

Adelaide Resources Limited

69 King William Road Unley SA 5061 * PO Box 1210 Unley BC SA 5061



61 8 8271 0600 tel

61 8 8271 0033 fax

adres@adelaideresources.com.au email

www.adelaideresources.com.au web

75 061 503 375 ABN

30 September 2014

Dear Shareholder

NON-RENOUNCEABLE RIGHTS ISSUE OFFER

On 29 September 2014, Adelaide Resources Limited (ASX: ADN, the **Company**) announced a pro rata non-renounceable rights issue (**Rights Issue**) to holders of shares in the Company as at 5.00pm CST on Tuesday 7 October 2014 (**Record Date**).

Pursuant to the Offer, the Company will offer Eligible Shareholders a total of 114,539,906 fully paid ordinary shares in the capital of the Company (**New Shares**) at an issue price of \$0.03 per share to raise approximately \$3.436 million before costs. The New Shares will be offered on the basis of 1 New Share for every 2 Shares held at the Record Date (**Entitlement**). In addition, 1 free attaching Option (**New Option**) will be issued for every 2 New Shares issued under the Offer. Each Option is exercisable at \$0.05 per share and will have a 2-year term expiring on 30 September 2016.

The offer price of \$0.03 represents a 14% discount to the closing price of the Company's shares on 24 September 2014 and a 25% discount to the volume weighted average price of the Company's shares over the 20 days leading up to the offer announcement. If the valuation of the free New Option is also taken into account, these discounts increase to 28% and 37% respectively.

The New Shares will be fully paid and will rank equally with the Company's existing issued shares. No further consideration other than the payment of the Offer Price will be payable by Eligible Shareholders for the New Options. The New Options are transferrable. The Company will make application to the ASX for official quotation of the New Shares and New Options.

Eligible Shareholders will also be provided with the opportunity to further increase their shareholding in the Company by applying for additional shares in excess of their pro rata entitlement on the same terms as the Shares subscribed under the Rights Issue. Applications for additional shares will be satisfied in the event of and to the extent that there is any shortfall in acceptances of the Rights Issue.

This offer is only being extended to shareholders with registered addresses in Australia and New Zealand (**Eligible Shareholders**). All other shareholders (**Non-Resident Shareholders**) will not be offered entitlements under this issue. The Company has determined, in accordance with the Corporations Act and ASX Listing Rules, that it would be unreasonable to make the offer to Non-Resident Shareholders having regard to the number of shareholders in the places where the offer would be made, the number and value of the rights that would be offered, and the cost of complying with the legal requirements in those places.

The net proceeds received from the Rights Issue will be principally used to complete drilling programs to advance the Company's exciting existing discoveries, and to test earlier stage highly regarded targets, as follows:

- Reverse circulation or diamond drilling on the Moonta Project to test for deeper mineralisation at two well defined mineralised zones at the Alford West copper-gold prospect;
- Also on the Moonta Project, aircore drilling at two recently discovered mineralised zones at Alford West and at the recently delineated Tomahawk copper soil geochemical anomaly;
- Further surface exploration on the Drummond Project and to assist in meeting the costs to undertake a QLD Government co-funded drilling program at the South West Limey Dam epithermal gold prospect;
- Drill testing of structural targets at existing gold deposits and trials to advance the application of ground breaking biogeochemical exploration research on the Eyre Peninsula Project;
- Geological modelling and re-evaluation of the Rover 4 and Rover 1 copper-gold deposits on the Rover Project to assist in delivering downstream value;
- Meeting on-going fixed exploration and working capital costs and the costs associated with the Offer.

The anticipated timetable for the Rights Issue is as follows:

Event	Date
Announcement of Issue (and lodge Appendix 3B)	Monday 29 September 2014
Lodgement of Prospectus with ASIC	Monday 29 September 2014
Notice to Shareholders containing Appendix 3B information and timetable	Tuesday 30 September 2014
Shares commence trading on an ex rights basis	Thursday 2 October 2014
Record Date for the Offer	Tuesday 7 October 2014
Prospectus and Entitlement and Acceptance Form despatched to Shareholders	Friday 10 October 2014
Opening Date of the Offer	Friday 10 October 2014
Closing Date of the Offer	Thursday 30 October 2014
New Securities quoted on a deferred settlement basis	Friday 31 October 2014
Advise ASX of any Shortfall	Wednesday 5 November 2014
Issue Date (deferred settlement trading ends)	Friday 7 November 2014
New Securities commence trading on a normal T+3 basis	Monday 10 November 2014
Expected date of despatch of holding statements for New Securities	Friday 14 November 2014

This timetable is indicative only and is subject to change at the discretion of the Directors. The Directors also reserve the right to not proceed with the whole or part of the offer at any time prior to allotment. In that event, application monies will be returned without interest.

A copy of the Prospectus, lodged with ASIC and ASX on 29 September 2014, is available on the Company's website at www.adelaideresources.com.au or on the ASX website at www.asx.com.au.

The Directors have confirmed their intention to apply for their full pro rata entitlement under the Rights Issue. In addition, a number of the Company's largest shareholders have also indicated their intention to take up their full or a substantial part of their entitlement.

Your Entitlement

This letter is advance notice of some of the key terms and conditions of the Rights Issue. Full details of the Offer, together with a personalised Entitlement and Acceptance Form, are contained in the Rights Issue Prospectus (**Prospectus**) which will be separately mailed to Eligible Shareholders on Friday 10 October 2014. Only Adelaide Resources Limited Shareholders registered at 5.00pm CST on Tuesday 7 October 2014 will be entitled to participate in the Rights Issue.

Shareholders should consider the Prospectus carefully in deciding whether to participate in the Rights Issue and will need to follow the instructions contained in the Entitlement and Acceptance Form to take up their entitlement. Shareholders may also elect to participate in the Shortfall Facility by applying for New Shares in excess of their pro rata entitlement.

On behalf of the Board I would like to thank Shareholders for their continued support and invite you to consider this opportunity to participate in the Rights Issue.

Yours faithfully



Chris Drown
Managing Director