



Australian Securities Exchange Announcement

4 August 2014

Drummond Gold Project wins Collaborative Drilling Initiative funding.

- The 100% owned Drummond Epithermal Gold Project is one of several high quality, second tier exploration assets that complement the company's flagship Moonta Copper-Gold Project in South Australia.
- Adelaide Resources Limited is pleased to advise that it has **won up to \$100,000 under the Queensland Government's Collaborative Drilling Initiative** to co-fund a plus \$200,000 drilling program on the Drummond Epithermal Gold Project, with the drilling likely to be completed in 2015.
- The Collaborative Drilling Initiative is designed to encourage the testing of new exploration concepts with economic and technical merit by directly supporting companies to drill high quality exploration targets.
- The company has also **increased its land position in the Drummond Basin** from 196 sq km to 270 sq km following the granting of EPMA 25660 adjacent to the initial project licence EPM 18090.

Background

Adelaide Resources' Drummond Epithermal Gold Project is located approximately 90 kilometres southeast of Charters Towers in Queensland, and around 70 kilometres east of the Pajingo Field which has produced in excess of 3 million ounces of high grade gold (Figure 1).

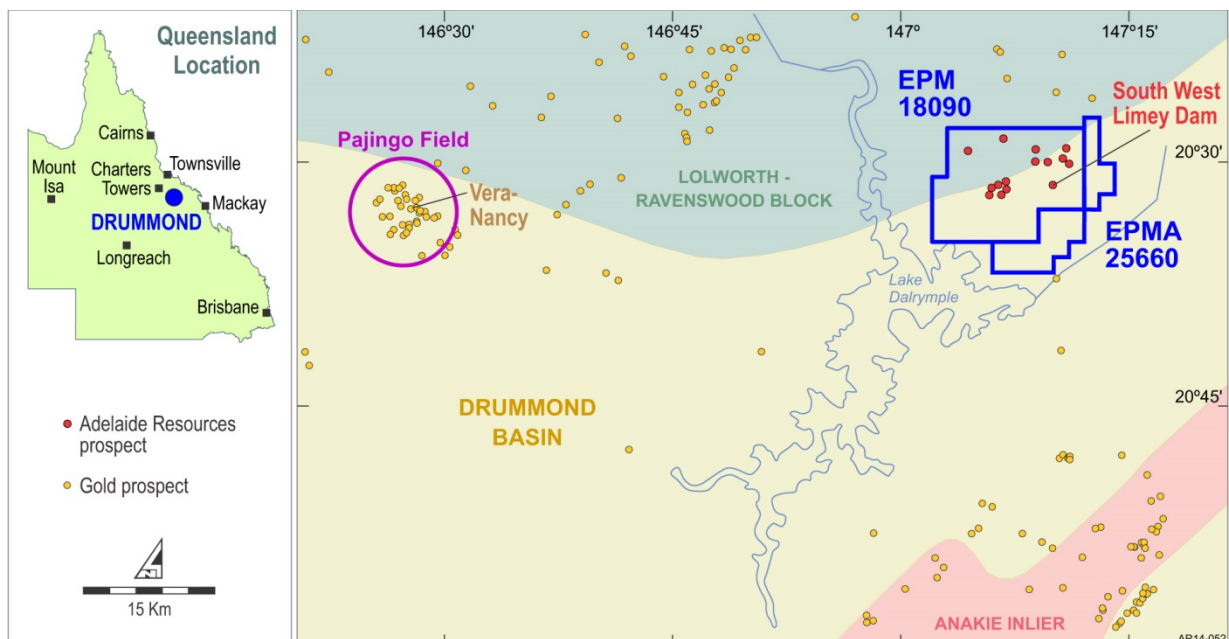


Figure 1: Drummond Epithermal Gold Project location plan.

The Drummond Project tenements secure volcanic dominated stratigraphy of the Permo-Carboniferous Drummond Basin just south of the interpreted boundary with older Mt Windsor Volcanics and intrusives of the Lolworth-Ravenswood Block, a geological setting similar to that seen at the Pajingo Field.

In 2013 the company completed a highly successful first exploration program on the initial project tenement, EPM 18090 “Glenroy”, which included rock chip sampling and trial Field Portable X-Ray Florescence (FPXRF) soil geochemistry⁽¹⁾. A petrological study of vein and host rock materials collected during the program was subsequently completed⁽²⁾.

Assaying of rock chips confirmed numerous samples contain anomalous gold and epithermal pathfinder metals, including one sample from the South West Limey Dam prospect which returned 55.4g/t gold, the highest grade rock chip sample known from the project tenement.

The FPXRF soil geochemistry trials showed that the method is able to successfully define epithermal gold pathfinder metal anomalies at a resolution sufficient to allow the direct targeting of drill holes. FPXRF sampling conducted on a semi-systematic grid at the South West Limey Dam prospect revealed a large and coherent arsenic anomaly containing internal narrow high magnitude zones (Figure 2). Initial traverses of FPXRF soil geochemistry at other prospects indicate the presence of similar strongly anomalous arsenic in areas that show every chance of developing into further highly regarded anomalies with systematic sampling.

The petrological study confirmed the presence of signature epithermal textures including colloform and crustiform banding in mineralised veins, and bladed calcite textures considered indicative of fluid boiling. Alteration mineral assemblages typically seen in epithermal systems were also observed in the volcanic rocks which host the veins.

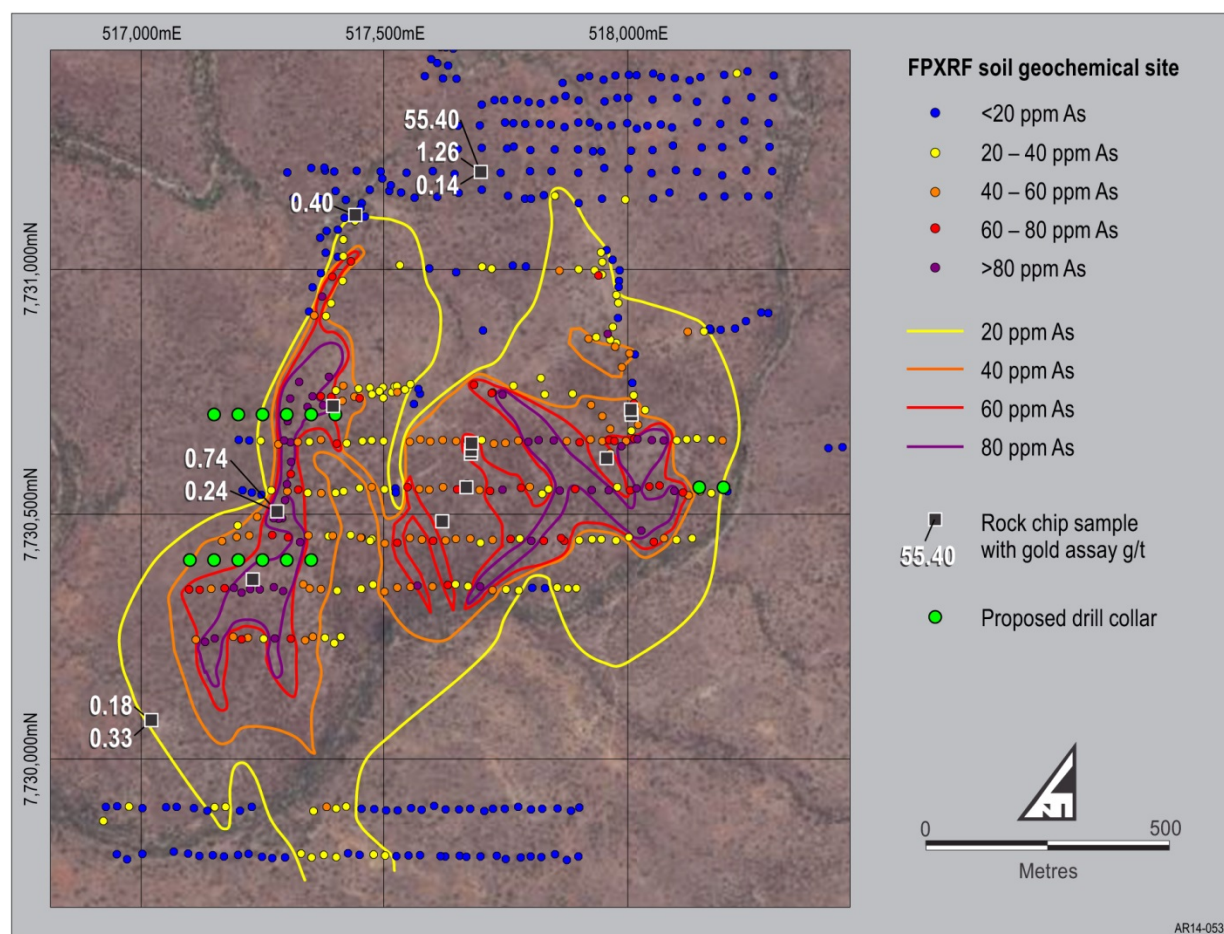


Figure 2: South West Limey Dam prospect summary plan.

Successful Collaborative Drilling Initiative funding application

In 2013, the Queensland Government announced collaborative drilling funding as part of its “Future Resources Program”. The Collaborative Drilling Initiative is designed to encourage the testing of new exploration concepts with economic and technical merit by directly supporting companies to drill high quality exploration targets in greenfield and under-explored areas of Queensland to stimulate the discovery of a new generation of mineral and energy resources.

Adelaide Resources applied through the Collaborative Drilling Initiative for funding to complete a program of up to 2800 metres of reverse circulation drilling to test an epithermal gold target at the South West Limey Dam prospect delineated by the 2013 FPXRF soil geochemistry survey (Figure 2).

The company’s application was successful with the Queensland Government to contribute up to a maximum of \$100,000 to fund 50% of the direct drilling costs of the exploration program. Adelaide Resources will fund the remainder of the drilling costs, along with associated expenses such as field personnel and assaying charges.

A condition of the Collaborative Drilling Initiative funding agreement requires that the program of drilling is completed by 13 April 2016, but it is likely to be completed in 2015 following further low cost surface exploration scheduled for 2014.

New tenement application expands Drummond Project land position

The company has been granted an application for a new tenement that covers ground immediately adjacent to existing Drummond Project tenement EPM 18090 (Figure 1). The new application, EPMA 25660, covers an area of 74 square kilometres and increases the total size of the Drummond Project to 270 square kilometres. EPMA 25660 captures ground to the east and southeast of EPM 18090 and is also considered to be highly prospective for epithermal gold deposits.

The mineral tenement process in Queensland requires resolution of Native Title and environmental issues at the tenement application stage which, once satisfied, will allow the granting of an Exploration Permit Minerals (EPM) after which on-ground exploration activities can commence.

Comment

Adelaide Resources’ Managing Director, Chris Drown said “We congratulate the Queensland Government on establishing its visionary Future Resources Program, and are thrilled that our application for Collaborative Drilling Initiative co-funding has been successful.

“We believe that our Drummond Epithermal Gold Project represents a very exciting exploration play. The Collaborative Drilling Initiative panel’s assessment that our project exhibits new generation resource potential, and that our proposed program is of sound technical and economic merit, presents an informed and independent validation of our positive view.

“We are also pleased, through the successful application for EPMA 25660, to have secured further 100% owned ground that increases Adelaide Resources’ footprint in this highly prospective part of the Drummond Basin.

“The company’s principal focus will deservedly remain on our flagship Moonta Copper-Gold Project in South Australia which continues to deliver very exciting results, however Adelaide Resources is well placed having second tier exploration assets of the quality of the Drummond Epithermal Gold Project.”



Chris Drown
Managing Director

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

Competent Person Statement and JORC 2012 compliance statements

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Chris Drown, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Drown is employed by Drown Geological Services Pty Ltd and consults to the Company on a full time basis. Mr Drown has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 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.

⁽¹⁾ *The information relating to Adelaide Resources' past exploration results and its assessment of exploration completed by past explorers was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

⁽²⁾ *See ADN's ASX release dated 3 April 2014 titled "Petrology Study Highlights Drummond Project Potential – QLD."*