

ADELAIDE ENERGY LIMITED

ABN 43 116 256 823



**A D E L A I D E
E N E R G Y
L I M I T E D**

INTERIM FINANCIAL REPORT

31 DECEMBER 2009

Adelaide Energy Limited A.B.N 43 116 256 823

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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Adelaide Energy Limited A.B.N 43 116 256 823

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

The directors present this report on the Company for the half-year ended 31 December 2009.

1 Directors

The names of each person who has been a director during the half-year and to the date of this report are:

- Neville Martin – LLB (Chairman)
- Carl Dorsch – BSc, BE, CEng, FIChemE (Managing Director)
- Roderic Hollingsworth – BSc (Hons), FAIE (Non-Executive Director)
- Peter Hunt – FCA (Non-Executive Director)

2 Operating Results

The net loss of the Company for the half-year ended 31 December 2009 was \$1,361,731 (2008: \$627,955).

3 SUMMARY OF OIL & GAS PROJECT ACTIVITIES (during the reporting period)

During the half-year the Consolidated Entity undertook the following:

A. The Otway Petroleum Project (ADE 100%)

The **Otway Petroleum Project** is Adelaide Energy Ltd's (ADE's) 100% owned suite of integrated production, development and exploration oil and gas assets, which are located in the South Australian section of the onshore Otway Basin. Project assets comprise:

- a. PEL 255 : contains the Jacaranda Ridge 2 discovery + 5 extra targets
- b. The Katnook Gas Assets consisting of:
 - The Katnook Gas Processing Plant and associated infrastructure
 - The Ladbroke Grove Gas Processing Plant and associated infrastructure
 - Petroleum Retention Licences 1 (Wynn) & 2 (Limestone Ridge)
 - Petroleum Production Licences 62, 168 & 202
 - Existing gas pipelines to the Gas Plants from wells in the PPLs
 - 13 Producing/shut in gas/gas liquids wells
- c. PEL's 494 and 496 – 2 exploration licences awarded to ADE on 24 March 2009

In the half-year, production of gas and condensate from the Katnook fields continued (see Table 1 below) whilst the Company prepared itself for an exploration and development program in 2010 (see events subsequent to balance date for more details).

Table 1 : Katnook Gas Plant – Gas and Gas Condensate Revenues

	This period July 1 – Dec 31,2009	Previous Period Jan 1 – June 30,2009
Total Revenue \$ (excl GST)	1 057 941	866 392

The Company continued with its strategy of improving production performance from the existing wells by use of injection strings and the preparation for installation of gasjack technology for the following period.

B. Cooper Basin Assets

PEL 218 (ADE 10%)

The Company completed the sale of a 90% interest in PEL 218 to Beach Energy Ltd in the half-year. The Wakefield-1 exploration well was drilled in the Post-Permian section of the permit in the period. The Company's 10% interest in this well was carried by its farmin partners. The well was cased and suspended following the discovery of oil and possibly prospective coal bed methane sources. Further evaluation will be required in order to assess the commerciality of these discoveries and this is expected in 2010.

Adelaide Energy Limited A.B.N 43 116 256 823

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

PEL 105 (ADE 50%)

The Company announced that it had reached agreement with the tenement holder of PEL 105 for the accelerated acquisition of a 50% undivided interest in the permit.

The final timing of the drilling of the previously foreshadowed Pirie-1 exploration well on PEL 105 in 2010 will depend on weather and rig availability.

West Florence Prospect, Colorado, USA (ADE – 25%)

The Company is continuing to investigate options to dispose of this non-core asset.

4 Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the half-year apart from those referred to elsewhere in this report.

5 Principal Activities

The principal activities of the Company during the period consisted of the exploration for oil and gas and the accumulation and acquisition of hydrocarbon prospective and producing areas.

6 Events Subsequent to Balance Date

The Otway Petroleum Project

Post year end, the Company has undertaken further development and exploration work on the Otway Petroleum Project, as follows:

1. The commencement of a drilling program involving two exploration wells (Hollick-1 and Brand-1) on PEL 255.
2. The construction of a new pipeline gathering system connecting previous gas/condensate discoveries to the Katnook Gas Plant.
3. The installation of gasjacks (compressors) on the marginal wells, Haselgrove 1 and Haselgrove 2. Results to date indicate significant production improvement on Haselgrove 1.
4. Shooting seismic on PELs 494 and 496.

Other

The Company announced the acquisition of interests in various petroleum exploration licences in January, under two separate transactions:

1. The purchase of Magellan Petroleum Corporation's interests in 3 licences in the Maryborough Basin in Queensland. Post the completion of a farmin by Blue Energy Limited, the Company will hold a 25% stake in these permits.
2. The purchase of the entire share capital of 2 private companies, Deka Resources Pty Ltd and Well Traced Pty Ltd, whom together hold equity interests in 4 permits in Cooper and Surat Basins, as follows:
 - a. PEL 218 (Post Permian) – 10.05%
 - b. ATPA 855P (subject to a farmin) – 20%
 - c. APT 849P – 20%
 - d. APT 904P – 100% of oil rights

The company entered into a Share Sale Agreement with the shareholders of the two private company's. On 12 March 2010 the company finalised this acquisition. The total consideration for this acquisition was \$2,000,000 and the issue of 15 million ordinary shares in Adelaide Energy Limited to the private shareholders of Deka Resources Pty Ltd and Well Traced Pty Ltd.

Adelaide Energy Limited A.B.N 43 116 256 823

**DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

7 Future Developments

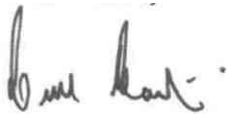
The likely future developments of the Company during the next financial year will involve the ongoing principal activity of oil and gas exploration and production.

8 Auditor's Independence Declaration

The lead auditor's independence declaration under Section 307C of the Corporation's Act for the half-year ended 31 December 2009 has been received and can be found on page 4 of this report.

Dated at Adelaide this 15th day of March 2010.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'Neville Martin', is written over a faint horizontal line.

Neville Martin
Director

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ADELAIDE ENERGY LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Adelaide Energy Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Adelaide on this 15th day of March 2010

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	31 December 2009	31 December 2008
	\$	\$
REVENUE		
Sales	1,057,941	-
Interest revenue	115,434	127,782
Gas Plant Operating Expenses**	(1,272,892)	-
Employee benefits expense	(298,690)	(266,725)
Consultants and professional advisors	(161,629)	(54,786)
Production Expenses	-	(144,204)
Compliance fees	(65,287)	(33,440)
Depreciation expense	(14,491)	(23,530)
Impairment expense	(296,072)	(49,049)
Finance costs	(6,802)	(1,898)
Office and administration expenses	(270,975)	(180,141)
Loss before income tax expense	(1,213,463)	(625,991)
Income tax (expense)/benefit	(148,268)	(1,964)
Loss from continuing operations	(1,361,731)	(627,955)
Loss attributable to members of the company	(1,361,731)	(627,955)
Other comprehensive income	-	-
Total comprehensive income for the period	(1,361,731)	(627,955)
Overall operations		
Basic earnings per share (cents per share)	(1.02)	(0.6)
Diluted earnings per share (cents per share)	(1.02)	(0.6)

*** Refer to Note 4 – Operating Segments: Segment Performance regarding depreciation & amortisation charges included in gas plant operating expenses*

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	31 December 2009 \$	30 June 2009 \$
CURRENT ASSETS		
Cash and cash equivalents	10,523,559	4,225,590
Trade and other receivables	221,930	750,369
Other current assets	1,045	14,575
TOTAL CURRENT ASSETS	<u>10,746,534</u>	<u>4,990,534</u>
NON-CURRENT ASSETS		
Property, plant and equipment	175,576	81,467
Oil & gas development assets	5,236,966	3,912,026
Exploration and evaluation expenditure	8,489,085	8,162,430
TOTAL NON-CURRENT ASSETS	<u>13,901,627</u>	<u>12,155,923</u>
TOTAL ASSETS	<u>24,648,161</u>	<u>17,146,457</u>
CURRENT LIABILITIES		
Trade and other payables	328,816	400,770
Short-term provisions	118,706	190,937
TOTAL CURRENT LIABILITIES	<u>447,522</u>	<u>591,707</u>
NON-CURRENT LIABILITIES		
Deferred tax liability	408,138	408,138
Long-term provisions	2,144,226	2,074,649
TOTAL NON-CURRENT LIABILITIES	<u>2,552,364</u>	<u>2,482,787</u>
TOTAL LIABILITIES	<u>2,999,886</u>	<u>3,074,494</u>
NET ASSETS	<u>21,648,275</u>	<u>14,071,963</u>
EQUITY		
Issued capital	22,714,513	13,776,470
Retained Profits/(losses)	(1,066,238)	295,493
TOTAL EQUITY	<u>21,648,275</u>	<u>14,071,963</u>

The accompanying notes form part of these financial statements.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF-YEAR YEAR ENDED 31 DECEMBER 2009**

	Share Capital Ordinary \$	Retained Losses \$	Total \$
Balance on 1 July 2008	13,456,050	(1,117,707)	12,338,343
Total comprehensive income	-	(627,955)	(627,955)
Shares issued during the half-year	275,000	-	275,000
Share issue costs (net of tax)	(4,580)	-	(4,580)
Balance at 31 December 2008	<u>13,726,470</u>	<u>(1,745,662)</u>	<u>11,980,808</u>
Balance on 1 July 2009	13,776,470	295,493	14,071,963
Total comprehensive income	-	(1,361,731)	(1,361,731)
Shares issued during the half-year	9,284,000	-	9,284,000
Share issue costs (net of tax)	(345,957)	-	(345,957)
Balance at 31 December 2008	<u>22,714,513</u>	<u>(1,066,238)</u>	<u>21,648,275</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR HALF-YEAR ENDED 31 DECEMBER 2009**

	31 December 2009	31 December 2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,060,028	-
Payments to suppliers and employees	(1,547,997)	(267,523)
Interest paid	(6,688)	-
Interest received	115,434	286,243
Net cash (used in)/provided by operating activities	<u>(379,223)</u>	<u>18,720</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(94,815)	(34,845)
Payments for development assets	(1,253,151)	-
Payments for exploration activities	(730,834)	(3,892,222)
Net cash (used in)/provided by investing activities	<u>(2,078,800)</u>	<u>(3,927,067)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	9,249,225	-
Proceeds from the conversion of options to ordinary shares	-	25,000
Payments for the capitalised costs of capital raisings	(493,233)	(18,634)
Net cash (used in)/provided by financing activities	<u>8,755,992</u>	<u>6,366</u>
Net (decrease)/ increase in cash held	6,297,969	(3,901,981)
Cash at beginning of period	4,225,590	11,806,117
Cash at end of period	<u>10,523,559</u>	<u>7,904,136</u>

The accompanying notes form part of these financial statements

NOTE 1: BASIS OF PREPARATION

a. Reporting Entity

Adelaide Energy Limited (the Company) is a company domiciled in Australia.

The Company's annual financial report as at and for the period ended 30 June 2009 is available upon request from the Company's office at Level 5, 70 Pirie Street, Adelaide SA 5000.

b. Statement of Compliance

The Company's half-year financial report is a general purpose financial report prepared in accordance with AASB 134: Interim Financial Reporting and the requirements of the Corporations Act 2001.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Adelaide Energy Ltd during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

c. Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

d. Significant Accounting Policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2009.

e. Accounting Standards not Previously Applied

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

The Otway Petroleum Project

Post year end, the Company has undertaken further development and exploration work on the Otway Petroleum Project, as follows:

1. The commencement of a drilling program involving two exploration wells (Hollick-1 and Brand-1) on PEL 255.
2. The construction of a new pipeline gathering system connecting previous gas/condensate discoveries to the Katnook Gas Plant.
3. The installation of gasjacks (compressors) on the marginal wells, Haselgrove 1 and Haselgrove 2. Results to date indicate significant production improvement on Haselgrove 1.
4. Shooting seismic on PELs 494 and 496.

Other

The Company announced the acquisition of interests in various petroleum exploration licences in January, under two separate transactions:

1. The purchase of Magellan Petroleum Corporation's interests in 3 licences in the Maryborough Basin in Queensland. Post the completion of a farmin by Blue Energy Limited, the Company will hold a 25% stake in these permits.
2. The purchase of the entire share capital of 2 private companies, Deka Resources Pty Ltd and Well Traced Pty Ltd, whom together hold equity interests in 4 permits in Cooper and Surat Basins, as follows:
 - e. PEL 218 (Post Permian) – 10.05%
 - f. ATPA 855P (subject to a farmin) – 20%
 - g. APT 849P – 20%
 - h. APT 904P – 100% of oil rights

The company entered into a Share Sale Agreement with the shareholders of the two private company's and on 12 March 2010 the company finalised this acquisition. The total consideration for this acquisition was \$2,000,000 and the issue of 15 million ordinary shares in Adelaide Energy Limited to the private shareholders of Deka Resources Pty Ltd and Well Traced Pty Ltd.

NOTE 3: COMMITMENTS AND CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the last annual report date.

The company has committed to installing gas pipelines to connect its Jacaranda Ridge and Limestone Ridge reserves in the Company's 100% owned Otway Petroleum Project located in the Otway Basin in South Australia. The cost to complete the pipeline project amounts to approximately \$3.1 million.

The company announced on 12 January 2010 that it had executed an agreement to acquire 3 petroleum exploration permits (ATP 613P, ATPA 733P and ATPA 674P) in the Maryborough Basin in Queensland from US company Magellan Petroleum Corporation. The consideration for these assets is \$450,000.

NOTE 4: OPERATING SEGMENTS

The company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company operates in the oil and gas industry within two geographical segments: Australia and the United States of America.

The Company entered into a Sales and Purchase Agreement in July 2008 to acquire the Katnook Gas Plant, the Ladbroke Grove Gas plant, associated pipelines and gas wells from Origin Energy Resources and SAGASCO South East Inc. For the half year ended 31 December 2009 the company operated within two business segments: production and exploration and evaluation.

Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense; and
- Deferred tax assets and liabilities

Comparative information

This is the first annual reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: OPERATING SEGMENTS (CONT)

(i) Segment performance	Production	Exploration	Corporate & Administration	Total
Six months ended 31.12.2009	\$	\$	\$	\$
Revenue				
External Sales	1,057,941	-	-	1,057,941
Interest revenue		-	115,434	115,434
Total segment revenue	1,057,941	-	115,434	1,173,375
<i>Reconciliation of segment revenue to total revenue</i>				
Total group revenue				1,173,375
Segment net profit before tax	123,009	-	(984,021)	(861,012)
<i>Reconciliation of segment result to total net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the board:				
• Depreciation & Amortisation	(337,960)	-	(14,491)	(352,451)
Net profit before tax from continuing operations	(214,951)	-	(998,512)	(1,213,463)

(i) Segment performance	Production	Exploration	Corporate & Administration	Total
Six months ended 31.12.2008	\$	\$	\$	\$
Revenue				
External Sales	-	-	-	-
Interest revenue	-	-	127,782	127,782
Total segment revenue	-	-	127,782	127,782
<i>Reconciliation of segment revenue to total revenue</i>				
Total group revenue				127,782
Segment net profit before tax	(144,204)		(458,257)	(602,461)
<i>Reconciliation of segment result to total net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
• Depreciation & Amortisation	-	-	(23,530)	(23,530)
Net profit before tax from continuing operations	(144,204)	-	(481,787)	(625,991)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: OPERATING SEGMENTS (CONT)

(ii) Segment assets

	Production	Exploration	Corporate & Administration	Total
31.12.2009	\$	\$	\$	\$
Segment Assets	5,236,966	8,489,085	10,922,110	24,648,161
Segment asset increases for the period:				
• Property, Plant & Equipment	-	-	94,109	94,109
• Oil & Gas Development Assets	450,350	-	-	450,350
• Exploration & Evaluation Expenditure	-	539,919	-	539,919
	450,350	539,919	94,109	1,084,378
<i>Reconciliation of segment assets to total assets</i>				
Total assets from continuing operations	5,236,966	8,489,085	10,922,110	24,648,161

	Production	Exploration	Corporate & Administration	Total
30.06.2009	\$	\$	\$	\$
Segment Assets	3,985,186	8,606,963	4,554,308	17,146,457
Segment asset increases for the period:				
• Property, Plant & Equipment	-	-	40,969	40,969
• Oil & Gas Development Assets	4,226,309	-	-	4,226,309
• Exploration & Evaluation Expenditure	-	2,941,981	-	2,941,981
	4,226,309	2,941,981	40,969	7,209,259
<i>Reconciliation of segment assets to total assets</i>				
Total assets from continuing operations	3,985,186	8,606,963	4,554,308	17,146,457

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: OPERATING SEGMENTS (CONT)

(iii) Segment liabilities

	Production	Exploration	Corporate & Administration	Total
31.12.2009	\$	\$	\$	\$
Segment liabilities	2,088,383	646,191	265,312	2,999,886
<i>Reconciliation of segment liabilities to total liabilities</i>				
Total liabilities from continuing operations	2,088,383	646,191	265,312	2,999,886

	Production	Exploration	Corporate & Administration	Total
30.06.2009	\$	\$	\$	\$
Segment liabilities	2,198,986	440,215	435,293	3,074,494
<i>Reconciliation of segment liabilities to total liabilities</i>				
Total liabilities from continuing operations	2,198,986	440,215	435,293	3,074,494

NOTE 5: SHARE CAPITAL

	31 December 2009 \$	30 June 2009 \$
183,316,358 (30 June 2009: 105,107,625) fully paid ordinary shares	22,714,513	13,776,470
a. Ordinary shares		
At the beginning of reporting period	13,776,470	13,456,050
Shares issued during the year		
23 July 2009	960,000	-
21 September 2009	2,324,000	-
27 November 2009	3,960,000	-
30 November 2009	1,440,000	-
3 December 2009	600,000	-
Total shares issued during the year	9,284,000	-
Shares Issued during the prior year:		
23 December 2008	-	275,000
23 February 2009	-	50,000
Total shares Issued during the prior year	-	325,000
Less: Cost of capital raising (net of tax)	(345,957)	(4,580)
At the end of the reporting period	22,714,513	13,776,470

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 5: Share Capital (continued)	31 December 2009	30 June 2009
	No.	No.
At the beginning of reporting period	105,107,625	98,607,625
Shares issued during the half-year:		
23 July 2009	8,000,000	-
21 September 2009	20,208,733	-
27 November 2009	33,000,000	-
30 November 2009	12,000,000	-
3 December 2009	5,000,000	-
Total shares issued during the year	78,208,733	-
Shares Issued during the prior year:		
23 December 2008	-	5,500,000
23 February 2009	-	1,000,000
Total shares issued during the prior year	-	6,500,000
At the end of the reporting period	183,316,358	105,107,625

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Options

	Unlisted 2011 A Class Options	
	31 December 2009	30 June 2009
	No.	No.
At the beginning of reporting period	31,333,332	30,000,000
Options issued during the year:		
27 January 2009	-	666,666
25 February 2009	-	666,666
At the end of the reporting period	31,333,332	31,333,332

In the event that all the Unlisted Options were exercised, the Company would be required to issue a further 31,333,332 (30 June 2009: 31,333,332) ordinary shares.

The options have the following terms:

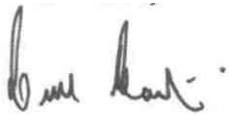
Unlisted Options: 2011 A Class Options have an exercise price of \$0.40 and expire on 30 June 2011

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 15 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards AASB 134; Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2009 and of the performance for the half-year ended on that date;
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Neville Martin - Director

Dated this 15th day of March 2010.

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ADELAIDE ENERGY LIMITED

We have reviewed the accompanying half-year financial report of Adelaide Energy Limited (“Company”), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration

Directors’ responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Adelaide Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ADELAIDE ENERGY LIMITED Cont**

Auditor's responsibility Cont

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adelaide Energy Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Adelaide on this 15th day of March 2010