

ASX/MEDIA ANNOUNCEMENT

29 July 2011

The Manager
Companies Announcements Office
Australian Securities Exchange



FOURTH QUARTER ACTIVITIES REPORT – 3 MONTHS TO 30 JUNE 2011

HIGHLIGHTS

- Continuation of highly encouraging results from shale gas drilling program
- Oil discovery at Killanoola South-East 1
- Revenues modest, reflecting lower volumes and prices

1. PRODUCTION AND REVENUE

| | | | |
|----------------------|-------------------|------------|-------------------|
| Quarterly comparison | Q4 FY 2011 | Q3 FY 2011 | <i>Change (%)</i> |
| Revenue (\$k)* | \$495 | \$462 | 7% |
| Corresponding period | Q4 FY 2011 | Q4 FY 2010 | <i>Change (%)</i> |
| Revenue (\$k) | \$495 | \$1,541 | -68% |

*Actual production for the quarter

Volumes and revenues were up on the previous quarter, as production was ramped up to capture higher winter prices. The comparison with the comparative period in the previous year was less favourable, reflecting contractual price reductions, natural decline in production volumes in the older wells and technical problems in the newer ones.

2. DEVELOPMENT

- a) *Otway Petroleum Project (PPLs 62, 168 & 202; PRLs 1 & 2; PELs 255, 494 & 496 – all 100% and Operated)*

An extensive workover operation was conducted on the Jacaranda-Ridge 2 well in PEL 255 during the quarter. The objective was to clean out the well and change out the downhole equipment and whilst the objective was achieved, the exercise was significantly over budget due to unforeseen technical problems. The well is

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yet to be brought back on production and the Company is confident production will resume in the current quarter.

The other PEL 255 wells, Hollick 1 and Patrick 1 were planned to be put on compression for extended production testing. This has been delayed by the Jacaranda Ridge 2 workover and the compression units being required elsewhere in the field.

b) Otway energy assets

The Company continued to undertake FEED work on its Katnook Power Station project, and has substantially advanced the procurement of planning approvals and network connection agreements. Additionally, the deliverability of the acid-gas Ladbroke Grove gas-field was confirmed through a flow-test in the period.

Discussions with various parties over the commercialization of the company's gas storage project at Katnook/Ladbroke Grove have led to a number of offers being received. To date these have been less than the Company's assessment of the fair value of the asset and as such have not led to a transaction. ADE remains convinced of the strong medium term potential of its gas storage asset and is currently assessing other means of liberating value from it.

3. EXPLORATION AND APPRAISAL

a) Otway Petroleum Project (PPLs 62, 168 & 202; PRLs 1, 2 & 13, PELs 255, 494 & 496 – all 100% and Operated)

The Killanoola South-East 1 well in PRL 13 was drilled in the quarter. Oil was discovered and the well has been cased and suspended. Production equipment has been designed and ordered for this well and the existing Killanoola 1. Production from both wells is expected to commence in the following months.

An Option Agreement with respect to PEL 496 was signed with President Petroleum PLC in the period but lapsed un-exercised.

*b) **PEL 218 (10% in Permian, 20.05% in Post Permian)***

Permian

Extensive data analysis work continued in the quarter on the Holdfast-1 and Encounter-1 shale gas wells. A substantial hydraulic-fracturing program was undertaken on the Holdfast -1 well involving 7 mini fracs across 4 zones (Patchawarra, Murteree, Epsilon and Roseneath). Highly encouraging results were reported after the end of the quarter.

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Post Permian

No work was undertaken in the quarter.

c) ATP 855P (20%)

ATP 855P lies over the Eastern section of the Nappamerri Trough extending from PEL 218.

In the quarter ADE entered into an Extinguishment Agreement which terminated the farm-in to its equity in this permit. As a result it now has a 20% unencumbered interest.

The other parties with interests in this permit were in dispute over certain matters in the quarter. However, that dispute was resolved after 30 June 2011 and a work program should commence in the 2011/12 fiscal year.

d) PEL 105 (50% and Operator)

The planned drilling activities for PEL 105 in the Cooper Basin remain substantially delayed by very wet weather in the region, and are not now expected to commence until the latter half of 2011 at the earliest.

e) ATP 849P (20%)

No activity in the quarter.

f) ATP 904P (100% and Operator)

The Company continued to progress technical studies into prospects in this permit.

An Agreement was entered into which terminated the farm-in rights of Red Sky Energy Ltd (ROG) into the gas rights in this permit. ADE received 15M shares (escrowed for 12 months) from ROG as compensation for this termination.

g) ATP 613P, ATPA 674P and ATP 733P (25% post farmout)

Completion of Queensland Government processes to issue the 2 outstanding permits in the Maryborough Basin continued to progress, albeit with some regulatory delays, which are not untypical in this jurisdiction.

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The joint venture is currently re-evaluating its exploration plans for this area in light of interest in its shale gas potential.

h) West Florence, Colorado, USA (58.3%)

This remains a non-core asset for ADE and options for its disposal were discussed with a number of parties. Those were still under way as at the end of the quarter.

4. CORPORATE AND FINANCE

a) Business Development

As noted above, the Company entered into an Extinguishment Agreement which gave it a 20% unencumbered interest in ATP 855P.

A land purchase agreement for \$1.45M was entered into for the freehold land underlying and surrounding the Katnook Gas Plant.

b) Capital Raisings

During the quarter the Company raised equity finance through a placement and Share Purchase Plan, as follows:

- 14 April 2011 – 20 April 2011 – Sophisticated Investor Placement: 31,000,000 ordinary shares, which raised \$4,340,000.
- 17 May 2011 – Share Purchase Plan: 11,381,649 ordinary shares which raised \$1,593,431

c) Cash

During the quarter the Company expended significant funds in exploration, appraisal and an asset purchase. Funds expended were higher than anticipated due to unforeseen circumstances but the Company did manage to meet its objectives. There will be no substantial exploration and evaluation expenditure in the following quarter.

The Company is continuing to work on monetizing its various assets and a number of market factors are leading the Company to believe that it has a strong and exciting portfolio of interests allowing it to expand on its business objectives.

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ASX Code : ADE

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ADELAIDE ENERGY LIMITED

ABN

43 116 256 823

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | 342 | 4,527 |
| 1.2 Payments for | | |
| (a) exploration and evaluation | (2,800) | (6,792) |
| (b) development | (212) | (1,420) |
| (c) production | (284) | (2,066) |
| (d) administration | (328) | (1,539) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 34 | 115 |
| 1.5 Interest and other costs of finance paid | (6) | (47) |
| 1.6 Income taxes paid | | |
| 1.7 Other (provide details if material) – | | |
| - GST paid to be refunded by ATO | (653) | (903) |
| - ATO ITC repayment for Jan-Mar 11 Quarter | 18 | 647 |
| - ATO Refund for Research & Development concession FYE 30/6/09 | | 119 |
| Net Operating Cash Flows | (3,889) | (7,359) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | - | |
| (a) prospects | - | |
| (b) equity investments | | |
| (c) - other fixed assets | (10) | (17) |
| - Acquisition of the West Florence beneficial interest as set out in the Participation Agreement dated 22 June 2010 | | (75) |
| - Purchase price and grant payment to Magellan Petroleum Aust Ltd for ATP613P | | (577) |
| - Purchase of 3 Gasjacks | | (303) |
| - Land purchase Millers Rd Penola | (1,405) | (1,550) |
| - casing from Marubeni Itochu to stock | | (209) |
| - Acquisition of ATP855 | (2,630) | (2,630) |
| - Acquisition of PRL13 from Somerton Energy | (110) | (110) |
| 1.9 Proceeds from sale of: | | |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | |
| Net investing cash flows | (4,155) | (5,471) |

+ See chapter 19 for defined terms.

| | | | |
|------|--|--------------|----------|
| 1.13 | Total operating and investing cash flows (carried forward) | (8,044) | (12,830) |
| 1.13 | Total operating and investing cash flows (brought forward) | (8,044) | (12,830) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 5,933 | 12,762 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | | 1,150 |
| 1.17 | Repayment of borrowings | (19) | (1037) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other – costs of capital raising | (195) | (376) |
| | Net financing cash flows | 5,719 | 12,499 |
| | Net increase (decrease) in cash held | (2,325) | (331) |
| 1.20 | Cash at beginning of quarter/year to date | 3,191 | 1,197 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 866 | 866 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 184 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | |

1.25 Explanation necessary for an understanding of the transactions

Director's fees and salaries paid during the quarter and other fees paid to director associated entities amounting to \$184,000

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities - Overdraft | | |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | |
| 4.2 Development | 150 |
| 4.3 Production | 150 |
| 4.4 Administration | 350 |
| Total | 650 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 609 | 2,939 |
| 5.2 Deposits at call | 264 | 263 |
| 5.3 Bank overdraft | | |
| 5.4 Other (Credit Card) | (7) | (11) |
| Total: cash at end of quarter (item 1.22) | 866 | 3,191 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | |
| 6.2 | Interests in mining tenements acquired or increased | PRL 13 Operated working interest | 80% | 100% |

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) | Amount paid up per security (see note 3) |
|---|---|--|---|--|
| 7.1 Preference +securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 390,870,198 | 390,870,198 | | |
| 7.4 Changes during quarter (a) Increases through issues 8 April 2011 14 April 2011 18 April 2011 20 April 2011 17 May 2011 (b) Decreases through returns of capital, buy-backs | 7,000,000 2,000,000 10,000,000 19,000,000 11,381,649 | 7,000,000 2,000,000 10,000,000 19,000,000 11,381,649 | \$Nil \$0.14 \$0.14 \$0.14 \$0.14 | \$Nil \$0.14 \$0.04 \$0.14 \$0.14 |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 2012 Options 1,000,000 2013 Options 350,000 2013 A Class Options 3,000,000 | 2012 Options 2013 Options 2013 A Class Options | <i>Exercise Price</i> \$0.20 <i>Exercise Price</i> \$0.15 <i>Exercise Price</i> \$0.18 | <i>Expiry Date</i> 31/01/2012 <i>Expiry Date</i> 31/12/2013 <i>Expiry Date</i> 31/01/2013 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | 2011 A Class Options 31,433,332 | 2011 A Class Options | <i>Exercise Price</i> \$0.40 | <i>Expiry Date</i> 30/06/2011 |
| 7.11 Debentures <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

| | | | |
|------|---|--|--|
| 7.12 | Unsecured notes (totals only) | | |
|------|---|--|--|

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: _____
(Company Secretary)

Date: 29 July 2011

Print name: RS Alwis

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.