



**Breakaway
Research**

May 2014

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Company Information

ASX Code	ADN
Share Price	A\$0.046
Ord Shares + rights	232.8m
Market Cap A\$	A\$10.5m
Cash (31 Mar 14)	A\$2.2m
Total Debt	A\$0m
Enterprise Value	A\$8.5m

Directors & Management

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

Substantial Shareholders

Limberg Asset Management	8.1%
Navigator Australia	6.8%
Top 40	42.6%

Company Details

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

1 Year Price Chart



Adelaide Resources (ADN)

All the hallmarks of a major copper discovery

Recommendation: Speculative BUY

Company Update

Key Points

- **Systematic aircore program now largely complete over 3.5km copper anomaly**
- **Shallow drilling intersects some of the most impressive copper intersections seen from any explorer in recent times**
- **Four higher grade zones appear likely to contribute towards a mineral Resource, with each still open at depth**
- **Deeper RC and Diamond drill programs planned for 2H 2014 provide significant opportunity for a Company re-rating**

Shallow aircore drilling at the Alford West prospect in South Australia has continued to return some of the most impressive drill intersections seen from any exploration company in recent times. Four defined 'zones' of higher grade copper mineralisation have been modeled with each zone still open at depth. A deeper drill program is planned for 2H 2014 which will better quantify the known mineralisation and test likely depth extensions, whilst also providing a strong opportunity for a market re-valuation of the Company.

Investment Thesis

Adelaide Resources (ASX ADN) continues to steadily advance its flagship Moonta Project, located at the southern end of the 'Olympic Copper Gold Province' in the Moonta-Wallaroo district of South Australia's Yorke Peninsula.

An extensive shallow aircore drill program targeting the previously defined 3.5km Alford West geochemical anomaly has now been largely completed. Multiple impressive intersections have continued to flow following early standout hits of **20m @ 4.20% Cu and 0.27g/t Au from 32m and 45m @ 1.56% Cu and 1.83g/t Au from 13m**. While these highlights often attract short lived market attention, it is the 'big picture' which appears to have been overlooked: Alford West is demonstrating all the hallmarks of a major discovery.

Adelaide has now defined four target zones which appear likely to contribute towards an eventual mineral resource. While shallow aircore drill holes have been completed over these zones (with economic grades and widths reported), they are yet to be adequately tested below ~100m. Evidence from nearby historical drill holes (and other deposits within the region) indicates that mineralisation commonly continues to significant depths.

The potential size of the Alford West prospect should not be underestimated. The combined strike length now exceeds 3km with deeper RC and Diamond drill programs set to begin testing the depth extent in 2H 2014. Positive news flow will likely soon follow providing significant opportunity for a company re-rating as the potential scale of the system is realised.



Project Review

The Moonta Copper-Gold Project

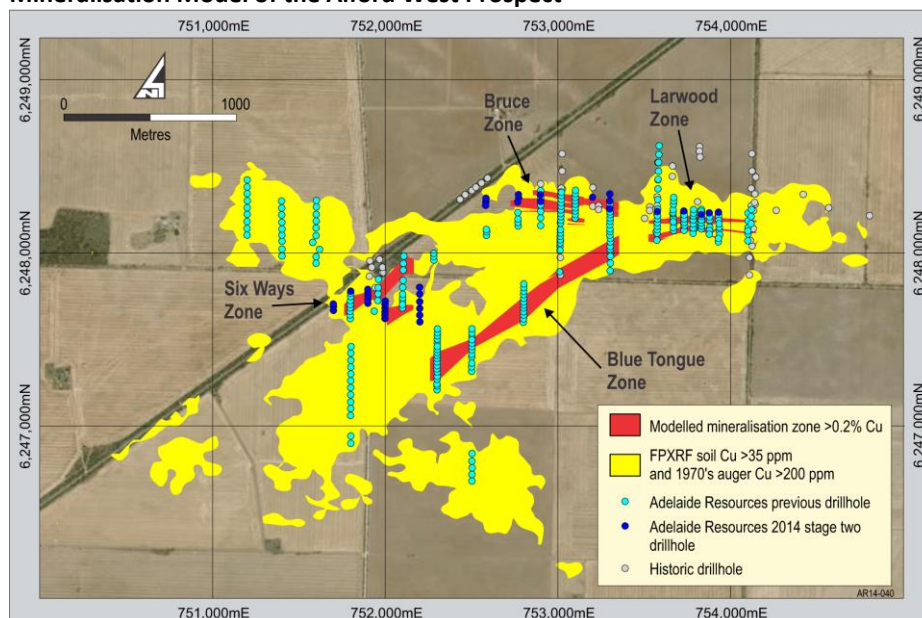
Alford West is the flagship prospect

Adelaide Resources flagship project is located within the Moonta-Wallaroo district of South Australia's Yorke Peninsula, a region which has a rich history in copper-gold exploration and mining. The Moonta Project incorporates EL 4961 and hosts multiple high priority prospects, however, it is the Alford West Prospect which is shaping up to become a company making asset within the broader exploration portfolio.

FPXRF and Air core drill program increases the size of the Alford West target

The Alford West prospect was previously defined as a 3,500m long geochemical anomaly where historic shallow auger drilling (carried out in the 1970's) returned samples assaying >200ppm copper. Following an active aircore drill program in 2013 and the first half of 2014 (totalling 283 holes), Adelaide Resources has now broadly tested the anomalous zone (including the nearby 'satellite' targets). This has resulted in a significant increase to the overall size of the Alford West target and a better understanding of the geological controls of the mineralisation.

Mineralisation Model of the Alford West Prospect



The Alford West, Blue Tongue and Blue Tongue West targets are now interpreted to be part of a single, IOGC system

4 defined 'higher grade' zones

Source: Adelaide Resources

The Alford West, Blue Tongue and Blue Tongue West targets are now interpreted to be part of a **single, large Iron Oxide Copper Gold (IOGC) system** which extends over 3km in an east-west direction and to a modelled depth of 130m below surface.

Within this IOGC system, Adelaide has identified four zones of consistent higher grade copper mineralisation which demonstrate potential to contribute to a mineral resource, namely; Larwood, Bruce, Six Ways and Blue Tongue. **Importantly, all four of these zones remain open at depth.**



Alford West has a sizable horizontal dimension (extending ~3km east to west) and can also be expected to have a sizeable vertical dimension. Aircore drilling in the area as well as deep historical drilling carried out at the nearby Wombat prospect confirms that regional mineralisation is known to extend to depths of at least 600m below surface, supporting the depth potential at Alford West.

Nearby Wombat prospect identified mineralisation to a depth of ~600m

Relative Depth of Alford West Model

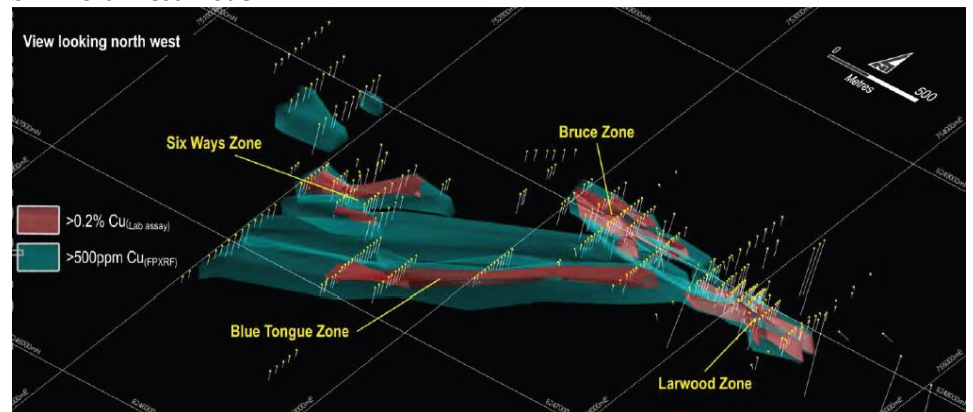


Source: Adelaide Resources

All four zones at Alford West remain open at depth

The image below shows the newly interpreted 3D model of the Alford West prospect and highlights the four 'higher grade' zones within the broader structure.

3D Alford West Model



Source: Adelaide Resources

All current and historical data has been digitised into 3D model

The 'Six Ways' Zone

'Six Ways' was discovered as part of 2014 drill campaign

The 'Six Ways' zone was recently discovered as part of the 2014 drill campaign and comprises two or more lodes which vary in width from 10-15m and 10-25m respectively. Drill highlights include:

- 22m @ 1.33% Cu from 34m including the final 6m @ 3.25% Cu to end of hole (Hole ID ALWAC 273)
- 23m @ 0.69% Cu from 25m including 11m @ 1.06% from 34m (ALWAC 269)
- 23m at 1.47% Cu from 7m (Hole ID ALWAC 171)
- 3m at 1.29% Cu from 57m to end of hole(Hole ID ALWAC 240)

The highest grades recorded were at the base of the hole

Lead is also strongly anomalous and semi-coincident with Cu.

Further shallow infill and step out drill programs are required to gain a better understanding of the strike and dip extent of the mineralisation. Deeper RC and Diamond drilling will then be used to fully test the depth extent.



The 'Bruce Zone'

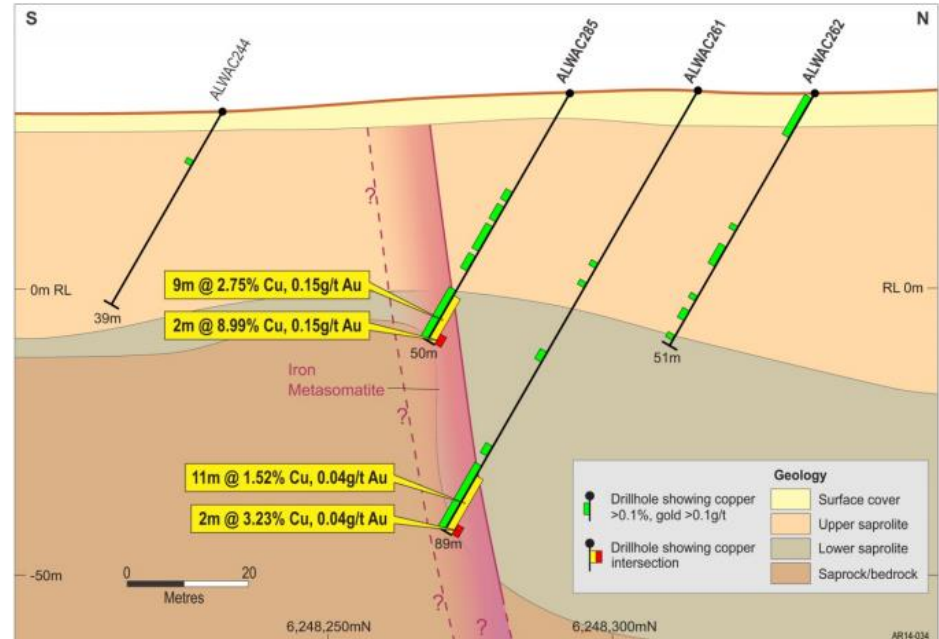
Breakaway is particularly encouraged by recent drill results from the 'Bruce Zone', which include highlights of:

- 10m @ 1.02% Cu from 70m (Hole ID ALWAC 258)
- 11m @ 1.52% Cu from 77m including 3m @ 2.26% Cu and 2m @ 3.23% Cu to end of hole (Hole ID ALWAC 261)
- 9m @ 2.75% Cu from 41m including 6m @ 3.73% Cu and 2m @ 8.9% Cu to end of hole (Hole ID ALWAC 285)
- 11m @ 0.94% Cu from 71m including 6m @ 1.24% Cu and 0.22g/t Au to the end of hole (Hole ID ALWAC 186)

Chalcocite intersected at the Bruce Zone

The copper mineralisation intersected in ALWAC 261 is interpreted to be chalcocite (a copper rich sulphide) however, its occurrence in the lower saprolite suggests it is not the product of supergene enrichment (high grade zones formed from weathering processes) but rather, the **chalcocite is present within the primary bedrock** (as is the case with other IOGC deposits within South Australia).

Alford West: Bruce Zone



Source: Adelaide Resources

The implications of chalcocite hosted within the primary phase are significant as it bodes well for mineralisation to continue at depth. The Bruce zone is open for at least 200m to the west with the southern extent also yet to be fully tested.

Importantly, ALWAC 186, 261, and 285 (among others) all finish in higher grade mineralisation, highlighting the potential for the deeper drilling to extend the width of this 'high grade' zone. Confidence in the Bruce Zone is sufficient to allow design of deeper drill tests and forms part of the deeper RC/diamond program in H2 2014.

The limited drilling campaign carried out along the Bruce zone has also identified anomalous grades of molybdenum mineralisation associated with the copper. Potential may therefore exist for molybdenum to be recovered as a by-product during processing.



The 'Larwood' Zone

The Larwood zone has also returned numerous high grade intersections over large widths. Highlights include:

- 16m @ 2.38% Cu from 60m (ALWAC 048)
- **20m @ 4.20% Cu from 32m (ALWAC 007)**
- 20m @ 1.76% Cu from 36m (ALWAC 038)
- 21m @ 1.19% Cu & 0.42g/t Au from 44m (ALWAC 253)

Mineralisation remains open at depth on all traverses

Larwood is has been adequately tested from the air core drill campaign with the Company now planning deeper RC and Diamond drill campaigns.

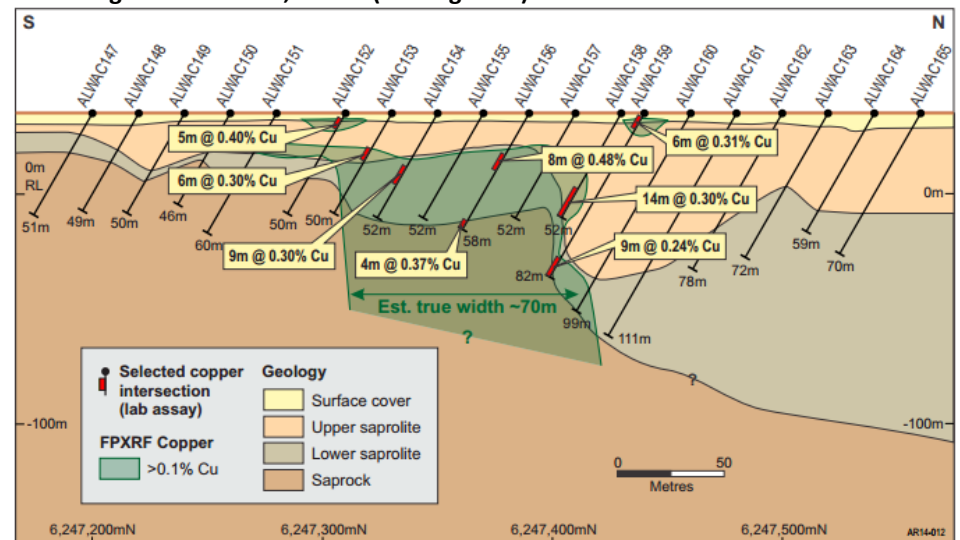
The 'Blue Tongue' Zone

Drilling at Blue Tongue indicates broad zones of low grade copper mineralisation are present along a **strike length of at least 1,400m**.

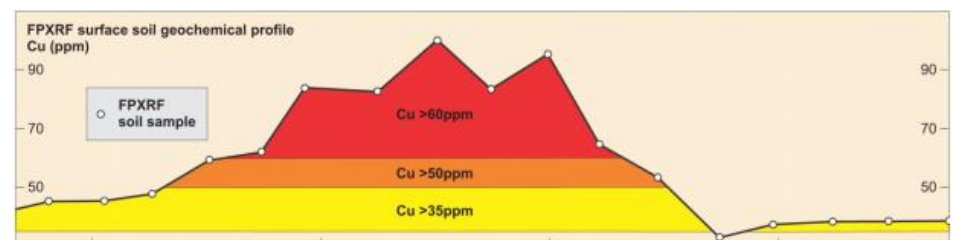
Drilling is yet to encounter primary mineralisation

Interestingly, observations from the drilling at Blue Tongue indicate there are no sulphide minerals present to the end of the any of the shallow aircore drill holes. This suggests extensive oxidation has occurred to depths below that reached by the aircore drilling and a primary copper mineralisation system is yet to be discovered – but remains a tantalising target based on the extent of the oxide copper mineralisation delineated to date.

Blue Tongue Section 753,300mE (looking west)



Blue Tongue identified through the use of FPXRF



Source: Adelaide Resources



FPXRF Analyser



Source: ADN

Adelaide Resources has been using a Field Portable X-Ray Fluorescence (FPXRF) as a geochemical sampling tool with great effect. As indicated in the above image FPXRF sampling of the soil horizon clearly defines underlying copper mineralisation.

The confirmation that FPXRF is an effective tool to rapidly and cost effectively generate geochemical data bodes well for effective target generation throughout the region. The FPXRF geochemical program is on-going and expected to delineate additional quality drill targets

Breakaway's View

The Alford West prospect is located on highly sort after tenure with 100% of tenements pegged within the 'Olympic Copper-Gold Province'. Adding to its appeal, sediment cover over the prospective basement rocks is at its shallowest around the Moonta region, allowing for significantly more cost effective exploration.

Through the use of historical exploration records (estimated value of ~\$50M in today's dollars), the FPXRF geochemical program and a systematic aircore drill program, Adelaide has now defined four 'zones' of higher grade copper mineralisation which are likely to contribute to a resource estimation. These four zones have a combined strike length of +3km and are all open at depth. While this achievement is exciting in its own right, Breakaway is particularly focused on future deep drilling programs (RC and Diamond) at the Blue Tongue prospect. Aircore drilling and FPXRF over the Blue Tongue zone has outlined a geochemical anomaly with an estimated strike of at least 1,400m and a width of ~70m however, the Company is yet to reach the sulphide zone which has the potential to host primary mineralisation at meaningful tonnages. Further 'upside' also exists for discovery of 'bonanza' grade supergene zones.

Deeper drilling at the Bruce zone is also eagerly awaited with two recent aircore holes both ending in high grade mineralisation (of particular note, ALWAC285 intersected 9m @ 2.75% Cu, ending in 2m @ 8.99% Cu from a depth of 41m).

The Alford West prospect remains the Company focus as it continues to demonstrate all the hallmarks of a significant discovery. Encouragingly, this project is being advanced by highly capable management team who have continuously demonstrated prudent and cost effective exploration techniques.

Adelaide Resources currently has an Enterprise Value of A\$8.5M which appears cheap given the calibre of the exploration ground and the recent drilling success. With deeper drilling programs now being planned, significant potential exists for further economic grade and widths to be identified within the four priority target zones, which may provide the Company with the market attention it deserves.

Highly sort after exploration ground

Drilling yet to reach prospective sulphide zone within the large Blue Tongue zone

Alford West demonstrates hallmarks of a major discovery



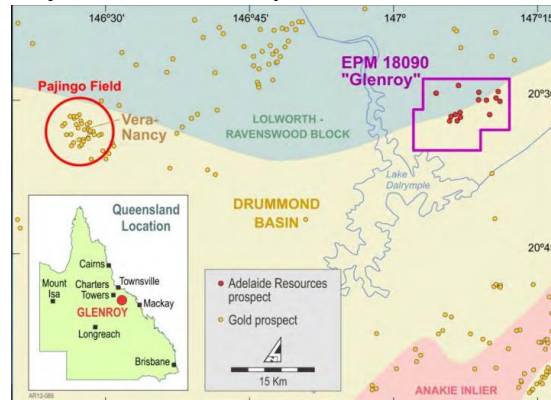
Additional Projects

Drummond Gold Project – QLD

Prospective for 'epithermal style' mineralisation

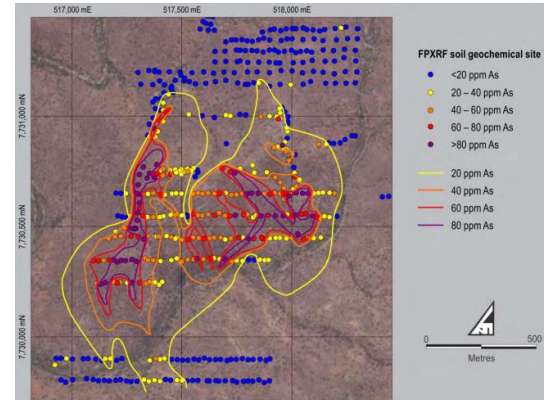
Drummond is an early stage project within the Adelaide Resources exploration portfolio. The licence is considered prospective for high grade, low sulphidation epithermal style gold mineralisation in a similar setting to that of the nearby Pajingo field – which has produced ~3Moz gold.

Project Location and Reported Gold Occurrences



Source: Adelaide Resources

XRF Arsenic Occurrences



Historic drill results highlight exploration potential

Initial field work by Adelaide geologists, including rock chip sampling and trial soil geochemical surveying, has been encouraging. Rock chip samples as high as 55.4g/t Au have been achieved from epithermal veins, while the XRF work has successfully defined anomalies based on epithermal pathfinder metals. This suggests that a systematic soil sampling could lead to the definition of new prospects and direct drill targets.

A recent petrologic study has also been completed on 13 rock samples which display veining and possible hydrothermal alteration. Encouragingly, “the mineralogies and textures suggest the veins formed by crystallisation of hydrothermal fluid at moderately low temperatures in a shallow crustal environment.”

The outcomes of this study are significant, confirming the vein textures and alteration assemblages on the rock samples are identical to those described in the orebodies that comprise the nearby >3 million ounce Pajingo Field.

Adelaide are currently assessing how best to advance the project; either through self-funded exploration (diverting funds away from the Moonta project) or by possible introduction of a JV partner.

Rover Gold – Copper Project - NT

Rover located on highly prospective ground

Adelaide Resources holds a 100% interest in two tenements in the Rover Field, located ~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.



Rover 1 deposit extends into Adelaide ground

Adelaide's neighbor, Metals X (ASX-MLX) have steadily been advancing the Rover 1 deposit which hosts a 1.22Moz gold equivalent resource, including a high grade core of **2.4Mt @ 9.3g/t AuEq (for ~730koz AuEq)** and still remains open at depth be 750m. Approval for development of an exploration decline (at a cost of A\$15-20M) has been granted, from which it is anticipated Metals X will commence further underground drilling.

Encouragingly, the Rover 1 deposit lies on the margin of Adelaide's tenements and exploration by Adelaide has confirmed significant mineralisation extends into its tenement, including drilling highlights as follows:

- **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.**

Potential for Rover 4 and 12 to provide satellite feed

Adelaide Resources has also discovered the 100% owned Rover 4 (a shallow minerlised system) and Rover 12 (geophysics indicates a host system comparable in size to Rover 1) prospects which host development potential as satellite feed to a broader Rover Field mill.

Rover Project holds significant corporate appeal

Although the Rover Prospect has significant exploration potential, it also has significant strategic value brought about by the possibility of an asset consolidation transaction (with Metals-X). Given the relatively high cost of exploration in the area and the Adelaide's focus on the Moonta project, exploration will be advanced at a measured pace.

Eyre Peninsula Gold Project – SA

Early stage exploration potential

The Eyre Peninsula project covers a large area of the Central Gawler Gold Province and is located ~8km from Investigator Resources' "Paris" deposit (5.9Mt @ 110g/t silver). The area has poor bedrock exposure, although four gold prospects have been defined within the project area; Barnes, Baggy Green, White Tank and WUD2 Central. Exploration is still at a relatively early stage, although historic drilling includes encouraging results such as **24m @ 2.19g/t Au, 12m @ 3.38g/t Au, 17m @ 3.47 g/t Au and 7m @ 10g/t Au.**

While prospective for gold, the project is also considered prospective for copper, silver and graphite. Adelaide are currently advancing with the Environmental and Native Title approval process before field work can then commence.

Breakaway's View

Excellent project pipeline

Drummond, Rover and the Eyre Peninsula projects will all be advanced as a secondary focus to the Moonta Project, however, they bring welcome diversification to the portfolio and a solid project pipeline.

Adelaide adding value by cost effective means

While Rover clearly has the corporate appeal, Drummond and Eyre Peninsula offer quality exploration potential. Adelaide expect to add value to these projects in a cost effective manner. A recent example of this is demonstrated at Drummond where relatively cheap rock chip samples, XRF and petrologic studies have been undertaken. The results of these studies have served to provide confidence epithermal systems exist within the tenement, thus adding significant value to the project.



Analyst Verification

We, Grant Craighhead 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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