



CHAIRMAN'S ADDRESS

Delivered at the 2005 Annual General Meeting

Tuesday 15 November 2005

AMP Building, 1 King William Street, Adelaide

Dear Shareholders

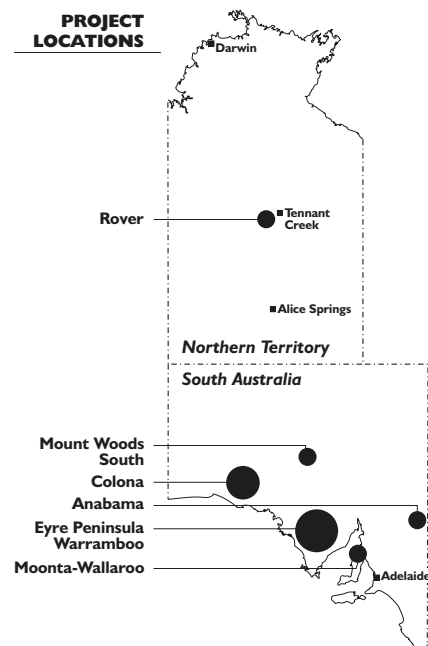
On behalf of the Board of Directors, I am pleased to report on a year involving discovery success and record exploration expenditure.

Strongly supported by joint ventures with major mining companies, expenditure on exploration of the company's projects reached a record \$2.9 million in the 2005 financial year, the third year in succession that our total effort has exceeded \$2 million.

During the financial year a number of changes took place in the structure of the Adelaide Resources' exploration program and these are deserving of mention. We acquired from Newmont Australia Limited 100% ownership of the exciting Rover gold-copper property in the Northern Territory while we saw the withdrawal of Newmont from the joint venture over the Eyre Peninsula Gold Project and Inco from the Barton Nickel Project.

The current structure of the program is evident in the diagram below. Proportionately less expenditure is currently contributed by other parties than was the case last year but these circumstances will likely change in 2006 as new joint ventures are negotiated. The broad spread of metals and minerals in the portfolio should be noted.

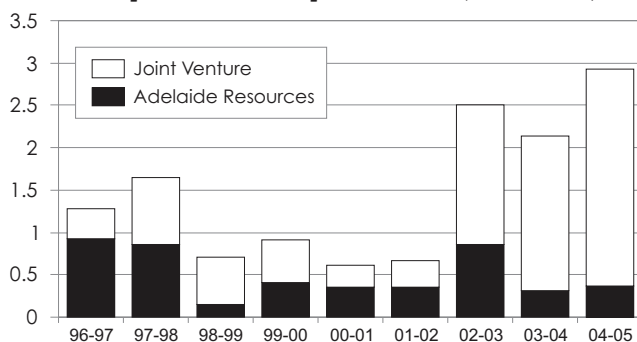
Your company has remained very active on the exploration front in the opening months of the new

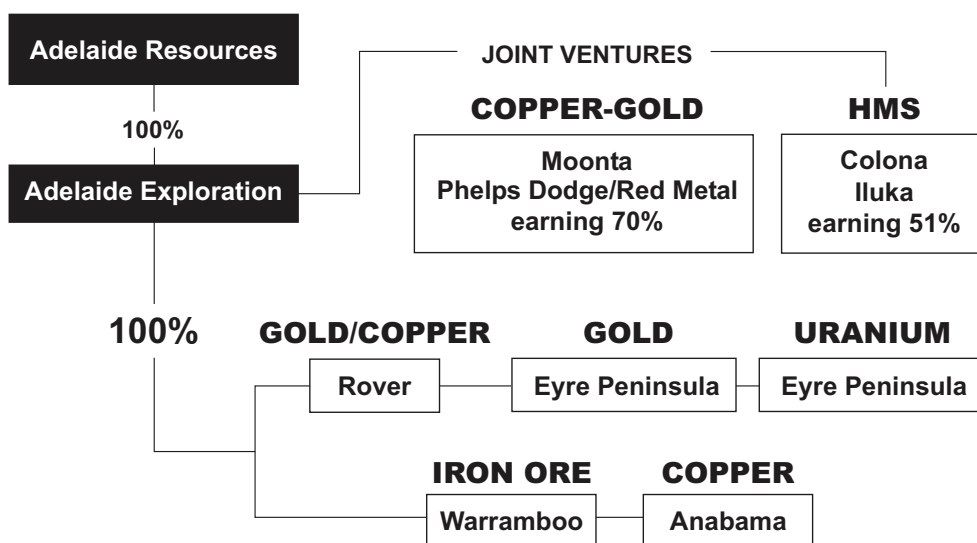


financial year. Only five days ago the **Colona Joint Venture** of Adelaide Resources and Iluka Resources Limited announced a mineral sands discovery at **Tripitaka** within the Eucla Basin in south-western South Australia.

Tripitaka is the third discovery of a mineral sands deposit in the basin. Iluka announced the first, Jacinth, on 5 November 2004, while the second find, Ambrosia, was announced on 17 December 2004. Both the Jacinth and Ambrosia deposits are on licences 100 per

Exploration Expenditure (\$million)





cent owned by Iluka as close as 5 km from the boundary with Adelaide Resources' tenements incorporated in the Colona Joint Venture.

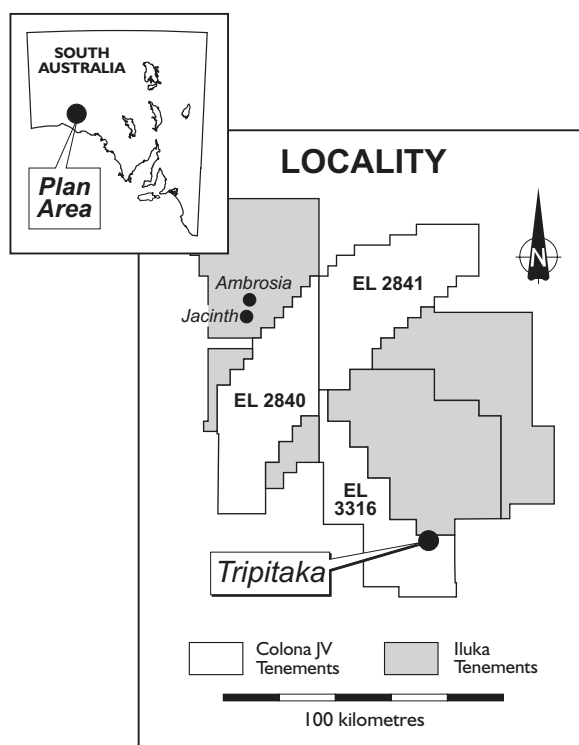
The combined resources in these two deposits are 8 million tonnes of heavy minerals of which 55% is zircon. This is a large resource, amounting to the equivalent of four years' world supply, and the zircon content is very high by world standards. Zircon is by far the most valuable component of heavy mineral sand deposits with the current selling price of around \$US600 per tonne likely to increase further in 2006.

Active exploration in the Eucla Basin was instigated a little over a year ago and, with three significant finds already, the basin is firmly on track to becoming a world-class zircon rich mineral sands province. This potential was recognised by South Australian Government geologists as early as 2003.

Laboratory results have been received from one drill traverse to date at Tripitaka although visible mineralisation has been intersected on other lines spaced 1 km apart both to the north and south. The discovery line shows mineralised intervals up to 15 metres at 2.9% heavy minerals commencing at depths as shallow as 6 metres. Most importantly a bulk concentrate from the analysed traverse showed an indicative 63% zircon content which is very high by world standards.

Zircon prices have risen strongly in recent years and, with the forecast of a significant global supply deficit, exceptional zircon rich deposits have the potential of generate high value heavy mineral concentrates.

Located 90 km south-west of Jacinth and Ambrosia and a similar distance north-west of Ceduna, Tripitaka is significantly closer to existing infrastructure than the first two discoveries. It is situated on a pastoral lease rather than in the Yellabinna Regional Reserve. The mineralisation, which has a similar mode of occurrence to the Jacinth and Ambrosia



deposits, is above the water table and has the potential to be mined using conventional technology. The existence of the other two deposits increases the potential significance of the Tripitaka discovery.

It is anticipated that the laboratory analyses for the drill samples from holes on the remaining traverses will be announced in December. Detailed infill drilling of Tripitaka, sufficient for resource estimation, is planned for early in 2006.

Under the terms of the June 2004 Colona Joint Venture agreement Iluka may earn a 51% interest in the cover sediments within three exploration licences totalling 5,250 sq km by spending \$1 million after drilling 2,500 metres in the first year. The latter obligation has been met and about \$250,000 has been spent against the \$1 million earn-in expenditure. Iluka's meeting the remainder of the earn-in requirement will ensure that substantially more exploration is completed before Adelaide Resources has the option to contribute and hold its 49% equity position.

Overall, the results to date are highly encouraging not only for Tripitaka but also for the chances of additional discoveries elsewhere as exploration progresses in the large, strategically situated, joint venture area. **We are hunting in a good paddock and the game has just begun!**

Tripitaka aside, Adelaide Resources has interests in a range of projects which have advanced to a stage where drilling is resulting in encouraging intersections. In this regard your company has never been better positioned and we are enthusiastic about the discovery potential of a number of projects where drilling is in progress or imminent.

In March this year the acquisition from Newmont Australia Limited of the **Rover Gold-Copper Project**, near Tennant Creek in the Northern Territory was negotiated. This project is exciting because it is focussed on a potentially fertile outlying sector of the Tennant Creek Goldfield which, as a result of a 23 year hiatus in activity, is substantially underexplored. The results of the limited drilling to date clearly demonstrate its potential.

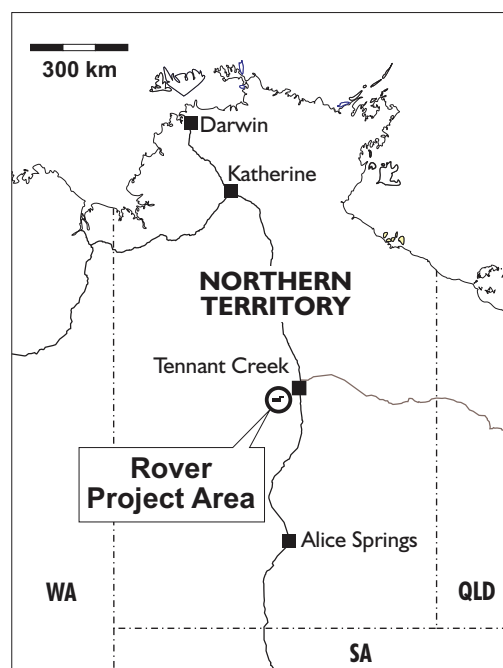
The Tennant Creek area has a history of producing bonanza gold deposits which, by virtue of their high grades, have proved to be company makers for their discoverers. These are our exploration targets at Rover and economic modelling shows that if we discover a deposit comparable to the top four historic mines at Tennant Creek we will potentially have an orebody mineable even at depths of 200 metres or more.

Diamond drilling to test the Rover 12 magnetic anomaly began in October and the geology and assay results from the first hole clearly confirm that this sizeable magnetite body has a chemical signature indicative of mineralised ironstones in the Tennant Creek field. The second hole has been completed and assays are awaited, while a third hole has been collared.

Tennant Creek orebodies occupy only part of their larger ironstone hosts. As a result a number of holes must be drilled to provide a statistically acceptable chance of intersecting a high grade gold section.

Weather conditions permitting, drilling of up to 3,000 metres is planned in the current program with the initial focus on Rover 12.

In the **Moonta-Wallaroo Joint Venture** with the Phelps Dodge / Red Metal Alliance, application of a combination



of calcrete geochemistry and gravity surveys is beginning to pay dividends. At the **Wombat Prospect** near Wallaroo, one of only three diamond core holes intersected a promising interval of 10 metres at 2.45% copper and 0.7 g/t gold within a 36 metre zone at 1.14% copper.

Further drilling to test Wombat and nearby impressive anomalies is planned to commence in December following the harvest season, and to continue into the first quarter at 2006.

In the three projects I have discussed so far we have achieved either a discovery or positive leads. As a consequence our exploration has mounting momentum which will carry on into 2006.

To ensure that there is an optimal mix, a balanced flow of quality projects into our program is always required. We are pleased to report that the Eyre Peninsula uranium initiative is very much alive while new angles are looming in the ongoing gold search in this large tenement holding. It is anticipated that these two projects will assume greater prominence in the coming year.

Turning now to **iron ore at Warrambo**, your Board decided earlier this year that, in view of the buoyant market, an invitation should be extended to parties who may be interested in investing in the project. We are pleased to report that, at this stage, negotiations with the selected party are at an advanced stage. Signing of agreements would result in the early commencement of a significant exploration program designed to drill the potentially high grade sections of the extensive iron formations.

From a corporate viewpoint our Board was restructured in March with the appointment of Chris Drown as exploration director and John den Dryver, an experienced mining engineer, as a non-executive director following the resignation of Dr Kevin Wills. These appointments have strengthened the Board and broadened its skills base.

During the year two placements raised a net \$2 million to ensure that there was adequate funding for the first stage drilling program at Rover and for exploration which is contemplated elsewhere. The company is in a sound financial position at present and the Board will continue to monitor cash reserves to ensure that adequate funding is available to meet our objectives.

We are now seeing the benefits of a deliberate drive for quality in our exploration portfolio, the forging of joint venture relationships with major mining companies and persistence which is normally inevitable for grassroots exploration success.

A significant step-change over the past three years has placed us in the sound position of having a number of quality projects in an advanced state, any one of which could feasibly turn-up a discovery to complement Tripitaka.

Our stated mission to create shareholder value by minerals discovery is firmly on track!

In closing I would like to congratulate our small team of staff, consultants and fellow directors on a year of proud achievement resulting from their efforts and commitment.

Thanks must go to our shareholders for their continuing support which is a very necessary element in the success formula



Keith Yates
Executive Chairman