



quarterly report

for the period ending 30 June 2006

highlights of the quarter

High level of drilling activity in Colona mineral sand project, both in the resource drill-out at Tripitaka and in regional exploration at Colona Central. Uranium exploration commenced on Eyre Peninsula with early detection of anomalies. Rover gold-copper drilling is imminent. Annual exploration expenditure was \$3.2 million, a record for the company.

Colona Mineral Sands Joint Venture – Eucla Basin SA

- Detailed resource definition drilling at Tripitaka zircon deposit completed – 225 holes for 4807 metres.
- Geological logging confirms deposit integrity.
- Resource estimate to be released around end September.
- Iluka to earn 51% early September quarter after which Adelaide Resources will contribute.

Rover Gold-Copper Project – Tennant Creek NT

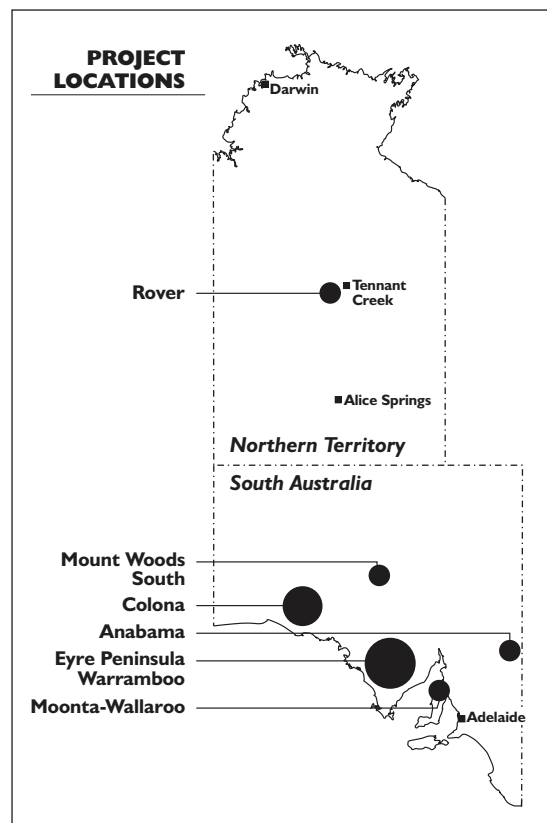
- A 2000 metre diamond core / reverse circulation drilling program planned to commence from July 24.
- Program budgeted at \$600,000 will test promising Rover 12 and Rover 4 magnetic targets where limited previous drilling has intersected gold and copper mineralisation.

Eyre Peninsula Uranium Project – Gawler Craton SA

- Field follow-up of widespread uranium and thorium anomalies in airborne radiometric data at Yalanda commenced.
- Number of locations of highly anomalous uranium with coincident thorium – up to 0.23% U, 0.67% Th – monazite concentrations confirmed at one locality.
- Range of anomalies remain to be evaluated.

Corporate and Finance

- Exploration expenditure for the quarter totalled \$0.917 million comprising \$0.286 million spent by the company and \$0.631 spent by joint venture parties on the company's tenements.
- The company had available funds of \$3.8 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%.*

It is expected that Iluka will earn a 51% interest in the Colona Joint Venture early in the September quarter after which Adelaide Resources has resolved to contribute its 49% share of ongoing expenditure.

Resource Definition Drilling

Detailed drilling of the Tripitaka zircon deposit was completed. The total program involved 324 holes for 8147 metres of which 225 holes for 4807 metres were drilled in the major part of the deposit situated in the Colona Joint Venture area.

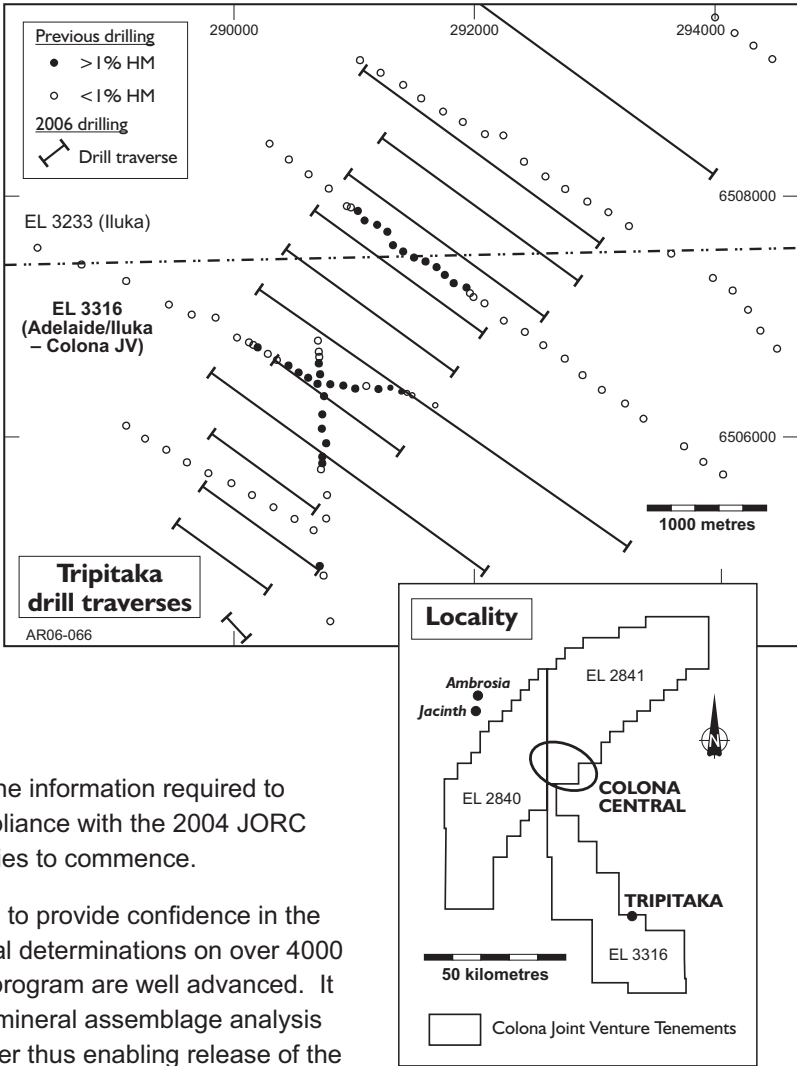
The program is designed to provide the information required to compute a resource estimate in compliance with the 2004 JORC Code, thereby permitting project studies to commence.

Geological logging of holes continues to provide confidence in the integrity of the deposit. Heavy mineral determinations on over 4000 samples collected during the drilling program are well advanced. It is expected that the second stage of mineral assemblage analysis will be completed in the coming quarter thus enabling release of the resource estimate around late September.

Regional Exploration

The focus of regional exploration during the quarter was on the Colona Central area situated between Tripitaka and Iluka's 100% owned Jacinth and Ambrosia deposits (see plan). Zones of anomalous heavy minerals were first located at Colona Central in late 2004 at intervals within a 15 km long sector of the Ooldea Range.

A total of 60 holes for 2298 metres were drilled on reconnaissance traverses. Initial geological interpretation suggests that a combination of sedimentary sequences was intersected with heavy mineral concentrations visible in a variety of settings. Laboratory analysis of samples is in progress with results expected by the end of next quarter. ■



Rover Gold-Copper Project

Adelaide Resources 100%

A 2000 metre diamond core / reverse circulation drilling program, budgeted at \$600,000, is planned to commence in the week beginning 24 July.

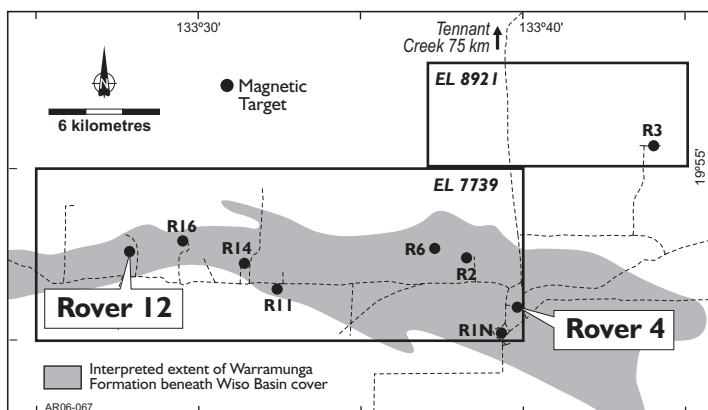
Drilling will test at least two, possibly three, magnetic ironstone targets situated in the Rover Field. This area is geologically analogous to the nearby Tennant Creek Field renowned for its bonanza grade gold and copper-gold deposits associated with magnetite bodies.

In the latter part of 2005 Adelaide Resources drilled three holes into the large Rover 12 ironstone. These holes showed sizeable intersections of magnetite bearing lode rocks with the longest intersection being 55.2 metres at 0.31% copper. While the grade of this interval is clearly uneconomic, the strong ironstone intersection and the presence of disseminated copper are positive signs. These results confirmed that this large magnetite body has a chemical signature indicative of mineralised ironstone in the Tennant Creek Field.

In the current program it is planned to drill up to two relatively deep holes (> 500 metres) at Rover 12, including one at Rover 12 West, the projected westerly extension of the Rover 12 magnetic anomaly.

Rover 4, at the eastern end of the field where cover rocks are shallowest, has gold intersections in limited drilling by previous explorers, including 4 metres at 3.55 g/t and 17.6 metres at 0.54 g/t. The very presence of gold in this ironstone is a positive indication and drilling is proposed to further explore this magnetic anomaly.

Westgold Resources has recently reported intervals of visible copper and lead-zinc sulphides from its drilling of ironstone targets, Explorers 108 and 142, to the west of Rover 12. ■



Eyre Peninsula Uranium Project

Adelaide Resources 100%

Field evaluation of a number of coincident uranium (U) and thorium (Th) anomalies evident in high quality airborne radiometric data acquired in 1991 by a previous base metal explorer over the area of Exploration Licence 3473 "Yalanda" commenced during the quarter.

The airborne anomalies (see plan) coincide with areas of outcropping fresh to deeply weathered gneiss and metasedimentary bedrock of Proterozoic age. These rocks are considered in part to be geologically equivalent to sequences hosting pitchblende (uranium oxide) mineralisation in vein settings on southern Eyre Peninsula near Port Lincoln.

Ten uranium anomalous areas have been visited to date while a similar number remain to be evaluated.

Most of the anomalies are relatively large areas with uniformly high background levels of U and Th. Laboratory assays, supported by numerous spectrometer readings which provide an estimate of U and Th concentrations, show uranium commonly at levels between 12ppm and 40ppm, with thorium at levels between 50ppm and 200ppm.

A number of local highly radiogenic sources were identified at some of the anomalies. Laboratory assays on samples collected from these discrete sources include results of 0.23% U (2300ppm U), 650ppm U, 550ppm U, 145ppm U and 96ppm U. Selected assay results from rock chip and soil samples are shown on the accompanying plan.

The highest uranium assay of 0.23% U was returned from a strongly radioactive sample taken from a roadside council pit in the western part of the tenement. The sample also contained 0.67% Th. Mineralogical investigations show the radioactive mineral present to be either monazite or xenotime which is present in significant quantity in the sample. In addition to containing significant uranium and thorium, monazite and xenotime are rich in yttrium (Y) and the rare earth elements (REE) and the sample contained 4.3% combined Y+REE. Monazite and xenotime are not currently exploited as ores of uranium.

To date all samples assayed from the Yalanda uranium anomalies also have significant thorium concentrations. Mineralogical investigations have only been completed on the one sample mentioned above and the radioactive mineral or minerals responsible for the other Yalanda anomalies remains to be determined. It is possible that monazite or xenotime is uniformly present or, alternatively, uranium may also be present in one or more minerals of potentially economic interest.

The ongoing evaluation of the Yalanda airborne radiometric anomalies is showing a large area with an abnormally high background concentration of uranium. The area may yet prove fertile for the

presence of uranium mineralisation of desirable mineralogy as occurs to the south at the Port Lincoln occurrences. Further field reconnaissance and sampling is planned in the September quarter. ■

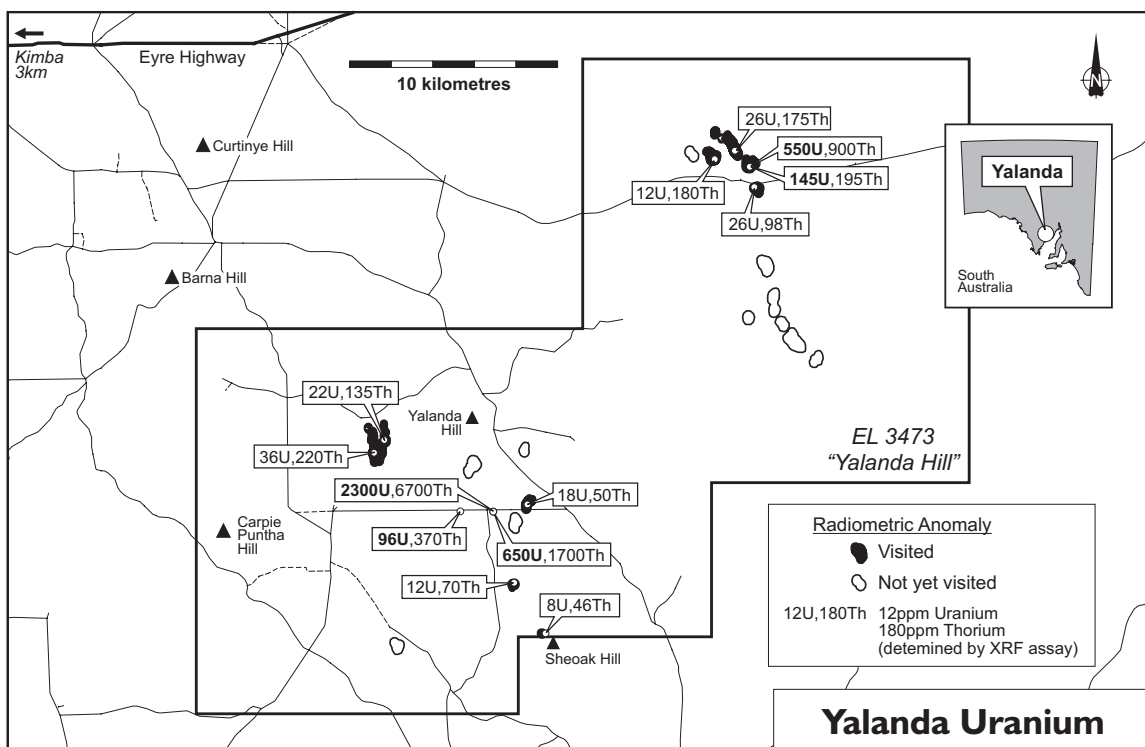
Eyre Peninsula Gold Project

Adelaide Resources 100%

A program of reverse circulation drilling comprising 8 holes for 797 metres was completed to test geophysical and geological targets in the vicinity of the Barns and Baggy Green gold prospects.

Results of the program were negative with only weakly anomalous levels of gold intersected. A best result of 1m at 0.53g/t gold was returned from weathered and altered gneiss at Baggy Green.

The program was partly funded through the South Australian Government's Plan for Accelerated Exploration (PACE) cooperative drilling program. ■



Moonta-Wallaroo Copper-Gold Joint Venture

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

Assay results from the deep drill test below the Wombat mineralised zone showed 30 metres at 0.55% copper from 650 metres. Resource potential within the drill tested portions of the Wombat shear zone appears limited. A review of the exploration potential for larger deposits along the extensive strike of the mineralised structure is in progress.

Two diamond core holes testing electromagnetic anomalies in the area surrounding Moonta mines did not intersect significant mineralisation. ■

finance

As at 30 June 2006, the company had available funds of \$3.826 million comprising cash and term deposits of \$3.548 million and liquid investments of \$0.278 million.

Exploration expenditure by the company during the June quarter was \$0.286 million.

Expenditure incurred by joint venture parties on the company's tenements during the quarter was \$0.631 million.



Keith Yates - Executive Chairman
Signed on behalf of the Board of Adelaide Resources Limited Dated: 20 July 2006

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. ■