Adelaide Resources Limited

Quarterly Report

Period ending 31 december 2010

Adelaide Resources Limited
ABN: 75 061 503 375

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Corporate Details

ASX Code: ADN

Issued Capital:
144,590,368 ordinary shares
625,000 unlisted options

Directors:
Non-executive Chairman:
Andrew Brown
Managing Director:
Chris Drown
Non-executive Directors:
John Horan
John den Dryver

Company Secretary:
Nick Harding

Highlights

Peninsula Resources Limited Demerger

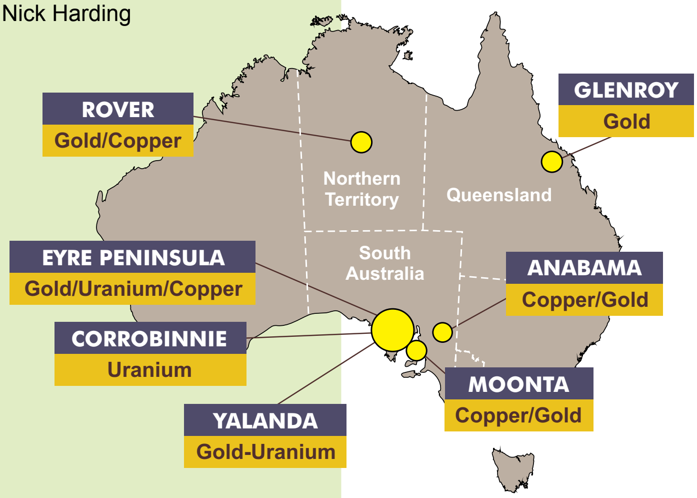
- Decision to spin-out the company's South Australian and Queensland exploration interests into Peninsula Resources Limited.
- Priority Entitlement and post listing in-specie distribution of Peninsula Resources shares to ADN shareholders proposed.
- Drafting of prospectus underway, with the goal of listing Peninsula Resources on ASX in the first half of 2011.

Rover Gold-Copper Project – NT

- Rover 1 intersections include **11.4 metres at 1.42g/t gold and 2.63% copper**, including **5.4 metres at 4.21% copper** in hole R1ARD41-1, and **16 metres at 1.1% copper** in R1ARD35-1.
- Rover 4 intersections include **15 metres at 1.48g/t gold and 1.7% copper, and 22 metres at 1.3g/t gold and 1.87% copper** in hole R4ARD40. The first intersection **commences just 147 metres below surface**, the shallowest known mineralisation in the Rover Field.
- 2011 drilling program utilising two drill rigs scheduled for late March-early April start.

Moonta Copper-Gold Project – SA

- **2011 exploration program commenced 10 January** with aircore drilling and calcrete geochemical sampling in progress.
- Drilling is targeting the Willamulka Prospect which returned 2010 intersections including 9 metres at 1.09g/t gold and 2.25% copper, and 2 metres at 14.8g/t gold and 0.58% copper.



Finance

- Well supported shareholder Share Purchase Plan and accompanying share placement raises $6.02 million after costs.
- At 31 December 2010, the company had available funds of $10.46 million.

Peninsula Resources Limited Demerger

On 16 November 2010, Adelaide Resources Limited announced its intention to separate the existing corporate entity into two focused companies.

The Rover Project in the Northern Territory will continue to be held by Adelaide Resources as its sole exploration asset, while the South Australian and Queensland exploration assets will be spun-out into a separate ASX listed company, named Peninsula Resources Limited ("Peninsula").

Adelaide Resources aims to effect the public float of Peninsula in the first half of 2011, and drafting of the prospectus is now underway.

The directors of the company believe the Peninsula spin-out, if successfully executed, will be beneficial to the shareholders of Adelaide Resources by:

- Ensuring that the company can fully participate in any consolidation of activities or tenements in the Tennant Creek area, which may take place as a result of the recommencement of mining activities in the area by one or more companies;
- Eliminating the capital allocation conflict between the Rover Project and the emerging South Australian projects intended to be floated as part of Peninsula;
- Assisting in the recognition by the market of the value in the company's non-Rover assets by facilitating a focused and well funded ownership entity.

The Peninsula IPO will seek to raise between $5 million and $7 million. Upon listing, Adelaide Resources will hold approximately 55 percent of Peninsula Resources.

Priority Offer

Peninsula Resources will offer Adelaide Resources shareholders the opportunity to subscribe for Peninsula shares through a Priority Offer. Allocation of shares under the Priority Offer will be entirely at the discretion of Peninsula's directors, but consideration will be given to both the number of Adelaide Resources shares held by the applicant, and the period those shares have been held (*see endnote on page 8 of this report*).

In-Specie Distribution

Subject to the successful listing of Peninsula, Adelaide Resources intends to seek shareholder approval to distribute approximately 80 percent of its Peninsula shares directly to shareholders.

This will result in shareholders receiving one Peninsula share for every six Adelaide Resources shares held, with the distribution to be completed as an in-specie return of capital. The capital return will be subject to receiving demerger relief from the ATO.

Peninsula Resources Assets

Peninsula Resources will hold the following copper, gold and uranium prospective exploration assets currently owned by Adelaide Resources *(see Figure 1)*:

- The Moonta Copper-Gold Project located on the Yorke Peninsula in South Australia;
- The Eyre Peninsula Basement Gold-Copper-Uranium Project which covers those parts of the company's Eyre Peninsula tenements not subject to the Corrobinnie Uranium JV;
- The company's equity in the Corrobinnie Uranium JV with Quasar Resources Pty Ltd;
- The company's equity in the Yalanda Hill JV with Investigator Resources Limited;
- The Anabama Copper-Gold Project located near Olary in South Australia; and
- Subject to the grant of an Exploration Permit, the Glenroy Gold Project in Queensland.

Further details regarding the Peninsula Resources IPO, including an anticipated listing timetable, will be released to the market in the near future.■

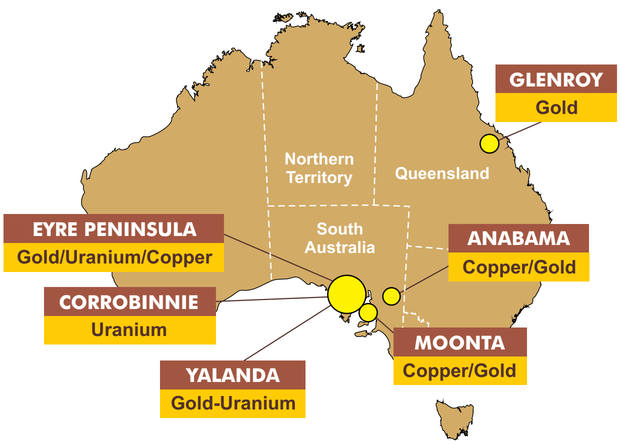


Figure 1: *Peninsula Resources Project Locations.*

Rover Gold-Copper Project, NT

Adelaide Resources 100%

Diamond drilling at the Rover Gold-Copper Project continued late into the December quarter before halting for the wet season, with holes completed at the Rover 1 and Rover 4 prospects *(Figure 2)*. The total 2010 Rover drilling program comprised 32 drillholes for 9,665 metres.

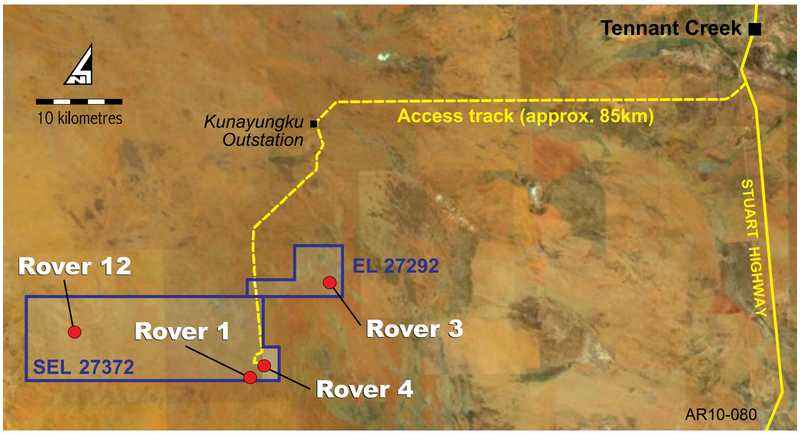


Figure 2: *Rover Project Location.*

Rover 1 Prospect

Further significant copper and gold intersections were achieved at Rover 1 with two holes, R1ARD35-1 and R1ARD41-1 producing the best results *(see Table 1 and Figure 3)*.

R1ARD35-1 was drilled as a wedged daughter hole off parent R1ARD35 which intersected a very high grade interval of mineralisation assaying 26 metes at 3.87% copper and 0.22g/t gold commencing at 445 metres downhole. R1ARD35-1 intersected 16 metres at 1.1% copper and 0.07g/t gold commencing at a depth of 418 metres.

Both R1ARD35 and R1ARD35-1 are interpreted to have intersected the same zone of mineralisation, with the vertical separation between the parent and daughter holes in the mineralised interval approximately 27 metres.

Drillhole R1ARD41-1 intersected 11.4 metres at 2.63% copper and 1.42g/t gold from 463 metres downhole. R1ARD41-1 was collared approximately 200 metres north of the tenement boundary and drilled as an inclined hole towards the south, with the 11.4 metre intersection persisting to the tenement boundary at a downhole depth of 474.4 metres.

Neighbouring explorer, Westgold Resources Limited, extended R1ARD41-1 into its tenement and announced a bonanza grade intersection of 6 metres at 78.7g/t gold and 1.0% copper in its part of the drillhole in November 2010. Westgold's intersection commenced at the tenement boundary and is the continuation of Adelaide Resources' 11.4 metre zone. The full intersection incorporating both companies' portions is approximately 17 metres at 28g/t gold and 2% copper.

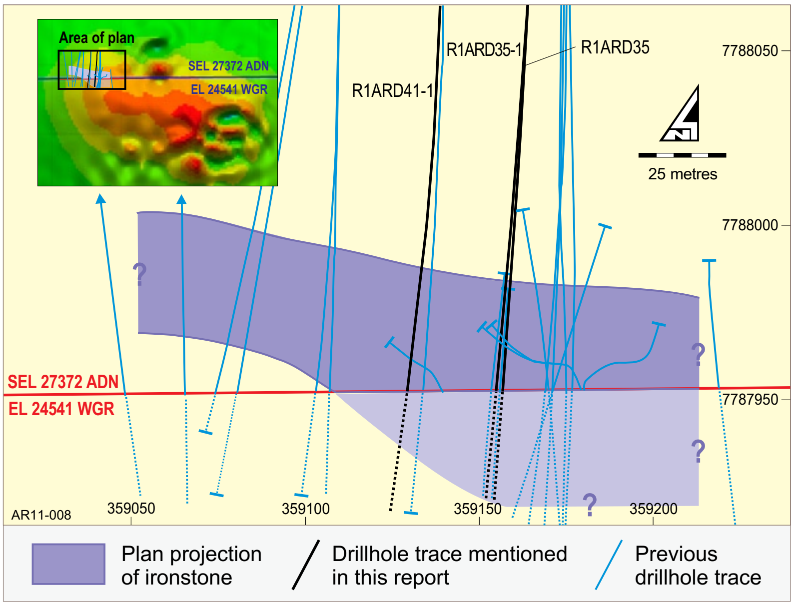


Figure 3: *Rover 1 drillhole trace plan.*

The mineralised zone in R1ARD41-1 is interpreted to trend to the west northwest, and high-grade gold mineralisation may extend into Adelaide Resources' ground west of the path of drillhole R1ARD41-1.

Rover 4 Prospect

Drillhole R4ARD40 returned significant copper-gold intersections. R4ARD40 is sited on the eastern-most drill section completed to date at Rover 4, and drilled to follow-up R4ARD32 which intersected 8 metres at 3.77 g/t gold and 0.59% copper from a downhole depth of 231 metres *(Figure 4)*.

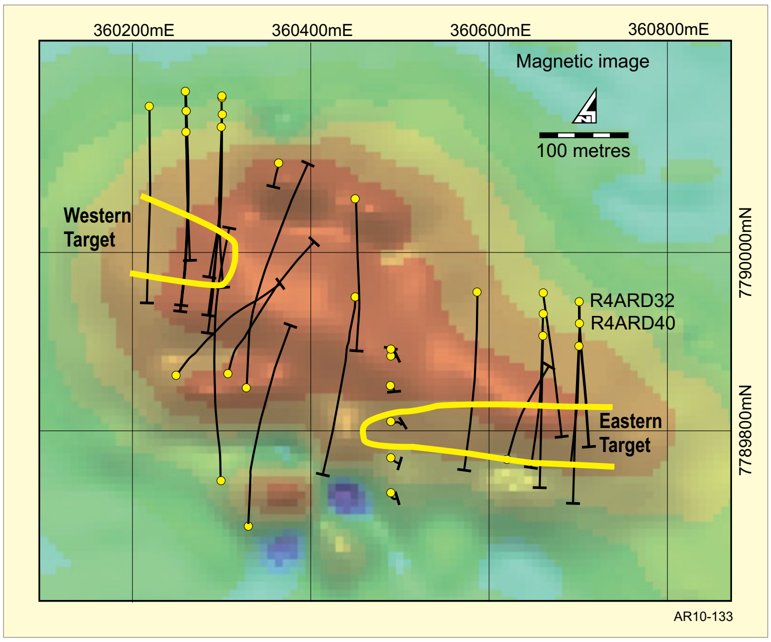


Figure 4: *Rover 4 plan with targets outlined.*

R4ARD40 passed into ironstone at a depth of 163 metres, then into an underlying stringer zone comprising highly altered sediments at 234 metres. The hole made a number of significant intersections which are listed in *Table 1*.

An upper ironstone hosted zone commencing at 164 metres downhole assays 15 metres 1.49 g/t gold and 1.70% copper, including a higher grade zone of 7 metres at 2.58g/t gold and 2.11% copper. A second, lower zone, commencing at 212 metres and persisting to the base of the ironstone, returned 22 metres at 1.30g/t gold and 1.87% copper, including a higher grade interval of 6 metres at 3.56g/t gold and 2.9% copper interpreted to be the continuation to the intersection in R4ARD32.

The stringer zone below the ironstone hosts intermittent gold mineralisation, with anomalous gold extending to 352 metres, 188 metres downhole from the first mineralisation encountered in the hole. Gold grades in 1-metre samples in the stringer zone range up to 12.2g/t.

2011 Exploration Program

Preparation for the commencement of the 2011 Rover exploration program is well advanced, with two drill rigs planned to commence operations in late March or early April.

Further drilling at both Rover 1 and Rover 4 prospects will be conducted, while drill testing of less advanced but highly regarded prospects including Rover 12 and Rover 3 is also planned.■

Table 1: *Rover Project – December Quarter Significant Intersections.*

Prospect	Drillhole Name	Easting (mga94)	Northing (mga94)	Dip	Azimuth	Final Depth	From (m)	To (m)	Interval (m)	Au g/t	Cu %
	R1ARD33-4	359169	7788194	-70	177	619.5	571	574	3	1.83	0.03
	R1ARD35-1	359168	7788193	-61	179	445.6	**418**	**434**	**16**	**0.07**	**1.10**
						incl.	425	429	4	0.04	2.20
Rover 1	R1ARD41-1	359139	7788149	-68	176	474.36	436	440	4	1.07	0.05
							463	**474.4**	**11.4**	**1.42**	**2.63**
						incl.	469	474.4	5.4	1.64	4.21
	WGR1D051	359060	7787756	-60	360	515.8	433	437	4	~	0.93
	R4ARD39	360219	7790163	-65	177	501.38	351	352	1	0.10	1.00
	R4ARD40	360700	7789920	-65	177	459.2	**164**	**179**	**15**	**1.49**	**1.70**
						incl.	164	171	7	2.58	2.11
							185	187	2	0.08	1.13
							190	191	1	0.14	1.57
Rover 4							**212**	**234**	**22**	**1.30**	**1.87**
						incl.	226	232	6	3.56	2.90
							271	273	2	3.74	0.31
							292	293	1	1.44	0.02
							315	316	1	1.49	0.09
							348	349	1	12.22	0.05

Gold determined by fire assay with AA finish. Copper determined by mixed acid digest followed by ICP-AES or AA finish. Assays based on 1 metre cut half HQ and NQ2 core. Core recovery for reported intervals is very high. Intersections are downhole lengths with grades weighted for specific gravity. True widths are not known. Hole WGR1D051 passed into Adelaide Resources' tenement at 376.5 metres.

Moonta Copper-Gold Project, SA

Adelaide Resources 100% (except Moonta Porphyry JV area: Adelaide Resources 90%; Breakaway Resources Limited 10%).

The Moonta Project, located on the Yorke Peninsula of South Australia, falls in the Olympic Copper Gold Province, a belt of highly prospective geology which hosts world class copper and gold resources.

Deposits in the Olympic Copper Gold Province include the Olympic Dam and Prominent Hill operations, and exciting advanced exploration projects like Rex Minerals' Hillside discovery located on the Yorke Peninsula to the south of Adelaide Resources' project area *(Figure 5)*. The company's tenement secures the area that includes the historically important copper-gold mines at Moonta and Kadina.

Rex Mineral's success in discovering and defining a significant copper-gold resource at Hillside has justifiably sparked strong investor interest in Yorke Peninsula exploration assets. Adelaide Resources' directors believe that the company's Moonta tenement captures some of the most prospective exploration acreage on the Yorke Peninsula, and the Moonta Project will be Peninsula Resources' lead project.

The company's directors are also of the view that the best interests of the shareholders of Adelaide Resources, and, if the Peninsula Resources float is successful, the future shareholders of that company, are served by making best use of the post-harvest field season, when exploration activities cause least disturbance to the many landowners in the district.

Consequently, it was resolved to commence on-ground exploration activities early in 2011, effectively starting Peninsula Resources' proposed year 1 Moonta Project exploration program before it's float. Should the Peninsula Resources IPO be successful, Peninsula will reimburse Adelaide Resources for the costs of the 2011 exploration program completed prior to its listing.

The 2011 Moonta exploration program started on 10 January. Drilling is underway at the Willamulka Prospect and geochemical sampling is underway on the broader project area.

Willamulka Drilling Program

Aircore drilling completed in 2010 confirmed that copper and gold mineralisation extends for at least 900 metres of the 1500 metre long Willamulka geochemical anomaly, located in the north-east of the project *(Figures 5 and 6)*.

Significant 2010 drill results included a gold intersection of 2 metres at 14.8g/t gold commencing at a downhole depth of 26 metres in drillhole WAC28; and 9 metres at 1.09g/t gold and 2.25% copper commencing at 62 metres downhole in WAC53.

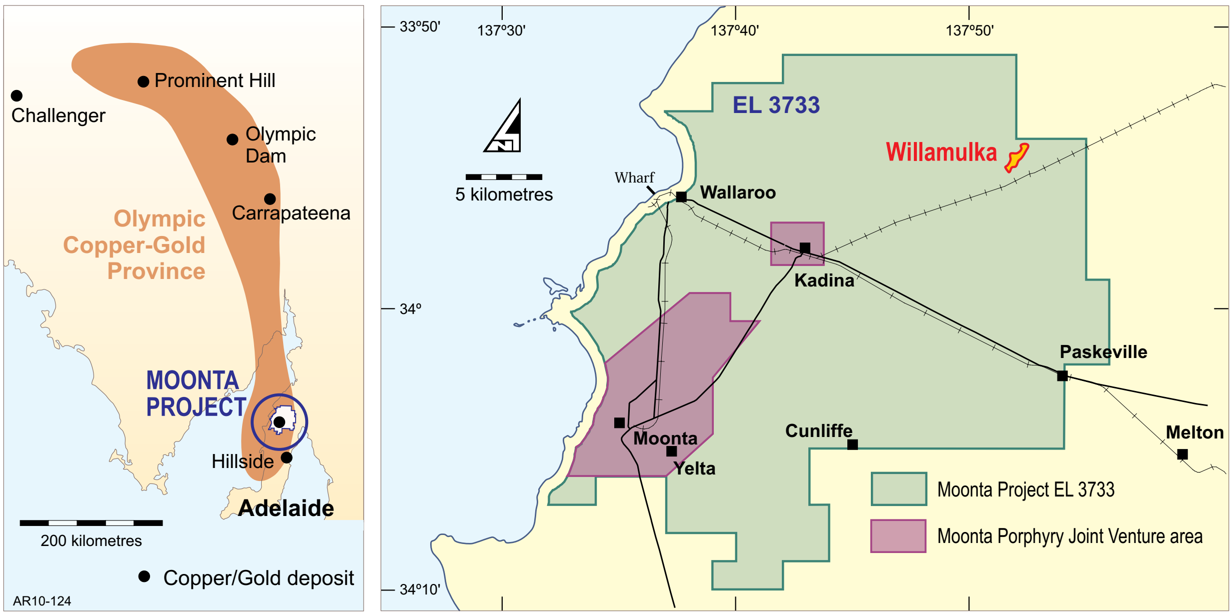


***Figure 5:** Moonta Project Location Plan.*

The intersection in WAC53, the last hole drilled in the 2010 program, persists to the end of the hole and the mineralisation remains open at depth.

The planned 2011 drilling program at Willamulka includes 2000 metres of reverse circulation drilling and 6500 metres of aircore drilling, with holes located on 20 northwest trending traverses *(Figure 6)*. Reverse circulation drilling will test fresh rock copper-gold targets, while the aircore drilling will search for mineralisation in the weathered basement.

To date, 16 aircore drillholes, for a total of 1555 metres, have been completed.

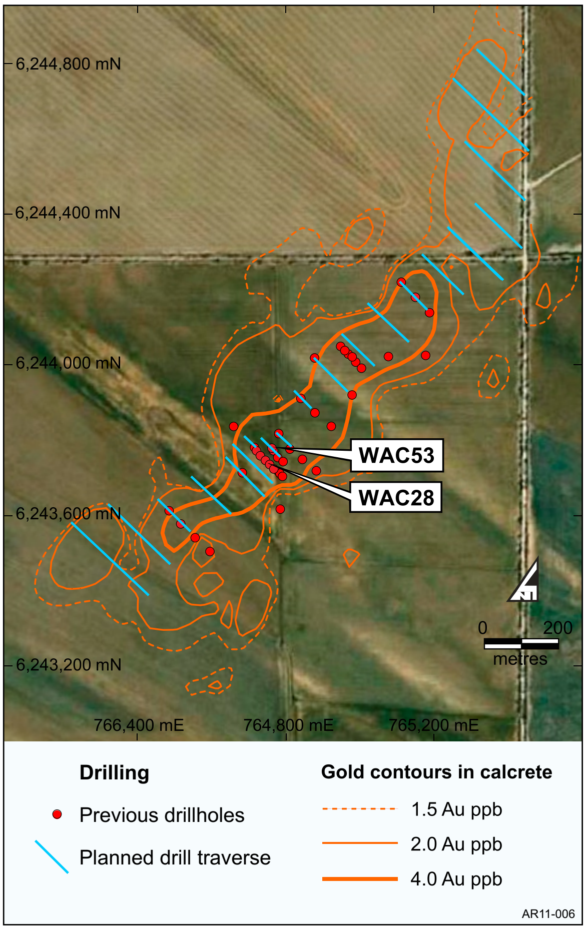


Figure 6: *Willamulka Prospect Summary Plan.*

Calcrete Sampling Program

Calcrete geochemistry is a proven exploration technique in the Moonta district. Drill testing of calcrete gold and copper anomalies led to the discovery of Willamulka and several other prospects on the project tenement. Calcrete occurs as a thin, sub-surface layer of carbonate-rich soil *(see Plate 1)*, and its wide distribution in the project area makes it a reliable geochemical sampling media.

Some areas of the Moonta Project have never been calcrete sampled, while the sample spacing at a number of recognised copper and gold geochemical anomalies is currently too coarse to accurately define drill targets. The 2011 calcrete sampling program aims to address these issues and define new anomalies and drill targets. The program will comprise the collection of a planned 3500 samples, with over 1700 samples already collected in 2011.■

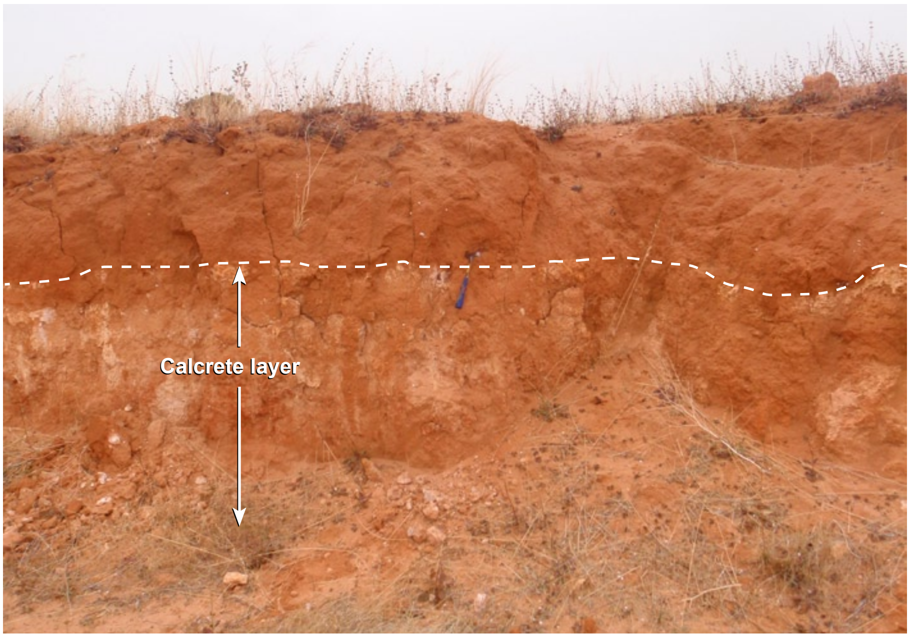


***Plate 1** (Right): Calcrete layer exposed in the wall of a borrow pit located in the project area.*

Corrobinnie Palaeochannel Uranium Joint Venture, SA

Adelaide Resources 40%;
Quasar Resources Pty Ltd 60%.

Assay results from drill samples collected during last quarter's rotary mud drilling program in the Thurlga Palaeochannel have been received.

The quality of rotary mud drillhole samples is not considered to be as high as for samples collected using other drilling techniques. Joint Venturer, Quasar Resources, advises that in-house research on rotary mud sample assays from other of its uranium exploration programs, confirms that these assays can tend to misrepresent actual uranium grades which have been accurately determined using Prompt Fission Neutron (PFN) tools.

Not withstanding the above sample quality concerns, the assay results from the rotary mud drillholes confirm that radiometric anomalies in the downhole gamma logs of a number of the holes are definitely sourced by uranium.

The best assayed uranium intersection is in hole CBM0007, which returned 6 metres at 260ppm U_3O_8 commencing from 28 metres downhole. CBM0007 is the southern-most drillhole completed on a north-south drill traverse, and is the closest hole to the west-northwest 2009 aircore traverse which first encountered significant uranium results in the Thurlga Palaeochennel *(Figures 7 and 8)*.

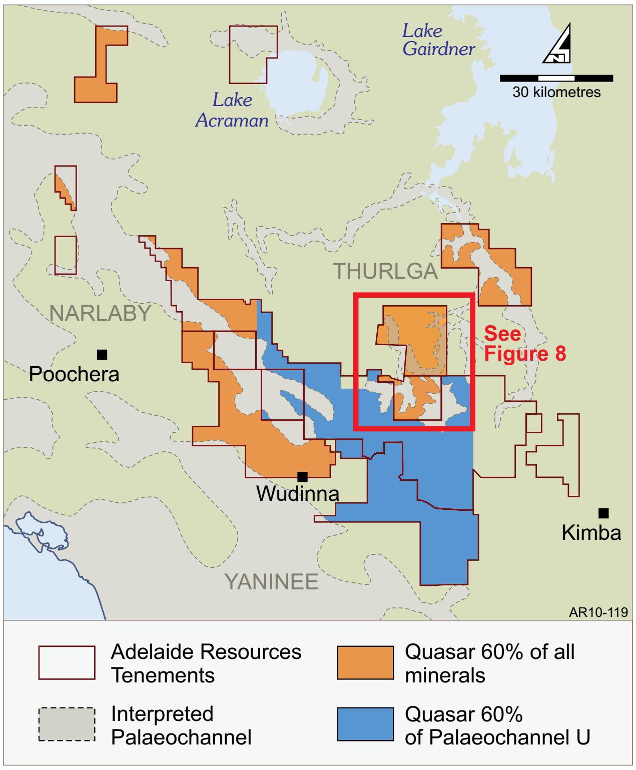


***Figure 7:** Corrobinnie Palaeochannel Project Location Plan.*

The depth of the uranium mineralisation in CBM0007, and other nearby rotary mud holes, corresponds to the depth of mineralisation in the 2009 aircore holes, suggesting that the intersections are from the same zone.

Quasar Resources, the Joint Venture manager, is currently finalising the 2011 exploration program, and has confirmed that further drilling of the palaeochannel hosted mineralisation intersected in and around CBM0007 will be a priority.■

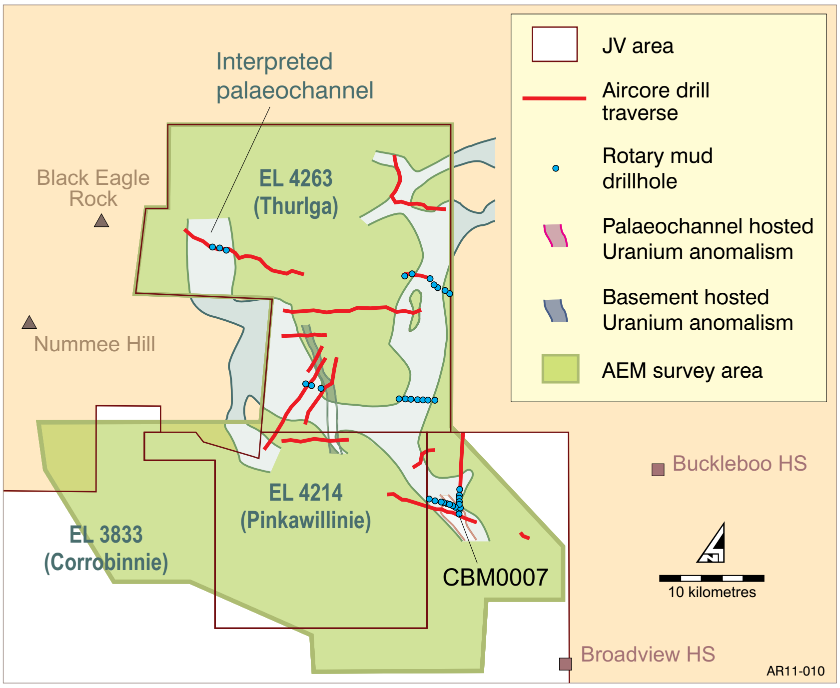


***Figure 8:** Thurlga Palaeochannel Summary Plan.*

finance

The company had liquidity of $10.46 million at 31 December 2010 comprising cash and term deposits of $10.251 million and liquid investments of $0.209 million.

During the quarter the company placed 16,500,000 ordinary shares with sophisticated investor clients of Bell Potter Securities Limited at an issue price of 18.5 cents per share. The placement raised gross proceeds of $3.05 million.

In addition to the placement to Bell Potter clients, Adelaide Resources Limited raised a further $3.124 million through a well supported and successful Shareholder Share Purchase Plan (SPP), with the 16,886,328 SPP shares also priced at 18.5 cents.

Exploration and evaluation expenditure by the company during the December Quarter was $1.502 million.

Exploration and evaluation expenditure incurred during the quarter by joint venture parties on tenements in which the company has an interest totaled $0.241 million.■

issued capital

The company had 144,590,368 ordinary shares and 625,000 unlisted options on issue at 31 December 2011.

During the quarter 16,886,328 ordinary shares were issued to shareholders who participated in the Shareholder Share Purchase Plan, and 16,500,000 ordinary shares were issued to sophisticated investor clients of Bell Potter Securities Limited.

During the quarter 1,000,000 unlisted options issued to a former director were cancelled following his resignation, and a further 1,800,000 unlisted options issued to current directors lapsed without being exercised.■

corporate

Adelaide Resources Limited appointed Mr Nick Harding to the position of Company Secretary and Chief Financial Officer effective from 17 November 2010.

Mr Harding replaces Mr John Horan, a founding director of Adelaide Resources Limited, who filled the roles of Finance Director and Company Secretary since the company listed in 1996. Mr Horan remains a Non-Executive Director of the Company.■

Chris Drown – Managing Director
Signed on behalf of the
Board of Adelaide Resources Limited
Dated: 31 January 2011

Endnote: Shares in Peninsula Resources Limited can only be applied for by completing an application form contained within the prospectus to be issued by Peninsula Resources Limited. A prospectus will be sent to all Adelaide Resources shareholders.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Chris Drown, who is a Member of The Australasian Institute of Mining and Metallurgy and who is Managing Director of the company. Mr Drown has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Drown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Enquiries should be directed to Chris Drown, Managing Director.
Ph (08) 8271 0600 or 0427 770 653.■