



Adelaide Resources Limited

quarterly report

for the period ending 30 June 2005

highlights of the quarter

In the light of positive market conditions the company is well advanced in a review of the uranium prospectivity of its extensive tenement holdings in South Australia. Already this review has highlighted significant potential for the presence of palaeochannel hosted uranium deposits in the company's wholly-owned Eyre Peninsula Project area (see below).

Colona Mineral Sands Joint Venture – Eucla Basin SA

- Second phase of drilling completed (52 holes for 3217 metres).
- Analyses available next quarter but visual estimates suggest widespread plus 1% heavy mineral intervals comparable to first program.
- Interpretation implies beach sequences more prospective for higher grades are potentially further south where Native Title access negotiations are well advanced.

Moonta-Wallaroo Copper-Gold Joint Venture – Gawler Craton SA

- Encouraging copper intersections achieved from shallow aircore drilling at Wombat Copper Prospect.
- Copper bearing gossanous ironstone defined over 1000 metres - intersections include **30 metres at 0.52% copper** to the end of hole.
- The first of five planned follow-up diamond drill holes commenced in mid July.

Eyre Peninsula Uranium Project – Gawler Craton SA

- Three discrete Tertiary palaeochannel systems covering 160 km (Narlaby, Yaninee and Thurlga) prospective for sedimentary uranium deposits identified in the project area.
- Past exploration has demonstrated the presence of uranium in the Narlaby Palaeochannel.
- Options for achieving best value for the company from the uranium potential recognised on the Eyre Peninsula tenements are currently under consideration.

Eyre Peninsula Gold Project – Gawler Craton SA

- Induced polarisation survey commenced at Barns and Baggy Green to confirm method can detect existing, and locate new, gold mineralisation.

Rover Gold-Copper Project – Tennant Creek NT

- All access requirements preparatory to the commencement of on-ground exploration now complete.
- Ground magnetic surveys to commence shortly ahead of drilling scheduled for the September quarter.

Warramboe Iron Project – Gawler Craton SA

- Many parties reviewed the project ahead of the June deadline for receipt of offers. The company has now entered into negotiations.

Finance

- A share placement in June of 2.0 million ordinary shares at 26 cents/share raised \$520,000 less 5% broker fees.
- The company had available funds of \$3.6 million at the close of the quarter.

review of exploration activities

Colona Mineral Sands Joint Venture

Adelaide Resources Limited 100%; Iluka Resources Limited earning 51%.

The second phase of drilling at the Colona Joint Venture Exploration Licences (ELs) 2840 and 2841 was recently completed. A total of 52 aircore holes amounting to 3127 metres were drilled on four infill traverses (see plan).

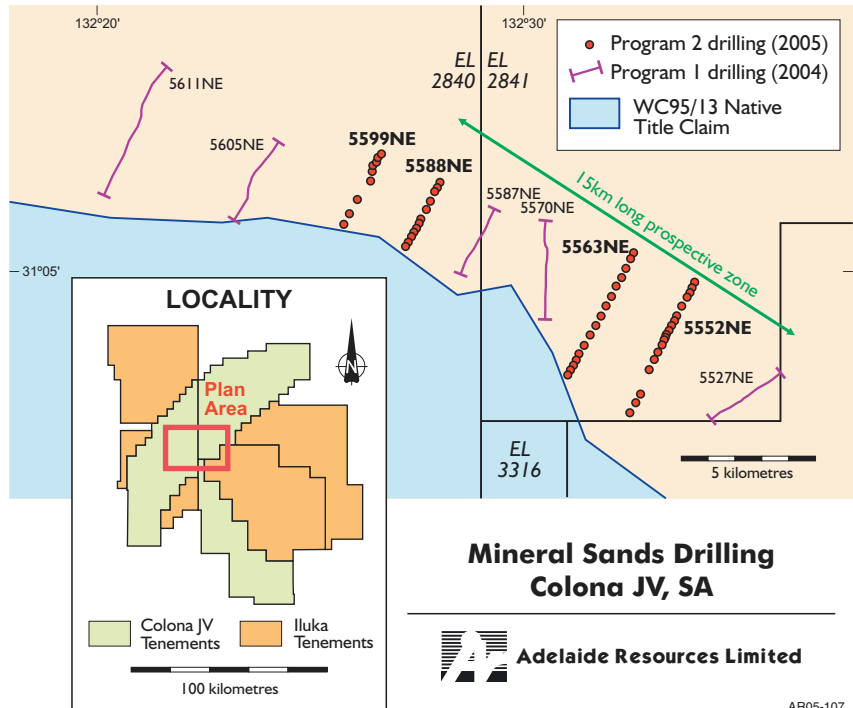
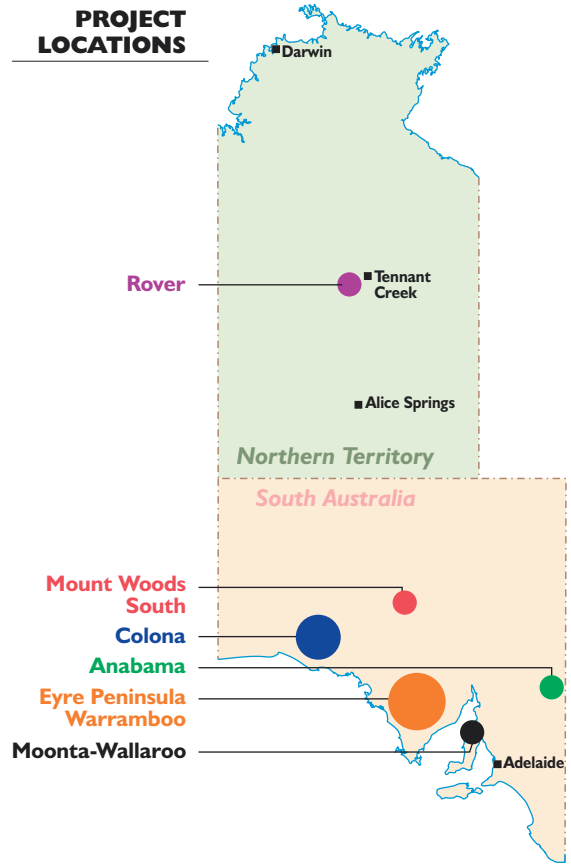
The three most easterly lines of holes were located within the 15 kilometre long section of the Ooldea Range identified as prospective based on results from the first phase of drilling completed in late 2004. No drilling was undertaken on EL 3316 further south.

The samples from the recent drilling have not yet been analysed in the laboratory to determine their heavy mineral content. These analyses are anticipated in the September quarter.

Visual examination of the samples however suggests that the recent drilling may have encountered widespread plus 1% heavy mineral intervals comparable to those intersected in the first program in late 2004.

Importantly, interpretation of the geology provides support for the concept that the mineralisation located in drilling to date is hosted in a marginal facies and that beach sequences more prospective for higher grade heavy mineral concentrations are potentially situated further south.

Access to the ground immediately south requires the finalisation of an agreement with the Native Title applicants. Negotiations are well advanced with a view to extending the drilling into this area. ■



Moonta-Wallaroo Copper-Gold Joint Venture

Adelaide Resources 100%; Phelps Dodge Australasia, Inc./ Red Metal Limited Alliance earning 70%

On 25 May 2005 the joint venture released an announcement concerning encouraging copper intersections achieved from shallow aircore drilling at the Wombat Copper Prospect (formerly Target 81) located on the Yorke Peninsula near Wallaroo, S.A.

The vertical aircore drilling to a maximum depth of 60 metres defined a copper-bearing gossanous ironstone with a strike length of about 1000 metres. Best intersections included 30 metres at 0.52% copper from 24 metres including 8 metres at 0.93% copper from 46 metres to the end of the hole. Of

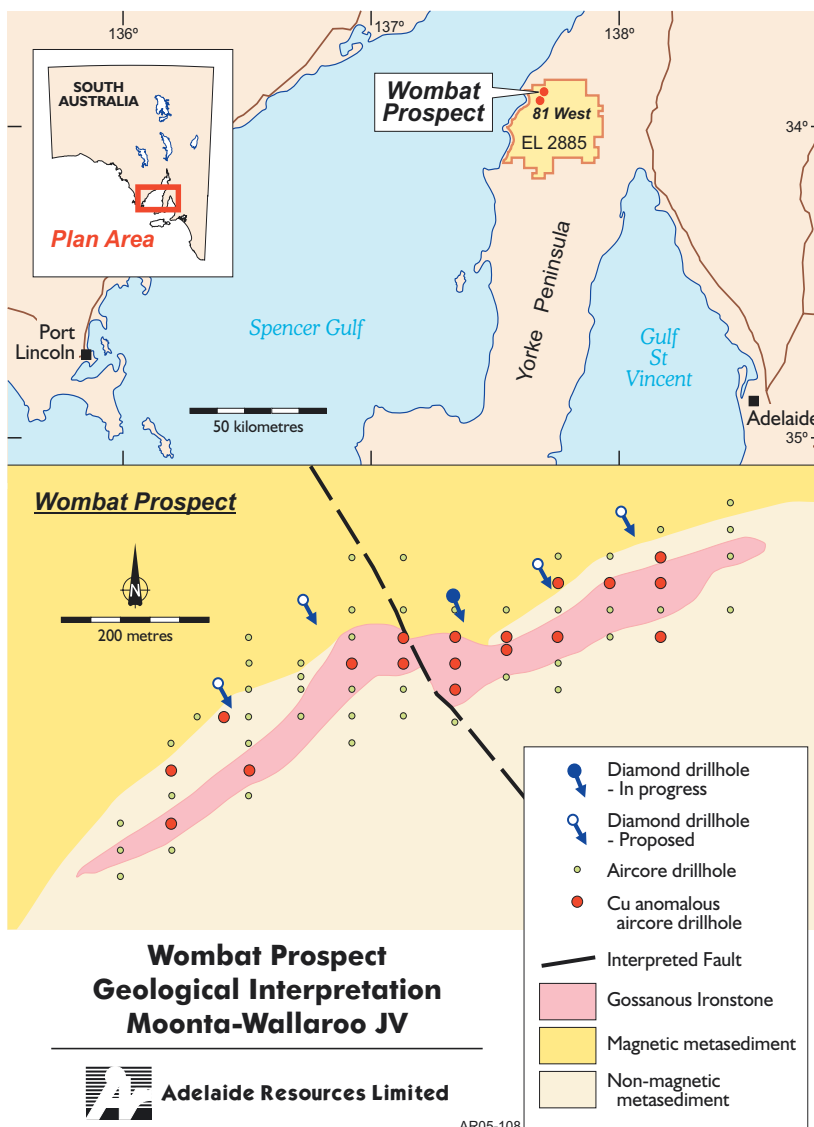
the 18 holes which intersected copper, 15 bottomed within mineralisation with copper values commonly increasing downhole.

The first diamond core hole in a proposed five hole program, designed to test the true width and grade of copper mineralisation below the Wombat gossan, commenced in mid-July (see plan). Assay results from the early holes in the program are anticipated in mid-August.

In the same general area a 656 metre diamond core hole was drilled to test Target 81 West, a 1500 metre by 500 metre negative gravity anomaly with coincident copper and gold anomalism in soil calcrete. Drilling intersected a wide interval of felspathic metasediment hosting a low density of carbonate-chalcopyrite veins and

stockworks with a more intense carbonate-chalcopyrite breccia developed from 390 metres to 428 metres along the southern margin of the felspathic unit. Assay results are pending.

Although the mineralisation intersected at Target 81 West is considered sub-economic, it represents a new style of copper mineralisation for the Moonta district and has led to the recognition of a number of previously untested targets for follow-up aircore drilling. ■



Eyre Peninsula Uranium

Adelaide Resources 100%

In the past two years the price of uranium oxide (U_3O_8) has increased from around US\$10 per pound to over US\$29 per pound. A projected deficit in supply of uranium has contributed significantly to this price escalation. This reflects that uranium is now recognised as one of the few viable base load energy sources that will allow countries to meet their carbon dioxide (CO_2) emission targets. Consequently new nuclear power plants are now in the planning and development stages in many jurisdictions around the globe.

The positive long term outlook for the uranium market presents the opportunity and confidence to focus attention on the hunt for new deposits, and has prompted the company to undertake a thorough assessment of the uranium potential of its substantial tenement holdings in South Australia.

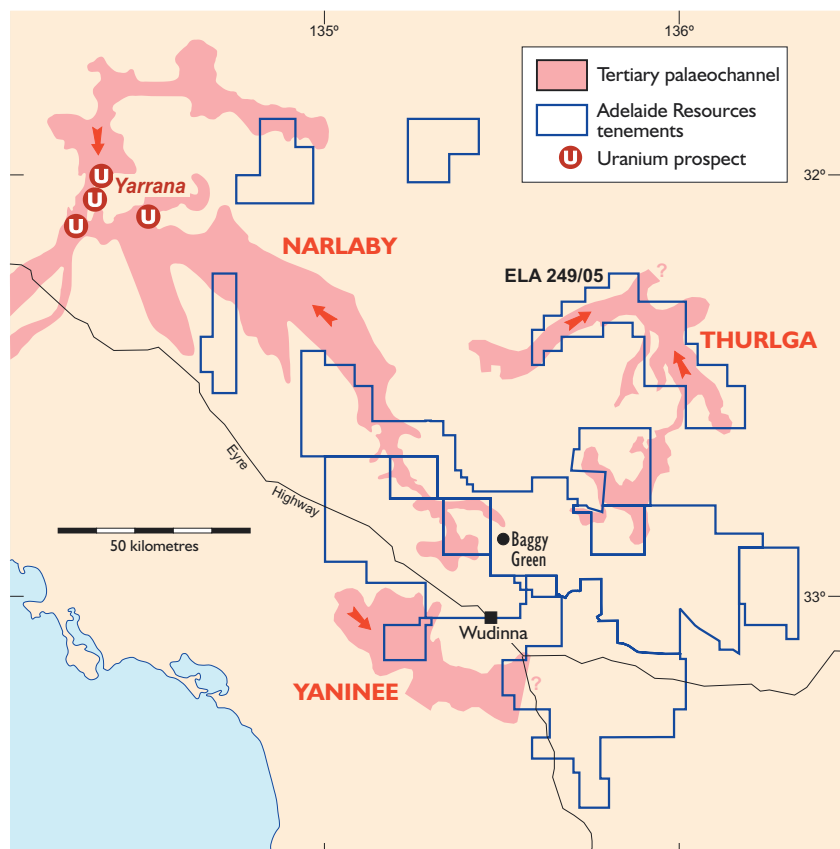
Evaluation of the uranium prospectivity of the company's large Eyre Peninsula tenement holding is progressing rapidly. As foreshadowed last quarter, extensive Tertiary aged sediments that fill hidden palaeochannel systems within the project have emerged as having potential to host significant uranium deposits.

Today no well defined surface drainage is evident on much of the Eyre Peninsula however this has not always been the case. Large river systems drained the region in the Tertiary when the climate was significantly wetter than it is now. The courses of these ancient rivers can now be traced where sand and clay deposits fill valleys incised into the weathered bedrock of the region.

Uranium is highly soluble in surface oxidising conditions but will precipitate if the chemical conditions become anoxic or reduced. Deposits form in palaeochannels when uranium minerals precipitate from uraniumiferous ground waters that flow from oxidised to reduced sediments. Reduced sediments may include those containing organic matter and/or iron sulphide.

Examples of uranium deposits which formed in this manner include Beverley and Honeymoon which lie within palaeochannels draining across the Curnamona Craton. The Yarrana uranium prospects are occurrences of similar origin hosted in the Narlaby Palaeochannel on the Gawler Craton to the north-west of the company's Eyre Peninsula project area.

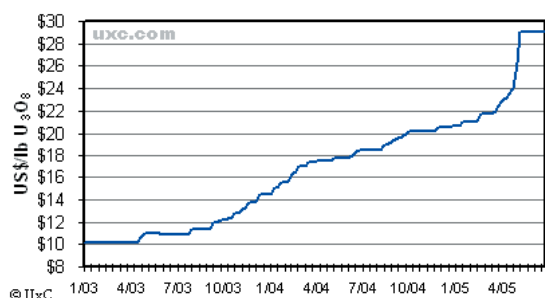
Exploration for uranium within palaeochannels is traditionally conducted by drilling holes then "logging" with downhole wireline detectors to measure gamma ray intensity and other physical properties of the host sediments. Increased gamma count rates commonly indicate the



**Palaeochannel Location
Eyre Peninsula Project, SA**

presence of uranium's radioactive daughter products, and by association, uranium itself.

Evaluation of all previous drilling in the region indicates that segments of at least three discrete palaeochannel drainage systems are present in the Eyre Peninsula Project area (see plan).



2 year U₃O₈ price graph (US\$/lb)

The best known of the three drainage systems, the Narlabay Palaeochannel which hosts the Yarrana uranium prospects downstream of the company's tenements, had its headwaters in the region around the Baggy Green gold prospect. The Narlabay runs in a north-west direction with approximately 55 kilometres of the palaeochannel present on the project tenements. The channel-fill sediments reach thicknesses in excess of 100 metres in places.

The presence of the Yarrana uranium prospects downstream from the company's tenement holding and previous drilling the early 1980's indicate sufficient uranium has been mobilised to form uranium mineralisation from the groundwaters in the Narlabay system and that reduced sediments required to initiate uranium precipitation are also locally present.

The full extent of the second system, the Yaninee Palaeochannel, is less well defined however a 10 kilometre long segment is located on one of the southern project tenements. The Yaninee palaeochannel drained the southern part of the project area.

The third channel on the company's ground, the Thurlga Palaeochannel system, flowed to the north and drained the north eastern region of the project area. About 100 kilometres of the Thurlga palaeochannel is secured on the company's ground, including an 85 kilometre stretch on recently lodged ELA 249/05.

Very few drillholes have tested the Thurlga Palaeochannel although one of its southern tributaries was discovered by Adelaide Resources during drill testing of a gold anomaly in 1997.

The Thurlga Palaeochannel has never been explored for uranium and therefore its prospectivity remains unknown, however previous work in the Narlabay and Yaninee palaeochannels offers encouragement.

Drill holes from exploration completed over 20 years ago on the company held segments of both the Narlabay and Yaninee palaeochannels exhibit gamma responses that are similar to those at other uranium prospects in South Australia. The previous exploration programs came to an abrupt halt following changes in government uranium policy in the 1980's and have not been followed up. Options for achieving best value for the company from the uranium potential on the Eyre Peninsula tenements are currently under consideration. ■

Eyre Peninsula Gold Project

Adelaide Resources 100%

An Induced Polarisation (IP) survey at the Barns and Baggy Green gold prospects is underway. The survey will test whether sulphides associated with gold mineralisation at the two prospects can be detected using state-of-the-art geophysical equipment. The survey will also explore the prospect environs for geophysical responses that could be reflecting undiscovered gold mineralisation. A minimum of 15.5 line kilometres of IP is to be acquired.

If the Induced Polarisation trial at Barns and Baggy Green is successful in detecting mineralisation at the two prospects, it will represent a valuable new exploration technique to complement the company's extensive geochemical database which covers much of the northern Eyre Peninsula. The overall objective is to demonstrate that IP can be effective in locating previously undetected gold mineralisation.

The South Australian Government has very recently released newly acquired gravity data which covers much of the company's Eyre Peninsula Project tenements. The new data represents a substantial increase in quality on

previously available gravity data for the region and presents valuable new information allowing improved interpretation of the largely covered geology in the project. Additionally several discrete gravity anomalies in the project area have not been subjected to previous drill testing and may represent future prospects.

Final analytical results were received from the March quarter RAB drilling program at the Empire copper-gold-nickel-zinc calcrete geochemical target. Anomalous levels of each of the abovementioned metals, together with anomalous arsenic are present over rare narrow intervals in weathered bedrock. The highest 1 metre intersections include 1.05 g/t gold, 0.12% copper, 0.21% zinc, 0.17% nickel and 0.56% arsenic. Weak bedrock mineralisation such as that intersected is unlikely to account for the large calcrete anomaly at Empire and the ultimate source of the geochemical feature remains enigmatic. ■

Rover Gold-Copper Project

Adelaide Resources 100%

Acquisition of the Rover Project from Newmont Gold Exploration Pty Ltd was announced in March 2005. The Rover Field contains mineralised ironstone bodies identical to those which host gold and copper deposits within the well established Tennant Creek Goldfield located 75 kilometres northeast of Rover. Gold production from the Tennant Creek mines currently totals approximately 5.5 million ounces with the bulk

of this production being from highly profitable bonanza grade deposits.

During the quarter the access requirements preparatory to the commencement of on-ground exploration on EL 7739, the principal project tenement which contains several high priority exploration targets, were all completed.

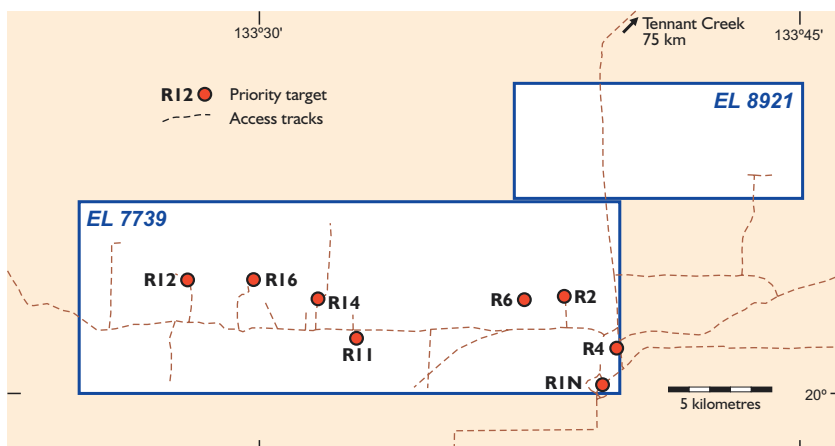
Ownership of Exploration Licences 7739 and 8921 has been transferred from Newmont to the company and the relevant government approvals to commence exploration are now in place.

Similarly, the agreement between Newmont and the Central Land Council (CLC) governing exploration on EL 7739, which falls on Freehold Aboriginal Land, has been assigned to the company.

An aboriginal heritage survey conducted by the Traditional Owners and the CLC was completed in early June. It did not identify any sites that will impact significantly on the current exploration program.

A critical step in planning accurate drill tests of magnetite-rich ironstones, such as those to be targeted in the Rover Project, is the acquisition and modelling of detailed ground magnetic geophysical data. These surveys are planned to commence at the start of August with data to be collected from eight prospects. Detailed modelling of the ground magnetics will be undertaken by a geophysical consultant with substantial previous experience in Tennant Creek style ironstone bodies prior to drill testing.

Drilling of selected Rover targets is scheduled to commence in the September quarter subject to the availability of a suitably capable drilling rig. Several prospects will be tested in an initial program of up to 4000 metres of drilling. ■



**Priority Target Location
Rover Project, NT**



Warramboe Iron Project

Adelaide Resources 100%

Airborne magnetic data indicates that over 50 strike kilometres of magnetite-bearing units are present on the central Eyre Peninsula. Metallurgical testwork completed on drill samples of the magnetite mineralisation has demonstrated that beneficiation can produce a magnetite concentrate with outstanding chemical specifications.

Existing drill tests of the magnetite mineralisation are limited in number and substantial further drilling is required to further assess the project. A significant level of interest in the project has presented the option of funding future exploration through the involvement of another party.

Last quarter the company announced that it had set a June deadline for receipt of offers from parties interested in participating in the further exploration of the Warramboe Iron Project. A significant number of groups reviewed the project and the company is now in a negotiating stage. ■

corporate

Share placement

A share placement in June of 2.0 million ordinary shares at 26 cents/share raised \$520,000 less 5% broker fees. ■

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finance

As at 30 June 2005, the company had available funds of \$3.591 million comprising cash and term deposits of \$3.238 million and liquid investments of \$0.353 million.

Exploration expenditure by the company during the June quarter was \$0.189 million.

Expenditure incurred by joint venture parties on the company's tenements during the quarter was \$0.416 million.

Keith Yates - Executive Chairman
Signed on behalf of the Board of Adelaide Resources Limited
Dated: 26 July 2005

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by KR Yates, who is a Fellow of the Australasian Institute of Mining and Metallurgy, and qualifies as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Enquiries should be directed to Keith Yates, Executive Chairman. Ph (08) 8271 0600. ■