

Adelaide Resources Limited

(ACN 061 503 375)

FINANCIAL REPORT

For the Half-Year Ended

31 December 2013

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Directors' Report

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

Michael I Hatcher
Chairman

BSc (Hons), MAusIMM

Christopher G Drown
Managing Director

BSc (Hons), MAusIMM, MAICD

John P Horan (retired 20 November 2013)
Non Executive Director

F CPA, FCIS

John J den Dryver
Non Executive Director

BE (Mining), MSc, FAusIMM

The name of the company secretary of the company during the half-year and as at the date of this report is:

Nicholas J Harding

F CPA, F Fin, ACIS

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 company ended the half-year with a loss of \$775,551 (2012: \$5,818,239). Cash and term deposits at 31 December 2013 was \$2.947 million.

Exploration expenditure for the half-year was \$826,108, the bulk of which was directed to the Moonta Copper-Gold Project. Net administration expenses and employee benefits for the half year totalled \$651,899 which is inclusive of valuation costs of performance rights provided to employees under the Company's Performance Rights Plan.

During the half-year ended 31 December 2013 the Company undertook a Share Purchase Plan, which was completed in August 2013 at an issue price of 7.5 cents per share which raised \$1,760,500 before costs.

Exploration Activities

During the half-year exploration activities were conducted on the Moonta Copper-Gold Project on South Australia's Yorke Peninsula, the Drummond Gold Project located in the Drummond Basin in Queensland, and on the Anabama Project in eastern South Australia.

In the second half of last financial year highly significant exploration results were achieved at the Alford West Prospect on the Moonta Copper-Gold Project, with exploration drilling encountering high grade copper and gold intersections. The target zone at Alford West is defined by a 3500 metre long copper anomaly present in shallow auger geochemical holes drilled by a previous explorer in the 1970's, and work in the first half of the current financial year furthered the exploration effort at Alford West.

Aircore drilling in the last half of 2012/13 at Alford West totalled 126 holes. Assay results for the last of these holes were received in the half being reported and included further intersections of copper and gold mineralisation. The drilling program saw a total of eleven north-south traverses of drilling completed, covering an 1100 metre long portion of the 3500 metre long target zone. Copper and gold mineralisation is present on all eleven of the company's drill lines.

Three dimensional interpretations of the drilling results suggests that mineralisation is continuous over the 1100 metre long zone tested to date and remains open along strike and at depth. Importantly, continuity of higher grade drill intersections is also apparent, suggesting that the deposit has potential to include discrete, high grade zones of mineralisation.

Following completion of the cereal harvest in the district in December 2013, a program of Field Portable X-Ray Florescence (FPXRF) soil geochemistry commenced. This program, which remains on-going, quickly identified two new surficial copper anomalies called Blue Tongue and Kambula in paddocks to the south of the Alford West Prospect.

The Blue Tongue anomaly has strike length of approximately 1000 metres and strikes northeast. It is coincident with an interpreted fault structure evident in magnetic images. The Kambula anomaly is approximately 500 metres long and occurs near the interpreted contact of magnetic and non-magnetic basement rocks, a similar setting to the Alford West prospect. Neither of the Blue Tongue or Kambula anomalies have been drilled in the past, and both are planned to be tested by an aircore drilling program commencing in January 2014.

Digital capture of historical exploration data from the Moonta Project continued through the half year, with all previous diamond, percussion and auger geochemical drilling in the vicinity of Alford West completed. The digital capture of historical data is on-going.

The company completed its first field trip to the Glenroy tenement in Queensland, which forms the company's Drummond Gold Project, during the half. The Drummond Gold Project is prospective for high grade epithermal gold deposits of a style similar to the Pajingo Field, which has produced in excess of 3 million ounces of gold, largely from the Vera-Nancy lodes.

During the Glenroy field visit FPXRF soil geochemistry trials were completed and rock chip samples collected for assay. The rock chip samples confirmed the widespread presence of anomalous gold and associated epithermal pathfinder elements including arsenic. The highest grade rock chip sample, collected from the South West Limey Prospect, assayed 55.4g/t gold confirming that high grade gold mineralisation is present. The high grade sample was of a coliform quartz vein, a signature texture typical of epithermal vein deposits.

The FPXRF trials delineated coherent and significant arsenic anomalism at the South West Limey Prospect, while traverses of FPXRF sampling over other prospects also encountered significant arsenic anomalism.

Taken in total, the rockchip results, the presence of significant FPXRF pathfinder (arsenic) anomalism in surface soils, the textures of the veins and the nature of the alteration associated with the prospects confirm that the Glenroy tenement is highly prospective for epithermal gold mineralisation.

An FPXRF soil geochemical survey was completed on the Anabama Project in eastern South Australia. The survey mapped out a 3000 metre long zone of copper anomalies over the Dark Horse prospect.

Efforts to gain the environmental and Native Title approvals required to allow the recommencement of exploration on the Eyre Peninsula Project continued, with receipt of these approvals anticipated by the end of the third quarter. The company plans to conduct a research program to extend the findings of exciting biogeochemical research completed by the CSIRO which conclusively shows that buried gold mineralisation is detectable in the foliage of eucalyptus species in the native vegetation. The research has potential to present a new exploration method ideally suited to the task of searching for gold on the Eyre Peninsula Project.

Outlook and Future Developments

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

- A focus at the Alford West and Blue Tongue targets with further aircore drilling to test the extent of the mineralisation both to the east and west of the 1100 metre strike length at Alford West tested in 2013. On 6 March 2014 the Company announced it had intersected low grade copper at Blue Tongue, and on 11 March that it had made a significant new copper discovery at Alford West 1000 metres west of the area tested in 2013, with an aircore hole intersecting 23 metres at 1.47% copper from 7 metres downhole;
- Aircore drill testing of the newly defined Blue Tongue West and Kambula targets, and any other targets generated by on-going FPXRF geochemistry;
- Deeper diamond or reverse circulation drilling to further understand the extent and structure of mineralisation at Alford West which is currently open at depth;
- On-going FPXRF soil geochemical sampling on the Moonta Copper-Gold Project;
- Modelling and estimation of preliminary mineral inventories for a number of the deposits within the Moonta Copper-Gold Project;
- Resumption of exploration field work on the Company's Eyre Peninsula Project including a research program aimed at commercialising the CSIRO's research into bio-geochemistry; and
- Further FPXRF geochemistry and rock chip sampling on the Drummond Gold project tenement in Queensland.

Competent Person Statement

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

Subsequent Events

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 6 of the half year financial report.

Dated at Adelaide this 11th day of March 2014 and signed in accordance with a resolution of the directors.



CG Drown
Managing Director

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

11 March 2014

Dear Board Members

Adelaide Resources Limited

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

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants

**Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
for the Half-Year ended 31 December 2013**

	Half-Year Ended 31/12/13 \$	Half-Year Ended 31/12/12 \$
Revenue (Bank interest)	60,210	70,024
Other income (Note 2)	-	20,579
Impairment of exploration expenditure (Note 3)	-	(5,004,239)
Exploration expenditure written-off (Note 3)	(161,686)	(225,892)
Administration expenses	(263,034)	(227,191)
Corporate consulting expenses	(128,378)	(109,500)
Company promotion	(40,373)	(16,672)
Salaries and wages	(68,079)	(66,981)
Directors fees	(59,644)	(83,750)
Occupancy expenses	(42,011)	(40,340)
Share based remuneration	(50,380)	(90,830)
Loss before income tax	(753,375)	(5,774,792)
Income tax expense	(22,176)	(43,447)
Loss for the period	(775,551)	(5,818,239)
Other comprehensive income	-	-
Total comprehensive income for the period (loss)	(775,551)	(5,818,239)
Earnings Per Share		
Basic (cents per share) – (Loss)	(0.35)	(3.49)
Diluted (cents per share) – (Loss)	(0.35)	(3.49)

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

**Condensed Consolidated Statement of Financial Position
as at 31 December 2013**

	31/12/13 \$	30/06/13 \$
CURRENT ASSETS		
Cash and cash equivalents	2,946,770	2,771,346
Trade and other receivables	64,384	71,495
TOTAL CURRENT ASSETS	3,011,154	2,842,841
NON CURRENT ASSETS		
Exploration and evaluation expenditure	14,583,732	13,919,310
Plant and equipment	255,484	299,955
Other financial assets	92,500	92,500
TOTAL NON CURRENT ASSETS	14,931,716	14,311,765
TOTAL ASSETS	17,942,870	17,154,606
CURRENT LIABILITIES		
Trade and other payables	146,150	355,917
Provisions	27,672	24,462
TOTAL CURRENT LIABILITIES	173,822	380,379
NON-CURRENT LIABILITIES		
Provisions	37,570	26,334
Other liabilities	108,777	108,777
TOTAL NON-CURRENT LIABILITIES	146,347	135,111
TOTAL LIABILITIES	320,169	515,490
NET ASSETS	17,622,701	16,639,116
EQUITY		
Issued capital	34,062,003	32,259,378
Reserves	1,431,237	1,474,726
Accumulated losses	(17,870,539)	(17,094,988)
TOTAL EQUITY	17,622,701	16,639,116

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

Condensed Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2013

	Issued capital	Employee Equity-Settled Benefits Options	Employee Equity-Settled Benefits Performance Rights	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	29,194,147	1,082,197	356,717	(10,608,443)	20,024,618
Loss attributable to the period	-	-	-	(5,818,239)	(5,818,239)
Total comprehensive income for the period	-	-	-	(5,818,239)	(5,818,239)
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
Costs associated with the issue of shares	(144,823)	-	-	-	(144,823)
Related income tax	43,447	-	-	-	43,447
Fair value of performance rights issued to employees	-	-	90,830	-	90,830
Shares issued as a result of the vesting of performance rights	100,610	-	(100,610)	-	-
Balance at 31 December 2012	31,135,971	1,082,197	346,937	(16,426,682)	16,138,423
Balance at 1 July 2013	32,259,378	1,082,197	392,529	(17,094,988)	16,639,116
Loss attributable to the period	-	-	-	(775,551)	(775,551)
Total comprehensive income for the period	-	-	-	(775,551)	(775,551)
Issue of share capital through a share purchase plan at 7.5 cents	1,760,500	-	-	-	1,760,500
Costs associated with the issue of shares	(73,920)	-	-	-	(73,920)
Related income tax	22,176	-	-	-	22,176
Fair value of performance rights issued to employees	-	-	50,380	-	50,380
Shares issued as a result of the vesting of performance rights	93,869	-	(93,869)	-	-
Balance at 31 December 2013	34,062,003	1,082,197	349,040	(17,870,539)	17,622,701

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

Condensed Consolidated Statement of Cash Flows for the Half-Year ended 31 December 2013

	Half-Year Ended 31/12/13 Inflows (Outflows) \$	Half-Year Ended 31/12/12 Inflows (Outflows) \$
Cash flows related to operating activities		
Payments to suppliers and employees	(549,885)	(558,737)
Net operating cash flows	<u>(549,885)</u>	<u>(558,737)</u>
Cash flows related to investing activities		
Interest received	45,615	75,303
Payments for exploration and evaluation expenditure	(966,219)	(1,183,460)
Payments for plant and equipment	(22,773)	(18,512)
Net investing cash flows	<u>(943,377)</u>	<u>(1,126,669)</u>
Cash flows related to financing activities		
Proceeds from share issues	1,760,500	1,942,590
Payment for share issue costs	(91,814)	(144,823)
Net financing cash flows	<u>1,668,686</u>	<u>1,797,767</u>
Net (decrease)/increase in cash and cash equivalents	175,424	112,361
Cash and cash equivalents at beginning of financial period	2,771,346	2,915,127
Cash and cash equivalents at end of financial period	<u>2,946,770</u>	<u>3,027,488</u>

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

Notes to the financial statements

Half-Year ended 31 December 2013

1. BASIS OF PREPARATION OF ACCOUNTS

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

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2013 annual financial report.

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

2. OTHER INCOME

	Half-Year Ended 31/12/13 \$	Half-Year Ended 31/12/12 \$
PACE government grant	-	20,579
Other	-	-
	-	20,579

3. EXPLORATION AND EVALUATION EXPENDITURE

	Half-Year Ended 31/12/13 \$	Half-Year Ended 31/12/12 \$
Costs brought forward	13,919,310	17,603,691
Expenditure incurred during the year	826,108	675,193
	14,745,418	18,278,884
Expenditure impaired	-	(5,004,239)
Expenditure written off	(161,686)	(225,892)
	14,583,732	13,048,753

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 \$161,686 (2013: \$225,892).

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

4. ISSUE OF SECURITIES

During the half-year ended 31 December 2013, 23,473,369 shares were issued as a result of a share purchase plan. In addition, 450,834 shares were issued on the conversion of performance rights issued to staff under the Employee Performance Rights Plan that vested during the 6 months to 31 December 2013.

During the half-year ended 31 December 2012, 18,599,955 shares were issued as a result of a share purchase plan and 24,568,673 shares were issued under a placement. In addition, 525,833 shares were issued on the conversion of performance rights issued to staff under the Employee Performance Rights Plan that vested during the 6 months to 31 December 2012.

During the half-year ended 31 December 2013, no share options were issued over ordinary shares (2012: Nil).

During the half-year ended 31 December 2013, no performance rights to shares were issued (2012: 2,250,000), 450,834 performance rights vested (2012: 525,833) and were converted to ordinary shares, and 235,000 performance rights lapsed as not meeting their issue conditions (2012: 1,000,000).

5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2013.

6. SUBSEQUENT EVENTS

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

7. SEGMENT INFORMATION

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

Directors' Declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) In the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'CG Drown', with a large loop at the top and a trailing flourish.

CG Drown
Managing Director

Adelaide, South Australia
11th March 2014

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

We have reviewed the accompanying half-year financial report of Adelaide Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Adelaide Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants
Adelaide, 11 March 2014