



Adelaide Resources Limited

ACN 061 503 375

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2007

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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 2007. 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:

Keith Robert Yates BSc (Hons), FAusIMM - Executive Chairman

Keith Yates was appointed a director in 1994. He is a geologist with more than 40 years experience principally in mineral exploration and mine development for a range of metals in Australia, the Pacific and South East Asia.

During the 1980s he held senior positions and directorships with the Poseidon group of companies where he was closely associated with the discovery and development of several new gold mines.

Mr Yates is a past chairman of the Adelaide Branch of the Australasian Institute of Mining and Metallurgy, and chairman of the South Australian Resources Industry Development Board, and a member of the South Australian Mining and Petroleum Experts Group.

John Patrick Horan FCPA, FCIS – Non-executive Director and Company Secretary

John Horan was appointed a director in 1994. He is a Fellow of CPA Australia, a Fellow of the Chartered Institute of Secretaries in Australia, a member of the Finance and Treasury Association Limited and a member of the Australian Mining and Petroleum Law Association.

Mr Horan has more than 40 years' experience in financial, corporate, technical and management areas of the mining industry and has been a director of a number of listed public companies in Australia and overseas.

Mr Horan is currently chairman of ASX listed Marengo Mining Limited and is a director of Golden China Resources Corporation (listed on the Toronto Stock Exchange and ASX).

Christopher George Drown BSc (Hons), MAusIMM, MAICD - Executive Director

Chris Drown is a geologist with some 20 years experience in the minerals industry. He joined the Adelaide Resources team as exploration manager in March 1997 and became a director in 2005.

He was previously with Aberfoyle Resources Limited as senior exploration geologist (Eyre Peninsula, South Australia) from 1991 to 1994 and senior exploration geologist (Tanami Gold Province, Northern Territory) from 1994 to 1997.

In July 1987 he joined Aberfoyle as mine geologist and later, senior mine geologist at its Hellyer lead-zinc-silver mine in Tasmania until 1991.

Previously Mr Drown was an exploration and mine geologist at Western Mining Corporation Limited's gold and nickel operations at Kambalda in Western Australia.

John den Dryver BE (Mining), MSc, FAusIMM – Non-executive Director

John den Dryver is a mining engineer with some 30 years experience in operational and corporate management as well as extensive experience in mining project studies and implementation.

In 1982, Mr den Dryver joined the junior explorer North Flinders Mines Limited as the company's mining engineer to become part of the small team that discovered the Granites gold mine in the Tanami Desert in the Northern Territory. He was executive director of North Flinders from 1988 to 1997.

In 1997, after Normandy Mining Limited gained control of North Flinders, Mr den Dryver joined Normandy as executive general manager – technical, leading a team of specialist geologists, mining engineers and metallurgists.

In 2004 he set up his own mining consultancy business and is currently a non-executive director of Helix Resources Limited.

Paul John Dowd BSc (Eng) – Non-executive Director (Appointed 14 August 2006)

Paul Dowd, a mining engineer, has a professional career spanning more than 40 years, primarily in the private sector, but also served in the Public Sector as head of the Victorian Mines and Petroleum departments during the Kennett State Government. Until recently he was managing director of Newmont Australia Limited.

Prior to the merger with Newmont and Franco-Nevada, he was group executive – operations for Normandy Mining Limited with responsibility for the group’s global managed mining interests, including eight Australian operations and four spread over Africa, Europe and Asia.

Mr Dowd is chairman of the Board of the SA Resources & Engineering Skills Alliance, chairman of the Resources Sector Infrastructure Council of South Australia, a council member of the Parsons Brinkerhoff Australia Pacific Advisory Board and serves on several mining industry bodies and advisory councils and is a non-executive director of Regis Resources NL and Buka Gold Limited.

Directorships of other listed companies

| Name | Company | Period of Directorship |
|----------------|------------------------------------|------------------------|
| J P Horan | Golden China Resources Corporation | Since 2006 |
| | Marengo Mining Limited | Since 2003 |
| J J den Dryver | Helix Resources Limited | Since 2004 |
| P J Dowd | Buka Gold Limited | Since 2006 |
| | Regis Resources NL | Since 2006 |

Principal Activities

The principal continuing activity of the consolidated entity is the exploration for gold, copper, mineral sands, uranium, iron, nickel and other economic mineral deposits.

Financial Results

The net result of operations for the year was a loss after income tax of \$3,788,956 (2006: \$1,536,998).

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.

Review of Operations

a) Overview

During the year the consolidated entity carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying gold, copper, uranium, mineral sands, iron and other economic mineral deposits.

b) Review of Operations

The consolidated entity maintained active exploration and development programs during the year in South Australia and the Northern Territory while contributing its joint venture share to scoping and prefeasibility studies of the Tripitaka zircon deposit in the Eucla Basin SA.

Direct exploration and development expenditure was \$2.01 million with additional contribution from parties earning interests in certain joint ventures.

The prefeasibility study in progress for Tripitaka, scheduled for completion in the first quarter of 2008, is budgeted to cost \$3.5 million of which the company’s share is \$1.1 million. This study, which includes an upgrade of the resource estimate and exploration for an underground water supply, will provide the basis for a decision to proceed to a definitive feasibility study.

Exploration of the Rover copper-gold project NT continued with a diamond drilling program in the second half of 2006, while initial exploration at the Anabama copper project in South Australia commenced in the second half of 2006.

Uranium exploration was escalated with the intersection of promising values in drilling of the Ulysses Prospect on the Eyre Peninsula SA. In addition a key uranium joint venture was negotiated with Quasar Resources Pty Ltd to explore for uranium in the palaeochannels of the northern Eyre Peninsula, South Australia.

In recognition of the significant uranium potential of the company's South Australian tenement areas it was decided in June 2007 to proceed with an initial public offer (IPO) and separate listing of its 100% owned subsidiary, Eyre Energy Limited, the holder of its uranium exploration interests. After issue of the Eyre Energy prospectus on 26 July 2007 the company resolved to postpone the IPO on 17 August 2007 following the withdrawal of the underwriter as a result of stockmarket volatility and the significant decline in certain market indices.

Reconsideration of the Eyre Energy IPO awaits more stable market conditions. Meanwhile uranium exploration is proceeding especially under the joint venture with Quasar Resources.

During the year the consolidated entity raised an additional \$3.5 million by share placement with cash at year end totalling \$4.4 million.

A Review of Operations and Chairman's Message are contained elsewhere in the Annual Report.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

The Boards of Eyre Energy Limited and Adelaide Resources Limited decided on 17 August 2007 not to proceed at that time, with the initial public offer (IPO) of Eyre Energy Limited pursuant to the prospectus dated 26 July 2007.

Costs associated with the IPO have been accrued and expensed as at 30 June 2007.

A number of options to acquire shares in Eyre Energy Limited were issued to Eyre Energy Limited directors and consultants during July 2007, but have since lapsed as a result of the IPO not proceeding.

Other than the above there has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since 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 consolidated entity carries out exploration activities on its properties in South Australia and in the Northern Territory. No mining activity has been conducted by the consolidated entity on its properties. The consolidated entity's exploration operations are subject to environmental regulations under the various laws of South Australia, the Northern Territory, and the Commonwealth. While its exploration activities to date have had a low level of environmental impact, the consolidated entity has adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

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 |
|----------------|--------------------------------------|---|
| K R Yates | 5,727,278 | 1,000,000 |
| J P Horan | 1,777,000 | 1,000,000 |
| CG Drown | 373,000 | 975,000 |
| J J den Dryver | - | 500,000 |
| P J Dowd | - | 500,000 |
| | <u>7,877,278</u> | <u>3,975,000</u> |

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

Remuneration Report (Audited)

This report describes the compensation arrangements in place for the key management personnel of Adelaide Resources Limited.

Compensation Policy

Due to its size, the company does not have a remuneration committee. The compensation of executives and non-executive directors is reviewed by the Board with the exclusion of the director concerned. Compensation levels are determined by the Board on an individual basis at reasonable but competitive market rates. External advice on compensation matters is sought whenever it is deemed necessary. Other than the directors there are no other key management personnel.

All compensation paid to the key management personnel of the company is valued in accordance with applicable accounting standards and expensed. Share options provided to key management personnel are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their compensation annually, based upon market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate of fees that can be paid to non-executive directors is subject to approval by shareholders (currently \$175,000 per year). Fees for non-executive directors are not linked to the performance of the consolidated entity.

Performance Based Remuneration

The company currently has no performance based compensation component built into key management personnel compensation packages other than options to acquire shares in the company, approved by shareholders.

The key management personnel of the company comprise the two executive directors and three non-executive directors. There are no other key management personnel of the consolidated entity.

All directors received consulting fees to nominated companies in which the director has a controlling interest. In addition, Mr Horan and Mr den Dryver were paid directors' fees.

All directors hold options to acquire shares in the company. Two directors (Mr Drown and Mr den Dryver) hold options to acquire shares in the company which were granted prior to their appointment as directors, at which time they became key management personnel of the company. Mr Drown exercised 300,000 options during the year.

Compensation packages contain the following key elements:

- a) Short-term employee benefits – salary/fees
- b) Post employment benefits – superannuation
- c) Share-based payments – share options

The following table discloses the compensation of the key management personnel of the Group during the year.

| 2007 | Short-term employee benefits Salary & Fees (iii) \$ | Post Employment Superannuation \$ | Sub Total \$ | Share-based payments Options (ii) \$ | Total \$ |
|----------------|---|--------------------------------------|-----------------|--|-------------|
| K R Yates | 222,750 | - | 222,750 | - | 222,750 |
| J P Horan | 136,930 | 2,250 | 139,180 | - | 139,180 |
| C G Drown | 191,400 | - | 191,400 | - | 191,400 |
| J J den Dryver | 15,474 | 35,000 | 50,474 | - | 50,474 |
| P J Dowd (i) | 30,625 | - | 30,625 | 131,072 | 161,697 |
| 2007 Total | 597,179 | 37,250 | 634,429 | 131,072 | 765,501 |

- (i) Mr Dowd was appointed as a director on 14 August 2006.
- (ii) Share options do not represent cash payments to key management personnel and share options granted may or may not be exercised by the key management personnel.
- (iii) Includes consultancy fees paid to directors.

| 2006 | Short-term employee benefits Salary & Fees \$ | Post Employment Superannuation \$ | Sub Total \$ | Share-based payments Options (i) \$ | Total \$ |
|----------------|---|--------------------------------------|-----------------|---|-------------|
| K R Yates | 191,250 | - | 191,250 | 304,803 | 496,053 |
| J P Horan | 117,680 | 1,800 | 119,480 | 304,803 | 424,283 |
| C G Drown | 183,238 | - | 183,238 | 121,921 | 305,159 |
| J J den Dryver | 32,000 | 2,700 | 34,700 | 121,921 | 156,621 |
| 2006 Total | 524,168 | 4,500 | 528,668 | 853,448 | 1,382,116 |

Service Agreements

The consolidated entity entered into service agreements with Mr Yates and Mr Horan for a term of three years from 20 September 1996. In accordance with the provisions of the agreements, the terms of service were extended for a further three years on 1 October 1999 and 1 October 2002, and for a term of two years from 1 October 2005.

The consolidated entity also entered into a service agreement with Mr Christopher Drown, exploration manager, on 10 March 1997, renewable on an annual basis. Mr Drown was subsequently appointed to the Board of Directors on 31 March 2005, and the company entered into a new service agreement on 1 April 2005 for a term of 27 months.

Should any of the above agreements be terminated by the company earlier than their expiry date, a contingency exists for the contracted amount payable to the end of their terms. Mr Yates, Mr Horan and Mr Drown may terminate their agreements with three months notice. As at 30 June 2007, the consolidated entity a contingent liability in relation to these agreements of \$65,154 (2006: \$450,147).

Details of the current service agreements are set out below:

| Director | Terms |
|-----------|---|
| K R Yates | Daily rate of \$900 for a minimum of 200 days per annum |
| J P Horan | Daily rate of \$880 for a minimum of 90 days per annum |
| C G Drown | Daily rate of \$725 for a minimum of 228 days per annum |

The following table discloses the value of options granted, exercised or lapsed during the year.

| | Options granted | Options exercised | Options lapsed | Total value of options granted, exercised and lapsed (a) \$ | Value of options included in remuneration for the year (b) \$ | Percentage of total remuneration for the year that consists of options % |
|----------------|---------------------------|------------------------------|------------------------------|---|---|---|
| | Value at grant date \$ | Value at exercise date \$ | Value at time of lapse \$ | | | |
| K R Yates | - | - | - | - | - | - |
| J P Horan | - | - | - | - | - | - |
| C G Drown | - | 138,000 | - | 138,000 | - | - |
| J J den Dryver | - | - | - | - | - | - |
| P J Dowd | 131,072 | - | - | 131,072 | 131,072 | 81% |

Value of options – basis of calculation

- (a) The total value of options granted, exercised and lapsed is calculated based on the following:
- Fair value of options at grant date multiplied by the number of options granted during the year: plus
 - Fair value of options at the time they are exercised (calculated as the difference between exercise price and the last Australian Securities Exchange (ASX) price on the day the options were exercised) multiplied by the number of options exercised during the year: plus
 - Fair value of options at the time they lapsed multiplied by the number of options lapsed during the year.
- (b) The total value of options included in compensation for the year is calculated in accordance with Accounting Standard AASB 2 “Share-based Payment”. The issue of options to Mr Dowd was approved by shareholders at the Annual General Meeting held on 21 November 2006. As the options granted during the year vested one month after the grant date the full value of the options is recognised in compensation in the current year.

Share options do not represent cash payments to key management personnel and share options granted may or may not be exercised by the key management personnel.

Meetings of Directors

The number of meetings of the company’s Board of Directors attended by each director during the year ended 30 June 2007 was:

| 2007 | Meetings held while in office | Meetings attended |
|----------------|-------------------------------|-------------------|
| K R Yates | 12 | 12 |
| J P Horan | 12 | 12 |
| C G Drown | 12 | 12 |
| J J den Dryver | 12 | 12 |
| P J Dowd | 11 | 11 |

Due to its size and activities the company does not have any separate board committees.

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 21 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 21 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.

Auditors Independence Declaration

The auditor's independence declaration is included on page 8 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.

Signed at Adelaide this 14th day of September 2007 in accordance with a resolution of the directors.



K R Yates
Director



J P Horan
Director

Board of Directors
Adelaide Resources Limited
378 Unley Road
UNLEY PARK SA 5061

14 September 2007

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 audit of the financial statements of Adelaide Resources Limited for the financial year ended 30 June 2007, 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 sincerely

Deloitte Touche Tohmatsu.
DELOITTE TOUCHE TOHMATSU

J J Handel.

J J Handel
Partner
Chartered Accountant

Income statement for the financial year ended 30 June 2007

| | Note | Consolidated | | Company | |
|----------------------------------|-----------|------------------|------------------|------------------|------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| | | \$ | \$ | \$ | \$ |
| Revenue | | (275,930) | (225,872) | (275,930) | (225,872) |
| Other income | | (70,056) | - | - | - |
| Exploration expense written off | 8 | 2,775,068 | 223,301 | - | - |
| Impairment of receivables | | - | - | 2,045,969 | 1,317,149 |
| Administration expenses | | 645,648 | 187,629 | 645,648 | 187,629 |
| Corporate consulting expenses | | 178,961 | 172,358 | 178,961 | 172,358 |
| Company promotion | | 88,960 | 85,219 | 88,960 | 85,219 |
| Salaries and wages | | 116,885 | 112,495 | 116,885 | 112,495 |
| Directors fees | | 90,625 | 50,000 | 90,625 | 50,000 |
| Occupancy expenses | | 54,282 | 48,420 | 54,282 | 48,420 |
| Share based remuneration | 17 | 131,072 | 853,448 | 131,072 | 853,448 |
| Loss before income tax | 4 | 3,735,515 | 1,506,998 | 3,076,471 | 2,600,846 |
| Tax expense/(income) | 5 | 53,441 | 30,000 | 251,154 | (298,154) |
| Net Loss | 18 | 3,788,956 | 1,536,998 | 3,327,625 | 2,302,692 |
| Earnings Per Share | | | | | |
| Basic (cents per share) – Loss | 27 | 5.14 | 2.29 | | |
| Diluted (cents per share) – Loss | 27 | 5.14 | 2.29 | | |

The above income statement should be read in conjunction with the accompanying notes.

Balance sheet as at 30 June 2007

| | Note | Consolidated | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | | 4,425,088 | 3,548,483 | 4,415,088 | 3,548,482 |
| Trade and other receivables | 6 | 84,314 | 63,843 | 84,314 | 63,843 |
| Other financial assets | 7 | 284,533 | 281,336 | 284,533 | 281,336 |
| TOTAL CURRENT ASSETS | | 4,793,936 | 3,893,662 | 4,783,935 | 3,893,661 |
| NON-CURRENT ASSETS | | | | | |
| Exploration and evaluation expenditure | 8 | 3,328,041 | 4,027,140 | - | - |
| Shares in controlled entity | | - | - | 10,001 | 1 |
| Plant and equipment | 9 | 40,004 | 23,018 | 40,004 | 23,018 |
| Other receivables | 10 | - | - | - | - |
| Deferred tax assets | 5(b) | - | - | 998,412 | 1,196,125 |
| TOTAL NON-CURRENT ASSETS | | 3,368,045 | 4,050,158 | 1,028,417 | 1,219,144 |
| TOTAL ASSETS | | 8,161,980 | 7,943,820 | 5,832,352 | 5,112,805 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 11 | 563,353 | 82,305 | 563,353 | 82,305 |
| Provisions | 12 | 12,391 | 9,600 | 12,391 | 9,600 |
| TOTAL CURRENT LIABILITIES | | 575,744 | 91,905 | 575,744 | 91,905 |
| NON-CURRENT LIABILITIES | | | | | |
| Provisions | 13 | 30,382 | 22,423 | 30,382 | 22,423 |
| Other financial liabilities | 14 | - | 40,056 | - | - |
| TOTAL NON-CURRENT LIABILITIES | | 30,382 | 62,479 | 30,382 | 22,423 |
| TOTAL LIABILITIES | | 606,126 | 154,384 | 606,126 | 114,328 |
| NET ASSETS | | 7,555,854 | 7,789,436 | 5,226,226 | 4,998,477 |
| EQUITY | | | | | |
| Issued Capital | 16 | 16,604,722 | 13,183,617 | 16,604,722 | 13,183,617 |
| Reserves | 17 | 991,053 | 856,784 | 991,053 | 856,784 |
| Accumulated losses | 18 | (10,039,921) | (6,250,965) | (12,369,549) | (9,041,924) |
| TOTAL EQUITY | | 7,555,854 | 7,789,436 | 5,226,226 | 4,998,477 |

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of recognised income and expense the year ended 30 June 2007

| | Consolidated | | Company | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Available-for-sale investments: | | | | |
| Valuation gain taken to equity | 3,197 | 556 | 3,197 | 556 |
| Net income recognised directly in equity | 3,197 | 556 | 3,197 | 556 |
| Loss for the period | (3,788,956) | (1,536,998) | (3,327,625) | (2,302,692) |
| Total recognised income and expense for the period | <u>(3,785,759)</u> | <u>(1,536,442)</u> | <u>(3,324,428)</u> | <u>(2,302,136)</u> |

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Consolidated cash flow statement for the year ended 30 June 2007

| | Inflows/(Outflows) | | | |
|--|--------------------|-------------|-------------|-------------|
| | Consolidated | | Company | |
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Cash flows relating to operating activities | | | | |
| Payments to suppliers and employees | (827,769) | (641,536) | (827,769) | (641,536) |
| Other revenue | - | 26,393 | - | 26,393 |
| Net operating cash flows (Note (a)) | (827,769) | (615,143) | (827,769) | (615,143) |
| Cash flows relating to investing activities | | | | |
| Interest received | 275,617 | 194,212 | 275,617 | 194,212 |
| Payments for exploration and evaluation expenditure | (1,954,584) | (1,296,137) | - | - |
| Less: Reimbursed from co-venturers | - | 29,518 | - | - |
| Proceeds from sale of tenement | 20,000 | - | - | - |
| State government grant received | 30,000 | 26,593 | - | - |
| Payments for plant and equipment | (34,323) | (14,038) | (34,323) | (14,038) |
| Payment for shares in subsidiary | - | - | (10,000) | - |
| Proceeds on maturity of investments | - | 75,000 | - | 75,000 |
| Funding of controlled entity | - | - | (1,904,583) | (1,240,026) |
| Net investing cash flows | (1,663,290) | (984,852) | (1,673,289) | (984,852) |
| Cash flows relating to financing activities | | | | |
| Proceeds from share issues | 3,545,800 | 2,010,000 | 3,545,800 | 2,010,000 |
| Payments for capital raising costs | (178,136) | (100,000) | (178,136) | (100,000) |
| Net financing cash flows | 3,367,664 | 1,910,000 | 3,367,664 | 1,910,000 |
| Net increase in cash | 876,605 | 310,005 | 866,606 | 310,005 |
| Cash at beginning of financial year | 3,548,483 | 3,238,478 | 3,548,482 | 3,238,478 |
| Cash at end of financial year | 4,425,088 | 3,548,483 | 4,415,088 | 3,548,483 |
| Note (a): Reconciliation of loss for the period to net cash flow from ordinary activities. | | | | |
| Loss for the period | (3,788,956) | (1,536,998) | (3,327,625) | (2,302,692) |
| Interest revenue | (275,617) | (194,212) | (275,617) | (194,212) |
| Share based remuneration | 131,072 | 853,448 | 131,072 | 853,448 |
| Other income | (70,056) | - | - | - |
| Depreciation | 17,338 | 11,671 | 17,338 | 11,671 |
| Exploration written off | 2,775,068 | 223,301 | - | - |
| Impairment of receivables | - | - | 2,045,969 | 1,317,149 |
| (Increase) decrease in receivables | (20,471) | (9,410) | (20,471) | (9,410) |
| (Increase) decrease in deferred tax asset | 53,441 | 30,000 | 251,154 | (298,154) |
| Increase/(decrease) in payables | 339,663 | (1,462) | 339,662 | (1,462) |
| Increase/(decrease) in provisions | 10,749 | 8,519 | 10,749 | 8,519 |
| Net operating cash flows | (827,769) | (615,143) | (827,769) | (615,143) |

The above of cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

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

378 Unley Road
Unley
South Australia 5061

Principal place of business

378 Unley Road
Unley
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. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- investments classified as at fair value through profit or loss (AASB 2005-04 'Amendments to Australian Accounting Standards');
- financial guarantee contracts (AASB 2005-09 'Amendments to Australian Accounting Standards'); and
- rights to cash reimbursement for expenditure required to settle a provision (AASB 2005-5 'Amendments to Australian Accounting Standards').

The adoption of these new and revised Standards and Interpretations has also resulted in a change to the Group's accounting policies in relation to business combinations involving entities under common control. Such business combinations were formerly within the scope of AASB 3 'Business Combinations', but are now scoped out of that Standard by AASB 2005-6 'Amendments to Australian Accounting Standards'.

There was no material financial impact to the group due to these changes in accounting policies.

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the company's financial report.

| Standard | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|--|
| AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue | 1 January 2007 | 30 June 2008 |
| AASB 101 'Presentation of Financial Statements' – revised standard | 1 January 2007 | 30 June 2008 |
| AASB 2007-7 'Amendments to Australian Accounting Standards' | 1 July 2007 | 30 June 2008 |
| AASB 8 'Operating Segments' | 1 January 2009 | 30 June 2010 |

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the company:

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|--|
| AASB Interpretation 10 'Interim Financial Reporting and Impairment' | 1 November 2006 | 30 June 2008 |
| AASB Interpretation 11 'AASB 2 – Group and Treasury Share Transactions' | 1 March 2007 | 30 June 2008 |
| AASB 2007-1 'Amendments to Australian Accounting Standards arising from AASB Interpretation 11' | 1 March 2007 | 30 June 2008 |
| AASB Interpretation 12 'Service Concession Arrangements' | 1 January 2008 | 30 June 2009 |
| AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12' | 1 January 2008 | 30 June 2009 |
| AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments' | 1 July 2007 | 30 June 2008 |
| AASB Interpretation 13 'Customer Loyalty Programmes' | 1 July 2008 | 30 June 2009 |
| AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' | 1 January 2008 | 30 June 2009 |
| AASB 123 'Borrowing Costs' – revised standard | 1 January 2009 | 30 June 2010 |
| AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' | 1 January 2009 | 30 June 2010 |

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS 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 14 September 2007.

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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 benefit 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 are 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; ‘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.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined based on quoted market prices. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly on the profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group’s right to receive payment is established.

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.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

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 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 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 income statement, 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.

k) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

l) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the reporting date
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold
- revenue from time and materials contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

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 granted after 7 November 2002 that vest on or after 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) Government grants

Government grants are assistance by government in the form of transfers of resources to the consolidated entity 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 consolidated entity 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 purchase method. The cost of the business combination is measured as the aggregate of the 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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current 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', which are recognised and measured at fair value less costs to sell.

Goodwill arising from acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

| | Consolidated | | Company | |
|---|----------------|------------------|----------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| 4. LOSS FROM OPERATIONS | | | | |
| a) Revenue from continuing operations consisted of the following items | | | | |
| Interest income: | | | | |
| Bank deposits | 254,942 | 176,556 | 254,942 | 176,556 |
| Income securities | 20,988 | 24,173 | 20,988 | 24,173 |
| | <u>275,930</u> | <u>200,729</u> | <u>275,930</u> | <u>200,729</u> |
| Other | - | 25,143 | - | 25,143 |
| | <u>275,930</u> | <u>225,872</u> | <u>275,930</u> | <u>225,872</u> |
| b) Loss for the year includes the following gains and losses | | | | |
| Other income | | | | |
| Government grant | 70,056 | - | - | - |
| | <u>70,056</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other Expenses | | | | |
| Costs associated with the proposed listing of Eyre Energy Limited (Note 30) | 327,442 | - | 327,442 | - |
| Depreciation of plant and equipment | 17,338 | 11,671 | 17,338 | 11,671 |
| Exploration write-off | 2,775,068 | 223,301 | - | - |
| Operating lease rental expenses | 54,272 | 45,900 | 54,272 | 45,900 |
| Allowance for doubtful debts: | | | | |
| Subsidiary | - | - | 2,045,969 | 1,317,149 |
| Employee benefit expense: | | | | |
| Post employment benefits: | | | | |
| Accumulated benefit superannuation plans | 51,759 | 12,500 | 51,759 | 12,500 |
| Share based payments: | | | | |
| Equity settled share-based payments ((i)) | 131,072 | 853,448 | 131,072 | 853,448 |
| Other employee benefits | 696,221 | 337,624 | 696,221 | 337,624 |
| | <u>879,052</u> | <u>1,203,572</u> | <u>879,052</u> | <u>1,203,572</u> |

- (i) Share based payments relate to share options granted during the year to key management personnel. Share options do not represent cash payments to key management personnel and share options granted may or may not be exercised by the key management personnel.

5. INCOME TAX

(a) Income tax recognised in profit or loss

| | Consolidated | | Company | |
|---|---------------|---------------|----------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Current tax expense | - | - | - | - |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | (238,764) | 335,674 | (41,051) | 7,520 |
| Benefit of prior year tax losses used to reduce current and deferred taxes | 292,205 | (305,674) | 292,205 | (305,674) |
| Total tax expense/(income) | 53,441 | 30,000 | 251,154 | (298,154) |

The prima facie income tax expense on the loss before income tax reconciles to the tax expense/(income) in the financial statements as follows:

| | | | | |
|---|---------------|---------------|----------------|------------------|
| Loss from continuing operations | (3,735,515) | (1,506,998) | (3,076,471) | (2,600,846) |
| Income tax income calculated at 30% | (1,120,655) | (452,099) | (922,942) | (780,254) |
| Allowance for subsidiary receivable | - | - | 613,791 | 395,145 |
| Share based payments | 39,322 | 256,034 | 39,322 | 256,034 |
| Other | 3,807 | (1,682) | 3,807 | (1,682) |
| Prior year tax losses recognised | - | (305,674) | - | (305,674) |
| Previously recognised tax losses now not recognised | 292,205 | - | 292,205 | - |
| Current year tax losses not recognised | 838,762 | 533,421 | 224,971 | 138,277 |
| Tax expense (income) | 53,441 | 30,000 | 251,154 | (298,154) |

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.

(b) Recognised tax assets and liabilities

| | Assets | | Consolidated Liabilities | | Net | |
|--|-----------|-------------|--------------------------|-------------|-----------|-------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Deferred tax assets and liabilities are attributable to the following: | | | | | | |
| Exploration and evaluation expenditure | - | - | (998,412) | (1,208,142) | (998,412) | (1,208,142) |
| Capital raising costs | 73,449 | 43,044 | - | - | 73,449 | 43,044 |
| Trade and other payables | 63,134 | - | - | - | 63,134 | - |
| Employee benefits | 12,832 | 11,879 | - | - | 12,832 | 11,879 |
| Other liabilities | - | 12,017 | - | - | - | 12,017 |
| | 149,415 | 66,940 | (998,412) | (1,208,142) | (848,997) | (1,141,202) |
| Tax value of losses carried forward | 848,997 | 1,141,202 | - | - | 848,997 | 1,141,202 |
| Tax assets/(liabilities) | 998,412 | 1,208,142 | (998,412) | (1,208,142) | - | - |
| Set off of tax | (998,412) | (1,208,142) | 998,412 | 1,208,142 | - | - |
| Net deferred tax assets/(liabilities) | - | - | - | - | - | - |

5. INCOME TAX (cont'd)

(b) Recognised tax assets and liabilities

| | Assets | | Company Liabilities | | Net | |
|--|---------|-----------|---------------------|------|---------|-----------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Deferred tax assets and liabilities are attributable to the following: | | | | | | |
| Capital raising costs | 73,449 | 43,044 | - | - | 73,449 | 43,044 |
| Trade and other payables | 63,134 | - | - | - | 63,134 | - |
| Employee benefits | 12,832 | 11,879 | - | - | 12,832 | 11,879 |
| | 149,415 | 54,923 | - | - | 149,415 | 54,923 |
| Tax value of losses carried forward | 848,997 | 1,141,202 | - | - | 848,997 | 1,141,202 |
| Net deferred tax assets/(liabilities) | 998,412 | 1,196,125 | - | - | 998,412 | 1,196,125 |

(c) Unrecognised deferred tax assets:

A deferred tax asset has not been recognised in respect of the following item:

| | Consolidated | | Company | |
|--------------------|--------------|-----------|-----------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Tax Losses-revenue | 2,455,041 | 1,324,075 | 1,613,504 | 1,096,329 |

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.

(d) Movement in temporary differences and tax losses

(i) Current year

| | Consolidated | | | |
|--|---------------------|----------------------|----------------------|----------------------|
| | Balance 1 July 2006 | Recognised in Equity | Recognised in Income | Balance 30 June 2007 |
| | \$ | \$ | \$ | \$ |
| Temporary differences: | | | | |
| Exploration and evaluation expenditure | (1,208,142) | - | 209,730 | (998,412) |
| Capital raising costs | 43,044 | 53,441 | (23,036) | 73,449 |
| Trade and other payables | - | - | 63,134 | 63,134 |
| Employee benefits | 11,879 | - | 953 | 12,832 |
| Other liabilities | 12,017 | - | (12,017) | - |
| | (1,141,202) | 53,441 | 238,764 | (848,997) |
| Tax value of losses carried forward | 1,141,202 | - | (292,205) | 848,997 |
| | - | 53,441 | (53,441) | - |

| | Company | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Balance 30 June 2006 | Recognised in Equity | Recognised in Income | Balance 30 June 2007 |
| | \$ | \$ | \$ | \$ |
| Temporary differences: | | | | |
| Capital raising costs | 43,044 | 53,441 | (23,036) | 73,449 |
| Trade and other payables | - | - | 63,134 | 63,134 |
| Employee benefits | 11,879 | - | 953 | 12,832 |
| | 54,923 | 53,441 | 41,051 | 149,415 |
| Tax value of losses carried forward | 1,141,202 | - | (292,205) | 848,997 |
| | 1,196,125 | 53,441 | (251,154) | 998,412 |

5. INCOME TAX (cont'd)

(ii) Prior year

| | Consolidated | | | Balance 30 June 2006 \$ |
|--|------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Balance 1 July 2005 \$ | Recognised in Equity \$ | Recognised in Income \$ | |
| Temporary differences: | | | | |
| Exploration and evaluation expenditure | (879,988) | - | (328,154) | (1,208,142) |
| Capital raising costs | 25,392 | 30,000 | (12,348) | 43,044 |
| Employee benefits | 7,051 | - | 4,828 | 11,879 |
| Other liabilities | 12,017 | - | - | 12,017 |
| | (835,528) | 30,000 | (335,674) | (1,141,202) |
| Tax value of losses carried forward | 835,528 | - | 305,674 | 1,141,202 |
| | - | 30,000 | (30,000) | - |

| | Company | | | Balance 30 June 2006 \$ |
|-------------------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Balance 1 July 2005 \$ | Recognised in Equity \$ | Recognised in Income \$ | |
| Temporary differences: | | | | |
| Capital raising costs | 25,392 | 30,000 | (12,348) | 43,044 |
| Employee benefits | 7,051 | - | 4,828 | 11,879 |
| | 32,443 | 30,000 | (7,520) | 54,923 |
| Tax value of losses carried forward | 835,528 | - | 305,674 | 1,141,202 |
| | 867,971 | 30,000 | 298,154 | 1,196,125 |

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. 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 tax-consolidated group.

| | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| 6. CURRENT TRADE AND OTHER RECEIVABLES | | | | |
| Interest receivable | 16,258 | 15,945 | 16,258 | 15,945 |
| Other receivables | 68,056 | 47,898 | 68,056 | 47,898 |
| | 84,314 | 63,843 | 84,314 | 63,843 |

| | Consolidated | | Company | |
|--|--------------|------------|------------|------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| 7. OTHER CURRENT FINANCIAL ASSETS | | | | |
| Available for sale at fair value | | | | |
| Income securities | 284,533 | 281,336 | 284,533 | 281,336 |

8. EXPLORATION AND EVALUATION EXPENDITURE

| | | | | |
|--------------------------------------|-------------|-----------|---|---|
| Costs brought forward | 4,027,140 | 2,933,292 | - | - |
| Expenditure incurred during the year | 2,095,969 | 1,332,555 | - | - |
| Less reimbursed from co-venturers | - | (15,406) | - | - |
| | 6,123,109 | 4,250,441 | - | - |
| Leases sold | (20,000) | - | - | - |
| Expenditure written off | (2,775,068) | (223,301) | - | - |
| | 3,328,041 | 4,027,140 | - | - |

Expenditure written off relates to exploration and evaluation expenditure associated with tenements that have been surrendered (\$318,352; 2006: \$223,301), and write down of certain tenements to their recoverable amount (\$2,456,716; 2006: \$Nil).

The recoverability of the carrying of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

At balance date, a number of mineral exploration tenements were proposed to be transferred to Eyre Energy Limited in anticipation of the proposed listing of that company on the Australian Securities Exchange (Note 30). The fair value of these tenements was determined by directors to be \$470,781 with reference to the information associated with the mineral exploration tenements, resulting in a write down of the capitalised expenditure of \$2,456,716.

| | Consolidated | Company |
|-------------------------------|--------------|-----------|
| | \$ | \$ |
| 9. PLANT AND EQUIPMENT | | |
| Gross carrying amount | | |
| Balance at 1 July 2005 | 114,454 | 114,454 |
| Additions | 14,038 | 14,038 |
| Balance at 30 June 2006 | 128,492 | 128,492 |
| Additions | 34,324 | 34,324 |
| Balance at 30 June 2007 | 162,816 | 162,816 |
| Accumulated Depreciation | | |
| Balance at 1 July 2005 | (93,803) | (93,803) |
| Depreciation expense | (11,671) | (11,671) |
| Balance at 30 June 2006 | (105,474) | (105,474) |
| Depreciation Expense | (17,338) | (17,338) |
| Balance at 30 June 2006 | (122,812) | (122,812) |
| Net book value | | |
| Balance at 30 June 2006 | 23,018 | 23,018 |
| Balance at 30 June 2007 | 40,004 | 40,004 |

| | Consolidated | | Company | |
|--|--------------|------------|-------------|-------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| 10. NON-CURRENT RECEIVABLES | | | | |
| Amount due from subsidiary | - | - | 6,269,187 | 4,223,219 |
| Impairment of receivables | - | - | (6,269,187) | (4,223,219) |
| | - | - | - | - |
| 11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES | | | | |
| Trade payables and accruals | 563,353 | 82,305 | 563,353 | 82,305 |
| 12. CURRENT LIABILITIES – PROVISIONS | | | | |
| Employee benefits | 12,391 | 9,600 | 12,391 | 9,600 |
| 13. NON-CURRENT LIABILITIES – PROVISIONS | | | | |
| Employee benefits | 30,382 | 22,423 | 30,382 | 22,423 |
| 14. NON-CURRENT LIABILITIES – OTHER | | | | |
| Deferred Income (government grant) | - | 40,056 | - | - |
| 15. EMPLOYEE BENEFITS | | | | |
| The aggregate employee benefits liability recognised in and included in the financial statements is as follows | | | | |
| Provision for employee benefits | | | | |
| Current (Note 12) | 12,391 | 9,600 | 12,391 | 9,600 |
| Non-Current (Note 13) | 30,382 | 22,423 | 30,382 | 22,423 |
| | 42,773 | 32,023 | 42,773 | 32,023 |
| 16. ISSUED CAPITAL | | | | |
| Issued share capital: | | | | |
| 77,060,960 fully paid ordinary shares (2006: 69,580,960) | 16,604,722 | 13,183,617 | 16,604,722 | 13,183,617 |

16. CONTRIBUTED EQUITY (cont'd)

| Movement in issued shares for the year: | 2007 | | 2006 | |
|---|------------|------------|------------|------------|
| | No. | \$ | No. | \$ |
| Balance at beginning of financial year | 69,580,960 | 13,183,617 | 65,530,960 | 11,243,617 |
| Issued at 50 cents | 7,000,000 | 3,500,000 | 4,000,000 | 2,000,000 |
| Conversion of options at 6 cents | 280,000 | 16,800 | - | - |
| Conversion of options at 13 cents | 50,000 | 6,500 | - | - |
| Conversion of options at 15 cents | 150,000 | 22,500 | - | - |
| Conversion of options at 20 cents | - | - | 50,000 | 10,000 |
| Costs associated with the issue of shares | - | (178,135) | - | (100,000) |
| Related income tax | - | 53,441 | - | 30,000 |
| Balance at end of financial year | 77,060,960 | 16,604,722 | 69,580,960 | 13,183,617 |

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.

17. RESERVES

| | Consolidated | | Company | |
|----------------------------------|--------------|---------|---------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Employee equity-settled benefits | 984,520 | 853,448 | 984,520 | 853,448 |
| Available-for-sale revaluation | 6,533 | 3,336 | 6,533 | 3,336 |
| | 991,053 | 856,784 | 991,053 | 856,784 |

| | | | | |
|--|---------|---------|---------|---------|
| (a) Employee equity-settled benefits reserve | | | | |
| Balance at beginning of the financial year | 853,448 | 6,905 | 853,448 | 6,905 |
| Share based payment | 131,072 | 853,448 | 131,072 | 853,448 |
| Balance at end of the financial year | 984,520 | 853,448 | 984,520 | 853,448 |

The employee equity-settled benefits reserve arises on the grant of share options to executives under the executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments to employees is made in note 19 to the financial statements.

| | Consolidated | | Company | |
|---|--------------|---------|---------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| (b) Available-for-sale revaluation reserve | | | | |
| Balance at beginning of the financial year | 3,336 | - | 3,336 | - |
| Cumulative (gain) transferred to the income statement on the redemption of financial assets | - | (4,125) | - | (4,125) |
| Valuation gain recognised | 3,197 | 556 | 3,197 | 556 |
| Balance at end of the financial year | 6,533 | 3,336 | 6,533 | 3,336 |

17. RESERVES (cont'd)

The available-for-sale revaluation reserve arises on the revaluation of the available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

18. ACCUMULATED LOSSES

| | Consolidated | | Company | |
|--|--------------|-------------|--------------|-------------|
| | 2007 \$ | 2006 \$ | 2006 \$ | 2006 \$ |
| Balance at beginning of financial year | (6,250,965) | (4,713,967) | (9,041,924) | (6,739,232) |
| Net Loss | (3,788,956) | (1,536,998) | (3,327,625) | (2,302,692) |
| Balance at end of financial year | (10,039,921) | (6,250,965) | (12,369,549) | (9,041,924) |

19. SHARE OPTION PLAN

The consolidated entity has an ownership-based compensation plan for executives, employees and consultants. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders at an Annual General Meeting, directors may issue options to purchase shares in the company to executives, employees, and consultants, at an issue price determined by the market price of ordinary shares at the time the option is granted. With the exception of Mr Drown and Mr den Dryver no directors participate in the Employee Share Option Plan. Mr Drown and Mr den Dryver were granted certain share options prior to their appointments as directors.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

No options were issued under the Employee Share Option Plan during the year.

Options were issued to a director (Paul Dowd) during the year following approval at the Annual General Meeting on 21 November 2006. The options vested one month after grant date and may be exercised at any time from the date of their vesting to the date of their expiry.

Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the current and comparative period:

| 2007 Options – Series | No. | Grant Date | Expiry Date | Exercise Price | Fair value at grant date |
|-----------------------------------|-----------|------------|-------------|----------------|--------------------------|
| Employee Share Option Plan | | | | | |
| December 2002 | 700,000 | 13/12/2002 | 12/12/2007 | \$0.17 | * |
| December 2003 | 520,000 | 23/12/2003 | 22/12/2008 | \$0.20 | * |
| Director Options | | | | | |
| November 2005 | 2,800,000 | 15/11/2005 | 14/11/2010 | \$0.55 | \$0.3048 |
| November 2006 | 500,000 | 21/11/2006 | 14/11/2010 | \$0.55 | \$0.2621 |

* Not applicable as options were issued and vested before 1 January 2005. No amount was recorded when these were issued. Consideration received on the exercise of these options shall be recognised in issued capital.

19. SHARE OPTION PLAN (cont'd)

The fair value of options granted to Mr Dowd during the year is \$0.2621 per option. Options were valued using the Black-Scholes model using the following inputs:

| | |
|-------------------------|------------------|
| Grant date share price | \$0.47 |
| Exercise price | \$0.550 |
| Calculated volatility | 74.7% |
| Option expiry | 14 November 2010 |
| Risk free interest rate | 5.45% |

The following reconciles the outstanding share options granted under the Plan and to the directors at the beginning and end of the financial year:

| | 2007 | | 2006 | |
|---|-------------------|------------------------------------|-------------------|------------------------------------|
| | Number of options | Weighted average exercise price \$ | Number of options | Weighted average exercise price \$ |
| Balance at beginning of financial year | 4,500,000 | 0.402 | 1,925,000 | 0.161 |
| Granted during the financial year | 500,000 | 0.550 | 2,800,000 | 0.550 |
| Exercised during the financial year (i) | (480,000) | 0.095 | (50,000) | 0.200 |
| Lapsed during the financial year | - | - | (175,000) | 0.183 |
| Balance at end of the financial year (ii) | 4,520,000 | 0.451 | 4,500,000 | 0.402 |

(i) Options exercised

The following share options granted under the scheme were exercised during the financial year:

| <u>2007</u> | No. | Grant Date | Exercise Date | Exercise Price | Share price at exercise date |
|----------------|----------------|------------|---------------|----------------|------------------------------|
| September 2006 | 280,000 | 21/9/2001 | 25/9/2006 | \$0.06 | \$0.59 |
| September 2006 | 50,000 | 17/5/2002 | 25/9/2006 | \$0.13 | \$0.59 |
| March 2007 | 100,000 | 27/3/2002 | 22/3/2007 | \$0.15 | \$0.51 |
| March 2007 | 50,000 | 27/3/2002 | 26/3/2007 | \$0.15 | \$0.47 |
| | <u>480,000</u> | | | | |

| <u>2006</u> | No. | Grant Date | Exercise Date | Exercise Price | Share price at exercise date |
|---------------|---------------|------------|---------------|----------------|------------------------------|
| December 2003 | <u>50,000</u> | 22/12/2003 | 16/1/2006 | \$0.20 | \$0.565 |

(ii) Options outstanding at end of the financial year

| Options – Series | No. | Grant Date | Expiry Date | Exercise Price |
|------------------|------------------|------------|-------------|----------------|
| December 2002 | 700,000 | 13/12/2002 | 12/12/2007 | \$0.17 |
| December 2003 | 520,000 | 23/12/2003 | 22/12/2008 | \$0.20 |
| November 2005 | 2,800,000 | 15/11/2005 | 14/11/2010 | \$0.55 |
| November 2006 | 500,000 | 21/11/2006 | 14/11/2010 | \$0.55 |
| | <u>4,520,000</u> | | | |

20. KEY MANAGEMENT PERSONNEL COMPENSATION

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

- K R Yates (Executive chairman)
- C G Drown (Executive director)
- J P Horan (Non-executive director and company secretary)
- J J den Dryver (Non-executive director)
- P J Dowd (Non-executive director), appointed 14 August 2006

The aggregate compensation of key management personnel of the consolidated entity and the company is set out below:

| | Consolidated | | Company | |
|------------------------------|--------------|------------|------------|------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Short-term employee benefits | 597,179 | 524,168 | 597,179 | 524,168 |
| Post employment benefits | 37,250 | 4,500 | 37,250 | 4,500 |
| Share-based payments (i) | 131,072 | 853,448 | 131,072 | 853,448 |
| | 765,501 | 1,382,116 | 765,501 | 1,382,116 |

- (i) Share based payments relate to share options granted during the year to key management personnel. Share options do not represent cash payments to key management personnel and share options granted may or may not be exercised by the key management personnel

The consolidated entity has applied the exemption under Corporations Amendments Regulations 2005 which exempts listed companies from providing compensation disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 "Related Party Disclosures". These Compensation disclosures are provided in the "Remuneration Report" of the Directors' Report and designated as "Audited".

| | Consolidated | | Company | |
|-------------------------------------|--------------|------------|------------|------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| 21. REMUNERATION OF AUDITORS | | | | |
| Auditing the financial report | 24,435 | 17,704 | 24,435 | 17,704 |
| Accounting advice | 9,520 | - | 9,520 | - |
| Investigating Accountant's report | 18,500 | - | 18,500 | - |
| Tax return preparation and advice | 8,000 | - | 8,000 | - |
| | 60,455 | 17,404 | 60,455 | 17,404 |

The auditor of Adelaide Resources Limited is Deloitte Touche Tohmatsu.

22. 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 28 to the financial statements.

Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 23 to the financial statements.

b) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 20 and the Remuneration Report of the Directors' Report.

c) Transactions with key management personnel

Other than as disclosed in the Remuneration Report of the Directors' Report, there were no transactions with key management personnel or their personally related entities during the year ended 30 June 2007 (2006: NIL).

d) Transactions within wholly owned group

The ultimate parent entity in the wholly-owned group is Adelaide Resources Limited. Amounts receivable from the controlled entities are disclosed in Note 10 to the financial statements. During the financial year Adelaide Resources Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free advances. Tax losses have been transferred to Adelaide Resources Limited for no consideration.

e) Equity holdings of key management personnel

(i) Fully paid ordinary shares issued by Adelaide Resources Limited

| 2007 | Balance 1/7/06 | Net Changes | Balance 30/6/07 | Balance held Nominally |
|----------------|----------------|-------------|-----------------|------------------------|
| K R Yates | 5,727,278 | - | 5,727,278 | - |
| J P Horan | 1,777,000 | - | 1,777,000 | - |
| C G Drown | 73,000 | 300,000 | 373,000 | - |
| J J den Dryver | - | - | - | - |
| P J Dowd * | - | - | - | - |

* Mr Dowd was appointed as a director on 14 August 2006.

| 2006 | Balance 1/7/05 | Net Changes | Balance 30/6/06 | Balance held Nominally |
|----------------|----------------|-------------|-----------------|------------------------|
| K R Yates | 5,731,301 | (4,023) | 5,727,278 | - |
| J P Horan | 1,777,000 | - | 1,777,000 | - |
| C G Drown | 73,000 | - | 73,000 | - |
| J J den Dryver | - | - | - | - |

22. RELATED PARTY DISCLOSURES (cont'd)

(ii) Options to acquire fully paid ordinary shares issued by Adelaide Resources Limited

| 2007 | Balance 1/7/06 | Granted | Exercised | Balance 30/6/07 | Balance held Nominally | Vested and exercisable |
|----------------|-------------------|---------|-----------|--------------------|------------------------------|---------------------------|
| K R Yates | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| J P Horan | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| C G Drown | 1,275,000 | - | 300,000 | 975,000 | - | 975,000 |
| J J den Dryver | 500,000 | - | - | 500,000 | - | 500,000 |
| P J Dowd * | - | 500,000 | - | 500,000 | - | 500,000 |

* Mr Dowd was appointed as a director on 14 August 2006.

| 2006 | Balance 1/7/05 | Granted | Exercised | Balance 30/6/06 | Balance held Nominally | Vested and exercisable |
|----------------|-------------------|-----------|-----------|--------------------|------------------------------|---------------------------|
| K R Yates | - | 1,000,000 | - | 1,000,000 | - | 1,000,000 |
| J P Horan | - | 1,000,000 | - | 1,000,000 | - | 1,000,000 |
| C G Drown | 875,000 | 400,000 | - | 1,275,000 | - | 1,275,000 |
| J J den Dryver | 100,000 | 400,000 | - | 500,000 | - | 500,000 |

23. JOINTLY CONTROLLED ASSETS

The consolidated entity had interests in unincorporated joint ventures at 30 June 2007 as follows:

| | <u>Percentage Interest 2007</u> | <u>Percentage Interest 2006</u> |
|---|-------------------------------------|-------------------------------------|
| South Australia | | |
| Moonta Porphyry Joint Venture (Note a) – Copper/Gold Exploration | 90% | 90% |
| Kimba-Verran Joint Venture (Note a) – Copper/Gold Exploration | 90% | 90% |
| Colona Joint Venture (Note b) - Mineral Sands Exploration | 49% | 49% |
| Eyre Peninsula Uranium Joint Venture (Note c) – Uranium Exploration | 100% | NIL |

Notes:

- (a) The consolidated entity 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.
- (b) The consolidated entity has the option of contributing its 49% share of ongoing expenditure, or electing not to contribute to future work programs and to progressively dilute its interest to a minimum of 30% free carried until completion of a bankable feasibility study, or alternatively reverting directly to a 30% interest free carried to completion of a bankable feasibility study supporting a decision to mine.

23. JOINTLY CONTROLLED ASSETS (cont'd)

- (b) Under the terms of this joint venture agreement, Quasar Resources Pty Ltd is required to spend \$3,000,000 over four years, commencing 1 January 2007, to earn a 60% interest, with a minimum of \$750,000 to be spent in 2007 including a minimum 70 hole drilling program.

After Quasar Resources Pty Ltd earns its 60% interest, the consolidated entity 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 in the joint venture, free carried to a decision to mine. If the consolidated entity chooses the dilution path, its interest may not be diluted below 25%, at which time the interest will be free carried through to a decision to mine. If the consolidated entity elects not to contribute to mine development, it can opt to sell or revert to a 2% revenue based royalty.

The amount included in mining tenements, exploration and evaluation (Note 8) includes \$522,107 (2006: \$183,153) relating to the above joint ventures.

24. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The consolidated entity 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:

| | 2007 \$ | 2006 \$ |
|---|------------|------------|
| Not later than one year: | 1,104,000 | 2,101,000 |
| Later than one year but not later than two years: | 1,104,000 | 1,915,500 |
| Later than two years but not later than five years: | 3,262,000 | 4,504,000 |

(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 7739 and 8921) located near Tennant Creek, Northern Territory, on the following terms.

- A net smelter return royalty to Newmont ranging from 1.5% to 2.5% after production, and
- The grant of an 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.

(c) Newcrest Mining Royalty Deed

By a Royalty Deed dated 13 February 2002 the consolidated entity 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.

24. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES (cont'd)

(c) Service Agreements

The consolidated entity entered into service agreements with Mr Yates and Mr Horan for a term of three years from 20 September 1996. In accordance with the provision of the agreements, the terms of service were extended for a further three years on 1 October 1999 and 1 October 2002, and for a term of two years from 1 October 2005.

The consolidated entity also entered into a service agreement with Mr Christopher Drown, exploration manager, on 10 March 1997, renewable on an annual basis. Mr Drown was subsequently appointed to the Board of Directors on 31 March 2005, and the company entered into a new service agreement on 1 April 2005 for a term of 27 months.

Should any of the above agreements be terminated by the company earlier than their expiry date, a contingency exists for the contracted amount payable to the end of their terms. Mr Yates, Mr Horan and Mr Drown may terminate their agreements with three months notice. As at 30 June 2007, the consolidated entity had a contingent liability in relation to these agreements of \$65,154 (2006: \$450,147).

Details of the current service agreements are set out below:

| Director | Terms |
|-----------|---|
| K R Yates | Daily rate of \$900 for a minimum of 200 days per annum |
| J P Horan | Daily rate of \$880 for a minimum of 90 days per annum |
| C G Drown | Daily rate of \$725 for a minimum of 228 days per annum |

(d) Native Title

Native Title claims have been made with respect to tenements in South Australia in which Adelaide Resources Limited has interests. The consolidated entity is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the company or its projects.

(e) Bank Guarantee

As at 30 June 2007, the consolidated entity has given a bank guarantee of \$50,000 (2006: \$50,000) to the Central Land Council as a performance bond.

25. FINANCIAL INSTRUMENTS

(a) Forward Foreign Currency Contracts

As at 30 June 2007 the consolidated entity does not have any outstanding forward foreign currency contracts.

(b) Forward Interest Rate Contracts

As at 30 June 2007 the consolidated entity does not have any outstanding forward interest rate contracts.

25. FINANCIAL INSTRUMENTS (cont'd)

(c) Interest Rate Risk

The following table details the Group's exposure to interest rate risk at the reporting date. All other financial assets and liabilities are non-interest bearing.

| | Average Interest Rate | Variable Interest Rate |
|-------------------|-----------------------|------------------------|
| 2007 | | |
| Cash | 6.21% | 4,425,088 |
| Income Securities | 7.47% | 284,533 |
| Total | | 4,709,621 |
| 2006 | | |
| Cash | 5.73% | 3,548,483 |
| Income Securities | 7.14% | 281,336 |
| Total | | 3,829,819 |

The following table details the Company's exposure to interest rate risk at the reporting date. All other financial assets and liabilities are non-interest bearing.

| | Average Interest Rate | Variable Interest Rate |
|-------------------|-----------------------|------------------------|
| 2007 | | |
| Cash | 6.21% | 4,415,088 |
| Income Securities | 7.47% | 284,533 |
| Total | | 4,699,621 |
| 2006 | | |
| Cash | 5.73% | 3,548,483 |
| Income Securities | 7.14% | 281,336 |
| Total | | 3,829,819 |

(d) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with credit worthy counterparties.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics.

The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk.

(e) Net Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 3 to the financial statements.

26. SEGMENT INFORMATION

The consolidated entity operates in the mineral exploration industry in Australia.

27. EARNINGS PER SHARE

| | Consolidated | |
|-----------------------------------|-------------------------|-------------------------|
| | 2007 Cents per share | 2006 Cents per share |
| Basic earnings per share – loss | (5.14) | (2.29) |
| Diluted earnings per share – loss | (5.14) | (2.29) |

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

| | \$ | \$ |
|--|-------------|-------------|
| Earnings | (3,788,956) | (1,536,998) |
| Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the income statement. | | |
| | Number | Number |
| Weighted average number of ordinary shares | 73,785,179 | 67,120,686 |

The number of ordinary shares used in the calculation of diluted earnings pre share is the same as the number used in the calculation of basic earnings per share, as share options are not considered dilutive.

28. CONTROLLED ENTITY

| Name of Entity | Country of Incorporation | Ownership Interest | |
|------------------------------|--------------------------|--------------------|-----------|
| | | 2007 % | 2006 % |
| Parent Entity | | | |
| Adelaide Resources Limited | (i) | Australia | |
| Subsidiary | | | |
| Adelaide Exploration Limited | (ii) | Australia | 100% |
| Eyre Energy Limited | (ii) | Australia | 100% |

(i) Head entity in tax consolidated group

(ii) Members of tax consolidated group

29. ACQUISITION OF SUBSIDIARY

During the year, Eyre Energy Limited was incorporated and became a wholly owned subsidiary of Adelaide Resources Limited on the issuing of shares for \$10,000.

| Name(s) of businesses acquired | Principal Activity | Date of Acquisition | Proportion of shares acquired | Cost of Acquisition |
|--------------------------------|--------------------|---------------------|-------------------------------|---------------------|
| Eyre Energy Limited | Exploration | 18 May 2007 | 100% | \$10,000 |

30. SUBSEQUENT EVENT

The Boards of Eyre Energy Limited and Adelaide Resources Limited decided on 17 August 2007 not to proceed at that time, with the initial public offer (IPO) of Eyre Energy Limited pursuant to the prospectus dated 26 July 2007.

Costs associated with the IPO have been accrued and expensed as at 30 June 2007.

A number of options to acquire shares in Eyre Energy Limited were issued to Eyre Energy Limited directors and consultants during July 2007, but have since lapsed as a result of the IPO not proceeding.

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 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
- (c) The directors have been given the declaration required by Section 295A of the Corporation 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



K R Yates
Director



J P Horan
Director

Adelaide, South Australia
14 September 2007

Independent Auditor's Report to the Members of Adelaide Resources Limited

Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of Adelaide Resources Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 9 to 38.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124"), under the heading "remuneration report" on pages 4 to 6 of the directors' report, and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor

Member of
Deloitte Touche Tohmatsu

considers internal control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the directors' report 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 entity'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 and the compensation disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion on the Financial Report


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 company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 4 to 6 under the heading "remuneration report" of the directors' report and identified as being subject to audit, comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*.


DELOITTE TOUCHE TOHMATSU



J J Handel
Partner
Chartered Accountants
Adelaide, 14 September 2007