

## Flash Note – Adelaide Resources Limited

### Significant Progress On Multiple Fronts

October 22, 2014

#### EVENT

- The delineation of the Tomahawk FPXRF soil copper anomaly 5km east of Alford West and West Doora confirmed as a major IOCG target following review of historic data at the Moonta Copper Gold Project
- Definition of a large epithermal gold target at South West Limey Dam coupled with the successful application for \$100,000 to co-fund drilling on the Drummond Gold Project
- The formation of the Thurlga Joint venture with Investigator Resources Limited on Eyre Peninsula targeting gold and silver deposits
- Rights Issue to raise \$3.436 million with funds earmarked to advance the Moonta project and the Drummond gold project

#### BREAKAWAY COMMENTS

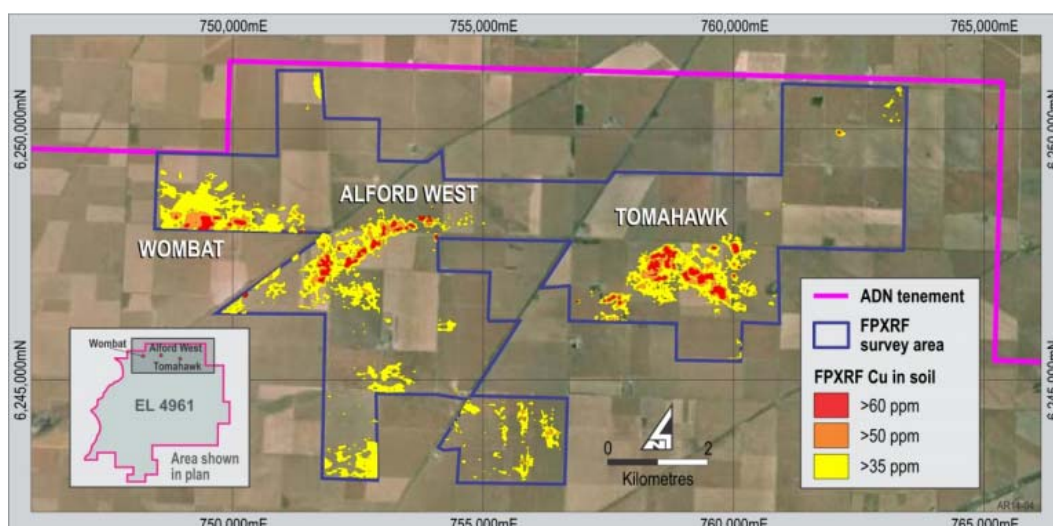
Since our last update in May 2014, Adelaide Resources has made significant progress on five different fronts, all adding to the calibre of the Company's portfolio.

As a reminder, Adelaide carried out an extensive shallow aircore drill program earlier in the year at its flagship Moonta Project, targeting the previously defined 3.5km Alford West geochemical anomaly. Drilling intersected multiple impressive widths of mineralisation including 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**. However, the target has largely been untested at depth.

#### 1. Tomahawk – Newly identified prospect comparable to Alford West - Moonta

Over the last year, Adelaide has demonstrated the effectiveness of Field Portable X-Ray Fluorescence (FPXRF) technology in identifying underlying copper mineralisation from anomalous copper readings in the transported surface soils. Following extensive trials and 'proof of concept', Adelaide has rolled out this technology to target the 'Alford Copper Belt', an area interpreted to host highly altered bedrock prospective for IOCG type mineralisation.

Approximately 25,000 soil samples have been recorded along the interpreted copper belt and encouragingly, a new large and high magnitude copper anomaly called Tomahawk has been identified, ~5km east of the Alford West Prospect.



FPXRF survey area showing copper in soil contours (Source: Adelaide Resources)

The Tomahawk anomaly is comparable in size to the copper anomaly associated with the Alford West Prospect and the copper concentrations in the soils matches or exceed those at Alford West. Providing further optimism, shallow drill campaigns undertaken by past explorers in the vicinity of Tomahawk confirm the presence of anomalous copper. However, the prospect is essentially untested at depth.

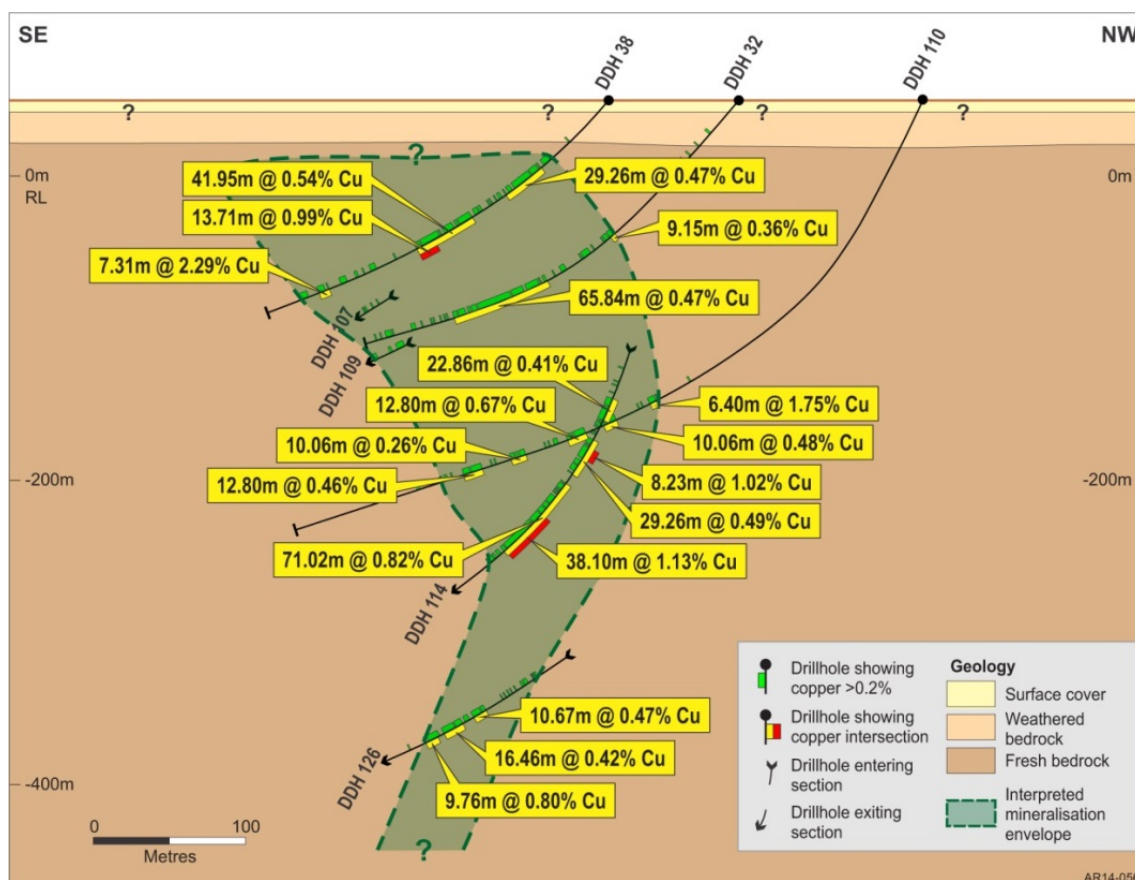
## 2. West Doora confirmed as a major IOCG target following review of historic data

Between 1966 and 1974, a joint venture between Western Mining and North Broken Hill drilled 41 diamond drill holes at the West Doora Prospect, located within Adelaide's Moonta Project area. Historic intersections include:

- 12.8m @ 2.07% Cu from 83m
- 83.5m @ 0.73% Cu from 48.5m
- 71m @ 0.82% Cu from 276m
- 7.3m @ 2.29% Cu from 224m

Adelaide has recently digitised the historic data and developed a 3D model of the prospect, with interpretation indicating copper mineralisation present in two main zones. The Eastern Zone is interpreted to be a series of stacked narrow loads, while the Western Zone includes a thick mineralised body with internal zones that reach horizontal widths of up to 50m. Encouragingly, this Western Zone remains open down plunge, presenting a high quality exploration target.

The presence of primary copper mineralisation is significant as it provides confidence that deposits within the Moonta project area (including Alford West) can extend to substantial depths at meaningful grades and widths.



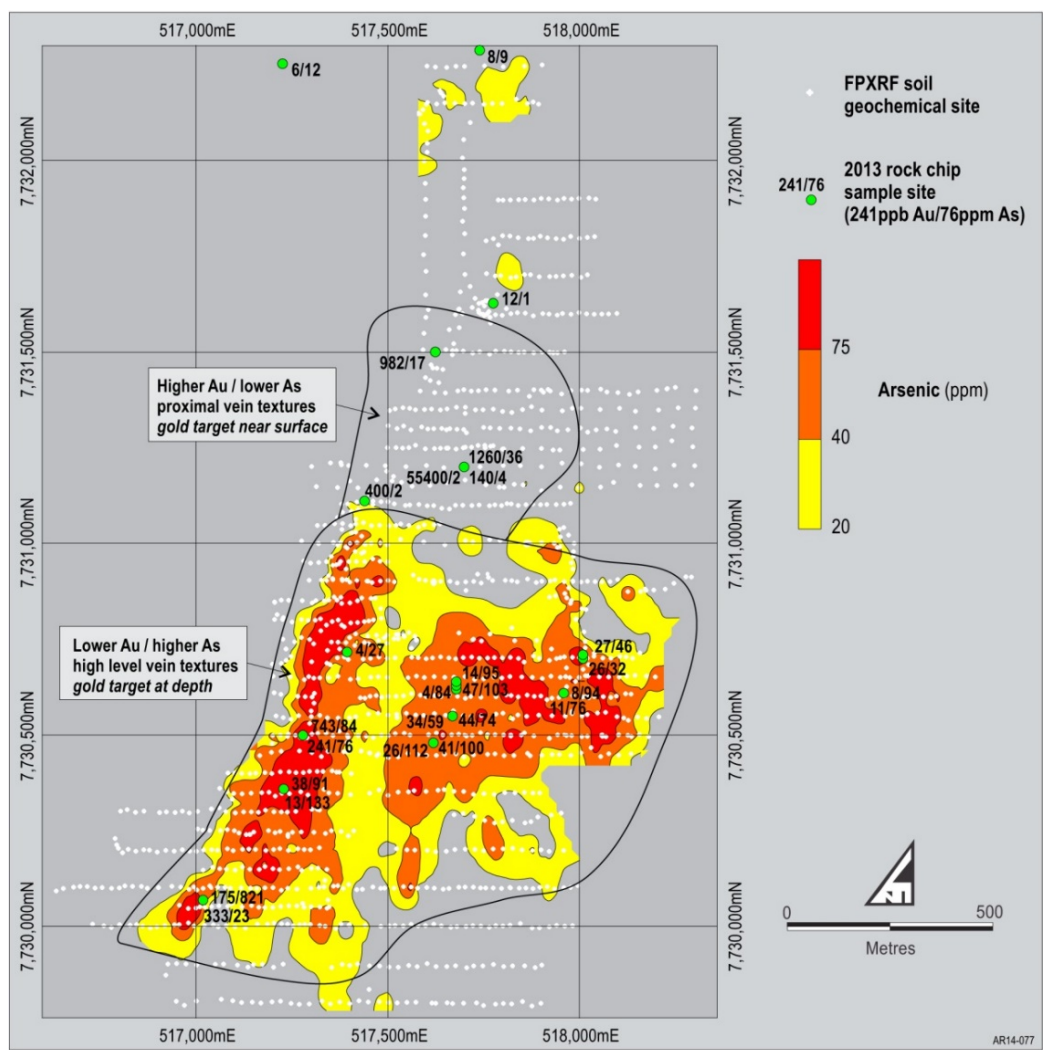
**West Doora cross section** (Source Adelaide Resources)

### 3. South West Limey Dam – Large epithermal gold target defined with Qld govt to provide up to A\$100,000 to assist in drilling Drummond

The Drummond Epithermal Gold Project is an early stage project located in North East Queensland. 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.

Of particular interest is the South West Limey Dam prospect. Rock chip samples as high as 55.4g/t Au have been recovered to the north of a large, high magnitude arsenic geochemical anomaly. Arsenic is a classic epithermal pathfinder metal and tends to be deposited higher in the system than gold, so any potential bonanza grade gold zones should be preserved at depth below the surface arsenic anomaly. The distribution of gold and arsenic are consistent with an epithermal system where a gold zone is exposed at surface (around the high grade rock chips) and also preserved at depth, below the arsenic anomaly. **This is a highly prospective epithermal gold target.**

The Queensland Government recently announced that Adelaide Resources had been successful in its ‘Collaborative Drilling Initiative’ application which will see the Government contribute up to A\$100,000 to assist with direct drilling costs. Following the highly encouraging early exploration work already carried out, Adelaide anticipate an RC drill program will commence in 2015 which will further advance this prospective target.



South West Limey Dam summary plan (Source: Adelaide Resources)

#### 4. Joint Venture with Investigator Resources on Eyre Peninsula

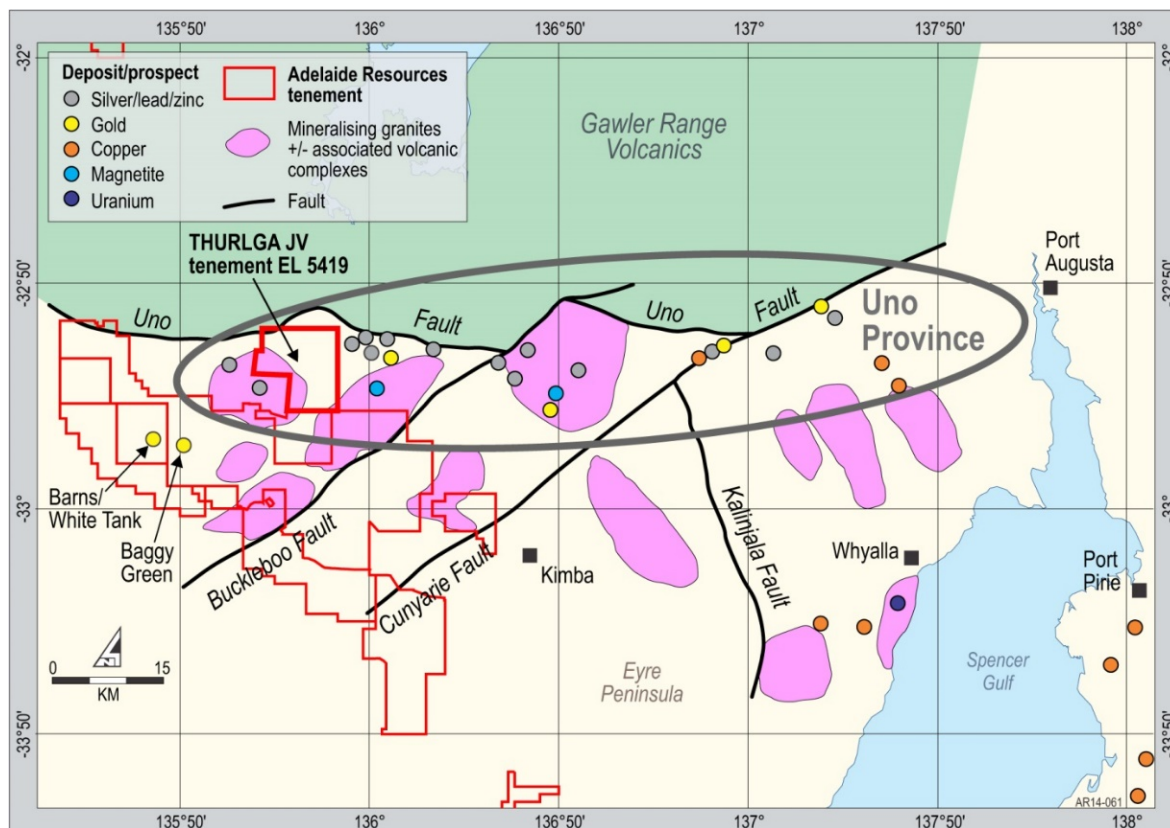
Adelaide Resources and Investigator Resources (ASX IVR) recently entered into a joint venture to explore the Thurlga tenement (EL 5419) which is 1 of 12 of Adelaide's Eyre Peninsula tenements.

The 333km<sup>2</sup> Thurlga licence secures prospective ground in the newly recognised Uno Province, and is located immediately west of Investigator Resources' Paris silver deposit (5.9Mt @ 110g/t Ag and 0.6% lead for 20 million ounces of silver and 38,000 tonnes of contained lead).

The principal terms of the agreement are:

- IVR must spend A\$200,000 prior to August 2015 before it can exit the JV
- IVR can earn a 75% equity interest in the JV by spending \$750,000 by June 2017
- Once IVR has earned 75% interest, both companies will contribute to the advancing the project on a pro-rata basis or else the non-contributing party will be diluted
- Should a party's interest fall to 5%, its share will be automatically acquired by the other party in exchange for a 1% NSR
- IVR will manage the JV during the earn-in stage and while it holds a majority interest
- The Barns, Baggy Green and White Tank gold deposits fall on other tenements and will remain 100% owned by Adelaide.

The formation of a JV with Investigator is a positive move for Adelaide as it provides the Company with risk free exploration upside, while allowing Adelaide to concentrate exploration expenditure on the flagship Moonta Copper-Gold Project.



**Eyre Peninsula Project, including Thurlga Joint Venture summary plan** (Source: Adelaide Resources)



## 5. Rights Issue to raise A\$3.436 million

Adelaide recently announced a Rights Issue to raise A\$3.436 million via the issue of 114.5 million new shares at an issue price of A\$0.03 per share. For every two new shares that are taken up, Adelaide will also issue a free attaching Option exercisable at \$0.05 per share with a 2 year term expiring on the 30<sup>th</sup> September 2016.

The funds raised will be used for:

- RC and diamond drill campaigns at the Alford West prospect, testing for deeper mineralisation
- Air core drill programs at the newly defined Tomahawk prospect
- Continuing with soil sampling programs and meeting the costs associated with the Queensland Government co-funding drilling agreement
- Drill testing of structural targets at existing gold deposits within the Eyre Peninsula project, as well as the advancing of biochemical exploration research
- Geological modelling and re-evaluation of the Rover 4 and Rover 1 copper-gold deposit
- Ongoing working capital

### *Breakaway's View*

Following the Rights Issue, Adelaide Resources will have an estimated Enterprise Value of A\$5.9 million which appears cheap given the calibre of the exploration ground. The Alford West prospect remains the Company focus as it continues to demonstrate all the hallmarks of a significant discovery. This high quality prospect is now augmented by the newly discovered Tomahawk prospect, located ~5km to the east.

Beyond the flagship Moonta Project, Adelaide has a strong pipeline of prospects which are being steadily advanced, providing further opportunity for exploration success.

As demonstrated over the last 5 months, Adelaide's highly capable management team are adding value for shareholders. With a strong cash balance following the rights issue, Adelaide will be well placed to advance its assessment of multiple exploration targets providing potential for a richly deserved share price re-rating.

### **Company Information Post Rights Issue**

ASX Code:	ADN
Share Price est.:	A\$0.03
MCAP:	A\$10.4m
Cash Oct '14 est.:	A\$4.5m
Debt:	A\$0m
EV:	A\$5.9m

Please see recently completed 'full coverage' report via link:

<http://www.breakawayresearch.com/research-portfolio/adelaide-resources>

**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**

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