Adelaide Resources Limited

(ACN 061 503 375)

FINANCIAL REPORT

For the Half-Year Ended

31 December 2004

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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:

Keith Robert Yates	-	Executive Chairman
John Patrick Horan	-	Non Executive Director
Kevin John Anson Wills	-	Non Executive Director

The net result of operations for the half-year was a loss of $200,634.

Review of Operations

Exploration activity by Adelaide Resources Limited increased considerably during the six months ended 31 December 2004.

In particular, the Colona Mineral Sands Joint Venture with Iluka Resources Limited has assumed a prominent position in Adelaide Resources Limited's exploration portfolio as a result of recent discoveries in the Eastern Eucla Basin of South Australia. The basin now clearly shows potential to develop into a globally important zircon rich mineral sands province.

Exploration on the Barton Nickel Joint Venture property by Inco Resources (Australia) Pty Ltd defined three EM conductors as drill targets and a ground EM program was expanded and extended prior to drilling in the June Quarter of 2005.

The combined expenditure on the Company's tenements by joint venture parties and the Company was a record $1.920 million for the half-year.

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

Since the half-year's end the Company announced that Newmont Australia Limited had withdrawn from the Eyre Peninsula Joint Venture and that the Company would proceed with a further defined drilling program on the Eyre Peninsula Project.

The Company also announced that it had acquired a 100% interest in the Rover gold-copper project near Tennant Creek in the Northern Territory, from Newmont Gold Exploration Pty Limited.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is attached.

Dated at Adelaide this 15th day of March 2005 and signed in accordance with a resolution of the directors.

K R Yates
Director

J P Horan
Director

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Adelaide Resources Limited
378 Unley Road
UNLEY PARK SA 5061

15 March 2005
Our Ref: amh/JJH

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 2004, 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 review.

Yours sincerely

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

JJ Handel
Partner
Chartered Accountants

Consolidated Statement of Financial Performance for the Half-Year Ended 31 December 2004

	Half-Year Ended 31/12/04 $	Half-Year Ended 31/12/03 $
Revenue from ordinary activities	(351,423)	(137,974)
Exploration expenditure written-off	37,387	139,525
Administration expenses	99,437	89,993
Shareholder relations	53,593	38,307
Corporate consulting expenses	84,520	65,035
Occupancy expenses	21,064	18,947
Salaries and wages	56,056	35,873
Book value of investments sold	200,000	-
Loss from Ordinary Activities before Income Tax Expense	**200,634**	**249,706**
Income tax expense relating to ordinary activities	-	-
Net Loss	**200,634**	**249,706**
Total decrease in Equity other than that resulting From Transactions with Owners as Owners	**200,634**	**249,706**
Earnings Per Share – Basic (Cents per share) - Loss	(0.34)	(0.43)
– Diluted (Cents per share) – Loss	(0.34)	(0.43)

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

Consolidated Statement of Financial Position as at 31 December 2004

	31 December 2004 $	30 June 2004 $
CURRENT ASSETS		
Cash	2,795,837	1,735,737
Receivables	388,576	244,397
TOTAL CURRENT ASSETS	3,184,413	1,980,134
NON CURRENT ASSETS		
Mining tenements, exploration & evaluation expenditure	2,686,154	2,561,484
Interest bearing investments	353,000	553,000
Plant and equipment	26,579	27,737
TOTAL NON CURRENT ASSETS	3,065,733	3,142,221
TOTAL ASSETS	6,250,146	5,122,355
CURRENT LIABILITIES		
Payables	64,776	256,281
Provisions	3,991	3,224
TOTAL CURRENT LIABILITIES	68,767	259,505
NON-CURRENT LIABILITIES		
Provisions	14,007	11,531
TOTAL NON-CURRENT LIABILITIES	14,007	11,531
TOTAL LIABILITIES	82,774	271,036
NET ASSETS	6,167,372	4,851,319
EQUITY		
Contributed equity	10,632,864	9,116,177
Retained (losses)	(4,465,492)	(4,264,858)
TOTAL EQUITY	6,167,372	4,851,319

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 2004

	Half-Year Ended 31/12/04 Inflows (Outflows) $	Half-Year Ended 31/12/03 Inflows (Outflows) $
Cash flows related to operating activities		
Interest received	62,370	67,824
Payments to suppliers and employees	(405,196)	(298,040)
Other income	121,185	75,684
Net operating cash flows	(221,641)	(154,532)
Cash flows related to investing activities		
Payments for mining tenements, exploration and evaluation expenditure	(613,832)	(800,945)
Less reimbursed from co-venturers	182,745	595,530
Payments for plant and equipment	(3,859)	(14,322)
Proceed from sale of investments	200,000	-
Net investing cash flows	(234,946)	(219,737)
Cash flows related to financing activities		
Proceeds from share issues	1,604,500	-
Payment for share issue costs	(87,813)	-
Net financing cash flows	1,516,687	-
Net increase/(decrease) in cash	1,060,100	(374,269)
Cash at beginning of the half year	1,735,737	2,008,418
Cash at end of the half year	2,795,837	1,634,149

For the purpose of the Statement of Cash Flows, cash includes cash in hand and on deposit net of bank overdrafts.

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

Notes To And Forming Part Of The Financial Report
For the Half-Year Ended 31 December 2004

1. BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 1029: "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in the annual financial report and should be read in conjunction with the 2004 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 2004 annual financial report.

2. SEGMENT INFORMATION

The company operates in the mining and exploration industry in Australia.

3. CONTINGENT LIABILITIES

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2004.

4. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, the consolidated entity's first half-year report prepared under A-IFRS will be for the half-year reporting period ending 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ending 30 June 2006.

The consolidated entity has recently commenced the process of evaluating the high level impact of A-IFRS on the consolidated entity and consequently has not yet finalised how it is going to manage the transition to A-IFRS. The directors expect to complete the impact study and commence a plan to prepare the consolidated entity to be A-IFRS compliant shortly.

While no decision has yet been made as to the policy alternatives to be applied or the extent to which it will affect the consolidated entity, the directors have identified the following as being the key accounting policy differences expected to arise on transitioning to A-IFRS. This does not represent an exhaustive list of the differences that will arise, and further analysis may change the consolidated entity's assessment of the importance or otherwise of the various differences.

(a) First-time adoption of A-IFRS

On first-time adoption of A-IFRS, the consolidated entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the half-year ending 31 December 2004 and year ending 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following half year, and year end, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. Required adjustments on first-time adoption are to be made against opening retained earnings (1 July 2004).

(b) Capitalised Exploration and Development Expenditure

The consolidated entity currently capitalises all exploration and evaluation expenditure where it is expected that the expenditure will be recovered through the successful development and exploration of an area of interest, or by its sale, or the exploration activities are continuing in an area and activities have not yet reached a stage which permits a reasonable estimate of existence or otherwise of economically recoverable ore reserves. Under A-IFRS exploration and evaluation expenditure incurred in each area of interest will either be expensed as incurred or to be partially or fully capitalised and recognised as an asset so long as the following conditions are satisfied:

a) the rights to tenure of the area of interest are current; and
b) at least one of the following conditions is also met:
   i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
   ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

The consolidated entity is currently evaluating this accounting standard and its accounting policy for exploration and evaluation expenditure. The impact has not any change to the current accounting policy on the financial statements cannot yet be quantified.

(c) Impairment testing

Under A-IFRS all current and non-current assets will be subject to impairment testing. The consolidated entity will be required to test the values attributed to assets where impairment is indicated. Such testing will require the consolidated entity to identify the smallest group of assets generating independent cash inflows, called cash generating units ("CGUs"), and determine the recoverable amount for each CGU. Recoverable amounts are determined using the higher of either value in use calculated using reliable estimates of future discounted cash flows, or fair values. Where the carrying amount of a CGU exceeds the recoverable amount, an impairment loss exists which will be recognised in the statement of income. The consolidated entity has not yet determined the impact, if any, of any impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

(d) Income tax

The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profit and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and tax base of assets and liabilities recognised in the balance sheet.

As A-IFRS has a wider scope than the entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

(e) Financial assets and financial liabilities

Under current Australian Generally Accepted Accounting Principles (GAAP), financial assets and financial liabilities are recognised at cost, at fair value, or at net market value. On adoption of A-IFRS, the consolidated entity will be required to classify these financial instruments into various specified categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through the profit and loss. The consolidated entity is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the financial statements cannot yet be quantified.

(f) Share-based payments

Share-based compensation forms part of the remuneration of executives, employees and consultants of the consolidated entity. The consolidated entity does not recognise an expense for any share-based compensation granted. Under A-IFRS, the consolidated entity will be required to recognise an expense for such share-based compensation. Share-based compensation will be measured at the fair value of the share options determined at grant date. The entity will not retrospectively recognise share-based payments vested before 30 June 2005 as permitted under A-IFRS first time adoption. Post 30 June 2005, for any share-based compensation granted the consolidated entity will recognise an expense and a corresponding increase in share capital.

Directors' Declaration

The directors declare that:

(a) The attached financial statements and notes thereto comply with Accounting Standards;

(b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;

(c) In the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

K R Yates
Director

P Horan
Director

Adelaide, South Australia
15 March 2004

Deloitte.

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ADELAIDE RESOURCES LIMITED

Scope

We have reviewed the financial report of Adelaide Resources Limited for the half-year ended 31 December 2004 as set out on pages 4 to 10. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu.
DELOITTE TOUCHE TOHMATSU

James Handel.

JJ Handel
Partner
Chartered Accountants

Adelaide, 15 March 2005