# Adelaide Resources Limited

(ACN 061 503 375)

# FINANCIAL REPORT

# For the Half-Year Ended

# 31 December 2008

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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:

| | |
|---|---|
| **Paul John Dowd**<br>Non executive Chairman | BSc (Eng) |
| **Christopher George Drown**<br>Managing Director | BSc (Hons), MAusIMM |
| **John den Dryver**<br>Non executive Director | BE (Mining), MSc, FAusIMM |
| **John Patrick Horan**<br>Non executive Director | FCPA, FCIS |
| **Keith Robert Yates**<br>Non executive Director | BSc (Hons), FAusIMM |

The net result of operations for the half-year was a profit of $4,162,543 (2007: loss of $427,590).

## Review of Operations

The company ended the half-year with a net profit of $4.16 million resulting mainly from the sale of its Eucla Basin assets for $5.00 million (see below).

Liquidity at 31 December 2008 was $7.642 million, comprising liquid investments of $0.203 million and cash and term deposits of $7.439 million (which includes GST of $0.500 million payable in February 2009).

The transaction to divest the Warramboo Iron Project to Iron Road Limited (IRD) was successfully concluded during the period. Following a heavily oversubscribed Initial Public Offering, Iron Road Limited was admitted to the Official List of the Australian Securities Exchange on 10 June 2008, with Adelaide Resources holding approximately 39% of Iron Road's issued capital.

Adelaide Resources' shareholders voted in favour of distributing the company's holding in IRD securities by completing an in-specie return of capital. The distribution of Iron Road Limited securities to Adelaide Resources' shareholders was completed on 2 December 2008, following the receipt of favourable Australian Taxation Office rulings on the de-merger.

Adelaide Resources' shareholders registered on 24 November 2008 participated in the distribution, receiving two fully paid IRD shares and one 20 cent IRD option for every eight Adelaide Resources shares held.

On 8 October 2008, the company announced it had agreed to sell its Eucla Basin assets to Iluka Resources Limited for $5 million in cash. The Eucla Basin assets included

Adelaide Resources' 49% interest in the Colona Joint Venture; its approximately 30% interest in the Tripitaka heavy mineral deposit; and interests in various mineral tenements. Settlement of the Eucla asset sale occurred on 11 November 2008, following the satisfaction of various conditions, and the sale receipt funds were placed in a term deposit.

A drilling program at the Rover Project in the Northern Territory was underway at the start of the year. Upon completion, a total of 1841 metres of diamond core drilling had tested targets at the Rover 4 prospect. The drilling returned encouraging but sub-economic intersections of copper and gold mineralisation.

Later in the Half Year, a high resolution helimag survey was flown over the Rover Project tenements covering all terrain interpreted to be prospective for gold-copper deposits. Modelling of the geophysical data was underway at the end of the reporting period.

The company was awarded Northern Territory Government funding of $100,000 under the "Bringing Forward Discovery" initiative. As at the date of this report the funds had not been received. The funds are to be used to contribute to the contract costs of drilling two previously untested targets on the Rover Project in 2009.

Exploration conducted by the Corrobinnie Palaeochannel Uranium Joint Venture, with Quasar Resources Pty Ltd, included the flying of a 1695 line kilometre helicopter-borne electromagnetic survey over the Narlaby Palaeochannel. The survey data reveals the palaeochannel architecture in unprecedented detail and will be used to assist in the targeting of future drill-based exploration activities.

Late in the reporting period, the Corrobinnie Joint Venture completed a 55 hole, 3469 metre drilling program in the Narlaby. Initial assessment of the drill program results indicates that an unbound radiogenic zone, first identified in drill holes completed in the joint venture's 2007 drilling program, extends over a distance of at least 600 metres.

Elsewhere, the company completed geochemical surveys on the Anabama Copper Project, airborne electro magnetic surveying of a copper target on Eyre Peninsula, and commenced detailed reviews of previous exploration conducted on the Moonta copper-gold-uranium, and the Eyre Peninsula gold projects.

Adelaide Resources commenced an initiative to identify potential new projects. The company is seeking a high quality gold project located either in Australia or overseas. In its search, the company is guided by the principle that any new project must significantly improve its portfolio of properties, and ideally will expose shareholders to a potential future mine development.

## Subsequent Events

There have been no matters or circumstances which have arisen since the end of the half-year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

## Auditor's Independence Declaration

The auditor's independence declaration is included on page 5 of the half-year financial report.

Dated at Adelaide this 20th day of February 2009 and signed in accordance with a resolution of the directors.

**JP Horan**
Director

Deloitte



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The Board of Directors
Adelaide Resources Limited
PO Box 1210
UNLEY SA 5061

20 February 2009

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 2008, 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 or review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J Burton
Partner
Chartered Accountants

Member of
**Deloitte Touche Tohmatsu**

## Consolidated income statement for the half-year ended 31 December 2008

| | Half-Year Ended 31/12/08 $ | Half-Year Ended 31/12/07 $ |
|---|---|---|
| Revenue (Bank interest) | 151,071 | 139,765 |
| Other income (Note 2) | 4,575,207 | - |
| Exploration expenditure written-off | (40,453) | (105,214) |
| Administration expenses | (222,302) | (151,425) |
| Shareholder relations | (47,262) | (31,845) |
| Corporate consulting expenses | (87,333) | (92,016) |
| Non executive directors fees | (87,500) | (55,000) |
| Occupancy expenses | (39,542) | (40,447) |
| Salaries and wages | (27,531) | (51,542) |
| Share based remuneration | (11,812) | (39,866) |
| **Profit/(loss) before income tax** | **4,162,543** | **(427,590)** |
| Income tax expense | - | - |
| **Profit/(loss) for the period** | **4,162,543** | **(427,590)** |
| Earnings Per Share | | |
| Basic (cents per share) – Profit/(loss) | 5.01 | (0.55) |
| Diluted (cents per share) – Profit/(loss) | 4.76 | (0.55) |

*The above Income Statement should be read in conjunction with the accompanying notes.*

## Consolidated statement of recognised income and expense for the half-year ended 31 December 2008

| | Half-Year Ended 31/12/08 $ | Half-Year Ended 31/12/07 $ |
|---|---|---|
| Loss on available–for–sale investments taken to equity | (6,658,375) | (3,558) |
| Transfer to profit and loss on distribution of available-for-sale investments | (727,615) | - |
| **Net expense recognised directly in equity** | (7,385,990) | (3,558) |
| Profit/(loss) for the period | 4,162,543 | (427,590) |
| **Total recognised income and expense for the period** | **(3,223,447)** | **(431,148)** |

*The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.*

## Consolidated balance sheet as at 31 December 2008

| | 31/12/08<br>$ | 30/06/08<br>$ |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 7,439,303 | 3,657,746 |
| Trade and other receivables | 102,350 | 160,280 |
| Other financial assets | 203,276 | 252,980 |
| TOTAL CURRENT ASSETS | 7,744,929 | 4,071,006 |
| NON CURRENT ASSETS | | |
| Exploration and evaluation | 4,156,346 | 4,788,874 |
| Other financial assets | 17,930 | 7,665,000 |
| Plant and equipment | 81,920 | 72,650 |
| TOTAL NON CURRENT ASSETS | 4,256,196 | 12,526,524 |
| TOTAL ASSETS | 12,001,125 | 16,597,530 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 573,401 | 701,437 |
| Provisions | 5,155 | 11,604 |
| TOTAL CURRENT LIABILITIES | 578,556 | 713,041 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 31,838 | 34,775 |
| Other | 20,579 | 20,579 |
| TOTAL NON-CURRENT LIABILITIES | 52,417 | 55,354 |
| TOTAL LIABILITIES | 630,973 | 768,395 |
| NET ASSETS | 11,370,152 | 15,829,135 |
| EQUITY | | |
| Issued capital (Note 8) | 17,933,796 | 18,349,580 |
| Reserves (Note 9) | 1,032,999 | 8,407,177 |
| Accumulated losses (Note 10) | (7,596,643) | (10,927,622) |
| TOTAL EQUITY | 11,370,152 | 15,829,135 |

*The above Balance Sheet should be read in conjunction with the accompanying notes.*

# Consolidated cash flow statement for the half-year ended 31 December 2008

| | Half-Year Ended 31/12/08 Inflows (Outflows) $ | Half-Year Ended 31/12/07 Inflows (Outflows) $ |
|---|---|---|
| **Cash flows related to operating activities** | | |
| GST received | 500,000 | - |
| Other receipts | 772 | - |
| Payments to suppliers and employees | (432,690) | (728,601) |
| **Net operating cash flows** | 68,082 | (728,601) |
| **Cash flows related to investing activities** | | |
| Interest received | 117,542 | 135,272 |
| Payments for exploration and evaluation expenditure | (1,275,428) | (872,121) |
| Purchase of share options | (105,000) | - |
| Proceeds from sale of tenements | 5,000,000 | - |
| Payments for plant and equipment | (23,638) | (47,396) |
| **Net investing cash flows** | 3,713,476 | (784,245) |
| **Cash flows related to financing activities** | | |
| Proceeds from share issues | - | 1,758,940 |
| Payment for share issue costs | - | (20,117) |
| **Net financing cash flows** | - | 1,738,823 |
| **Net increase in cash and cash equivalents** | 3,781,558 | 225,977 |
| **Cash and cash equivalents at beginning of financial period** | 3,657,745 | 4,425,088 |
| **Cash and cash equivalents at end of financial period** | 7,439,303 | 4,651,065 |

*The above Cash Flow Statement should be read in conjunction with the accompanying notes.*

**Notes to the financial statements**
Half-Year ended 31 December 2008

## 1. BASIS OF PREPARATION OF ACCOUNTS

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent 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 2008 annual financial report.

## 2. OTHER INCOME

| | Consolidated | |
|---|---|---|
| | Half-Year Ended 31/12/08 $ | Year Ended 31/12/07 $ |
| Profit on sale of tenements (Note 3) | 3,745,238 | - |
| Other | 772 | |
| Gain as a result of in-specie distribution of shares in Iron Road Limited (Note 9b) | 727,615 | - |
| Change in fair value of financial assets designated as at fair value through profit or loss | 101,582 | - |
| | 4,575,207 | - |

## 3. SIGNIFICANT ITEM

**Profit on sale of tenements**

During the half-year ended 31 December 2008 the Company sold a number of tenements in the Eucla Basin to Iluka Resources Limited for $5,000,000. The sale resulted in a profit to the Company of $3,745,238.

## 4. SEGMENT INFORMATION

The consolidated entity operates in the mining and exploration industry in Australia.

## 5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2008.

## 6. SUBSEQUENT EVENTS

There have been no matters or circumstances which have arisen since the end of the half year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

## 7. ISSUE OF SECURITIES

During the half-year ended 31 December 2008, no shares were issued and no shares were issued through the exercise of options. During the half-year ended 31 December 2007, 5,100,075 shares were issued as a result of a shareholder share purchase plan and 995,000 shares were issued through the exercise of options.

During the half-year ended 31 December 2008, 350,000 share options were issued (2007; 200,000) over ordinary shares.

## 8. ISSUED CAPITAL

| Movement in issued shares for the financial period | Half-Year Ended 31/12/08 | | Year Ended 30/06/08 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| Balance at beginning of financial period | 83,156,035 | 18,349,580 | 77,060,960 | 16,604,722 |
| Capital reduction as a result of in-specie distribution of Iron Road Limited shares (Note 11) | - | (311,835) | - | - |
| Capital reduction as a result of in-specie distribution of Iron Road Limited share options (Note 11) | - | (103,949) | - | - |
| Issued at 31 cents | - | - | 5,100,075 | 1,580,940 |
| Conversion of options at 17 cents | - | - | 700,000 | 119,000 |
| Conversion of options at 20 cents | - | - | 295,000 | 59,000 |
| Costs associated with the issue of shares | - | - | - | (20,117) |
| Related income tax | - | - | - | 6,035 |
| Balance at end of financial period | 83,156,035 | 17,933,796 | 83,156,035 | 18,349,580 |

## 9. RESERVES

| | Consolidated 31/12/08 | Consolidated 30/06/08 |
|---|---|---|
| Employee equity-settled benefits | 1,094,009 | 1,082,197 |
| Available-for-sale revaluation | (61,010) | 7,324,980 |
| | 1,032,999 | 8,407,177 |

| | Consolidated Half-Year Ended 31/12/08 | Consolidated Half-Year Ended 31/12/08 |
|---|---|---|
| (a) Employee equity-settled benefits reserve | | |
| Balance at beginning of the financial period | 1,082,197 | 984,520 |
| Share based payments | 11,812 | 97,677 |
| Balance at end of the financial period | 1,094,009 | 1,082,197 |

The employee equity-settled benefits reserve arises on the grant of share options to employees, consultants and executives under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

| | Consolidated Half-Year Ended 31/12/08 | Consolidated Year Ended 30/06/08 |
|---|---|---|
| (b) Available-for-sale revaluation reserve | | |
| Balance at beginning of the financial period | 7,324,980 | 6,533 |
| Valuation (loss)/gain – shares in Iron Road Limited | (6,608,671) | 7,350,000 |
| Cumulative gain transferred to income statement on in-specie distribution of Iron Road Limited shares (Note 2) | (727,615) | - |
| Valuation loss – other financial assets | (49,704) | (31,553) |
| Balance at end of the financial period | (61,010) | 7,324,980 |

The available-for-sale revaluation reserve arises on the revaluation of the available-for-sale financial assets. Where a revalued financial asset is sold or derecognised, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in profit or loss.

## 10. ACCUMULATED LOSSES

| | Consolidated | |
|---|---|---|
| | Half-Year Ended 31/12/08 | Year Ended 30/06/08 |
| Balance at beginning of financial period | (10,927,622) | (10,039,921) |
| In-specie distribution of shares and share options in Iron Road Limited (Note 11) | (831,564) | - |
| Net profit/(loss) | 4,162,543 | (887,701) |
| Balance at end of financial period | (7,596,643) | (10,927,622) |

## 11. IN-SPECIE DISTRIBUTION IRON ROAD SHARES AND SHARE OPTIONS

On 18 February 2008 the company announced that it had executed a sale agreement with Iron Road Limited to vend the Warramboo Iron Project into that company. Consideration for the sale was 21 million shares in Iron Road Limited. Under the sale agreement with Iron Road Limited the company agreed to undertake an in-specie distribution of the 21 million shares it received to the company's shareholders, subject to shareholders' approval.

A general meeting of the company's shareholders, held on 12 August 2008, approved the in-specie distribution of the 20,789,255 shares the company held in Iron Road Limited.

The distribution was approved subject to the receipt of a private ruling on the tax consequences for the company of the in-specie distribution, and a class order in relation to the tax consequences for the shareholders of Adelaide Resources Limited of the in-specie distribution (collectively the "tax ruling") from the Australian Tax Office ("ATO").

As the tax ruling had not been received prior to Iron Road Limited announcing a rights issue of share options, the Company participated in the share option issue and received 10.5 million share options.

On 7 November 2008 the company received indications from the ATO that a favourable tax ruling would be issued. Subsequently, on 17 December 2008, the ATO published its ruling.

At the Annual General Meeting of the company's shareholders held on 17 November 2008, the shareholders approved the in-specie distribution of 10,394,901 share options the company held in Iron Road Limited.

As the shareholders of the company at the above meetings approved a capital reduction for the original cost of shares and share options in Iron Road Limited that would be distributed via in-specie distribution, the issued capital was reduced by the original cost of the shares and share options distributed. For accounting purposes, the in-specie distribution has been accounted for at "fair value" with the difference between original cost and fair value being reported in accumulated losses.

# Directors' Declaration

The directors declare that:

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

(b) In the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

**J P Horan**
Director

Adelaide, South Australia
20 February 2009

Deloitte

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# Independent Auditor's Review Report to the members of Adelaide Resources Limited

We have reviewed the accompanying half-year financial report of Adelaide Resources Limited ("Adelaide Resources") which comprises the balance sheet as at 31 December 2008 and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 13.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adelaide Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

*Conclusion*

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 is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J Burton
Partner
Chartered Accountants
Adelaide, 20 February 2009