



**Breakaway
Research**

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Company Information

ASX Code	ADN
Share Price	A\$0.08
Ord Shares	205.1m
Options	0m
Performance Rights	2.9m
Market Cap A\$	A\$16.4m
Cash (estimated)	A\$3.2m
Total Debt	A\$0m
Enterprise Value	A\$13.2m

Directors and Management

Non-Executive Chairman	Andrew Brown
Managing Director	Chris Drown
Non-Executive Director	John Horan
Non-Executive Director	John den Dryver
Non-Executive Director	Mike Hatcher
CFO & Company Sec.	Nick Harding
Exploration Manager	Mark Manly

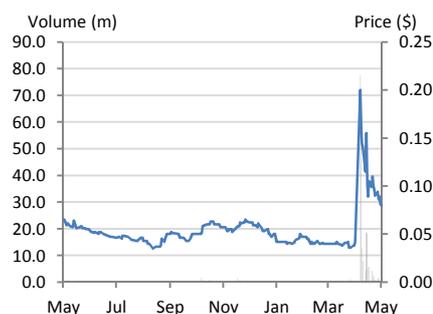
Substantial Share Holders

Andrew Brown	7.7%
MLB Holdings Pty Ltd	6.1%
John Horan	1.2%
Chris Drown	1.1%

Company Details

Address	69 King William Road Unley, SA, 5061
Phone	+618 8271 0600
Web	www.adelaideresource.com.au

1 Year Price Chart



Source: Bloomberg

Adelaide Resources (ADN)

Early drill results highlight significant exploration potential

Recommendation: Speculative BUY

Key Points

- **Moonta exploration project hosts numerous prospects, located within the prolific Olympic Copper-Gold Province.**
- **First pass drilling at Alford West prospect intercepts 20m @ 4.2% Cu from 32m and 45m @ 1.55% Cu and 1.81g/t Au from 15m**
- **Only 10% of the Alford West anomaly has been drilled in any detail with follow up drilling now underway**
- **Strong portfolio of additional earlier stage exploration projects**
- **Significant leverage to exploration success with EV of just A\$13.2M**

Adelaide Resources is currently advancing exploration at the Alford West prospect within the Moonta project area. Broad widths of high grade copper and gold mineralisation have been intersected at shallow depths, highlighting the prospectivity of this target. Follow up drilling is now underway and with only 10% of the anomaly drill tested, significant opportunity exists for further high grade results. Adelaide has an EV of A\$ 13.2m and is highly leveraged to exploration success.

Investment Thesis

In a market where exploration companies are receiving little attention, Adelaide Resources (ASX: ADN) stands out as delivering material exploration results with all the hallmarks of discovering a significant copper/gold deposit.

Adelaide's recent focus has been on the Moonta region which has a rich history of mining with an estimated ~355,000t of copper and ~2t of gold extracted by the old-timers. Some of the world's more significant mining houses have since undertaken extensive exploration in the area looking for major copper/gold deposits, and while unsuccessful in this endeavour, numerous high priority (smaller) prospects were identified.

Adelaide Resources has an extensive exploration data base from the early explorers and is undertaking shallow drilling campaigns to test the historical prospects. The most exciting of these prospects is Alford West where the company's first drill program recently intersected **20m @ 4.20% Cu and 0.27g/t Au from 32m and 45m @ 1.55% Cu and 1.81g/t Au from 15m**, with mineralisation present to the end of the hole.

Breakaway is highly encouraged by these high grade shallow intercepts, and the fact that every traverse of the Alford West drilling campaign has intercepted 'ore grade' copper/gold mineralisation. With only 10% of a 3km geochemical anomaly now drilled, significant opportunity exists along strike and at depth to establish a significant ore body. Breakaway recommends Adelaide as one of the better explorers with early but promising results.

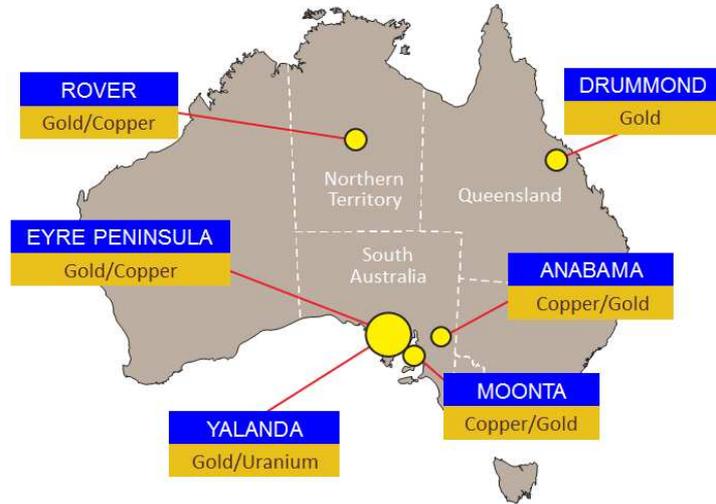


Project Review

Adelaide Resources has a portfolio of Australian based projects and is principally focused on exploration for copper and gold.

Adelaide Resources: Project Locations

Australian focused exploration



Source: Adelaide Resources

Moonta Background

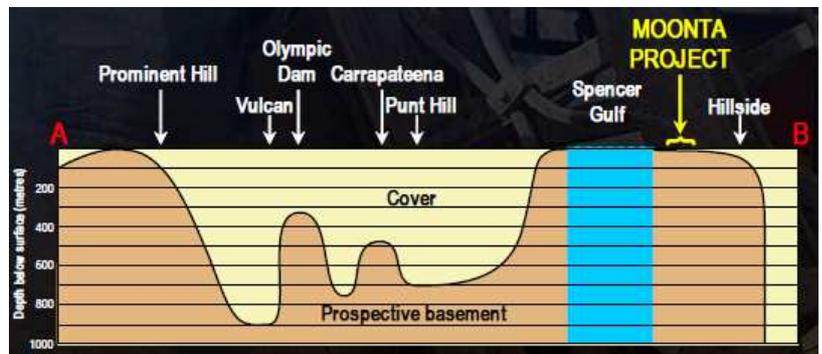
The company's flagship project is the Moonta Copper Gold Project which is located in the highly prospective Moonta-Wallaroo district of South Australia's Yorke Peninsula.

Moonta is the flagship project

Hydrothermal copper-gold-silver sulphide mineralisation occurs in Palaeoproterozoic and Mesoproterozoic metamorphic and igneous rocks. However, there is no outcrop of these basement rocks due to subdued relief and extensive sedimentary cover. This lack of outcrop, as well as complex geology creates a challenging exploration environment. This 'challenging' environment also brings great opportunity as any potential underlying deposit could have easily been overlooked.



Depth of prospective basement rocks along section A-B



Source: Adelaide Resources

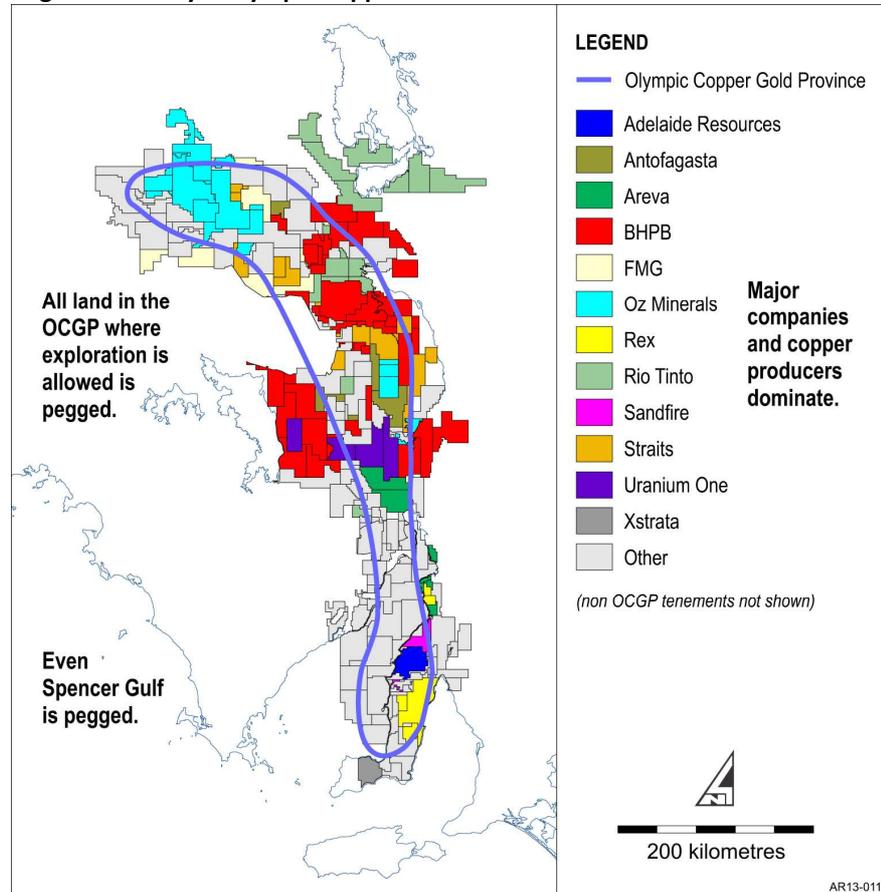
The above image shows a section of the relative depth of sedimentary cover along the A-B section (left) as well as the relative location of the world class Olympic Dam deposit and the more recently discovered Prominent Hill, Carrapateena and Hillside deposits.



The image below illustrates the level of activity in the Olympic Copper Gold Province and shows the whole region is under licence, with ownership dominated by many of the world's largest copper producers. Of particular interest are those parts of the Spencer Gulf (under water) which are also pegged.

Highly sought after tenure

Regional Activity – Olympic Copper Gold Province

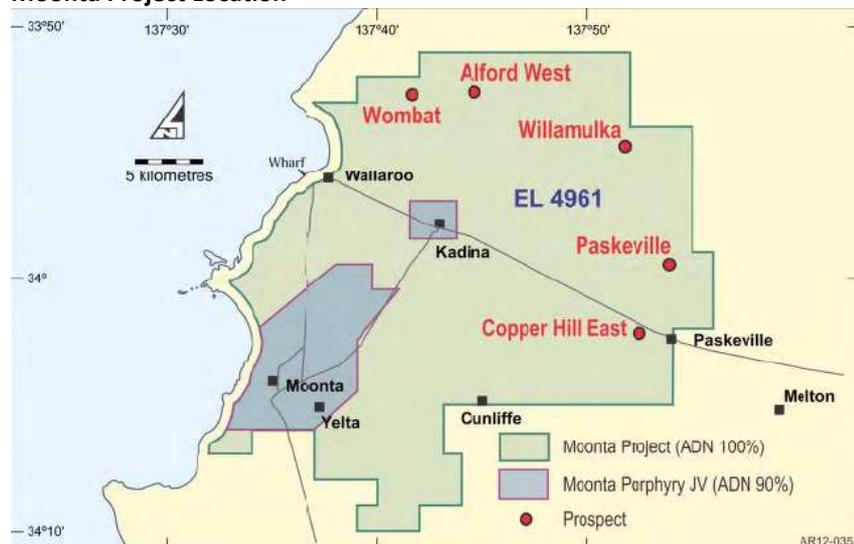


Source: Adelaide Resources

Shallow cover over prospective bedrock

Adelaide Resources' Moonta project is located to the south of the interpreted trend (dark blue) in an area where the prospective rocks are at their shallowest (sedimentary cover mostly at <10m), allowing for more cost effective exploration and utilisation of a broader range of exploration methods.

Moonta Project Location



Source: Adelaide Resources

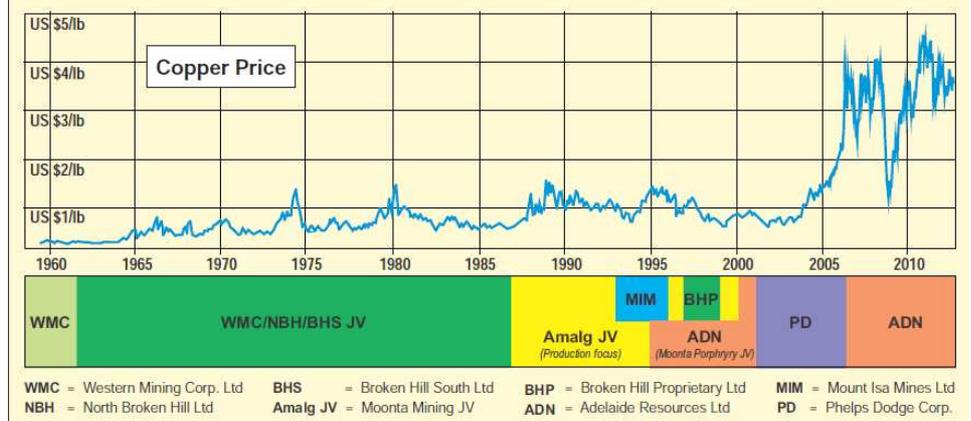


Moonta was a historical 'mining hub'

The Moonta exploration licence covers a historic copper triangle (Moonta-Wallaroo-Kadina) where ~355,000t of copper and ~2t of gold have previously been extracted since 1851. To put this into perspective, the Moonta region was essentially the 'Olympic Dam' of the 1850's, hosting 36 furnaces and ~2% of the Australian population of the time.

Higher copper prices improve economics of advancing smaller prospects

Copper Price vs. Exploration History Timeline



Source: Adelaide Resources

From 1959, extensive exploration in the district was undertaken by major mining companies such as Western Mining, North Broken Hill, Broken Hill South, Mount Isa Mines and Phelps Dodge who were all exploring for major deposits. While broadly unsuccessful, exploration did identify numerous secondary targets.

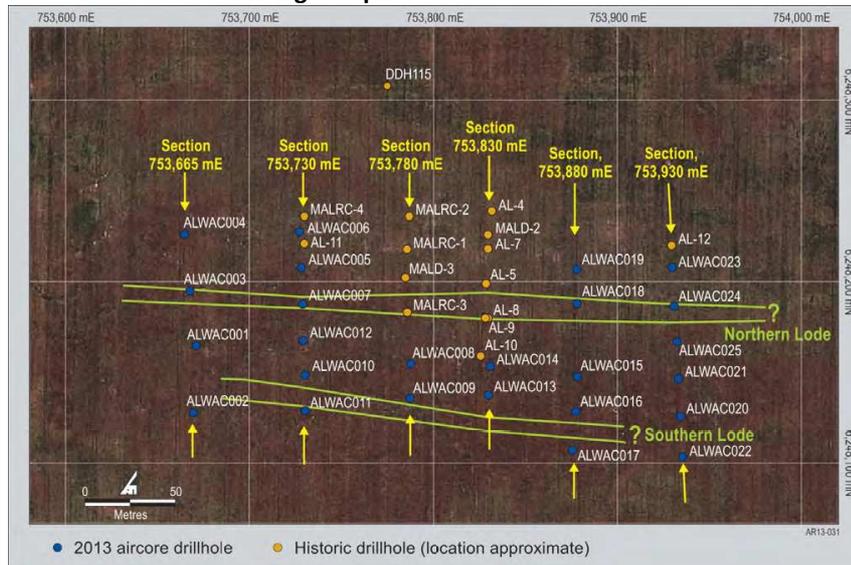
In 2009, Adelaide Resources took full control of the entire project area, along with a significant quantity of historical data. Through the use of modern exploration techniques, these prospects can now be advanced and prioritised.

Alford West Prospect

Breakaway Research is particularly encouraged by the recent drill results from the Alford West prospect where 25 aircore drill holes were completed, to an average depth of 60m, along six north-south traverses spaced at nominal 50m.

All six traverses intersected copper and gold mineralisation

Alford West Plan – Existing drill plan



Source: Adelaide Resources



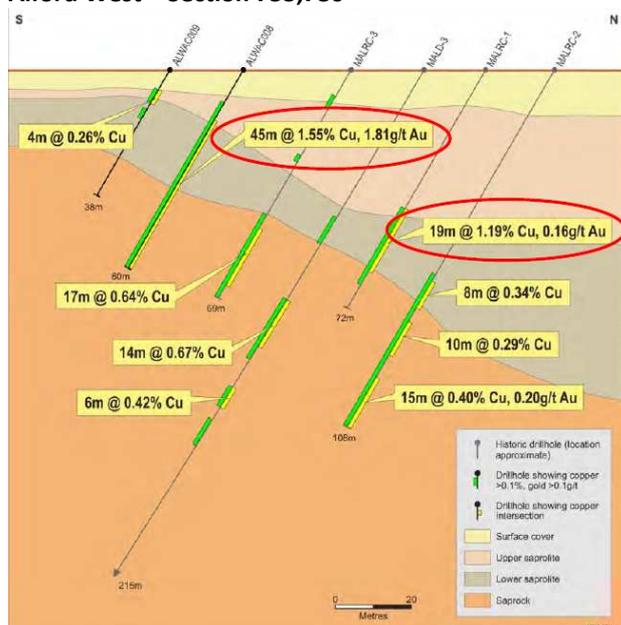
‘Ore grade’ mineralisation was identified in each of the 6 traverses with particular highlights of:

High grade results from first pass drill campaign

- **20m @ 4.20% Cu and 0.27g/t Au from 32m** (ALWAC007)
Including: 14m @ 5.8% Cu and 0.35g/t Au
- **45m @ 1.55% Cu and 1.81g/t Au from 15m** (to end of hole) (ALWAC008)
Including 7m @ 3.61% Cu and 6m @ 5.33g/t Au
- **10m @ 4.23% Cu and 0.20g/t Au from 57m** (ALWAC006)

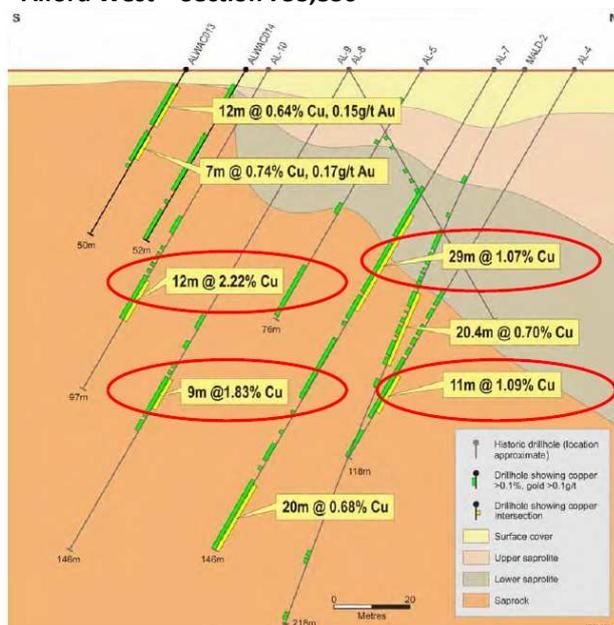
Only 300m of a +3km geochemical anomaly (10%) has been drilled to date with numerous drill holes ending in mineralisation, highlighting the significant exploration potential which exists along strike and at depth.

Alford West – Section 753,780



Source: Adelaide Resources

Alford West – Section 753,830



It is too early to speculate on the size of the deposit, however the (relatively) shallow nature of the supergene mineralisation highlights the possibility of open pit mining.

Upcoming Drilling

With only 10% of the anomaly drill tested, significant opportunity for further high grade intercepts.

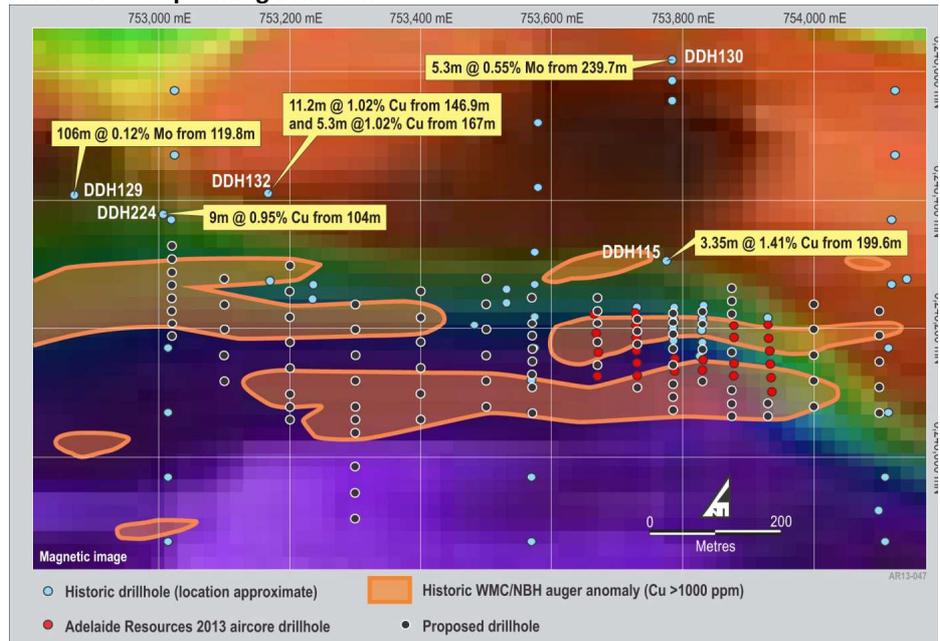
Following the significant initial drill results at Alford West, Adelaide has now begun a second 91 hole drill program (see drill plan on following page), aimed at quadrupling the previously tested strike length.

Adelaide has also conducted a geochemical soil/rock chip survey at Alford West utilising a portable FPXRF instrument to determine if the anomaly can be mapped at surface. Encouragingly, the trial was deemed successful with a robust copper anomaly defined in detail. Some of the phase two aircore holes will test features evident in the FPXRF trial survey. It is likely the FPXRF will be used across the numerous other prospects within the licence area, offering a more time and cost effective early stage exploration.



Alford West: Upcoming Drill Plan

Current round of drilling will test ~1km of the 3km copper anomaly



Source: Adelaide Resources

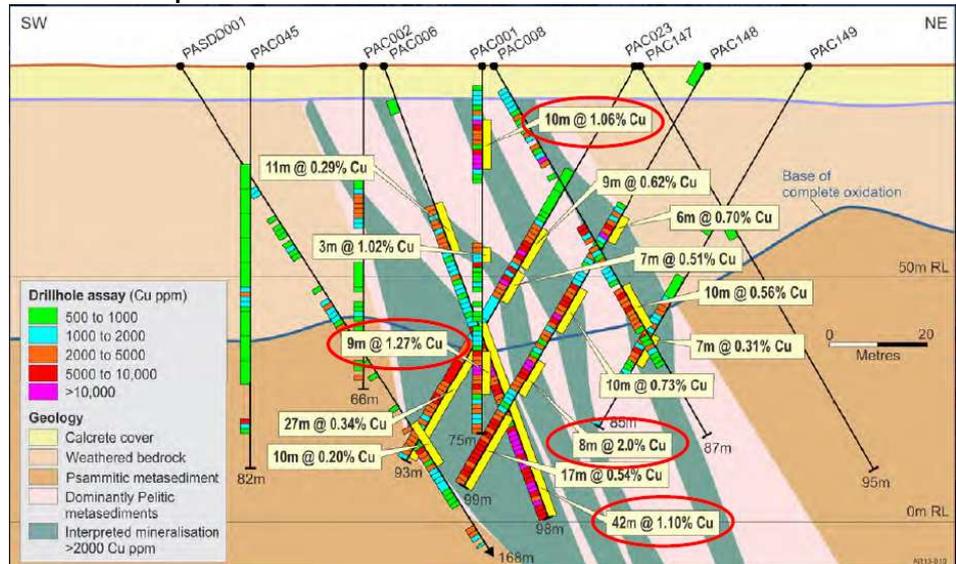
Additional Moonta Prospects

Additional high priority prospects provide opportunity for 'project wide resource'

The **Wombat Prospect** is located ~4km east of the Alford West Prospect and is also returning attractive intersections. In late 2012, Adelaide Resources announced an intersection of **66m @ 1.04% Cu from 236m down hole** from intensely weathered bedrock with the copper mineralisation often present as native copper. Additional aircore drilling has since been carried out to test the shallow mineralisation potential and while evident, the grades appear to be sub-economic. Further drilling is required to fully test the potential of this prospect.

At the **Paskeville Prospect**, recent drilling has identified a steeply dipping 50m wide and 400m long zone of copper mineralisation which is still open at depth and along strike. Intersection highlights are illustrated in the image below:

Paskeville Prospect Section



Source: Adelaide Resources



Also within the Moonta exploration portfolio is the **Willamulka Prospect** which has only been drill tested to relatively shallow depths. Highlights from this prospect include:

- **17m @ 1.07% Cu and 2.62g/t Au from 20m**
- **19m @ 0.95% Cu and 0.36g/t Au From ~40m**

Breakaway's View

Highly leveraged to exploration success

The Moonta project is located in the highly sought after Olympic Copper-Gold Province which hosts numerous world class ore bodies. The location of the project is further enhanced by the shallow sedimentary cover (over the ore bearing bedrock) which is at its shallowest point, allowing for cost effective exploration. The Alford West prospect is at an early stage of exploration however, it is showing all the hallmarks of a major discovery. Whilst the Alford West discovery is clearly the company (and market) focus, additional high quality prospects within the licence area also provide an opportunity to build a meaningful project-wide resource base.

With an Enterprise Value of just A\$13.2M, Adelaide Resource is highly leveraged to further exploration success. Should the company achieve similar intercepts from the drilling campaign currently underway, Breakaway would expect a significant re-rating of the company valuation.

Rover Gold Copper Project – Tennant Creek, NT

Adelaide Resources also has a 100% interest in the Rover copper/gold project, located about 75km south west of Tennant Creek in the Northern Territory. The Project represents a south-western extension to the prolific Tennant Creek Goldfield which has produced over 5.0Moz of gold and 500,000t of copper to date and represents one of Australia's top five goldfields.

Highly prospective region

Historical exploration undertaken by Peko Mining in the 1970's within the Rover project area intersected several magnetic ironstone bodies carrying Tennant Creek-style copper gold mineralisation. Of particular note, Peko intersected **15m @ 17.3g/t Au and 0.7% Cu** and **20m @ 5.2g/t Au and 1.7% Cu** at the Rover 1 prospect.

Further exploration drilling by a new owner, Westgold Resources, defined a JORC Resource of 6.8Mt @ 5.57g/t AuEq for ~1.22Moz AuEq which included a high grade core of **2.4Mt @ 9.3g/t AuEq for ~730koz AuEq** with the resource still open below 750m depth. In 2010, Westgold completed a scoping study which indicated an economically viable project; however, further underground drilling would be required to fully assess the extent of this high grade ore body.

Metals X merged with Westgold, taking control of Rover 1

In 2012, Westgold merged with Metals X (ASX: MLX) in a deal which valued Westgold at ~A\$ 67M.

Resource upgrades likely

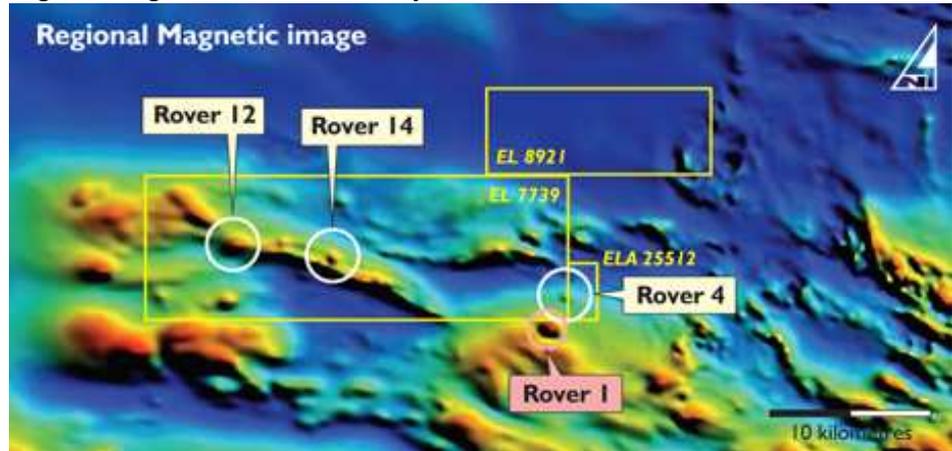
Approval for the building of an exploration decline (at a cost of A\$15-20M) was recently granted, from which it is anticipated Metals X will commence further underground drilling.



As seen in the below image, the MLX's Rover 1 deposit (6.8Mt @ 5.57g/t AuEq for ~1.22Moz AuEq) borders Adelaide's EL 7739 tenement.

Regional Magnetics at the Rover Project

Rover 1 deposit runs into Adelaide's tenement



Source: Adelaide Resources

Adelaide Resources has confirmed significant mineralisation extends into its tenement with some of the highlight intersections as follows:

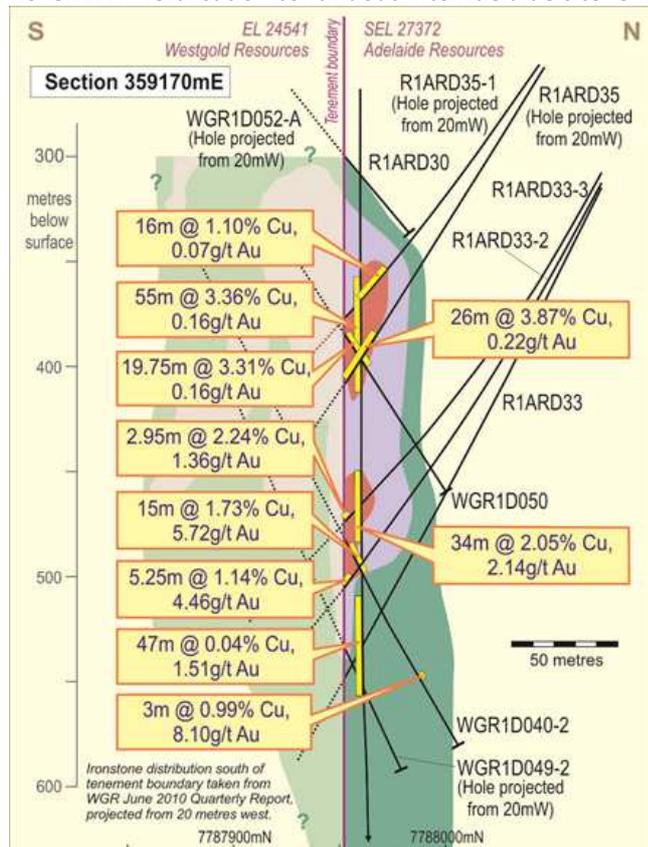
Significant high grade intercepts

- 26m @ 3.87% Cu and 0.22g/t Au;
- 55m @ 3.36% Cu and 0.16g/t Au;
- 34m @ 2.05%Cu and 2.14g/t Au;
- 15m @ 1.73% Cu and 5.72g/t Au.

The Rover 1 deposit (on Adelaide's tenement) is further summarised in the section below:

Rover 1: Mineralisation continuous into Adelaide's tenement

MLX's JORC Resource does not include mineralisation in Adelaide's tenement.



Source: Adelaide Resources



Additional Rover Prospects

Since acquiring the Rover project from Newmont in 2005, Adelaide has advanced numerous high priority targets in their own right. Of particular interest is the Rover 4 prospect where drilling intersected:

- 15m @ 2.07% Cu
- 21m @ 2.33% Cu and 0.94g/t Au and 17m @1.81% Cu

*Rover field
comparable with
Tennant Creek*

Sedimentary cover over the prospective rocks at the Rover 4 prospect tends to be ~100m with mineralisation commencing at ~150m. While this is the shallowest significant mineralisation within the broader Rover Field, it is still relatively deep and relatively expensive to drill.

The exploration potential of this area should not be underestimated. Exploration by the various operators in the region has now demonstrated that the ironstones of the Rover field are the host of a **district wide and significant copper-gold mineralising event, comparable with that of Tennant Creek.**

Breakaway's View

*Adelaide happy to let
Metals X advance the
Rover 1 deposit*

Given the relative expense of exploration in the Rover Field and the recent success at the Moonta project, the Rover project has justifiably become a secondary focus. However, Rover should not be dismissed as it is a highly prospective exploration project.

*Significant corporate
appeal*

The attractiveness of Adelaide's Rover project is further enhanced by the potential for corporate action down the track (with Metals X) in the event a decision is made to mine the Rover 1 deposit. Adelaide's nearby Rover 4 prospect also has the potential to host an economic resource in its own right (with further exploration), adding to the corporate appeal.



Analyst Verification

We, Grant Craighead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Adelaide Resources and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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