



Adelaide Resources Limited
ABN: 75 061 503 375

Quarterly Report

Period ending 30 September 2016

Corporate Details

ASX Code:

ADN (ordinary shares)

ADNO (listed options)

Cash at 30 September 2016:
\$0.68 million.

Issued Capital
at 30 September 2016:
405,767,063 ordinary shares

Directors:

Colin G Jackson
Non-executive Chairman

Chris Drown
Managing Director

Nick Harding
Executive Director and
Company Secretary

Jonathan Buckley
Non-executive Director

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Overview

Eyre Peninsula gold (100% interest)

- A maiden JORC 2012 Mineral Resource (2.11 million tonnes at 1.6g/t gold for 107,000 ounces of gold) declared at Barns. A programme of metallurgical test work has commenced.
- The Company has been awarded up to \$200,000 through the South Australian government's PACE Discovery Drilling scheme for 2016, with the funds to be directed to further drilling at prospects near Barns.
- A drill programme focused at the Baggy Green prospect commenced post period end. Baggy Green can potentially deliver additional resources in the Barns area which are material in magnitude and which commence at relatively shallow depths.

Thurlga Joint Venture (100% interest diluting to 25%)

- The Thurlga Joint Venture has been awarded up to \$90,000 in PACE funding, which will be used to drill a number of targets in early 2017.

Drummond epithermal gold (100% interest)

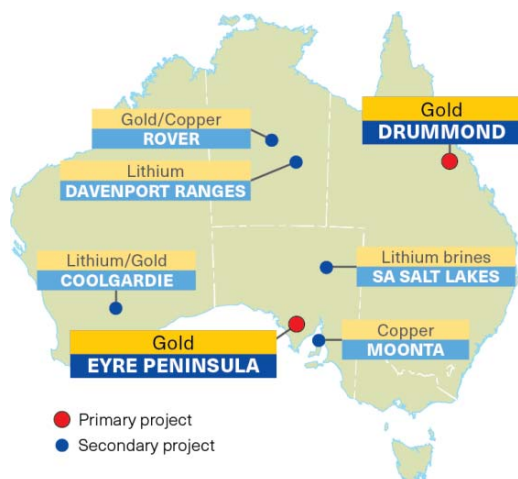
- One of two tenements pegged in early 2016 has been granted increasing the granted land position to 527 km². Grant of the second tenement is anticipated shortly.

Lithium (100% interest)

- Three South Australia brine tenement application areas were deemed on inspection to demonstrate only modest potential. The applications have been withdrawn.

Finance

- A placement to professional and sophisticated investors of 44,416,232 shares at 1.9 cents per share was undertaken during the quarter raising \$816,050 before costs.
- The Company's available cash position stood at \$0.681 million at 30 September 2016.
- A research and development claim was submitted to the ATO post period close.
- The Company's listed options expired at 30 September 2016.



Chris Drown
Managing Director
24 October 2016

Direct enquiries to:
(08) 8271 0600 or
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Managing Director's review

The Company achieved a milestone during the quarter with the release of a maiden Mineral Resource for the Barns gold deposit, located on the Eyre Peninsula gold project.

The Barns deposit was found in 2000 when Adelaide Resources drilled a geochemical anomaly discovering gold beneath the sand covered wheat paddocks. There were no recorded gold occurrences in the area and the discovery represents a true greenfields find.

It is satisfying to see the project advance to the stage of having a Mineral Resource comparable in its contained gold ounce inventory to other deposits either now in production, or scheduled for production, elsewhere in South Australia.

While the Barns Resource represents a positive development, the delineation of additional resources at Barns, or at deposits close enough to treat at a single facility, could improve the economics of a potential mine development.

We judge the nearby Baggy Green prospect to have a good chance of delivering further ounces and commenced a reverse circulation drill programme at Baggy Green post quarter end.

The Company has been awarded up to \$200,000 through the South Australian government's PACE Discovery Drilling scheme which will assist in meeting the costs of the Baggy Green programme. The Thurlga Joint Venture also successfully applied for PACE funding and has been awarded up to \$90,000 to drill targets in early 2017.

Elsewhere we have seen one of our 2016 tenement applications in the Drummond Basin progressing to grant, while reconnaissance field trips to areas in the Northern Territory and South Australia pegged for their lithium potential have been completed.

We continue with our efforts to attract third party funding at Moonta and Rover.

A modest capital raise was completed in July, with funds directed to the Baggy Green drilling programme and to associated working capital requirements.

Eyre Peninsula gold

Adelaide Resources' Eyre Peninsula gold project comprises eight tenements securing an area of 2,807 km² in the Gawler Craton. The wholly owned Barns, White Tank and Baggy Green gold prospects are located within 6km of each other on two adjoining wholly owned tenements.

Barns Maiden Mineral Resource⁽¹⁾

In early 2016 the Company completed a detailed assessment of the 327 drill hole database from Barns resulting in the development of a 3-D mineralisation model.

The modelling confirms that primary gold mineralisation at Barns occurs in multiple, moderately west dipping lodes developed below flat lying zones of supergene mineralisation.

The mineralisation model was presented to independent consultant Mining Plus Pty Ltd which completed the tasks of block modelling, geostatistical analysis, grade interpolation and estimation classification allowing estimation of a maiden Mineral Resource that can be reported in accordance with JORC 2012 guidelines.

Adelaide Resources assumed responsibility for the sampling techniques, integrity of the drill hole data and interpretation of the 3-D mineralisation model.

Using a 0.5g/t gold cut-off grade, the maiden Mineral Resource estimate for the Barns deposit is estimated to be 2.11 million tonnes at 1.6g/t gold for 107,000 ounces of gold.

Part of the supergene lodes are drilled at a sufficient density to allow classification as Indicated Resources, while the primary lodes and the remainder of the supergene is classified in the Inferred category (see table over page).

Metallurgical testwork

An important consideration in progressing Barns towards mine development will be determining the metallurgical behaviour and gold recoveries under a number of potential treatment routes.

The simple mineralogy of the gold lodes and the commonly observed presence of native gold are positive metallurgical indicators.

Mineralisation	Cut-Off	Indicated			Inferred			Total		
		Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Primary	0.5	-	-	-	1,500,000	1.7	80,000	1,500,000	1.7	80,000
Supergene	0.5	380,000	1.4	17,000	230,000	1.3	10,000	610,000	1.4	27,000
Total	0.5	380,000	1.4	17,000	1,730,000	1.6	90,000	2,110,000	1.6	107,000

The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. All tonnages reported are dry metric tonnes. Minor discrepancies may occur due to rounding to appropriate significant figures.

Table 1: Barns Classified Mineral Resource Figures

Past metallurgical test work is limited to the testing of one composited sample from Barns and two from the nearby Baggy Green prospect. Each achieved favourable overall gold recoveries.

Further metallurgical testwork is scheduled for the December Quarter using material taken from the seven diamond holes that have been drilled at Barns.

\$200,000 PACE funding secured

Adelaide Resources' successfully applied for a PACE Discovery Drilling 2016 grant by the South Australian Government.

Up to \$200,000 has been awarded to test gold targets located in the vicinity of the Barns gold deposit, including Baggy Green, Barns West, Barns South and Empire, all of which have returned gold intersections in past drill holes.

Changes made to the PACE Discovery Drilling scheme for 2016 increase both the maximum grant value and broaden the base of claimable items to include elements such as assays in addition to contract drilling costs.

The grant represents a significant and material financial support which can effectively leverage the value of the Company's funding contribution.

Baggy Green drill programme

A drill programme focused at the 100% owned Baggy Green prospect on the Eyre Peninsula gold project commenced on 14 October 2016.

The programme aims to delineate gold mineralisation that can build on the maiden 107,000 ounce Mineral Resource announced in July 2016 for the Barns deposit, located just 5.5km northwest of Baggy Green.

Baggy Green can potentially deliver additional nearby resources that are both material in magnitude and, importantly for possible future open pit mining economics, commence at relatively shallow depths below surface.

Drilling at a southern target at Baggy Green will test a gently dipping zone of mineralisation where historical intersections include 11 metres at 3.55g/t gold and 24 metres at 2.04g/t gold, including 7 metres at 5.56g/t gold.

At a second target, located 1.9km north of the first, drilling will follow-up historical intersections that include 36 metres at 0.78g/t gold and 38 metres at 0.82g/t gold, including 10 metres at 2.59g/t gold.

The programme will partly be funded through the PACE grant, with first assay results anticipated in early November.

Thurlga Joint Venture

The Thulga Joint venture, which covers EL 5149 on the northern Eyre Peninsula, is managed and operated by Investigator Resources Limited. The tenement is prospective for gold, silver and copper deposits.

The Thurlga JV successfully applied to the South Australian Government for a PACE grant to co-fund the drilling of anomalies with a grant of \$90,000 awarded.

The PACE grant will assist to drill test a number of geochemical and geophysical targets, with the programme to comprise 1,110 metres of aircore and, provisional on the results of the aircore drilling, a 200 metre diamond drill hole. The drill programme is currently scheduled for early 2017 following completion of a Heritage Clearance Survey.

Drummond epithermal gold

In early 2016 the Company applied for two tenements that significantly expanded Adelaide Resources' ground holdings in the Drummond Basin. One licence was granted in September 2016, while the Company anticipates granting of the second title will also occur shortly. Grant of these tenements will allow on-ground exploration to commence once landowner consents have been established.

Subject to funding, the Company remains committed to drill testing the Bunyip, Roo Tail, Poppi's and East Central Limey gold targets.

Lithium projects

Davenport Ranges hard rock –NT

ELA31211 in the Davenport Ranges area of the Northern Territory is conceptually prospective for lithium based on the presence of tungsten, tantalum and niobium at two historical prospects called Juggler and Trew Creek.

The Northern Territory Mining Act (2010) includes "Preliminary Exploration" provisions, which allow completion of limited exploration prior to tenement grant, and the Company completed a short reconnaissance trip to the tenement during the quarter.

Both prospects were inspected and 30 rock chip samples were collected and submitted for assay, with assaying in progress at quarter end.

Lithium brines - SA

Earlier this year the Company lodged applications over a number of salt lakes in South Australia that may be prospective for lithium brines, as the soils in the lake catchment areas contain elevated levels of lithium, potentially providing a source.

A reconnaissance trip to the application areas confirmed Lake Gilles and Lake Acraman to be true salt pans likely to have brines at depth.

However lakes in three application areas (Lake Florence, Lake Killamperpunna and Innamincka Lakes) are viewed as essentially clay pans and consequently unlikely to have brine potential. As a result the applications for these tenements have been withdrawn, avoiding significant up-front rental payments.

Moonta and Rover copper-gold

Discussions with third parties are on-going for both the Moonta and Rover copper dominant projects, and the Company is hopeful of providing further advice in the coming quarter on at least one of these projects.

Finance and corporate

The Company had \$0.681 million in available cash at 30 September 2016, with a continued focus placed on the implementation of cost saving measures in order to conserve cash.

A placement to professional and sophisticated investors priced at 1.9 cents per share was conducted during July 2016 which raised a total of \$816,050 before costs and resulted in the issue of 44,416,232 new shares. A further 24,417 shares were issued on the exercise of listed options during the quarter.

37,197,687 ADN listed options exercisable at 5.0 cents each expired on 30 September 2016.

Post the end of the quarter, the Company lodged its research and development claim for 2015/16 with the ATO with proceeds anticipated to be received in the December quarter.

(1) See ADN's ASX release dated 19 July 2016 titled "Maiden 107,000 ounce gold resource estimated for Barns deposit" for full JORC information.

Competent Person Statement and 2012 JORC Compliance Notes

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

The information contained in the report relating to exploration completed prior to 1 Dec 2013 by the Company and other explorers was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information contained in the report relating to exploration completed since 1 Dec 2013 has previously been reported in accordance with the JORC Code 2012, see ADN's ASX releases dated 23 March 2016, 2 May 2016 and 9 May 2016.