

Adelaide Resources Limited

(ACN 061 503 375)

FINANCIAL REPORT

For the Half-Year Ended

31 December 2010

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Directors' Report

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

Andrew J Brown Chairman	BA Econ (Hons)
Christopher G Drown Managing Director	BSc (Hons), MAusIMM, MAICD
John P Horan Non Executive Director	F CPA, FCIS
John J den Dryver Non Executive Director	BE (Mining), MSc, FAusIMM
Keith R Yates (<i>resigned 17 September 2010</i>) Non Executive Director	BSc (Hons), FAusIMM

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

John P Horan (<i>resigned 17 November 2010</i>)	F CPA, FCIS
Nicholas J Harding (<i>appointed 17 November 2010</i>)	F CPA, F Fin, ACIS

Review of Operations

The net result of operations for the half year was a loss of \$452,108 (2009: loss of \$380,957). Liquidity at 31 December 2010 was \$10.48 million, comprising cash and term deposits of \$10.251 million, and liquid investments of \$0.231 million.

The company's main exploration focus during the half year was at the Rover Gold-Copper Project in NT, with a drilling program underway for all but the last two weeks of the six month period. Holes were drilled at two prospects, Rover 1 and Rover 4, both of which returned excellent exploration results.

Drilling at Rover 1 confirmed that a significant body of prospective ironstone and underlying stringer zone is present on the company's tenement, and that this body contains high grade copper and gold mineralisation in places. Outstanding copper and gold intersections reported from Rover 1 during the half year included:

- 7 metres at 3.61g/t gold from 523 metres in hole R1ARD31b,
- 19.75 metres at 3.31% copper from 436.25 metres in WGR1D050,
- 5.25 metres at 4.46g/t gold and 1.14% copper from 556 metres in R1ARD33-2,
- 26 metres at 3.87% copper from 445 metres in R1ARD35,
- 16 metres at 1.1% copper from 418 metres in R1ARD35-1,
- 15 metres at 1.33% copper from 442 metres in R1ARD36, and
- 11.4 metres at 1.42g/t gold and 2.63% copper in R1ARD41-1.

At Rover 4 significant zones of mineralisation were returned from several holes. An upper intersection returned in hole R4ARD40 commences just 150 metres vertically below surface and represents the shallowest mineralisation discovered to date in the entire Rover Field. Rover 4 intersections include:

- 8 metres at 3.77g/t gold and 0.59% copper from 231 metres in R4ARD32.
- 7 metres at 1.24% copper from 337 metres in R4ARD34,
- 9 metres at 2.12% copper from 380 metres in R4ARD34
- 15 metres at 1.49g/t gold and 1.7% copper from 164 metres in R4ARD40,
- 22 metres at 1.3g/t gold and 1.87% copper from 212 metres in R4ARD40.

Continuation of the aggressive drilling program at Rover is planned for calendar 2011, with the goal of extending the zones of mineralisation discovered to date at Rover 1 and Rover 4, and exploring for new deposits in other prospects on the project tenements.

The company received the assay results for samples collected from a drilling program completed late in the preceding half year on the Moonta Copper-Gold Project on Yorke Peninsula in South Australia. Significant gold and copper intersections were returned from the Willamulka Prospect, with a 1,500 metre long geochemical anomaly located in the northeast of the project tenement. Significant results include:

- 1 metre at 4.59g/t gold from 18 metres in WAC27,
- 3 metres at 0.48g/t gold and 1.26% copper from 18 metres in WAC28,
- 2 metres at 14.28g/t gold and 0.62% copper from 26 metres in WAC28,
- 9 metres at 1.09g/t gold and 2.25% copper from 58 metres in WAC53.

The drilling program additionally confirmed that mineralisation persists for at least 900 metres of the 1,500 metre long geochemical anomaly at Willamulka. Cropping activities precluded follow-up of these encouraging results in the half year, however drilling recommenced in January 2011 following harvest.

The Corrobinnie Palaeochannel Uranium Joint Venture, between Adelaide Resources and Quasar Resources Pty Ltd, is searching for "roll front" style uranium deposits in ancient drainage systems on Eyre Peninsula. During the half year Quasar met its initial expenditure commitment of \$3 million and now holds a 60% equity in the Joint Venture, with Adelaide Resources retaining a 40% interest.

Drilling programs completed by the Corrobinnie Uranium Joint Venture during the half year confirmed that palaeochannel hosted uranium mineralisation in the Thurlga channel is significant and warrants follow-up exploration, and additionally defined a seven kilometre long zone of uranium anomalism hosted in weathered basement rocks that also deserves further investigation.

The Yalanda Hill Joint Venture with Investigator Resources Limited is exploring for uranium and other minerals on three tenements located on eastern Eyre Peninsula in South Australia. A reconnaissance soil geochemical survey completed in the half year located three gold and two uranium anomalies warranting infill sampling.

During the half year the company also announced its intention to seek the ASX listing of Peninsula Resources Limited, which will contain all of the company's South Australian

and Queensland exploration assets. Adelaide Resources' aims to effect the public float of Peninsula in the first half of 2011, and drafting of the Peninsula prospectus is now underway.

The Directors of the company believe the Peninsula spin-out, if successfully executed, will be beneficial to the shareholders of Adelaide Resources by:

- Ensuring that the company can fully participate in any consolidation of activities or tenements in the Tennant Creek area, which may take place as a result of the recommencement of mining activities in the area by one or more companies;
- Eliminating the capital allocation conflict between the Rover Project and the emerging South Australian projects intended to be floated as part of Peninsula;
- Assisting in the recognition by the market of the value in the company's non-Rover assets by facilitating a focused and well funded ownership entity.

The Peninsula IPO will seek to issue between 20 million and 28 million 25 cent shares to raise between \$5 million and \$7 million. Upon listing Adelaide Resources will hold 30 million shares in Peninsula Resources, which will have a total of between 50 million and 58 million shares on issue.

Following the listing of Peninsula, Adelaide Resources intends to hold a shareholder meeting to seek approval to distribute approximately 24.1 million of its Peninsula shares directly to shareholders. Shareholders will receive one Peninsula share for every six Adelaide Resources shares held, with the distribution to be completed as an In-Specie return of capital. The return of capital will be subject to receiving de-merger relief from the ATO, which will ensure that neither shareholders or the company are disadvantaged from a tax viewpoint.

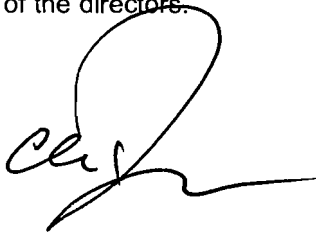
Subsequent Events

There have been no matters or circumstances which have arisen since the end of the half-year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 6 of the half year financial report.

Dated at Adelaide this 22nd day of February 2011 and signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'CG Drown', with a large loop at the top and a long horizontal stroke at the bottom.

CG Drown
Managing Director

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Adelaide Resources Limited
69 King William Road
UNLEY SA 5061

22 February 2011

Dear Board Members

Adelaide Resources Limited

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

As lead audit partner for the review of the financial statements of Adelaide Resources Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Jody Burton
Partner
Chartered Accountants

**Consolidated Statement of Comprehensive Income for the
Half Year ended 31 December 2010**

	Half-Year Ended 31/12/10	Half-Year Ended 31/12/09
	\$	\$
Revenue (Bank interest)	182,361	160,148
Other income (Note 2)	-	47,802
Exploration expenditure written-off	(26,020)	(42,755)
Administration expenses	(241,823)	(230,257)
Shareholder relations	(41,625)	(37,311)
Corporate consulting expenses	(80,589)	(98,583)
Non executive directors fees	(71,156)	(91,250)
Occupancy expenses	(36,957)	(35,348)
Salaries and wages	(59,511)	(20,663)
Share based remuneration	(27,060)	-
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(Loss)/profit before income tax	(402,380)	(348,217)
Income tax expense	(49,728)	(32,740)
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(Loss)/profit for the period	(452,108)	(380,957)
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Other comprehensive income		
Gain/(loss) on available-for-sale investments taken to equity	53,574	111,980
Income tax relating to components of other comprehensive income	(16,072)	(21,416)
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Total other comprehensive income	37,502	90,564
	<hr/>	<hr/>
Total comprehensive income for the period (loss)	(414,606)	(290,393)
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Earnings Per Share		
Basic (cents per share) – (Loss)/profit	(0.36)	(0.41)
Diluted (cents per share) – (Loss)/profit	(0.36)	(0.41)

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

**Consolidated Statement of Changes in Equity for the
Half Year ended 31 December 2010**

	Issued capital	Employee Equity- Settled Benefits	Available for Sale Revaluation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2009	17,933,796	1,094,009	(40,594)	(7,720,610)	11,266,601
Loss attributable to the period	-	-	-	(380,957)	(380,957)
Valuation gain – other financial assets	-	-	115,133	-	115,133
Related income tax	-	-	(21,416)	-	(21,416)
Transfer from available for sale revaluation reserve to profit and loss on distribution of other financial assets	-	-	(3,153)	-	(3,153)
Total comprehensive income for the period	-	-	90,564	(380,957)	(290,393)
Issue of share capital through a share placement at 19 cents	2,280,000	-	-	-	2,280,000
Issue of share capital through a share purchase plan at 19 cents	2,996,925	-	-	-	2,996,925
Costs associated with the issue of shares	(180,518)	-	-	-	(180,518)
Related income tax	54,156	-	-	-	54,156
Conversion of employee share options at 4 cents	11,000	-	-	-	11,000
Transfer to issued capital from employee equity-settled benefits reserve on conversion of employee share options	9,281	(9,281)	-	-	-
Balance at 31 December 2009	23,104,640	1,084,728	49,970	(8,101,567)	16,137,771
Balance at 1 July 2010	23,104,640	1,084,728	36,561	(8,364,797)	15,861,132
Loss attributable to the period	-	-	-	(452,108)	(452,108)
Valuation gain – other financial assets	-	-	53,574	-	53,574
Related income tax	-	-	(16,072)	-	(16,072)
Total comprehensive income for the period	-	-	37,502	(452,108)	(414,606)
Issue of share capital through a share placement at 18.5 cents	3,052,500	-	-	-	3,052,500
Issue of share capital through a share purchase plan at 18.5 cents	3,124,000	-	-	-	3,124,000
Costs associated with the issue of shares	(219,333)	-	-	-	(219,333)
Related income tax	65,800	-	-	-	65,800
Share based payments	-	27,060	-	-	27,060
Balance at 31 December 2010	29,127,607	1,111,788	74,063	(8,816,905)	21,496,553

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 31 December 2010

	31/12/10	30/06/10
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	10,251,076	7,560,843
Trade and other receivables	445,542	209,993
Other financial assets	231,018	209,056
TOTAL CURRENT ASSETS	10,927,636	7,979,892
NON CURRENT ASSETS		
Exploration and evaluation	10,703,286	8,158,880
Shares in Iron Road Limited	155,951	124,340
Plant and equipment	234,704	260,579
TOTAL NON CURRENT ASSETS	11,093,941	8,543,799
TOTAL ASSETS	22,021,577	16,523,691
CURRENT LIABILITIES		
Trade and other payables	371,797	520,970
Provisions	11,041	2,426
TOTAL CURRENT LIABILITIES	382,838	523,396
NON-CURRENT LIABILITIES		
Provisions	12,829	9,806
Other liabilities	129,357	129,357
TOTAL NON-CURRENT LIABILITIES	142,186	139,163
TOTAL LIABILITIES	525,024	662,559
NET ASSETS	21,496,553	15,861,132
EQUITY		
Issued capital	29,127,607	23,104,640
Reserves	1,185,851	1,121,289
Accumulated losses	(8,816,905)	(8,364,797)
TOTAL EQUITY	21,496,553	15,861,132

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows for the
Half Year ended 31 December 2010**

	Half-Year Ended 31/12/10 Inflows (Outflows) \$	Half-Year Ended 31/12/09 Inflows (Outflows) \$
Cash flows related to operating activities		
Payments to suppliers and employees	(756,143)	(162,544)
Net operating cash flows	<u>(756,143)</u>	<u>(162,544)</u>
Cash flows related to investing activities		
Interest received	207,056	136,842
Payments for exploration and evaluation expenditure	(2,765,644)	(2,188,171)
Government grant received	-	45,454
Proceeds from sale of other financial assets	-	48,853
Payments for plant and equipment	(10,743)	(5,578)
Net investing cash flows	<u>(2,569,331)</u>	<u>(1,962,600)</u>
Cash flows related to financing activities		
Proceeds from share issues	6,176,498	5,287,925
Payment for share issue costs	(160,790)	(180,519)
Net financing cash flows	<u>6,015,708</u>	<u>5,107,406</u>
Net increase in cash and cash equivalents	2,690,234	2,982,262
Cash and cash equivalents at beginning of financial period	7,560,843	6,179,379
Cash and cash equivalents at end of financial period	<u>10,251,077</u>	<u>9,161,641</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Half-Year ended 31 December 2010

1. BASIS OF PREPARATION OF ACCOUNTS

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

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2010 annual financial report.

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 their operations and effective for the current reporting period.

2. OTHER INCOME

	Consolidated	
	Half-Year Ended 31/12/10 \$	Year Ended 31/12/09 \$
Profit on sale of assets	-	47,802
Other	-	-
	-	47,802

3. ISSUE OF SECURITIES

During the half-year ended 31 December 2010, 16,500,000 shares were issued via a placement and 16,886,328 shares were issued as a result of a share purchase plan.

During the half-year ended 31 December 2009, 12,000,000 shares were issued via a placement, 15,773,005 shares were issued as a result of a shareholder share purchase plan and 275,000 shares were issued through the exercise of options.

During the half-year ended 31 December 2010, no share options were issued over ordinary shares (2009: Nil).

During the half-year ended 31 December 2010, 2,000,000 performance rights to shares were issued (2009: Nil).

4. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2010.

5. SUBSEQUENT EVENTS

There have been no matters or circumstances which have arisen since the end of the half year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

6. SEGMENT INFORMATION

The Group has a number of exploration licenses in Australia which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future metal prices. Accordingly, the Group effectively operates as one segment, being exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

As a result, following the adoption of AASB 8, there has been no change in the Group's reportable segments.

Directors' Declaration

The directors declare that:

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

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

On behalf of the directors

A handwritten signature in black ink, consisting of a large, stylized loop at the top and a long, horizontal stroke extending to the right.

CG Drown
Managing Director

Adelaide, South Australia
22nd February 2011

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

We have reviewed the accompanying half-year financial report of Adelaide Resources Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adelaide Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Adelaide Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

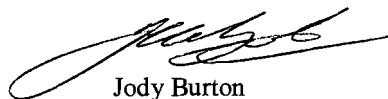
Member of
Deloitte Touche Tohmatsu

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Jody Burton
Partner
Chartered Accountants
Adelaide, 22 February 2011