FCPA, F Fin, ACIS*

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 Practising 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
M I Hatcher	Outback Metals Limited	From 2010 to 2013
	ERO Mining Limited	From 2011 to 2013
J J den Dryver	Helix Resources Limited	Since 2004
	Gascoyne Resources Limited	Since 2009
	Centrex Metals Limited	Since 2011
J P Horan	Marengo Mining Limited	From 2003 to 2013

Principal Activities

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

Operating and Financial Review

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 copper and gold. Directors believe the outlook for copper and gold 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 financial capacity.
- 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'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 programs 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 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 year was a loss after income tax of \$6,486,545 (2012: loss of \$980,480). The significant increase in the loss reported for the current year compared to the previous year is largely on account of an impairment write-down in 2012/13 of the carrying value of the Rover project to a fair value as determined by the Directors.

Exploration expenditure for the year was \$1,617,411, the bulk of which was directed to the Moonta Copper-Gold Project. Net administration expenses and employee benefits for the year totalled \$1,251,248 which is inclusive of valuation costs of performance rights provided to employees during the year under the Company's Performance Rights Plan. At the 30 June 2013 the Company held cash and cash equivalents totalling \$2,771,346.

Over the course of the 2012/13 financial year the Company undertook two Share Placements, the first occurring in November 2012 at 4.5 cents per share and raising \$1,105,590 before costs, and the second in June 2013 at 7.3 cents per share and raising \$1,201,759 before costs. In addition the Company undertook a Share Purchase Plan, which was completed in August 2012 at 4.5 cents per share and raised \$837,000 before costs. Subsequent to the end of the year, a new Share Purchase Plan was completed in August 2013 at an issue price of 7.5 cents per share which provided a total of \$1,760,500 before costs.

Exploration Activities

The focus of exploration activities for the 2012/13 financial year was almost solely directed toward the Moonta Copper-Gold Project following on from the success achieved over the previous few years which had resulted in the discoveries at Willamulka and Paskeville.

During the year the Company commenced a detailed review and digital capture of a massive volume of past exploration data covering the Moonta Copper-Gold Project generated by past explorers in the district. The value of this information is substantial – it is estimated that the cost of repeating the diamond and reverse circulation drilling performed by just one past explorer would cost over \$20 million in today's dollars. This work highlighted a 3.5 kilometre near-surface auger geochemical anomaly at Alford West, which is 15 kilometres north east of the township of Wallaroo on the Yorke Peninsula of South Australia. The prospect was originally identified by WMC in the 1970's, with some significant copper mineralisation encountered in past drilling.

A 25 hole aircore drilling program was performed by Adelaide Resources during March 2013 to follow up on the historical results achieved at Alford West, with drilling focussed on a 300 metre section of the 3.5 kilometre geochemical anomaly across six traverses. Some spectacular high grade copper and gold results were achieved including:

- 15 metres at 2.89% Cu and 0.15g/t Au from 56 metres in hole ALWAC006;
- 20 metres at 4.20% Cu and 0.27g/t Au from 32 metres, including 8 metres at 8.67% Cu and 0.49g/t Au in hole ALWAC007; and
- 45 metres at 1.56% Cu and 1.83g/t Au from 13 metres in hole ALWAC008.

Based upon this initial success the Company quickly moved to undertake a second stage aircore drilling program, considerably larger than the first, and with the aim of testing an increased strike length of 1100 metres. To year end a further 91 holes were drilled and confirmed that the copper and gold mineralisation persists over the central 1100 metres of the 3.5 kilometres auger copper anomaly. New drill intersections included:

- 14 metres at 2.60% Cu and 0.70g/t Au from 10 metres, including 5 metres at 6.46% Cu and 0.35g/t Au from 18 metres in hole ALWAC036;
- 20 metres at 1.76% Cu and 0.33g/t Au from 36 metres in hole ALWAC038;
- 11 metres at 2.33% Cu and 0.68g/t Au from 40 metres including 5 metres at 4.64% Cu and 0.76g/t Au from 42 metres in hole ALWAC043;
- 18 metres at 2.22% Cu and 0.17g/t Au from 46 metres including 12 metres at 3.21% Cu and 0.19g/t Au in hole ALWAC044;
- 9 metres at 1.21% Cu and 0.17g/t Au from 70 metres in hole ALWAC047;
- 16 metres at 2.38% Cu and 0.18g/t Au from 60 metres including 9 metres at 3.97% Cu and 0.14g/t Au from 66 metres in hole ALWAC048;
- 12 metres at 0.41% Cu and 1.44g/t Au from 15 metres in hole ALWAC087; and

- 11 metres at 1.11% Cu and 0.03g/t Au from 42 metres in hole ALWAC090

Many of Adelaide Resources' intersections are of considerably higher grade than any of the historic intersections. The valuable copper-bearing mineral chalcocite (Cu_2S), which contains 79.9% copper by weight and is one of the highest grade ore minerals of copper, is present in some of the drillholes, providing the possibility of producing a highly valuable copper concentrate product should the Alford West prospect be proven to be economically viable. The high grade mineralisation persists to very shallow depths, in places commencing less than 5 metres from the surface, adding to the positive attributes of the deposit. In addition, a zone of molybdenum mineralisation has been discovered which is coincident with copper and gold and may also add to the economic value of the deposit.

In summary, the drilling performed to date across the 1100 metre strike length has confirmed that Alford West is a major Cu-Au-Mo mineralised system open to the east, west and at depth. It is of Iron Oxide Copper Gold (IOCG) affinity and shows excellent potential to increase further in size with additional drilling.

Elsewhere on the Moonta Copper-Gold Project, drilling at the Paskeville prospect, discovered in early 2012, returned a number of additional copper intersections within a 300 metre long coherent body of low to moderate grade copper mineralisation, while assays performed on core from two diamond drill holes at the Company's Wombat prospect confirmed significant intervals of copper mineralisation with a best result of 66 metres at 1.04% Cu from 236 metres, including 12 metres at 1.64% Cu.

The focus demanded by the Moonta Copper-Gold Project and the cautious financial approach adopted by the Board resulted in no on-ground exploration activity being undertaken during the 2012/13 financial year at the Company's Rover project in the Northern Territory. The Company is continuing to access options to maximise shareholder value from this project which may include third party participation or outright sale.

On 21 December 2012, Quasar Resources Pty Ltd advised the Company of its intention to withdraw from the Corrobinnie Uranium Joint Venture located on the Eyre Peninsula of South Australia. Under the withdrawal provisions of the joint venture, Quasar's earned interest of 67.46% transferred back to Adelaide Resources for no consideration effective from 19 February 2013, resulting in the Company having 100% title to the key tenements of the 4906km² Eyre Peninsula Project. The prospectivity of this large land holding is confirmed by Adelaide Resources' past discovery of gold deposits at the Barns and Baggy Green prospects, and the recent discovery by Investigator Resources Limited of the Paris silver deposit on an adjacent tenement. The Company plans to recommence exploration activities on the Eyre Peninsula in the new financial year.

Outlook and Future Developments

The planned exploration program for the 2013/14 financial year includes:

- a continued focus at the Alford West prospect with further aircore drilling to test the extent of the mineralisation both to the east and west of the current 1100 metre strike length delineated to date, in addition to performing deeper diamond or reverse circulation drilling to further understand the extent and structure of mineralisation which is currently open at depth;
- field XRF surface geochemical sampling and possible drill testing on other identified targets within the Moonta Copper-Gold Project;
- modelling and estimation of preliminary mineral inventories for the adequately drilled portions of a number of the deposits within the Moonta Copper-Gold Project;
- resumption of exploration field work on the Company's Eyre Peninsula Project; and
- field XRF surface geochemical sampling on the Company's Glenroy Project in North Queensland and Anabama Project in South Australia.

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's projects in the future if these projects were to proceed to a development stage.

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.

Changes in State of Affairs

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

Subsequent Events

The Company issued 23,473,369 ordinary shares on 22 August 2013 as a result of a Share Purchase Plan. The issue of shares raised \$1,760,500 and the costs associated with the issue were \$75,000.

Other than the above, there were no other 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.

Environmental Developments

The Group carries out exploration activities on its properties in South Australia, Queensland 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, Queensland 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.

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

M I Hatcher (Non-Executive Chairman from 25 June 2013)
C G Drown (Managing Director)
J P Horan (Non-Executive Director)
J J den Dryver (Non-Executive Director)
A J Brown (Non-Executive Chairman until resignation on 25 June 2013)

Other Key Management Personnel

N J Harding (Chief Financial Officer and Company Secretary)
M A Manly (Exploration Manager) – appointed 18 February 2013
B E Anderson (Exploration Manager) – service agreement expired 10 February 2013

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 2013:

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue	122,941	321,529	466,956	399,903	315,712
Net profit / (loss) before tax	(6,409,519)	(945,235)	(1,207,388)	(605,701)	4,038,576
Net profit / (loss) after tax	(6,486,545)	(980,480)	(1,263,166)	(644,187)	4,038,576

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Share price at beginning of the year	\$0.05	\$0.10	\$0.14	\$0.09	\$0.16
Share price at end of year	\$0.10	\$0.05	\$0.10	\$0.14	\$0.09
Basic earnings per share	\$(0.0363)	\$(0.0068)	\$(0.0098)	\$(0.0063)	\$0.0485
Diluted earnings per share	\$(0.0363)	\$(0.0068)	\$(0.0098)	\$(0.0063)	\$0.0462

No dividends have been declared during the five years ended 30 June 2013 and the Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2013.

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.

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 (no advice was obtained during the year ended 30 June 2013).

The remuneration of the Directors and other key management personnel is not dependent on the satisfaction of a performance condition, other than the performance rights discussed below.

Share options have been issued to key management personnel in prior years. These options did 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 and the Chief Financial Officer. The Directors have decided that some of the performance rights will have performance conditions and others will not have performance conditions, 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 (2012: \$62,500) per annum inclusive of the statutory superannuation. The Non-Executive Directors are each entitled to receive \$38,150 (2012: \$38,150) per annum inclusive of the statutory superannuation.

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.

During the year the Company had a service agreement with an entity associated with N J Harding and B E Anderson, details of which are set out below.

After B E Anderson's service agreement expired on 10 February 2013, M A Manly was appointed as Exploration Manager of the Company on 18 February 2013 on a full time basis on an annual salary of \$210,000 per annum plus statutory superannuation contributions.

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.

2013	Short-term employee benefits Salary & Fees (i) \$	Post employment superannuation \$	Sub total \$	Performance rights (ii)	Total \$	Percentage of total remuneration for the year that consists of options %
<u>Directors</u>						
M I Hatcher	35,000	3,150	38,150	-	38,150	-
C G Drown	253,963	-	253,963	113,748	367,711	30.9
J P Horan	35,000	3,150	38,150	-	38,150	-
J J den Dryver	35,000	3,150	38,150	-	38,150	-
A J Brown	62,500	-	62,500	-	62,500	-
<u>Other Key Management Personnel</u>						
N J Harding	176,160	-	176,160	24,886	201,046	12.4
M A Manly	76,906	6,922	83,828	-	83,828	-
B E Anderson	176,123	-	176,123	-	176,123	-
2013 Total	850,652	16,372	867,024	138,634	1,005,658	

(i) Includes consulting fees paid.

(ii) Performance rights do not represent cash payments to key management personnel and performance rights granted may or may not ultimately vest. The amounts do not include an adjustment for performance rights that lapsed due to not meeting the performance conditions.

2012	Short-term employee benefits Salary & Fees (i) \$	Post employment superannuation \$	Sub total \$	Performance rights (ii)	Total \$	Percentage of total remuneration for the year that consists of options %
<u>Directors</u>						
A J Brown	62,500	-	62,500	-	62,500	-
C G Drown	243,925	-	243,925	227,604	471,529	48.3
J P Horan	35,000	3,150	38,150	-	38,150	-
J J den Dryver	35,000	3,150	38,150	-	38,150	-
M I Hatcher	32,083	2,888	34,971	-	34,971	-
<u>Other Key Management Personnel</u>						
N J Harding	140,610	-	140,610	14,567	155,177	9.4
B E Anderson	295,133	-	295,133	14,567	309,700	4.7
2012 Total	844,251	9,188	853,439	256,738	1,110,177	

(i) Includes consulting fees paid.

(ii) Performance rights do not represent cash payments to Key Management Personnel and performance rights granted may or may not ultimately vest.

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 Group also entered into a service agreement with an entity associated with N J Harding for a term of two years from 17 November 2010.

For the year ended 30 June 2013 the Group had service agreements with entities associated with C G Drown, N J Harding and B E Anderson.

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

2013

Key Management Personnel	Terms
C G Drown	Daily rate of \$1,100 for a minimum of 210 days per annum
N J Harding	Daily rate of \$960 for a minimum of 60 days per annum
B E Anderson	Daily rate of \$975

2012

Key Management Personnel	Terms
C G Drown	Daily rate of \$1,100 for a minimum of 210 days per annum
N J Harding	Daily rate of \$960 for a minimum of 60 days per annum
B E Anderson	Daily rate of \$975

The service agreement with B E Anderson expired on 10 February 2013. The service agreement with N J Harding expired on 17 November 2012 and a new agreement is still to be finalised. N J Harding is being remunerated based upon the original agreement on a month by month basis.

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 the key management personnel may terminate their agreements with three months notice. As at 30 June 2013, the Group had a contingent liability in relation to these agreements of \$67,375 (2012: \$340,570).

Payments under the above service agreements are included in the remuneration table.

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
ESOP March 2008	31 March 2008	30 March 2013	\$0.1156	31 March 2008

“ESOP” means share options issued under the employee share option plan.

During the year ended 30 June 2013 no share options were granted to Key Management Personnel or exercised by Key Management Personnel.

During the year ended 30 June 2013 500,000 of the above share options lapsed and the value of these options were \$(37,800).

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 Key Management Personnel

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:
 - o 333,333 performance rights vesting on 5 November 2011;
 - o 333,333 performance rights vesting on 5 November 2012;
 - o 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.

During the year ended 30 June 2013, 333,333 of the above performance rights vested while 1,000,000 of the above performance rights lapsed and the value of these performance rights were \$20,000 and \$60,000 respectively.

At the Annual General Meeting held on the 27 November 2012, the shareholder's approved the granting of 1,500,000 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 on the achievement of all of the following KPI's by 30 September 2014:

- the Company's Share price outperforms the S&P/ASX Small Resources Index (In capital not accumulation terms);
- the enterprise value growth from the base date (November 2012) exceeds the S&P/ASX Small Resources Index growth; and
- the enterprise value growth having a conversion of over 100% of total spend on exploration and administration.

The value of these performance rights granted during the year was \$89,858.

600,000 performance rights were issued to key management personnel during the year ended 30 June 2012 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 employed by the Company at the relevant vesting dates:

- 300,000 performance rights in 2 tranches, vesting as follows:
 - o 150,000 performance rights vesting on 19 August 2012;
 - o 150,000 performance rights vesting on 19 August 2013.
- 300,000 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 19 August 2013.

During the year ended 30 June 2013, 150,000 of the above performance rights vested while 225,000 of the above performance rights were cancelled and the value of these performance rights were \$6,000 and \$9,000 respectively.

750,000 performance rights were issued to key management personnel during the current year 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 on the achievement of all of the following KPI's by 30 September 2014:

- the Company's Share price outperforms the S&P/ASX Small Resources Index (In capital not accumulation terms);
- the enterprise value growth from the base date (November 2012) exceeds the S&P/ASX Small Resources Index growth; and
- the enterprise value growth having a conversion of over 100% of total spend on exploration and administration.

The value of these performance rights granted during the year was \$44,929.

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
M I Hatcher	100,000	-	-
CG Drown	2,174,157	-	1,833,334
J P Horan	2,461,491	-	-
J J den Dryver	76,667	-	-
	4,812,315	-	1,833,334

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 2013 was:

2013	Meetings held while in office	Meetings attended
A J Brown	13	13
C G Drown	13	13
J P Horan	13	13
J J den Dryver	13	11
M I Hatcher	13	13

The Company held two meetings of the Audit Committee during the year ended 30 June 2013. The members of this committee comprise J J den Dryver (Chairman) and A J Brown. J J den Dryver attended one meeting and A J Brown attended two meetings.

The Company has a Remuneration Committee of two members being A J Brown (Chairman) and J P Horan. One meeting of this committee was held during the year ended 30 June 2013 and both members attended. Upon the resignation of A J Brown on 25 June 2013, M I Hatcher was appointed to the Remuneration Committee as the new Chairman.

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.

Shares under performance rights or issued on vesting of performance rights

Details of unissued shares under performance rights as at the date of this report were:

Issuing entity	Number of shares under performance rights	Class of shares	Exercise price of performance rights	Expiry date of performance rights
Adelaide Resources Limited	333,333	Ordinary	\$0.00	5 November 2013
Adelaide Resources Limited	2,250,000	Ordinary	\$0.00	30 September 2014

Details of shares issued during or since the end of the financial year as result of vesting of a performance right are:

Issuing entity	Number of shares under option	Class of shares	Amount paid for shares	Amount unpaid on shares
Adelaide Resources Limited	192,500	Ordinary	\$0.00	\$nil
Adelaide Resources Limited	333,333	Ordinary	\$0.00	\$nil

Auditors Independence Declaration

The auditor's independence declaration is included on page 15 of the financial 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 26th day of September 2013 in accordance with a resolution of the Directors.



C G Drown
Managing Director



M I Hatcher
Chairman

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

26 September 2013

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 2013, 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



S T Harvey
Partner
Chartered Accountants

**Consolidated Statement of Profit or Loss and Other Comprehensive Income for the
Year ended 30 June 2013**

	Note	Year Ended 30/06/13 \$	Year Ended 30/06/12 \$
Revenue	4(a)	122,941	321,529
Other income	4(b)	20,580	55,199
Impairment of exploration expenditure	8	(5,004,239)	-
Exploration expense written off	8	(297,553)	(37,980)
Administration expenses		(444,130)	(396,003)
Corporate consulting expenses		(203,284)	(194,176)
Company promotion		(83,581)	(68,600)
Salaries and wages		(135,401)	(117,856)
Directors fees		(167,500)	(164,583)
Occupancy expenses		(80,930)	(77,873)
Share based remuneration		(136,422)	(264,892)
Loss before income tax	4(b)	(6,409,519)	(945,235)
Tax expense	5	(77,026)	(35,245)
Loss for the period		(6,486,545)	(980,480)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Transfer on sale of investments		-	(82,238)
Total other comprehensive income, net of income tax		-	(82,238)
Total comprehensive income for the period		(6,486,545)	(1,062,718)
Earnings Per Share			
Basic (cents per share) – (Loss)/profit	24	(3.63)	(0.68)
Diluted (cents per share) – (Loss)/profit	24	(3.63)	(0.68)

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 2013

	Note	30/06/13 \$	30/06/12 \$
CURRENT ASSETS			
Cash and cash equivalents		2,771,346	2,915,127
Trade and other receivables	6	71,495	53,997
TOTAL CURRENT ASSETS		2,842,841	2,969,124
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	8	13,919,310	17,603,691
Plant and equipment	9	299,955	315,196
Other financial assets	7	92,500	-
TOTAL NON-CURRENT ASSETS		14,311,765	17,918,887
TOTAL ASSETS		17,154,606	20,888,011
CURRENT LIABILITIES			
Trade and other payables	10	355,917	704,537
Provisions	11	24,462	12,856
TOTAL CURRENT LIABILITIES		380,379	717,393
NON-CURRENT LIABILITIES			
Provisions	12	26,334	16,643
Other liabilities	13	108,777	129,357
TOTAL NON-CURRENT LIABILITIES		135,111	146,000
TOTAL LIABILITIES		515,490	863,393
NET ASSETS		16,639,116	20,024,618
EQUITY			
Issued capital	14	32,259,378	29,194,147
Reserves	15	1,474,726	1,438,914
Accumulated losses		(17,094,988)	(10,608,443)
TOTAL EQUITY		16,639,116	20,024,618

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 2013**

	Issued capital	Employee Equity- Settled Benefits Options	Employee Equity- Settled Benefits Performance Rights	Available for Sale Revaluation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2011	29,110,847	1,082,197	175,125	82,238	(9,627,963)	20,822,444
Loss attributable to the period	-	-	-	-	(980,480)	(980,480)
Transfer on sale of investments	-	-	-	(117,483)	-	(117,483)
Related income tax	-	-	-	35,245	-	35,245
Total comprehensive income for the period	-	-	-	(82,238)	(980,480)	(1,062,718)
Fair value of performance rights issued to employees	-	-	264,892	-	-	264,892
Shares issued as a result of the vesting of performance rights	83,300	-	(83,300)	-	-	-
Balance at 30 June 2012	29,194,147	1,082,197	356,717	-	(10,608,443)	20,024,618
Loss attributable to the period	-	-	-	-	(6,486,545)	(6,486,545)
Total comprehensive income for the period	-	-	-	-	(6,486,545)	(6,486,545)
Issue of share capital through a share purchase plan at 4.5 cents	837,000	-	-	-	-	837,000
Issue of share capital through a share placement at 4.5 cents	1,105,590	-	-	-	-	1,105,590
Issue of share capital through a share placement at 7.3 cents	1,201,759	-	-	-	-	1,201,759
Costs associated with the issue of shares	(256,754)	-	-	-	-	(256,754)
Related income tax	77,026	-	-	-	-	77,026
Fair value of performance rights issued to employees	-	-	136,422	-	-	136,422
Shares issued as a result of the vesting of performance rights	100,610	-	(100,610)	-	-	-
Balance at 30 June 2013	32,259,378	1,082,197	392,529	-	(17,094,988)	16,639,116

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 2013**

	Inflows/(Outflows)	
	Year Ended 30/06/13 \$	Year Ended 30/06/12 \$
Cash flows relating to operating activities		
Payments to suppliers and employees	(964,979)	(863,696)
Other receipts	-	-
Net operating cash flows (Note (a))	(964,979)	(863,696)
Cash flows relating to investing activities		
Interest received	132,131	356,521
Purchase of deposits	(92,500)	-
Payments for exploration and evaluation expenditure	(2,008,499)	(5,193,945)
Proceeds from the sale of other financial assets	-	335,400
Payments for plant and equipment	(114,882)	(100,430)
Net investing cash flows	(2,083,750)	(4,602,454)
Cash flows relating to financing activities		
Proceeds from share issues	3,144,349	-
Payments for capital raising costs	(239,401)	-
Net financing cash flows	2,904,948	-
Net increase in cash	(143,781)	(5,466,150)
Cash at beginning of financial year	2,915,127	8,381,277
Cash at end of financial year	2,771,346	2,915,127
Note (a): Reconciliation of loss for the period to net cash flow from operating activities.		
Loss for the period	(6,486,545)	(980,480)
Interest revenue	(122,941)	(321,529)
Share based remuneration	136,422	264,892
Depreciation	118,123	106,374
Government grant	(20,580)	-
Loss on sale of other financial assets	-	63,248
Transfer from available for sale revaluation reserve on sale of other financial assets	-	(117,483)
Exploration written off or impaired	5,301,792	37,980
(Increase) decrease in receivables	(25,965)	66,676
(Increase) decrease in deferred tax asset	77,026	35,245
Increase/(decrease) in payables	36,392	(13,688)
Increase/(decrease) in provisions	21,297	(4,931)
Net operating cash flows	(964,979)	(863,696)

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 2013

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

69 King William Road
Unley
South Australia 5061

Principal place of business

69 King William Road
Unley
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 affect 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

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards 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 26th September 2013.

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 enacted 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 depreciation:

- 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

Interest revenue

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 acquisition-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 30/06/13 \$	Year Ended 30/06/12 \$
a) Revenue from continuing operations consisted of the following items		
Interest income:		
Bank deposits	122,941	315,017
Income securities	-	6,512
	<u>122,941</u>	<u>321,529</u>
b) Loss for the year includes the following gains and losses		
Other income		
Loss on sale of investments	-	(63,248)
Transfer from available for sale revaluation reserve on sale of investments	-	117,483
Government grant (PACE funding)	20,580	-
Other	-	964
	<u>20,580</u>	<u>55,199</u>
Other expenses		
Depreciation of plant and equipment	118,123	106,374
Operating lease rental expenses	80,930	77,873
Costs associated with the proposed listing of Peninsula Resources Limited	-	13,760
Employee benefit expense:		
Post employment benefits:		
Accumulated benefit superannuation plans	54,482	56,882
Share based payments:		
Equity settled share-based payments (i)	136,423	264,892
Other employee benefits	1,260,367	1,348,713
	<u>1,451,272</u>	<u>1,670,487</u>
Less amounts capitalised in exploration and evaluation expenditure	(769,254)	(924,693)
	<u>682,018</u>	<u>745,794</u>

- (i) Share based payments relate to the amortisation of performance rights granted 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

(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	77,026	35,245
Total tax expense	77,026	35,245

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	(6,409,519)	(945,235)
Income tax income calculated at 30%	(1,922,856)	(283,571)
Share based payments	40,927	79,468
Other	7,678	1,451
Prior year tax losses recognised	-	(1,601,909)
Tax losses previously recognised now not recognised	1,055,577	-
Current year tax losses not recognised	895,700	1,839,806
Tax expense	77,026	35,245

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:

	30/06/13 \$	30/06/12 \$
Trade and other receivables	(2,048)	(4,805)
Exploration and evaluation expenditure	(4,175,793)	(5,281,107)
IPO costs	60,072	89,280
Capital raising costs	102,593	66,873
Trade and other payables	15,355	74,576
Employee benefits	15,239	8,850
Other liabilities	32,633	38,807
	(3,951,949)	(5,007,526)
Tax value of losses carried forward	3,951,949	5,007,526
Net deferred tax assets / (liabilities)	-	-

(c) Unrecognised deferred tax assets:

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

	30/06/13	30/06/12
	\$	\$
Tax losses-revenue	4,485,813	2,534,536

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

	30/06/13	30/06/12
	\$	\$
Opening balance	-	-
Recognised in equity	77,026	35,245
Recognised in income	(77,026)	(35,245)
Closing balance	-	-

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

	30/06/13	30/06/12
	\$	\$
Interest receivable	6,828	16,018
Other receivables	64,667	37,979
	71,495	53,997

7. OTHER NON-CURRENT FINANCIAL ASSETS

At amortised cost:

Bank deposits (Note 21 (e))	92,500	-
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8. EXPLORATION AND EVALUATION EXPENDITURE

	30/06/13 \$	30/06/12 \$
Costs brought forward	17,603,691	12,219,646
Expenditure incurred during the year	1,617,411	5,422,025
	19,221,102	17,641,671
Expenditure impaired	(5,004,239)	-
Expenditure written off	(297,553)	(37,980)
	13,919,310	17,603,691

The impairment write-down adjusts the carrying value of a number of tenements to their fair value that the Directors would be prepared to accept under a sales transaction of those tenements.

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been surrendered \$297,553 (2012: \$37,980).

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

	30/06/13 \$	30/06/12 \$
<u>Gross carrying amount</u>		
Balance at beginning of financial year	677,712	565,282
Additions	102,882	112,430
Disposals and write offs	(58,943)	-
Balance at end of financial year	721,651	677,712
<u>Accumulated depreciation</u>		
Balance at beginning of financial year	(362,516)	(256,142)
Depreciation for year	(118,123)	(106,374)
Disposals and write offs	58,943	-
Balance at end of financial year	(421,696)	(362,516)
Net book value at beginning of financial year	315,196	309,142
Net book value at end of financial year	299,955	315,196

10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables and accruals	355,917	704,537
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11. CURRENT LIABILITIES – PROVISIONS

Employee benefits	24,462	12,856
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12. NON-CURRENT LIABILITIES - PROVISIONS

Employee benefits	26,334	16,643
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13. NON-CURRENT LIABILITIES – OTHER

Deferred income (government grant)	108,777	129,357
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14. ISSUED CAPITAL

	30/06/13 \$	30/06/12 \$
205,155,610 fully paid ordinary shares (2012: 144,998,701)	32,259,378	29,194,147

Movement in issued shares for the year:

	No.	Year Ended 30/06/13 \$	No.	Year Ended 30/06/12 \$
Balance at beginning of financial year	144,998,701	29,194,147	144,665,368	29,110,847
Conversion of performance rights	525,833	100,610	333,333	83,300
Share Purchase Plan at 4.5 cents	18,599,955	837,000	-	-
Placement at 4.5 cents	24,568,673	1,105,590	-	-
Placement at 7.3 cents	16,462,448	1,201,759	-	-
Costs associated with the issue of shares	-	(256,754)	-	-
Related income tax	-	77,026	-	-
Balance at end of financial year	205,155,610	32,259,378	144,998,701	29,194,147

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

	30/06/13 \$	30/06/12 \$
Employee equity-settled benefits - options	1,082,197	1,082,197
Employee equity-settled benefits - performance rights	392,529	356,717
	1,474,726	1,438,914

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.

16. SHARE OPTION AND PERFORMANCE RIGHTS PLANS

During the year ended 30 June 2011, 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 option 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					
March 2008	500,000	31/03/2008	30/03/2013	\$0.30	\$0.1156

No options were granted during the year (2012: nil).

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

Share Option Plan	30/06/13		30/06/12	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	500,000	0.30	550,000	0.305
Granted during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Lapsed during the financial year	(500,000)	(0.30)	(50,000)	(0.35)
Balance at end of the financial year (i)	-	-	500,000	0.30

(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 (2012: \$0.30) and a weighted average remaining contractual life of 0 days (2012: 273 days).

Performance Rights Plan

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:
 - o 333,333 performance rights vesting on 5 November 2011;
 - o 333,333 performance rights vesting on 5 November 2012;

- o 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.

During the year 333,333 of the above performance rights vested while 1,000,000 of the above performance rights lapsed.

At the Annual General Meeting held on the 27 November 2012, the shareholder's approved the granting of 1,500,000 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 on the achievement of all of the following KPI's by 30 September 2014:

- the Company's Share price outperforms the S&P/ASX Small Resources Index (In capital not accumulation terms);
- the enterprise value growth from the base date (November 2012) exceeds the S&P/ASX Small Resources Index growth; and
- the enterprise value growth having a conversion of over 100% of total spend on exploration and administration.

The value of these performance rights granted during the year was \$89,858.

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.

During the year ended 30 June 2012, 920,000 performance rights were issued under this plan (870,000 during August 2011 and 50,000 during September 2011). The performance rights vest as follows as long as the holder remains employed at the relevant vesting dates:

- 435,000 performance rights in 2 tranches, vesting as follows:
 - o 217,500 performance rights vesting on 19 August 2012;
 - o 217,500 performance rights vesting on 19 August 2013;
- 435,000 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 19 August 2013.
- 25,000 performance rights in 2 tranches, vesting as follows:
 - o 12,500 performance rights vesting on 1 September 2012;
 - o 12,500 performance rights vesting on 1 September 2013;
- 25,000 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 1 September 2013.

On 12 January 2012 150,000 of the performance rights issued during August 2011 were cancelled as the recipient left the employment of the Company. A further 225,000 of the performance rights issued during August 2011 were cancelled on 10 February 2013 due to the recipient leaving the Company.

During the year 192,500 of the above performance rights vested.

750,000 performance rights were issued to key management personnel during the current year 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 on the achievement of all of the following KPI's by 30 September 2014:

- the Company's Share price outperforms the S&P/ASX Small Resources Index (In capital not accumulation terms);
- the enterprise value growth from the base date (November 2012) exceeds the S&P/ASX Small Resources Index growth; and
- the enterprise value growth having a conversion of over 100% of total spend on exploration and administration.

The value of these performance rights granted during the year was \$44,929.

The performance rights are not listed, carry no rights to dividends and no voting rights.

The following performance rights 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	\$0.250
August 2011	870,000	19/8/2011	As described above	\$0.090
September 2011	50,000	1/9/2011	As described above	\$0.090
December 2012	2,250,000	21/12/2012	As described above	\$0.063

The weighted average fair value of the performance rights granted during the financial year is \$0.063

Performance rights granted during 2013 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 2013 performance right pricing model:

December 2012

Grant date share price	\$0.063
Exercise price	\$0.00
Expected volatility	108.2%
Performance rights expiry	Up to 2 years

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

Performance Rights Plan	30/06/13		30/06/12	
	Number of performance rights	Weighted average exercise price \$	Number of performance rights	Weighted average exercise price \$
Balance at beginning of financial year	2,436,667	0.00	2,000,000	0.00
Granted during the financial year	2,250,000	0.00	920,000	0.00
Vested during the financial year	(525,833)	0.00	(333,333)	0.00
Lapsed during the financial year	(1,000,000)	0.00	-	-
Cancelled during the financial year	(225,000)	0.00	(150,000)	0.00
Balance at end of the financial year (i)	2,935,834	0.00	2,436,667	0.00

(i) Performance rights outstanding at end of the financial year

The performance rights outstanding at the end of the financial year had an average exercise price of \$0.00 (2012: \$0.00) and a weighted average remaining contractual life of 371 days (2012: 240 days).

17. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Directors

- M I Hatcher (Non-Executive Chairman from 25 June 2013)
- C G Drown (Managing Director)
- J P Horan (Non-Executive Director)
- J J den Dryver (Non-Executive Director)
- A J Brown (Non-Executive Chairman until resignation on 25 June 2013)

Other Key Management Personnel

- N J Harding (Chief Financial Officer and Company Secretary)
- M A Manly (Exploration Manager) – appointed 18 February 2013
- B Anderson (Exploration Manager) – service agreement expired 10 February 2013

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

	Year Ended 30/06/13 \$	Year Ended 30/06/12 \$
Short-term employee benefits	850,652	844,251
Post employment benefits	16,372	9,188
Share-based payments (i)	138,634	256,738
	1,005,658	1,110,177

- (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

	30/06/13 \$	30/06/12 \$
Audit or Review of the Company's financial report	36,000	34,050
Audit or Review of Peninsula Resources Limited financial reports	2,500	3,500
Training	-	3,000
Tax return preparation and advice	10,550	7,650
	49,050	48,200

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.

(iii) 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 2013 (2012: NIL).

(iv) 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

2013	Balance 01/07/12	Net Changes	Balance 30/06/13	Balance held Nominally
<u>Directors</u>				
M I Hatcher	-	-	-	-
C G Drown	1,307,491	666,666	1,974,157	-
J P Horan	1,928,158	333,333	2,261,491	-
J J den Dryver	-	50,000	50,000	-
A J Brown (resigned)	13,860,324	(13,860,324)	-	-
<u>Other Key Management Personnel</u>				
N J Harding	115,642	119,444	235,086	-
M A Manly	-	-	-	-
B E Anderson ¹	203,947	(203,957)	-	-

1 B E Anderson's services contract expired 10 February 2013

2012	Balance 01/07/11	Net Changes	Balance 30/06/12	Balance held Nominally
<u>Directors</u>				
A J Brown	12,883,559	976,765	13,860,324	-
C G Drown	974,158	333,333	1,307,491	-
J P Horan	1,928,158	-	1,928,158	-
J J den Dryver	-	-	-	-
M I Hatcher	-	-	-	-
<u>Other Key Management Personnel</u>				
N J Harding	115,642	-	115,642	-
B E Anderson	203,947	-	203,947	-

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

2013	Balance 01/07/12	Granted	Cancelled/ Lapsed	Balance 30/06/13	Balance held Nominally	Vested and exercisable
<u>Directors</u>	-	-	-	-	-	-
<u>Other Key Management Personnel</u>						
B E Anderson	500,000	-	500,000	-	-	-

2012	Balance 01/07/11	Granted	Lapsed	Balance 30/06/12	Balance held Nominally	Vested and exercisable
<u>Directors</u>	-	-	-	-	-	-
<u>Other Key Management Personnel</u>						
B E Anderson	500,000	-	-	500,000	-	500,000

(iii) Performance rights issued by Adelaide Resources Limited

2013	Balance 01/07/12	Granted	Exercised	Lapsed/ Cancelled	Balance (i) 30/06/13	Vested and exercisable
<u>Directors</u>						
C G Drown	1,666,667	1,500,000	333,333	1,000,000	1,833,334	See note 16 for details
<u>Other Key Management Personnel</u>						
N J Harding	300,000	750,000	75,000	-	975,000	See note 16 for details
B E Anderson	300,000	-	-	300,000	-	See note 16 for details

2012	Balance 01/07/11	Granted	Exercised	Lapsed/ Cancelled	Balance (i) 30/06/12	Vested and exercisable
<u>Directors</u>						
C G Drown	2,000,000	-	333,333	-	1,666,667	See note 16 for details
<u>Other Key Management Personnel</u>						
N J Harding	-	300,000	-	-	300,000	See note 16 for details
B E Anderson	-	300,000	-	-	300,000	See note 16 for details

(i) The balance is held nominally

20. JOINTLY CONTROLLED ASSETS

The Group had interests in unincorporated joint ventures at 30 June 2013 as follows:

	Percentage Interest 2013	Percentage Interest 2012
South Australia		
Moonta Porphyry Joint Venture (Note a) – Copper/Gold Exploration	90%	90%
Kimba-Verran Joint Venture (Note a) – Copper/Gold Exploration	90%	90%
Corrobinnie Uranium Joint Venture (Note b) – Uranium Exploration	100%	32.54%
Yalanda Hill Joint Venture (Note c) – Uranium Exploration	37.76%	40%

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) On 21 December 2012 Quasar Resources Pty Ltd advised of its intention to withdraw from the joint venture effective from 19 February 2013 resulting in Quasar's interest of 67.46% transferring back to Adelaide Resources for no consideration. Consequently the Company's holding over the tenements comprising the Corrobinnie Uranium Joint Venture has reverted back to 100%.
- (c) A joint venture between 100% owned subsidiary Peninsula Resources Pty Ltd 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 \$247,908 (2012: \$400,789) 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:

	2013	2012
	\$	\$
Not later than one year:	1,236,750	1,335,000
Later than one year but not later than two years:	1,236,750	1,385,000
Later than two years but not later than five years:	3,560,250	4,055,000

(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 16 November 2010. The Group also entered into a service agreement with an entity associated with N J Harding for a term of two years from 17 November 2010.

For the year ended 30 June 2013 the Group had service agreements with entities associated with C G Drown, N J Harding and B E Anderson.

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

2013

Key Management Personnel	Terms
C G Drown	Daily rate of \$1,100 for a minimum of 210 days per annum
N J Harding	Daily rate of \$960 for a minimum of 60 days per annum
B E Anderson	Daily rate of \$975

2012

Key Management Personnel	Terms
C G Drown	Daily rate of \$1,100 for a minimum of 210 days per annum
N J Harding	Daily rate of \$960 for a minimum of 60 days per annum
B E Anderson	Daily rate of \$975

The service agreement with B E Anderson expired on 10 February 2013. The service agreement with N J Harding expired on 17 November 2012 and a new agreement is still to be finalised. N J Harding is being remunerated based upon the original agreement on a month by month basis.

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 the key management personnel may terminate their agreements with three months notice. As at 30 June 2013, the Group had a contingent liability in relation to these agreements of \$67,375 (2012: \$340,570).

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) Bank Guarantees

The Group has provided restricted cash deposits of \$92,500 as security for the following unconditional irrevocable bank guarantees:

- A performance bond of \$50,000 (2012: \$50,000) to the Central Land Council, Northern Territory,
- An environment bond of \$10,000 (2012: \$10,000) to the Minister for Mineral Resources Department, South Australia,
- A rent guarantee of \$32,500 (2012: \$32,500) to Pink Pumpkin Pty Ltd.

(f) Operating Lease

Operating lease relates to the lease of office space which expires on 31 July 2014 (2012: 31 July 2014) The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

	2013 \$	2012 \$
Not longer than 1 year	84,307	80,930
Longer than 1 year and not longer than 5 years	7,049	91,065
Longer than 5 years	-	-
	91,356	171,995

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

	2013 \$	2012 \$
Financial assets		
Cash and cash equivalents	2,771,346	2,915,127
Loans and receivables	71,495	53,997
Other financial assets	92,500	-
Financial liabilities		
Amortised cost	355,917	704,537

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 \$14,447 (2012: increase/decrease by \$28,241). This is mainly attributable to interest rates on bank deposits.

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

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 \$
2013 Non-interest bearing	-	355,917
2012 Non-interest bearing	-	704,537

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.

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 30/06/13 Cents per share	Year Ended 30/06/12 Cents per share
Basic earnings per share – Profit / (loss)	(3.63)	(0.68)
Diluted earnings per share – Profit / (loss)	(3.63)	(0.68)

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	(6,486,545)	(980,480)
	Number	Number
- Weighted average number of ordinary shares	178,615,443	144,863,911

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	(6,486,545)	(980,480)
	Number	Number
- Weighted average number of ordinary shares	178,615,443	144,863,911

25. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2013 %	2012 %
Parent Entity Adelaide Resources Limited (i)	Australia	100%	100%
Subsidiaries Adelaide Exploration Pty Ltd (ii) Peninsula Resources Pty Ltd (ii) (formerly Peninsula Resources Limited)	Australia Australia	100% 100%	100% 100%

(i) Head entity in tax consolidated group

(ii) Members of tax consolidated group

26. PARENT ENTITY DISCLOSURES

	30/06/13 \$	30/06/12 \$
Financial Position		
<u>Assets</u>		
Current assets	2,840,771	2,907,145
Non-current assets	14,205,060	19,367,006
Total assets	17,045,831	22,274,151
<u>Liabilities</u>		
Current liabilities	380,382	717,395
Non-current liabilities	26,333	16,643
Total liabilities	406,715	734,038
<u>Equity</u>		
Issued capital	32,259,378	29,194,147
Reserves	1,474,726	1,438,914
Accumulated losses	(17,094,988)	(9,092,948)
Total equity	16,639,116	21,540,113
	Year Ended 30/06/13 \$	Year Ended 30/06/12 \$
Financial Performance		
Profit / (loss) for the year	(8,002,040)	382,370
Other comprehensive income	-	(82,238)
Total comprehensive income	(8,002,040)	300,132

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

27. SUBSEQUENT EVENT

The Company issued 23,473,369 ordinary shares on 22 August 2013 as a result of a Share Purchase Plan. The issue of shares raised \$1,760,500 and the costs associated with the issue were \$75,000.

Other than the above, there were no other 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:

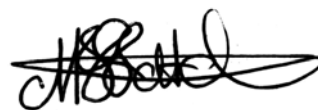
- (a) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated 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



M I Hatcher
Chairman

Adelaide, South Australia
26th September 2013

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 2013, the statement of profit or loss and other 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 16 to 45.

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 gives a true and fair view and 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 consolidated 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 company'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 company'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.

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 2013 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 consolidated 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 7 to 12 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the Corporations Act 2001.


DELOITTE TOUCHE TOHMATSU



S T Harvey
Partner
Chartered Accountants
Adelaide, 26 September 2013