



NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT

**ADELAIDE ENERGY LIMITED ABN 43 116 256 823
("ADELAIDE ENERGY")**

A pro-rata non-renounceable rights issue by Adelaide Energy to Eligible Shareholders of 1 New Share for every 4 Shares held at 22 April 2010 at an issue price of \$0.15 per New Share to raise approximately \$7.8 million before costs of the Offer.

This document is not a prospectus. It does not necessarily contain all of the information that a prospective investor would find in a prospectus or which may be required in order to make an investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

This is an important document requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

If you do not lodge an Entitlement and Acceptance Form by 12 May 2010, you will not be issued New Shares in Adelaide Energy.

Important Information

The Corporations Act enables listed companies to make a pro-rata entitlement offer of securities to existing Shareholders without a disclosure document. The Offer to which this Offer Document relates complies with the requirements of section 708AA of the Corporations Act as notionally modified by ASIC Class Order 08/35 and accordingly, this Offer Document is without disclosure under Part 6D.2 of the Corporations Act and is not required to be lodged or registered with ASIC. This Offer Document is provided for information purposes and is not, and does not purport to be, a prospectus or other disclosure document for the purposes of the Corporations Act. Accordingly, this Offer Document does not contain all of the information which would otherwise be required to be disclosed in a prospectus or other disclosure document, and does not necessarily contain all of the information which a prospective investor may require to make an investment decision.

This Offer Document is dated **13 April 2010**. This Offer Document is not a prospectus and has not been lodged with ASIC. Neither ASIC nor ASX, nor any of their officers or employees takes responsibility for this Offer or the merits of the investment to which this Offer relates. Before deciding whether to apply for New Shares you should consider whether they are a suitable investment for you in the light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Offer Document, you have any questions about the Offer, you should contact your stockbroker, accountant or other professional adviser.

The potential tax effects of the Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, sent to Eligible Shareholders with this Offer Document.

The Entitlement Offer is made only to those Eligible Shareholders with registered addresses in Australia and New Zealand and only those Eligible Shareholders will be offered New Shares. No action has been taken to permit the offer of New Shares under this Offer Document in any jurisdiction other than Australia and New Zealand. In particular, the New Shares have not been and will not be, registered under the US Securities Act and may not be offered, sold or delivered within the US or to or for the account or benefit of any US Person, except pursuant to applicable exceptions from registration. In addition, hedging transactions with respect to the New Shares may not be conducted unless in accordance with the US Securities Act. The distribution of this Offer Document in any jurisdiction other than Australia or New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Offer Document does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Document or make such an offer.

Future performance and forward looking statements

Applicants should note that the past share price performance of Adelaide Energy provides no guidance as to its future share price performance.

The pro forma financial information provided in this Offer Document is for illustrative purposes only and is not represented as being indicative of Adelaide Energy's future financial performance.

Any forward looking statements in this Offer Document are based on Adelaide Energy's current expectations about future events. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Adelaide Energy and its Board, which could cause actual results, performance and achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Prospectus.

Disclaimer

No person is authorised to give any information, or to make any representation in connection with the Offer that is not contained in this Offer Document. Any information or representation that is not in this Offer Document may not be relied on as having been authorized by Adelaide Energy in connection with the Offer.

Terms used in this Offer Document are defined in Section 7.

Key Dates

Event	Date
Announcement of Offer	Tuesday 13 April 2010
Offer Document, Appendix 3B and cleansing notice lodged with the ASX	Tuesday 13 April 2010
Letter to Shareholders	Wednesday 14 April 2010
Ex-date – the date on which Existing Shares commence trading without the Entitlement to participate in the Offer	Friday 16 April 2010
Record Date – the date for determining Entitlements of Eligible Shareholders to participate in the Offer (7.00pm ACST)	Thursday 22 April 2010
Offer Document sent to Shareholders – Offer opens; cleansing notice lodged with the ASX	Wednesday 28 April 2010
Closing Date (5.00pm ACST) *	Wednesday 12 May 2010
Securities quoted on a deferred settlement basis	Thursday 13 May 2010
Rights issue shortfall notified to ASX	Monday 17 May 2010
Despatch date (deferred settlement trading ends)	Thursday 20 May 2010
Normal trading resumes	Friday 21 May 2010

These dates are subject to change and are indicative only. Adelaide Energy reserves the right to amend this timetable including, subject to the Corporations Act and Listing Rules, to extend the Closing Date.

* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. The date that the New Shares are expected to commence trading on the ASX may vary with any change to the Closing Date.

Letter from the Chairman

13 April 2010

Dear Shareholder

On behalf of your Directors of Adelaide Energy Limited (**Adelaide Energy** or **the Company**), I am pleased to offer you the opportunity to participate in the pro-rata non-renounceable rights issue in Adelaide Energy which was announced by the Company on Tuesday 13 April 2010 (**the Rights Issue**).

Recently, your Company announced a placement of ordinary shares at 15 cents per share to sophisticated investors to raise \$1.5 million. The Directors now wish to provide the opportunity for eligible shareholders to invest under the Rights Issue. Each shareholder eligible to participate in the Rights Issue will be entitled to subscribe for 1 New Share in the capital of the Company for every 4 existing ordinary shares registered in their name at 7.00 pm ACST on Thursday 22 April 2010 (**the Record Date**).

The 1 for 4 pro-rata non-renounceable rights issue will raise approximately \$7.8 million (before costs) through the issue of up to 52,079,090 new fully paid ordinary shares (**New Shares**) (subject to the rounding up of entitlements and the issue of any further Shares pursuant to the exercise of any options prior to the Record Date).

The New Shares will be issued at a cost of 15 cents per share, which represents a 20% discount to the Company's five day Volume Weighted Average Price and a 14% discount to the last sale price of 17.5 cents recorded on ASX prior to the date of the announcement of the Rights Issue.

Shareholders wishing to take up more than their pro-rata allocation of shares may do so by applying for Shortfall Shares in accordance with the instructions set out in the Entitlement and Acceptance Form. Allocation of any Shortfall Shares remains at the discretion of the Board.

The net proceeds from the Rights Issue will be used for the purposes of funding:

- the acquisition of various oil and gas properties that were announced by the Company to the market in January;
- drilling costs associated with the Company's ongoing Otway Basin exploration program;
- the accommodation of additional costs associated with drilling activities and pipeline installation in the Company's Otway Petroleum Project.
- the Company's share of the drilling costs of the forthcoming "Pirie-1" exploration well in PEL 105 in the Cooper Basin;
- ongoing capital expenditure on the development of the Company's production assets in the Otway Basin; and,
- working capital requirements.

For more information on the recent developments of the Company, please refer to the Company's public announcements that are periodically released to the ASX (available on the Company's website on www.adelaidenergy.com.au or the ASX website at www.asx.com.au).

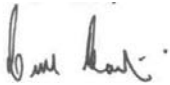
The Directors reserve the right to place any Shortfall.

The Company will apply to ASX for Official Quotation of the New Shares.

I recommend you seek independent investment advice from your stockbroker, accountant or other professional advisor before making any investment decision.

The Board of Adelaide Energy looks forward to your participation in the Rights Issue.

Yours faithfully

A handwritten signature in black ink, appearing to read "Neville Martin".

NEVILLE MARTIN
Chairman

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NON-RENOUNCEABLE RIGHTS ISSUE

1 Key Information

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Offer Document.

1.1 Offer

Adelaide Energy is making a pro-rata non-renounceable rights issue offering Eligible Shareholders 1 New Share for every 4 Shares held as at the Record Date, at an issue price of \$0.15.

The closing date and time for acceptances and payments is 5.00pm ACST on 12 May 2010.

The details of the Entitlement Offer are set out in full in section 2.

Adelaide Energy is also making a Shortfall Offer. The details of the Shortfall Offer are set out in full in section 2.

1.2 What you need to do

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements will be rounded up to the nearest whole Share. You may do one of the following:

- take up your Entitlement in full;
- in addition to taking up your Entitlement in full, apply for Shortfall Shares;
- take up part of your Entitlement and allow the balance to lapse; or
- allow all or part of your Entitlement to lapse. See section 3 for detailed instructions on what you need to do.

1.3 Purposes of the Offer and use of proceeds

If the Rights Issue under this Offer Document is fully subscribed, the Offer will result in the issue of up to 52,079,090 New Shares (subject to the rounding up of entitlements and the issue of any further Shares pursuant to the exercise of any options prior to the Record Date) raising approximately \$7.8 million (before the costs of the Offer).

The purpose of the Offer is to raise additional equity funding to enable Adelaide Energy to meet anticipated capital costs associated with the purchase of various interests in petroleum exploration tenements, its petroleum exploration and development programs, and for general working capital purposes.

The purposes of the Offer are discussed more fully in section 4.

1.4 Effects of the Offer on the capital of Adelaide Energy

The following table shows the proposed capital structure of the Company on completion of the Offer if the Rights Issue under this Offer Document is fully subscribed.

Shares	Number
Existing Shares on issue at the date of this announcement	198,316,358
New Placement Shares to be issued	10,000,000
Shares on issue after the Placement Shares are issued	208,316,358
Estimated number of New Shares to be issued under the Offer	52,079,090
Estimated total Shares on issue after the Offer	260,395,448
<i>Unlisted options on issue (exercisable by 30.6.11 @ 40c)</i>	<i>31,333,332</i>

1.5 Risk factors

An investment in Adelaide Energy involves general risks associated with an investment in the share market. The price of New Shares may rise or fall.

There are also a number of risk factors, both specific to Adelaide Energy and of a general nature, which may affect the future operating and financial performance of Adelaide Energy and the value of an investment in Adelaide Energy. The specific and general risk factors are described in section 5. Before deciding to invest in Adelaide Energy, prospective investors should consider those factors carefully.

2 Details of the Offer

2.1 The Offer

Adelaide Energy is making a pro-rata non-renounceable rights issue offering Eligible Shareholders 1 New Share for 4 Shares held.

The issue price of \$0.15 per New Share is payable in full on making an Application.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements will be rounded up to the nearest whole Share. You may also wish to apply for additional Shortfall Shares under the Shortfall Offer. Details of the Shortfall Offer are contained in section 2.5.

Assuming the Offer is fully subscribed, the total number of New Shares issued under the Offer will be 52,079,090. Assuming subscription for all the New Shares, the gross proceeds (before the costs of the Offer) will be \$7,811,863.

The closing date and time for acceptances and payments is 5.00pm ACST on 12 May 2010 (subject to any extension by the Directors).

2.2 Who is entitled to participate in the Entitlement Offer

Every shareholder registered as the holder of fully paid ordinary shares in Adelaide Energy at 7.00pm ACST on the Record Date, whose registered address is in Australia or New Zealand, is entitled to participate in the Entitlement Offer. The number of New Shares to which each Shareholder is entitled is shown in the accompanying Entitlement and Acceptance Form.

2.3 Rights trading

This Entitlement Offer is made on a non-renounceable basis such that Eligible Shareholders may not sell or transfer all or part of their Entitlement.

2.4 Underwriting

The Offer will not be underwritten.

2.5 Shortfall

Eligible Shareholders may also subscribe under the Shortfall Offer for Shortfall Shares, in addition to their Entitlement. The Shortfall Offer is a separate offer pursuant to this Offer Document made to Eligible Shareholders and other investors. The issue price of the New Shares pursuant to an Application for Shortfall Shares will be \$0.15 per New Share, being the same price for New Shares under the Entitlement Offer.

Allocation of the Shortfall Shares will be subject to there being a Shortfall under the Entitlement Offer and will otherwise take place in the absolute discretion of the Directors.

The Directors do not represent that any Application to participate in the Shortfall Offer will be successful. In relation to the Shortfall Offer, the Directors reserve the right to issue Shortfall Shares to Applicants under the Shortfall Offer at their absolute discretion. The Directors may allocate to an Applicant under the Shortfall Offer, a lesser number of Shortfall Shares than the number for which the Applicant applies, or reject an Application under the Shortfall Offer, or not proceed with the placing of the Shortfall Offer pursuant to this Offer Document. If the number of Shortfall Shares is less than the number applied for, surplus Application Monies will be refunded in full. Interest will not be paid on monies refunded.

In addition, the Directors reserve the right to place Shortfall Shares with institutional and sophisticated investors.

2.6 Minimum Subscription

There is no minimum subscription for the Offer.

2.7 ASX quotation

Adelaide Energy will make an application to ASX for admission of the New Shares offered under this Offer Document to quotation on ASX within 7 days after the date of this Offer Document.

The Shortfall Offer is independent from the Entitlement Offer and may remain open after the Closing Date for a period of time as determined by the Directors, in which case any Shortfall Shares issued pursuant to Applications received after that date will not be issued pursuant to this Offer Document, and may only be issued in circumstances where a disclosure document is not required under the *Corporations Act*.

If the New Shares are not admitted to Official Quotation on the ASX within three months after the date of this Offer Document, or such longer period as is permitted by the *Corporations Act*, none of the New Shares will be granted. In that circumstance, all Applications will be dealt with in accordance with Section 724 of the *Corporations Act*.

2.8 Issue of New Shares

New Shares will be issued as soon as practicable after the Closing Date and holding statements are anticipated to be despatched on 20 May 2010.

Issues of New Shares under this Offer Document will only be made after permission for their quotation on ASX has been granted.

Subscription money will be held in a subscription account until the New Shares are issued. This account will be established and kept by Adelaide Energy on behalf of each participating Eligible Shareholder and Applicant.

Interest earned on the subscription money will be for the benefit of Adelaide Energy, and will be retained by Adelaide Energy irrespective of whether New Shares are issued.

2.9 Brokerage

The Company may pay a brokerage commission of 3% on the funds raised by licensed brokers on Entitlement and Acceptance Forms bearing the broker's stamp and accepted by the Company.

2.10 Foreign Shareholders

This Entitlement Offer is made only to Shareholders with a registered address in Australia or New Zealand as at the Record Date.

Adelaide Energy is of the view that it is unreasonable to make the Entitlement Offer to other overseas Shareholders (ie those without registered addresses in Australia or New Zealand) (**Foreign Shareholders**) having regard to:

- the number of Foreign Shareholders;
- the number and value of New Shares that would be offered to Foreign Shareholders; and,
- the cost of complying with overseas legal requirements.

Accordingly, the Offer is not being made, and no New Shares will be issued to, any Shareholders whose registered address is in a country other than Australia or New Zealand.

Where this Offer has been sent to Shareholders or others domiciled outside Australia or New Zealand and where the country's securities code and/or legislation prohibits or restricts in any way the making of the offers contemplated by this Offer, this Offer is provided for information purposes only.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction.

Return of a duly completed Entitlement and Acceptance Form will be taken by Adelaide Energy to constitute a representation that there has been no breach of such regulations.

2.11 Rights Attaching to New Shares

The New Shares issued will rank equally with the existing ordinary shares on issue. The rights and liabilities attaching to the New Shares are set out in the Constitution of the Company and in the Corporations Act.

2.12 Privacy Statement

If you complete an application for New Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your need as a shareholder and to facilitate distribution payments and corporate communications to you as a shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that is held about you. If you wish to do so please contact the Company's share registry at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if the information required on the application for New Shares is not provided, the Company may not be able to accept or process your application.

3 What You Need to Do

3.1 What Eligible Shareholders may do

The number of New Shares to which Eligible Shareholders are entitled (**Entitlement**) is shown on the accompanying Entitlement and Acceptance Form.

If you take up your full Entitlement under the Entitlement Offer, you will not have your shareholding in Adelaide Energy diluted.

As an Eligible Shareholder, you may:

- take up all of your Entitlement (refer section 3.2);
- in addition to applying for all of your Entitlement, apply for Shortfall Shares under the Shortfall Offer (refer section 3.3);
- take up part of your Entitlement and allow the balance to lapse (refer section 3.4); or
- allow all or part of your Entitlement to lapse (refer section 3.5).

Non-qualifying Foreign Shareholders may not take any of the steps set out in sections 3.2 – 3.5. See section 2.10 above.

3.2 Taking up all of your Entitlement

If you wish to take up all of your Entitlement, complete the accompanying Entitlement and Acceptance Form for the New Shares, in accordance with the instructions set out in that form.

You should then forward your completed Entitlement and Acceptance Form together with your Application Monies, in accordance with section 3.6 to reach the Company's Share Registry no later than the Closing Date. You may also pay your Application Monies by BPAY®.

3.3 Taking up all of your Entitlement and applying for Shortfall Shares

If you wish to take up all of your Entitlement and subscribe for Shortfall Shares pursuant to the Shortfall Offer, complete the Entitlement and Acceptance Form in accordance with the instructions set out on the form. When completing the Entitlement and Acceptance Form, indicate the number of New Shares you wish to accept under the Offer and the number of Shortfall Shares you wish to apply for under the Shortfall Offer, and follow the steps required in accordance with section 3.2.

All allocations under the Shortfall Offer are at the sole and absolute discretion of the Directors. There is no guarantee that any Applications for Shortfall Shares under the Shortfall Offer will be successful.

3.4 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form for the number of New Shares you wish to take up, and follow the steps required in accordance with section 3.2. If you take no further action, the balance of your Entitlement will lapse.

3.5 Allow all or part of your Entitlement to lapse

If you do not take up your full Entitlement, your shareholding in Adelaide Energy will be diluted with respect to your right to future earnings and net assets of Adelaide Energy.

3.6 How do I accept all, or part, of my Entitlement

You may accept your Entitlement following the despatch of this Offer (expected to be 23 April 2010). Adelaide Energy will accept Applications until the Closing Date.

You should read this Offer in its entirety before deciding to complete and lodge your Entitlement and Acceptance Form.

You may make payment of your Application Monies by BPAY® or by cheque, bank draft or money order.

(a) *Payment by BPAY®*

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Reference Number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

Please make sure to use the specific Biller Code and unique Reference Number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Reference Number specific to the Entitlement on that form.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm ACST on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

(b) *Payment by cheque, bank draft or money order*

You should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies drawn on an Australian branch of an Australian bank for the Issue Price of the New Shares for which application is made. All cheques must be made payable to 'Adelaide Energy Limited Rights Issue' and crossed 'Not Negotiable'. Do not forward cash or money orders. Receipts for Application Monies will not be issued.

Completed Entitlement and Acceptance Forms and accompanying cheques, bank drafts or money orders must be returned to the following address and received no later than 5.00pm ACST on the Closing Date.

By mail:

Adelaide Energy Limited
c/o Computershare Investor Services Pty Ltd
GPO Box 2987
ADELAIDE SA 5001

By delivery:

Adelaide Energy Limited
Computershare Investor Services Pty Ltd
GPO Box 2987
ADELAIDE SA 5001

A reply paid envelope is enclosed for your convenience. If mailed in Australia, no postage stamp is required.

Acceptance of Applications under the Entitlement Offer

Lodgement of a completed Entitlement and Acceptance Form creates a legally binding contract between the Applicant and the Company for the number of New Shares applied for and is not revocable. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

3.7 Enquiries concerning Offer Document

Enquiries concerning the Entitlement and Acceptance Form can be obtained by contacting Computershare Investor Services Pty Ltd by telephone on 1300 556 161. Enquiries relating to this Offer Document can be directed to the Company Secretary by telephone on (08) 8232 8800.

4 Purpose of the Offer

4.1 Purpose of the Offer and use of proceeds

The purpose of the Offer is to raise additional equity funding to enable Adelaide Energy to meet anticipated capital costs associated with recent acquisitions of interests in petroleum exploration tenements, its petroleum exploration and development activities, and for general working capital purposes.

The proceeds of the Offer will be used to fund or defray costs associated with:

- (a) the acquisition of interests in various petroleum exploration tenements in Queensland and South Australia, as follows:
 - (i) the purchase of Magellan Petroleum Corporation's interests in 3 permits in Queensland's Maryborough Basin for consideration of \$450,000 (per ASX release of 12 January 2010). As a consequence of this purchase, Adelaide Energy will also be required to reimburse security deposits previously made by the vendor with the Queensland Government for approximately \$150,000;
 - (ii) the acquisition of 100% of the shares in 2 private companies that hold equity interests in various permits in the Surat and Cooper Basins for consideration of \$2 million plus the issue of 15 million Adelaide Energy Shares (per ASX release of 20 January 2010);
- (b) the Company's ongoing drilling program in the Otway Basin;
- (c) the accommodation of additional costs associated with drilling activities and pipeline installation in the Company's Otway Petroleum Project.
- (d) the drilling of the Company's forthcoming exploration well "Pirie-1" in PEL 105 in the Cooper Basin at an estimated cost to Adelaide Energy of \$2.75 million. This well is expected to be drilled in mid-2010;
- (e) ongoing development work on the Company's gas and liquids production assets in the Otway Basin; and,
- (f) general working capital requirements.

5 Risk Factors

5.1 Overview

There are a number of factors, both specific to Adelaide Energy and of a general nature, which may affect the future operating and financial performance of Adelaide Energy and the outcome of an investment in Adelaide Energy. There can be no guarantees that Adelaide Energy will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised.

This section describes certain, but not all, risks associated with an investment in Adelaide Energy. Prior to making an investment decision, prospective investors should carefully consider the following risk factors, as well as the other information contained in this Offer Document or of which they are otherwise aware.

5.2 Risk factors

(a) *Share Market*

Share market conditions may affect the quoted New Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- economic conditions and general economic outlook;
- changes in Australian and international stock markets;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment towards particular market sectors;
- taxation, government and monetary policies;
- the demand for, and supply of capital; and
- war, terrorism or other hostilities.

(b) *Oil and Gas Price Fluctuations*

The price for oil and gas will depend upon available markets at acceptable prices and transmission and distribution costs. Any substantial decline in the prices of oil and gas or an increase in transmission or distribution costs could have a material adverse affect on the Company.

(c) *Economic Factors*

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market prices. The Company's future possible profitability and the market price of its quoted New Shares can be affected by these factors, which are beyond the control of the Company and its Directors.

(d) *Government Policy*

Changes in Government, monetary policies, taxation and other laws and actions (including such matters as access to lands and infrastructure and compliance with environmental regulations) can have a significant influence on the outlook for companies and the returns to investors.

(e) *Exploration*

The future profitability of the Company and the value of its New Shares directly relates to the results of exploration. There are inherent risks in exploration activities. No assurances can be given that funds spent on exploration will result in discoveries that will be eventually viable.

(f) *Drilling*

Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of rigs and/or other equipment. Drilling may result in wells that, while encountering oil and gas, may not achieve economically viable results.

(g) *Operating*

Industry operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in legal proceedings being instituted against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damages occurring to third parties as a result of such risks may give rise to claims against the Company.

(h) *Environmental risks*

Oil and gas exploration, development and production can be potentially environmentally hazardous, giving rise to substantial costs for environmental rehabilitation, damage control and losses.

(i) *Commercialisation*

Even if the Company discovers commercial quantities of oil or gas, there is no guarantee that the Company will be able to successfully transport the oil or gas to commercially viable markets, or sell the oil or gas to customers to achieve a commercial return.

The sharing with other industry participants of operating infrastructure such as oil and gas processing facilities and pipelines is an integral feature of oil and gas operations. As such, the Company places reliance on access to and the proper operation and maintenance of shared facilities that are outside of its direct control in order to deliver its production to markets. Any delay or failure to access to, or the improper operation and maintenance of, such facilities may have a material adverse impact on the Company.

(j) *Financing*

In order to meet work programs, develop discoveries and maintain and enhance existing production assets, the Company may be required to raise additional capital. In the event such funds are not forthcoming, the Company may need to sell down or farm out some or all of its assets.

(k) *Insurance*

Insurance of all risks associated with oil and gas exploration and production is not always available and, where available, the cost can be high. Whilst the Company has insurance in place that is considered appropriate for its needs, it will not always be insured against all possible losses, either because of the unavailability of cover or because the premiums are excessive relative to the benefits that would accrue.

(l) *Joint Ventures*

The Company is a party to various joint venture operating agreements, under some of which it is the Operator and under others where it is not. Under such agreements, the Company may be required to participate in programs and budgets with which it does not agree with or have the cash resources to fund. It may also be required to contribute to any increases in capital expenditure requirements and/or operating costs. Furthermore, the situation could arise where any or all of the other joint venture parties are unable to fund their pro rata contributions to expenditure, in which instance the Company may have to make increased contributions to ensure that the program meets its objectives.

Where the Company is a non-Operator, it will be dependent to a degree on the effectiveness of the Management of the Operator. In such instances, the objectives and strategy of the Operator may not always be consistent with the objectives and strategy of the Company.

The Company will be required under joint operating agreements to pay its percentage interest share of all costs and liabilities incurred by the joint venture in connection with joint venture activities. In common with other joint venture parties, if the Company fails to pay its share of any costs and liabilities it may be deemed to have withdrawn from the joint venture and may have to transfer its interest in the permits and other joint venture assets to the other joint venture participants.

The financial failure by any participant in a joint venture to which the Company is a party may have a significant and adverse impact on the Company.

(m) *Native Title and Aboriginal Heritage and Sacred Sites*

Native Title exists in some areas covered by petroleum permits in which the Company has an interest and as such it needs to comply with agreements entered into with the relevant Aboriginal groups with respect to gaining access to the permits and also managing potential heritage and sacred sites. Failure to do so could lead to a variety of negative outcomes, including delays in work programs, costs, legal action and Government interventions.

(n) *Production Licences*

In order for production to commence in relation to any successful oil or gas well it may be necessary for a production licence to be granted. There may be a risk that the relevant regulator will not grant the relevant licence.

(o) *Regulatory Approvals*

The Company requires Government regulatory approvals for its operations and must comply with those approvals and other applicable laws, regulations and policies. These requirements may from time to time affect the timing and scope of work the Company desires to undertake.

(p) *Land Access*

In order to undertake its exploration programs, the Company requires access to land, which is likely to require approvals from Government and negotiated agreements with landholders whose outcomes may not be as sought by the Company.

(q) *Reliance on Key Executives*

The success of the Company is dependent upon a number of highly qualified and experienced personnel, the loss of whose services could materially and adversely affect the Company and impede the achievement of its business goals. The failure to retain and attract key highly qualified personnel could materially affect Adelaide Energy's financial position.

6 Additional Information

6.1 Reliance on Offer Document

This Offer Document has been prepared pursuant to section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document was lodged with the ASX on 13 April 2010.

Section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) requires companies to lodge with the ASX a Cleansing Notice. The Company lodged a Cleansing Notice with the ASX on 13 April 2010.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of the Company, refer to the documents lodged and the disclosures made by the Company on ASX (which are available on the ASX website at www.asx.com.au) and seek advice from your financial or professional adviser.

6.2 Interests of the Directors

The interests of the Directors and their related parties in the securities of the Company at the date of this Offer Document are as follows:

Director	Ordinary Shares	Options
Neville Martin	5,628,835*	4,651,162*
Carl Dorsch	4,811,957	5,984,495
Roderic Hollingsworth	4,811,957**	4,651,163**
Peter Hunt	1,638,878***	1,395,349

* 4,418,381 Ordinary Shares and 4,349,335 Options are held on behalf of some of the partners of the Adelaide law firm, Minter Ellison

** 3,725,000 Ordinary shares are held on behalf of the RJS Hollingsworth Family Trust
All options are held by Mr Hollingsworth on behalf of the RJS Hollingsworth Family Trust

*** 451,921 shares held by Hunt Corporation Investments Pty Ltd as trustee for Peter Hunt Superannuation Fund. Mr Hunt is a Directors and shareholders of Hunt Corporation Investments Pty Ltd and a beneficiary of the Peter Hunt Superannuation Fund.

6.3 Obtaining copies of Documents

Adelaide Energy will provide free of charge to any person who asks before the Offer closes, a copy of:

- the annual financial report of Adelaide Energy for the year ended 30 June 2009 being the most recently lodged annual financial report of Adelaide Energy before the date of this Offer Document;
- the half-year financial report of Adelaide Energy for the period ended 31 December 2010 being the most recently lodged half-year financial report of Adelaide Energy before the date of this Offer Document; and,
- any continuous disclosure notices given by Adelaide Energy to ASX after the lodgement of the annual financial report of Adelaide Energy for the year ended 30 June 2009 with ASIC and before lodgement of a copy of this Offer Document with the ASX.

6.4 CHESS

The New Shares will participate from the date of commencement of quotation in the Clearing House Electronic Subregister System (CHESS), operated by ASX Settlement and Transfer Corporation Pty Limited. They may be held in uncertificated form (i.e. no share certificate will be issued) on the CHESS subregister under sponsorship of a broker or on the issuer-sponsored subregister. New Shares subscribed for under the Entitlement Offer must be allotted to the registered holder in accordance with the applicable Entitlement and Acceptance Form.

If you wish to hold your Shares on the CHESS subregister under sponsorship of a broker, you should provide your HIN (Holder Identification Number) in the space provided in the Entitlement and

Acceptance Form accompanying this Offer Document. If you do not provide an HIN, your Shares will be held on the issuer-sponsored subregister.

Arrangements can be made at any subsequent time to convert your holding from the issuer-sponsored subregister to the CHES subregister under sponsorship of a broker or vice versa by contacting Adelaide Energy or your broker.

6.5 Taxation

Shareholders should be aware that there may be taxation implications of participating in the Offer. Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

6.6 Withdrawal of Entitlement Offer

The Directors reserve the right to withdraw all or part of the Offer at any time prior to the issue of New Shares, in which case the Company will refund Application Monies in accordance with the Corporations Act without payment of interest.

6.7 Overseas jurisdictions

This Offer Document does not, and is not intended to, constitute an offer, invitation or issue in any place in which, or to any person to whom, it would be unlawful to make such an offer, invitation or issue. By applying for New Shares, including by submitting the Entitlement and Acceptance Form or making a payment by Bpay® you represent and warrant that there has been no breach of such laws.

The distribution of this Offer Document outside of Australia may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. The Company disclaims all liabilities to such persons. Eligible Shareholders who hold Shares on behalf of persons who are not resident in Australia or New Zealand are responsible for ensuring that taking up New Shares under the Offer does not breach the selling restrictions set out in this Offer Document or otherwise violate the securities laws in the relevant overseas jurisdictions.

No action has been taken to register or qualify this Offer Document, the New Shares or the Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia and New Zealand.

6.8 Governing Law

This Offer Document, the Offer and the contracts formed on acceptance of applications are governed by the laws of South Australia, Australia. Each applicant for New Shares submits to the exclusive jurisdiction of the courts of South Australia, Australia.

7 Defined Terms

ABN means Australian Business Number;

ACST means Australian Central Standard Time;

Adelaide Energy means Adelaide Energy Limited ABN 43 116 356 823;

Applicant means an Eligible Shareholder who submits an Entitlement and Acceptance Form or where the context requires a person who applies for Shortfall Shares;

Application means an application by way of a completed Entitlement and Acceptance Form to subscribe for New Shares under this Offer Document or where the context requires an application to subscribe for Shortfall Shares;

Application Monies means the monies received from Applicants in respect to their Application;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ABN 98 008 624 691 and where the context permits, the Australian Securities Exchange operated by ASX Limited;

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532);

Board means the board of directors of Adelaide Energy;

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, and any other day that ASX declares is not a business day;

Closing Date means the last date for accepting an offer for New Shares, being 5.00pm ACST on 13 May 2010;

Company means Adelaide Energy Limited (ABN 43 116 356 823);

Constitution means the constitution of the Company;

Corporations Act means the Corporations Act 2001 (Cth);

Directors means the directors of Adelaide Energy;

Eligible Shareholders means a person who is a Shareholder on the Record Date who is not a Foreign Shareholder;

Entitlement means the non-renounceable right of an Eligible Shareholder to subscribe for New Shares pursuant to this Offer Document as set out in section 2.1;

Entitlement and Acceptance Form means the personalised form attached to or accompanying this Offer Document;

Entitlement Offer means the offer of Entitlements to New Shares pursuant to this Offer Document;

Foreign Shareholder means a Shareholder described in section 2.10;

Issue Price means \$0.15 per New Share;

Listing Rules means the official listing rules of ASX;

New Shares means, where the context requires, Shares to be issued pursuant to the Offer or a Shortfall Share;

Offer means the Entitlement Offer and the Shortfall Offer;

Offer Document means this document, including the Entitlement and Acceptance Form;

Official Quotation means official quotation by ASX in accordance with the Listing Rules;

Record Date means 7.00pm ACST on 22 April 2010;

Right means the right to subscribe for 1 New Share for every 4 Shares held on the Record Date and 'Rights' has a corresponding meaning;

Rights Issue means the issue of New Shares upon receipt of valid acceptances under this Offer;

Share means an ordinary share in the capital of Adelaide Energy and 'Shares' has a corresponding meaning;

Shareholders means the registered holders of Shares as at the Record Date;

Share Registry means Computershare Investor Services Pty Ltd ACN 078 279 277;

Shortfall means the number of New Shares for which Applications in response to Entitlements under the Offer Document have not been received by the Closing Date;

Shortfall Offer means the offer of Shortfall Shares pursuant to this Offer Document as set out in section 2.5;

Shortfall Shares means, subject to any Shortfall, the number of Shares for which persons may apply for under the Shortfall Offer.

8 Corporate Directory

DIRECTORS

Neville Martin, Chairman

Carl Dorsch, Managing Director

Peter Hunt, Non Executive Director

Roderic Hollingsworth, Non Executive Director

SECRETARY

Rajita Shamani Alwis

REGISTERED OFFICE

Level 5, 70 Pirie Street

ADELAIDE SA 5000

Telephone: + 61 8 8228 5207

Facsimile: +61 8 8228 0544

SOLICITORS

Kelly & Co.

Level 21, Westpac House

91 King William Street

ADELAIDE SA 5000

SHARE REGISTRY

Computershare Investor Services Pty Ltd ACN 078 279 277

Level 5, 115 Grenfell Street

ADELAIDE SA 5000