

Directors' Report

The directors present this Directors' report and the attached annual financial report of Adelaide Resources Limited for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and details of the directors of the company during or since the end of the financial year are:

Michael I Hatcher BSc (Hons), MAusIMM – Non-Executive Chairman

Mike Hatcher has a geology degree from the University of Adelaide and has over 40 years experience in the resources industry during which time he has held a range of senior technical and managerial positions.

Mr Hatcher's career includes 16 years with the Newmont/Normandy Mining/North Flinders Mines corporate group. During this period he held positions including director geology – Ghana, and was chief geologist for Normandy/Newmont's many Australian mines (including Golden Grove, Tanami, Jundee and Pajingo) as well as its New Zealand (Waihi), Turkey (Ovacik) and USA (Midas) operations. His role included acting as the group's Competent Person responsible for the quality of mineral resource estimates.

Mr Hatcher's exploration roles include exploration manager for Greenbushes Mines; exploration manager and director of Driffield Mining, a consortium of private exploration companies active in the Northern Territory; and exploration supervising geologist with North Flinders Mines where he was responsible for that company's non-Tanami exploration projects. Mr Hatcher has extensive experience in the near mine exploration programs conducted at the many operations he has been involved with.

Mr Hatcher is a member of the Australasian Institute of Mining and Metallurgy, and is a previous Non-Executive Director of ASX listed Outback Metals Limited and ERO Mining Limited.

Christopher G Drown BSc (Hons), MAusIMM, MAICD – Managing Director

Chris Drown is a geologist with over 25 years experience in the Australian exploration and mining industry. He is a member of the Australasian Institute of Mining and Metallurgy, a member of the Australian Institute of Company Directors, and a member of the Geological Society of Australia.

A graduate of the University of Tasmania, Mr Drown worked in underground nickel mines at Western Mining Corporation Limited's Kambalda operations in Western Australia, and filled mining geology roles at Aberfoyle Resources Limited's Hellyer lead-zinc-silver deposit in western Tasmania.

In 1991, he moved from mine geology into exploration searching for base metal and gold deposits in the Northern Territory and South Australia.

Mr Drown was appointed exploration manager of Adelaide Resources shortly after it listed on the ASX and has since played a major role in the company's activities. In March 2005 he accepted an invitation to join the Board of Adelaide Resources as an executive director and in November 2007 was appointed Managing Director.

John J den Dryver BE (Mining), MSc, FAusIMM – Non-Executive Director (Chairman of Audit Committee)

John den Dryver is a mining engineer with some 30 years experience in operational and corporate management as well as extensive experience in mining project studies and implementation.

In 1982, Mr den Dryver joined the junior explorer North Flinders Mines Limited as the company's mining engineer to become part of the small team that discovered the Granites gold mine in the Tanami Desert in the Northern Territory. He was executive director of North Flinders from 1988 to 1997.

In 1997, after Normandy Mining Limited gained control of North Flinders, Mr den Dryver joined Normandy as Executive General Manager – technical, leading a team of specialist geologists, mining engineers and metallurgists.

In 2003 he set up his own mining consultancy business and is currently a Non-Executive Director of Gascoyne Resources Limited and Centrex Metals Limited and a previous Non-Executive Director of Helix Resources Limited.

Jonathan P Buckley B Ec, SF Fin, GAICD – Non-Executive Director (appointed 7 April 2014)

Jonathan Buckley is a corporate executive with extensive commercial and corporate finance experience spanning over 25 years in Australia and the UK. He was previously Group Managing Director for PhillipCapital Australia, part of a leading Asian financial group providing corporate finance, funds management, stockbroking and wealth management services in Australia. He has been a founding director of a number of fund management businesses in high growth sectors, including resources and healthcare.

Prior to establishing PhillipCapital Australia's corporate advisory business, Mr Buckley was Manager, Strategic Planning for Rothschild Asset Management UK based in London. He has also held roles with KPMG Management Consulting and Barclays de Zoete Wedd Securities in London.

John P Horan FCPA, FCIS – Non-Executive Director (resigned 20 November 2013)

John Horan is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Chartered Institute of Secretaries in Australia, a Member of the Finance and Treasury Association Limited, and a Member of the Australian Mining and Petroleum Law Association. He has many years experience in the financial, corporate, technical and management areas of the mining industry.

Mr Horan has been chairman and a director of a number of listed mining and exploration companies on the Australian Securities Exchange (ASX), the Alternative Investment Market (AIM) on the London Stock Exchange, the Toronto Stock Exchange (TSX) in Canada and the Port Moresby Stock Exchange (POMSoX) in Papua New Guinea. He was previously the chairman of Marengo Mining Limited (listed on ASX, TSX and POMSoX).

Mr Horan was the finance director of Homestake Gold of Australia Limited, now Barrick Gold Corporation, one of Australia's largest gold producers, from 1987 until June 1993. He first joined Homestake in 1978 and was responsible for financial, commercial and corporate management functions prior to 1987 when he played a substantial role in the float of the Australian subsidiary. He also fulfilled key responsibilities in subsequent very large debt and equity capital raisings.

From the early 1960s until the second half of the 1970s he held various financial, accounting, corporate administrative and management positions in Poseidon Limited and CRA Limited, following initial technical experience in CRA's mining operations at Broken Hill.

Company Secretary

Nicholas J Harding BA (Acc), Grad Dip (Acc), Grad Dip (Applied Finance), Grad Dip (Corp Governance), FCPA, F Fin, ACIS

Nick Harding is a qualified accountant and company secretary with over 25 years experience in the resources industry. He is a Fellow of the Australian Society of Certified Practicing Accountants, a Fellow of the Financial Services Institute of Australasia and an Associate of the Chartered Secretaries of Australia and possesses qualifications in accounting, finance and corporate governance. He has established his own consulting business providing accounting, financial and company secretarial support to a number of ASX listed exploration companies including Adelaide Resources Limited.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
M I Hatcher	Outback Metals Limited	From 2010 to 2013
	ERO Mining Limited	From 2011 to 2013
J J den Dryver	Helix Resources Limited	From 2004 to 2013
	Gascoyne Resources Limited	Since 2009
	Centrex Metals Limited	Since 2011

Principal Activities

The principal continuing activity of the Group is the exploration for gold, copper and other economic mineral deposits.

Operating and Financial Review

Strategy

To achieve the goal of growing shareholder wealth, Adelaide Resources' directors have formulated a company strategy comprising the following key principles:

- The Company will maintain a strong commodity focus on copper and gold. Directors believe the outlook for copper and gold remains positive, and believe these are commodities well suited to Adelaide Resources. The two metals occur naturally together in several of the Company's key projects, and the capital cost of developing a gold or copper mine of a size that would transform the Company is within its financial capacity.
- The Company's Board believes it is in shareholders' best interests to retain maximum equity in its tier one projects and consequently seeks to self-fund exploration programs on these projects when equity markets allow. The Board will contemplate third party investment in a tier one project if it believes the consequent loss of shareholder equity is more than compensated by increased financial certainty and project de-risking that may accrue.
- The Company will pursue opportunities which have potential to unlock value in its other mineral assets, and will maintain an active lookout for quality new gold and copper projects in Australia and overseas.
- The Company will build shareholder wealth while adhering to principles of good corporate governance, caring for its employees, conducting its operations in an environmentally sensitive manner, and maintaining respect for other stakeholders and for the communities in which it operates.

Financial Results

The net result of operations for the year was a loss after income tax of \$6,684,454 (2013: loss of \$6,486,545). The size of the loss reported for the current year is largely on account of a further impairment write-down of the carrying value of the Rover project to a fair value as determined by the directors.

Exploration expenditure for the year was \$1,972,926, the bulk of which was directed to the Moonta Copper-Gold Project. Total administration expenses and employee benefits for the year totalled \$1,343,751 which is inclusive of valuation costs of performance rights provided to employees during the year under the Company's Performance Rights Plan. At the 30 June 2014 the Company held cash and cash equivalents totalling \$1,376,050.

In August 2013 the Company completed a Share Purchase Plan at an issue price of 7.5 cents per share which raised a total of \$1,760,500 before costs.

Exploration Activities

Over the 2013/14 Financial Year Adelaide Resources continued its exploration focus at the Moonta Copper Gold Project on South Australia's Yorke Peninsula, with substantial progress made on several fronts. Highly cost efficient programs of exploration were also conducted on other of the Company's projects with significant results returned, particularly from the Drummond Epithermal Gold Project in Queensland.

Moonta Copper Gold Project

Exploration activities in 2013/14 were focussed on the Alford West Prospect following outstanding initial results achieved at the prospect in the second half of the previous financial year. Aircore drilling was extended to systematically test the full extent of the 3.5 kilometre long Alford West target zone with further excellent copper and gold intersections returned, including:

- 23 metres at 1.47% Cu and 0.00g/t Au from 7 metres in hole ALWAC171;
- 11 metres at 0.94% Cu and 0.17g/t Au from 71 metres in hole ALWAC186;
- 43 metres at 0.53% Cu and 0.14g/t Au from 57 metres in hole ALWAC252;
- 21 metres at 1.19% Cu and 0.42g/t Au from 44 metres in hole ALWAC253;
- 10 metres at 1.02% Cu and 0.04g/t Au from 70 metres in hole ALWAC258;
- 11 metres at 1.52% Cu and 0.04g/t Au from 77 metres in hole ALWAC261;
- 11 metres at 1.06% Cu and 0.01g/t Au from 34 metres in hole ALWAC269;
- 22 metres at 1.33% Cu and 0.03g/t Au from 34 metres in hole ALWAC273;
- 9 metres at 2.75% Cu and 0.15g/t Au from 41 metres in hole ALWAC285;

Molybdenum, at grades that are potentially of economic interest, is associated with copper and gold mineralisation at places at Alford West. Intersections include 16 metres at 0.20% Mo from 71 metres in hole ALWAC260.

Interpretation of the data generated by the aircore drilling at Alford West confirms that the prospect is a single, large Iron Oxide Copper Gold style mineralised system that extends over three kilometres in an east-west direction. There are four internal zones within the broader system that show potential to contribute to a mineral resource. These are named Larwood, Bruce, Six Ways and Blue Tongue. All four zones remain open at depth.

The dimensions of the currently modelled lodes confirm that potential for a substantial mineral resource exists, if deeper exploratory drilling successfully demonstrates the mineralised zones persist to depth.

Adelaide Resources is an industry leader in the application of Field Portable X-Ray Florescence (FPXRF) as a geochemical exploration tool. Initial trials using FPXRF geochemistry completed in the previous financial year confirmed the method's ability to rapidly define copper soil anomalies for minimal cost. Following these successful trials, FPXRF geochemistry surveying was extended to other parts of the Moonta Project, initially in the vicinity of the Alford West Prospect, then more broadly across the tenement.

The FPXRF survey first identified a significant new copper soil anomaly called Blue Tongue, which aircore drilling in early 2014 confirmed to be sourced by underlying copper mineralisation. Blue Tongue is now recognised as one of the four zones at Alford West that can contribute to a mineral resource.

In June 2014, the Company announced the delineation of a second, very significant FPXRF copper anomaly called Tomahawk. The Tomahawk anomaly is comparable in both size and magnitude to the FPXRF anomaly sourced by the whole Alford West Prospect and represents an exciting and worthy new drill target.

Extensive historical exploration was completed by past explorers on the Moonta Copper Gold Project tenement area with data generated by this work lodged with the South Australian Government. The review of historical exploration data in early 2013 led to the recognition that the Alford West Prospect represented a high quality target deserving further exploration. Much of the historical data is in hand or type written form, and the Company is continuing a program of digital capture with the goal of identifying further prospects across the project tenement.

Drummond Epithermal Gold Project

The Drummond Epithermal Gold Project is located in Queensland's Drummond Basin. The project is prospective for high grade gold deposits of epithermal style similar to the Pajingo Field which is located 60 kilometres to the west and which has produced in excess of 3 million ounces of gold. Exploration on

the Drummond Project included prospecting, a trial 1259 sample program of FPXRF soil geochemistry, rock chip sampling and a petrological study of veins and host rocks.

Rock chip assays 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 FPXRF soil geochemistry trials showed that the method is able to successfully define epithermal gold pathfinder metal anomalies, revealing a large and coherent arsenic anomaly at the South West Limey Dam Prospect and indicating the likely presence of similar anomalies at other prospects. The petrological study confirmed the presence of signature epithermal textures and alteration mineral assemblages typically seen in epithermal systems.

After the end of the financial year the Company announced that it had been awarded up to \$100,000 through the Queensland Governments Collaborative Drilling Initiative to co-fund a reverse circulation drilling program at the South West Limey Dam Prospect, and that the Company had been granted a second mineral tenement and increased the size of the Drummond Project to 270 square kilometres.

Other Projects

Efforts to deliver shareholder value through third party involvement in the Rover Gold Copper Project in the Northern Territory continued during the year.

Significant progress was made in achieving the environmental and Native Title approvals required for exploration to re-commence on the Eyre Peninsula Gold Project in South Australia. A recent upsurge in exploration activity by neighbouring explorers on the Eyre Peninsula continues to confirm the regions prospectivity for a range of commodities.

On the Anabama Project in South Australia, a 4682 sample FPXRF soil geochemical sampling program was completed over the Dark Horse and Eastern Dam areas. At Dark Horse the FPXRF survey defined a linear cluster of copper anomalies extending over a strike length of 3 kilometres, with the anomalies coinciding with the presence of the surficial gossanous float. No significant anomalies were defined in the Eastern Dam area.

The Yalanda Hill Joint Venture with Investigator Resources Limited was terminated in February 2014 as the exploration program completed on the three joint venture tenements had not identified targets of a quality high enough to warrant further work.

Outlook and Future Developments

The planned exploration program for the 2014/15 financial year includes:

- programs of reverse circulation or diamond drilling to test the depth extent and gauge the resource potential of the Larwood and Bruce Zones at Alford West on the Moonta Copper Gold Project;
- programs of aircore drilling aimed at confirming the disposition of mineralisation at the Six Ways and Blue Tongue Zones at Alford West, and to drill test the large Tomahawk FPXRF copper geochemical anomaly on the Moonta Copper Gold Project;
- on-going programs of FPXRF surface soil geochemistry and the continuing digital capture of historical exploration data across the Moonta Copper Gold Project to delineate the next generation of prospects and drill targets;
- field trails to research the potential use of biogeochemical sampling as an exploration method, and drilling to test for high grade gold shoots at the Barns and Baggy Green deposits on the Eyre Peninsula Gold Project;
- further rock chip sampling and systematic FPXRF soil geochemistry preliminary to a maiden drilling program is planned on the Drummond Epithermal Gold Project in North Queensland; and
- continued efforts to deliver value from the Rover Gold Copper Project in the Northern Territory.

Dividends

No dividends were paid or declared since the start of the financial year, and the directors do not recommend the payment of dividends in respect of the financial year.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Group.

Subsequent Events

On 4 August 2014 the Company announced that its application to the Queensland Government to contribute up to a maximum of \$100,000 to fund 50% of the direct drilling costs of the exploration program at one of its Queensland tenements was successful.

On 18 August 2014 the Company announced it had entered into a Farm-in and Joint Venture Agreement (the Thurlga Joint Venture) with neighbouring explorer Investigator Resources Limited (IVR) to explore one of the Company's Eyre Peninsula tenements. IVR can earn 75% equity in the 333 km² tenement by spending \$750,000 by 30 June 2017.

On 29 September 2014 the Company announced a non-renounceable pro rata rights issue of up to 114,539,906 Shares at an issue price of \$0.03 per Share on the basis of 1 New Share for every 2 Shares held to raise up to \$3.436 million before expenses, and 57,269,953 Options on the basis of 1 free attaching Option for every 2 Shares issued, with each Option having an exercise price of \$0.05 and expiring on 30 September 2016.

Other than the above, there were no other matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Environmental Developments

The Group carries out exploration activities on its properties in South Australia, Queensland and in the Northern Territory. No mining activity has been conducted by the Group on its properties.

The Group's exploration operations are subject to environmental regulations under the various laws of South Australia, Queensland the Northern Territory, and the Commonwealth. While its exploration activities to date have had a low level of environmental impact, the Group has adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

Remuneration Report

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Company and its wholly owned subsidiaries.

Where this report refers to the 'Date of Grant' of performance rights or options, the date mentioned is the date on which those performance rights or options were agreed to be issued (whether conditionally or otherwise).

Director and Other Key Management Personnel Details

The following persons acted as key management personnel of the Company during or since the end of the financial year:

Directors

M I Hatcher (Non-Executive Chairman)

C G Drown (Managing Director)

J J den Dryver (Non-Executive Director)

J P Buckley (Non-Executive Director) – appointed 7 April 2014

J P Horan (Non-Executive Director) - resigned 20 November 2013

Other Key Management Personnel

N J Harding (Chief Financial Officer and Company Secretary)

M A Manly (Exploration Manager)

Relationship between the Remuneration Policy and Company Performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2014:

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Revenue	96,474	122,941	321,529	466,956	399,903
Net profit / (loss) before tax	(6,660,624)	(6,409,519)	(945,235)	(1,207,388)	(605,701)
Net profit / (loss) after tax	(6,684,454)	(6,486,545)	(980,480)	(1,263,166)	(644,187)

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Share price at beginning of the year	\$0.10	\$0.05	\$0.10	\$0.14	\$0.09
Share price at end of year	\$0.04	\$0.10	\$0.05	\$0.10	\$0.14
Basic earnings per share	\$(0.0296)	\$(0.0363)	\$(0.0068)	\$(0.0098)	\$(0.0063)
Diluted earnings per share	\$(0.0296)	\$(0.0363)	\$(0.0068)	\$(0.0098)	\$(0.0063)

No dividends have been declared during the five years ended 30 June 2014 and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2014.

There is no link between the Company's performance and the setting of remuneration except as discussed below in relation to performance rights for key management personnel.

Remuneration Philosophy

The performance of the Group depends on the quality of its directors and other key management personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre directors and other key management personnel;
- link executive rewards to shareholder value (by the granting of performance rights);
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Remuneration Policy

Up until 20 November 2013 the Company had a Remuneration Committee. However due to the Company's size, the Group decided to disband the Remuneration Committee with the full Board addressing remuneration issues. The compensation of directors is reviewed by the Board of Directors with the exclusion of the director concerned. The compensation of other key management personnel is reviewed by the Board of Directors.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality directors and other key management personnel. External advice on remuneration matters is sought whenever the Committee deems it necessary (no advice was obtained during the year ended 30 June 2014).

The remuneration of the directors and other key management personnel is not dependent on the satisfaction of a performance condition, other than the performance rights discussed below.

Non-Executive Director Remuneration

The Board of Directors seeks to set remuneration of Non-Executive Directors at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

Currently, the Non-Executive Chairman is entitled to receive \$62,500 (2013: \$62,500) per annum inclusive of the statutory superannuation. The Non-Executive Directors are each entitled to receive \$38,150 (2013: \$38,150) per annum inclusive of the statutory superannuation.

In addition, Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of directors and otherwise in the execution of their duties as directors.

Managing Director Remuneration

The Company aims to reward the Managing Director with a level and mix of remuneration commensurate with his position and responsibilities within the Company to:

- align the interests of the Managing Director with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Currently the Company has a service agreement with an entity associated with C G Drown, details of which are set out below.

Other Key Management Personnel Remuneration

The Company aims to remunerate other key management personnel at a level commensurate with their position and responsibility within the Company.

Currently the Company has a service agreement with an entity associated with N J Harding, details of which are set out below.

M A Manly was appointed as Exploration Manager of the Company on 18 February 2013 on a full time basis on an annual salary of \$210,000 per annum plus statutory superannuation contributions. The service agreement with the previous Exploration Manager, B E Anderson, expired on 10 February 2013.

Summary of amounts paid to Key Management Personnel

The table below discloses the compensation of the key management personnel of the Group during the year.

2014	Short-term employee benefits Salary & Fees (i) \$	Post employment superannuation \$	Sub total \$	Performance rights (ii)	Total \$	Percentage of total remuneration for the year that consists of options %
<u>Directors</u>						
M I Hatcher	57,208	5,292	62,500	-	62,500	-
C G Drown	272,635	-	272,635	60,443	333,078	18.1
J J den Dryver	34,920	3,230	38,150	-	38,150	-
J P Buckley	8,148	754	8,902	-	8,902	-
J P Horan	13,580	1,256	14,836	-	14,836	-
<u>Other Key Management Personnel</u>						
N J Harding	218,468	-	218,468	32,382	250,850	12.9
M A Manly	210,000	19,425	229,425	14,135	243,560	5.8
2014 Total	814,959	29,957	844,916	106,960	951,876	

- (i) Includes consulting fees paid.
- (ii) Performance rights do not represent cash payments to key management personnel and performance rights granted may or may not ultimately vest. The amounts do not include an adjustment for performance rights that lapsed due to not meeting the performance conditions.

2013	Short-term employee benefits Salary & Fees (i) \$	Post employment superannuation \$	Sub total \$	Performance rights (ii)	Total \$	Percentage of total remuneration for the year that consists of options %
<u>Directors</u>						
M I Hatcher	35,000	3,150	38,150	-	38,150	-
C G Drown	253,963	-	253,963	113,748	367,711	30.9
J P Horan	35,000	3,150	38,150	-	38,150	-
J J den Dryver	35,000	3,150	38,150	-	38,150	-
A J Brown	62,500	-	62,500	-	62,500	-
<u>Other Key Management Personnel</u>						
N J Harding	176,160	-	176,160	24,886	201,046	12.4
M A Manly	76,906	6,922	83,828	-	83,828	-
B E Anderson	176,123	-	176,123	-	176,123	-
2013 Total	850,652	16,372	867,024	138,634	1,005,658	

- (i) Includes consulting fees paid.
- (ii) Performance rights do not represent cash payments to key management personnel and performance rights granted may or may not ultimately vest.

No key management personnel appointed during the year received a payment as part of his consideration for agreeing to hold the position.

Service Agreements

The Group entered into a service agreement with an entity associated with C G Drown for a term of one year from 16 November 2013. The Group also entered into a service agreement with an entity associated with N J Harding for a term of two years from 17 November 2013.

For the year ended 30 June 2013 the Group had service agreements with entities associated with C G Drown, N J Harding and B E Anderson. The service agreement with B E Anderson expired on 10 February 2013.

Details of the services and consultancy agreements are set out below:

2014

Key Management Personnel	Terms
C G Drown	Daily rate of \$1,250 for a minimum of 210 days per annum
N J Harding	Daily rate of \$1,050 for a minimum of 40 hours per month

2013

Key Management Personnel	Terms
C G Drown	Daily rate of \$1,100 for a minimum of 210 days per annum
N J Harding	Daily rate of \$960 for a minimum of 60 days per annum
B E Anderson	Daily rate of \$975

The Company may terminate any of the above agreements by giving three months and six months

notice to the entities associated with C D Drown and N J Harding respectively. Previously the Company could terminate the service agreements by paying out the remaining amount due to the end of the service agreement. The entities associated with the key management personnel may terminate their agreements with three months notice. As at 30 June 2014, the Group had a contingent liability in relation to these agreements of \$128,625 (2013: \$67,375).

In addition, if the Company terminates any of the above agreements within six months of a change of control of the Company, then the Company must pay an amount equivalent to the total fees paid under the service agreement by the Company during the preceding twelve months.

Payments under the above service agreements are included in the remuneration table.

Performance Rights held by Key Management Personnel

The Company issues performance rights to key management personnel for no consideration. Each performance right entitles the holder to one fully paid ordinary share in the Company upon vesting, as long as the holder remains employed by the Company.

At the Annual General Meeting held on the 16 November 2010, the shareholder's approved the granting of 2,000,000 performance rights to the Managing Director under the Adelaide Resources Limited Performance Rights Plan. However, 1,000,000 of these performance rights lapsed on 5 November 2012 as the performance conditions were not met (the value of these performance rights were \$60,000). The remaining performance rights vest as follows:

- 1,000,000 performance rights in 3 tranches, vesting as follows:
 - 333,333 performance rights vesting on 5 November 2011;
 - 333,333 performance rights vesting on 5 November 2012;
 - 333,334 performance rights vesting on 5 November 2013.

During the year ended 30 June 2014, 333,334 (2013: 333,333) of the above performance rights vested and the value of these performance rights were \$18,000 (2013: \$20,000).

At the Annual General Meeting held on the 27 November 2012, the shareholder's approved the granting of 1,500,000 performance rights to the Managing Director under the Adelaide Resources Limited Performance Rights Plan (the value of these performance rights were \$89,858). The performance rights vest on the achievement of all of the KPI's, set out below, by 30 September 2014:

No new performance rights were granted to the Managing Director during the year ended 30 June 2014.

300,000 performance rights were issued to current key management personnel during the year ended 30 June 2012 under the Adelaide Resources Limited Performance Rights Plan.

The performance rights vest as follows:

- 150,000 performance rights in 2 tranches, vesting as follows:
 - 75,000 performance rights vesting on 19 August 2012;
 - 75,000 performance rights vesting on 19 August 2013.
- 150,000 performance rights vest on the delineation of a JORC compliant resource of a minimum 500,000 ounces of gold equivalent from any of the Company's projects by 19 August 2013

During the year ended 30 June 2014, 75,000 (2013: 75,000) of the above performance rights vested while 150,000 lapsed as the performance conditions were not met. The value of performance rights vested and lapsed were \$5,625 (2013: \$6,000) and \$11,250 respectively.

750,000 performance rights were issued to key management personnel during the year ended 30 June 2013 under the Adelaide Resources Limited Performance Rights Plan (the value of these performance rights were \$44,929). The performance rights vest on the achievement of a number of KPI's, as set out below, by 30 September 2014.

Performance rights issued during the year ended 30 June 2013 (covering performance rights issued to the Managing Director and other key management personnel) vest on the achievement of all of the following KPI's:

- the Company's Share price outperforms the S&P/ASX Small Resources Index (In capital not accumulation terms);
- the enterprise value growth from the base date (1 October 2012) exceeds the S&P/ASX Small Resources Index growth; and
- the enterprise value growth having a conversion of over 100% of total spend on exploration and administration.

During the year ended 30 June 2014, 700,000 performance rights were issued to key management personnel under the Adelaide Resources Limited Performance Rights Plan (the value of these performance rights were \$47,250). The performance rights will vest on the achievement of a number of KPI's, as set out below, on 31 December 2014.

Performance rights issued during the year ended 30 June 2014 vest on the achievement of as follow:

- 250,000 performance rights (issued to M A Manly) on the achievement of all of the following conditions
 - the Company's share price outperforms the S&P/ASX Small Resources Index (In capital not accumulation terms);
 - the enterprise value growth from the base date (1 January 2014) exceeds the S&P/ASX Small Resources Index growth; and
 - the enterprise value growth having a conversion of over 100% of total spend on exploration and administration.
- Up to 450,000 performance rights (200,000 issued to N J Harding and 250,000 issued to M A Manly) on the achievement of role specific personal performance elements relating to their job, covering such matters as, safety, statutory compliance, corporate and finance, maintenance of exploration asset and intellectual property, and exploration programme. Each of the specific performance element has a weighting and the overall personal performance is measured as the simple average of the person achieving the specific element.

Value of performance rights – basis of calculation

- Value of performance rights granted at grant date is calculated by multiplying the fair value of performance rights at grant date by the number of performance rights granted during the financial year.
- Value of performance rights vested is calculated by multiplying the fair value of performance rights at the time they vest (calculated as the difference between consideration paid and the Australian Securities Exchange last sale price on the day that the performance rights vested) by the number of performance rights vested during the financial year.
- Value of performance rights lapsed/cancelled at the lapsed date is calculated by multiplying the fair value of performance rights at the time they lapsed/cancelled multiplied by the number of performance rights lapsed/cancelled during the financial year.

The total value of performance rights included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment". Performance rights granted during the financial year are recognised in compensation over their vesting period.

Equity holdings of Key Management Personnel as at 30 June 2014

Fully paid ordinary shares issued by Adelaide Resources Limited

2014	Balance 01/07/13	Net Changes	Balance 30/06/14	Balance held Nominally
<u>Directors</u>				
M I Hatcher	-	100,000	100,000	-
C G Drown	1,974,157	533,334	2,507,491	-
J J den Dryver	50,000	26,667	76,667	-
J P Buckley	-	-	-	-
J P Horan (resigned)	2,261,491	(2,261,491)	-	-
<u>Other Key Management Personnel</u>				
N J Harding	235,086	108,467	343,553	-
M A Manly	-	100,000	100,000	-

2013	Balance 01/07/12	Net Changes	Balance 30/06/13	Balance held Nominally
<u>Directors</u>				
M I Hatcher	-	-	-	-
C G Drown	1,307,491	666,666	1,974,157	-
J P Horan	1,928,158	333,333	2,261,491	-
J J den Dryver	-	50,000	50,000	-
A J Brown (resigned)	13,860,324	(13,860,324)	-	-
<u>Other Key Management Personnel</u>				
N J Harding	115,642	119,444	235,086	-
M A Manly	-	-	-	-
B E Anderson (resigned)	203,947	(203,947)	-	-

Performance rights issued by Adelaide Resources Limited

2014	Balance 01/07/13	Granted	Exercised	Lapsed/ Cancelled	Balance 30/06/14	Vested and exercisable
<u>Directors</u>						
C G Drown	1,833,334	-	333,334	-	1,500,000	See note 16 for details
<u>Other Key Management Personnel</u>						
N J Harding	975,000	200,000	75,000	150,000	950,000	See note 16 for details
M A Manly	-	500,000	-	-	500,000	See note 16 for details

2013	Balance 01/07/12	Granted	Exercised	Lapsed/ Cancelled	Balance 30/06/13	Vested and exercisable
<u>Directors</u>						
C G Drown	1,666,667	1,500,000	333,333	1,000,000	1,833,334	See note 16 for details
<u>Other Key Management Personnel</u>						
N J Harding	300,000	750,000	75,000	-	975,000	See note 16 for details
B E Anderson	300,000	-	-	300,000	-	See note 16 for details

Meetings of Directors

The number of meetings of the Company's Board of Directors attended by each director during the year ended 30 June 2014 was:

2014	Meetings held while in office	Meetings attended
M I Hatcher	11	11
C G Drown	11	11
J J den Dryver	11	11
J P Buckley	2	2
J P Horan	5	5

The Company held two meetings of the Audit Committee during the year ended 30 June 2014. The members of this committee comprise J J den Dryver (Chairman) and J P Horan to 20 November 2013 and J P Buckley from 7 April 2014. J J den Dryver attended one meeting and J P Horan attended one meeting.

There were no meetings held by the Remuneration Committee during the year.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 18 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 18 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Shares under performance rights or issued on vesting of performance rights

Details of unissued shares under performance rights as at the date of this report were:

Issuing entity	Number of shares under performance rights	Class of shares	Exercise price of performance rights	Expiry date of performance rights
Adelaide Resources Limited	2,250,000	Ordinary	\$0.00	30 September 2014
Adelaide Resources Limited	1,550,000	Ordinary	\$0.00	31 December 2014

Details of shares issued during or since the end of the financial year as result of the vesting of performance rights are:

Issuing entity	Number of shares under performance rights	Class of shares	Amount paid for shares	Amount unpaid on shares
Adelaide Resources Limited	117,500	Ordinary	\$0.00	\$nil
Adelaide Resources Limited	333,334	Ordinary	\$0.00	\$nil

Auditors Independence Declaration

The auditor's independence declaration is included on page 15 of the financial report.

Indemnification of Officers and Auditors

During the year the Company arranged insurance cover and paid a premium for Directors in respect of indemnity against third party liability. At the Annual General Meeting of the company held on 17 November 1997 shareholders resolved to extend the indemnification for a period of seven years after a director ceases to hold office. In accordance with the terms and conditions of the insurance policy, the amount of the premium paid has not been disclosed on the basis of confidentiality, as is permitted under Section 300 (9) of the Corporations Act 2001.

Directors' Shareholdings

The following table sets out each director's relevant interest in shares in the Company as at the date of this report.

Directors	Fully paid ordinary shares Number	Options to acquire ordinary shares Number	Performance Rights Number
M I Hatcher	100,000	-	-
CG Drown	2,507,491	-	1,500,000
J J den Dryver	76,667	-	-
J P Buckley	-	-	-
	2,684,158	-	1,500,000


The above table includes shares held by related parties of Directors.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by an officer or auditor.

Signed at Adelaide this 29th day of September 2014 in accordance with a resolution of the Directors.



C G Drown
Managing Director



M I Hatcher
Chairman

The Board of Directors
Adelaide Resources Limited
69 King William Road
UNLEY SA 5061

29 September 2014

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 audit of the financial statements of Adelaide Resources Limited for the financial year ended 30 June 2014, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



S T Harvey
Partner
Chartered Accountants

**Consolidated Statement of Profit or Loss and Other Comprehensive Income for the
Year ended 30 June 2014**

	Note	Year Ended 30/06/14 \$	Year Ended 30/06/13 \$
Revenue	4(a)	96,474	122,941
Other income	4(b)	250	20,580
Impairment of exploration expenditure	8	(5,206,692)	(5,004,239)
Exploration expense written off	8	(206,905)	(297,553)
Administration expenses		(493,667)	(444,130)
Corporate consulting expenses		(249,145)	(203,284)
Company promotion		(117,624)	(83,581)
Salaries and wages		(153,306)	(135,401)
Directors fees		(113,856)	(167,500)
Occupancy expenses		(84,307)	(80,930)
Share based remuneration		(131,846)	(136,422)
Loss before income tax	4(b)	(6,660,624)	(6,409,519)
Tax expense	5	(23,830)	(77,026)
Loss for the period		(6,684,454)	(6,486,545)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Transfer on sale of investments		-	-
Total other comprehensive income, net of income tax		-	-
Total comprehensive income for the period		(6,684,454)	(6,486,545)
Earnings Per Share			
Basic (cents per share) – (Loss)/profit	24	(2.96)	(3.63)
Diluted (cents per share) – (Loss)/profit	24	(2.96)	(3.63)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2014

	Note	30/06/14 \$	30/06/13 \$
CURRENT ASSETS			
Cash and cash equivalents		1,376,050	2,771,346
Trade and other receivables	6	219,542	71,495
TOTAL CURRENT ASSETS		1,595,592	2,842,841
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	8	10,478,639	13,919,310
Plant and equipment	9	177,347	299,955
Other financial assets	7	92,500	92,500
TOTAL NON-CURRENT ASSETS		10,748,486	14,311,765
TOTAL ASSETS		12,344,078	17,154,606
CURRENT LIABILITIES			
Trade and other payables	10	195,507	355,917
Provisions	11	38,447	24,462
TOTAL CURRENT LIABILITIES		233,954	380,379
NON-CURRENT LIABILITIES			
Provisions	12	47,975	26,334
Other liabilities	13	270,744	108,777
TOTAL NON-CURRENT LIABILITIES		318,719	135,111
TOTAL LIABILITIES		552,673	515,490
NET ASSETS		11,791,405	16,639,116
EQUITY			
Issued capital	14	34,058,144	32,259,378
Reserves	15	1,512,703	1,474,726
Accumulated losses		(23,779,442)	(17,094,988)
TOTAL EQUITY		11,791,405	16,639,116

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity for the
Year ended 30 June 2014**

	Issued capital	Employee Equity- Settled Benefits Options	Employee Equity- Settled Benefits Performance Rights	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	29,194,147	1,082,197	356,717	(10,608,443)	20,024,618
Loss attributable to the period	-	-	-	(6,486,545)	(6,486,545)
Total comprehensive income for the period	-	-	-	(6,486,545)	(6,486,545)
Issue of share capital through a share purchase plan at 4.5 cents	837,000	-	-	-	837,000
Issue of share capital through a share placement at 4.5 cents	1,105,590	-	-	-	1,105,590
Issue of share capital through a share placement at 7.3 cents	1,201,759	-	-	-	1,201,759
Costs associated with the issue of shares	(256,754)	-	-	-	(256,754)
Related income tax	77,026	-	-	-	77,026
Fair value of performance rights issued to employees	-	-	136,422	-	136,422
Shares issued as a result of the vesting of performance rights	100,610	-	(100,610)	-	-
Balance at 30 June 2013	32,259,378	1,082,197	392,529	(17,094,988)	16,639,116
Loss attributable to the period	-	-	-	(6,684,454)	(6,684,454)
Total comprehensive income for the period	-	-	-	(6,684,454)	(6,684,454)
Issue of share capital through a share purchase plan at 7.5 cents	1,760,500	-	-	-	1,760,500
Costs associated with the issue of shares	(79,433)	-	-	-	(79,433)
Related income tax	23,830	-	-	-	23,830
Fair value of performance rights issued to employees	-	-	131,846	-	131,846
Shares issued as a result of the vesting of performance rights	93,869	-	(93,869)	-	-
Balance at 30 June 2014	34,058,144	1,082,197	430,506	(23,779,442)	11,791,405

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows for the
Year ended 30 June 2014**

	Inflows/(Outflows)	
	Year Ended 30/06/14 \$	Year Ended 30/06/13 \$
Cash flows relating to operating activities		
Payments to suppliers and employees	(1,064,574)	(964,979)
Net operating cash flows (Note (a))	(1,064,574)	(964,979)
Cash flows relating to investing activities		
Interest received	97,388	132,131
Purchase of deposits	-	(92,500)
Payments for exploration and evaluation expenditure	(2,069,570)	(2,008,499)
Proceeds from the sale of other financial assets	-	-
Payments for plant and equipment	(24,091)	(114,882)
Net investing cash flows	(1,996,273)	(2,083,750)
Cash flows relating to financing activities		
Proceeds from share issues	1,760,500	3,144,349
Payments for capital raising costs	(94,949)	(239,401)
Net financing cash flows	1,665,551	2,904,948
Net increase in cash	(1,395,296)	(143,781)
Cash at beginning of financial year	2,771,346	2,915,127
Cash at end of financial year	1,376,050	2,771,346
Note (a): Reconciliation of loss for the period to net cash flow from operating activities.		
Loss for the period	(6,684,454)	(6,486,545)
Interest revenue	(96,474)	(122,941)
Share based remuneration	131,846	136,422
Depreciation	146,699	118,123
Government grant	-	(20,580)
Exploration written off or impaired	5,413,597	5,301,792
(Increase) decrease in receivables	13,006	(25,965)
(Increase) decrease in deferred tax asset	23,830	77,026
Increase/(decrease) in payables	(48,250)	36,392
Increase/(decrease) in provisions	35,626	21,297
Net operating cash flows	(1,064,574)	(964,979)

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. General information

Adelaide Resources Limited (the company) is a listed public company, incorporated in Australia and operating in Australia.

Adelaide Resources Limited's registered office and its principal place of business are as follows:

Registered office

69 King William Road
Unley
South Australia 5061

Principal place of business

69 King William Road
Unley
South Australia 5061

2. Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period, resulting in accounting policy changes but not changes to recognition and measurement.

Various other Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations do not affect the Group's present policies and operations. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially affect the amounts recognised in the financial statements of the Company or the Group but may change the disclosure presently made in the financial statements of the Company or the Group.

3. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 29th September 2014.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going Concern

The financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2014 the Group made a loss after tax of \$6,684,454 (2013: \$6,486,545), used net cash in operating activities of \$1,064,574 (2013: \$964,979) and used cash in exploration and evaluation activities of \$2,069,570 (2013: \$2,008,499). At 30 June 2014 the Group has a cash balance of \$1,376,050 (2013: \$2,771,346) and a current asset surplus of \$1,361,638 (2013: \$2,462,462).

The Directors consider that the available funds will be sufficient to enable the Group to meet its administration costs over the period of twelve months from the date of signing the financial report.

To fund the Group's ongoing exploration commitment activities the Group will require additional funds and, on 29 September 2014, announced a non-renounceable rights issue to raise up to \$3.436 million (for details of the non-renounceable rights issue see note 27). In the event that sufficient funds are not raised to meet the Group's exploration commitments, the Group will negotiate with the South Australian Government for a reduction in the exploration commitment and/or agree on a reduction of the area covered by the various exploration licences.

Accounting Policies

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits, expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale: or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories; financial assets 'at fair value through profit or loss', 'held to maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit and loss'.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

e) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or:
- ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

f) Impairment of assets (other than exploration and evaluation)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or

loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. Adelaide Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company

and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

h) Joint ventures

Interests in jointly controlled operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint arrangements, the share of liabilities incurred in relation to the joint arrangements and the share of any expenses incurred in relation to the joint arrangements in their respective classification categories.

i) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

j) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment – at cost 3-5 years

k) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

l) Revenue

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is that rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

m) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

n) Government grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the balance sheet and recognised as income on a systematic basis when the related exploration and evaluation is written off.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which it becomes receivable.

o) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of their fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have

previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 "Income Taxes" and AASB 119 "Employee Benefits" respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 "Share-based Payment"; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

4. LOSS FROM OPERATIONS

	Year Ended 30/06/14 \$	Year Ended 30/06/13 \$
a) Revenue from continuing operations consisted of the following items		
Interest income:		
Bank deposits	96,474	122,941
b) Loss for the year includes the following gains and losses		
Other income		
Government grant (PACE funding)	-	20,580
Other	250	-
	250	20,580
Other expenses		
Depreciation of plant and equipment	146,699	118,123
Operating lease rental expenses	84,307	80,930
Employee benefit expense:		
Post employment benefits:		
Accumulated benefit superannuation plans	81,223	54,482
Share based payments:		
Equity settled share-based payments (i)	131,846	136,423
Other employee benefits	1,371,343	1,260,367
	1,584,412	1,451,272
Less amounts capitalised in exploration and evaluation expenditure	(845,258)	(769,254)
	739,154	682,018

- (i) Share based payments relate to the amortisation of performance rights granted to employees. Performance rights do not represent cash payments to employees and are converted into fully paid ordinary shares of the Company on the meeting of specific measures of performance.

5. INCOME TAX

(a) Income tax recognised in profit or loss

Current tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences and tax losses	23,830	77,026
Total tax expense	23,830	77,026

Year Ended 30/06/14 \$	Year Ended 30/06/13 \$
-	-
23,830	77,026
23,830	77,026

The prima facie income tax expense on the loss before income tax reconciles to the tax expense in the financial statements as follows:

Loss from continuing operations	(6,660,623)	(6,409,519)
Income tax income calculated at 30%	(1,998,187)	(1,922,856)
Share based payments	39,554	40,927
Other	838	7,678
Tax losses previously recognised now not recognised	987,689	1,055,577
Current year tax losses not recognised	993,936	895,700
Tax expense	23,830	77,026

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30/06/14 \$	30/06/13 \$
Trade and other receivables	(1,774)	(2,048)
Exploration and evaluation expenditure	(3,143,592)	(4,175,793)
IPO costs	30,865	60,072
Capital raising costs	80,351	102,593
Trade and other payables	11,331	15,355
Employee benefits	25,927	15,239
Other liabilities	32,633	32,633
	(2,964,259)	(3,951,949)
Tax value of losses carried forward	(2,964,259)	3,951,949
Net deferred tax assets / (liabilities)	-	-

(c) Unrecognised deferred tax assets:

A deferred tax asset has not been recognised in respect of the following item:

	30/06/14	30/06/13
	\$	\$
Tax losses-revenue	6,361,378	4,485,813

A deferred tax asset has not been recognised in respect of the above tax losses because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefit.

(d) Movement in recognised temporary differences and tax losses

	30/06/14	30/06/13
	\$	\$
Opening balance	-	-
Recognised in equity	23,830	77,026
Recognised in income	(23,830)	(77,026)
Closing balance	-	-

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities are in a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Adelaide Resources Limited.

Nature of tax funding arrangement

Entities within the tax-consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Adelaide Resources Limited and its wholly owned Australian resident entities have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the-consolidated group.

6. CURRENT TRADE AND OTHER RECEIVABLES

	30/06/14	30/06/13
	\$	\$
Interest receivable	5,914	6,828
Other receivables	213,628	64,667
	219,542	71,495

7. OTHER NON-CURRENT FINANCIAL ASSETS

At amortised cost:

Bank deposits (Note 21 (e))	92,500	92,500
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8. EXPLORATION AND EVALUATION EXPENDITURE

	30/06/14 \$	30/06/13 \$
Costs brought forward	13,919,310	17,603,691
Expenditure incurred during the year	1,972,926	1,617,411
	15,892,236	19,221,102
Expenditure impaired	(5,206,692)	(5,004,239)
Expenditure written off	(206,905)	(297,553)
	10,478,639	13,919,310

The impairment write-down adjusts the carrying value of a number of tenements to their fair value that the Directors would be prepared to accept under a sales transaction of those tenements.

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been surrendered \$206,905 (2013: \$297,553).

The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

9. PLANT AND EQUIPMENT

	30/06/14 \$	30/06/13 \$
<u>Gross carrying amount</u>		
Balance at beginning of financial year	721,651	677,712
Additions	24,091	102,882
Disposals and write offs	(34,158)	(58,943)
Balance at end of financial year	711,584	721,651
<u>Accumulated depreciation</u>		
Balance at beginning of financial year	(421,696)	(362,516)
Depreciation for year	(146,699)	(118,123)
Disposals and write offs	34,158	58,943
Balance at end of financial year	(534,237)	(421,696)
Net book value at beginning of financial year	299,955	315,196
Net book value at end of financial year	177,347	299,955

10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables and accruals	195,507	355,917
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11. CURRENT LIABILITIES – PROVISIONS

Employee benefits	38,447	24,462
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12. NON-CURRENT LIABILITIES - PROVISIONS

Employee benefits	47,975	26,334
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13. NON-CURRENT LIABILITIES – OTHER

Deferred income (government grant)	270,744	108,777
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14. ISSUED CAPITAL

	30/06/14 \$	30/06/13 \$
229,079,813 fully paid ordinary shares (2013: 205,155,610)	34,058,144	32,259,378

Movement in issued shares for the year:

	No.	Year Ended 30/06/14 \$	No.	Year Ended 30/06/13 \$
Balance at beginning of financial year	205,155,610	32,259,378	144,998,701	29,194,147
Share Purchase Plan at 7.5 cents	23,473,369	1,760,500	-	-
Share Purchase Plan at 4.5 cents	-	-	18,599,955	837,000
Placement at 4.5 cents	-	-	24,568,673	1,105,590
Placement at 7.3 cents	-	-	16,462,448	1,201,759
Conversion of performance rights	450,834	93,869	525,833	100,610
Costs associated with the issue of shares	-	(79,433)	-	(256,754)
Related income tax	-	23,830	-	77,026
Balance at end of financial year	229,079,813	34,058,144	205,155,610	32,259,378

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid shares carry one vote per share and carry the right to dividends.

15. RESERVES

	30/06/14 \$	30/06/13 \$
Employee equity-settled benefits - options	1,082,197	1,082,197
Employee equity-settled benefits - performance rights	430,506	392,529
	1,512,703	1,474,726

The option reserve arose on the grant of share options to employees, consultants and executives under the previous Employee Share Option Plan.

The performance rights reserve arises on the grant of performance rights to employees, consultants and executives under the Employee Performance Rights Plan. Amounts are transferred out of the reserve and into issued capital when the performance rights are exercised. Further information about share based payments made under the plan are shown in note 16 to the financial statements.

16. PERFORMANCE RIGHTS PLAN

The Group has an ownership-based compensation plan for executives, employees and consultants. In accordance with the provisions of the Adelaide Resources Limited Performance Rights Plan, Directors may issue performance rights to the company executives, employees and consultants. The performance rights are granted for no consideration and entitle the holder to be issued one fully paid ordinary share per performance right upon vesting, as long as the holder remains employed by the Company. The performance rights are not listed, carry no rights to dividends and no voting rights.

As at 30 June 2013, the balance of performance rights issued under the plan in August 2011 and September 2011 were 315,000 and 37,500 respectively. These performance rights vest as follows as long as the holder remains employed at the relevant vesting dates, as follows:

- 105,000 performance rights (August 2011 series) vesting on 19 August 2013;
- 210,000 performance rights (August 2011 series) vest on the achievement of a number of KPI's set by the Board of Directors by 19 August 2013.
- 12,500 performance rights (September 2011 series) vesting on 1 September 2013;
- 25,000 performance rights (September 2011 series) vest on the achievement of a number of KPI's set by the Board of Directors by 1 September 2013.

During the year 117,500 of the above performance rights vested and 235,000 performance rights lapsed as the KPI's were not achieved.

During the year ended 30 June 2013 750,000 performance rights (December 2012 series) were issued. The performance rights vest on the achievement of a number of KPI's set by the Board of Directors by 30 September 2014.

During the year ended 30 June 2014, 1,550,000 performance rights (January 2014 series) were issued. The performance rights vest on the achievement of a number of KPI's set by the Board of Directors by 31 December 2014.

At the Annual General Meeting held on the 16 November 2010, the shareholder's approved the granting of 2,000,000 performance right (November 2010 series) to the Managing. However 1,000,000 of these performance rights lapsed on 5 November 2012 as the performance conditions were not met. The performance rights vest as:

- 1,000,000 performance rights in 3 tranches, vesting as follows:
 - 333,333 performance rights vesting on 5 November 2011;
 - 333,333 performance rights vesting on 5 November 2012;
 - 333,334 performance rights vesting on 5 November 2013.

During the year ended 30 June 2014, 333,334 of the above performance rights vested.

At the Annual General Meeting held on the 27 November 2012, the shareholder's approved the granting of 1,500,000 performance rights (December 2012 series) to the Managing Director. The performance rights vest on the achievement of a number of KPI's set by the Board of Directors by 30 September 2014.

No new performance rights were granted to the Managing Director during the year ended 30 June 2014.

The following performance rights were in existence during the financial year:

Rights - Series	Number	Grant Date	Vesting Date	Fair value at grant date
November 2010	333,334	16/10/2010	As described above	\$0.250
August 2011	315,000	19/8/2011	As described above	\$0.090
September 2011	37,500	1/9/2011	As described above	\$0.090
December 2012	2,250,000	21/12/2012	As described above	\$0.063
January 2014	1,550,000	31/01/2014	As described above	\$0.063

The weighted average fair value of the performance rights granted during the financial year is \$0.063

Performance rights granted during 2014 were fair valued using a Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the right), and behavioural considerations.

Inputs into the 2014 performance right pricing model:

January 2014

Grant date share price	\$0.063
Exercise price	\$0.00
Expected volatility	389.7%
Performance rights expiry	Up to 1 years

The following reconciles the performance rights granted under the Plan at the beginning and end of the financial year:

Performance Rights Plan	30/06/14		30/06/13	
	Number of performance rights	Weighted average exercise price \$	Number of performance rights	Weighted average exercise price \$
Balance at beginning of financial year	2,935,834	0.00	2,436,667	0.00
Granted during the financial year	1,550,000	0.00	2,250,000	0.00
Vested during the financial year	(450,834)	0.00	(525,833)	0.00
Lapsed during the financial year	(235,000)	0.00	(1,000,000)	0.00
Cancelled during the financial year	-	0.00	(225,000)	0.00
Balance at end of the financial year	3,800,000	0.00	2,935,834	0.00

The performance rights outstanding at the end of the financial year had an average exercise price of \$0.00 (2013: \$0.00) and a weighted average remaining contractual life of 130 days (2013: 371 days).

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of Adelaide Resources Limited during the year were:

Directors

- M I Hatcher (Non-Executive Chairman)
- C G Drown (Managing Director)
- J P Buckley (Non-Executive Director) – appointed 7 April 2014
- J J den Dryver (Non-Executive Director)
- J P Horan (Non-Executive Director) - resigned on 20 November 2013

Other Key Management Personnel

- N J Harding (Chief Financial Officer and Company Secretary)
- M A Manly (Exploration Manager) – appointed 18 February 2013
- B E Anderson (Exploration Manager) – service agreement expired 10 February 2013

The aggregate compensation of Key Management Personnel of the Group is set out below:

	Year Ended 30/06/14 \$	Year Ended 30/06/13 \$
Short-term employee benefits	814,959	850,652
Post employment benefits	29,957	16,372
Share-based payments (i)	106,959	138,634
	<u>951,875</u>	<u>1,005,658</u>

- (i) Share based payments relate to performance rights granted during the year to employees. Performance rights do not represent cash payments to employees and are converted into fully paid ordinary shares of the Company on the meeting of specific measures of performance.

18. REMUNERATION OF AUDITORS

	30/06/14 \$	30/06/13 \$
Audit or Review of the Company's financial report	40,000	36,000
Audit of Peninsula Resources Pty Ltd financial reports	-	2,500
Tax return preparation and advice	7,280	10,550
	<u>47,280</u>	<u>49,050</u>

The auditor of Adelaide Resources Limited is Deloitte Touche Tohmatsu.

19. RELATED PARTY DISCLOSURES

a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 25 to the financial statements.

Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 20 to the financial statements.

b) Key Management Personnel compensation

Details of key management personnel compensation are disclosed in Note 17.

(iii) Transactions with Key Management Personnel

Other than as disclosed in Note 16 and Note 21(d), there were no transactions with key management personnel or their personally related entities during the year ended 30 June 2014 (2013: NIL).

(iv) Transactions within wholly owned group

The ultimate parent entity in the wholly-owned group is Adelaide Resources Limited. During the financial year Adelaide Resources Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free advances. Tax losses have been transferred to Adelaide Resources Limited for no consideration.

20. JOINTLY CONTROLLED ASSETS

The Group had interests in unincorporated joint arrangements at 30 June 2014 as follows:

	Percentage Interest 2014	Percentage Interest 2013
South Australia		
Moonta Porphyry Joint Venture (Note i) – Copper/Gold Exploration	90%	90%
Kimba-Verran Joint Venture (Note i) – Copper/Gold Exploration	90%	90%

- (i) The Group has an option to purchase the remaining 10% at any time for a consideration of \$200,000 cash or the equivalent of \$200,000 in Adelaide Resources Limited shares.

The amount included in mining tenements, exploration and evaluation (Note 8) includes \$4,009 (2013: \$247,908) relating to the above joint arrangements.

21. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the company.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	2014 \$	2013 \$
Not later than one year:	996,366	1,236,750
Later than one year but not later than two years:	835,898	1,236,750
Later than two years but not later than five years:	2,888,243	3,560,250

(b) Rover Project – Northern Territory

Under an agreement entered into with Newmont Gold Exploration Pty Ltd ("Newmont") on 28 February 2005, Adelaide Exploration Limited acquired a 100% interest in the Rover Project (Exploration Licences 27292 and 27372) located near Tennant Creek, Northern Territory, on the following terms.

- A minimum of \$400,000 to be spent on exploration activities within 18 months of approval being received from the Central Land Council. This obligation had been met by December 2005.
- A net smelter return royalty to Newmont ranging from 1.5% to 2.5% after production, and
- The grant of a once only option to Newmont to buy back a 70% interest should a resource of more than 2 million gold ounces be discovered, by paying Adelaide Exploration Limited the lesser of \$A20 million or three times the expenditure by Adelaide Exploration Limited from the date of execution of the agreement.
- Under an agreement entered into with Adelaide Exploration Limited, Adelaide Resources Limited and Franco-Nevada Australia Pty Ltd ("Franco") dated 11 February 2009, Newmont assigned its interest in the royalty buy back to Franco.

(c) Newcrest Mining Royalty Deed

By a Royalty Deed dated 13 February 2002 the Group is obliged to pay to Newcrest Mining Limited a royalty of 1.5% of the gross proceeds received from the sale of refined minerals, less allowable deductions, mined from certain tenements on the Eyre Peninsula, South Australia.

(d) Service Agreements

The Group entered into service agreements with an entity associated with C G Drown for a term of one year from 16 November 2013 and an entity associated with N J Harding for a term of two years from 17 November 2013.

For the year ended 30 June 2013 the Group had service agreements with entities associated with C G Drown, N J Harding and B E Anderson. The service agreement with B E Anderson expired on 10 February 2013.

Details of the current services and consultancy agreements are set out below:

2014

Key Management Personnel	Terms
C G Drown	Daily rate of \$1,250 for a minimum of 210 days per annum
N J Harding	Daily rate of \$1,050 for a minimum of 40 hours per month

2013

Key Management Personnel	Terms
C G Drown	Daily rate of \$1,100 for a minimum of 210 days per annum
N J Harding	Daily rate of \$960 for a minimum of 60 days per annum
B E Anderson	Daily rate of \$975

The Company may terminate any of the above agreements by giving three months and six months notice to the entities associated with C D Drown and N J Harding respectively. Previously the Company could terminate the service agreements by paying out the remaining amount due to the end of the service agreement. The entities associated with the key management personnel may terminate their agreements with three months notice. As at 30 June 2014, the Group had a contingent liability in relation to these agreements of \$128,625 (2013: \$67,375).

In addition, if the Company terminates any of the above agreements within six months of a change of control of the Company, then the Company must pay an amount equivalent to the total fees paid under the service agreement by the Company during the preceding twelve months.

The Group also entered into consultancy agreements with J J den Dryver on 28 May 2008 and J P Buckley on 7 April 2014 to provide consulting services on an as needs basis at the rate of \$1,300 per day and \$2,000 per day respectively. There were no payments made under these agreements during the year.

(e) Bank Guarantees

The Group has provided restricted cash deposits of \$92,500 as security for the following unconditional irrevocable bank guarantees:

- A performance bond of \$50,000 (2013: \$50,000) to the Central Land Council, Northern Territory,
- An environment bond of \$10,000 (2013: \$10,000) to the Minister for Mineral Resources Department, South Australia,
- A rent guarantee of \$32,500 (2013: \$32,500) to Pink Pumpkin Pty Ltd.

(f) Operating Lease

Operating lease relates to the lease of office space which expires on 31 July 2015 (2013: 31 July

2014) The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

	2014 \$	2013 \$
Not longer than 1 year	84,588	84,307
Longer than 1 year and not longer than 5 years	7,049	7,049
Longer than 5 years	-	-
	91,637	91,356

22. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

Due to the nature of the Group's activities (exploration) the Directors believe that the most advantageous way to fund activities is through equity and strategic joint venture arrangements. The Group's exploration activities are monitored to ensure that adequate funds are available.

Categories of financial instruments

	2014 \$	2013 \$
Financial assets		
Cash and cash equivalents	1,376,050	2,771,346
Loans and receivables	219,542	71,495
Other financial assets	92,500	92,500
Financial liabilities		
Amortised cost	195,507	355,917

Interest rate risk management

The Company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and Company's net profit would increase/decrease by \$10,831 (2013: increase/decrease by \$14,447). This is mainly attributable to interest rates on bank deposits.

The Group's sensitivity to interest rates has decreased due to the decrease in the current holding in cash compared to the prior year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than one year \$
2014 Non-interest bearing	-	195,507
2013 Non-interest bearing	-	355,917

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

23. SEGMENT INFORMATION

The Group has a number of exploration licenses in Australia which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future metal prices. Accordingly, the Group effectively operates as one segment, being exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

24. EARNINGS PER SHARE

	Year Ended 30/06/14 Cents per share	Year Ended 30/06/13 Cents per share
Basic earnings per share – Profit / (loss)	(2.96)	(3.63)
Diluted earnings per share – Profit / (loss)	(2.96)	(3.63)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	\$	\$
- Earnings	(6,684,454)	(6,486,545)
	Number	Number
- Weighted average number of ordinary shares	225,532,940	178,615,443

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	\$	\$
- Earnings	(6,684,454)	(6,486,545)
	Number	Number
- Weighted average number of ordinary shares	225,532,940	178,615,443

25. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2014 %	2013 %
Parent Entity			
Adelaide Resources Limited (i)	Australia	100%	100%
Subsidiaries			
Adelaide Exploration Pty Ltd (ii)	Australia	100%	100%
Peninsula Resources Pty Ltd (ii)	Australia	100%	100%

(i) Head entity in tax consolidated group

(ii) Members of tax consolidated group

26. PARENT ENTITY DISCLOSURES

	30/06/14 \$	30/06/13 \$
Financial Position		
<u>Assets</u>		
Current assets	1,593,839	2,840,771
Non-current assets	10,479,499	14,205,060
Total assets	12,073,338	17,045,831
<u>Liabilities</u>		
Current liabilities	233,958	380,382
Non-current liabilities	47,975	26,333
Total liabilities	281,933	406,715
<u>Equity</u>		
Issued capital	34,058,144	32,259,378
Reserves	1,512,703	1,474,726
Accumulated losses	(23,779,442)	(17,094,988)
Total equity	11,791,405	16,639,116
	Year Ended 30/06/14 \$	Year Ended 30/06/13 \$
Financial Performance		
Profit / (loss) for the year	(6,684,454)	(8,002,040)
Other comprehensive income	-	-
Total comprehensive income	(6,684,454)	(8,002,040)

Commitment for expenditure and contingent liabilities if the parent entity

Note 21 to the financial statements discloses the Group's commitments for expenditure and contingent liabilities. Of the items disclosed in that note the following relate to the parent entity:

- service agreements
- bank guarantees
- operating leases

27. SUBSEQUENT EVENT

On 4 August 2014 the Company announced that its application to the Queensland Government to contribute up to a maximum of \$100,000 to fund 50% of the direct drilling costs of the exploration program at one of its Queensland tenements was successful.

On 18 August 2014 the Company announced it had entered into a Farm-in and Joint Venture Agreement (the Thurlga Joint Venture) with neighbouring explorer Investigator Resources Limited (IVR) to explore one of the Company's Eyre Peninsula tenements. IVR can earn 75% equity in the 333 km² tenement by spending \$750,000 by 30 June 2017.

On 29 September 2014 the Company announced a non-renounceable pro rata rights issue of up to 114,539,906 Shares at an issue price of \$0.03 per Share on the basis of 1 New Share for every 2 Shares held to raise up to \$3.436 million before expenses, and 57,269,953 Options on the basis of 1 free attaching Option for every 2 Shares issued, with each Option having an exercise price of \$0.05 and expiring on 30 September 2016.

Other than the above, there were no other matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements;
- (c) 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 company and consolidated entity; and
- (d) The Directors have been given the declaration required by Section 295A of the Corporation Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Directors



C G Drown
Managing Director



M I Hatcher
Chairman

Adelaide, South Australia
29th September 2014

Independent Auditor's Report to the Members of Adelaide Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Adelaide Resources Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 43.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Adelaide Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Adelaide Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Adelaide Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



DELOITTE TOUCHE TOHMATSU



S T Harvey
Partner
Chartered Accountants
Adelaide, 29 September 2014