

# **Adelaide Resources Limited**

(ACN 061 503 375)

## **FINANCIAL REPORT**

### **For the Half-Year Ended**

### **31 December 2005**

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## Directors Report

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

<b>Keith Robert Yates</b> Executive Chairman	BSc (Hons), FAusIMM
<b>John Patrick Horan</b> Non executive director	F CPA, FCIS
<b>John den Dryver</b> Non executive director	BE (Mining), MSc, FAusIMM
<b>Christopher George Drown</b> Executive Director	BSc (Hons), MAusIMM

The net result of operations for the half-year was a loss of \$630,381 (2004: \$200,634).

## Review of Operations

Exploration was dominated by the successful discovery of the Triptaka mineral sand deposit by the Colona Joint Venture of Iluka Resources Limited and Adelaide Resources Limited in the Eucla Basin of South Australia.

The discovery of Tripitaka lends further support to forecasts of the Eucla Basin having the potential to develop into a world class zircon rich mineral sand producing province.

Iluka is currently earning a 51% interest in the joint venture by spending \$1 million. It is anticipated that Adelaide Resources will be required to contribute its 49% share of ongoing expenditure from mid-2006 after completion of resource definition drilling commencing in March.

Drilling by the Moonta-Wallaroo Joint Venture near Wallaroo, South Australia lead to the discovery of copper-gold mineralisation at the Wombat Prospect. Further drilling is in progress at the date of this report.

Exploration commenced on the company's 100% owned Rover gold-copper project near Tennant Creek, Northern Territory. During the December quarter three diamond core holes were completed with results confirming the discovery potential of the project.

Other less advanced gold, iron ore and uranium projects in South Australia were progressed. Drilling is proposed for the wholly owned Eyre Peninsula Gold Project in March 2006.

Adelaide Resources spent \$950,000 on exploration during the period while a further \$908,000 was spent on the company's properties by venturers.

## **Subsequent Events**

On 8 February 2006 the company issued 4 million shares at an issue price of \$0.50 per share to raise \$2 million for exploration of the company's mineral sands, gold, copper and uranium prospects and projects. This transaction has not been reflected in the financial period ended 31 December 2005.

## **Auditors Independence Declaration**

The auditor's independence declaration is included on page 4 of the half-year financial report.

Dated at Adelaide this 28<sup>th</sup> day of February 2006 and signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'J P Horan', written in a cursive style.

J P Horan  
Director

Deloitte Touche Tohmatsu  
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The Board of Directors  
Adelaide Resources Limited  
378 Unley Road  
UNLEY PARK SA 5061

28 February 2006  
Our Ref: amh/JJH

Dear Board Members

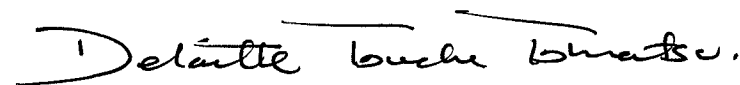
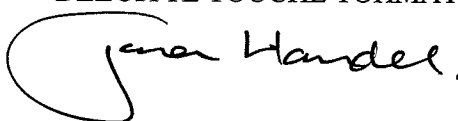
## Adelaide Resources Limited

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

As lead audit partner for the review of the financial statements of Adelaide Resources Limited for the half-year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU  


J J Handel  
Partner  
Chartered Accountants

Member of  
Deloitte Touche Tohmatsu

### Consolidated income statement for the half-year ended 31 December 2005

	Half-Year Ended 31/12/05	Half-Year Ended 31/12/04
	\$	\$
Revenue	116,835	151,423
Exploration expenditure written-off	( 47,229)	( 37,387)
Administration expenses	( 51,176)	( 53,890)
Shareholder relations	( 59,899)	( 61,540)
Corporate consulting expenses	( 89,588)	(102,120)
Non executive directors fees	( 25,000)	( 20,000)
Occupancy expenses	( 22,725)	( 21,064)
Salaries and wages	( 56,383)	( 56,056)
Share based remuneration (Note 2)	(395,216)	-
<b>Loss before income tax expense</b>	<b>(630,381)</b>	<b>(200,634)</b>
Income tax expense	-	-
<b>Loss for the period</b>	<b>(630,381)</b>	<b>(200,634)</b>
Earnings Per Share – Basic (Cents per share) – Loss	(0.96)	(0.34)
– Diluted (Cents per share) – Loss	(0.96)	(0.34)

*The above Income Statement should be read in conjunction with the accompanying notes.*

### Consolidated statement of recognised income and expense for the half-year ended 31 December 2005

	Half-Year Ended 31/12/05	Half-Year Ended 31/12/04
	\$	\$
Available-for-sale investments:		
Valuation loss taken to equity	(1,877)	-
<b>Net expense recognised directly in equity</b>	<b>(1,877)</b>	<b>-</b>
Loss for the period	(630,381)	(200,634)
<b>Total recognised income and expense for the period</b>	<b>(632,258)</b>	<b>(200,634)</b>

*The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.*

**Consolidated balance sheet as at 31 December 2005**

	<b>31/12/05</b>	<b>30/6/05</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,304,649	3,238,478
Trade and other receivables	108,123	95,138
<b>TOTAL CURRENT ASSETS</b>	<b>2,412,772</b>	<b>3,333,616</b>
<b>NON CURRENT ASSETS</b>		
Exploration and evaluation	3,780,537	2,893,236
Other financial assets	358,028	353,000
Plant and equipment	16,172	20,651
<b>TOTAL NON CURRENT ASSETS</b>	<b>4,154,737</b>	<b>3,266,887</b>
<b>TOTAL ASSETS</b>	<b>6,567,509</b>	<b>6,600,503</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	242,285	47,349
Provisions	8,182	7,514
<b>TOTAL CURRENT LIABILITIES</b>	<b>250,467</b>	<b>54,863</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	17,529	15,990
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>17,529</b>	<b>15,990</b>
<b>TOTAL LIABILITIES</b>	<b>267,996</b>	<b>70,853</b>
<b>NET ASSETS</b>	<b>6,299,513</b>	<b>6,529,650</b>
<b>EQUITY</b>		
Issued capital	11,211,877	11,211,877
Reserves	400,244	-
Accumulated losses	(5,312,608)	(4,682,227)
<b>TOTAL EQUITY</b>	<b>6,299,513</b>	<b>6,529,650</b>

*The above Balance Sheet should be read in conjunction with the accompanying notes.*

## Consolidated cash flow statement for the half-year ended 31 December 2005

	Half-Year Ended 31/12/05 Inflows (Outflows) \$	Half-Year Ended 31/12/04 Inflows (Outflows) \$
<b>Cash flows related to operating activities</b>		
Payments to suppliers and employees	(324,238)	(405,196)
Receipts from customers	26,396	121,185
<b>Net operating cash flows</b>	<u>(297,842)</u>	<u>(284,011)</u>
<b>Cash flows related to investing activities</b>		
Interest received	94,023	62,370
Payments for exploration and evaluation expenditure	(768,813)	(613,832)
Less reimbursed from co-venturers	39,554	182,745
Payments for plant and equipment	(751)	(3,859)
Proceeds on maturity of investments	-	200,000
<b>Net investing cash flows</b>	<u>(635,987)</u>	<u>(172,576)</u>
<b>Cash flows related to financing activities</b>		
Proceeds from share issues	-	1,604,500
Payment for share issue costs	-	(87,813)
<b>Net financing cash flows</b>	<u>-</u>	<u>1,516,687</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(933,829)	1,060,100
<b>Cash and cash equivalents at beginning of financial period</b>	3,238,478	1,735,737
<b>Cash and cash equivalents at end of financial period</b>	<u>2,304,649</u>	<u>2,795,837</u>

*The above Cash Flow Statement should be read in conjunction with the accompanying notes.*

**Notes to the financial statements**

Half-Year Ended 31 December 2005

**1. BASIS OF PREPARATION OF ACCOUNTS**

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

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in Note 7.

The accounting policies set out below have been applied in preparing the financial statements for the half year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in Note 7), the consolidated entity's date of transition, except for the accounting policies in respect of exploration and evaluation expenditure, and financial instruments.

The consolidated entity has not restated comparative information for exploration and evaluation expenditure, and financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for exploration and evaluation expenditure, and financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 annual financial report. The impact of changes in these accounting policies on 1 July 2005, the date of transition for exploration and evaluation expenditure, and financial instruments, is discussed further in Note 1 (n).

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

**a) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

**b) Employee benefits**

The directors have elected under section 334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 119 "Employee Benefits" (December 2004) and AASB 2004-3 "Amendment to Australian Accounting Standards", even though the standards are not required to be applied until accounting periods beginning on or after 1 January 2006.

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.

*Defined contribution plans*

Contributions to defined contribution superannuation plans are expensed when incurred.

**c) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditures in relation to separate areas of interest, for which rights of tenure are current, are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses 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.

Capitalised exploration costs are reviewed each reporting date to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs 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, accumulated expenditure will be tested for impairment, transferred 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.

Other financial assets are classified into the following specified categories; '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.

*Held-to-maturity investments*

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

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.

*Available-for-sale financial assets*

Certain investments held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

*Loans and Receivables*

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

**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**

At each reporting date, the consolidated entity 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 references 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 prior and periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).



**k) Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent company) and its subsidiaries as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired, exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

**l) Revenue recognition***Rendering of services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

*Interest revenue*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**m) Share-based payments**

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

**n) Comparative Information – exploration and evaluation, and financial instruments**

The consolidated entity has elected not to restate comparative information, as permitted on the first-time adoption of A-IFRS for financial instruments within the scope of Accounting Standards AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement", and, exploration and evaluation expenditure within the scope of AASB 6 "Exploration and Evaluation of Mineral Reserves".

There is no effect of changes in the accounting policies for financial instruments and exploration and evaluation expenditure on the balance sheet as at 1 July 2005.

The effect of changes in the accounting policy for financial instruments in the balance sheet as at 1 July 2005 is shown below:

	30/6/05	Effect on adoption	1/7/05
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3,238,478	-	3,238,478
Trade and other receivables	95,138	-	95,138
<b>TOTAL CURRENT ASSETS</b>	3,333,616	-	3,333,616
<b>NON CURRENT ASSETS</b>			
Exploration and evaluation expenditure	2,893,236	-	2,893,236
Other financial assets	353,000	6,905	359,905
Plant and equipment	20,651	-	20,651
<b>TOTAL NON CURRENT ASSETS</b>	3,266,887	6,905	3,273,792
<b>TOTAL ASSETS</b>	6,600,503	6,905	6,607,408
<b>CURRENT LIABILITIES</b>			
Trade and other payables	47,349	-	47,349
Provisions	7,514	-	7,514
<b>TOTAL CURRENT LIABILITIES</b>	54,863	-	54,863
<b>NON-CURRENT LIABILITIES</b>			
Provisions	15,990	-	15,990
<b>TOTAL NON-CURRENT LIABILITIES</b>	15,990	-	15,990
<b>TOTAL LIABILITIES</b>	70,853	-	70,853
<b>NET ASSETS</b>	6,529,650	6,905	6,536,555
<b>EQUITY</b>			
Issued capital	11,211,877	-	11,211,877
Reserves	-	6,905	6,905
Accumulated losses	(4,682,227)	-	(4,682,227)
<b>TOTAL EQUITY</b>	6,529,650	6,905	6,536,555

The following financial assets were designated as available-for-sale on adoption of AASB 139. These financial assets were previously measured at cost.

	Fair Value at 1 July 2005 \$	Carrying amount at 30 June 2005 \$
<b>Non-current financial assets</b>		
Income securities	359,905	353,000

The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed below. Similar adjustments were made at 1 July 2005 to restate the opening financial position of the consolidated entity to a position consistent with the accounting policies specified in note 1(a) to (m):

- (i) The measurement of financial assets designated as held-to-maturity and loans and receivables at amortised cost, rather than at cost or fair value in accordance with the superseded policy.
- (ii) The measurement of financial assets designated as fair value through profit or loss or available-for-sale at fair value, with changes in fair value recognised in profit or loss or equity as appropriate, rather than at cost in accordance with the superseded policy.

## 2. SIGNIFICANT ITEM

### Share based remuneration

During the half-year ended 31 December 2005 the company issued share options to the directors. These have been valued according to the Black-Scholes model and the calculated value has been recorded as an expense in the Income Statement

## 3. SEGMENT INFORMATION

The consolidated entity operates in the mining and exploration industry in Australia.

## 4. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2005.

## 5. SUBSEQUENT EVENTS

On 8th February 2006 the Company issued 4 million shares at an issue price of \$0.50 per share to raise \$2 million for exploration of the company's mineral sands, gold, copper and uranium prospects and projects. This transaction has not been reflected in the financial period ended 31 December 2005.

Other than the issue of shares disclosed above, no matters or circumstances have arisen since the end of the half year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

## 6. ISSUE OF SECURITIES

During the half-year ended 31 December 2005 no shares were issued by the company. During the half-year ended 31 December 2004 the company issued 5,700,000 fully paid shares at 28 cents each and 50,000 share options were exercised at 17 cents each.

On 15<sup>th</sup> November 2005 the company granted share options to the following directors:

Director	Number of options
K R Yates	1,000,000
J P Horan	1,000,000
J den Dryver	400,000
C G Drown	400,000

The share options are not listed and may be exercised at any time from the date of their issue.

The Black-Scholes model was used to value these options and the inputs used in the model are as follows

Grant date	15 November 2005
Exercise price	\$0.55
Company share price at grant date	\$0.46
Expiry date	14 November 2010
Volatility	30%
Risk free interest rate	6.5%

## 7. **IMPACT OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1. "First time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 July 2004 as the date of transition, except for exploration and evaluation expenditure, and financial instruments, including derivatives, where the date of transmission is 1 July 2005 (refer note 1 (n)).

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out below.

### **Effect of A-IFRS on the balance sheet as at 1 July 2004.**

There is no effect of A-IFRS on the balance sheet as at 1 July 2004.

### **Effect of A-IFRS on the income statement for the half-year ended 31 December 2004 and the year ended 30 June 2005.**

There is no effect of A-IFRS on the income statement for the half-year ended 31 December 2004 and the year ended 30 June 2005.

### **Effect of A-IFRS on the balance sheet as at 31 December 2004 and 30 June 2005.**

There is no effect of A-IFRS on the balance sheet as at 31 December 2004 and 30 June 2005.

### **Effect of A-IFRS on the cash flow statement for the financial year ended 31 December 2004.**

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

**Directors' Declaration**

The directors declare that:

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'J P Horan', written in a cursive style.

J P Horan  
Director

Adelaide, South Australia  
28 February 2006

## Independent review report to the members of Adelaide Resources Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, selected explanatory notes and the directors' declaration for the consolidated entity for the half-year ended 31 December 2005 as set out on pages 5 to 16. The consolidated entity comprises both Adelaide Resources Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review Approach*

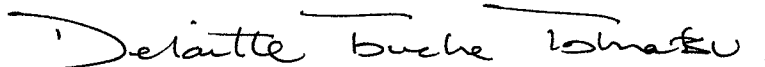
We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

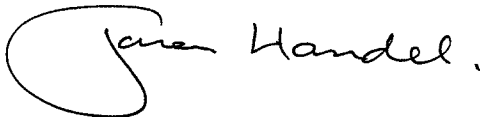
Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## Statement

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" and the Corporations Regulations 2001.

  
DELOITTE TOUCHE TOHMATSU



J J Handel  
Partner  
Chartered Accountants  
Adelaide, 28 February 2006