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# NEWS

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### **ADELAIDE RESOURCES FLAGS HIGHER URANIUM**

### **DRIVE IN NEW JV WITH BEVERLEY MINE AFFILIATE**

The company responsible for last year's significant uranium discovery near the operating Beverley mine in South Australia is to join Adelaide Resources Limited in a major new uranium exploration drive in the State.

The move is a step change for Adelaide Resources as the explorer elevates the search for commercial uranium deposits into greater significance within the Company's multi-commodity mineral exploration focus.

The new joint venture – between Adelaide Resources (ASX code “ADN”) and Quasar Resources Pty Ltd - will be a high spend, aggressive explorer.

A minimum of A\$750,000 will be spent annually over the next 4 years to identify palaeochannel-style uranium deposits in three target areas on existing Adelaide Resources' exploration acreage north of the Eyre Peninsula township of Wudinna.

At least 70 rotary mud drill holes will be drilled within the first 12 months.

The upside for the new partnership has also been underpinned with the JV granted access to one of the most advanced uranium exploration technologies in Australia – a PFN (Prompt Fission Neutron) probe able to determine the precise uranium content inside a drill hole.

The probe is currently available in Australia only to two companies.

“The agreement is a major scale-up of Adelaide Resources' uranium thrust,” the Company's Executive Chairman, Mr Keith Yates, said today.

“It is in keeping with Adelaide Resources' long established strategy of joint venturing with substantial companies able to contribute specialised expertise and financing to selected projects,” Mr Yates said.

“Adelaide Resources only this year commenced wholly-funded uranium exploration on the large uranium prospective areas we hold in SA - but had commenced this work with a view to escalating such activity if the right opportunity presented.” he said.

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"The Quasar agreement is such an opportunity and will ensure Adelaide Resources has a significantly greater emphasis on uranium from 2007."

The Company's heightened uranium focus is in addition to its significant Colona mineral sands JV further to the west, including the world-class Tripitaka deposit, and other minerals projects in SA and the NT.

Quasar Resources is an affiliate of Heathgate Resources, the world's largest and most advanced in-situ leach (ISL) uranium miner and operator of the Beverley mine. Beverley, one of three mines producing uranium in Australia, is licensed to export up to 1,500 tonnes of uranium oxide per annum.

Last year, Quasar, in joint venture with Alliance Resources Limited, discovered the Beverley 4 Mile uranium deposit near the Beverley Mine.

Mr Yates said this potentially substantial deposit is widely recognised as the first significant uranium discovery in Australia since the Kintyre deposit was found in Western Australia in 1985, and "is shaping up as a likely mine development project for the two companies".

"The JV announced today will generate one of the most intensive uranium exploration programs yet among those scheduled by the pool of new uranium explorers which has recently emerged in Australia," Mr Yates said.

"A critical element of the Adelaide Resources-Quasar JV is that it is an exploration partnership with a proven uranium mine operator, and an operator with an exploration history which has successfully targeted economic grades of the same style of mineralisation we will be seeking to identify".

"In the event of success, Adelaide Resources will be partnered with one of the few companies in Australia with a technical and financial track record of taking a discovery through to a world-class, in-situ leach mining operation".

"This provides a suite of no-cost and low cost exploration and development options for Adelaide Resources as the JV moves through its program."

Heathgate is itself an affiliate of General Atomics, a substantial private company based in San Diego in the United States.

General Atomics is a world leader in nuclear technology and high technology systems development, including nuclear fuel cycles, remotely operated surveillance aircraft, airborne sensors and advanced electric, electronic, wireless and laser technologies.

### **Terms of the Joint Venture**

Under the terms of the JV agreement announced today:

- *The JV applies to a defined area of 5277 sq km within the tenements. Quasar will have rights to explore the cover sediments containing the palaeochannels over the full extent of the joint venture area.*

*The mineral rights in the underlying basement are restricted to part of the joint venture area.*

*Adelaide Resources retains the right to the minerals in the basement over a large part (2212 sq km) of the JV area where there are gold prospects, such as Barns and Baggy Green, defined by its previous exploration.*

- *Quasar will undertake to spend A\$3 million over a maximum of four years commencing 1 January 2007 to earn a 60% interest.*
- *Quasar will commit to spend A\$750,000 in Year 1, before having an option to withdraw. This spend is intended to include a minimum 70 hole drilling program.*
- *Quasar will spend a minimum of A\$750,000 in any calendar year after Year 1, or pro rata if it withdraws.*
- *After Quasar has earned its 60% interest, Adelaide Resources may elect to contribute and hold its equity position; contribute or dilute on a program by program basis; or immediately revert to a 25% equity free carried to a Decision to Mine.*
- *If Adelaide Resources follows the dilution path its interest may not be diluted below 25% at which time the interest is free carried through to a Decision to Mine.*
- *If Adelaide Resources elects not to contribute to mine development, it can opt to sell or revert to a 2% revenue based royalty.*

### **Exploration concept**

Three extensive palaeochannel systems will be explored - Narlaby, Yaninee and Thurlga. Each drains from a substantial area of granites showing anomalous uranium content. Exploration of these systems by Carpentaria Exploration Pty Ltd was first undertaken early in the 1980s. Reconnaissance drilling intersected uranium mineralisation, perceived at the time to be sub-economic grades. There has been no uranium exploration in the area since.

Mr Yates said it was now considered that the uranium mineralisation in these palaeochannels was likely to be in disequilibrium.

"This means that determining the uranium content of the sediments intersected in drill holes using downhole radiometric probes, such as those available in the 1980s, is likely to have resulted in inaccurate estimation of the actual uranium content," Mr Yates said.

"To determine the precise uranium content downhole requires a relatively new instrument, the PFN probe, and the JV, through Heathgate, has access to it."

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