Adelaide Resources Limited

quarterly report

for the period ending 31 december 2004

highlights of the quarter

Record expenditure of $1.19 million from combined activities of joint venture parties and Adelaide Resources.

The Colona Mineral Sands Project has assumed a prominent position in the company's exploration portfolio as a result of recent discoveries in the eastern Eucla Basin of South Australia. This basin now clearly shows potential to develop into a globally important zircon rich mineral sands province.

Colona Mineral Sands Joint Venture

- Encouraging discovery of several zones of plus 1% heavy minerals* (HM) in four of only seven widely spaced reconnaissance drilling traverses completed to date.
- Single drill traverse confirms high grade zircon rich interval in 1990 drill hole EB-119 with individual samples up to 37% HM. Mineralisation open along strike.
- In a separate area three consecutive but widely spaced drill traverses encountered plus 1% HM in numerous holes and highlight a 15 kilometre long area as a focus for more detailed exploration. On one of the three traverses mineralisation shows good continuity over a lateral extent of 2500 metres.
- Follow-up drilling to determine continuity and strike extent and to search for higher grade mineralisation planned early in June quarter after fire ban season.
- Iluka elects to proceed to earn 51% interest after completing Year 1 minimum program.

Eyre Peninsula Joint Venture

- Detailed airborne magnetic survey completed over 1220 sq km gold mineralised zone. Interpretation expected to generate new drill targets.

Moonta Wallaroo Joint Venture

- Drilling commenced at Target 78 with 700 metre diamond core hole planned for Target 81 West gravity low in coming quarter.

Barton Nickel Joint Venture

- Three EM conductors already defined as drill targets.
- Ground EM program expanded and extended prior to drilling early in June quarter.

Warramboo Iron Project

- Escalating iron ore market has prompted heightened interest from potential joint venture parties – discussions in progress.

Corporate

- A share placement in December of 5.7 million ordinary shares at 28 cents/share raised $1.596 million less 5% broker fees.

Finance

- The company had available funds of $3.149 million at the close of the quarter.

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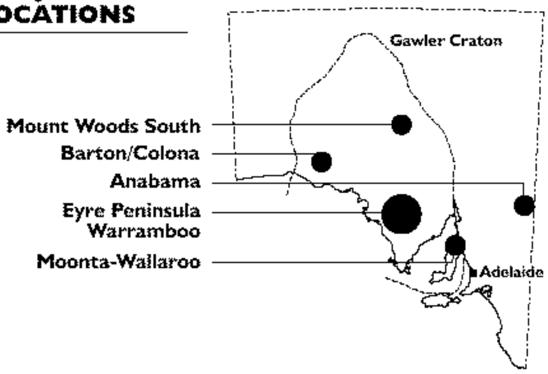
* heavy minerals (HM) include zircon, rutile, ilmenite and other non-valuable heavy components

PROJECT LOCATIONS



review of exploration activities

Colona Mineral Sands Joint Venture

Adelaide Resources 100%;
Iluka Resources Limited earning 51%

On 27 January the Colona Joint Venture announced the discovery of several zones of plus 1% heavy minerals* (HM) from widely spaced reconnaissance drill traverses within the Colona Joint Venture tenements in the Eucla Basin S.A. Resource modeling at Iluka's recent Jacinth discovery was completed using a 1% HM cut-off due to the high value, zircon rich assemblage. Accordingly the discovery on the joint venture ground of zones of plus1% HM is a promising development warranting follow-up drilling.

* *heavy minerals (HM) include zircon, rutile, ilmenite and other non-valuable heavy components*

Under the terms of the Colona JV, Iluka may earn a 51% interest in the heavy minerals within these tenements by completing a minimum of 2,500 metres of drilling in the first year and thereafter spending an additional $1 million. Iluka have now met the Year 1 drilling commitment and have elected to proceed to earn a 51% interest in the joint venture.

Exploration completed to date comprises the drilling of 91 holes for 4236 metres on seven regional traverses (see drilling plan). Heavy mineral float/sink results are available for all samples submitted to Iluka's laboratory. Notable results are included in Table 1.

The relative abundance of the valuable minerals zircon, rutile and ilmenite, and non-valuable heavy grains, or "trash", requires further analytical processing. Results from assemblage determinations on a number of composite samples taken from the newly discovered zones will be available in February 2005.

Traverse 2840-1

A single traverse (2840-1) was drilled in the vicinity of previous drillhole EB-119 which intersected high grade heavy minerals at a depth of 38 metres (see drilling plan). Drilling has confirmed the presence and grade of the historic result and defined a plus 1% HM zone some 150

Table 1: Heavy Mineral Intersections (plus 1% HM)

Drill Traverse	Hole Name	From (m)	To (m)	Interval (m)	% Heavy Minerals	%Clay (-53 microns)
2840-1	YE001	36.0	40.5	4.5	10.4	3.6
	YE053	30.0	36.0	6.0	9.3	5.8
	YE054	34.5	39.0	4.5	2.9	5.8
	YE004	31.5	33.0	1.5	1.6	7.9
5587	YE335	42.0	45.0	3.0	2.5	9.6
	YE333	45.0	49.5	4.5	2.5	5.7
	YE334	37.5	42.0	4.5	1.9	10.9
	YE339	27.0	36.0	9.0	1.8	6.1
	YE328	30.0	33.0	3.0	1.7	5.4
	YE331	28.5	36.0	7.5	1.3	8.0
	YE332	34.5	40.5	6.0	1.2	9.0
	YE340	22.5	30.0	7.5	1.1	6.3
5570	YE308	52.5	64.5	12.0	2.3	4.2
	YE304	51.0	61.5	10.5	1.9	3.7
5527	YE315	33.0	36.0	3.0	3.1	1.0
	YE315	40.5	43.5	3.0	1.3	3.6
	YE327	42.0	45.0	3.0	1.5	4.5

metres wide and up to 6 metres thick. HM grades reach 37% in a narrow high grade core in this zone.

Drilling along strike from this zone will commence early in the June quarter 2005.

Ooldea Range Shoreline

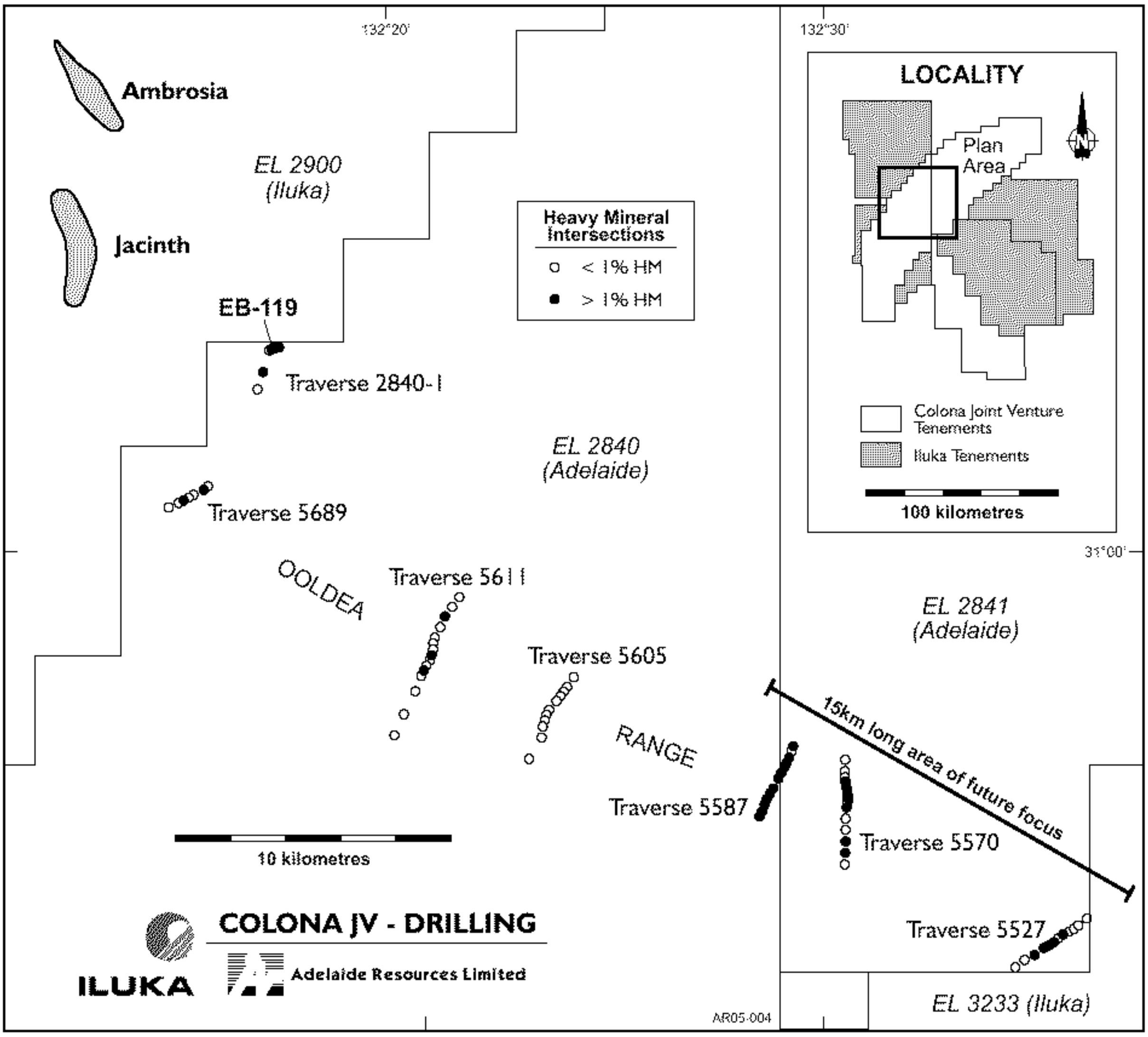
Six reconnaissance traverses were drilled at very broad spacing of between 2.5 and 10 kilometres to test the ancient shoreline along the Ooldea Range (see drilling plan).

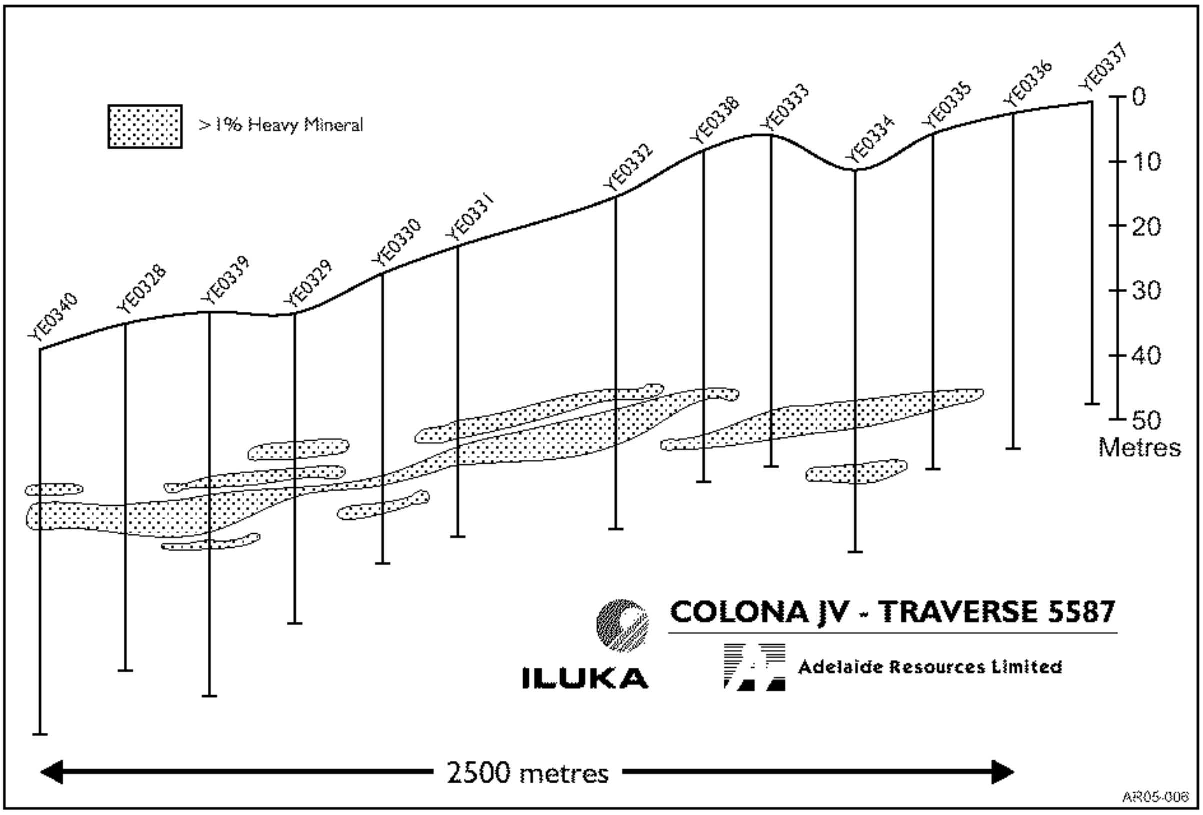
Encouraging intersections of heavy mineral were made on the three eastern traverses with the most promising results returned from Traverse 5587 (see section). Drilling on this traverse has outlined an extensive sheet of +1% HM mineralisation which reaches a maximum thickness of 9 metres and a width of 2500 metres. HM grades returned from individual 1.5 metre samples within this zone are typically between 1 and 2% but reach a maximum of 5.5% HM. The distances from Traverse 5587 to the two adjacent drill traverses are 8 and 2.5 km respectively.

Zones of heavy mineral intersected on Traverses 5570 and 5527 show less continuity than that intersected on Traverse 5587, however together the three drill lines identify a 15 kilometre long prospective section of the Ooldea Range which will be subject to more detailed drilling.

Forward Program Timing

Heavy mineral assemblage determinations on composite samples taken from the new Colona JV discoveries are now underway with results to be available in February, 2005.





Infill and extended drill traverses are now planned for both the 15 kilometre prospective section of the Ooldea Range and in the vicinity of Traverse 2840-1 to determine the strike extent and continuity of the mineralisation, and to search for higher grade concentrations elsewhere along the shoreline.

Drilling is planned to recommence early in the June quarter 2005 after the expiry of the fire ban season.▪

Mount Woods South Joint Venture

(Adelaide Resources 50%; Perilya Limited 50%)

A program of reverse circulation drilling tested two magnetic anomalies at the Gemini target. Three vertical holes for 910 metres were drilled with the deepest hole reaching 350 metres. Two holes successfully penetrated the basement rocks below sedimentary cover.

Basement in the successful holes, intersected at depths of around 220 metres, comprised basalt and rhyolite volcanic units. Disseminated magnetite present in the basalt accounts for the source of the magnetic anomalies targeted in the program.

Hematite-sericite-chlorite hydrothermal alteration, and rare carbonate-fluorite veins are present in the basalt. Copper and gold assays are at background levels.▪

Moonta-Wallaroo Copper-Gold Venture

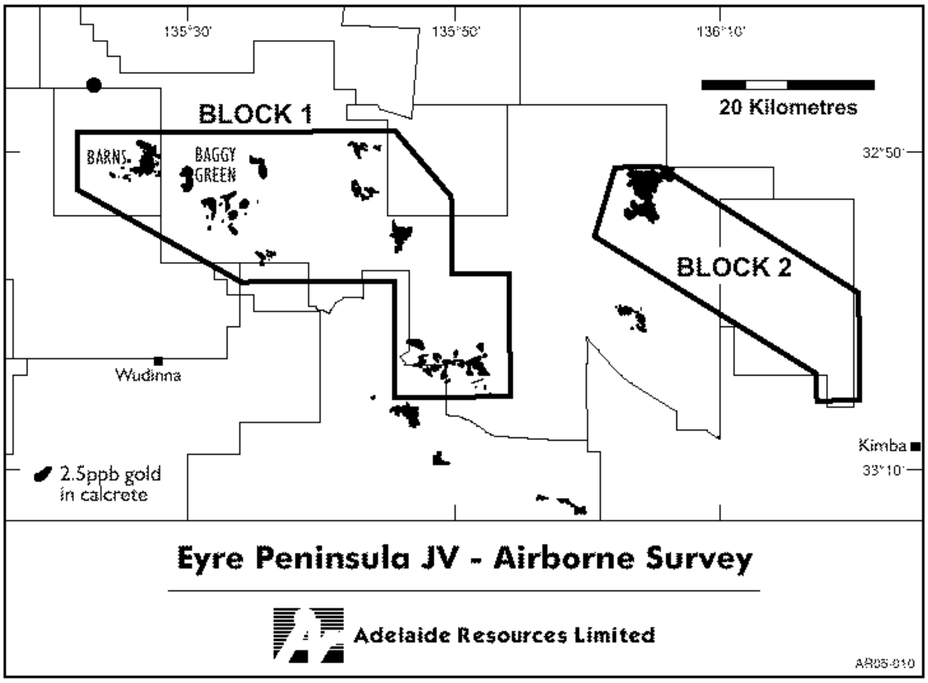
Adelaide Resources 100%; Phelps Dodge Australasia, Inc. / Red Metal Limited Alliance earning 70%

An aircore drilling program was initiated to test broad zones of anomalous copper and gold in calcrete geochemistry. Additional gravity readings and calcrete samples were taken. A total of 60 holes for 1,311 metres were drilled across Target 78 before the break for the holiday period.

Drilling recommenced on 12 January 2005.

After the completion of the aircore program, a 700 metre deep rotary / diamond core hole will be drilled to test Target 81 West, a 1,500 by 500 metre gravity low coincident with copper and gold anomalism in calcrete and in historic holes located adjacent to the target.

Results from both the aircore and diamond core programs will be available in the March quarter.▪



Eyre Peninsula Joint Venture

Adelaide Resources 100%;
Newmont Australia Limited earning 51%.

A high resolution airborne magnetic survey was flown over two blocks totalling 1220 sq. km in area. The objective was to present a greatly improved picture of the regional geology, to unravel the geological controls on the gold mineralisation within the district and to assist in the selection and ranking of future gold exploration targets.

Achieving these objectives required the acquisition of significantly more detailed geophysical data than had been collected in previous surveys. This detail was accomplished by flying at 40 metres above the ground surface on lines spaced only 75 metres apart. Radiometric and elevation data were also acquired.

The new data has allowed interpretations to be made of the detailed structural setting and magnetic character of gold deposits such as Barns and Baggy Green which were over-flown during the survey. This understanding can be extrapolated and applied to other areas of the project to locate similar environments which may warrant exploratory drill testing.

The process of selecting areas for further exploration using the magnetic data is now in progress with a number of new targets becoming apparent. Several of these targets are also supported by other coincident positive data, such as associated calcrete gold anomalism, thus lending confidence to the target selection process.

The joint venture parties plan to meet in February to review the targets that emerge from full evaluation of the survey results prior to determining the next stage of exploration. ■

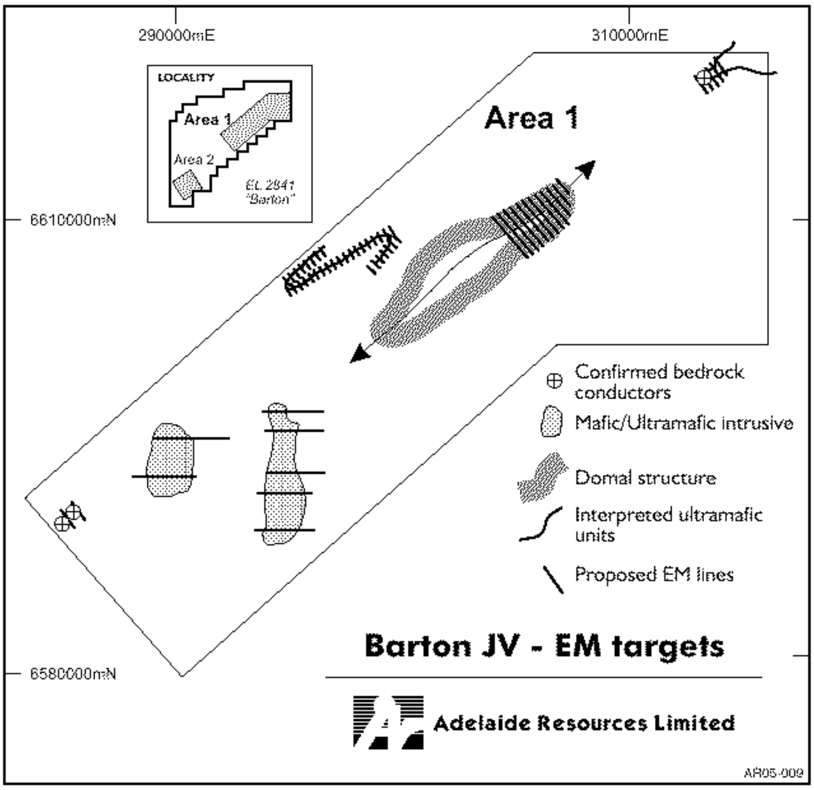
Barton Nickel Joint Venture

Adelaide Resources 100%;
Inco Resources (Australia) Pty Ltd earning 60%

The ground electromagnetic (EM) geophysical program commenced in the quarter is to be expanded and extended into 2005 prior to the start of drilling. The ground EM surveys are being undertaken to determine whether anomalies selected from the 2004 airborne EM survey, and other prospects, contain bedrock conductors worthy of drilling.

Further ground EM surveys will be conducted in the March quarter ahead of first stage drill testing planned to commence early in the June quarter.

Already three of the airborne EM anomalies covered by ground surveys in late 2004 have been confirmed as bedrock conductors (see plan) and these have been selected for drilling.



The more northerly conductor is coincident with a magnetic anomaly which may correlate with a similar magnetic feature associated with nickel anomalous ultramafic rocks located just east of the tenement boundary.

The ongoing ground EM program will also target a number of areas not surveyed in 2004 which are conceptually prospective for nickel sulphide deposits. The successful definition of bedrock conductors in these areas would add additional targets to those already selected for drilling.▪

Warramboo Iron Project

Adelaide Resources 100%

The escalating iron ore market has prompted heightened interest from potential joint venture parties. Discussions which commenced in the September quarter are continuing with parties representing Asian steel interests.▪

corporate

The company completed a placement of 5,700,000 ordinary shares at 28 cents/share in December to raise $1.596 million less 5% broker fees.▪

finance

As at 31 December 2004, the Company had available funds of $3.149 million comprising cash and term deposits of $2.796 million and liquid investments of $0.353 million.

Exploration expenditure by the Company during the September quarter was $76,000.

Expenditure incurred by joint venture parties on the Company's tenements during the quarter was $1.111 million.

Keith Yates

Keith Yates - Executive Chairman
Signed on behalf of the Board of Adelaide Resources Limited
Dated: 31 January 2005

The information in this report insofar as it relates to ore or mineralisation is based on information compiled by K R Yates, who is a Corporate Fellow of the Australasian Institute of Mining and Metallurgy and who has a minimum of five years' experience in the field of activity being reported on.

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

SCHEDULE OF TENEMENTS AS AT 30 SEPTEMBER 2004

Project	Tenement	Area km^2	Registered Holder or Applicant	Nature of Company's Intererst %
South Australia				
Eyre Peninsula Joint Venture	ELA 683/04	42	Adelaide Exploration Limited[1]	100 (Newmont Australia Limited earning 51%)
	EL 2752	1161	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 2806	320	Adelaide Exploration Limited and Olliver Geological Services	90 (Newmont Australia Limited earning 51%)
	EL 2844	106	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 2845	184	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 2846 (Part)	699	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 2869	2492	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 2981	232	Adelaide Exploration Limited and Olliver Geological Services	90 (Newmont Australia Limited earning 51%)
	EL 3076	139	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 3085	326	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 3086	226	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 3119	186	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 3129	256	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
	EL 3185	322	Adelaide Exploration Limited	100 (Newmont Australia Limited earning 51%)
Warramboo Iron Project	EL 2846 (Part)	664	Adelaide Exploration Limited	100
Moonta Wallaroo Joint Venture	EL 2885 (Part)	1054	Adelaide Exploration Limited	100 (Phelps Dodge Australasia, Inc/Red Metal Limited earning 70%)
	EL 2885 (Part)	106	Adelaide Exploration Limited	90 - option to acquire 100 from Breakaway Resources Limited (Phelps Dodge Australasia, Inc/Red Metal Limited earning 70%)
Colona Joint Venture	EL 2840	1844	Adelaide Exploration Limited	100 (Iluka Resources Limited earning 51% - cover only)
Colona Joint Venture and Barton Joint Venture	EL 2841	1922	Adelaide Exploration Limited	100 (Iluka Resources Limited earning 51% - cover only, Inco Resources (Australia) Pty Ltd earning 60% - basement only)
Mount Woods South Joint Venture	EL 2901	411	Adelaide Exploration Limited	50 (Perilya Limited 50)
Anabama Project	EL 2980	246	Adelaide Exploration Limited	100

[1]Adelaide Exploration Limited (incorporated 13 July 2001) is a wholly-owned subsidiary of Adelaide Resources Limited

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98

Name of entity

ADELAIDE RESOURCES LIMITED

ACN or ARBN	Quarter ended ("current quarter")
ACN 061 503 375	31 DECEMBER 2004

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to Date (6 months) $A'000
1.1	Receipts from product sales and related debtors		0	0
1.2	Payments for	(a) exploration and evaluation	(76)	(108)
		(b) development	0	0
		(c) production	0	0
		(d) administration *	(268) *	(403)
1.3	Dividends received		0	0
1.4	Interest and other items of a similar nature received		30	63
1.5	Interest and other costs of finance paid		0	0
1.6	Income taxes paid		0	0
1.7	Other (Including project management fees)		(179)	(90)
	Net Operating Cash Flows		(493)	(538)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a)prospects	0	0
		(b)equity investments		
		(c) other fixed assets	(2)	(4)
1.9	Proceeds from sale of:	(a)prospects	0	0
		(b)equity investments	0	0
		(c)other fixed assets		
1.10	Loans to other entities		0	0
1.11	Loans repaid by other entities		0	0
1.12	Other (provide details if material		0	0
	Net investing cash flows		(2)	(4)
1.13	Total operating and investing cash flows (carried forward)		(495)	(542)

*** See Note 6**

1.13	Total operating and investing cash flows (brought forward)	(495)	(542)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,604	1,604
1.15	Proceeds from sale of forfeited shares	0	0
1.16	Proceeds from borrowings	0	0
1.17	Repayment of borrowings	0	0
1.18	Dividends paid	0	0
1.19	Other - prospectus issue costs (placement)`	0	0
	Net financing cash flows	1,604	1,604
	Net increase (decrease) in cash held	1,109	1,062
1.20	Cash at beginning of quarter/year to date	1,687	1,734
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	2,796	2,796

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	104
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

Amount of $104,120 at 1.23 comprises consulting fees paid to related corporations of directors – ie K R Yates ($73,125), J P Horan ($20,995) plus directors fees – J P Horan ($5,000), K J A Wills ($5,000)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Expenditure during the quarter by joint venture parties on tenements in which the Company has an interest, including expenditure by co-venturers on projects not managed by Adelaide Resources Limited, amounted to $1,111,000.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	100
4.2	Development	0
	Total	100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	-85	58
5.2	Deposits at call	2,881	1,629
5.3	Bank overdraft	0	0
5.4	Other (provide details)	0	0
	Total: cash at end of quarter (item 1.22)	2,796	1,687

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2	Interests in mining tenements acquired or increased	Nil			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3	**+Ordinary securities**	63,130,960	63,130,960	N/A	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	50,000 5,700,000	50,000 5,700,000	$0.17 $0.28	Fully Paid Fully Paid
7.5	**+Convertible debt securities** *(description)*	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases througfh securities matured, converted				
7.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date*
	Note 1	200,000	Nil	*20*	*21 February 2005*
	Note 1	280,000	Nil	*6*	*20 September 2006*
	Note 1	150,000	Nil	*15*	*26 March 2007*
	Note 1	50,000	Nil	*13*	*16 May 2007*
	Note 1	900,000	Nil	*17*	*12 December 2007*
	Note 1	745,000	Nil	*20*	*22 December 2008*
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	50,000		*17*	*12 December 2007*
7.10	Expired during quarter	Nil			
7.11	**Debentures** *(totals only)*	Nil			
7.12	**Unsecured notes** *(totals only)*	Nil			

Note 1. Options issued under Employee Share Plan.

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Print name: John P Horan Director/Company Secretary Date: 31 January 2005

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

6. **Cash Expenditure** on administration includes $87,800 of brokers fees incurred on share placement

+ See chapter 19 for defined terms.