

# ASX/MEDIA ANNOUNCEMENT

25 January 2011

The Manager  
Companies Announcements Office  
Australian Securities Exchange



## SECOND QUARTER ACTIVITIES REPORT – 3 MONTHS TO 31 DECEMBER 2010

### HIGHLIGHTS

- Revenues steady
- Highly encouraging results from shale gas drilling program
- Successful capital raising

### 1. PRODUCTION AND REVENUE

Quarterly comparison	<b>Q2 FY 2011</b>	Q1 FY 2011	<i>Change (%)</i>
Revenue (\$k)	<b>\$1,578</b>	\$1,640	-4%
Corresponding period	<b>Q2 FY 2011</b>	Q2 FY 2010	<i>Change (%)</i>
Revenue (\$k)	<b>\$1,578</b>	\$252	526%

Revenues were steady in the quarter (and significantly up from the corresponding period in the previous year), as gas and condensate production continued from old wells and from the more recently connected Limestone Ridge-1 and Jacaranda Ridge-2 wells.

The Company's gas and condensate Sale Agreements (which previously expired at 31 December 2010) have been extended.

### 2. DEVELOPMENT

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

Permanent production facilities were installed at PEL 255 to facilitate production testing (into sales).

b) *Otway energy assets*

Investigations into the commercialisation of the gas storage potential of the Company's depleted reservoirs at Katnook/Ladbroke Grove are maturing, with discussions underway with a number of Australian and international gas storage developers.

The Company continued to progress its FEED studies into a small-scale electricity generation plant to be located adjacent to the Katnook plant, which would utilize otherwise stranded acid gas from Ladbroke Grove as feedstock.

**3. EXPLORATION AND APPRAISAL**

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

In the quarter the Company undertook a wireline based evaluation program of the Hollick-1, Patrick-1 and Wynn-2 wells which were drilled and/or completed in PEL 255 and PRL 1 earlier in the year. Key outcomes were:

- Gas-jacks will be connected to Hollick-1 in the current quarter with a view to production testing this well.
- Patrick-1 has been placed on an extended production test with product going into sales via the Katnook gas plant. The results of this test will provide a key input into an independent reserves report which is due later this year.
- No gas production has been achieved from Wynn-2, although petroleum fluids in low quantities have been swabbed from the well. Further investigatory work is required to determine the source and potential of these.

The drilling of one well in each of PELs 494 and 496 in 2011 is currently in the planning stage and discussions with potential farminees are underway.

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

The Encounter-1 Permian shale gas exploration well was drilled in the quarter. Results to date have proved highly encouraging, with a greater than expected shale/sand/shale target section identified of nearly 400M in thickness, with good initial indications of gas saturation and no evidence of water.

Cores taken from this well have been sent off for laboratory testing as part of a program of establishing gas content, etc, and results therefrom will be reported over the next few months.

The next well in this shale gas exploration program, Holdfast-1, was spudded in January.

The joint venture with respect to the Post Permian section of PEL 218 continues to evaluate the next stage of its work program.

*c) PEL 105 (50% and Operator)*

The planned drilling activities for PEL 105 in the Cooper Basin, which were intended for the first half of the year, have been delayed by very wet weather in the region, and are not now expected to commence until well into 2011.

*d) ATP 849P (20%)*

No activity in the quarter.

*e) ATP 855P (20%, subject to a farmout)*

This permit was granted by the Queensland Government in the quarter and the joint venture is now determining an initial work program. ATP 855P lies over the Eastern section of the Nappamerri Trough extending from PEL 218.

*f) ATP 904P (100% and Operator, subject to farmout of gas rights)*

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

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

Completion of the Agreement to acquire these permits progressed substantially, with Native Title agreements now executed and the Queensland Government granting the previously excluded areas in ATP 613P. The 2 other permit applications are expected to be granted shortly, which will then allow full completion of the acquisition.

A CBM exploration program (in which ADE is carried for 9 wells by the Operator, Blue Energy) is due to commence this year.

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

Workover work on the oil production well in this lease was undertaken in the quarter, however this failed to boost production. Negotiations with the landowner over renewing the lease progressed in the quarter.

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#### **4. CORPORATE AND FINANCE**

##### *a) Business Development*

During the quarter the Company executed an Agreement for the acquisition of a further 20% stake in the oil discovery retention lease PRL 13 (“Killanoola”) in the Otway Basin from Somerton Energy Ltd. Following completion of this purchase, ADE will have 100% of this permit and is planning a drilling program therein in the first half of 2011.

##### *b) Capital Raisings*

During the quarter the company undertook the following capital raisings:

- A 1 for 2 non-renounceable pro-rata rights issue at 6c per share, under which 82.5M shares were issued, raising \$4.9M.
- A placement of 31.4M shortfall shares not taken up in the rights issue, raising \$1.8M.

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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")

31 December 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	1,408	3,261
1.2 Payments for (a) exploration and evaluation	(1,021)	(3,246)
(b) development	(224)	(799)
(c) production	(687)	(1,298)
(d) administration	(499)	(815)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	33
1.5 Interest and other costs of finance paid	(19)	(35)
1.6 Income taxes paid		
1.7 Other (provide details if material) –		
- GST paid to be refunded by ATO	(38)	(169)
- ATO ITC repayment for Jul-Sep 10 Quarter	16	591
- ATO Refund for Research & Development concession FYE 30/6/09		119
<b>Net Operating Cash Flows</b>	<b>(1,040)</b>	<b>(2,358)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:	-	
(a)prospects	-	
(b)equity investments		
(c) - other fixed assets		(75)
- Acquisiton of the West Florence beneficial interest as set out in the Participation Agreement dated 22 June 2010		
- Purchase price and grant payment to Magellan Petroleum Aust Ltd for ATP613P	(577)	(577)
- Purchase of 3 Gasjacks	(303)	(303)
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)	-	
<b>Net investing cash flows</b>	<b>(880)</b>	<b>(955)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,920)</b>	<b>(3,313)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,920)	(3,313)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	6,829	6,829
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	1,000
1.17	Repayment of borrowings	(502)	(1,008)
1.18	Dividends paid	-	-
1.19	Other – costs of capital raising	(21)	(21)
	<b>Net financing cash flows</b>	<b>6,306</b>	<b>6,800</b>
	<b>Net increase (decrease) in cash held</b>	<b>4,386</b>	<b>3,487</b>
1.20	Cash at beginning of quarter/year to date	298	1,197
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>4,684</b>	<b>4,684</b>

**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	276
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 \$276,000
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**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

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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

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+ 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	1,000	0
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	250
4.3 Production	450
4.4 Administration	300
<b>Total</b>	<b>1,500</b>

### 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	4,486	99
5.2 Deposits at call	213	213
5.3 Bank overdraft	-	502
5.4 Other (provide details)	(15)	(14)
<b>Total: cash at end of quarter</b> (item 1.22)	<b>4,684</b>	<b>800</b>

### 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	341,488,552	341,488,552		
7.4 Changes during quarter (a) Increases through issues 29 November 2010 29 November 2010 13 December 2010 (b) Decreases through returns of capital, buy-backs	82,473,297 12,500,000 18,856,217	82,473,297 12,500,000 18,856,217	\$0.06 \$0.06 \$0.06	\$0.06 \$0.06 \$0.06
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	2011 A Class Options 31,433,332	2011 A Class Options	<i>Exercise Price</i> \$0.40	<i>Expiry Date</i> 30/06/2011
	2012 Options 1,000,000	2012 Options	<i>Exercise Price</i> \$0.20	<i>Expiry Date</i> 31/01/2012
	2013 Options 350,000	2013 Options	<i>Exercise Price</i> \$0.15	<i>Expiry Date</i> 31/12/2013
	2013 A Class Options 3,000,000	2013 A Class Options	<i>Exercise Price</i> \$0.18	<i>Expiry Date</i> 31/01/2013
7.8 Issued during quarter 30 November 2010	2013 A Class Options 3,000,000	2013 A Class Options	<i>Exercise Price</i> \$0.18	<i>Expiry Date</i> 31/01/2013
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.



## 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: 25 January 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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