

ASX ANNOUNCEMENT

4 November 2010

The Manager
Companies Announcements Office
Australian Securities Exchange



Dear Sir/Madam

Non-renounceable Right Issue Offer Document

Please find attached the Offer Document and Entitlement & Acceptance Form in relation to the non-renounceable rights issue for Adelaide Energy Limited (ADE) that opens on Thursday 4 November 2010 and closes on Friday 19 November 2010

The Offer Document and personalised Entitlement & Acceptance Form has also been sent by post to all shareholders.

Yours faithfully



Rajita Alwis
Company Secretary



NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT

A pro-rata, non-renounceable rights issue to Eligible Shareholders of 1 New Share for every 2 Shares held at Friday 29 October 2010 at an issue price of \$0.06 per New Share to raise approximately \$6.8 million before costs of the Offer.

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

This is an important document and 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 Friday 19 November 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 issued 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 **20 October 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. ASIC has granted the Company relief from the requirement to establish a nominee procedure for the Company's foreign shareholders. 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.

Letter from the Chairman

20 October 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 20 October 2010 (**the Rights Issue**).

This is the Company's second rights issue in 2010. The first, announced in April, was affected by a combination of unfortunate circumstances, including the Federal Government's Resource Super Profits Tax and concerns over the economies of Southern Europe impacting worldwide financial markets. This led to a material shortfall in the funds raised under that earlier rights issue and the Company has now determined that its financing needs are best met by another non-dilutive equity raising.

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 2 existing ordinary shares registered in their name at 7.00 pm ACDT on 29 October 2010 (**the Record Date**).

The 1 for 2 pro-rata non-renounceable rights issue to shareholders will raise approximately \$6.8 million (before costs) through the issue of up to 113,829,517 new fully paid ordinary shares (**New Shares**) (subject to 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 6 cents per share, which represents a 43% discount to the Company's five day Volume Weighted Average Price and a 43% discount to the last sale price of 10.5 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:

- further testing work on the Hollick-1 and Patrick-1 wells drilled in the Otway Basin earlier this year and the installation of production facilities and tie-ins at the drill site;
- additional testing work on the Wynn-2 well completed in the Otway Basin earlier this year; and,
- general working capital requirements.

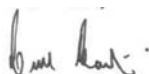
For more information on the recent developments of the Company, please refer to the Company's public announcements that are periodically released to the ASX (available on the Company's website or the ASX website).

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



NEVILLE MARTIN
Chairman

Key Dates

<i>Event</i>	<i>Date</i>
Announcement of Offer	Wednesday 20 October 2010
Offer Document, Appendix 3B and cleansing notice lodged with the ASX	Wednesday 20 October 2010
Letter to Shareholders	Thursday 21 October 2010
“Ex” date – the date on which Existing Shares commence trading without the Entitlement to participate in the Offer	Monday 25 October 2010
Record Date – the date for determining Entitlements of Eligible Shareholders to participate in the Offer (7.00pm ACDT)	Friday 29 October 2010
Offer Document sent to Shareholders – Offer opens; cleansing notice lodged with the ASX	Thursday 4 November 2010
Closing Date 5.00pm ACDT*	Friday 19 November 2010
Securities quoted on a deferred settlement basis	Monday 22 November 2010
Rights issue shortfall notified to ASX	Wednesday 24 November 2010
Despatch date (deferred settlement trading ends)	Monday 29 November 2010
Normal trading resumes	Tuesday 30 November 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.

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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 2 Shares held as at the Record Date, at an issue price of \$0.06.

The closing date and time for acceptances and payments is 5.00pm ACDT on Friday 19 November 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 113,829,517 New Shares, raising approximately \$6.8 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 costs associated with testing recent Otway Basin wells, installing production facilities and tie-ins, 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	227,659,035
Estimated number of New Shares to be issued under the Offer	113,829,517
Estimated total Shares on issue after the Offer	341,488,552
<i>Unlisted options on issue</i>	32,783,332

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 2 Shares held.

The issue price of \$0.06 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 113,829,517. Assuming subscription for all the New Shares, the gross proceeds (before the costs of the Offer) will be \$6,829,771.

The closing date and time for acceptances and payments is 5.00pm ACDT on Friday 19 November 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 ACDT on Friday 29 October 2010 (**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 rights issue 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 \$0.06 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 New 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 New 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 New Shares is less than the number applied for, surplus Application Monies will be refunded in full. Interest will not be paid on monies refunded.

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 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 no later than Monday 29 November 2010. Holding statements are anticipated to be despatched on the third Business Day from allotment.

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 will pay a brokerage commission of 3% on the total funds raised by licensed brokers 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.

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.

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 3.5 to reach the Company's Share Registry no later than 5.00pm (ACDT) on Friday 19 November 2010. 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.

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

You may accept your Entitlement following the despatch of this Offer (expected to be Thursday 4 November 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 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 ACDT on Friday 19 November 2010. 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 ACDT on 19 November 2010.

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.

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 costs associated with testing and production work on the wells it drilled and completed in the Otway Basin earlier this year, and for general working capital purposes.

The proceeds of the Offer will be used for the funding of:

- (a) Testing work on the Hollick-1 and Patrick-1 wells drilled in PEL 255 in the Otway Basin earlier this year. This work will include:
 - (i) Sub-surface camera investigatory work
 - (ii) Perforating additional zones
 - (iii) Connecting gas-jacks and putting the wells on extended production tests
 - (iv) Additional work as further data is obtained
- (b) The installation of production facilities and tie-ins at the PEL 255 drill site.
- (c) Testing work on the Wynn-2 well drilled in PRL 1 in the Otway Basin earlier this year, which is likely to include similar items as set out above; and,
- (d) 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 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 players 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 Wednesday 20 October 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 Wednesday 20 October 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) and seek advice from your financial or professional adviser.

6.2 Underwriting

This offer is not underwritten.

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 2010 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 2009 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 2010 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 CHESS 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 Voting Power and ASIC Relief

The Auckland Trust Company Limited currently holds 45,200,000 Shares in the Company and has a voting power of 19.85%. If no Shareholders (other than Auckland Trust Company Limited) take up their entitlements under the Rights Issue, the:

- number of Shares held by Auckland Trust Company Limited will increase from 45,200,000 to 67,800,000; and
- voting power of Auckland Trust Company Limited in the Company will increase from approximately 19.85% to 27.1%.

Item 10 of section 611 of the Corporations Act exempts a person from the takeover provisions in Chapter 6 of the Corporations Act where that person's voting power increases above 20% because of an acquisition of shares under a rights issue.

ASIC, on 20 October 2010, granted the Company relief from the requirement under section 615 to establish a nominee procedure to deal with the Entitlements for the Company's foreign shareholders in accordance with the policy stated in ASIC Regulatory Guide 199 (Broadening the rights issue and dividend reinvestment plan exceptions for takeovers).

7 Defined Terms

2011 A Class Options means the Options issued by the Company on the terms set out in Note 16 of the Company's Financial Statements for the year ended 30 June 2009 having an exercise price of \$0.40 and being exercisable by 30 June 2011;

ABN means Australian Business Number;

ACDT means Australian Central Daylight Time;

Adelaide Energy means Adelaide Energy (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);

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 ACDT on Friday 19 November 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 at 7.00pm (ACDT) 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 \$0.06 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 ACDT on Friday 29 October 2010;

Right means the right to subscribe for 1 New Share for every 2 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; and

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

SHARE REGISTRY

Computershare Investor Services Pty Ltd ACN 078 279 277

Level 5, 115 Grenfell Street

ADELAIDE SA 5000

Adelaide Energy Limited
 ABN 43 116 256 823

Please return completed form to:
 Computershare Investor Services Pty Limited
 GPO Box 2987 Adelaide
 SA 5000 Australia
 Enquiries (within Australia) 1300 760 469
 (outside Australia) 03 9415 4637
 web.queries@computershare.com.au
 www.computershare.com

Use a black pen.
 Print in CAPITAL letters
 inside the grey areas.

A	B	C	1	2	3
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For your security keep your SRN/HIN confidential.

Entitlement and Acceptance Form (including Additional Securities)

This personalised form can only be used in relation to the securityholding represented by the SRN or HIN printed above. This is an important document and requires your immediate attention. If you are in doubt about how to deal with this document, please consult your financial or other professional adviser.

Non-Renounceable Rights Issue closing 5.00pm (ACDT) on 19 November 2010

Non-Renounceable Rights Issue of 1 New Share for every 2 Shares registered and entitled to participate at the record date at an issue price of A\$0.06 per New Share.

Receipt of the slip below by 5.00pm (ACDT) on 19 November 2010 with your payment, utilising the payment options detailed overleaf will constitute acceptance in accordance with the terms and conditions of the Offer Document dated 20 October 2010.

I/We enclose my/our payment for the amount shown below being payment of A\$0.06 per New Share. I/We hereby authorise you to register me/us as the holder(s) of the Share allotted to me/us, and I/we agree to be bound by the Constitution of the Company.

Securityholder Entitlement details	
Subregister	Issuer
Existing Shares entitled to participate at Record Date on 29 October 2010	XXX,XXX,XXX
Entitlement to New Shares on a 1 for 2 basis	XXX,XXX,XXX
Amount payable on full acceptance at A\$0.06 per New Share	X,XXX,XXX.XX
Entitlement Number	123456789012

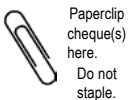
A D E

2 N R B

See back of form for completion guidelines

SAMP_PAYMENT_000000/000001/000001/i

▼ PLEASE DETACH HERE ▼



Adelaide Energy Limited
 ABN 43 116 256 823

Please see overleaf for Payment Options

Ent: X,XXX	Pay: X,XXX
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Billor Code: 123456

Ref No: 1234 5678 9012 3456 78

Amount enclosed at A\$0.06 per New and additional Share (B + C)

B Number of New Shares applied for	C Number of additional Shares applied for	D Amount enclosed at A\$0.06 per New and additional Share (B + C)
<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Payment Details – Please note that funds are unable to be directly debited from your bank account				
Drawer	Cheque number	BSB number	Account number	Cheque amount
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Make your cheque or bank draft payable to Adelaide Energy Limited Rights Issue

Contact Details	
Please provide your contact details in case we need to speak to you about this slip	
Name of contact person	Contact person's daytime telephone number
<input type="text"/>	(<input type="text"/>) <input type="text"/>

How to complete the Entitlement and Acceptance Form (including Additional Securities)

Please note that photocopies of this form will not be accepted. These instructions are cross-referenced to each section of the Entitlement and Acceptance Form.

A Details of your Entitlement based on your Securityholding at 7.00pm (ACDT) on 29 October 2010 are shown in box A on the front of this Entitlement Form.

B New Securities Applied for

You can apply to accept either all or part of your Entitlement. Enter in box B the number of New Shares you wish to accept from your Entitlement.

Please ensure you complete Section B on the bottom of the form.

C Additional Securities Applied for

Enter the number of additional New Shares you wish to apply for (if any).

No Eligible Securityholder is assured of receiving any New Shares applied for in excess of their Entitlement and any amount by which applications from Eligible Securityholders exceed their Entitlements may be scaled back at Adelaide Energy Limited's discretion, in such manner as Adelaide Energy Limited considers is reasonable in the circumstances.

Please ensure you complete Section C on the bottom of the form.

D Acceptance Monies

Enter the total amount of acceptance monies payable. To calculate this amount, multiply the total number of New Shares applied for in box B, and if applicable, box C, by A\$0.06.

Please ensure you complete Section D on the bottom of the form.

E Payment Details

You can apply for shares by utilising the payment options detailed below. **Please note that funds are unable to be directly debited from your bank account.**

By making your payment using either electronic means or by cheque, bank draft or money order, you confirm that you:

- agree to all of the terms and conditions as detailed in the Offer Document dated 20 October 2010

Your cheque, money order or bank draft must be made in Australian currency and drawn on an Australian branch of a financial institution. Such payment must be made payable to Adelaide Energy Limited and crossed "Not Negotiable". Payments not properly drawn may be rejected.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Acceptance form being rejected. Paperclip (do not staple) your cheque(s) to the form where indicated. Cash will not be accepted. Receipt of payment will not be forwarded.

F Contact Details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding the slip below.

The directors reserve the right to make amendments to this form where appropriate.

Lodgement of Acceptance

If you are applying for shares and your payment is being made using BPAY®, you do not need to return the slip below. Your payment must be received by no later than 5.00pm (ACDT) on 19 November 2010. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Ensure you have read and accurately followed your banking institution's BPAY FAQ or other instructions prior to making multiple payments for multiple holdings under this offer. Neither CIS nor Adelaide Energy Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order, the slip below must be received by Computershare Investor Services Pty Limited (CIS) Adelaide by no later than 5.00pm (ACDT) on 19 November 2010. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for securityholders in Australia. New Zealand holders will need to affix the appropriate postage. Return the slip below with cheque attached.

Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning this form or your entitlement, please contact CIS on 1300 760 469.

This form may not be used to notify your change of address. For information, please contact CIS on 1300 760 469 or www.computershare.com (Certificated/Issuer Sponsored Holders only).

CHES holders must contact their Controlling Participant to notify a change of address.

© Registered to BPAY Pty Ltd ABN 69 079 137 518

Payment Options:



Billir Code: 123456

Ref No: 1234 5678 9012 3456 78

Telephone & Internet Banking – BPAY

Call your bank, credit union or building society to make this payment from your cheque or savings account. More info: www.bpay.com.au



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Computershare Investor Services Pty Limited

GPO Box & , +

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AUSTRALIA

