



**Breakaway
Research**

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Company Information

ASX Code	ADN
Share Price	A\$0.06
Ord Shares + rights	231.3m
Market Cap A\$	A\$15.2m
Cash (31 Dec 13)	A\$2.9
Total Debt	A\$0m
Enterprise Value	A\$12.3m

Directors & Management

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

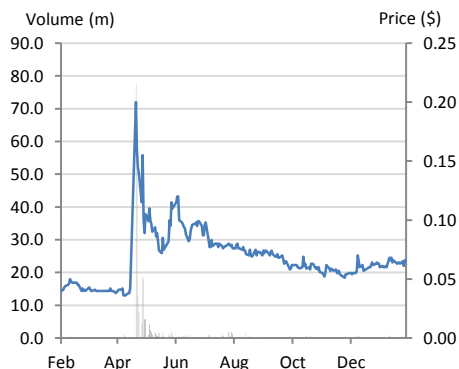
Substantial Share Holders

Limberg Asset Management	8.1%
Navigator Australia	6.5%
Loftus Lane Investments	4.4%
Top 40	43.5%

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)

Drill testing strike extensions to the highly prospective Alford West target

Recommendation: Speculative BUY

Company Update

Key Points

- **Flagship Moonta copper-gold project continues to deliver material exploration results**
- **Initial drilling at Alford West prospect intercepts 20m @ 4.2% Cu from 32m and 45m @ 1.56% Cu and 1.83g/t Au from 13m**
- **1,100m interval tested to date (of a 3,500m anomaly) appears continuously mineralised**
- **Current drill program testing strike extensions at Alford West, plus the newly identified satellite targets**

Broad widths of high grade copper and gold mineralisation have been intersected at the Alford West prospect. Of the 3,500m geochemical anomaly, only 1,100m has been drill tested with the entire interval reportedly mineralised, highlighting the significant exploration potential which still exists along strike. Further drilling is in progress, including first testing of the recently identified Blue Tongue and Kambula anomalies, providing strong news flow in the coming months.

Investment Thesis

Adelaide Resources (ASX: ADN) is an Australian copper-gold exploration company which continues to deliver material exploration results at its flagship Moonta project, located in the highly prospective Moonta-Wallaroo district of South Australia's Yorke Peninsula.

A shallow air core drill program carried out in 2013 at the Alford West prospect delivered some of the most impressive intersections seen from any junior exploration company in the past year. Particular highlights include **20m @ 4.20% Cu and 0.27g/t Au from 32m** and **45m @ 1.56% Cu and 1.83g/t Au from 13m**. To date, only 1,100m of a 3,500m geochemical anomaly (~30%) has been drill tested, with numerous intervals of significant mineralisation reported along the entire zone, highlighting the potential which still exists.

Adelaide has commenced a 12,000m aircore drill program, designed to test geochemical targets along strike from the area tested in 2013. Newly identified and **highly prospective** targets called Blue Tongue, Blue Tongue West and Kambula have been defined using low cost FPXRF geochemistry near Alford West and will also be tested in the upcoming campaign.

Breakaway is encouraged by the initial high grade shallow intercepts at Alford West. Results from the upcoming drill program are eagerly awaited and with an EV of A\$12.3M, Adelaide is highly leveraged to positive news flow.

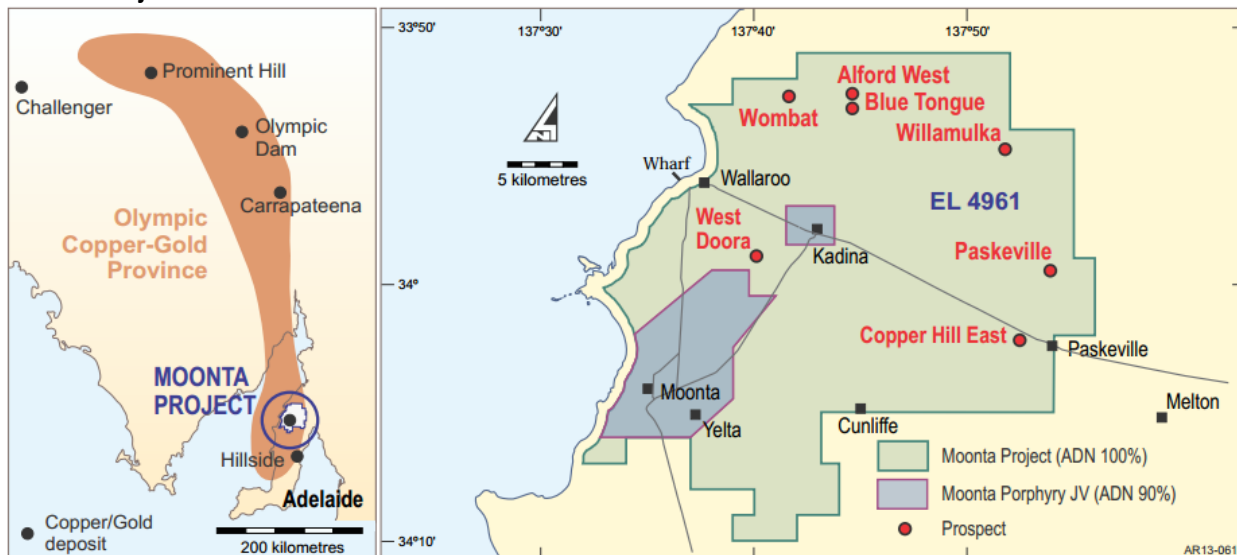


Project Review

Moonta Copper-Gold Project

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

Moonta Project Location



Source: Adelaide Resources

Highly prospective region that hosts the world class Olympic Dam operation

As illustrated in the above image, the Moonta project (EL 4961) is located at the southern end of the world class 'Olympic Copper-Gold Province'. Importantly, it is in an area where the prospective basement rocks (host to primary mineralisation) is at its shallowest (<10m of sedimentary cover). The shallow cover allows for more cost effective exploration as well as the use of a broader range of exploration techniques.

The tenement covers the historic copper triangle (Moonta-Wallaroo-Kadina) where ~355,000t of copper and ~2t of gold has 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 at that time.

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.

Extensive exploration database

Adelaide Resources has an extensive exploration data base from the early explorers, which it is in the process of capturing digitally. Through the use of this historical data and through their own exploration, the Company has identified multiple high quality exploration targets within the Moonta project area. However, based on the excellent results achieved in 2013, the Company's primary focus is the Alford West Prospect at this time.

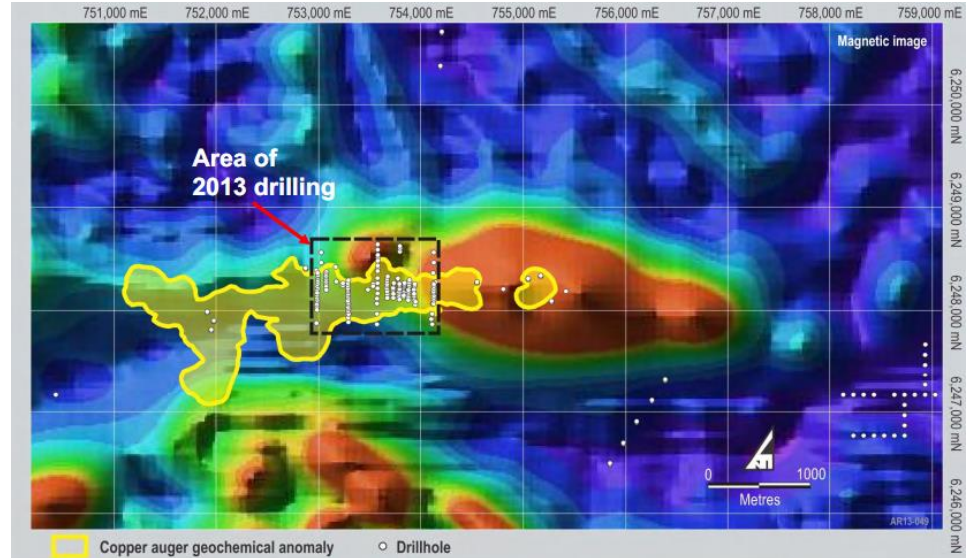
Alford West Prospect

The most advanced prospect within the Moonta project area is 'Alford West' which is defined as a 3,500m long geochemical anomaly, where historic shallow auger drilling (carried out in the 1970's) returned samples assaying >200ppm copper.

Alford West Prospect: Copper anomaly (in yellow) and drill hole location

Alford West defined by a 3,500m geochemical anomaly

Only 1,100m strike length drill tested to date



Source: Adelaide Resources

Entire 1,100m interval mineralised – open along strike

In 2013, Adelaide carried out a 122 hole aircore drill program (8,140m) over a 1,100m interval of the 3,500m anomaly. Encouragingly, **mineralisation appears continuous along the entire 1,100m section tested to date**. Particular highlights include:

2013 Alford West Drilling Highlights

Hole ID	Interval	Copper (%)	Gold (g/t)	Depth (from)
ALWAC003	7m	1.86%	0.45g/t	51m
ALWAC006	15m	2.89%	0.15g/t	56m
ALWAC007	20m	4.20%	0.27g/t	32m
ALWAC008	45m	1.56%	1.83g/t	13m
ALWAC016	15m	1.04%	0.33g/t	6m
ALWAC017	10m	1.69%	1.24g/t	25m
ALWAC036	14m	2.60%	0.70g/t	10m
ALWAC038	20m	1.76%	0.33g/t	36m
ALWAC043	11m	2.33%	0.68g/t	40m
ALWAC044	18m	2.22%	0.17g/t	46m
ALWAC048	16m	2.38%	0.18g/t	60m
ALWAC087	12m	0.41%	1.44g/t	15m
ALWAC090	11m	1.11%	0.03g/t	42m

Source: Adelaide Resources

Broad, 'ore grade' intersections

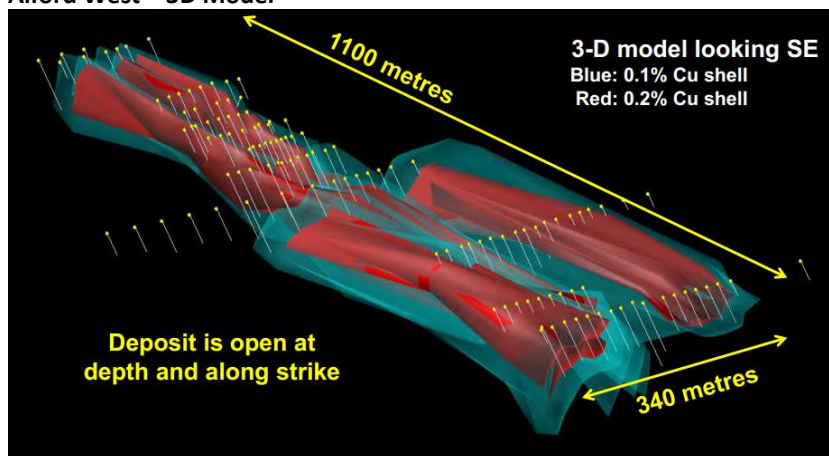
The aircore drilling reached an average depth of 67m with numerous holes ending in mineralisation. With only 1,100 of the 3,500m anomaly tested to date, and with mineralisation continuous along the entire 1,100m, significant exploration potential still exists along strike and at depth.

Shallow nature of air core drilling highlights potential at depth

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



Alford West – 3D Model



Source: Adelaide Resources

Geochemical Survey

Adelaide Resources is conducting an extensive Field Portable XRF survey over the Alford West prospect, with over 10,000 sample locations read to date. The geochemical survey has confirmed the copper anomalism east and west of the area already drilled (as predicted). Equally importantly, the survey has already identified numerous strong, coherent soil anomalies to the south of Alford West called 'Blue Tongue', 'Blue Tongue West' and 'Kambula'.

FP XRF Device



Source: Niton

Geochemical soil survey identifies adjacent target

Historical auger and XRF geochemistry

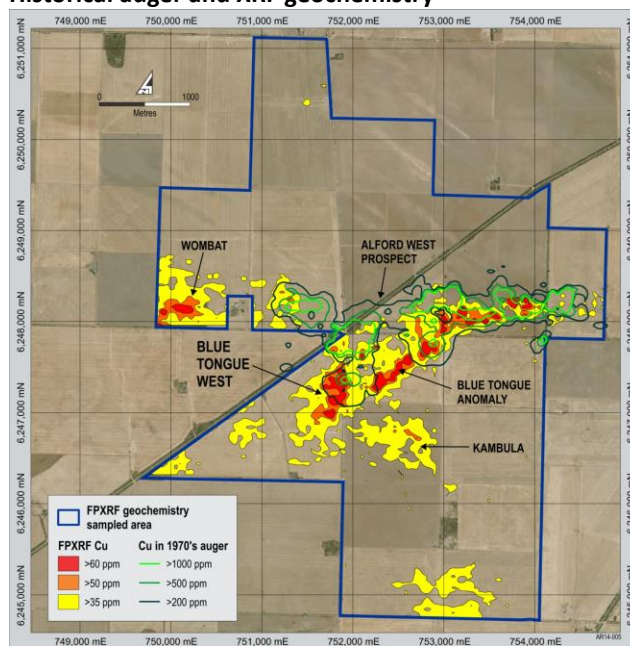


Figure 2: Alford West Prospect: FPXRF and 1970's auger geochemistry.

Source: Adelaide Resources

New Targets

Blue Tongue has a similar geochemical signature to Alford West

The Blue Tongue, Blue Tongue West and Kambula targets have a combined strike length of ~2,000m with the magnitude of copper anomalism comparable to the results achieved directly above the significant copper mineralisation at Alford West.

No historic drilling has been undertaken at any of the new targets, although two 1970's auger traverses passed close to Blue Tongue and Blue Tongue West targets and encountered anomalous, albeit sub economic, copper.



*Shallow cover means
XRF can be used to
great effect*

Given the relatively shallow sediment cover over the prospective basement rocks in the Moonta region, the FPXRF device is being used to great effect. The company estimates that its 10,400 sample FPXRF program has to date cost just \$35,000 compared to an estimated cost of \$560,000 had the same number of samples been collected and assayed in a conventional geochemical program. Adelaide plans to continue to soil sample along the 'Alford Copper Belt' in search of further drill targets.

Drilling Underway

*120 drill holes
traversing 12 targets*

Drilling at the Moonta project recently recommenced following the annual cereal harvest. 12,000m of aircore drilling holes is planned along 13 new traverses. 8 of these traverses will extend coverage along strike (east and west) from the area drilled in 2013 at Alford West with the remaining traverses earmarked to test the newly discovered 'Blue Tongue', 'Blue Tongue West' and 'Kambula' anomalies. With drilling commencing on the 20th January, there will be strong exploration news flow over the coming months.

Breakaway's View

*High quality
exploration acreage*

The Moonta project is located in the highly sought after Olympic Copper-Gold Province which hosts the world class Olympic Dam copper-gold-uranium operation, plus several other globally significant copper-gold deposits and mines. The location of the project is further enhanced by the relatively shallow sedimentary cover (over the prospective basement rocks) which is at its shallowest point on Adelaide's tenements, allowing for cost effective exploration.

While the Alford West project is still at a relatively early stage of exploration, it has the necessary hallmarks for a major discovery. Accordingly, it is clearly the focus for the Company (and the market) at this time. Nevertheless, there are additional high quality prospects within the licence area that also provide an opportunity to build a meaningful project-wide resource base.

*Blue Tongue is highly
attractive target*

Breakaway is particularly encouraged by the newly identified 'Blue Tongue' prospect which demonstrates a coherent geochemical anomaly of comparable magnitude to that of Alford West. The prospectively of the target is further supported by historical auger drill results and the interpreted association with a north-east trending structure, which together make Blue Tongue a highly attractive target.

*Ample opportunity for
positive news flow*

With an Enterprise Value of just A\$12.3M, Adelaide Resource appears undervalued given the recent drilling success and the calibre of the Moonta project area. With drilling now underway, ample opportunity exists for positive news flow in the coming months.



Additional Projects

Rover Gold Copper Project – Tennant Creek, NT

Highly prospective region

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.

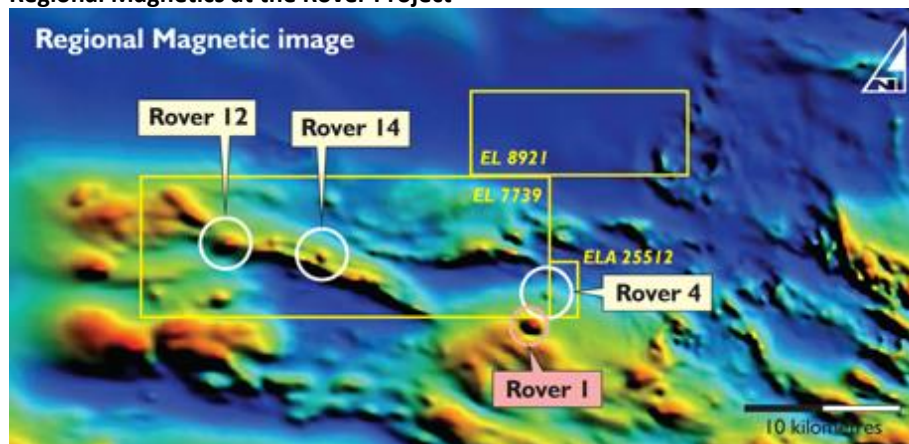
Historic exploration undertaken by Peko Mining in the 1970's within the Rover Field intersected several magnetic ironstone bodies carrying Tennant Creek-style copper gold mineralisation. Of particular note, Peko intersected **15m @ 17.3g/t Au and 0.7% Cu** and **20m @ 5.2g/t Au and 1.7% Cu** at the Rover 1 prospect which lies on the margin of Adelaide's tenements. Subsequent exploration drilling by Westgold Resources, defined a JORC Resource of 6.8Mt @ 5.57g/t AuEq (for ~1.22Moz AuEq), including a high grade core of **2.4Mt @ 9.3g/t AuEq (for ~730koz AuEq)**.

The resource remains open below 750m depth. In 2010, Westgold completed a scoping study which indicated an economically viable project; however, further underground drilling is 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 valuing Westgold at ~A\$67M. Approval for development 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.

Regional Magnetics at the Rover Project



Rover 1 deposit extends into Adelaide's tenement

Source: Adelaide Resources

Exploration by Adelaide Resources at Rover 1 has confirmed significant mineralisation extends into its tenement, including drilling highlights 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.**

Adelaide Resources has also discovered the 100% owned Rover 4 deposit, located about 2km north of Rover 1, and defined a non-JORC resource that has development potential as satellite feed to a broader Rover Field mill.

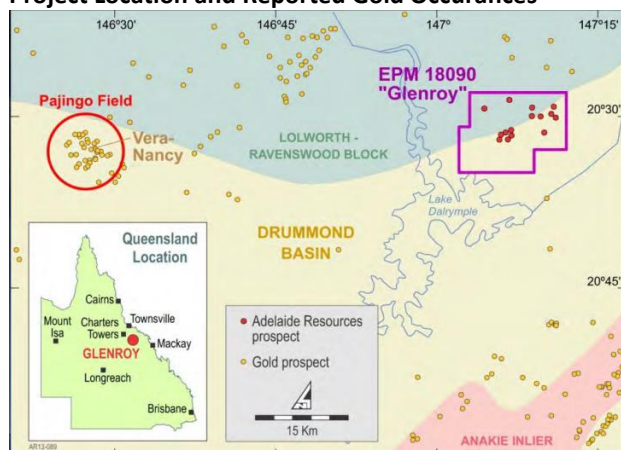


Drummond Gold Project – QLD

Prospective for 'epithermal style' mineralisation

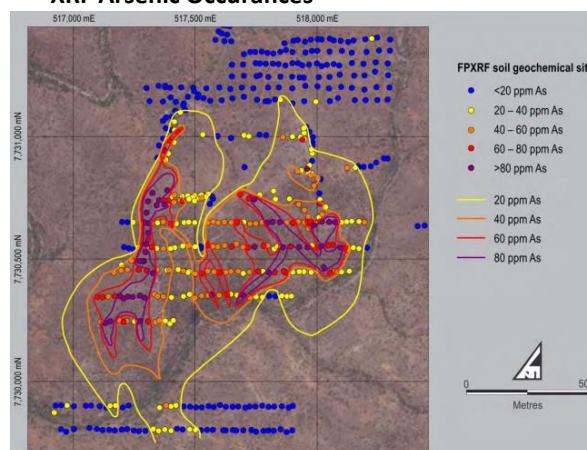
Drummond is an early stage project within the Adelaide Resources exploration portfolio. The licence is considered prospective for high grade, low sulphidation epithermal style gold mineralisation in a similar setting to that of the nearby Pajingo field – which has produced ~3Moz gold.

Project Location and Reported Gold Occurrences



Source: Adelaide Resources

XRF Arsenic Occurrences



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 in epithermal pathfinder metals. This suggests that a systematic soil sampling could lead to the definition of new prospects and direct drill targets.

Eyre Peninsula Gold Project - SA

Historic drill results highlight 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.

Breakaway's View (on additional projects)

Quality exploration portfolio, albeit generally early stage

Adelaide continues to generate and steadily advance a solid pipeline of projects that are important in developing a balanced portfolio for any resource company, while understandably directing much of its technical and financial resources on the exciting Moonta project.

Each of the secondary projects has the potential to discover meaningful scale deposits, with the Rover project also holding corporate appeal in the event of Metals X making a development decision at its Rover 1 deposit.



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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