Adelaide
RESOURCES

ANNUAL REPORT 2016

Company Information

DIRECTORS

Colin G Jackson	Non-Executive Chairman
Chris Drown	Managing Director
Nick Harding	Executive Director and Company Secretary
Jonathan Buckley	Non-Executive Director

REGISTERED AND PRINCIPAL OFFICE
69 King William Road
Unley, South Australia 5061

CONTACT DETAILS
Telephone: +61 8 8271 0600
Facsimile: +61 8 8271 0033
Postal: PO Box 1210 Unley BC SA 5061
admin@adelaideresources.com.au
adelaideresources.com.au

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
GPO Box 1903, Adelaide SA 5000
Enquiries (within Australia): 1300 556 161
Enquiries (outside Australia): +61 3 9415 4000

AUDITORS
Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide, South Australia 5000

SOLICITORS
Minter Ellison Lawyers
25 Grenfell Street
Adelaide, South Australia 5000

BANKERS
Westpac Banking Corporation
155 Unley Road
Unley, South Australia 5061

STOCK EXCHANGE LISTING
Australian Securities Exchange Limited
ASX code: ADN

ABN/ACN
75 061 503 375 / 061 503 375

Front cover photo:
Airborne reconnaissance over the Drummond Basin.

Profile

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

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

The Chairman, Colin Jackson, is a metallurgist with substantial global financial market experience. Colin previously held non-executive directorships with Terramin Australia, Intrepid Mines Limited and Red 5 Limited. During his tenure he guided the financing and development of the Paulsens gold mine in Western Australia, the Angas zinc mine in South Australia, and the Siana gold mine in the Philippines.

Managing Director, Chris Drown is an exploration geologist with 30 years resources industry experience. He has searched for minerals predominantly in the terrains in which the Company's main exploration assets are located.

Executive Director Nick Harding, who also acts as Company Secretary and Chief Financial Officer, is an accountant with 30 years' experience. He has previously held senior financial roles with WMC Resources Limited, Normandy Mining Limited and then Newmont Australia.

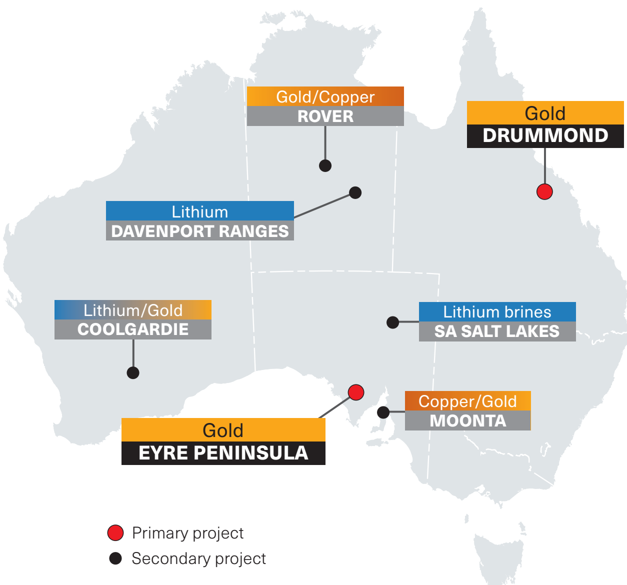
Non-executive director Jonathan Buckley holds an economics degree and is a corporate executive with extensive commercial and corporate finance experience spanning over 25 years in Australia and the United Kingdom.

Exploration Manager, Mark Manly, is a geologist with a long and successful career in the resources industry. A small staff is engaged to undertake exploration and administrative functions.

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

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

Contents



Chairman's message

Ahead of Adelaide Resources reaching a twenty year milestone as a listed entity, the Company conducted a review of its business position. In the prior twelve months the Company executed a "drill as often as you can" philosophy, on the basis that "the next hole might be a discovery". The results achieved provided a sensible basis for this thorough portfolio review.

The net result was a more concentrated exploration programme on the two gold properties – the 100% owned South Australian Eyre Peninsula and Queensland Drummond Basin projects, where 78% of the total exploration spend for the last twelve months was directed. The tenement portfolio was also refreshed with a number of disparate titles relinquished reflecting revised priorities, while for the first time in a number of years, eight new areas were applied for and are currently awaiting grant.

Two applications were submitted for tenements to complement the early, encouraging results achieved at the Drummond Basin, increasing the economic mass, whilst a further six applications were made to secure areas with potential for lithium.

As advised, no new exploration activity, other than statutory expenditures, was allocated to the Rover gold-copper project or at the Moonta copper project, which has been part of the exploration portfolio from the Initial Public Offering. Both deserve exploration expenditure commitments well beyond the Company's current financial capacity. Appropriately credentialed potential joint venturers have reviewed the data, however, whilst the mineral endowment and further potential are not the subject of third party doubts, various development considerations serve to frustrate consummation of agreements.

The focus on the Eyre Peninsula was rewarded with an inaugural resource declaration of 107,000 ounces of gold in July 2016. Further exploration and an initial metallurgical test work programme are planned with the extent and timetable limited only by financial constraints.

Further work is also clearly warranted at the Bunyip prospect within the Drummond project, but, being higher risk, will be temporarily deferred in favour of Eyre Peninsula.

The new lithium initiative is in response to a dramatic increase in interest from shareholders more conversant with risk. The tenements applied for are all in Australia, rather than in exotic and distant locations, and comprise two hard rock and four brine prospects. Noting numerous recent discoveries, shareholders should expect that following preliminary investigation, a practical approach may see tenements sold, partially collateralised or simply relinquished in a relatively short time span.

Corporate overheads were reviewed to direct the maximum percentage of available funds to in-ground activity. Personnel numbers were reduced as were salary levels. Fixed costs, many of which are simply a consequence of being listed were addressed. The Annual General Meeting scheduled for November 2016 will include a resolution to change a small part of the Constitution in order to facilitate an unmarketable parcel sweep-up of small shareholders which incur a disproportionate cost impost relative to their equity raising capacity.

Funding applications from the South Australian Plan for Accelerating Exploration (PACE) initiative and the Queensland Government Collaborative Drilling Initiative (CDI) were successful with awards of $75,000 and $100,000 respectively received against drill costs incurred. The Company was successful with $290,000 PACE funding awarded for 2016/17 to advance the Eyre Peninsula gold project and the Thurlga Joint Venture. A Federal Government Research and Development refund for $204,117 was also received.

On behalf of eligible shareholders, the Company successfully participated in the inaugural Federal Government Exploration Development Incentive Scheme. This Scheme allows junior exploration companies with no taxable income to apply for a tax credit on green fields mineral exploration costs conducted in Australia. All of the eligible costs were recognised to deliver a total $379,476 in tax credits to Australian resident shareholders for the 2015/16 financial year.

Adelaide Resources recognises that whilst investor relations is critical to increase a company's visibility, it can also be expensive and time consuming. Drill results will always be the best form of marketing. As noted previously, the Company is one of the first to release its ASX Quarterly Report, minimising direct competition with other peer group companies to improve visibility. The content of ASX Continuous Disclosure releases also aims to balance the exploration content with potential commercial implications. A new website, with greater mobile device compatibility was launched with statistics showing an increasing trend of visitor numbers and page reviews.

My appreciation goes to our small but dedicated team of explorers and core of committed shareholders who continue to show faith in that team to deliver rewards commensurate with the risk taken.

Colin G Jackson
Chairman

Managing Director's review

In January 2016 we witnessed a welcome reversal to the negative market sentiment that has dogged the minerals exploration sector for five years. The turnaround is evidenced by a 61% increase in the S&P Small Resources Index from a low of 1,203 on January 14, to 1,937 on June 30. The recovery since January is better described as slow and steady rather than dramatic, however it nonetheless appears solid.

During the financial year, the Company spent $1.186 million on exploration activities, while joint venturer expenditure contributed a further $0.198 million. Expenditures were directed towards a range of exploratory activities with the bulk of funds utilised to conduct drilling programmes.

The price of gold appreciated by over 16% from A$1,525 at the start of the financial year to A$1,775 on June 30, 2016, validating the Company's decision to direct the majority of its 2015-16 exploration efforts to the search for gold deposits.

Principal to this focus has been the Eyre Peninsula gold project where the Company holds 100% equity in a cluster of gold targets located north of the township of Wudinna. The release in July 2016 of a maiden 107,000 ounce Mineral Resource for the Barns gold deposit represents a significant milestone along the path from discovery to development for the project.

The maiden Mineral Resource at Barns is comparable in contained ounces to deposits either in production or planned for development elsewhere in South Australia. These other deposits are owned by companies with market capitalisations that are multiples of Adelaide Resources, indicating the upside that continued success on the Eyre Peninsula can deliver.

The chances of further increasing the resource base in the Barns camp are considered excellent, with historical drillholes at prospects like Baggy Green recording intersections of similar grade and width to those that define the Barns deposit.

A number of the Company's shareholders, together with resources sector stock brokers and analysts, have expressed their view that a significant gold discovery in the pedigreed Drummond Basin in Queensland would catalyse a material re-rating of the Company's valuation. The Board shares this view and remains strongly committed to advancing the Company's efforts in the region.

Gold systems of epithermal style are present on the Company's Drummond Basin tenements, with most targets either yet to be drilled or subject to only limited historical drill tests. By their nature epithermal gold deposits are elusive and their exploration carries higher risks than other styles of deposit, but the quality of the prize can be transformative for those lucky enough to discover them.

Lithium is a commodity enjoying recent dramatically increased demand for application in the high tech electric vehicle and home energy storage sectors. The Company has applied for tenements that may have potential for both hardrock lithium and salt lake lithium brine deposits. None of the areas pegged have previously been evaluated for lithium and confirmation of its presence is uncertain, however the cost of the preliminary work required to confirm if lithium is present is modest and considered worthwhile.

Copper is a metal that is critical to building modern economies, a role unlikely to be challenged in the coming decades. However, its performance over the financial year has seen a price decline of 13% to around A$6,480 at June 30, and a concomitant lack of market interest. The Company's copper dominant Moonta and Rover projects remain highly prospective, however the Company seeks to advance both through the engagement of third parties.

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 focus on gold exploration, with copper and lithium complementary target commodities. Directors believe the outlook for these metals remains positive, and believe these are commodities well suited to Adelaide Resources. The principal focus for the 2016/17 financial year will be to advance the Eyre Peninsula gold project towards mine development.
- 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 the project de-risking that may accrue.
- The Company will pursue opportunities which have potential to unlock value in its other mineral assets, and will maintain an active lookout for quality new 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.

Chris Drown
Managing Director

Overview of projects

Eyre Peninsula Gold Project

SOUTH AUSTRALIA

Adelaide Resources 100% (except Verran EL 5064: Adelaide Resources 90%; Olliver Geological Services Pty Ltd 10%)

The Company holds eight tenements which in total cover 3,123 km^2 on the Eyre Peninsula of South Australia (Figure 1). Seven of these tenements are 100% owned while the company's equity in one stands at 90%. The Thurlga tenement is joint ventured to Investigator Resources Limited which is in the process of earning a 75% interest. A number of the Eyre Peninsula tenements are subject to a 1.5% NSR royalty held by Newcrest Mining Limited.

The Eyre Peninsula Gold Project falls largely in the Central Gawler Gold Province, a 450 kilometre long arcuate belt which contains numerous, often gold dominant, mineral prospects. Mineralisation in the Central Gawler Gold Province formed around 1,590 million years ago and is genetically related to the extensive Hiltaba/Gawler Range Volcanic tectonothermal event. Examples of prospects in the belt include the Tarcoola and Tunkillia gold deposits, the Paris silver deposit, and, in the Company's ground, the Barns, Baggy Green and White Tank gold deposits.

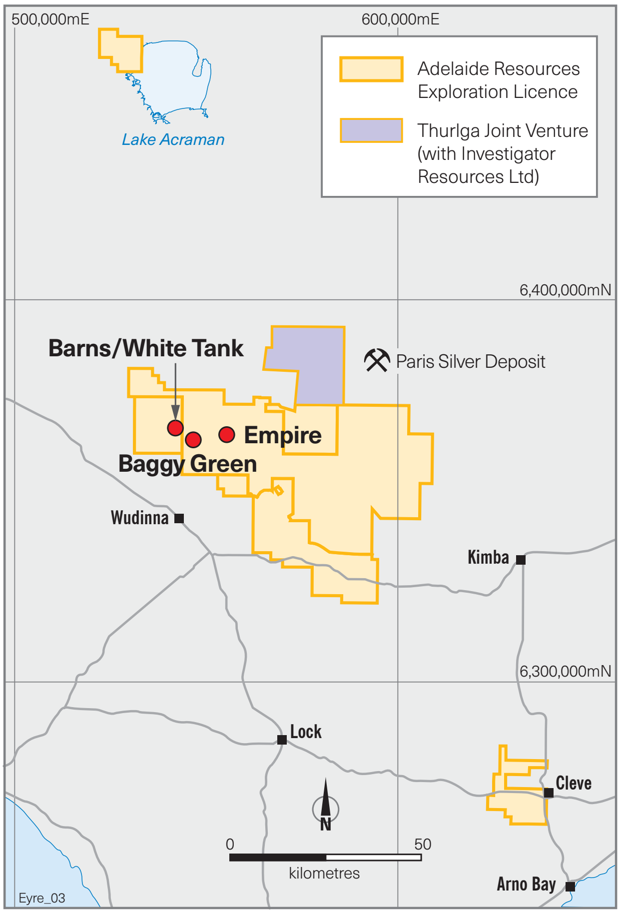


Figure 1: Eyre Peninsula Gold Project location.

BARNS/WHITE TANK AND BAGGY GREEN

Drilling programme

A diamond drilling programme comprising seven holes for 1,287 metres and targeting both Barns and Baggy Green was completed during the year. All seven holes intersected gold mineralisation with the locations of the intersections supporting the Company's 3-D interpreted mineralisation models for the two prospects.

At Barns results included intersections of 16.1 metres at 3.06g/t gold; 15 metres at 1.25g/t gold; 15 metres at 0.75g/t gold; and 7 metres at 1.1g/t gold. At Baggy Green results include 11 metres at 1.87g/t gold contained within a broader zone assaying 30 metres at 0.86g/t gold; and 8 metres at 1.22g/t gold.

Barns maiden Mineral Resource

In early 2016, the Company completed a detailed assessment of the Barns deposit data resulting in an updated interpreted 3-D mineralisation model (Figure 2). Gold mineralisation occurs in flat lying supergene zones overlying moderately dipping, quartz vein associated primary gold lodes.

Estimation of a maiden Mineral Resource was jointly completed by independent consultant Mining Plus Pty Ltd and Adelaide Resources. The Company assumed responsibility for the sampling techniques, integrity of the drill hole data and interpretation of the 3-D mineralisation model, while Mining Plus assumed responsibility for the block modelling, geostatistical analysis, grade interpolation and estimation classification.

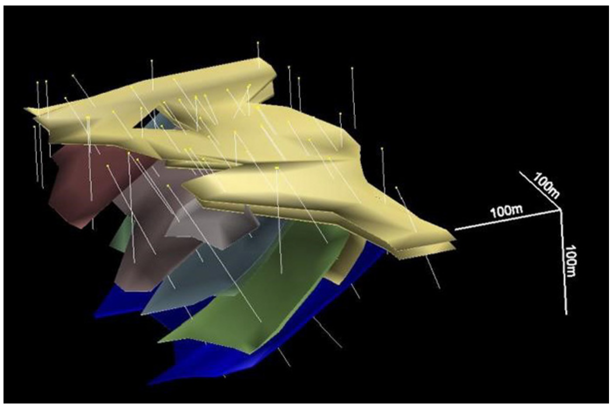


Figure 2: 3D mineralisation model at Barns.

Table 1: Barns Mineral Resources

Mineralisation	Cut-Off	Indicated			Inferred			Total		
		Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Primary	0.5				1,500,000	1.7	80,000	1,500,000	1.7	80,000
Supergene	0.5	380,000	1.4	17,000	230,000	1.3	10,000	610,000	1.4	27,000
Total	0.5	380,000	1.4	17,000	1,730,000	1.6	90,000	2,110,000	1.6	107,000

The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. All tonnages reported are dry metric tonnes. Minor discrepancies may occur due to rounding to appropriate significant figures.

Using a 0.5g/t gold cut-off grade, the maiden Mineral Resource estimate for the Barns deposit is estimated to be 2.11 million tonnes at 1.6g/t gold for 107,000 ounces of gold (Table 1). The Resource is classified into 380,000 tonnes of Indicated and 1,730,000 tonnes of Inferred Resources. Figure 3 presents a tonnage-grade graph showing how these two variables change at different cut-off grades.

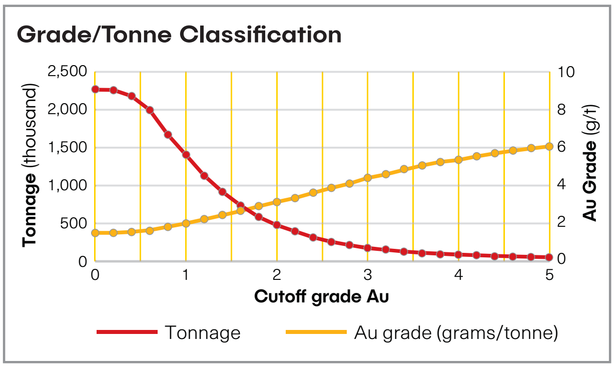


Figure 3: *Grade tonnage curve.*

Next steps – Barns Gold Camp

The Company now plans to complete metallurgical test work to establish gold recoveries, evaluate development options, and conduct exploration to increase the resource inventory.

The Barns deposit is open to the south and down dip, and excellent potential to increase the resource exists. Barns is only one of six gold prospects discovered by the Company in the local area, with the other five targets all located within 6 km of Barns (Figure 4).

At Baggy Green, historical drilling has located a gold mineralised structure, however the existing drill spacing is too widely spaced to allow estimation of a resource. The Company is planning to complete infill drilling at Baggy Green later in 2016, potentially leading to the estimation of a Mineral Resource.

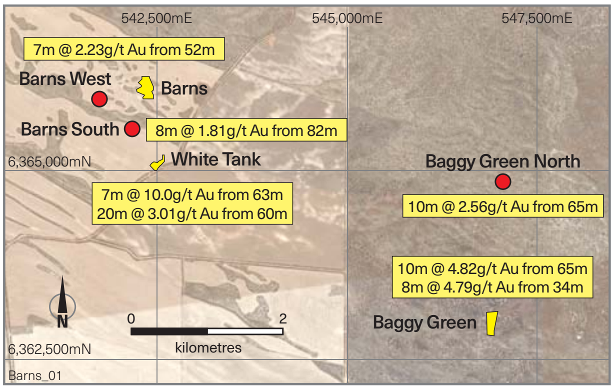


Figure 4: *Location of deposits in the Barns area*

Biogeochemical research programme

The Company is undertaking an R&D programme to determine whether biogeochemistry can be used as an alternative exploration technology. Mallee leaf sampling programmes were completed at the Baggy Green (gold) and Empire (copper) prospects, with Field Portable X-Ray Fluorescence (FPXRF) soil analysis read at each sample site to give an independent geochemical dataset.

At Empire, both the biogeochemistry and FPXRF results define broadly coincident zones of copper anomalism, with the anomaly peaks located in areas that have not previously been drill tested. Scattered, anomalous results were returned at Baggy Green.

THURLGA JOINT VENTURE

The Thurlga Joint Venture with Investigator Resources Limited (IVR) is exploring EL 5419 (Figure 1). IVR can earn a 75% equity interest in the Joint Venture through total expenditure of $750,000 by June 2017. IVR manages the Joint Venture and had spent approximately $575,000 by June 2016.

During the year, the Joint Venture completed soil sampling programmes which successfully defined a number of anomalous features. Three of these targets are under consideration for drill testing in the coming financial year.

Overview of projects

Drummond Epithermal Gold Project

QUEENSLAND

Adelaide Resources 100%

Adelaide Resources holds 100% equity in four tenements in the northern Drummond Basin in Queensland (Figure 5). The Drummond Basin is prospective for high grade epithermal gold deposits, with known examples including Wirralie, Yandan and the ~3 million ounce Pajingo Field.

Epithermal gold deposits form when subterranean fluids heated by volcanic activity approach the land surface and boil, causing precipitation of gold in quartz veins. The fluids can vent at the surface as hot springs and geysers, similar to those found around the Rotorua district in New Zealand.

EXPANDED LAND POSITION

In early 2016, applications were lodged for two new exploration tenements, EPMA 26154 and EPMA 26155, expanding the Company's Drummond Basin holdings to a total area of 838km^2.

EPMA 26154 includes the Quartz Ridge prospect, where historical rock chip sampling returned multiple samples assaying over 1g/t gold and limited drilling intersected zones of anomalous gold and silver.

Targets in EPMA 26155 include Mount Stone, where rock chip samples recorded up to 62g/t gold. EPMA 26155 also includes an area of Anakie Inlier basement, which hosts significant gold mineralisation east of the Company's ground at the Sellheim-Gettysburg-Marrakesh-Madhya Pradesh line of prospects.

TARGET GENERATION PROGRAMME

Surface prospecting was completed on granted tenements in areas where historical exploration indicated the presence of gold or pathfinder metal anomalism, or where quartz veins were mapped by government geologists or past explorers.

In total, 313 surface rock chip samples were collected and assayed, while FPXRF surveys were conducted to define pathfinder metal anomalies. The programme defined four targets warranting drill testing (Figure 6).

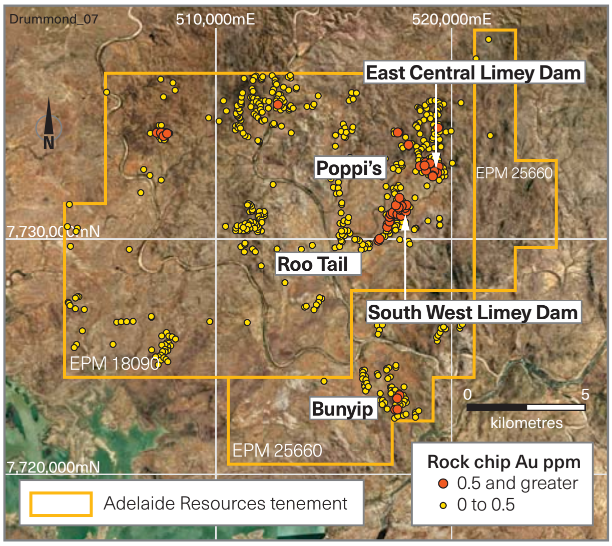


Figure 6: *EPM 18090 and EPM 25660 prospect location plan.*

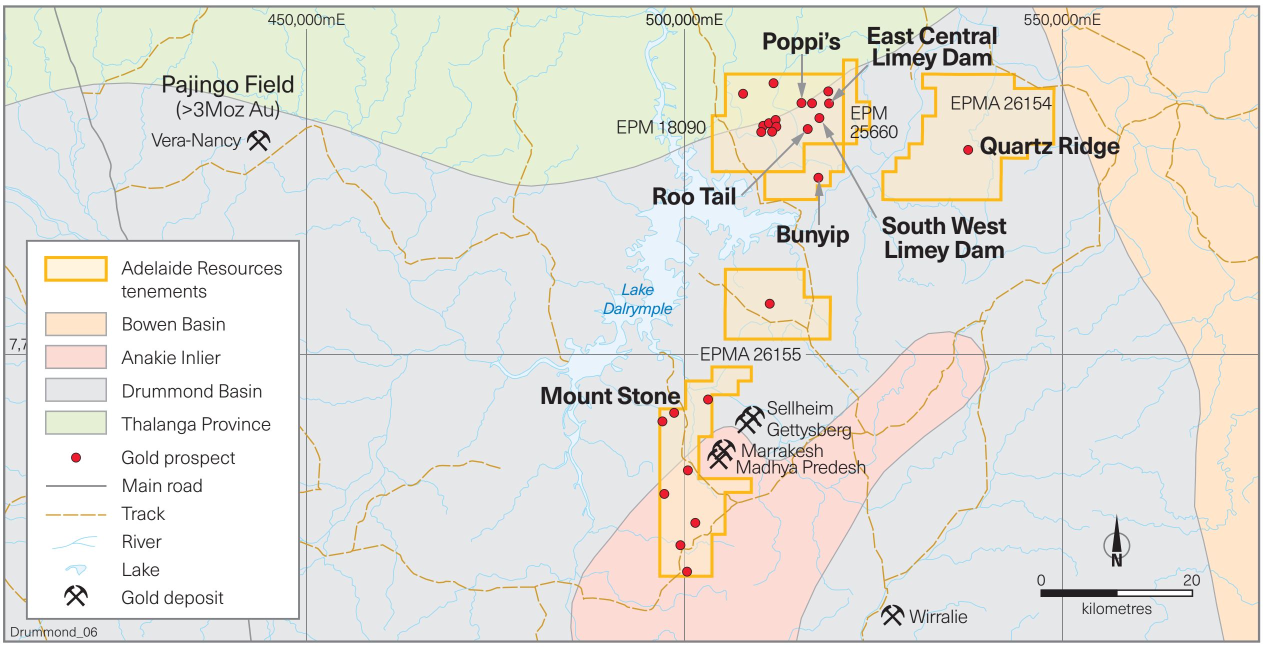


Figure 5: *Drummond Epithermal Gold Project location.*

Bunyip

Bunyip comprises 2,000 metres of outcropping quartz veins, containing anomalous gold and high level pathfinder metals (Figure 7). Anomalous arsenic, shallow level quartz vein textures, and the presence of sinters 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.

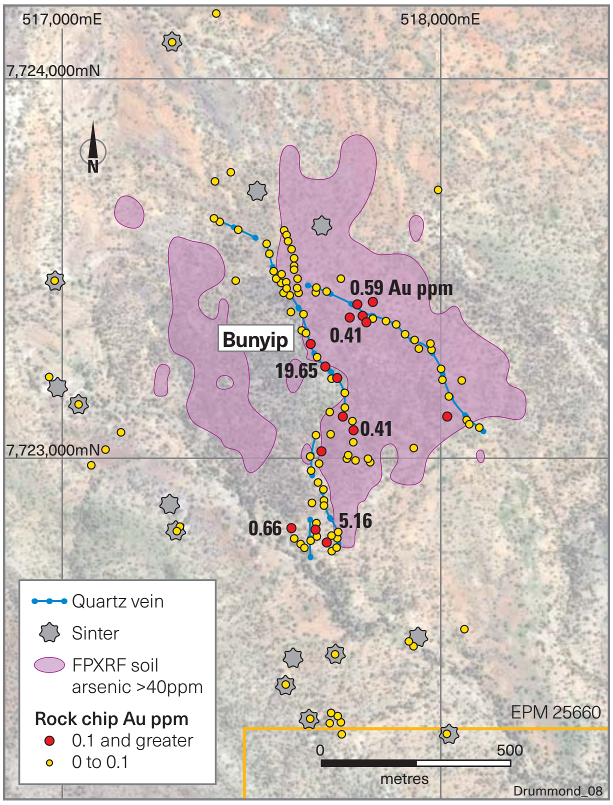


Figure 7: Bunyip prospect summary plan.

Poppi's

At Poppi's prospect, 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. 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

At Roo Tail, epithermal quartz is present in a brecciated rhyolitic host over a strike length of about 100 metres. Rock chip 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.

SOUTH WEST LIMEY DAM DRILLING PROGRAMME

A diamond drilling programme comprising 25 holes (1,855 metres) tested the South West Limey Dam prospect, with the programme partly funded through a $100,000 grant from the Queensland Government. Drill holes were completed at the Alexandra, Nadia and Anna veins in the north of the prospect, and below a large arsenic anomaly in the south.

At the Alexandra vein, the drilling intersected colloform banded pyritic quartz veins hosted by andesitic lava and volcanoclastic breccia. Intersections included 0.71 metres at 9.11g/t gold; and 0.70 metres at 1.43g/t gold. Anomalous gold is present at Nadia while the Anna holes intersected quartz veins up to 5 metres true width. Gold results at Anna included 0.94 metres at 0.64g/t gold; and 5.05 metres at 0.14g/t gold.

Holes testing below the large arsenic anomaly in the south of the prospect encountered intervals of gold and silver mineralisation. Gold results included 19.0 metres at 0.19g/t gold; and 5.2 metres at 0.34g/t gold. Silver results include 96.5 metres at 1.01g/t.

A field review completed by consultant epithermal specialist Dr Gregg Morrison interprets South West Limey Dam to be a classic hotspring geothermal-epithermal system. Analogies with significant deposits in the region and internationally encourage persistence.

FORWARD PROGRAMME

The Company plans to conduct drilling programmes to test one or more targets including Bunyip, Poppi's, Roo Tail and East Central Limey Dam. Importantly, all four targets were covered by Aboriginal heritage surveys in 2015 and will not require any further clearances prior to drilling.

Programmes of low cost surface exploration including rock chip sampling and soil geochemistry are planned once the 2016 tenement applications are granted. Opportunities to further build the Company's ground position in the Drummond Basin will be pursued.

Overview of projects

Lithium Projects

NORTHERN TERRITORY, WESTERN AUSTRALIA AND SOUTH AUSTRALIA

Adelaide Resources 100%

One commodity that has attracted significant market interest during the year is lithium, a metal finding increasing application in batteries used in the technology, solar energy and the automotive sectors. In response to this interest, the Company has assembled a portfolio of properties that show potential to be prospective for lithium deposits.

Worldwide, lithium is extracted from two principal sources; hard rock deposits and lithium brines associated with salt lakes. The Company has lodged tenement applications targeting both hardrock and lake brines.

HARDROCK LITHIUM OPPORTUNITIES

Northern Territory and Western Australia

Hardrock deposits contain high concentrations of lithium bearing minerals like spodumene or lepidolite, which are often hosted in pegmatite bodies. The world's largest hardrock lithium mine is at Greenbushes in Western Australia.

The Company has applied for ELA 31211 "Newlands Creek" in the Davenport Ranges area of the Northern Territory. The tenement shows potential to be prospective for hard rock lithium mineralisation and associated metals like tungsten, tantalum and niobium.

The area was selected in response to a study by the Northern Territory Geological Survey which identified two historical, pegmatite-related tungsten-tantalum-niobium occurrences. While the presence of lithium remains to be confirmed, tungsten, tantalum and niobium are metals that commonly accompany lithium.

Exploration licence application E15/1520 "Prince of Wales", located 40km south west of Coolgardie in Western Australia, was lodged to secure a package of greenstones intruded by pegmatite dykes near the western contact of a large granitoid. This geological setting is 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.

Low cost programmes of surface mapping and geochemistry are planned upon tenement grant to evaluate the potential for lithium and other metals.

Figure 8: Location of lithium tenement applications.

LITHIUM BRINE INVESTIGATIONS

South Australia

Lithium brine deposits are found in near-surface aquifers associated with salt lakes that form in the arid latitudinal belts north and south of the equator. South America's "Lithium Triangle", which extends into Argentina, Chile and Bolivia, is a well-known lithium brine producing region.

Brines form when lithium and other soluble elements in soils are dissolved by surface waters which then flow into salt lakes.

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

In addition to part of Lake Acraman, which was already held by the Company, exploration licence applications have been lodged over Lake Gilles, Lake Florence, Lake Killamperpunna and a cluster of small lakes east of Innamincka.

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.

Rover Gold-Copper Project

NORTHERN TERRITORY

Adelaide Resources 100%

The Rover Project is situated 85 kilometres southwest of Tennant Creek in the Northern Territory (Figure 9). Mineral deposits in the Rover Field are geologically identical to the ironstone hosted copper and gold deposits located in the Tennant Creek Field, many of which have been profitably mined in the past.

The most advanced prospect in the broader Rover Field is the Rover 1 deposit, which straddles the boundary between Adelaide Resources' ground to the north and tenements owned by Metals X Limited to the south. Metals X has estimated a Mineral Resource of 6.8 million tonnes at 1.73g/t gold, 1.20% copper, 0.14% bismuth and 0.06% cobalt (1.22 million ounces gold equivalent) for that part of the Rover 1 deposit which falls on its ground.

Past drilling on Adelaide Resources' tenements has confirmed the presence of six mineralised ironstones in addition to the northern extension of Rover 1. At Rover 4, drilling by the company intersected significant copper and gold in two main areas, including the shallowest mineralisation discovered to date in the Rover Field.

The Company is exploring potential opportunities to co-fund future exploration activities at Rover, with third parties actively reviewing project data under confidentiality agreement at year end.

The Company acquired the Rover Project from Newmont Gold Exploration Pty Limited in 2005. In consideration Newmont was granted a royalty/buy back interest which it subsequently assigned to Franco-Nevada Australia Pty Ltd in 2009.

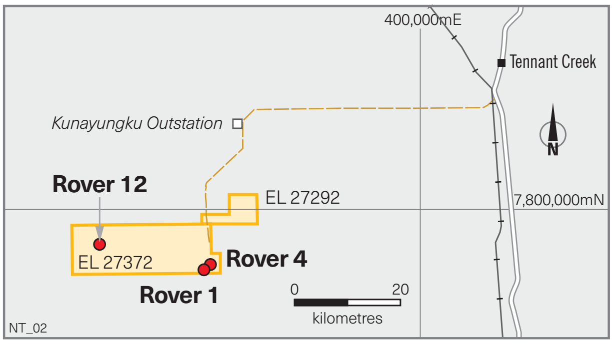


Figure 9: *Rover Gold– Copper Project location.*

Moonta Copper-Gold Project

SOUTH AUSTRALIA

Adelaide Resources 100% (except Moonta Porphyry JV, Adelaide Resources 90%, Minotaur Exploration Limited 10%)

Figure 10: *Olympic Copper -Gold Province*

The Moonta Copper Gold Project falls near the southern end of the world class Olympic Copper-Gold Province in South Australia (Figure 10). The Province is highly prospective for Iron Oxide Copper Gold (IOCG) deposits, with Olympic Dam, Prominent Hill and Moonta-Wallaroo being three mines with past or current production.

The Company has undertaken considerable exploration of the Moonta tenement (Figure 11) in the last few years. Broad surface calcrete and FPXRF soil geochemistry programmes have been completed. The Company has undertaken substantial aircore drilling programmes and tested deeper targets with reverse circulation and diamond drilling. Exploration discovered significant copper-gold mineralisation at prospects including Willamulka, Copper Hill, Paskeville, Wombat and, most recently, Alford West.

The Company is seeking to attract third party involvement to co-fund future exploration activities at Moonta with the view to both de-risking the project financially and accelerating its development progress. A number of groups were reviewing project data from Moonta under confidentiality agreement at year end.

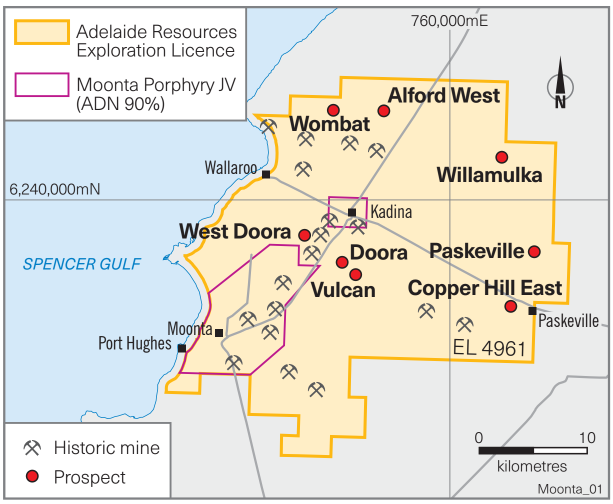


Figure 11: *Moonta Copper–Gold Project location.*

Schedule of tenements

AS AT 30 JUNE 2016

Tenement	Tenement Name	Area (km^2)	Registered Holder or Applicant	Nature of Company's Interest (%)
SOUTH AUSTRALIA				
Eyre Peninsula Project				
EL 5381	Pinkawillinie	186	Peninsula Resources Ltd[1]	100%
EL 5419	Thurlga	333	Peninsula Resources Ltd	100% – Investigator Resources Limited earning 75%
EL 5120	Corrobinnie	1397	Peninsula Resources Ltd	100%
EL 5615	Wudinna Hill	42	Peninsula Resources Ltd	100%
EL 5092	Minnipa	184	Peninsula Resources Ltd	100%
EL 4968	Waddikee Rocks	395	Peninsula Resources Ltd	100%
EL 5064	Verran	174	Peninsula Resources Ltd and Olliver Geological Services	90% – option to acquire 100% from Olliver Geological Services Pty Ltd
EL 5350	Acraman	96	Peninsula Resources Ltd	100%
Moonta Copper–Gold Project				
EL 4961	Moonta-Wallaroo	713	Peninsula Resources Ltd	100%
EL 4961	Moonta Porphyry	106	Peninsula Resources Ltd	90% – option to acquire 100% from Minotaur Exploration Limited
South Australian Lithium Brine Project				
ELA 2016/00047	Lake Gilles	232	Peninsula Resources Ltd	100%
ELA 2016/00062	Lake Florence	751	Peninsula Resources Ltd	100%
ELA 2016/00063	Lake Killamperpunna	361	Peninsula Resources Ltd	100%
ELA 2016/00068	Innamincka	928	Peninsula Resources Ltd	100%
NORTHERN TERRITORY				
Rover Project				
EL 27292	Rover North	39	Adelaide Exploration Pty Ltd[2]	100% (Franco-Nevada retain 70% buyback right)
EL 27372	Rover	248	Adelaide Exploration Pty Ltd	100% (Franco-Nevada retain 70% buyback right)
Davenport Ranges Project				
ELA 31211	Newlands Creek	540	Peninsula Resources Ltd	100%
QUEENSLAND				
Drummond Gold Project				
EPM 18090	Glenroy	196	Adelaide Exploration Pty Ltd	100%
EPM 25660	Gunthorpe	74	Adelaide Exploration Pty Ltd	100%
EPMA 26154	Sandalwood Creek	257	Adelaide Exploration Pty Ltd	100%
EPMA 26155	Mount Wyatt	307	Adelaide Exploration Pty Ltd	100%
WESTERN AUSTRALIA				
Coolgardie Li-Au-Ni Project				
E15/520	Prince of Wales	93	Peninsula Resources Ltd	100%

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

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

Corporate governance

Adelaide Resources and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council.

The corporate governance statement for the year ended 30 June 2016 can be viewed on the Company's website at *adelaideresouces.com.au*.

Competent Person Statements

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.

Competent Person Statement – Barns Mineral Resource

Exploration:
The information in this release that relates to sampling techniques and data, exploration results, geological interpretation and Exploration Targets has been compiled by Mr David Adams BSc (Hons), MAusIMM, an employee of the Company. Mr Adams is a Member of the Australian Institute of Mining and Metallurgy and he has sufficient experience with the style of mineralisation and types of deposits under consideration, and to the activities undertaken, to qualify as a competent person as defined in the 2012 Edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code) for reporting the exploration results. Mr Adams consents to the inclusion in this report of the contained technical information in the form and context in which it appears.

Resource Estimation:
The information in this release that relates to the Estimation and Reporting of Mineral Resources has been compiled by Mr Richard Buerger BSc. Mr Buerger is a full-time employee of Mining Plus Pty Ltd and has acted as an independent consultant on the Barns Deposit Mineral Resource estimation. Mr Buerger is a Member of the Australian Institute of Geoscientists and has sufficient experience with the style of mineralisation, deposit type under consideration and to the activities 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 (The JORC Code). Mr Buerger consents to the inclusion in this report of the contained technical information relating the Mineral Resource Estimation in the form and context in which it appears.

Cautionary Statement:
Readers should use caution when reviewing the exploration and historical production results presented and ensure that the Modifying Factors described in the 2012 edition of the JORC Code are considered before making an investment decision.

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 2016. 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:

Colin G Jackson

MSc, BSc (Hons), DIC, Grad Dip Bus Admin

Non-Executive Chairman

Colin Jackson is a metallurgist and mineral process design engineer graduate of Birmingham University and Royal School of Mines, Imperial College, London University. He has over 40 years of industry experience and brings to the Company a strong technical background and extensive copper-gold knowledge. In addition he has substantial global financial market experience and has guided a number of companies from the exploration phase into production.

After ten years mine design and operating experience with Selection Trust Limited and RGC Limited, Mr Jackson became a Director of Research and Corporate for McIntosh Securities Ltd (now Bank of America Merrill Lynch) where he raised equity for a significant number of gold companies including Kidston Gold Mines and Placer Pacific Limited's IPO over a 12 year period. His next 8 years were dedicated to communication and investor relations roles at Newcrest Mining Limited and Normandy Mining Limited where he was Group Executive Corporate.

More recently Mr Jackson has held Non-executive Director positions with Terramin Australia Limited, Intrepid Mines Limited and Red 5 Limited where he helped guide the financing and development of the Angas zinc mine in South Australia, the Paulsens underground gold mine in Western Australia, and the Siana open pit gold mine on the island of Mindanao in the Philippines.

Mr Jackson is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee.

Christopher G Drown

BSc (Hons), MAusIMM, MAICD

Managing Director

Chris Drown is a geologist with over 30 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.

Nicholas J Harding

BA (Acc), Grad Dip (Acc), Grad Dip (App Fin), Grad Dip (Corp Gov), FCPA, F Fin, AGIA, ACIS

Executive Director and Company Secretary

Nick Harding is a qualified accountant and company secretary with over 30 years' experience in the resources industry. He is a Fellow of CPA Australia, a Fellow of the Financial Services Institute of Australasia and a member of the Governance Institute of Australia and possesses qualifications in accounting, finance and corporate governance.

Mr Harding has held various senior roles with WMC Resources Limited, Normandy Mining Limited and Newmont Australia Limited. At WMC Resources over a period of 14 years to 1999 he held a number of senior management roles at both minesites and regional offices in Western Australia and South Australia including five years as Chief Financial Officer for Olympic Dam Operations, and four years as Chief Accountant and Business Planning Manager for the Copper Uranium Division.

In eight years from 1999 to 2006 at Normandy Mining and then Newmont Australia following the takeover by Newmont of Normandy, Mr Harding held the positions of General Manager Operations Finance and General Manager Planning and Analysis which respectively had responsibilities for accounting, finance and budgeting for 14 mining operations in Australia and overseas.

Jonathan P Buckley

B Ec, Grad Dip (App Fin)

Non-Executive Director (Chairman of Audit and Risk Committee)

Jonathan Buckley is a corporate executive with extensive commercial and corporate finance experience spanning over 25 years in Australia and the UK. He was previously Group Managing Director for PhillipCapital Australia, part of a leading Asian financial group providing corporate finance, funds management, stockbroking and wealth management services in Australia. He has been a founding director of a number of fund management businesses in high growth sectors, including resources and healthcare.

Prior to establishing PhillipCapital Australia's corporate advisory business, Mr Buckley was Manager, Strategic Planning for Rothschild Asset Management UK based in London. He has also held roles with KPMG Management Consulting and Barclays de Zoete Wedd Securities in London.

Mr Buckley is the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

Directorships of other listed companies

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

Name	Company	Period of Directorship
C G Jackson	Intrepid Mines Limited	From 2003 to 2014
	Red5 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 elements:

- The Company will maintain a strong focus on gold exploration, with copper and lithium as complementary target commodities. Directors believe the outlook for these metals remains positive, and consider these are commodities well suited to Adelaide Resources. The principal focus for the 2016/17 financial year will be to advance the Eyre Peninsula gold project towards mine development.
- 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 high quality new projects.
- 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 $3,940,324 (2015: loss of $1,189,928).

Exploration expenditure for the year was $1,186,677 (2015: $1,688,326) with funds directed principally to the Eyre Peninsula Gold and Drummond Epithermal Gold projects. Expenditure during the year by joint venture parties on tenements in which the Company has an interest totalled $198,323. Net operating cash outflows for the year totalled $1,028,701 (2015: $950,734). At the 30 June 2016 the Company held cash and cash equivalents totalling $348,398 (2015: 1,603,699). An impairment of capitalised exploration expenditures of $2,452,260 (2015: $0) was also recorded for the year.

During the 2015/16 financial year the Company completed an underwritten Share Purchase Plan, shortfall placement and top-up placement at a price of 2.0 cents per share, raising $927,533 before costs.

Subsequent to the end of the financial year, on 19 July 2016 the Company announced the completion of a share placement totalling 44,416,232 ordinary shares at an issue price of 1.9 cents per share to professional and sophisticated investors raising $816,050 before costs.

Exploration activities

Over the 2015/16 financial year the Company completed exploration programmes on the Eyre Peninsula Gold Project on South Australia's northern Eyre Peninsula, and on the Drummond Epithermal Gold Project in north Queensland. It also assembled a portfolio of tenements in Australia that are potentially prospective for hardrock lithium and lithium brine deposits.

The Thurlga Joint Venture on the Eyre Peninsula with Investigator Resources Limited (ASX: IVR) completed exploration that generated targets planned for future drill testing, while discussions with third parties to advance the copper dominant Moonta (SA) and Rover (NT) projects continued.

EYRE PENINSULA GOLD PROJECT

The Eyre Peninsula Gold Project comprises eight tenements that total 3,123 km^2 in area. The licences fall in the Central Gawler Gold Province, an arcuate geological belt that is prospective for gold and other metals. The Company's main interest on the Eyre Peninsula is a cluster of prospects including the Barns and Baggy Green gold deposits located about 22km north of the township of Wudinna.

A seven hole diamond drilling programme which had commenced in the previous financial year to target the Barns and Baggy Green prospects was completed, with all seven holes intersecting gold mineralisation. At Barns results included intersections of 16.1 metres at 3.06g/t gold; 15 metres at 1.25g/t gold; 15 metres at 0.75g/t gold; and 7 metres at 1.1g/t gold. At Baggy Green results included 11 metres at 1.87g/t gold contained within a broader zone assaying 30 metres at 0.86g/t gold; and 8 metres at 1.22g/t gold.

The drilling results from the Barns prospect were incorporated with historical data and a new interpretation completed resulting in a revised 3-D mineralisation model. The model and exploration data were then used to estimate a maiden Mineral Resource, completed with the assistance of independent consultant Mining Plus Pty Ltd.

Using a 0.5g/t gold cut-off grade, the maiden Mineral Resource estimate for the Barns deposit is 2.11 million tonnes at 1.6g/t gold for 107,000 ounces of gold. The Resource is classified into 380,000 tonnes of Indicated and 1,730,000 tonnes of Inferred Resources.

The Company now plans to complete metallurgical test work to establish gold recoveries, evaluate development options, and conduct exploration to increase the resource inventory. The Barns deposit is open to the south and down dip, and together with Baggy Green and other nearby gold prospects, the potential to increase the local resource base for the project is high.

The Company also progressed its R&D programme on the Eyre Peninsula to determine whether biogeochemistry can be used as an alternative exploration technology, with mallee leaf sampling programmes successfully completed at the Baggy Green and Empire prospects.

THURLGA JOINT VENTURE

The Thurgla Joint Venture with Investigator Resources Limited is exploring one of the eight Eyre Peninsula tenements. IVR can earn a 75% equity interest in the Joint Venture through expenditure of $750,000 by 30 June 2017, and had spent approximately $575,000 by 30 June 2016.

During the year the Thurlga Joint Venture completed infill soil sampling programmes and interpreted previously acquired geophysical data, defining four targets which are under consideration for drill testing in the coming financial year.

DRUMMOND EPITHERMAL GOLD PROJECT

Adelaide Resources holds 100% equity in four tenements securing an area of 838 km^2 in the northern Drummond Basin in Queensland. The Drummond Basin is prospective for high grade epithermal gold deposits such as the Pajingo Field which has produced approximately 3 million ounces of gold.

During the year a 25 hole diamond drilling programme tested the South West Limey Dam prospect, with the drilling partly funded through a $100,000 grant from the Queensland Government. Drill holes were completed at the Alexandra, Nadia and Anna veins in the north of the prospect, and below a large arsenic anomaly in the south.

Intersections at Alexandra included 0.71 metres at 9.11g/t gold; and 0.70 metres at 1.43g/t gold. Anomalous gold is present at Nadia while the Anna holes intersected quartz veins up to five metres true width and recorded 0.94 metres at 0.64g/t gold; and 5.05 metres at 0.14g/t gold.

Holes testing below the large arsenic anomaly in the south of the prospect encountered intervals of gold and silver mineralisation. Gold results included 19.0 metres at 0.19g/t gold; and 5.2 metres at 0.34g/t gold. Silver results include 96.5 metres at 1.01g/t.

Surface prospecting and rock chip sampling defined four targets warranting future drill testing. Sampling of extensive outcropping epithermal quartz veins at the Bunyip prospect recorded a maximum of 19.65g/t gold confirming high grade potential. Anomalous arsenic, shallow level quartz vein textures, and the presence of sinters indicate that the Bunyip epithermal system is only eroded to shallow levels with any gold zone potentially preserved at depth.

At Poppi's prospect surface samples of colloform banded quartz veining record gold assays of 6.04g/t, 4.06g/t and 3.54g/t gold, while epithermal quartz at Roo Tail prospect assayed 2.19g/t and 1.09g/t gold.

At the Central Limey Dam prospect, samples collected from numerous discontinuous epithermal veins in the eastern part of the prospect contain anomalous gold in the 0.1-1.0g/t range. 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.

The Company plans to conduct drilling programmes to test one or more of the recently defined targets in the 2016/17 financial year. Programmes of low cost surface exploration, including rock chip sampling and soil geochemistry, are planned once the 2016 tenement applications are granted, while opportunities to further build the Company's ground position in the Drummond Basin will be pursued.

LITHIUM INITIATIVE

In response to market interest the Company has assembled a portfolio of properties that show potential to be prospective for lithium deposits. Lithium is extracted from both hard rock deposits and lithium brines associated with salt lakes, and tenements with potential for both styles of deposit have been pegged.

The Company has applied for tenements in the Davenport Ranges area of the Northern Territory and in the Coolgardie area in Western Australia which have not been explored for lithium previously. The Davenport Ranges tenement secures two historical pegmatite related tungsten-tantalum-niobium occurrences, metals that commonly accompany lithium. The Coolgardie tenement secures a package of greenstones intruded by pegmatite dykes near the western contact of a large granitoid, a geological setting closely analogous to the Lithium Australia/Focus Minerals "Lepidolite Hill" lithium project located 25 km to the east.

Lithium brine deposits are found in near-surface aquifers associated with salt lakes that form in the arid latitudinal belts north and south of the equator, and the Company has applied for tenements over several salt lakes in South Australia. 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 catchment areas.

Preliminary sampling programmes to assess if lithium is present at elevated concentrations in both the hardrock and lake brine tenements is planned once the titles are granted.

MOONTA AND ROVER COPPER-GOLD PROJECTS

Efforts to deliver shareholder value through third party involvement in these copper dominant projects continued during the year. Several parties reviewed project data under confidentiality agreement, with discussions underway at year end with groups interested in both opportunities.

Outlook and future developments

Subject to funding, the planned exploration and evaluation programme for the 2016/17 financial year includes:

- Metallurgical testwork to establish gold recoveries and flow sheet design at the Barns gold deposit on the Eyre Peninsula Gold Project;
- Reverse circulation drilling at the Baggy Green gold prospect on the Eyre Peninsula Gold Project;
- Mineral inventory modelling potentially leading to resource estimation for the Baggy Green gold prospect on the Eyre Peninsula Gold Project;
- Further development of the biogeochemical sampling method on the Eyre Peninsula Gold Project including possible drill testing at the Empire and Baggy Green North targets;
- Drill testing of four targets identified to date by the Thurlga Joint Venture;
- Reverse circulation drilling at the Bunyip prospect and potentially other targets on the Drummond Epithermal Gold Project in northern Queensland;
- Upon tenement grant, rock chip sampling and FPXRF soil geochemistry to identify new drill targets on two Drummond Epithermal Gold Project tenements pegged in 2016;
- Upon tenement grant, low cost sampling programmes to confirm the presence of lithium on the hardrock tenements in Western Australia and the Northern Territory, and in salt lake brines in South Australia; and
- Continuing actions to deliver value from the copper dominant projects at Rover in the Northern Territory and Moonta in South Australia.

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

On 19 July 2016 the Company announced the completion of a share placement totalling 44,416,232 ordinary shares at an issue price of 1.9 cents per share to professional and sophisticated investors raising $816,050 before costs to primarily fund further exploration drilling activities on both the Eyre Peninsula and Drummond Gold Projects along with undertaking some preliminary low cost sampling for lithium on recently acquired hard rock lithium and lithium brine tenements.

On 16 August 2016 the Company announced that it had been successful in securing a total of $290,000 in PACE Discovery Drilling 2016 grants from the South Australian Government to be used to assist in funding exploration drilling programmes on the Eyre Peninsula over the coming financial year.

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.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors attended by each director during the year ended 30 June 2016 was:

	Meetings held while in office	Meetings attended
C G Jackson	11	10
C G Drown	11	11
N J Harding	11	11
J P Buckley	11	11

The Company held two meetings of the Audit and Risk Committee during the year ended 30 June 2016. The members of this committee comprise J P Buckley (Chairman) and C G Jackson.

There were two meetings held of the Remuneration Committee during the year ended 30 June 2016. The members of this committee comprise C G Jackson (Chairman) and J P Buckley.

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 ISSUED UNDER THE LFESP OR ISSUED ON MEETING THE PERFORMANCE CONDITIONS

Details of issued shares under the LFESP as at the date of this report were:

Issuing entity	Number of shares under LFESP	Class of shares	Exercise price of LFESP shares	Vesting date of LFESP shares	Expiry date of LFESP shares
Adelaide Resources Limited	7,000,000	Ordinary	$0.01	31 December 2016	1 January 2021
Adelaide Resources Limited	2,940,000	Ordinary	$0.018	31 December 2016	30 June 2021

SHARES UNDER SHARE OPTIONS OR ISSUED ON EXERCISING OF SHARE OPTIONS

Details of unissued shares under share options as at the date of this report were:

Issuing entity	Number of shares under share options	Class of shares	Exercise price of share options	Expiry date of performance rights
Adelaide Resources Limited	37,203,437	Ordinary	$0.05	30 September 2016

Details of shares issued during or since the end of the financial year as result of the vesting of share options are:

Issuing entity	Number of shares under share option	Class of shares	Amount paid for shares	Amount unpaid on shares
Adelaide Resources Limited	18,667	Ordinary	$0.05	$nil

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 26 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.

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
C G Jackson	-	-	-
C G Drown	4,511,237	626,873	-
N J Harding	965,330	85,889	-
J P Buckley	650,000	227,500	-
	6,126,567	940,262	-

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

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.

Director and other key management personnel details

The following persons acted as key management personnel of the Group during or since the end of the financial year:

C G Jackson (Non-Executive Chairman)

C G Drown (Managing Director)

N J Harding (Executive Director and Company Secretary)

J P Buckley (Non-Executive Director)

M A Manly (Exploration Manager)

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2016:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Revenue	15,443	47,327	96,474	122,941	321,529
Net profit / (loss) before tax	(3,882,933)	(1,140,160)	(6,660,624)	(6,409,519)	(945,235)
Net profit / (loss) after tax	(3,940,324)	(1,189,928)	(6,684,454)	(6,486,545)	(980,480)

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Share price at beginning of the year	$0.02	$0.04	$0.10	$0.05	$0.10
Share price at end of year	$0.02	$0.02	$0.04	$0.10	$0.05
Basic earnings per share	$(0.0170)	$(0.0044)	$(0.0296)	$(0.0363)	$(0.0068)
Diluted earnings per share	$(0.0170)	$(0.0044)	$(0.0296)	$(0.0363)	$(0.0068)

No dividends have been declared during the five years ended 30 June 2016 and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2016.

There is no link between the Company's performance and the setting of remuneration except as discussed below in relation to performance rights and shares issued under the Loan Funded Employee Share Plan (LFESP) 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 or shares under the LFESP);
- 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 2016).

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

Non-executive director remuneration

The Board of Directors 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 $57,200 (2015: $57,200) per annum excluding statutory superannuation. The Non-executive Director is entitled to receive $34,920 (2015: $34,920) per annum excluding 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 service agreement with an entity associated with C G Drown, details of which are set out below.

Other key management personnel remuneration

The Company aims to remunerate other key management personnel at a level commensurate with their position and responsibility within the Company.

Currently the Company has a service agreement with an entity associated with N J Harding, details of which are set out below.

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 which was terminated on 31 January 2016. A new service agreement with M A Manly commenced from 1 February 2016 on a casual employment basis at a daily rate of $700 per day inclusive of 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.

2016	Short-term employee benefits Salary & fees(i)	Post employment superannuation	Termination benefits	Sub total	Share based payments(ii)	Total
	$	$	$	$		$
C G Jackson	57,200	5,434	-	62,634	-	62,634
C G Drown	244,225	-	-	244,225	3,040	247,265
N J Harding	222,952	-	-	222,952	8,236	231,188
J P Buckley	34,920	3,317	-	38,237	-	38,237
M A Manly	186,428	17,711	37,108	241,247	2,002	243,249
2016 Total	745,725	26,462	37,108	809,295	13,278	822,573

i) *Includes consulting fees paid.*

ii) *Share based payments do not represent cash payments to key management personnel and the related shares may or may not ultimately vest. The amounts include a negative adjustment for performance rights granted in prior years that forfeited during the year due to not meeting the performance conditions (C G Drown $18,677 and N J Harding $9,388).*

2015	Short-term employee benefits Salary & Fees(i)	Post employment superannuation	Shares issued in lieu of director fees	Sub total	Performance rights(ii)	Total
	$	$	$	$		$
C G Jackson	20,258	1,925	-	22,183	-	22,183
C G Drown	281,125	-	-	281,125	(65,317)	215,808
N J Harding	224,175	-	-	224,175	(31,615)	192,560
J P Buckley	33,420	3,175	1,500	38,095	-	38,095
M I Hatcher(iii)	26,389	2,507	1,500	30,396	-	30,396
J J den Dryver(iii)	11,931	1,133	-	13,064	-	13,064
M A Manly	187,923	17,853	-	205,776	1,602	207,378
2015 Total	785,221	26,593	3,000	814,814	(95,330)	719,484

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 include a negative adjustment for performance rights granted in prior years that forfeited during the year due to not meeting the performance conditions (C G Drown $89,858, N J Harding $44,929 and M A Manly $15,736).

iii) Retired as a director during the year ended 30 June 2015.

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 a service agreements with an entities associated with C G Drown and N J Harding for a term of six months until 30 June 2016. Both service agreements are now currently being extended until new service agreements are formalised.

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

2016

Key management personnel	Terms
C G Drown	Daily rate of $1,250 for a minimum of 210 days per annum until 31 December 2015 when the daily rate was reduced to $860.
N J Harding	Daily rate of $1,050 for a minimum of 40 hours per month until 31 December 2015 when the daily rate was reduced to $765.

2015

Key management personnel	Terms
C G Drown	Daily rate of $1,250 for a minimum of 210 days per annum
N J Harding	Daily rate of $1,050 for a minimum of 40 hours per month

The Company may terminate any of the above agreements by giving one month and two months notice to the entities associated with C G Drown and N J Harding respectively. The entities associated with the key management personnel may terminate their agreements with one and two months' notice respectively. The Group has a contingent liability of $47,800 (2015: $128,625) in relation to these agreements, where the employee is not required to work out the notice period.

The Group entered into a consultancy agreement with J P Buckley on 7 April 2014 to provide consulting services on an as needs basis at the rate of $2,000 per day. There were no payments made under this agreement during the year (2014: $nil).

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

Performance rights held by key management personnel

The Company issues performance rights to key management personnel for no consideration Each performance right entitles the holder to one fully paid ordinary share in the Company upon vesting, as long as the holder remains employed by the Company.

At the Annual General Meeting held on the 25 November 2014, the shareholder's approved the granting of 750,000 performance rights to the Managing Director under the Adelaide Resources Limited Performance Rights Plan (the value of these performance rights were $18,677). The performance rights vest on the achievement of all of the KPI's, set out below, by 31 December 2015.

- 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 (December 2014) 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.

As the above conditions relating to the 750,000 performance rights were not met by 31 December 2015, the performance rights forfeited. The value of performance rights forfeited was $18,677.

At the Annual General Meeting held on the 30 November 2015, the shareholder's approved the granting of 375,000 performance rights to the Executive Director under the Adelaide Resources Limited Performance Rights Plan (the value of these performance rights were $9,388). The performance rights vest on the achievement of all of the KPI's, set out below, by 31 December 2015.

- 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 (December 2014) 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.

As the above conditions relating to the 375,000 performance rights were not met by 31 December 2015, the performance rights forfeited. The value of performance rights forfeited was $9,388.

Shares held by key management personnel under the Loan Funded Employee Share Plan

At the Annual General Meeting held on 30 November 2015 the shareholders approved the Company's LFESP. Fully paid ordinary shares will be held by the trustee of the LFESP and transferred to key staff member of the Company on achieving certain Company and personal KPIs and the payment of the share issue price, as long as the holder remains employed by the Company. An interest-free loan will be provided by the Company to each key staff member to acquire the shares that are held by the trustee under the terms of the LFESP.

At the Annual General Meeting held on the 30 November 2015, the shareholder's approved the granting of 4,500,000 fully paid ordinary shares to the Managing Director and 2,500,000 ordinary shares to the Executive Director under the LFESP (the value of these shares issued to the Managing Director and Executive Director were $24,119 and $13,400 respectively). The shares are to be transferred to the director on the achievement of those KPI's met by 31 December 2016 and the payment of $0.01 per share for those shares to which vested by 1 January 2021.

The KPIs for the Managing Director are as follows:

- up to 2,250,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2016; and
- up to 2,250,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2016.

The KPIs for the Executive Director are as follows:

- up to 1,000,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2016; and
- up to 1,500,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2016.

On the 30 June 2016, the Company granted 1,500,000 fully paid ordinary shares to the Exploration Manager (M A Manly) under the LFESP (the value of these shares issued were $4,037). The shares are to be transferred to the Exploration Manager on the achievement of those KPI's met by 31 December 2016 and the payment of $0.018 per share for those shares to which vested by 30 June 2021.

The KPIs for the Exploration Manager are as follows:

- up to 600,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2016; and
- up to 900,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2016.

Value of performance rights and shares issued under the LFESP – basis of calculation

- Value of performance rights granted at grant date or shares issued under the LFESP is calculated by multiplying the fair value of performance rights at grant date or shares issued under the LFESP by the number of performance rights granted during the financial year.
- Value of performance rights or shares issued under the LFESP 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 or shares issued under the LFESP vested) by the number of performance rights or shares issued under the LFESP vested during the financial year.
- Value of performance rights or shares issued under the LFESP forfeited/cancelled at the lapsed date is calculated by multiplying the fair value of performance rights or shares issued under the LFESP at the time they forfeited/cancelled multiplied by the number of performance rights or shares issued under the LFESP forfeited/cancelled during the financial year.

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

Equity holdings of key management personnel as at 30 June 2016

Fully paid ordinary shares issued by Adelaide Resources Limited

	Balance 01/07/15	Issued in lieu of director fees	Issued as result of share purchase plan	Issued on vesting of performance rights	Other Changes	Balance 30/06/16
C G Jackson	-	-	-	-	-	-
C G Drown	3,761,237	-	750,000	-	-	4,511,237
N J Harding	715,330	-	250,000	-	-	965,330
J P Buckley	550,000	-	100,000	-	-	650,000
M A Manly	350,000	-	100,000	-	-	450,000

Listed options issued by Adelaide Resources Limited

	Balance 01/07/15	Granted	Exercised	Forfeited/ cancelled	Balance 30/06/16	Vested and exercisable
Directors						
C G Drown	626,873	-	-	-	626,873	See note 14 for details
N J Harding	85,889	-	-	-	85,889	See note 14 for details
J P Buckley	227,500	-	-	-	227,500	See note 14 for details

Performance rights issued by Adelaide Resources Limited

	Balance 01/07/15	Granted	Exercised	Forfeited/ cancelled	Balance 30/06/16	Vested and exercisable
C G Drown	750,000	-	-	750,000	-	See note 16 for details
N J Harding	-	375,000	-	375,000	-	See note 16 for details
M A Manly	-	-	-	-	-	See note 16 for details

Shares held by the trustee of the LFESP

	Balance 01/07/15	Granted	Exercised	Forfeited/ cancelled	Balance 30/06/16	Vested and exercisable
C G Drown	-	4,500,000	-	-	4,500,000	See note 16 for details
N J Harding	-	2,500,000	-	-	2,500,000	See note 16 for details
M A Manly	-	1,500,000	-	-	1,500,000	See note 16 for details

Signed at Adelaide this **15th day of September 2016**
in accordance with a resolution of the Directors.

C G Drown
Managing Director

J P Buckley
Non-executive Director

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

11 Waymouth Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

Tel: +61 8 8407 7000
Fax: +61 8 8407 7001
www.deloitte.com.au

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

15 September 2016

Dear Board Members

Re: 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 2016, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Note	Year ended 30/06/16 $	Year ended 30/06/15 $
Revenue	4(a)	15,443	47,327
Other income	4(b)	88,150	127,453
Impairment of exploration expenditure	8	(2,452,260)	-
Exploration expense written off	8	(515,555)	(407,239)
Administration expenses		(391,113)	(389,353)
Corporate consulting expenses		(264,843)	(338,567)
Company promotion		(67,840)	(44,075)
Salaries and wages		(114,296)	(51,871)
Directors fees		(92,120)	(94,998)
Occupancy expenses		(73,299)	(84,591)
Share based remuneration		(15,200)	95,754
Loss before income tax	4(b)	(3,882,933)	(1,140,160)
Tax expense	5	(57,391)	(49,768)
Loss for the period		(3,940,324)	(1,189,928)
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the period		(3,940,324)	(1,189,928)
Earnings Per Share			
Basic (cents per share) – (Loss)/profit	24	(1.17)	(0.44)
Diluted (cents per share) – (Loss)/profit	24	(1.17)	(0.44)

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 2016

	Note	Year ended 30/06/16 $	Year ended 30/06/15 $
CURRENT ASSETS			
Cash and cash equivalents		348,398	1,603,699
Trade and other receivables	6	54,305	45,911
TOTAL CURRENT ASSETS		402,703	1,649,610
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	8	9,978,588	11,759,726
Plant and equipment	9	24,920	68,853
Other financial assets	7	100,171	100,171
TOTAL NON-CURRENT ASSETS		10,103,679	11,928,750
TOTAL ASSETS		10,506,382	13,578,360
CURRENT LIABILITIES			
Trade and other payables	10	195,964	387,011
Provisions	11	-	24,825
TOTAL CURRENT LIABILITIES		195,964	411,836
NON-CURRENT LIABILITIES			
Provisions	12	11,626	35,272
Other liabilities	13	793,400	501,783
TOTAL NON-CURRENT LIABILITIES		805,026	537,055
TOTAL LIABILITIES		1,000,990	948,891
NET ASSETS		9,505,392	12,629,469
EQUITY			
Issued capital	14	37,034,867	36,233,820
Reserves	15	26,984	11,784
Accumulated losses		(27,556,459)	(23,616,135)
TOTAL EQUITY		9,505,392	12,629,469

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 2016

	Issued capital $	Employee equity-settled benefits reserve $	Accumulated losses $	Total $
Balance at 1 July 2014	34,058,144	1,512,703	(23,779,442)	11,791,405
Loss attributable to the period	-	-	(1,189,928)	(1,189,928)
Total comprehensive income for the period	-	-	(1,189,928)	(1,189,928)
Issue of share capital through a rights issue at 3.0 cents	2,235,259	-	-	2,235,259
Costs associated with the issue of shares	(165,893)	-	-	(165,893)
Related income tax	49,768		-	49,768
Fair value of performance rights issued to employees	-	84,669	-	84,669
Performance rights forfeited as conditions not achieved	-	(180,423)	-	(180,423)
Shares issued in lieu of director fees	3,000	-	-	3,000
Shares issued on the exercise of listed options	1,612	-	-	1,612
Shares issued as a result of the vesting of performance rights	51,930	(51,930)	-	-
Transfer of cancelled or forfeited employee share options	-	(1,082,197)	1,082,197	-
Transfer of cancelled or forfeited employee performance rights	-	(271,038)	271,038	-
Balance at 30 June 2015	36,233,820	11,784	(23,616,135)	12,629,469
Loss attributable to the period	-	-	(3,940,324)	(3,940,324)
Total comprehensive income for the period	-	-	(3,940,324)	(3,940,324)
Issue of share capital through a Share Purchase Plan and top-up placement at 2.0 cents	927,533	-	-	927,533
Issue of shares as part payment to a consultant at 1.6 cents	7,425	-	-	7,425
Costs associated with the issue of shares	(191,302)	-	-	(191,302)
Related income tax	57,391	-	-	57,391
Fair value of performance rights issued to employees	-	16,281	-	16,281
Fair value of shares issued to employees under the loan funded employee share plan	-	26,984	-	26,984
Performance rights forfeited as conditions not achieved	-	(28,065)	-	(28,065)
Balance at 30 June 2016	37,034,867	26,984	(27,556,459)	9,505,392

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 2016

	Inflows/(outflows)	
	Year ended 30/06/16 $	Year ended 30/06/15 $
Cash flows relating to operating activities		
Payments to suppliers and employees	(1,028,701)	(950,734)
Net operating cash flows (Note (a))	(1,028,701)	(950,734)
Cash flows relating to investing activities		
Interest received	16,118	52,262
Part refund of environmental bonds	-	2,829
Government grants received	379,117	393,006
Payments for exploration and evaluation expenditure	(1,367,900)	(1,487,881)
Proceeds from the sale of plant and equipment	-	150,000
Payments for plant and equipment	(698)	(973)
Net investing cash flows	(973,363)	(890,757)
Cash flows relating to financing activities		
Proceeds from share issues	927,533	2,236,871
Payments for capital raising costs	(180,770)	(167,731)
Net financing cash flows	746,763	2,069,140
Net increase in cash	(1,255,301)	227,649
Cash at beginning of financial year	1,603,699	1,376,050
Cash at end of financial year	348,398	1,603,699

Note (a): Reconciliation of loss for the period to net cash flow from operating activities.

Loss for the period	(3,940,324)	(1,189,928)
Interest revenue	(15,443)	(47,327)
Share based remuneration	22,625	(95,754)
Government grants	(87,500)	-
Shares issued in lieu of director fees	-	3,000
Depreciation	44,631	86,045
Gain on sale of plant and equipment	-	(126,578)
Exploration written off or impaired	2,967,815	407,239
(Increase) decrease in receivables	(4,614)	(9,484)
(Increase) decrease in deferred tax asset	57,391	49,768
Increase/(decrease) in payables	(24,811)	(1,391)
Increase/(decrease) in provisions	(48,471)	(26,324)
Net operating cash flows	(1,028,701)	(950,734)

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 2016

1 General information

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

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

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

2 Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period, resulting in no accounting policy changes and no changes to recognition and measurement.

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 affect the amounts recognised in the financial statements of the Group but may change the disclosure presently made in the financial statements of 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 15th September 2016.

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.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

ESTIMATION UNCERTAINTY

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

EXPLORATION AND EVALUATION EXPENDITURE

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

ORE RESERVE AND RESOURCE ESTIMATES

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC Code). Reserves determined in this way are taken into account in the calculation of impairment expenditure.

Going concern

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

For the year ended 30 June 2016 the Group incurred a net loss of $3,940,324 (30 June 2015: $1,189,928), had a net cash outflow from operating activities of $1,028,701 (30 June 2015: $950,734) and net cash outflows from investing activities (principally exploration and evaluation expenditure) of $973,363 (2015: $890,757). At 30 June 2016, the Group has cash reserves of $348,398 (30 June 2015: $1,603,699).

Subsequent to 30 June 2016 the Group:

- during July 2016 received the proceeds from a share placement of $816,050; and
- during August 2016 received notification that applications to receive up to $290,000 in PACE Discovery Drilling 2016 grants from the South Australian Government had been successful and the Group will commence the first drilling programme in late September 2016, submit a claim during November 2016 and anticipate receiving $127,000 during January 2017.

Note 27 to the financial statements contains further details about the above two items.

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

- raising capital by one of a combination of the following; placement of shares, a pro-rata issue to shareholders, the exercise of outstanding share options, and/or a further issue of shares to the public; and
- meeting its additional exploration commitment obligations by either farmout or partial sale of the group's exploration interests.

If the Group is unable to successfully complete the above steps, there is significant uncertainty as to whether the Company and the Group will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business.

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

Accounting Policies

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'.

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.

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.

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

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

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

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

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

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

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

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

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

g) Income tax

Current tax

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

Deferred tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacting by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

Tax consolidation

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

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

h) Joint ventures

Interests in jointly controlled operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint arrangements, the share of liabilities incurred in relation to the joint arrangements and the share of any expenses incurred in relation to the joint arrangements 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 structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 16.

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 Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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 30/06/16 $	Year ended 30/06/15 $
a) Revenue from continuing operations consisted of the following items		
Interest income:		
Bank deposits	15,443	47,327
b) Loss for the year includes the following gains and losses		
Other income		
Gain on sale of plant and equipment	-	126,578
Government grants	87,500	-
Other	650	875
	88,150	127,453
Other expenses		
Employee benefit expense:		
Post employment benefits:		
Accumulated benefit superannuation plans	50,129	66,249
Share based payments:		
Equity settled share-based payments (performance rights or shares issued under the LFESP)(i)	43,265	84,669
Shares issued in lieu of director fees	-	3,000
Termination benefits	70,604	-
Other employee benefits	999,290	1,221,741
	1,163,288	1,375,659
Less amounts capitalised in exploration and evaluation expenditure	(605,637)	(825,306)
	557,651	550,353
Share based remuneration (employees)(i):		
Current year amortisation of performance rights or shares issued under the LFESP	43,265	84,669
Performance rights forfeited as conditions not achieved	(28,065)	(180,423)
	15,200	(95,754)
Depreciation of plant and equipment	44,631	86,045
Operating lease rental expenses	73,299	84,591

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

5 INCOME TAX

	Year ended 30/06/16 $	Year ended 30/06/15 $
a) Income tax recognised in profit or loss		
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	(3,882,933)	(1,140,160)
Income tax income calculated at 30%	(1,164,880)	(342,048)
Share based payments	4,560	(28,726)
Other	1,710	615
Prior year tax losses now recognised	-	(410,697)
Tax losses previously recognised now not recognised	560,848	-
Current year tax losses not recognised	655,153	830,624
Tax expense	57,391	49,768

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.

	Year ended 30/06/16 $	Year ended 30/06/15 $
b) Recognised tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Trade and other receivables	(91)	(294)
Exploration and evaluation expenditure	(2,993,576)	(3,527,918)
IPO costs	-	1,658
Capital raising costs	100,710	84,923
Trade and other payables	16,477	16,012
Employee benefits	3,488	18,029
Other liabilities	58,883	32,633
	(2,814,109)	(3,374,957)
Tax value of losses carried forward	2,814,109	3,374,957
Net deferred tax assets / (liabilities)	-	-
c) Unrecognised deferred tax assets:		
A deferred tax asset has not been recognised in respect of the following item:		
Tax losses-revenue	7,265,760	6,049,759

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.

	Year ended 30/06/16 $	Year ended 30/06/15 $
d) Movement in recognised temporary differences and tax losses		
Opening balance	-	-
Recognised in equity	57,391	49,768
Recognised in income	(57,391)	(49,768)
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

	Year ended 30/06/16 $	Year ended 30/06/15 $
Interest receivable	304	979
Other receivables	54,001	44,932
	54,305	45,911

7 OTHER NON-CURRENT FINANCIAL ASSETS

	Year ended 30/06/16 $	Year ended 30/06/15 $
At amortised cost:		
Bank deposits (note 21 (e))	92,500	92,500
Environmental bonds	7,671	7,671
	100,171	100,171

8 EXPLORATION AND EVALUATION EXPENDITURE

	Year ended 30/06/16 $	Year ended 30/06/15 $
Costs brought forward	11,759,726	10,478,639
Expenditure incurred during the year	1,186,677	1,688,326
	12,946,403	12,166,965
Expenditure impaired	(2,452,260)	-
Expenditure written off	(515,555)	(407,239)
	9,978,588	11,759,726

As 30 June 2016 the Group is currently in discussions with various third parties to form joint ventures over a number of projects. The Directors have therefore impaired the capitalised expenditure associated with these projects to the indicative value as calculated from the proposed terms of the joint ventures under consideration. As at the date of this report no formal joint venture arrangements have been entered into.

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been surrendered $515,555 (2015: $407,239).

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

	Year ended 30/06/16 $	Year ended 30/06/15 $
Gross carrying amount		
Balance at beginning of financial year	423,249	711,584
Additions	698	973
Disposals and write offs	-	(289,308)
Balance at end of financial year	423,947	423,249
Accumulated depreciation		
Balance at beginning of financial year	(354,396)	(534,237)
Depreciation for year	(44,631)	(86,045)
Disposals and write offs	-	265,886
Balance at end of financial year	(399,027)	(354,396)
Net book value at beginning of financial year	68,853	177,347
Net book value at end of financial year	24,920	68,853

10 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Year ended 30/06/16 $	Year ended 30/06/15 $
Trade payables and accruals	195,964	387,011

11 CURRENT LIABILITIES – PROVISIONS

	Year ended 30/06/16 $	Year ended 30/06/15 $
Employee benefits	-	24,825

12 NON-CURRENT LIABILITIES - PROVISIONS

	Year ended 30/06/16 $	Year ended 30/06/15 $
Employee benefits	11,626	35,272

13 NON-CURRENT LIABILITIES – OTHER

	Year ended 30/06/16 $	Year ended 30/06/15 $
Deferred income (government grant)	793,400	501,783

14 ISSUED CAPITAL

	Year ended 30/06/16 $	Year ended 30/06/15 $
361,326,414 fully paid ordinary shares (2015: 304,545,685)	37,157,787	36,233,820
Treasury stock	(122,920)	-
	37,034,867	36,233,820

Movement in issued shares for the year:

	Number	Year ended 30/06/16 $	Number	Year ended 30/06/15 $
Fully paid ordinary shares				
Balance at beginning of financial year	304,545,685	36,233,820	229,079,813	34,058,144
Share Purchase Plan and top-up placement at 2.0 cents	46,376,667	927,533	-	-
Share issue under Loan Funded Employee Share Plan at 1.0 cent	7,000,000	70,000	-	-
Share issue under Loan Funded Employee Share Plan at 1.8 cents	2,940,000	52,920	-	-
Share issue as part payment to a consultant at 1.6 cents	464,062	7,425	-	-
Rights issue at 3.0 cents	-	-	74,508,622	2,235,259
Exercise of listed options	-	-	32,250	1,612
Conversion of performance rights	-	-	825,000	51,930
Shares issued in lieu of director fees	-	-	100,000	3,000
Costs associated with the issue of shares	-	(191,302)	-	(165,893)
Related income tax	-	57,391	-	49,768
Balance at end of financial year	361,326,414	37,157,787	304,545,685	36,233,820
Treasury stock				
Balance at beginning of financial year	-	-	-	-
Share issue under Loan Funded Employee Share Plan at 1.0 cent	(7,000,000)	(70,000)	-	-
Share issue under Loan Funded Employee Share Plan at 1.8 cents	(2,940,000)	(52,920)	-	-
Balance at end of financial year	(9,940,000)	(122,920)	-	-
Total issued capital	351,386,414	37,034,867	304,545,685	36,233,820

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.

At the 30 June 2016 there were 37,222,104 (2015: 37,222,104) listed share options on issue with an exercise price of 5.0 cents and expiry date of 30 September 2016. During the year no listed share options (2015: 32,250) were exercised.

15 RESERVES

	Year ended 30/06/16 $	Year ended 30/06/15 $
Employee equity-settled benefits	26,984	11,784
	26,984	11,784

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

16 EMPLOYEE SHARE BASED PERFORMANCE PLANS

The Group has a number of ownership-based compensation plans for executives, employees and consultants.

Performance Rights Plan

In accordance with the provisions of the Adelaide Resources Limited Performance Rights Plan, 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, as long as the holder remains employed by the Company. The performance rights are not listed, carry no rights to dividends and no voting rights.

As at 30 June 2015 a total of 750,000 performance rights, issued to the Managing Director and which vest on the achievement of a number of KPIs set by the Board of Directors for the 2015 calendar year, were on issue.

At the Annual General Meeting held on the 30 November 2015, the shareholder's approved the granting of 375,000 performance rights to the Executive Director. The performance rights vest on the achievement of a number of KPIs set by the Board of Directors for the 2015 calendar year.

During the year 1,125,000 performance rights were forfeited as the KPIs were not achieved.

The following performance rights were in existence during the financial year:

Rights – Series	Number	Grant date	Vesting date	Fair value at grant date
2014	750,000	25/11/2014	As described above	$0.025
2015	375,000	30/11/2015	As described above	$0.025

The weighted average fair value of the performance rights granted during the financial year is $0.025

Performance rights granted during 2015 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 2015 performance right pricing model:

Grant date share price	$0.025
Exercise price	$0.00
Expected volatility	75.4%
Performance rights expiry	31 December 2015

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

Performance Rights Plan	Number of performance rights 30/06/16	Weighted average exercise price 30/06/16 $	Number of performance rights 30/06/15	Weighted average exercise price 30/06/15 $
Balance at beginning of financial year	750,000	0.00	3,800,000	0.00
Granted during the financial year	375,000	0.00	750,000	0.00
Vested during the financial year	-	0.00	(825,000)	0.00
Forfeited during the financial year	(1,125,000)	0.00	(2,975,000)	0.00
Cancelled during the financial year	-	0.00	-	0.00
Balance at end of the financial year	-	0.00	750,000	0.00

As at 30 June 2016 there are performance rights outstanding.

Loan Funded Employee Share Plan

At the Annual General Meeting held on 30 November 2015 the shareholders approved the Company's LFESP. Fully paid ordinary shares will be held by the trustee of the LFESP and transferred to executives, employees and consultants of the Company on achieving certain Company and personal KPIs and the payment of the share issue price, as long as the holder remains employed by the Company. An interest-free loan will be provided by the Company to each staff member to acquire the shares that are held by the trustee under the terms of the LFESP.

At the Annual General Meeting held on the 30 November 2015, the shareholder's approved the granting of 4,500,000 shares to the Managing Director and 2,500,000 shares to the Executive Director under the LFESP and held by the trustee of the Plan at an issue price of $0.01 per share along with associated loans of the same value. The shares will transfer to the individual executive on the achievement of a number of KPIs set by the Board of Directors for the 2016 calendar year.

On 30 June 2016, Directors approved the issue of 2,940,000 shares to key staff members under the LFESP and held by the trustee of the Plan at an issue price of $0.018 per share along with associated loans of the same value. The shares will transfer to the individual staff member on the achievement of a number of KPIs set by the Board of Directors for the 2016 calendar year.

The following LFES shares were in existence during the financial year:

Rights - Series	Number	Grant Date	Vesting Date	Fair value at grant date
Series 1	7,000,000	30/11/2015	As described above	$0.005
Series 2	2,940,000	30/06/2016	As described above	$0.003

The weighted average fair value of the LFESP shares granted during the financial year is $0.004

LFESP shares granted during 2016 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 2016 LFESP shares pricing model:

	Series 1	Series 2
Grant date share price	$0.012	$0.011
Exercise price	$0.010	$0.018
Expected volatility	95.4%	99.7%
Vesting date if performance conditions met	31 December 2016	31 December 2016
Expiry date	1 January 2021	30 June 2021

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

Loan Funded Employee Share Plan	Number of LFESP shares 30/06/16	Weighted average exercise price 30/06/16 $	Number of LFESP shares 30/06/15	Weighted average exercise price 30/06/15 $
Balance at beginning of financial year	-	-	-	-
Granted during the financial year	9,940,000	0.012	-	-
Vested during the financial year	-	-	-	-
Forfeited during the financial year	-	-	-	-
Cancelled during the financial year	-	-	-	-
Balance at end of the financial year	9,940,000	0.012	-	-

The LFESP shares outstanding at the end of the financial year had an average exercise price of $0.012 and a weighted average remaining contractual life of 184 days.

17 KEY MANAGEMENT PERSONNEL COMPENSATION

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

C G Jackson (Non-Executive Chairman)

C G Drown (Managing Director)

N J Harding (Executive Director and Company Secretary)

J P Buckley (Non-Executive Director)

M A Manly (Exploration Manager)

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

	Year ended 30/06/16 $	Year ended 30/06/15 $
Short-term employee benefits	745,725	785,221
Post employment benefits	26,462	26,593
Termination payments	37,108	-
Shares issued in lieu of director fees	-	3,000
Share-based payments(i)	13,278	(95,330)
	822,573	719,484

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

	Year ended 30/06/16 $	Year ended 30/06/15 $
Audit or Review of the Company's financial report	43,950	43,000
Tax return preparation and advice	17,850	10,030
Rights issue prospectus consent	-	3,300
	61,800	56,330

The auditor of Adelaide Resources Limited is Deloitte Touche Tohmatsu.

19 RELATED PARTY DISCLOSURES

a) Equity interests in related parties

Equity interests in subsidiaries

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

Interests in joint ventures

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

b) Key management personnel compensation

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

c) Transactions with key management personnel

Other than as disclosed in note 16 and note 21(d), there were no transactions with key management personnel or their personally related entities during the year ended 30 June 2016 (2015: Nil).

20 JOINTLY CONTROLLED ASSETS

The Group had interests in unincorporated joint arrangements at 30 June 2016 as follows:

South Australia	Percentage interest 2016	Percentage interest 2015
Moonta Porphyry Joint Venture(i) – Copper/Gold Exploration	90%	90%
Kimba-Verran Joint Venture(i) – Copper/Gold Exploration	90%	90%
Thurlga Joint Venture(ii) – Copper/Gold Exploration	100%	100%

i) 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.

ii) Under the terms of the joint venture agreement, Investigator Resources Limited is required to spend $750,000 by 30 June 2017 on exploration activities on the Group's Thurlga tenement located on the Eyre Peninsula to earn a 75% equity interest in the tenement. Thereafter each party may contribute to ongoing expenditure in respect to their joint venture holding or else elect to dilute. Should a party's equity fall to 5%, its share will be automatically acquired by the other party in exchange for a 1% Net Smelter Royalty.

The amount included in mining tenements, exploration and evaluation (note 8) includes $213,757 (2015: $213,135) relating to the above joint arrangements.

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:

	2016 $	2015 $
Not later than one year:	627,761	831,050
Later than one year but not later than two years:	632,750	847,250
Later than two years but not later than five years:	1,973,250	2,761,250

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 27292 and 27372) 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 a service agreements with an entities associated with C G Drown and N J Harding for a term of six months until 30 June 2016. Both service agreements are now currently being extended until new service agreements are formalised.

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

2016

Key management personnel	Terms
C G Drown	Daily rate of $1,250 for a minimum of 210 days per annum until 31 December 2015 when the daily rate was reduced to $860.
N J Harding	Daily rate of $1,050 for a minimum of 40 hours per month until 31 December 2015 when the daily rate was reduced to $765.

2015

Key management personnel	Terms
C G Drown	Daily rate of $1,250 for a minimum of 210 days per annum
N J Harding	Daily rate of $1,050 for a minimum of 40 hours per month

The Company may terminate any of the above agreements by giving one month and two months notice to the entities associated with C G Drown and N J Harding respectively. The entities associated with the key management personnel may terminate their agreements with one and two months' notice respectively. The Group has a contingent liability of $47,800 (2015: $128,625) in relation to these agreements, where the employee is not required to work out the notice period.

The Group entered into a consultancy agreement with J P Buckley on 7 April 2014 to provide consulting services on an as needs basis at the rate of $2,000 per day. There were no payments made under this agreement during the year (2015: $nil).

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 (2015: $50,000) to the Central Land Council, Northern Territory,
- An environment bond of $10,000 (2015: $10,000) to the Minister for Mineral Resources Department, South Australia,
- A rent guarantee of $32,500 (2015: $32,500) to the landlord of the Company's leased office premises.

f) Operating lease

Operating lease relates to the lease of office space which expires on 31 January 2017 (2015: 31 January 2016) The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

	Year ended 30/06/16 $	Year ended 30/06/15 $
Not longer than 1 year	32,200	50,299
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	32,200	50,299

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

	Year ended 30/06/16 $	Year ended 30/06/15 $
Financial assets		
Cash and cash equivalents	348,398	1,603,699
Trade and other receivables	54,305	45,911
Other financial assets	100,171	100,171
Financial liabilities		
Amortised cost	195,964	387,011

Interest rate risk management

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 net profit would increase/decrease by $3,993 (2015: increase/decrease by $10,050). 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 has 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 $
2016		
Non-interest bearing	-	195,964
2015		
Non-interest bearing	-	387,011

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 30/06/16 Cents per share	Year ended 30/06/15 Cents per share
Basic earnings per share – Profit / (loss)	(1.17)	(0.44)
Diluted earnings per share – Profit / (loss)	(1.17)	(0.44)

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	(3,940,324)	(1,189,928)
	Number	Number
– Weighted average number of ordinary shares	335,886,709	269,691,968

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	(3,940,324)	(1,189,928)
	Number	Number
– Weighted average number of ordinary shares	335,886,709	269,691,968

	Year ended 30/06/16 Number	Year ended 30/06/15 Number
The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted profit / (loss) per share:		
– Performance rights	-	750,000
– Listed share options	37,222,104	37,222,104
– LFESP shares	9,940,000	-
	47,162,104	37,972,104

25 CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Parent entity			
Adelaide Resources Limited(i)	Australia	100%	100%
Subsidiaries			
Adelaide Exploration Pty Ltd(ii)	Australia	100%	100%
Peninsula Resources Pty Ltd(ii)	Australia	100%	100%
ADN LFESP Pty Ltd(ii) (iii)	Australia	100%	-

i) Head entity in tax consolidated group.

ii) Members of tax consolidated group.

iii) Incorporated during the current year for $10. The Company acts as the trustee to the Loan Funded Employee Share Plan.

26 PARENT ENTITY DISCLOSURES

	Year ended 30/06/16 $	Year ended 30/06/15 $
Financial position		
Assets		
Current assets	402,504	1,599,087
Non-current assets	9,310,480	11,477,494
Total assets	9,712,984	13,076,581
Liabilities		
Current liabilities	195,966	411,840
Non-current liabilities	11,626	35,272
Total liabilities	207,592	447,112
Equity		
Issued capital	37,034,867	36,233,820
Reserves	26,984	11,784
Accumulated losses	(27,556,459)	(23,616,135)
Total equity	9,505,392	12,629,469
Financial performance		
Profit / (loss) for the year	(3,940,324)	(1,189,928)
Other comprehensive income	-	-
Total comprehensive income	(3,940,324)	(1,189,928)

Commitment for expenditure and contingent liabilities if the parent entity
Note 21 to the financial statements disclose 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 EVENTS

On 19 July 2016 the Company announced the completion of a share placement totalling 44,416,232 ordinary shares at an issue price of 1.9 cents per share to professional and sophisticated investors raising $816,050 before costs to primarily fund further exploration drilling activities on both the Eyre Peninsula and Drummond Gold Projects along with undertaking some preliminary low cost sampling for lithium on recently acquired hard rock lithium and lithium brine tenements.

On 16 August 2016 the Company announced that it had been successful in securing a total of $290,000 in PACE Discovery Drilling 2016 grants from the South Australian Government to be used to assist in funding exploration drilling programmes on the Eyre Peninsula over the coming financial year.

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 *Corporations 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

J P Buckley
Non-executive Director

Adelaide, South Australia

15th September 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

11 Waymouth Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

Tel: +61 8 8407 7000
Fax: +61 8 8407 7001
www.deloitte.com.au

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 2016, 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 27 to 51.

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 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.

Deloitte.

Opinion

In our opinion:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 3 in the financial report which indicates that for the year ended 30 June 2016 the Group incurred a net loss of $3,940,324 (30 June 2015: $1,189,928), had a net cash outflow from operating activities of $1,028,701 (30 June 2015: $950,734) and a net cash outflow from investing activities of $973,363 (2015: $890,757). At 30 June 2016, the Group has cash and cash equivalents of $348,398 (30 June 2015: $1,603,699). These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns and therefore the company and the consolidated entity may be unable to realise their assets and extinguish their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 20 to 25 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants
Adelaide, 15 September 2016

Investor information

ANNOUNCEMENTS

The Company makes both statutory announcements (quarterly activities reports, financial reports, Appendix 5B cashflow statements, changes to directors' interests) and specific announcements under continuous disclosure provisions on a timely basis.

Significant announcements made since the start of the financial year include:

2015

1 July	Fourth Quarter Activities Report
13 July	Fourth Quarter Cashflow Report
24 July	16 metres at 3g/t gold in Eyre Peninsula drilling results
27 July	Drummond diamond drilling program underway
21 September	0.71m at 9.11g/t gold in first Drummond drill holes
24 September	Full Year Statutory Accounts 2014/15
24 September	Fully underwritten Share Purchase Plan
29 September	New Epithermal Gold Target defined at Drummond Project
1 October	First Quarter Activities Report
13 October	High grade gold improves Bunyip target credentials
16 October	Higher grade gold zones highlight Eyre Peninsula potential
23 October	Broad intervals of mineralisation in latest Drummond results
27 October	Results of Share Purchase Plan
29 October	Notice of Annual General Meeting/ Proxy Form
29 October	First Quarter Cashflow Report
12 November	Final South West Limey Dam drill results
30 November	Results of Meeting

SHARE PRICE MOVEMENTS

Share prices on the Australian Securities Exchange during the 2015-2016 year were:

Quarter ended	High	Low
September 2015	0.040	0.022
December 2015	0.028	0.009
March 2016	0.014	0.006
June 2016	0.027	0.011

2016

4 January	Second Quarter Activities Report
25 January	Second Quarter Cashflow Report
23 February	Drummond gold holding triples with new tenement applications
10 March	Half Year Accounts
15 March	Drummond field work recommences
22 March	Lithium prospective application lodged
23 March	New targets defined at Empire Copper Gold Prospect
1 April	Third Quarter Activities Report
21 April	Third Quarter Cashflow Report
27 April	Lithium brines to be investigated in SA
2 May	Lithium and gold portfolios grow with WA application
9 May	Additional gold drill targets defined at Drummond
18 May	Exploration Development Incentive Scheme
24 May	Resource Capital Research Report
30 May	Lithium brine potential expanded with 2 new salt lakes
8 June	Lithium brine portfolio increased
10 June	Retraction and Replacement - Barns Scoping Study release
19 July	Second Quarter Activities Report
19 July	Maiden 107,000 ounce gold resource for Barns deposit
19 July	Share Placement completed to advance gold projects
28 July	Second Quarter Cashflow Report
16 August	Successful PACE applications secure $290,000 in co-funding

Additional shareholder information

as at 15 September 2016

SUBSTANTIAL SHAREHOLDERS

	Shares
Buratu Pty Limited (Connolly Super Fund A/C)	76,530,000

DISTRIBUTION OF SHAREHOLDERS

	No. of holders	Ordinary shares
1-1,000	299	79,553
1,001-5,000	339	1,012,166
5,001-10,000	307	2,675,932
10,001-100,000	911	40,414,184
100,000-over	525	361,579,478
Total	**2,381**	**405,761,313**

All ordinary shares carry one vote per share without restriction.

At the closing price on SEATS at 15 September 2016 there were 1,309 shareholders with less than a marketable parcel of 29,412 shares

TOP 20 SHAREHOLDERS OF ORDINARY SHARES

		Shares	% Shares
1	Buratu Pty Limited (Connolly Super Fund A/C)	76,530,000	18.86%
2	Navigator Australia Limited (MLC Investment Sett A/C)	13,788,089	3.39%
3	MLB Holdings Pty Limited (MLB Family A/C)	13,500,000	3.32%
4	ADN LFESP Pty Ltd	9,940,000	2.44%
5	Greylands Super Pty Ltd (DJMS Super Fund A/C)	7,729,038	1.89%
6	Edward Garnet Bunn	5,000,000	1.22%
7	Norvest Projects Pty Ltd	4,500,000	1.10%
8	Chris Drown & Lynette Drown (C&L Drown Family A/C)	3,927,542	0.96%
9	Basil Catsipordas	3,250,000	0.79%
10	Jilldav Pty Ltd (Convoy Super Fund A/C)	3,115,000	0.76%
11	Robert Nairn Pty Ltd (Cherham A/C)	3,000,000	0.73%
12	George William Cridland	2,750,000	0.67%
13	Nurragi Investments Pty Ltd	2,530,263	0.61%
14	HS Superannuation Pty Limited (HS Superannuation Fund A/C)	2,500,000	0.61%
15	Keith Yates & Assoc Pty Limited (Yates Family Super Fund A/C)	2,451,158	0.59%
16	Keith Robert Yates	2,427,278	0.59%
17	Carmel Elizabeth Whiting	2,394,737	0.58%
18	Australian Executor Trustees Limited (No.1 Account)	2,320,166	0.56%
19	Dimitrios & Konstantina Piliouras (Energia Super Fund A/C)	2,250,000	0.54%
20	Meherali Pty Limited (Meherali Family S/F A/C)	2,220,096	0.54%
	Total of Top 20 holdings	**166,123,367**	**40.94%**
	Other holdings	239,637,946	59.06%
	Total fully paid shares issued	**405,761,313**	**100.00%**

LISTED OPTIONS AND PERFORMANCE RIGHTS

	Options
Exercise price of 5 cents and expiry date of 30 September 2016	37,203,437

There are no performance rights on issue.

Adelaide
RESOURCES

Registered and Principal Office

69 King William Road
Unley, South Australia 5061

PO Box 1210 UNLEY BC SA 5061

T: +61 8 8271 0600
F: +61 8 8271 0033

adres@adelaideresources.com.au
adelaideresources.com.au