



Australian Securities Exchange Announcement

Chairman's Address

**Annual General Meeting
Stamford Plaza Adelaide, 150 North Terrace, Adelaide
Monday 17 November 2008**

This has been a tumultuous year, one in which Adelaide Resources has attempted to:

- crystallise value for its shareholders, through the unlocking of latent value in the Warramboos asset
- crystallise future value through the sale of the Tripitaka prospect, and
- develop a strategic plan to realign the company to utilise its largest ever cash resource, to focus on specific minerals and acquire assets that reflect the aspiration to achieve exploration and mine development within these commodities.

We intend to focus exploration and other future endeavours on gold, copper, copper / gold and uranium.

The Board regards the prospects for each of these commodities to be positive, despite the recent panic and flight of funds out of these (and most other) commodities.

These are uncertain times and there are few gauges of base value against which other values can be measured – currencies recently considered high risk and devalued have become the haven of choice for stressed funds. Commodity prices are NOT reflecting market fundamentals and the great unknown is the effect of Chinese growth rates and US consumption. When these matters are eventually resolved, world development will continue to demand energy and growth commodities, including copper and uranium. Gold has retained resilience, albeit volatility has been extreme, driven in part by its polarised performance from east to west markets. The AUD has behaved as it always has in times of commodity turbulence – high when commodity prices are high and low when commodity prices are low. The effect of this is to provide an effective “subsidy” to commodity prices, denominated in AUD and thus a competitive position for Australian commodity producers, eg gold in AUD remains at >\$1,100 / oz.

Let me first address Warramboos. Significant latent value had been unlocked with the sale of Warramboos and the subsequent in specie distribution of Iron Road shares and later the options, to shareholders. Your Board was particularly careful to ensure that this arrangement did not create an unintended tax liability for shareholders nor a tax liability for the company that would have significantly strained its financial resources. To appropriately manage that risk, we were bound to seek a draft ruling from the ATO. We first sought advice from the ATO on 23 April 2008 and discussions are now at a very advanced stage. Based on those discussions, we expect that the ATO will issue a favourable Class Ruling confirming the

availability of demerger relief under the relevant provision of the tax law. We will therefore complete the distribution of the Iron Road shares and, subject to your vote, the Iron Road options.

Let me turn to Tripitaka and the Colona Joint Venture. The Board had previously concluded that the market ascribed little value to Tripitaka and Iluka's omission of any reference to Tripitaka in most releases reinforced that view. The Board had also concluded that the market had characterised Adelaide Resources as an "aspiring junior minerals sand company". This image was certain to, and indeed did, condemn Adelaide Resources to an uninspiring investment with little opportunity of building shareholder value. Discussions with investor groups confirmed this conclusion.

The Board therefore set about to maximise the value of Tripitaka and promote its strategic worth to Iluka, thus preparing the prospect for offer to sell, to enable a cash injection that would allow Adelaide Resources to embark on a renewed course to build value.

Adelaide Resources through the Board had considerable input and influence into and over the PFS – the crucial process to demonstrate the value of Tripitaka. Your Board carefully considered the merits and otherwise of disposal of Tripitaka to Iluka prior to conclusion of a DFS and it is of value to note the several factors that influenced this decision and they include:

- At the successful conclusion of the PFS, once Iluka informed us that it intended NOT to proceed with a definitive feasibility study, nor develop a mine at Tripitaka in the near to medium term, your Board determined that it would not be possible nor practical to continue to crystallise the full value of the Tripitaka asset.
- As a consequence, the development of Tripitaka would likely be deferred some considerable time into the future and any value ascribed at that time would be eroded to a much lesser value today, by the time-value of money.
- While other potential buyers were contacted, the decision by Iluka to warehouse the deposit, and its majority ownership, effectively precluded the potential of sale of our 30% of the prospect to another party. Additionally, a simple offer of sale of assets would have triggered Iluka's pre-emptive right to purchase our equity making it unattractive for an interested party to undertake costly due diligence, only to be gazumped.
- The substantial and adverse change in the world economy meant that all mineral assets may soon be subjected to devaluation and an early agreement to sell may avoid further devaluation of the Tripitaka prospect.
- The effective suspension of the Australian equity capital markets for the foreseeable future indicates that those companies with cash will likely survive and be presented with rare opportunities to acquire assets. Without this cash injection, Adelaide Resources would need to seek to raise equity capital within the foreseeable future and it was doubtful that this would be successful.

The prospect for junior exploration companies with minimal cash reserves is extremely bleak and many are unlikely to survive. The "stand still" costs for juniors is, on average, in excess of \$1M pa. Maintaining exploration assets in good standing will likely add additional stress to already burdened balance sheets.

Ironically, the discovery of Tripitaka was announced on 11 November 2005, and exactly 3 years later – 11 November 2008 – we completed the Sale Agreement to transfer all Adelaide Resources rights in Tripitaka and the Colona Joint Venture to Iluka.

The decision to sell Tripitaka and the other Eucla assets now appears to be even more fortuitous than previously considered and the funds raised from the sale, combined with the current balance of funds, has placed Adelaide Resources in a very strong position.

In closing, as I stated previously, the current balance of funds is the largest “war chest” the company has amassed in its operating life and we intend to utilise these funds wisely to position Adelaide Resources in an even stronger position. Quality assets – both exploration and near-development assets, may soon become available as stressed asset sales. Our current cash position allows us to consider appropriate purchases or other initiatives to secure the future of the company and build shareholder value.

Paul J Dowd
Chairman