



Australian Securities Exchange Announcement

CHAIRMAN'S ADDRESS
Annual General Meeting
Stamford Plaza Adelaide, 150 North Terrace, Adelaide
Tuesday 16 November 2010

There are several variations of two-part single sentence themes of contrarian business philosophy. "Buy low, sell high". "Achetez aux canons, vendez aux clarions". (Buy on the guns, sell on the trumpets). However, the most frequently quoted in modern times is that of Warren Buffett, the multi-billionaire US investor from his 2004 Berkshire Hathaway Chairman's Letter: "Investors should remember that excitement and expenses are their enemies. And if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy only when others are fearful".

Well two years ago, some of us felt very greedy. But now, I have to say, some of us feel rather fearful.

In late 2008, and leading into early 2009, it was possible to see that many asset prices, particularly the price of equities, were remarkably cheap. Since then, as the world has normalised, equity prices, correctly, have moved ahead significantly in most developed markets. What is making your board and I a little fearful at present, is that we appear to be moving into a new far less certain era where a number of central banks appear to be trying to normalise factors which simply cannot be normalised over a short timeframe. Most notably, this is happening in the US, with a central bank which has categorically changed its mantra to now put forward a specific inflation target, as well as "promoting maximum employment and price stability". The Federal Reserve Board's strategy is a new name for an old solution: the new name Quantitative Easing (Mark 2). The old name: printing money, or if you wish, debasing the currency.

This bizarre strategy – an alternative to the politically (and market) unpalatable direct intervention to lower the US\$ and make US industry more competitive – has been met with thunderous applause by equity, commodity and precious metal markets. The first two are difficult to fathom. Inflation, not increasing prices but the breakdown of the pricing mechanism, is the enemy of many, though not all, types of equities; commodity prices are, for the time being, driven perhaps more by Asian than "old" world demand. That people are becoming more trustful of gold is clear, and two words not heard in decades – Bretton Woods – are back in the lexicon.

Of course, in Australia, we have a slightly different problem with our central bank – the desire to keep lifting interest rates when the economy – looking at housing starts, retail sales, and house prices – can be seen to be already well into the downward slide from the benefits of the Rudd/Swan handouts for plasma TV's, first home owner grants and

flammable roof lining. What's happening looks like a virtual re-run of the Reserve Bank's erroneous policy in late 2007 which nearly sent the economy into a tail spin.

So what has all this got to do with an Adelaide based gold, copper and uranium exploration company? Simple. It is making the environment in which your Directors have to make decisions about capital management, exploration expenditure and other commitments rather more difficult than has been the case for the past few years.

Furthermore, these decisions take on far greater meaning since the past year has been one of real progress, via an aggressive exploration programme, especially at the Rover Project near Tennant Creek, but also at our key projects here in South Australia at Moonta on the Yorke Peninsula and Corrobinnie on the Eyre Peninsula.

In stark terms, making the correct decisions over the next couple of years will have a far greater impact on the value of your shareholding – and mine – than the ones we have taken over the past two years.

That's why today, after considerable thought, we are taking the bold step of announcing our intention to separate Adelaide Resources into two companies. It is intended that the existing company will continue to hold only the Rover tenements at Tennant Creek. The company's other assets, predominantly South Australian based, will, if the plan is successfully executed, be spun out into a separate ASX-listed company, named Peninsula Resources Limited, and about half of these shares distributed for free, as a capital return, to you the shareholders.

There are three key reasons why your board of Directors believes this to be a plan worthy of prosecution.

Firstly, given the location of Rover about 85km south west of Tennant Creek, and the increased activity in Tennant Creek over the past two years, it is clear to your board that there is a significant possibility of future tenement or even company consolidation in the area. Our company must ensure it is in a position to be a consolidator over the next few years if it is the correct strategy, not just an observer. A single purpose vehicle dedicated to the Tennant Creek assets best serves this purpose.

Secondly, the success we are enjoying at Rover has led to the market's justified expectation that the bulk of our budget be directed towards that project. Consequently a capital allocation conflict has emerged between Rover and the remaining assets which are currently held within Adelaide Resources. In short, our remaining assets are not getting the budgetary commitment they deserve under the current structure.

Finally, over the past year, both the key assets of Moonta and Corrobinnie have made significant progress which we feel is not properly recognised, nor will be properly recognised, in the company's share price while ever the market assesses the Rover Project to be the company's principle asset.

We believe that by placing the Rover asset in a clean, dedicated, single purpose vehicle; by eliminating the capital allocation conflict and committing appropriate levels of funding to the non-Rover assets; and by structuring the asset ownership in a way that will allow the market to better value the emerging South Australian assets, greater value accretion for shareholders is likely to result.

Whilst there is a deal of work to do to execute this plan, it is our aim to effect a public float of the new company in the first half of 2011, and to then distribute the vast bulk of the Adelaide Resources' shares in Peninsula Resources through a capital return. Our initial estimates suggest that approximately half of the new company will eventually be delivered directly into the hands of shareholders, with a further roughly 10% being retained by Adelaide Resources, and with the remaining 40% or so held by subscribers to an initial public offering. As was the case with Iron Road Limited, we will seek class and private rulings from the ATO to ensure that neither shareholders nor the company are disadvantaged from a tax viewpoint. At this stage, based on preliminary work, we don't believe they will be.

The proposed float of Peninsula Resources shares some similarities with the structure of the float of Iron Road in mid 2008, in that we intend to distribute most of the Adelaide Resources' shareholding; it will be different, however, in that Peninsula will initially continue to share the Adelaide Resources' infrastructure and have a number of common Directors. It is worth reminding shareholders that after the float and distribution of the Iron Road shares and options to Adelaide Resources' shareholders on a 1-4 and 1-8 basis respectively, the value unlocked and placed directly in shareholder's hands ranged from a minimum of 1.2 cents equivalent per Adelaide Resources share – very early in the piece in December 2008 – to a high of 33.5 cents in April 2010. At present, assuming exercise of the Iron Road options, the package has a worth of about 21 cents per Adelaide Resources share held pre distribution. This should be compared to Adelaide Resources' share price immediately before the distribution of 6 to 7 cents.

I want to stress to shareholders that this is not a fangled piece of financial engineering. It is a carefully considered structuring designed to ensure that our company can properly decide its strategic destiny, and the destiny of its assets. That has not always been possible in the past.

On the Yorke Peninsula, it is clear that after the results released this year from Willamulka, and given the success of Rex Minerals Limited at Hillside, that we have well located, highly prospective acreage which is worthy of a greater effort. Likewise, our joint venture partner in the Corrobinnie Uranium Project, Quasar Resources Pty Ltd, has enthusiastically spent \$3m and returned encouraging results in earning its 60% equity, The structure of this venture is such that we can contribute to further expenditure and hold our 40% equity or, dilute to a minimum 25% equity which is then free carried through to a decision to mine.

One of the aspects of this company of which I am very proud, is that management, led capably by Chris Drown, "do what they say they are going to do". That's why I am personally very keen to effect the restructure and spin-off, providing them with more scope to perform. The best evidence of this was in the capital raisings we effected around this time last year, when Chris and the team were explicit about embarking on an aggressive programme at Rover, with the express intention of scoping the magnitude – if any – of the "Western Zone" at the Rover 1 deposit discovered by our neighbours Westgold Resources, which traversed the tenement boundary. We are likely to have spent over \$3million on Rover over the course of 2010, and it has been a very successful exercise. We have learned a great deal more about the geology of the Rover 1 deposit over the past twelve months. We have confirmed that a sizeable

volume of prospective rock is present in our tenement, that parts of this prospective zone contain high grade copper and gold mineralisation, and that these high grade zones are displaying the continuity that will allow resource estimation with further work. Chris will also discuss the results from Rover 4 where the year's work has resulted in the delineation of two promising mineralised areas now also showing potential for conversion into resources which could clearly be a contributor to any mine development which takes place in the broader Rover Field. Those two magic words – mine development – even if by other companies, are of course, the reason why any of the decisions we are taking over the next few months are likely to have far greater implications for your shareholding.

This AGM marks the end of John Horan's executive involvement with our company. John was one of the co-founders of Adelaide Resources with Keith Yates fourteen years ago, and is a tremendous source of knowledge on matters corporate, financial and administrative, and about people. We hope in his future with the Company as a non-executive Director, we will continue to gain the benefit of these attributes. I am delighted to officially welcome Nick Harding to the fold as CFO and Company Secretary. Nick has done a deal of work for us in the background for some time now, and we are very happy to have him in the front office.

The two former Chairs of the Company departed the board during the year: I wish to thank both Paul Dowd and Keith Yates sincerely for their contributions in steering the Company through times when capital was in extremely short supply and for their counsel during my time as a board member. Likewise, I wish to record my appreciation of our continuing non-executive Director, John den Dryver, who has been contributing wise insight and knowledge to this company for over five and a half years.

I should also record my thanks to our key employees, notably Christine Kuhar, our capable office manager, and our two geologists – our Exploration Manager, Barbara Anderson, who spends most of her year living in a caravan in the NT desert but runs an exceptional operation which I observed at first hand a few weeks ago, and Tanya Badenhorst, who led the successful Moonta Project efforts this year.

Finally, there are two resolutions on the notice paper designed to provide incentives to employees of the company, and specifically Chris Drown, the Managing Director. Chris has done an excellent job in enhancing investors' knowledge of our Company as well as managing and overseeing the successful exploration programmes of the past year. In the view of the board, he thoroughly deserves to have his stake in the Company increased, and I commend these motions to you.

We thank you for your support of the Company and hope that we can successfully execute the mooted proposals, subject, as always to the approval of you, the owners.