



Adelaide Resources Limited
ABN: 75 061 503 375

Quarterly Report

Period ending 30 June 2016

Corporate Details

ASX Code:

ADN (ordinary shares)

ADNO (listed options)

Cash at 30 June 2016:
\$0.348 million.

Issued Capital

at 30 June 2016:

361,326,414 ordinary shares

37,222,104 listed options

Directors:

Colin G Jackson

Non-executive Chairman

Chris Drown

Managing Director

Nick Harding

Executive Director and
Company Secretary

Jonathan Buckley

Non-executive Director

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Overview

Eyre Peninsula gold (100% interest)

- A maiden JORC 2012 Mineral Resource for Barns of 2.11 million tonnes at 1.6g/t gold for 107,000 ounces at a 0.5g/t cut-off grade, comprising 380,000 tonnes of Indicated and 1,730,000 tonnes of Inferred Resources, was reported after the completion of the June 2016 quarter.
- A review of the Barns gold deposit by independent consultants has determined that further work to advance the prospect is clearly warranted with plans to investigate gold recoveries and evaluate development options now underway.
- Other targets located close to Barns show good potential to contribute to the local resource inventory. Drilling is planned and PACE co-funding applications lodged with the South Australian government.

Drummond epithermal gold (100% interest)

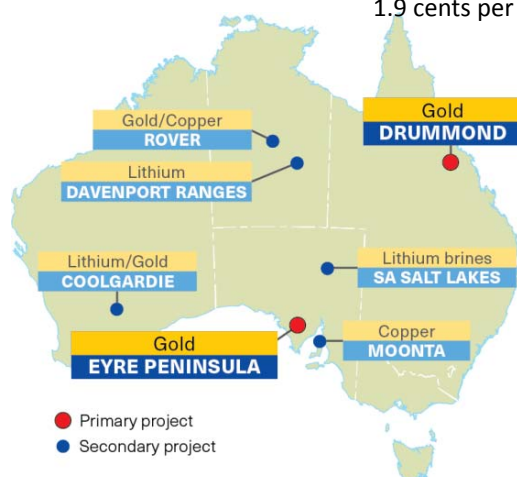
- Surface prospecting and rock chip sampling programme completed, with rock chips recording assays of 6.04g/t, 4.06g/t, 3.54g/t and 2.49g/t gold.
- Four prospects (Bunyip, Poppi's, Roo Tail and East Central Limey Dam) selected for drill testing this year, with Aboriginal heritage clearances already in place.

Lithium projects (100% interest)

- Application lodged in Coolgardie district of Western Australia to secure ground conceptually prospective for pegmatite related hard rock lithium deposits.
- Series of applications lodged over South Australian salt pans where Geoscience Australia study identifies lithium brine potential.

Finance

- \$379,476 Exploration Development Incentive (EDI) scheme tax credit realised for shareholders.
- PACE drilling co-funding grant of \$75,000 received.
- Placement to professional and sophisticated investors of 44,416,232 shares at 1.9 cents per share raising \$816,050 before costs completed post period close.

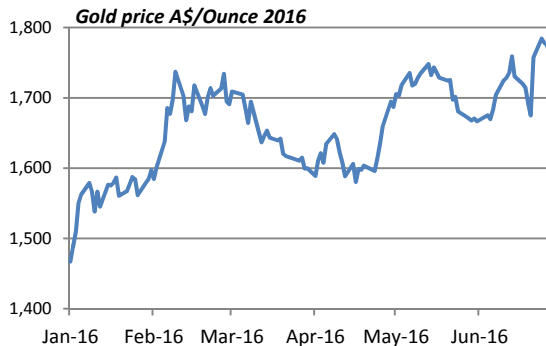


Chris Drown
Managing Director
19 July 2016

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Managing Director's review

Last quarter I reported on the positive change in sentiment for a number of commodities in early 2016, and in particular for gold, the Company's main focus mineral. The gold price continues to rise from US\$1,063 (A\$1,458) per ounce at the start of the year to US\$1,322 (A\$1,775) per ounce at 30 June.



The increases in the price of gold and other commodities has translated into renewed investor interest and improved share price performance of listed resource stocks, including junior explorers like Adelaide Resources.

During the quarter the Company engaged independent consultants to assess its Barns gold deposit data. The results confirmed that work to progress Barns is clearly warranted, and thus led to the release of a maiden Mineral Resource for Barns at the date of this report.

Prospecting and surface sampling on the Drummond Basin tenements in Queensland has defined additional epithermal gold targets that can be drilled in conjunction with the Bunyip prospect this year.

Following its first lithium focussed applications last quarter, the Company has added further ground with lithium potential. A hard rock opportunity has been pegged in Western Australia and a series of applications made targeting lithium brines in South Australia.

The Company applied to participate in the Federal Governments Exploration Development Incentive Scheme, and has delivered tax credit benefits to all eligible shareholders who were recorded on the Company's share register at 31 May 2016.

Eyre Peninsula gold

Adelaide Resources' Eyre Peninsula gold project comprises eight tenements securing an area of 3,123 km² in the Gawler Craton.

The Barns, White Tank and Baggy Green gold prospects are located within 6km of each other on two adjoining wholly owned tenements. In October 2015, Adelaide Resources announced a combined Exploration Target for the Barns, White Tank and Baggy Green prospects ⁽¹⁾.

To a depth of 200 metres below surface the 2015 Exploration Target was estimated to range between 2.5 and 3.5 million tonnes at a grade ranging between 1.3g/t gold and 2.0g/t gold. The potential tonnage and grade of the Exploration Target is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource, and it remains uncertain if further exploration will result in the estimation of a Mineral Resource.

Barns analysis by independent consultants

Last quarter the Barns drilling data was reinterpreted and the Company's mineralisation model of the prospect reviewed and revised.

The Company's revised model and database were presented to consultancy groups Mining Plus Pty Ltd and Maptrek Pty Ltd which completed an analysis and assessment of the data and of each other's investigations.

The work lends strong support to the Company's belief that estimation of a Mineral Resource falling within the tonnage and grade ranges of the October 2015 Exploration Target is a realistic goal, and that further investigations to advance the Barns prospect are warranted.

Next steps

The logical next steps at Barns include estimation of Mineral Resources in compliance with JORC 2012, and completion of metallurgical studies to investigate gold recovery. On 19 July a maiden JORC Resource for Barns of 2.11Mt at 1.6g/t gold for 107,000ozs was announced.

Past drilling within a 6km radius of Barns has intersected gold mineralisation at five other prospects, and the potential to expand the local resource base with further exploration is high.

The five prospects include the White Tank and Baggy Green deposits, and the Baggy Green North, Barns West and Barns South prospects. The Company has lodged applications for 2016 PACE co-funding which, if successful, will assist in completing these work programmes.

Empire and Baggy Green biogeochemistry

During the quarter further biogeochemical mallee leaf sampling was completed at the Empire and Baggy Green North prospects.

Previous sampling at Empire located a number of copper anomalies that remained open to the west. The recent sampling programme has successfully closed off the anomalies which have not previously been tested and which represent future drill targets.

Further scattered anomalous results were returned from the recent sampling at Baggy Green North where historical reverse circulation drill holes recorded intersections including 10 metres at 2.56g/t gold.

Drummond epithermal gold

Adelaide Resources holds exploration tenements covering 838km² in the Drummond Basin in Queensland which is prospective for epithermal gold deposits similar to those mined at Pajingo, Wirralie and Yandan.

Surface sampling programme

A programme of surface exploration and prospecting which commenced last quarter was completed on granted Drummond tenements EPM18090 and EPM25660, with the goal to define new drill targets to be tested in conjunction with the Bunyip prospect this year.

Twelve areas were identified where historical geochemical surveys or geological mapping indicated the possible presence of epithermal gold systems. Three additional areas, located in very rugged terrain, were identified using low level helicopter reconnaissance.

Each target area was prospected for quartz veins with 155 rock chip samples collected and assayed for gold and a suite of other elements.

Of the fifteen target areas sampled, three are judged to be worthy targets to drill test in conjunction with Bunyip.

2016 drill target summary

Bunyip

Work at Bunyip in 2015 defined 2,000 metres of outcropping quartz veins containing anomalous gold and high level pathfinder metals.

Anomalous arsenic, shallow level quartz vein textures, and the presence of palaeosurface sinters all indicate that the Bunyip epithermal system is only eroded to shallow levels with any gold zone potentially preserved at depth.

Rock chip samples record a maximum of 19.65g/t gold confirming high grade potential. The quartz veins show good continuity, and Bunyip is regarded as a high quality drill target.

Poppi's Prospect

At Poppi's Prospect a cluster of samples taken along a 40 metre zone of colloform banded quartz veining record gold assays of 2.70g/t, 6.04g/t, 4.06g/t and 3.54 g/t gold. Silver is also present with results up to 22.7g/t recorded.

The encouraging gold assay values, the vein textures, and the lack of upper level pathfinder metals like arsenic, indicate that Poppi's prospect has been eroded down to the target gold zone which is now exposed at surface.

Roo Tail

Roo Tail sits on the southern extension of the structure hosting the Anna and Poppi's vein systems. Epithermal quartz is present in a brecciated rhyolitic host over a strike length of about 100 metres. Better new results include 2.19g/t and 1.09g/t gold.

East Central Limey Dam

One of the most widespread areas of gold anomalism on the Drummond tenements occurs at Central Limey Dam. The eastern part of the prospect comprises numerous discontinuous epithermal veins and rock chips in the 0.1-1.0g/t gold range abound.

Vein textures are often chalcedonic, indicating formation in the upper levels of the epithermal system, suggesting potential for preserved higher grade gold zones at depth.

Importantly, all four of Bunyip, Poppi's, Roo Tail and East Central Limey Dam were covered by Aboriginal heritage surveys in 2015 and will not require any further clearances prior to drilling.

Lithium hard rock - Coolgardie

Exploration licence application, E15/1520 “Prince of Wales” was lodged to secure an area of 93 km² located 40km south west of Coolgardie in Western Australia.

The licence secures a package of greenstones intruded by pegmatite dykes near the western contact of the “Burra Monzogranite”, a geological setting closely analogous to the Lithium Australia/Focus Minerals “Lepidolite Hill” lithium project located 25km to the east.

The greenstone package is also prospective for Archaean lode gold deposits, as evidenced by the historical Prince of Wales gold mine which is held under a small prospecting lease excised from, but surrounded by, E15/1520.

Surface programmes of mapping and geochemistry to evaluate both lithium and gold potential are planned upon tenement grant and access approvals.

Lithium brines - South Australian

The Company has applied for tenements over several salt lakes in South Australia considered worthy of investigating for lithium brines.

Exploration licence applications have been lodged over Lake Gilles, Lake Florence, Lake Killamperpunna and a cluster of small lakes east of Innamincka. A small part of Lake Acraman is already held by the Company.

There has been no previous exploration for lithium brines on any of the lakes; however all were identified in studies completed by Geoscience Australia as having lithium brine potential due to the high concentration of lithium in the lake catchment areas.

Preliminary sampling programmes to assess if lithium is present at elevated concentrations in the lake brines is planned once the titles are granted and access approved.

Moonta and Rover copper-gold

Third parties are currently reviewing data for these projects under executed confidentiality agreements.

Finance and corporate

The Company had \$0.348 million in available cash and term deposits at 30 June 2016, with further cost saving measures implemented over the quarter in the endeavour to conserve cash.

A South Australian PACE co-funding payment of \$75,000 was received during the quarter.

The EDI Scheme for the 2014-15 tax year was completed during the quarter which saw tax credits totalling \$379,476 distributed to shareholders recorded on the Company’s share register on the Record Date of 31 May 2016.

During the quarter a total of 2,940,000 shares were issued to staff, but held in trust and subject to final distribution on the achievement of certain KPIs for 2016 as determined by the Board, under the Company’s Loan Funded Employee Share Plan. A further 464,062 shares were issued to a consultant as part payment for services rendered.

A placement to professional and sophisticated investors of 44,416,232 shares at 1.9 cents per share raising \$816,050 before costs was announced subsequent to the completion of the quarter end.

(1) See ADN’s ASX release dated 16 October 2015 titled “Higher grade gold zones highlight Eyre Peninsula potential.”

Competent Person Statement and 2012 JORC Compliance Notes

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.

The information contained in the report relating to exploration completed prior to 1 Dec 2013 by the Company and other explorers was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information contained in the report relating to exploration completed since 1 Dec 2013 has previously been reported in accordance with the JORC Code 2012, see ADN’s ASX releases dated 23 March 2016, 2 May 2016 and 9 May 20.