



## Australian Stock Exchange Announcement

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21 November 2006

### EYRE PENINSULA URANIUM JOINT VENTURE

#### *A major scale-up of uranium exploration for Adelaide Resources*

The Directors of Adelaide Resources are pleased to announce a new joint venture which will focus on exploration for uranium deposits located in extensive palaeochannels within the company's large tenement holding on the northern Eyre Peninsula, South Australia. (see plan)

**The joint venture is with Quasar Resources Pty Ltd, an affiliate of Heathgate Resources Pty Ltd and of General Atomics, a substantial private company based in San Diego USA.**

Since 2000 Heathgate Resources has operated the world's largest and most advanced in-situ leach (ISL) uranium mine at Beverley in South Australia. Beverley, one of three mines producing uranium in Australia, is licenced to export up to 1500 tonnes of uranium oxide per annum.

The principal terms of the joint venture agreement are:

- *The joint venture will apply to a defined area of 5277 sq km constituting a significant part of the Eyre Peninsula tenement holding.*

*Quasar will have rights to explore the cover sediments containing the palaeochannels over the full extent of the joint venture area, while the mineral rights in the underlying basement are restricted to part of the joint venture area.*

*Adelaide Resources retains the right to the minerals in the basement over a large part (2212 sq km) of the joint venture area where there are gold prospects, such as Barns and Baggy Green, defined by its previous exploration.*

- *Quasar will undertake to spend \$3 million over a maximum of four years commencing 1 January 2007 to earn a 60% interest.*
- *Quasar will commit to spend \$750,000 in Year 1 before having an option to withdraw. This spend is intended to include a minimum of 70 hole drilling program.*
- *During the term of the joint venture Quasar will spend a minimum of \$750,000 in any calendar year after Year 1, or pro rata on a time basis if it withdraws.*
- *After Quasar has earned it 60% interest Adelaide may elect to contribute and hold its equity position; contribute or dilute on a program by program basis; or immediately revert to a 25% equity free carried to a Decision to Mine.*
- *If Adelaide follows the dilution path its interest may not be diluted below 25% at which time the interest is free carried through a Decision to Mine.*

- *If Adelaide elects not to contribute to mine development it can opt to sell or revert to a 2% revenue based royalty.*

The Agreement is conditional on obtaining within six months, the usual ministerial consent and executing a deed of covenant with the royalty holder consenting (which consent is not to be unreasonably withheld) to the transfer of the 60% interest.

In 2005, Quasar Resources, in joint venture with Alliance Resources Limited, discovered the Beverley 4 Mile uranium deposit near the Beverley Mine. This potentially substantial deposit is widely recognised as the first significant uranium discovery in Australia since the Kintyre deposit was found in Western Australia in 1985. It is shaping as a likely mine development project for the two companies.

General Atomics, is one of the world's leading groups involved in nuclear technology and high technology systems development, ranging from the nuclear fuel cycle to remotely operated surveillance aircraft, airborne sensors and advanced electric, electronic, wireless and laser technologies.

### **Exploration Concept**

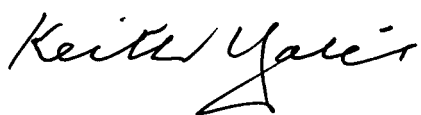
There are three extensive palaeochannel systems to be explored, Narlaby, Yaninee and Thurlga, each draining from a substantial area of granites showing anomalous uranium content. Exploration of these systems by Carpentaria Exploration Pty Ltd was first undertaken in the early 1980s when reconnaissance drilling intersected uranium mineralisation, at the time perceived to be of sub-economic grade. There has been no uranium exploration in the area since then.

It is now considered that the uranium mineralisation in these palaeochannels is likely to be in disequilibrium. This means that determining the uranium content of the sediments intersected in drill holes using downhole radiometric probes, such as those available in the 1980s, is likely to have resulted in inaccurate estimation of the actual uranium content.

To determine the precise uranium content downhole requires a relatively new instrument, a PFN probe (prompt fission neutron). Only two companies operating in Australia have this tool in their possession, Heathgate (Quasar) being one.

Quasar and Heathgate will bring to the joint venture a track record of recent success in discovering economic grade sediment hosted uranium mineralisation, and the skills and technology required to effectively explore for uranium in the palaeochannels on the Eyre Peninsula. If exploration success eventuates the group also has a high level of experience in in-situ leach mining which will prove very valuable.

**Adelaide Resources perceives the formation of this joint venture as a major step in the planned scale-up of its uranium exploration effort and welcomes the opportunity to co-operate with this experienced and successful group.**



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*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Keith Yates who is a Fellow of the Australasian Institute of Mining and Metallurgy, and who has sufficient experience relevant to the style of mineralisation, the type of deposit under consideration, and the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves (the JORC Code).*

*This report is issued in the form and context in which it appears with the written consent of the Competent Person, who is Executive Chairman of the Company.*

