ADELAIDE ENERGY LIMITED

Annual Report 2011

ADELAIDE ENERGY LIMITED
ACN 116 256 823

www.adelaideenergy.com.au

ADELAIDE
ENERGY
LIMITED

CORPORATE DIRECTORY

DIRECTORS

Mr Neville Martin
Non Executive Chairman

Mr Carl Dorsch
Managing Director

Mr Roderic Hollingsworth
Non Executive Director

Mr Peter Hunt
Non Executive Director

Company Secretary
Rajita Alwis

Personnel
Neil Young, *Chief Commercial Officer*
Dounia Clarke, *Engineering Manager*
Joanna Trepa, *Financial Controller*
Russell Campbell, *Field Superintendent*
Simon Mooney, *Production Operator – Katnook*
Robert Thompson, *Production Operator – Katnook*

Registered Office
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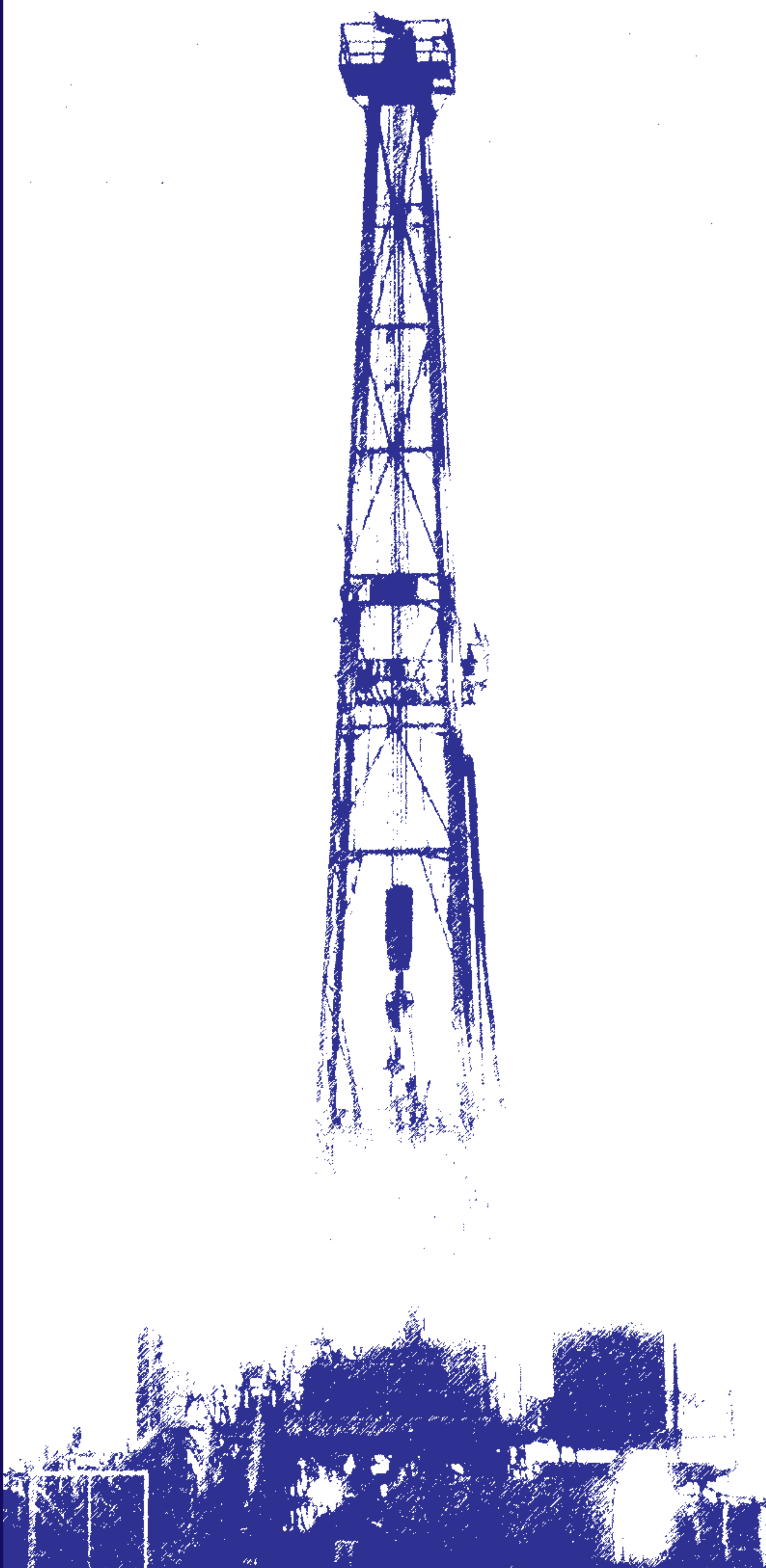
ADELAIDE, SA 5000
Ph: 61 8 8228 5207
Fax: 61 8 8223 3235
Web: www.adelaideenergy.com.au

Share Registry
Computershare Investor Services Pty. Ltd.
Level 5, 115 Grenfell Street
ADELAIDE, SA 5000
Ph: (inside Australia) 1300 556 161
Ph: (outside Australia) 61 3 9615 4000

Auditors
Grant Thornton
Chartered Accountants
Level 1, 67 Greenhill Road
WAYVILLE, SA 5034

Australian Securities Exchange
The Company is listed on the
Australian Securities Exchange Limited.
The home exchange is Adelaide.

ASX Code: **ADE**



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CHAIRMAN'S REPORT FOR THE YEAR ENDED 30 JUNE 2011

Dear Shareholder,

Our Company's 2010/2011 financial year has seen some positive achievements against a backdrop of a challenging investment climate and continuing international financial uncertainty.

Notwithstandng these challenges, there were some significant achievements by our Company during this period including:

- the grant of Australia's first gas retention licence;
- the participation in Australia's first shale gas exploration programme (the drilling of the Holdfast and Encounter wells in PEL 218 with our joint venture partner Beach Energy Limited (Beach));
- the acquisition of a further interest in ATP 855 P in the Queensland section of the Nappamerri Trough (taking the Company's interest in that permit to 20%); and
- the discovery of producible hydrocarbons in our Killanoola South East 1 well located on our 100% owned PRL 13 tenement.

Although much of the Company's recent focus has been on the potentially "company changing" shale gas opportunities in the Cooper Basin, we remain optimistic about the prospects for increasing production of gas and condensate from our Otway Project, particularly as we develop a better understanding of what can sometimes be complex geology in this region. Although the existing wells should now be significantly depleted several continue to produce useful volumes of gas and condensate, particularly when managed carefully with periods of shut in when our gas price cycle is at the lower end.

Following the recent placement in 2 tranches of a total of 73.5 million shares to Beach, our Company is well positioned to undertake its exploration commitments for the 2011/2012 and capture other opportunities. Beach has been a shareholder of Adelaide Energy since 2009 and with the recent placements it now holds a 19.95% interest. Adelaide Energy has worked closely with Beach on the Cooper Basin Shale Gas Exploration Programme and looks forward to a strengthened and mutually beneficial alliance.

We plan to undertake a vigorous exploration campaign in 2011/2012 and eagerly await the potentially game changing fracture stimulation of the Encounter 1 well in PEL 218 and the weather delayed drilling of the Pirie well in PEL 105.

Finally, I would like to express my appreciation for the contribution from our management team based in Adelaide and our plant operations team who run the Katnook gas plant. I believe that Adelaide Energy is well positioned to build on the achievements of the 2010/2011 year and I thank all our loyal shareholders for their continuing support.

Yours Sincerely,

Neville Martin
Chairman
Adelaide Energy Limited

15 October 2011

MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2011

Summary

Highlights of activities in the reporting year ended 30 June 2011 for Adelaide Energy Ltd (ADE or the Company) have been :

- Drilling of two shale/tight gas wells in the Nappamerri Trough (PEL 218, South Australia).
- Oil discovery in the Otway Basin Project – Killanoola South East 1 (KSE-1).
- Production of significant gas from the Holdfast-1 well in PEL 218 post hydraulic fracturing.
- Continuing production of gas and condensate through the Katnook gas plant.
- Acquisition of more equity (and hence net acres) in another Nappamerri Trough exploration permit (ATP 855P, Queensland).
- Raising equity through a rights issue, two placements and an SPP for a total of $12.6M.
- Developing energy market monetisation plans with Australia's first Gas Storage Retention Licence, also at Katnook.

The focus of attention for the year has been the Nappamerri Trough exploration and appraisal program in PEL 218 in the South Australian part of the Cooper Basin. Subsequent to the end of the reporting period, the Company has been able to book a contingent resource of some 200 BCF (billion cubic feet) of gas located around the two wells drilled during the year in the permit.

Although not all of the activity in the year has delivered immediate results, it has placed the Company in a strong position to grow, given the following key features of ADE's asset portfolio:

- A large interest in Australia's foremost shale/tight gas exploration venture.
- An Operator of gas production facilities, which is unusual for a small ASX company.
- A balanced portfolio of mature producing, brownfields and exploration assets, which still have a strong focus – on onshore Australia – with both gas and liquids exposure – across the full spectrum of conventional to unconventional reservoirs.
- Strong broader energy market option value from electricity generation and gas storage projects.

Whilst focusing on maximizing the potential of this existing portfolio of assets, the Company continues to look for growth options and continually investigates new investment and divestment opportunities. Whilst the Company's key growth area is in the Nappamerri Trough, it continues to build the exploration and production potential in its Otway Basin assets using its permanent staff and a wide network of outside consultants.

The Company's licence portfolio as at 30 June 2011 is summarized in the table below:

Permit	Equity	Gross km^2	Net km^2
Otway Basin			
PPL 62*	100%	29	29
PPL 168*	100%	9	9
PPL 202*	100%	2	2
PRL 1*	100%	4	4
PRL 2*	100%	2	2
PRL 13*	80%	17	14
PEL 255*	100%	37	37
PEL 494*	100%	1,765	1,765
PEL 496*	100%	408	408
Cooper Basin			
PEL 218P	10%	1,603	160
PEL 218PP	20%	-	-
ATP 855P	20%	1,679	336
PEL 105*	50%	219	110
Surat Basin			
ATP 849	20%	3,850	770
ATP 904P*	100%	1,101	1,101
Maryborough Basin			
ATP 613P	25%	621	155
ATPA 674P	25%	1,554	389
ATPA 733P	25%	1,321	330
USA			
West Florence	58%	42	24
		14,263	5,645
*Operatorship	Acres	3,522,961	1,394,241

MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2011

Cooper Basin Exploration

PEL 218 (Permian)

A major shale gas exploration program was embarked on during the year with the drilling of two shale exploration wells, Encounter-1 and Holdfast-1, to depths of 3,612m and 3,487m respectively. Encouraging gas shows were seen throughout the Permian sections of both wells but of particular interest and the primary target was the so called REM sequence (Roseneath Shale, Epsilon Sandstone and Murteree Shale). The thicknesses of these units were 393m and 353m respectively in each well, with continuous gas being recorded throughout. Drilling continued into the Patchawarra formation for a small distance in both wells – neither electric logging nor extensive coring indicated any water in both sections. The Toolachee as well as the Patchawarra Sands at either side of the REM sequence appear to be gas saturated further upgrading the prospect and indicating the potential for a basin centred gas play ("gas off structure").

Following drilling, completions were run in both wells and Holdfast-1 subsequently fracced in seven zones during the reporting period. Gas was flowed to surface after the fraccing and the results from both wells allowed the operator to place an internally audited contingent resource around each well of approximately 1 TCF (per well) – in a 10 x 10 km^2 grid around each one. The consequence of this meant a 2C resource to ADE of 200 BCF of gas for its share to date.

ADE has a 10% stake in this exciting resource play and was carried through the first $25M (gross) of expenditure thereon. As of the end of the reporting period, ADE will be contributing to ongoing costs at its working interest level.

PEL 218 (Post Permian)

The Wakefield-1 well was drilled in the Post Permian strata of PEL 218 in 2009 (ADE share – 20.05%) and encountered a number of interesting oil and gas shows in the Cretaceous and Jurassic strata. The well was suspended pending decisions by the joint venturers, but no further work was done during the reporting period owing to the major focus of activity being in the deeper Permian section (as noted above).

ATP 855P

This Queensland permit (which was granted during the year) lies immediately to the east of PEL 218 (in South Australia) and overlies a good proportion of the Queensland portion of the Nappamerri Trough. It is expected to have similar geological features and prospectivity as in PEL 218.

ADE increased its equity in this year through a purchase that now gives its a full 20% unencumbered interest in this permit. A work program including seismic acquisition and drilling are planned for the second half of FY2012.

PEL 105

ADE has a 50% interest in PEL 105 and has plans as operator to drill Pirie-1, an exploration well which it considers to have very good conventional hydrocarbon potential. Although those plans have been delayed by very wet weather in the western part of the Cooper Basin, further investigative work has been done during the year on other prospects for this permit. This will continue during the planned drilling to ascertain any unconventional prospectivity contained within the deep Permian coals and Patchawarra shale – the permit is ideally suited within the Patchawarra Trough for this.

Drilling is now expected to commence in the first half of 2012 subject to the securing of a suitable drilling unit.

The Otway Petroleum Project

The 100% owned Otway Petroleum Project remains ADE's key operational focus area despite being dwarfed by the potential hydrocarbon resource in its Cooper Basin acreage. It comprises an integrated suite of production, development and exploration assets located in the on-shore Otway Basin in the South-East of South Australia. Key activities in each of these areas in the year ended 30 June 2011 was as follows:

Production

Revenues in the year from the sale of gas and condensate produced through the Company's Katnook Gas Plant were in excess of $4M, which was a 33% increase over the prior year. This was despite a significant drop in the gas price which came into effect on January 1, 2011. Despite this gas price reduction and some disappointing results from its new wells, ADE is continuing with its effort to regain and get extra production from its total suite of old and newer wells and a considerable effort was made in the year (which is ongoing) to seek a better understanding of the production potential of the wells.

Gas sales were made to Origin Energy at the exit flange of the Katnook Gas Plant, whilst condensate was trucked and sold to Shell at its Geelong refinery.

No material safety or environmental incidents arose in the course of these production activities in the year.

Development

No significant development work was undertaken by the Company during the reporting period. The Company continued to produce gas and condensate through its new pipeline network.

Exploration

The Company drilled one exploration well in the Otway Basin in the year – Killanoola South East-1 (KSE-1) in PRL 13 located some 40 kms by road to the north of the Katnook Gas Plant. A number of open hole drill stem tests were conducted all of which recovered small amounts of oil in water – the final test recovered oil only, this recovery equivalent to approximately 60 barrels of oil per day. The Company intends to start production from the well in 2Q FY2012 along with the existing Killanoola-1 well in which a replacement downhole pump was run just after reporting year end.

Seismic which was shot in the previous year over PELs 494 and 496 was processed and interpreted yielding a number of drillable prospects. The Company had an option agreement on a well in PEL 496 which unfortunately was withdrawn and is currently continuing discussions with a number of parties over farming-out the drilling of this and other generated prospects. Lack of availability of suitable drilling rigs both in the area and Australia wide is impacting these efforts.

Once again, no material safety or environmental incidents occurred in these exploration activities.

MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2011

Energy Market Projects

The Otway Petroleum Project is well located from a broad energy market perspective, given factors such as its proximity to the national gas and electricity transmission networks.

During the year, the Company was granted Australia's first specific gas storage retention licence. Efforts were made to market this to larger energy companies, but the offers received to date did not meet the Company's expectations. The Company remains convinced of the long term need for gas storage in Australia and is considering a number of alternative monetization options for its gas storage licence.

ADE is well down the formal approvals path on its Katnook gas-fired generation plant, and expects to be in a position to make a FID decision on its development in the year ending 30 June 2012. This plant will largely be fueled by the otherwise "stranded" (but developed) Ladbroke Grove acid gas, but will also be able to use lean gas produced by ADE or others in the region.

Other Exploration Assets

Maryborough Basin permits – ATP 613P, ATPA 674P and ATPA 733P

ADE completed a purchase Agreement with Magellan Petroleum Ltd over its 25% interest (post farmout) in these permits during the year. Some procedural regulatory issues, which are not untypical in Queensland, continue to delay the grant of ATPAs 674P and 733P, notwithstanding all native title issues have been resolved thereon. These permits will be the subject of a CBM exploration program by the Operator, Blue Energy Ltd, through which ADE will be carried through the first 9 wells.

ADE considers these permits also have considerable shale gas potential, which was validated during the year by the release of a report from the USA's IEA, which pointed to a very large potential recoverable resource in the Maryborough Basin (of around 6 TCF net to ADE).

ATP 849P – Surat Basin

A 20% interest was acquired in this prospective permit during the previous reporting period. A budget was approved for 400 kms 2D seismic with the operator during the year and work is due to commence shortly. Full interpretation results should be known by the end of the second quarter 2012.

ATP 904P – Surat Basin

During the year ADE extinguished a farmout arrangement on the block in consideration for shares issued by the farminee. It now has a full 100% unencumbered interest and is currently planning an oil-focused exploration program to follow over the next few years.

USA asset – West Florence

ADE now has a 58.33% share working interest in the West Florence lease in Colorado. The lease we re-negotiated during the year, which reduced the gross acreage to around 3500 acres and which facilitates new work on the lease with the sole remaining partner. The work has commenced subsequent to this reporting period and ADE expects it to be both rewarding in its own right in terms of increased oil production but also to enhance its attractiveness to potential buyers.

Corporate

The Company funded the activities outlined above through a number of equity raisings as well as from its increased operating cashflows.

In the year, the Company undertook a pro-rata rights issue to raise equity finance and followed this with placements and a share purchase plan.

Post year end, another placement was made to Beach Energy at a large premium to the Company's share price, which has provided a major capital injection to fund further activities in the areas outlined above.

Outlook

ADE is well placed to continue its growth in 2012 and beyond.

Activity in the current fiscal year will focus on the PEL 218 shale gas drilling program and stepping out this exploration program into the neighbouring ATP 855P permit. The Company has ensured it has the funding necessary to meet these commitments in FY12.

Other activity will involve further testing work on the Otway Petroleum Project wells and the pursuit of the Company's other exploration and energy market projects. The Company will continue its efforts on improving its deliverability of hydrocarbons within its production infrastructure – and adding crude oil to its product mix – with a view to maximizing its revenue stream.

Beyond that, exciting and material exploration prospects have been identified in the Company's permits in the Otway, Cooper, Surat, Maryborough and Colorado Basins, which the Company looks forward to developing.

The Company also constantly assesses new asset and corporate opportunities that could add value to its existing asset base.

Yours sincerely,

Carl Dorsch
Managing Director

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

The Board of Directors of Adelaide Energy Limited has established corporate governance policies and procedures, where practicable, consistent with the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (**ASX Recommendations**).

The following statement sets out a summary of the Company's corporate governance practices that were in place during the financial year and how those practices relate to the ASX Recommendations.

These ASX Recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an effective, quality and integrity outcome. The Corporate Governance Council has recognised that a 'one size fits all' approach to Corporate Governance is not required. Instead, it states aspirations of best practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why.

In ensuring ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company. The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with best practice and which unless otherwise disclosed, were in place during part or whole of the financial year ended 30 June 2011.

PRINCIPLE 1 – Lay solid foundations for management and oversight

Recommendation 1.1 – Recommendation followed

The Board is governed by the Corporations Act 2001, ASX Listing Rules and a formal constitution adopted by the Company in 2005.

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company for the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the Company including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance, financial reporting, ethical standards and management information systems.

The Board has delegated responsibility for operation and administration of the Company to the Managing Director. This includes being responsible for the management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board. Responsibilities are delineated by formal authority delegations.

The Board has adopted a formal statement of matters reserved to it in a Board charter that details its functions and responsibilities. Details of the Board's charter is located on the Company's website www.adelaideenergy.com.au.

To assist in the execution of its responsibilities, the Board has established Board committees comprising an Audit & Risk Committee and a Remuneration Committee. These committees have written mandates and operating procedures which are reviewed on a regular basis.

The full Board currently holds ten scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary. Standing items include the Managing Director's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advanced. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Recommendation 1.2 – Recommendation followed

The Board takes overall responsibility for monitoring the composition of the Board and reviewing the performance and compensation of the Company's Executive Directors and senior management with the objective of motivating and appropriately rewarding performance.

A Remuneration Committee has been established to:

- review when required, the engagement, performance and remuneration of senior executives of the Company;
- recommend to the Board appropriate terms and conditions of engagement.

The Board policy is that the Remuneration Committee will comprise entirely of at least two Directors. The members of the Remuneration Committee during the year were:

- Mr. Neville Martin (Chairman of the Company)
- Mr. Roderic Hollingsworth (Non-executive Director)
- Mr Peter Hunt (Non-executive Director – appointed 16 December 2010)

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

The Managing Director, Mr. Carl Dorsch, is invited to Remuneration Committee meetings, as required, to discuss senior executives' performance and remuneration packages but does not attend meetings involving matters pertaining to him.

The Remuneration Committee meets once a year or as required. The committee met once during the year and committee member's attendance record is disclosed in the table of Directors' meeting as part of the Directors' report. The Remuneration Committee's Charter is available on the Company's website.

Recommendation 1.3 – Recommendation followed

During the year the Board considered a performance evaluation of the Managing Director. The evaluation was in accordance with the Company's process for evaluation of senior executives.

PRINCIPLE 2 – Structure the Board to add value

Recommendation 2.1 – Recommendation followed

The composition of the Board consists of four Directors of whom three are Independent Directors.

An Independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated , directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company
- has not within the last three years been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment
- within the last three years had not been a principal or employee of a material professional adviser or material* consultant to the Company
- is not a material* supplier or customer of the Company, or an officer or otherwise associated directly or indirectly, with a material* supplier or customer
- has no material* contractual relationship with the Company other than as a Director of the Company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company

**the Board considers, 'material', in this context, to be where any Director-related business relationship has represented, or is likely in the future to represent the lesser of at least 10 per cent of the relevant segment's or the Director-related business's revenue. The Board considered the nature of the relevant industries' competition and the size and nature of each Director-related business relationship, in arriving at this threshold.*

Recommendation 2.2 – Recommendation followed

The Chairman, Mr. Martin is an Independent Director.

Recommendation 2.3 – Recommendation followed

Mr. Martin's role as Chairman of the Board is separate from that of the Managing Director, Mr. Dorsch who is responsible for the day to day management of the Company and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

Recommendation 2.4 – Recommendation not followed

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior oil and gas exploration company, that the cost of establishing a Nomination Committee and a formal charter as recommended under Recommendation 2.4, cannot be justified by the perceived benefits of doing so. The Company does have a process in place that addresses the issues that would otherwise be considered by a Nomination Committee.

Recommendation 2.5 – Recommendation not followed

The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior oil and gas exploration company, the assessment of the Board's overall performance and its own succession plan is conducted on an informal basis. Whilst this is at a variance with the ASX Recommendation 2.5, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place.

The Company has an informal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors. Directors also have the opportunity to visit the company's facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Each Director has the right to access all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval on the fee payable for the advice proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

Recommendation 2.6 – Recommendation followed

The names of the Directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of this report.

Messrs Martin, Hollingsworth and Hunt are considered to be independent.

The Company has no relationships with any of the independent Directors which the Company believes would compromise the independence of these Directors.

All Directors are entitled to take such legal advice as they require at any time and from time to time on any matter concerning or in relation to their rights, duties and obligations as Directors in relation to the affairs of the Company at the expense of the Company upon seeking permission and being granted it by the Chairman.

The Company's constitution specifies the number of Directors must be at least three and at most ten. The Board may at any time appoint a Director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive Directors is linked to their holding of executive office.

As the Board does not have a Nomination Committee, the functions of this Committee in its absence are dealt with by the Board as a whole. An assessment of the Board's overall performance and its own succession plan is conducted on an informal basis and was done so during the year by the Chairman.

PRINCIPLE 3 – Companies should actively promote ethical and responsible decision making

Recommendation 3.1 – Recommendation followed

The Company has adopted a formal code of conduct. The Company requires all its Directors and employees to abide by the standards of behaviour and business ethics in accordance with the law and the code of conduct.

The Code of Conduct Policy is presented and signed by new Directors and employees to ensure the individual complies with this policy. Should an individual not understand or has issues with the policy, the individual is expected to bring this immediately to the attention of the Managing Director or Chairman, whichever is considered appropriate to the individual.

The following standards of behaviour apply:

- Comply with the laws that govern the Company and its operations
- Act honestly and with integrity and fairness in all dealings with others and each other
- Avoid or manage conflicts of interest
- Use Company assets properly and efficiently for the Company's benefit
- Contribute to the well being of the Company's key stakeholders
- Seek to be an exemplary corporate citizen

Directors are also required to provide the Company with details of all securities registered in the Director's name or an entity in which the Director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the Director is a party or under which the Director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the Director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the Corporations Act 2001, a Director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

Recommendation 3.2 – Recommendation not followed

While the company embraces the concept of diversity, there is no formal diversity policy as the Board believes that given the size of the Company and the stage of the entity's life as a junior exploration Company, the cost of establishing and managing a formal diversity policy cannot be justified.

The Company recognises that each employee brings their own unique capabilities, experiences and characteristics to their work and that the Company values such diversity at all levels of the Company in all that it does. The Company believes in treating people with respect and dignity. The Company strives to create a supportive and understanding environment in which all individuals realise their maximum potential within the Company, regardless of their differences. The Company is committed to employing the best people to do the best job.

Recommendation 3.3 – Recommendation not followed

While the company does not have a formal diversity policy, the Company has a strong commitment to gender diversity. Female participation is reflected in the organisation.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

Recommendation 3.4 – Recommendation followed

For the annual period ending 30 June 2011, the Company provides the following information in relation to employees:

- Percentage of women employees in whole organisation: 38.5%
- Percentage of women in senior executive positions: 0%
- Percentage of women on the board: 0%

Recommendation 3.5 – Recommendation not followed

While the Company does not have a formal diversity policy, it is diverse along many dimensions. Diversity at the Company refers to all the characteristics that make individuals different from each other. It includes characteristics or factors such as religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference. The Company believes that the wide array of perspectives that results from such diversity promotes innovation and business success.

PRINCIPLE 4 – Safeguard integrity in financial reporting

Recommendation 4.1 – Recommendation followed

Adelaide Energy Limited is not a company required by ASX Listing Rule 12.7 to have an Audit & Risk Committee during the year although it is an ASX Recommendation. Notwithstanding the Listing Rule requirement, an Audit & Risk Committee has been established by the Company to oversee corporate governance over internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

The Audit & Risk Committee has a documented charter, approved by the Board. All members must be non-executive Directors with a majority being independent. The Chairman may not be the Chairman of the Board.

Recommendation 4.1 – Recommendation followed (cont)

The main responsibilities of the Audit & Risk Committee include:

- Reviewing the annual, half-year reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is consistent with the committee members' information and adequate for shareholder needs
- Assessing management processes supporting external reporting
- Assessing the performance and objectivity of the internal audit function
- Establishing procedures for selecting, appointing, and if necessary, removing the external auditor
- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review
- Providing advice to the Board in respect of whether the provision of non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001
- Assessing the adequacy of the internal control framework and the Company's code of ethical standards
- Organising, reviewing and reporting or any special reviews or investigations deemed necessary by the Board
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements
- Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and other financial institutions

Recommendation 4.2 – Recommendation followed

The Audit & Risk Committee consists of three non-executive Directors. The members of the Audit Committee during the year were:

- Mr. Peter Hunt FCA – (Chairman) – Independent Non-Executive
- Mr. Neville Martin LLB – Independent Non-Executive
- Mr. Roderic Hollingsworth BSc (Hons) FAIE – Independent Non-Executive

Recommendation 4.3 – Recommendation followed

The Company's Audit & Risk Committee charter can be found at www.adelaideenergy.com.au.

The Audit & Risk Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- Discuss the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

- Review the half-year report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results
- Review the draft annual report and half-year financial report, and recommend Board approval of the financial report
- Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made

Recommendation 4.4 – Recommendation followed

Details of the Audit & Risk Committee member's qualifications are detailed above in Recommendation 4.2. The Chairman, Mr. Peter Hunt is a qualified Chartered Accountant.

The external auditors, Managing Director and Company Secretary, are invited to attend Audit & Risk Committee meetings at the discretion of the Committee. The Committee met three times during the year and committee members' attendance record is disclosed in the table of Directors' meetings as part of the Director's report.

PRINCIPLE 5 – Make timely and balanced disclosure

Recommendation 5.1 and 5.2 – Recommendations followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

The Company's formal policy for continuous disclosure can be found at www.adelaideenergy.com.au.

The Company's Managing Director has the responsibility for ensuring that all relevant information is released to the market in a timely manner in consultation with the Board. The Company considers this to be a satisfactory protocol given the size and stage of the Company's development.

The Managing Director and Company Secretary are responsible for lodging various company announcements with the ASX. All Directors are required to approve the announcement prior to the release to the market where practicable.

PRINCIPLE 6 – Respect the rights of shareholders

Recommendation 6.1 and 6.2 – Recommendations followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act,
- the half yearly financial report lodged with the Australian Securities Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website; and
- disclosure of the Company's Corporate governance practices and communications strategy on the entity's website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders. To assist shareholders in communicating issues to the Board, reply paid question cards are issued with the annual report.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the Remuneration Report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

The Company's policy for shareholder communication is posted on the Company's website, www.adelaideenergy.com.au

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

PRINCIPLE 7 – Recognise and manage risk

Recommendation 7.1, 7.2 and 7.4 – Recommendations not followed

The Board recognises that there are inherent risks associated with the Company's operations including oil and gas exploration and production, environmental, title and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risk is presented to the Board.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, and the inherent risks associated with the industry it operates in, the Board does not believe formal policies for oversight and management of risk are required nor a mechanism for formal review be established. The policy describing how the Company manages risk by procedures established at Board and executive level can be found posted on the Company's website, www.adelaideenergy.com

Recommendation 7.3 – Recommendation followed

In accordance with ASX Recommendation 7.3 the Managing Director, Financial Controller and Company Secretary have given the Board their assurance that the written declarations provided under s295A of the Corporations Act are founded on a sound system or risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8 – Remunerate fairly and responsible

Recommendation 8.1 – Recommendation followed

The Board has established a Remuneration Committee and the Board policy is that the Remuneration Committee will comprise entirely of at least two Independent Directors. The members of the Remuneration Committee during the year were:

- Mr. Roderic Hollingsworth (Chairman) – Independent Non-Executive
- Mr Neville Martin – Independent Non-Executive
- Mr Peter Hunt – Independent Non-executive – appointed 16 December 2010)

The Managing Director, Mr. Carl Dorsch, is invited to Remuneration Committee meetings, as required, to discuss senior executives performance and remuneration packages but does not attend meetings involving matters pertaining to him.

The Remuneration Committee meets once a year or as required. The committee met once during the year and committee member's attendance record is disclosed in the table of Directors' meeting as part of the Director's report. The Remuneration Committee's Charter is available on the Company's website.

Recommendation 8.2 – Recommendation followed

The Remuneration Committee currently has three independent directors and is chaired by Mr Hollingsworth, an independent Chair. Mr Hunt was appointed to the Committee on 16 December 2010 to increase the number of Committee members to three per recommendation 8.2.

Recommendation and 8.3 – Recommendation followed

In accordance with ASX Recommendation 8.2 the Company's remuneration practices are set out as follows. The Company's Constitution specifies that the total amount of remuneration of non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive Directors has been set at $500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The employment conditions of the Managing Director are formalised in an employment agreement. The Managing Director's employment may be terminated at any time by mutual agreement or without notice in serious instances of misconduct.

Further details of Director's remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

These Corporate Governance Policies can be found at www.adelaideenergy.com.au

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The Directors present this report on Adelaide Energy Limited and its controlled entities ("The Group") for the financial year ended 30 June 2011.

1 DIRECTORS

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

Neville Martin – LLB (Chairman)

Neville Martin is a partner with the law firm Minter Ellison in Adelaide, and has 39 years experience in corporate law and mining oil and gas law. He is a former State President of the Australian Mining & Petroleum Law Association. Mr Martin is also a Director of Island Sky Australia Limited (ASX Listed) and was appointed as an Alternate Director of Sundance Energy Australia Limited (ASX Listed) on 18 May 2011. Mr Martin was also a Director of Austin Exploration Ltd (an oil and gas exploration company) from 11 May 2005 to 28 July 2008.

Special Responsibilities – Chairman of the Board; Member of the Audit & Risk Committee; and Member of the Remuneration Committee

Interest in Shares - 8,492,895 shares.

Mr Martin is aged 62 years.

Carl Dorsch – BSc, BE, CEng, FIChemE (Managing Director)

Carl Dorsch is a Chartered Chemical Engineer with over 30 years of Australian and International experience in the hydrocarbon sector and hard rock mining projects. His main focus in the oil and gas sector has been in the upstream side with extensive drilling, completion and production experience.

Mr Dorsch was also a Director of Strzelecki Metals Limited (formerly Primary Resources Limited), from 9 March 2007 to 2 September 2010.

Interest in Shares and Options – 7,325,079 ordinary shares and options to acquire 3,000,000 ordinary shares

Mr Dorsch is aged 57 years.

Roderic Hollingsworth – BSc (Hons), FAIE (Non-executive Director)

Rod Hollingsworth is a geophysicist with extensive experience in minerals and oil and gas exploration. He was the Exploration Manager for Delhi Petroleum Pty Ltd during the period of major discoveries in the Cooper Basin, and has consulted to Santos Ltd and other oil and gas explorers. He was the Executive Director and Director of Operations of Stuart Petroleum Limited August 1999 to February 2003.

Mr Hollingsworth was the Non Executive Chairman of ASX Listed Company, Fall River Resources Limited (Canadian and ASX Listed petroleum exploration and production company) (appointed July 2005 and retired on 29 February 2009). He was also the Chairman of Primary Resources Ltd until 13 June 2008. He is a Fellow of the Australian Institute of Energy and a member of the Australian Society of Exploration Geophysicists and the Petroleum Society of Australia.

Special Responsibilities – Chairman of the Remuneration Committee and Member of the Audit & Risk Committee.

Interest in Shares – 5,086,957 ordinary shares

Mr Hollingsworth is aged 75 years.

Peter Hunt – FCA (Non-executive Director)

Peter Hunt is a consultant at PKF Adelaide, Chartered Accountants. He is a Fellow of the Institute of Chartered Accountants in Australia.

Mr Hunt has been Chairman of the ASX Listed Company, Intermin Resources Limited since 1989 and was appointed Chairman of ASX Listed Strzelecki Metals Limited, formerly Primary Resources Limited, on 23 July 2008. Mr Hunt was appointed as a Non-executive Director of Strzelecki Metals Limited on 9 November 2005. Mr Hunt was appointed non-executive Chairman of ASX Listed Company MUI Corporation Limited on 6 June 2011.

Special Responsibilities – Chairman of the Audit & Risk Committee and Member of the Remuneration Committee.

Interest in Shares – 2,250,000 ordinary shares

Mr Hunt is aged 65 years.

Particulars of Directors shareholdings appear in other parts of this Annual Report.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2 SECRETARY

The Company Secretary, Ms Rajita Alwis CA, aged 32 was appointed on 15 April 2009. Ms Alwis is a Chartered Accountant with over 10 years experience working in public practice and commerce. Ms Alwis is also Company Secretary for a number of other companies including Adelaide Equity Partners Ltd and Island Sky Australia Limited (ASX Listed).

Directors' Meetings

The number of Directors meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	No. attended	No. of meetings held	No. attended	No. of meetings held	No. attended	No. of meetings held
Neville Martin	8	8	2	2	1	1
Carl Dorsch	8	8	2	2	-	-
Roderic Hollingsworth	7	8	2	2	-	1
Peter Hunt	8	8	2	2	1	1

The Audit Committee comprises of three Directors (as detailed in 4.2 of the Corporate Governance Statement), and meets as circumstances require. The Remuneration Committee comprises of three Directors (as detailed in 1.2 of the Corporate Governance Statement), and meets as circumstances require.

3 Operating Results

The net loss of the Group for the year ended 30 June 2011 was $16,241,229 (2010 $1,893,428 loss).

4 Financial Position

The net assets of the group have decreased by $2,372,261 from 30 June 2010 to $25,148,201 as at 30 June 2011.

5 Review of Activities

During the year the entity undertook the following:

Production and Exploration Activities

- Ongoing production of gas and condensate from various wells in the Group's Otway Basin petroleum production and retention licences.
- Downhole work on the Jacaranda Ridge-2 gas well with a view to boosting productivity.
- Participation in the Beach Energy operated shale/tight gas exploration program in PEL 218 in the Cooper Basin.
- The discovery of moveable oil in the Killanoola South-East 1 exploration well in the Group's 100% owned PRL 13 permit in the Otway Basin.

Corporate Activities

- On 27 August 2010 the Company issued 566,368 ordinary shares to a senior manager.
- On 29 November 2010 94,973,297 ordinary shares were issued as part of the Rights Issue that closed on 19 November 2010. On 13 December 2010 18,856,217 ordinary shares were issued as part of the remainder of shortfall shares to be issued from the Rights Issue. The Rights Issue Plan raised funds of $6,829,771.
- On 8 April 2011 the purchase of a further share in ATP 855P in the Cooper Basin in Queensland through the termination of a farm-in agreement for consideration of $3,000,000 and the issue of 7,000,000 ordinary shares in the Company.
- On 14 April 2011, 18 April 2011 and 20 April 2011, the Company issued 31,000,000 ordinary shares by way of a private placement to sophisticated investors. The placement raised funds of $4,340,000.
- On 17 May 2011 11,381,649 ordinary shares were issued as part of the Share Purchase Plan. The Share Purchase Plan closed on 3 May 2011 raising $1,596,431.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

6 Significant Changes in State of Affairs

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

7 Principal Activities

The principal activities of the Group during the year consisted of the production of gas and condensate, the exploration for oil and gas and the accumulation and acquisition of hydrocarbon prospective areas.

8 Events Subsequent to Balance Date

Activity that has occurred subsequent to the Balance Date is as follows:

In August 2011 the Company entered into a Share Subscription Agreement with Beach Energy Limited under which the latter subscribed for 14,000,000 shares at a price of 16.5c/share; will subscribe for a further 59,500,000 shares at the same price, subject to shareholder approval; and, was granted 75,000,000 unlisted 5 year options with a strike price of 40c/share, again subject to shareholder approval.

9 Future Developments, Prospects and Business Strategies

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

10 Environmental Issues

The Group is subject to significant environmental regulations under Commonwealth and/or State and/or Territory and/or United States laws. The Company has not been advised of any environmental breaches during the year.

11 Remuneration Report (Audited)

This report details the nature and amount of remuneration for each Director and key executive of Adelaide Energy Limited.

11.1 Remuneration policy

(a) Principles used to determine the nature and amount of remuneration

The Group's policy for determining the nature and amounts of emoluments of Board members and senior executive officers of the Group is as follows:

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-executive Directors has been set at $500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing Director is determined by the Remuneration Committee as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Group's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Group does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Group given the nature of the Group's business as a listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The employment conditions of the Managing Director, Mr Carl Dorsch, are formalised in an employment agreement. The remuneration set out in the employment agreement. The Managing Director's service agreement may be terminated at any time by mutual agreement. The Group may terminate this agreement without notice in serious instances of misconduct.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

The Group's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is as follows:

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of rewards. The Board ensures, through delegation to the remuneration committee, that executive rewards satisfies the following key criteria for good governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital management

(b) Details of Remuneration

Key Management Person	Position	Appointment Date
Neville Martin	Non-executive Chairman	15 September 2005
Carl Dorsch	Managing Director	25 January 2006
Peter Hunt	Non-executive Director	16 February 2007
Roderic Hollingsworth	Non-executive Director	4 October 2005
Rajita Alwis	Company Secretary	15 April 2009

There are no other key management personnel other than officeholders of the Company.

Remuneration of the Directors and key management personnel is as follows:

	2011					2010				
	Short Term Benefits			Post Employment Benefit	Total	Short Term Benefits			Post Employment Benefit	Total
	Salary	Fees	Non-Monetary Benefits(1)	Superannuation		Salary	Fees	Non-Monetary Benefits(1)	Superannuation	
Key Management Person	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Mr N Martin		-	-	70,000	70,000	-	35,000	-	35,000	70,000
Mr C Dorsch(1)	193,667	372,458	84,099	6,333	656,557	-	522,564	6,573	-	529,137
Mr R Hollingsworth	36,697	-	-	13,303	50,000	27,523	-	-	22,477	50,000
Mr P Hunt	-	50,000	-	-	50,000	-	50,000	-	-	50,000
Ms R Alwis(2)	-	-	-	-	-	-	-	-	-	-
	230,364	422,458	84,099	89,636	826,557	27,523	607,564	6,573	57,477	699,137

"(1)" Mr Dorsch is provided with a motor vehicle as part of the Managing Director's remuneration. The value of this benefit for the year ended 30 June 2011 was $35,818 (2010: $6,573). Mr Dorsch was also issued 3,000,000 2013 A Class Option. The value for the issue of these options for the year ended 30 June 2011 was $48,281 (2010: Nil).

"(2)" Ms Alwis is an employee of and is remunerated by AE Administrative Services Pty Ltd as part of a service agreement. During the year ended 30 June 2010 AE Administrative Services Pty Ltd charged the Group $56,728 (2010: $56,944). At balance date there was $6,610 unpaid (2010: $6,600 unpaid).

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

(c) Share Based Compensation

The value of Unlisted Options issued as part of remuneration is $48,281 (2010: $nil), were issued to the Managing Director. The fair value of these options made up 7.78% of this total remuneration.

Options issued as part of remuneration for the year ended 30 June 2011

There were 3,000,000 2013 A Class Options issued to Mr Dorsch, Managing Director, during the financial year. No other options were granted to Directors or key management personnel during the financial year.

Shares issued on exercise of remuneration options

No shares were issued to Directors as a result of the exercise of remuneration options during the financial year.

Performance based remuneration

No performance based remuneration income was paid in the current or prior year. The Company does not presently emphasise payments for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Company given the nature of the Company's business as a recently listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objective as considered appropriate by the Board.

(d) Managing Director Agreements

The employment conditions of the Managing Director, Mr Carl Dorsch, are formalised in an employment agreement that commenced on 1 February 2011. Under the agreement the employee will be paid $480,000 per annum including superannuation as well as a motor vehicle. Prior to February 2011 the employment conditions of Mr Dorsch were formalised in a service agreement.

In recognition of the significant additional out of hours commitment required of Mr Dorsch during the year ended 30 June 2011 (principally in connection with the Otway Project), the Board agreed and the Company paid a supplemental compensatory package of $50,000 *(included in details of remuneration above).*

During the financial year Dorsch Consultants Pty Ltd was paid a cash payment of $36,125 for extra contract time performed by Mr Dorsch *(included in details of remuneration above).*

(e) Other Directors Information

There were no post employment retirement benefits approved by members of the Group in a general meeting, nor were any paid to Directors of the Group. There were post employment retirement benefits paid or payable to other key management personnel, *(included in details of remuneration above)* other than superannuation.

12 Dividends

No dividends were paid or declared since the start of the year (2010: Nil). No recommendation for payment of dividends has been made.

13 Indemnification and insurance of Officers and Auditors

The Company is required to indemnify the Directors and other officers of the Company against any liabilities incurred by the Directors and officers that may arise from their position as Directors and officers of the Company. No costs were incurred during the year pursuant to this indemnity.

The Company has entered into a deed of indemnity with each Director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each Director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

Since the end of the financial year, the Company has paid premiums in respect of Directors' and officers' liability and legal expenses insurance contracts.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not party to any such proceedings during the year.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

Share Options

At the date of this report, the unissued ordinary shares of Adelaide Energy Limited under option are as follows:

Option	Grant Date	Date of Expiry	Exercise Price	Number under Option
Unlisted	30 June 2010	31 January 2012	$0.20	1,000,000
Unlisted	30 June 2010	31 December 2013	$0.15	350,000
Unlisted	30 November 2010	31 January 2013	$0.18	3,000,000
				4,350,000

14 Non-audit Services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the ***Corporations Act 2001***. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out APES 110 Code of Ethics for Professional Accountants.

There were no fees for non-audit services paid/payable to the external auditors during the year ended 30 June 2011 (2010: nil).

15 Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on the next page of this report.

Dated at Adelaide this 28th day of September 2011.

Signed in accordance with a resolution of the Directors.

Neville Martin

Director

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67 Greenhill Rd
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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 audit of Adelaide Energy Limited for the year ended 30 June 2011, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 28 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
REVENUE			
Sales	2	4,142,545	3,170,470
Interest revenue	2	115,180	226,965
Gas Plant Operating Expenses	3	(3,333,620)	(3,047,111)
Employment expense	3	(672,236)	(604,155)
Consultants and professional advisors		(365,023)	(506,997)
Depreciation and Amortisation expense	3	(31,567)	(37,644)
Finance Costs		(41,996)	(14,122)
Office and administration expenses	3	(491,058)	(558,226)
Impairment Expense	3	(16,278,420)	(309,240)
(Loss)/Profit before income tax expense		(16,956,195)	(1,680,060)
Income tax benefit/(expense)	4	714,966	(213,368)
(Loss)/Profit attributable to members of the Company		(16,241,229)	(1,893,428)
Other comprehensive income		-	-
Total comprehensive income for the year		**(16,241,229)**	**(1,893,428)**
Basic earnings per share (cents per share)	7	(4.62)	(1.14) cents
Diluted earnings per share (cents per share)	7	(4.62)	(1.14) cents

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated	
		2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	8	876,074	1,209,003
Trade and other receivables	9	1,171,628	1,376,590
Other current assets		-	1,016
TOTAL CURRENT ASSETS		2,047,702	2,586,609
NON-CURRENT ASSETS			
Available for sale financial assets	10	105,000	-
Property, plant and equipment	11	1,664,669	160,382
Oil and gas development assets	12	6,107,652	8,688,003
Exploration and evaluation expenditure	13	19,625,730	22,921,797
TOTAL NON-CURRENT ASSETS		27,503,051	31,770,182
TOTAL ASSETS		29,550,753	34,356,791
CURRENT LIABILITIES			
Trade and other payables	14	1,868,532	3,859,550
Financial liabilities	26	94,581	16,951
Short-term provisions	15	111,940	152,136
TOTAL CURRENT LIABILITIES		2,075,053	4,028,637
NON-CURRENT LIABILITIES			
Financial liabilities	26	167,964	72,307
Deferred tax liability	4	-	586,409
Long-term provisions	15	2,159,535	2,148,976
TOTAL NON-CURRENT LIABILITIES		2,327,499	2,807,692
TOTAL LIABILITIES		4,402,552	6,836,329
NET ASSETS		25,148,201	27,520,462
EQUITY			
Issued capital	16	42,939,084	29,118,397
Reserves	17	48,281	-
Retained profits/(losses)		(17,839,164)	(1,597,935)
TOTAL EQUITY		25,148,201	27,520,462

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

		Share Capital		Retained	
		Ordinary	Reserves	Profit/(Losses)	Total
Consolidated	**Note**	**$**	**$**	**$**	**$**
Balance at 1 July 2009		13,776,470	-	295,493	14,071,963
Shares issued during the year	16	15,700,447	-	-	15,700,447
Share issue costs (net of tax)	16	(358,520)	-	-	(358,520)
Total comprehensive income		-	-	(1,893,428)	(1,893,428)
Balance at 30 June 2010		29,118,397	-	(1,597,935)	27,520,462
Balance at 1 July 2010		29,118,397	-	(1,597,935)	27,520,462
Shares issued during the year	16	14,044,839	-	-	14,044,839
Share issue costs (net of tax)	16	(224,152)	-	-	(224,152)
Share options issued during the year	17	-	48,281	-	48,281
Total comprehensive income		-	-	(16,241,229)	(16,241,229)
Balance at 30 June 2011		42,939,084	48,281	(17,839,164)	25,148,201

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	NOTE	2011	2010
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,715,766	2,675,803
Payments to suppliers and employees		(4,800,413)	(2,457,084)
Interest received		115,180	226,965
Finance costs		(41,996)	(14,122)
Research and development tax concession		225,992	-
Net cash provided (used in)/by operating activities	20	(785,471)	431,562
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for subsidiaries	28	-	(2,000,000)
Payments for property, plant and equipment		(1,535,853)	(116,559)
Payments for development assets		(1,649,751)	(3,264,653)
Payments for exploration activities		(10,191,174)	(11,155,217)
Net cash (used in)/provided by investing activities		(13,376,778)	(16,536,426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		14,044,839	13,600,447
Transactions costs capitalised in capital raising		(215,519)	(512,170)
Net cash provided by/(used in) financing activities		13,829,320	13,088,277
Net (decrease)/increase in cash held		(332,929)	(3,016,590)
Cash at beginning of financial year		1,209,003	4,225,593
Cash at end of financial year	8	876,074	1,209,003

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements have been prepared in accordance with Accounting Standards, Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Adelaide Energy Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of Adelaide Energy Limited and its controlled entities comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures that the Group complies with International Financial Reporting Standards.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting basis and Conventions

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

New and Revised Accounting Standards

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2010:

- Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project- AASB 2009-5
- Improvements to IFRSs- AASB 2010-03.

The adoption of new and revised Accounting Standards effective for the financial statements for the annual period beginning 1 July 2010 did not have a material impact on the Group's financial statements.

Impact of the Carbon Tax Legislation

On 10 July 2011, the Commonwealth Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both Houses of Parliament. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Accounting Policies

Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Adelaide Energy Limited at the end of the reporting period. A controlled entity is any entity over which Adelaide Energy Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of and entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 18 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changed in equity since that date.

(b) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over acquiree is obtained by the parent entity. At this date, the parent shall recognize, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognized where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognized in the acquired where less than 100% ownership interest is held in the acquire.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer. Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognized in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity is not remeasure and its subsequent settlement is accounted for within equity. Contingent consideration classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognized as receivable. Subsequent to initial recognition, contingent consideration classifies as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expenses to the statement of comprehensive income.

(c) Revenue Recognition

Revenue from gas and condensate sales is recognised upon delivery.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(d) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss statement when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Adelaide Energy Limited and its wholly-owned subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand alone' taxpayer approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 12 March 2010. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities are derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(e) Trade and Other Receivables

Trade receivables and other receivables are carried at amounts due less any provision for specific doubtful debts.

(f) Impairment of Non-financial Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(g) Exploration and Evaluation Expenditure

Exploration and evaluation and expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(h) Development Expenditure

Development assets are measured on the cost basis less depreciation, amortisation and impairment losses.

The carrying amount of development assets is reviewed bi-annually in accordance with note 1(f) to ensure that they are not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal or by fair value less costs to sell.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(i) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment are measured on a cost basis. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(j) Depreciation

Items of plant and equipment are depreciated over their estimated useful lives, ranging from 3 to 40 years to write off the net cost of each asset during its expected useful life. The straight line method of depreciation is used.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The asset's residual value and useful lives is reviewed, and adjusted if appropriate, at each balance sheet date. The asset's carrying amount is written down immediately to its recoverable amounts if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. The gains and losses are included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(k) Leased Office Premises & Plant and Equipment

Leases of office premises and plant and equipment are classified as operating leases where the lessor retains substantially all of the risks and benefits of ownership. Minimum lease payments are charged against profits over the accounting periods covered by the lease terms except where an alternative basis would be more representative of the pattern of benefits to be derived from the leased property.

(l) Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of long service leave and other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Contributions made by the Company to employee superannuation funds are charged to expenses as incurred.

(m) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Financial assets and liabilities

Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

***Amortised cost* is calculated as:**

a. the amount at which the financial asset or financial liability is measured at initial recognition;

b. less principal repayments;

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

iii. Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether any impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in statement of comprehensive income.

(o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts.

(p) Foreign Currency Transaction and Balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

(q) Provisions

Provisions are recognised where the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefit will result and that outcome can be reliably measured.

(r) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities where it is impracticable to identify the amounts of GST, which are disclosed as operating cash flows.

(s) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) Interests in Joint Ventures

The company's share of assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the financial statements. Details of the company's interests are shown at note 13.

The interests in joint venture entities are brought to account using the cost method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(u) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgement into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimate – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in accessing recoverable amounts incorporate a number of key estimates.

Exploration and evaluation assets are assessed for impairment annually if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Development assets include plant and equipment and wells in relation to the production assets of the company. Assumptions are made in relation to the useful lives of the development assets with useful lives for the plant and equipment and wells. These estimates are reviewed annually.

Key estimates – provisions

A provision has been made in the accounts for restoration and rehabilitation of areas from which natural resources are extracted on the basis that no significant disturbance in relation to the Group's exploration activities has occurred. This policy is subject to annual review.

(v) Site restoration provision

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of oil and gas plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the oil and gas permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that they restoration will be completed within one year of the abandoning the site.

(w) New Accounting Standards for Application in Future Periods

The accounting standards that have not been early adopted for the year ended 30 June 2011, but will be applicable to the Group in future reporting periods, are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to Adelaide Energy Limited and its controlled entities.

(a) Consolidated Financial Statements

IFRS 10: "Consolidated Financial Statements" was issued by the IASB in May 2011 and replaces both the existing IAS 27:"Consolidated and Separate Financial Statements" and SIC 12: "Consolidation - Special Purpose Entities". This new standard revises the definition of control and related application guidance so that a single control model can be applied to all entities. This standard will apply to the Group from 1 July 2013 and it is believed there will be insignificant impact for the Group.

(b) Joint Arrangements

IFRS 11: "Joint Arrangements" was also issued by the IASB in May 2011 and provides for a more realistic reflection of joint arrangements by focussing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is applicable from 1 July 2013, with early adoption permitted. Management is assessing the impact on the Group but at this stage it is believed there will be insignificant impact on the company.

(c) Disclosure of Interests in Other Entities

IFRS 12: "Disclosure of Interests in other Entities" was issued by the IASB in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013 and management is currently assessing the impacts of the standard, which will be limited to disclosure impacts only. There have also been consequential amendments to IAS 28:"Investment in Associates" as a result of the above new standard. These amendments are applicable from 1 July 2013 and at this stage it is believed there will be no impact on the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(d) Fair Value Measurement

IFRS 13: "Fair Value Measurement" was issued by the IASB in May 2011 and provides a precise definition of a fair value, is a single source of fair value measurement and prescribes disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to the Group from 1 July 2013 and at this stage it is believed there will be no impact on the company.

(e) Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards that are applicable in future years:

- AASB 124: "Related Party Disclosures";
- AASB 2009-12: "Amendments to Australian Accounting Standards";
- AASB 2010-4: "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project";
- AASB 2010-5: "Amendments to Australian Accounting Standards";
- AASB 2010-8: "Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets"; and
- AASB 2011-4 "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements".

We do not expect these accounting standards to materially impact our financial results upon adoption.

(x) Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non- market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'share option reserve'.

If vesting periods or other vesting conditions apply, the expenses is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if she options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up are allocated to share capital.

(y) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders if the company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary share issued during the year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earning per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) Parent Entity financial Information:

The financial information for the parent entity, Adelaide Energy Limited, disclosed in note 29, has been prepared on the same basis, using the same accounting policies as the consolidated financial statements.

The financial report was authorised for issue on 28th day of September 2011 by the Board of Directors. The Board of Directors have the power to amend and reissue the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 $	2010 $
NOTE 2: REVENUE		
Operating activities		
Condensate and gas sales	4,142,545	3,170,470
Interest received from bank	115,180	226,965
Total Revenue	4,257,725	3,397,435
NOTE 3: (LOSS)/PROFIT FOR THE YEAR		
(Loss)/Profit from ordinary activities before income tax has been determined after:		
Depreciation expense	31,567	37,644
Employment Expenses		
Directors fees	170,000	170,000
Executive Remuneration	620,739	529,137
Less Executive Remuneration relating to exploration	(335,411)	(506,517)
Accounting and Consulting	97,599	99,610
Other employee costs	119,309	311,925
	672,236	**604,155**
Office and Administration Expenses:		
Insurance	27,784	19,762
Occupancy costs	148,005	142,011
Printing, stationery and photocopying	15,172	26,533
Corporate Expenses	145,549	209,031
Consultants Fees	73,039	68,597
Office Administration Expenses	41,024	58,124
Other Expenses	40,485	34,168
	491,058	**558,226**
Gas Plant Operating Expenses		
Repairs and Maintenance	150,219	520,336
Insurance	246,147	268,238
Employment Expenses	728,733	661,509
Amortisation	400,000	447,670
Depreciation	922,304	227,612
Other Expenses	886,217	921,746
	3,333,620	**3,047,111**
Impairment Expense		
Exploration and Evaluation	13,370,621	309,240
Oil and Gas Development Assets	2,907,799	-
	16,278,420	**309,240**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 $	Consolidated 2010 $
NOTE 4: INCOME TAX EXPENSE		
(a) The components of income tax (benefit)/expense comprise:		
Current Tax	(224,622)	(118,554)
Deferred Tax	(490,344)	331,922
	(714,966)	213,368
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Net Profit/(Loss)	(16,956,195)	(1,680,060)
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(5,086,860)	(540,018)
Add/(less)		
Tax effect of:		
Capital raising costs deductible	(137,318)	(113,757)
Immediate write off of tenement expenditure	(1,755,378)	(4,118,693)
Other non assessable and non deductible items	4,472,576	5,256,326
Other temporary differences	19,525	(483,858)
	(2,487,455)	-
Deferred tax assets recognised direct to equity and not meeting the recognition criteria of AASB 112	96,064	153,561
Tax effect of tax losses not brought to account as they do not meet the recognition criteria	2,487,455	-
Current year movement in net deferred tax liabilities attributable to temporary differences after offset of tax losses	(586,409)	178,271
Research and Development Tax Offset attributable to prior year but refunded in current year	(224,622)	(118,554)
Income tax attributable to operating loss	(714,966)	213,368
Total income tax losses for which no deferred tax asset has been recognised	5,873,712	-
(c) Opening deferred tax liability	586,409	408,138
Movement in deferred tax liabilities attributable to temporary differences after offset of tax losses	(586,409)	178,271
Closing deferred tax liability	-	586,409

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel remuneration has been included in the remuneration report included in the Directors' report.

a. Names and positions held by key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr Neville Martin	Chairman – Non-Executive
Mr Carl Dorsch	Managing Director – Executive
Mr Roderic Hollingsworth	Director – Non Executive
Mr Peter Hunt	Director – Non-Executive
Ms R Alwis	Company Secretary

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

The total of remuneration paid to Key Management Personnel of the Group during the year are as follows:

	2011	2010
Short-term employee benefits	688,640	635,087
Post-employment benefits	89,636	57,477
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	48,281	-
	826,557	692,564

The remuneration of the Company Secretary is not included above, please refer to the Remuneration Report in the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT)

b. Options and Rights Holdings

Number of 2011 A Class Options held by Key Management Personnel:

	Balance at 30 June 2010	Issued	Exercised	Expired	Vested at 30 June 2011	Unvested at 30 June 2011
Mr N Martin(1)	4,651,162	-	-	(4,651,162)	-	-
Mr C Dorsch	5,984,495	-	-	(5,984,495)	-	-
Mr R Hollingsworth(2)	4,651,163	-	-	(4,651,163)	-	-
Mr P Hunt	1,395,349	-	-	(1,395,349)	-	-
Ms R Alwis	-	-	-	-	-	-
TOTAL	**16,682,169**	**-**	**-**	**(16,682,169)**	**-**	**-**

	Balance at 30 June 2009	Issued	Exercised	Expired	Vested at 30 June 2010	Unvested at 30 June 2010
Mr N Martin(1)	4,651,162	-	-	-	4,651,162	-
Mr C Dorsch	5,984,495	-	-	-	5,984,495	-
Mr R Hollingsworth(2)	4,651,163	-	-	-	4,651,163	-
Mr P Hunt	1,395,349	-	-	-	1,395,349	-
Ms R Alwis	-	-	-	-	-	-
TOTAL	**16,682,169**	**-**	**-**	**-**	**16,682,169**	**-**

"(1)" 4,349,335 options are held by Mr Martin on behalf of some of the partners of Minter Ellison (Adelaide).

"(2)" All options are held by Mr Hollingsworth on behalf of the RJS Hollingsworth Family Trust.

Number of 2013 A Class Options held by Key Management Personnel:

	Balance at 30 June 2010	Issued	Exercised	Expired	Vested at 30 June 2011	Unvested at 30 June 2011
Mr C Dorsch	-	3,000,000	-	-	3,000,000	-
TOTAL	**-**	**3,000,000**	**-**	**-**	**3,000,000**	**-**

No options were exercised during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

c. Ordinary Share Holdings	Balance at 30 June 2010	Issued	Net Other Change[1]	Balance at 30 June 2011
Mr N Martin[2]	7,036,045	1,456,850	-	8,492,895
Mr C Dorsch	4,811,957	2,513,122	-	7,325,079
Mr R Hollingsworth[3]	5,086,957	-	-	5,086,957
Mr P Hunt[4]	1,638,878	611,122	-	2,250,000
Ms R Alwis	-	-	-	-
TOTAL	**18,573,837**	**4,581,094**	**-**	**23,154,931**

	Balance at 30 June 2009 30 June 2009	Issued	Net Other Change[1]	Balance at 30 June 2010
Mr N Martin[2]	5,454,921	-	1,581,124	7,036,045
Mr C Dorsch	4,725,000	-	86,957	4,811,957
Mr R Hollingsworth[3]	4,725,000	-	361,957	5,086,957
Mr P Hunt[4]	1,464,964	-	173,914	1,638,878
Ms R Alwis	-	-	-	-
TOTAL	**16,369,885**	**-**	**2,203,952**	**18,573,837**

"(1)" Net Change other refers to shares purchased or sold during the financial year.

"(2)" 6,471,078 shares are held by Mr Martin on behalf of some of the partners of Minter Ellison (Adelaide) and 1,428,241 shares are held by Houmar Nominees Pty. Ltd as trustee for the Martin Super Fund. Mr Martin is a Director and shareholder of Houmar Nominees Pty. Ltd and a beneficiary of the Martin Super Fund.

"(3)" 4,000,000 shares are held by Mr Hollingsworth on behalf of the RJS Hollingsworth Family Trust.

"(4)" 600,000 shares held by Hunt Corporation Investments Pty Ltd as trustee for The Peter Hunt Superannuation Fund. Mr Hunt is a Director and shareholder of Hunt Corporation Investments Pty Ltd and a beneficiary of the Peter Hunt Superannuation Fund.

	Consolidated	
	2011	2010
	$	$
NOTE 6: AUDITORS' REMUNERATION		
Remuneration of the auditor of the Group for:		
Gauditing or reviewing the financial report	27,500	26,500
	27,500	26,500
NOTE 7: EARNINGS PER SHARE		
a. Net profit/(loss)	(16,241,229)	(1,893,428)
Earnings used in the calculation of basic EPS	(16,241,229)	(1,893,428)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	350,867,811	165,921,300

c. In accordance with AASB 133 there are no dilutive securities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 $	Consolidated 2010 $
NOTE 8: CASH AND CASH EQUIVELANTS		
CURRENT		
Cash at bank and in hand	876,074	1,209,003

The effective interest rate on cash at bank deposits was 5% (2010: 3%); these deposits are at call.

(a) The company's risk exposure to interest rate risk is discussed at Note 22.

NOTE 9: RECEIVABLES

	Consolidated 2011 $	Consolidated 2010 $
CURRENT		
Trade Debtors	256,100	682,880
Other Debtors	224,622	118,554
Goods and Services Taxation receivable	690,906	575,156
	1,171,628	1,376,590

(a) There are no material trade and other receivables that are considered to be past due or impaired (2010: nil).

NOTE 10: FINANCIAL ASSETS

	Consolidated 2011 $	Consolidated 2010 $
NON-CURRENT		
Red Sky Energy Limited – Ordinary Shares	105,000	-
	105,000	-

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (observable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measure at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

30 June 2011

Assets	Level 1	Level 2	Level 3	Total
Listed securities and debentures	105,000	-	-	105,000
Total	105,000	-	-	105,000
Net fair value	105,000	-	-	105,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2010	2009
PROPERTY, PLANT AND EQUIPMENT	$	$
Plant and equipment at cost	1,804,974	269,121
Accumulated depreciation	(140,305)	(108,739)
	1,664,669	160,382
Balance at the beginning of year	160,382	81,467
Additions	1,535,854	116,559
Depreciation expense	(31,567)	(37,644)
Carrying amount at the end of year	1,664,669	160,382

NOTE 12: OIL AND GAS DEVELOPMENT ASSETS

Plant and Equipment at cost	5,911,562	5,797,191
Accumulated depreciation	(873,585)	(282,312)
Impairment	(1,139,017)	-
	3,898,960	5,514,879
Development assets and wells at cost	4,426,192	3,880,377
Accumulated Amortisation	(448,719)	(707,253)
Impairment	(1,768,781)	-
	2,208,692	3,173,124
	6,107,652	8,688,003
Balance at the beginning of the year	8,688,003	3,912,026
Additions – Plant and Equipment	396,683	4,840,428
Additions – Development Assets	1,253,068	610,831
Depreciation Expense – Plant and Equipment	(922,304)	(227,612)
Amortisation Expense – Development Assets	(400,000)	(447,670)
Impairment Expense	(2,907,798)	-
Carrying amount at end of year	6,107,652	8,688,003

Management has conducted an impairment review on all development assets. Drilling was conducted to determine the extent of reservoir communication between the wells and size of the reserves and calculated a total impairment of $2,907,798 (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 13: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2011 $	2010 $
Costs carried forward in respect of exploration and evaluation expenditure	19,625,730	22,921,797

(a) Movements in carrying amounts

	2011 $	2010 $
Balance at the beginning of the year	22,921,797	8,162,430
Amounts capitalised during the year	10,155,174	10,968,607
Amounts acquired through business combination	-	4,100,000
Tenement interest disposed	(80,620)	-
Impairment Expense	(13,370,621)	(309,240)
Total exploration and evaluation costs	19,625,730	22,921,797

Exploration and Evaluation expenditure has been carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recovered reserves. Management assessment of carried forward expenditure resulted in impairment of $13,370,621 (2010: $309,240).

The following joint ventures are currently held by the Group and are available for exploration:

Licence	Interest	Basin	State	Capitalised Costs	
				2011 $	2010 $
PEL-105 (Cooper Basin)	50% (1)	Cooper	SA	1,669,046	1,549,321
West Florence Project	50% (2)	Florence	Colorado, USA	416,874	109,408
PEL-218 (Cooper Basin)	10% (3)	Cooper	SA	1,930,928	1,767,895
ATP 855P	20%	Cooper	Qld	5,645,902	1,501,786
TOTAL				9,662,750	4,928,410

"(1)" Adelaide Energy has the right to acquire a 50% participating interest in PEL 105 from Austin Exploration Limited under the PEL 105 Farm-in Agreement dated 8 October 2007.

"(2)" Adelaide Energy Limited has earned a 15% interest in West Florence Prospect and assumed another 35%

"(3)" Beach Petroleum Limited acquired an interest in the Permian and Post Permian Strata of PEL 218 on 22 May 2009. A further interest was acquired in the post permian strata on 12 March 2010 as part of the Deka Resources Pty Ltd and Well Traced Pty Ltd acquisition.

The ultimate recoupment of costs carried forward is dependant on successful development and commercial exportations and sale of the respective areas of interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated	
	2011	2010
CURRENT	$	$
Trade payables	1,449,256	2,891,310
Sundry payables and accrued expenses	419,276	968,240
	1,868,532	3,859,550

NOTE 15: PROVISIONS

	Restoration	Short-term employee benefits	Long-term employee benefits	Total
Opening Balance at 1 July 2010	2,000,000	152,136	148,976	2,301,112
Additional Provisions	-	37,262	10,559	47,821
Amounts used	-	(77,458)	-	(77,458)
Balance at 30 June 2011	2,000,000	111,940	159,535	2,271,475

Analysis of Total Provisions	**2011**	**2010**
Current	111,940	152,136
Non-current	2,159,535	2,148,976
	2,271,475	2,301,112

Provision for Restoration

A provision has been recognised for the costs to be incurred for the restoration of the wells used for the extraction of gas and condensate. It is anticipated that the wells will require restoration in the next 5 years.

Provision for Short/Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cashflows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 16: ISSUED CAPITAL

	Consolidated 2011 $	2010 $
390,870,198 (2010: 227,092,667) fully paid ordinary shares	42,939,084	29,118,397
a. Ordinary shares		
At the beginning of the year	29,118,397	13,776,470
Shares issued during the year:		
27 August 2010	56,637	-
29 November 2010	5,698,398	-
13 December 2010	1,131,373	-
8 April 2011	1,225,000	-
14 April 2011	280,000	-
18 April 2011	1,400,000	-
20 April 2011	2,660,000	-
17 May 2011	1,593,431	-
Total shares issued during the year	14,044,839	15,700,447
Shares issued during the prior 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
12 March 2010	-	2,100,000
19 April 2010	-	345,000
20 April 2010	-	1,155,000
20 May 2010	-	2,141,447
1 June 2010	-	675,000
Total shares issued during prior year	-	15,700,447
Less: Cost of capital raising (net of tax)	(224,152)	(358,520)
At the end of the year	42,939,084	29,118,397

	2011 No.	2010 No.
At the beginning of the year	227,092,667	105,107,625
Shares issued during the year:		
27 August 2010	566,368	-
29 November 2010	94,973,297	-
13 December 2010	18,856,217	-
8 April 2011	7,000,000	-
14 April 2011	2,000,000	-
18 April 2011	10,000,000	-
20 April 2011	19,000,000	-
17 May 2011	11,381,649	-
Total shares issued during the year	163,777,531	-
Shares issued during the prior 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
12 March 2010	-	15,000,000
19 April 2010	-	2,300,000
20 April 2010	-	7,700,000
20 May 2010	-	14,276,309
1 June 2010	-	4,500,000
Total shares Issued during the prior year	-	121,985,042
At the end of the year	390,870,198	227,092,667

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 16: ISSUED CAPITAL

b. Options

2011

Option Class	Opening	Issued	Expired	Closing
2011 C Class Options	31,433,332	-	31,433,332	-
2012 Options	1,000,000	-	-	1,000,000
2013 Options	350,000	-	-	350,000
2013 A Class Options	-	3,000,000	-	3,000,000
TOTAL	**32,783,332**	**3,000,000**	**31,433,332**	**4,350,000**

2010

Option Class	Opening	Issued	Expired	Closing
2011 C Class Options	31,333,332	100,000	-	31,433,332
2012 Options	-	1,000,000	-	1,000,000
2013 Options	-	350,000	-	350,000
TOTAL	**31,333,332**	**1,450,000**	**-**	**32,783,332**

In the event that all Unlisted Options were exercised the Company would be required to issue a further 4,350,000 (2010: 32,783,332) 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

Unlisted Options: 2012 Options have an exercise price of $0.20 and expire on 31 January 2012

Unlisted Options: 2013 Options have an exercise price of $0.15 and expire on 31 December 2013

Unlisted Options: 2013 A Class Options have an exercise price of $0.18 and expire on 31 January 2013

c. Capital Management

Management control the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. The Group's policy is to fund exploration and development projects by share capital.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 17: RESERVES

	Consolidated	
	2011 $	2010 $
Opening Balance	-	-
Options issued during the year	48,281	-
Closing Balance	48,281	-

(a) Nature and purpose of reserves

Share based payments reserve

The share based payments reserve records items recognised as expenses on valuation of employee options and options issued to external parties in consideration for goods and services.

NOTE 18: CONTROLLED ENTITIES

Name of Company	Country of incorporation	Ownership Interest	
		2011 %	2010 %
Parent Entity			
Adelaide Energy Ltd	Australia	100	100
Subsidiaries			
Australian Unconventional Gas Pty Ltd	Australia	100	100
Deka Resources Pty Ltd	Australia	100	100
Well Traced Pty Ltd	Australia	100	100

NOTE: 19 OPERATING SEGMENTS

The Group 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 Group operated in the oil and gas industry within two geographical segments: Australian and the United States of America. For the annual year ending 30 June 2011, 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 with 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19: OPERATING SEGMENTS (CONT)

Consolidated

(i) Segment performance 30.06.2011	Production $	Exploration & Evaluation $	Corporate & Administration $	Total $
Revenue				
External Sales	4,142,545	-	-	4,142,545
Interest revenue	-	-	115,180	115,180
Total segment revenue	4,142,545	-	115,180	4,257,725
Segment net profit before impairment, tax, depreciation and amortisation	1,190,000	-	(513,904)	676,096
Reconciliation of segment result to total net profit/(loss) before tax				
Amounts not included in segment result but reviewed by the Board:				
• Impairment	(2,907,798)	(13,370,622)	-	(16,278,420)
• Depreciation and Amortisation	(1,322,304)	-	(31,567)	(1,353,871)
Net profit before tax from continuing operations	(3,040,102)	(13,370,622)	(545,471)	(16,956,195)

Consolidated 30.06.2010	Production $	Exploration & Evaluation $	Corporate & Administration $	Total $
Revenue				
External Sales	3,170,470	-	-	3,170,470
Interest revenue	-	-	226,965	226,965
Total segment revenue	3,170,470	-	226,965	3,397,435
Segment net profit before tax, depreciation and amortisation	798,641	(309,240)	(1,456,535)	(967,134)
Reconciliation of segment result to total net profit/(loss) before tax				
Amounts not included in segment result but reviewed by the Board:				
• Depreciation and Amortisation	(675,282)	-	(37,644)	(712,926)
Net profit before tax from continuing operations	123,359	(309,240)	(1,494,179)	(1,680,060)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19: OPERATING SEGMENTS (CONT)

Consolidated

(ii) Segment Assets	**Production**	**Exploration & Evaluation**	**Corporate & Administration**	**Total**
30.06.2011	**$**	**$**	**$**	**$**
Segment Assets	6,107,652	19,625,730	3,817,371	29,550,753
Segment asset increases for the period:				
• Property, Plant and Equipment	396,683	-	1,535,853	1,932,536
• Oil and Gas Development Assets	1,253,068	-	-	1,253,068
• Exploration & Evaluation Expenditure	-	10,155,174	-	10,155,174
	1,649,751	10,155,174	1,535,853	13,340,778
Total assets from continuing operations	6,107,652	19,625,730	3,817,371	29,550,753

Consolidated	**Production**	**Exploration & Evaluation**	**Corporate & Administration**	**Total**
30.06.2010	**$**	**$**	**$**	**$**
Segment Assets	8,688,003	22,921,797	2,746,991	34,356,791
Segment asset increases for the period:				
• Property, Plant and Equipment	4,840,428	-	116,559	4,956,987
• Oil and Gas Development Assets	610,831	-	-	610,831
• Exploration & Evaluation Expenditure	-	15,068,607	-	15,068,607
	5,451,259	15,068,607	116,559	20,636,425
Total assets from continuing operations	8,688,003	22,921,797	2,746,991	34,356,791

Consolidated

(iii) Segment liabilities	**Production**	**Exploration & Evaluation**	**Corporate & Administration**	**Total**
30.06.2011	**$**	**$**	**$**	**$**
Segment liabilities	2,314,690	1,387,686	700,176	4,402,552
Total liabilities	2,314,690	1,387,686	700,176	4,402,552

Consolidated	**Production**	**Exploration & Evaluation**	**Corporate & Administration**	**Total**
30.06.2010	**$**	**$**	**$**	**$**
Segment liabilities	2,358,641	2,992,917	1,484,771	6,836,329
Total liabilities	2,358,641	2,992,917	1,484,771	6,836,329

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20: CASH FLOW INFORMATION

	Consolidated 2011 $	Consolidated 2010 $
Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax		
Profit/(Loss) from ordinary activities after income tax	(16,241,229)	(1,893,428)
Non-cash flows in profit from ordinary activities		
Depreciation	953,871	265,507
Amortisation	400,000	447,670
Impairment	16,278,420	309,240
Share based payments	48,281	-
Tax portion on capital raising costs	(8,633)	153,651
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(320,711)	(626,221)
(Increase)/decrease in prepayments and other assets	1,016	13,559
Increase/(decrease) in trade and other payables	(1,866,849)	3,548,038
Increase/(decrease) in deferred tax liability	-	178,271
Increase/(decrease) in provisions	(29,637)	(1,964,474)
Cash flow from operations	(785,471)	431,562

NOTE 21: SHARE-BASED PAYMENTS

There were share based payments issued to key management personnel during the year pursuant to shareholder approval.

Options granted to employees during the year are as follows:	Grant Date	Number
	30 November 2010	3,000,000

3,000,000 2013 A Class Options were issued with a strike price of $0.18

	2011 Number of Options	2011 Weighted Average Exercise Price $	2010 Number of Options	2010 Weighted Average Exercise Price $
Outstanding at the beginning of the year	2,783,332	$0.30	1,333,332	$0.40
Granted	3,000,000	$0.18	1,450,000	$0.20
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	1,433,332	$0.40	-	-
Outstanding at year-end	4,350,000	$0.18	2,783,332	$0.30
Exercisable at year-end	4,350,000	$0.18	2,783,332	$0.30

As at the date of exercise, the weighted average share price of options exercised during the year was $Nil (2010: $Nil).

The weighted average remaining contractual life of options outstanding at year end was 2 years (2010: 1.5 years). The weighted average exercise price of outstanding shares at reporting date was $0.18 (2010: $0.30).

The weighted average fair value of options granted during the year was $48,281. These values were calculated using the Black-Scholes options pricing model applying the following inputs:

Weighted average exercise price:	0.18
Weighted average life of the option:	2.17 years
Underlying share price:	$0.10
Expected share price volatility:	53.97%
Risk-free interest rate:	4.75%

No shares were issued to key management personnel as share based payments during the year (2010: Nil).

NOTE 22: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, trade and sundry payables.

(i) Treasury risk management

The senior executives of the Group regularly analyse interest rate exposure and evaluation treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial risks

The main risk the Group is exposed to through its financial instruments is liquidity risk.

Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. The Group maintains cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

(b) Financial Instruments

(i) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Consolidated	Weighted Average effective Interest Rate	Floating Interest Rate	Non-interest Bearing	TOTAL
2011				
Financial Assets				
Cash and cash equivalents	5%	876,074	-	876,074
Available for sale financial asset	-	-	105,000	105,000
Receivables	-	-	1,171,628	1,171,628
Total Financial Assets		876,074	1,276,628	2,152,702
Financial Liabilities:				
Trade and sundry payables		-	1,868,532	1,868,532
Financial Liabilities	14%	262,545	-	262,545
Total Financial Liabilities		262,545	1,868,532	2,131,077
Net Financial Assets		613,529	(591,904)	21,625
2010				
Financial Assets				
Cash and cash equivalents	5%	1,209,003	-	1,209,003
Receivables	-	-	1,376,590	1,376,590
Total Financial Assets		1,209,003	1,376,590	2,585,593
Financial Liabilities:				
Trade and sundry payables		-	3,859,550	3,859,550
Financial Liabilities	8%	89,258	-	89,258
Total Financial Liabilities		89,258	3,859,550	3,948,808
Net Financial Assets		1,119,745	(2,482,960)	(1,363,215)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Reconciliation of Net Financial Assets to Net assets	Consolidated	
	2011 $	2010 $
Net Financial Assets/(liabilities) (as above)	21,625	(1,363,215)
Non Financial Assets and Liabilities:		
Prepayments	-	1,016
Exploration expenditure	19,625,730	22,921,797
Oil and gas development Assets	6,107,652	8,688,003
Plant and equipment	1,664,669	160,382
Deferred tax liability	-	(586,409)
Short/long term provisions	(2,271,475)	(2,301,112)
Net Assets/(Liabilities) per statement of financial position	25,148,201	27,520,462

Net Fair Values

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities of the Group approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the statement of financial position of the Group.

NOTE 23: EVENTS AFTER THE BALANCE SHEET DATE

In August 2011 the Company entered into a Share Subscription Agreement with Beach Energy Limited under which the latter subscribed for 14,000,000 shares at a price of 16.5c/share; will subscribe for a further 59,500,000 shares at the same price, subject to shareholder approval; and, was granted 75,000,000 unlisted 5 year options with a strike price of 40c/share, again subject to shareholder approval.

There are no other events subsequent to balance sheet date that require disclosure.

NOTE 24: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

i. Transactions with Director-related Entities & Key Employees

During the year Dorsch Engineering Services Pty Ltd was reimbursed for minor costs incurred on behalf of the Group. The reimbursed costs totalled $3,407 (2010: $50,776). At 30 June 2011 $Nil (2010: $399) was payable to Dorsch Engineering Services.

During the year, the Group used the services of Dorsch Consultants Pty Ltd for the provision of administration consultancy services. The cost of these services was $9,664 (2010: $15,037). Mr Carl Dorsch is the principal of Dorsch Consultants Pty Ltd. At 30 June 2011 $Nil (2010: $16,541) was payable to Dorsch Consultants Pty Ltd.

During the year, the Group used the services of Minter Ellison for the provision of legal services. The cost of these services amounted to $12,804 (2010: $32,561). Mr Neville Martin was a partner of Minter Ellison during the whole the year. At 30 June 2011 $9,324 (2010: $272) was payable to Minter Ellison.

During the year, the Group used the services of PKF Chartered Accountants for the provision of taxation services. The cost of these services amounted to $50,124 (2010: $44,808). Mr Peter Hunt was a partner of PKF Chartered Accountants during the year. At 30 June 2011 $Nil (2010: $12,639) was payable to PKF Chartered Accountants.

Ms Alwis is an employee and is remunerated by AE Administrative Services Pty Ltd as part of their service agreement. During the year ended 30 June 2011 AE Administrative Services Pty Ltd charged $56,728 (2010: $56,944). At balance date there was $6,610 (2010: $6,600) unpaid to AE Administrative Services Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 25: EXPLORATION EXPENDITURE COMMITMENTS RELATING TO UNINCORPORATED JOINT VENTURES AND WHOLLY-OWNED TENEMENTS	2011 $	2010 $
Payables		
Less than one year	9,700,000	9,450,000
Between one and five years	8,900,000	9,150,000
More than five years	-	-
Total	18,600,000	18,600,000

The Group has guaranteed obligations to perform minimum exploration work and expend minimum amounts of money pursuant to the terms of the granting of petroleum exploration permits in order to maintain rights of tenure. The commitments may be varied as a result of renegotiation of the terms of the exploration permits or alternatively upon their relinquishment.

It is the Group's intention to seek farm-in parties in respect of certain drilling prospects within its exploration licences under arrangements whereby farm-in parties contribute a proportion of the cost of drilling. The commitments set out above do not recognise recoverable amounts from potential joint venture partners.

NOTE 26: COMMITMENTS FOR EXPENDITURE

	Consolidated	
(a) Non-cancellable operating lease rentals are payable as follows:	**2011 $**	**2010 $**
Less than one year	65,193	134,712
Between one and five years	-	57,044
	65,193	191,756

	2011	2010
(b) Finance Lease commitments	$	$
Payable – minimum lease payments		
– not later than 12 months	107,728	26,295
– between 12 months and 5 years	192,653	79,442
Minimum lease payments	300,381	105,737
Less future finance charges	(37,836)	(16,479)
Present value of minimum lease payments	262,545	89,258
Finance Lease breakdown as follows		
Current	94,581	16,951
Non-Current	167,964	72,307
Total	262,545	89,258

The details of assets under finance lease are detailed below. The table also details the fair value of these assets:

ASSET		
Gas Jacks	324,509	-
Motor Vehicles	101,298	51,384
Total	425,807	51,384

The Group has a bank guarantee deposit of $200,000 with the ANZ bank in connection to licences granted pursuant to the Petroleum and Geothermal Energy Act 2000.

The Group also has a $40,000 bank guarantee deposit in connection with the registered office lease.

The Group has no further capital or leasing commitments at 30 June 2011 or 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 27: CONTINGENT LIABILITES AND ASSETS

The acquisition of the Otway Production Assets requires the company to undertake well restoration. The SA Minister for Mineral and Resource Development has a charge in his favour over the Katnook Gas Plant for this restoration.

The Group has been advised by its joint venture partner that they are budgeting exploration on PEL 218 through to June 2012 to be approximately $35.6 million. The Group will be liable for a 10% share.

The Group has no other contingent assets or liabilities at the 30 June 2011 or 30 June 2010.

NOTE 28: BUSINESS COMBINATION

On 6 January 2010 Australian Unconventional Gas Pty Ltd ("AUG") was formed. Adelaide Energy Limited owns 100% of the share capital of AUG.

On 12 March 2010, the Group finalised the acquisition of Deka Resources Pty Ltd ("Deka') and Well Traced Pty Ltd ("Well Traced"). AUG acquired 100% of Deka and Well Traced by purchasing all the shares in Deka and Well Traced for $4,100,000. The $4,100,000 was funded through the issue of 15,000,000 fully paid ordinary shares in the Company at $0.14 per share and $2,000,000 cash.

The acquisition had the following effect on the consolidated entity's assets and liabilities on acquisition date:

	2010
Exploration and Evaluation Costs – Deka	2,050,000
Exploration and Evaluation Costs – Well Traced	2,050,000
Cash consideration	2,000,000
Script consideration	2,100,000
Consideration paid, satisfied in shares and cash	4,100,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 29: PARENT ENTITY FINANCIAL INFORMATION

Statement of Financial Position	**Parent entity**	
	30 June 2011 $	**30 June 2010 $**
Current Assets	2,044,703	2,595,038
Non-current assets	27,589,233	31,841,453
Total assets	29,633,936	34,436,491
Current liabilities	2,051,861	4,029,062
Non-current liabilities	2,347,691	2,807,692
Total liabilities	4,399,552	6,836,754
Net Assets	25,234,384	27,599,737
Shareholders' equity		
Contributed equity	42,987,365	29,118,397
Retained losses	(17,752,981)	(1,518,660)
Capital and reserves attributable to owners	25,234,384	27,599,737
(Loss)/Profit for the year	(16,234,320)	(1,635,833)
Total comprehensive income for the year	(16,234,320)	(1,635,833)

The parent entity contingent liabilities and assets, commitments for expenditure, and guarantees are the same as the group. Please refer to Note 27, 25 and 26 accordingly for these details.

NOTE 30: COMPANY INFORMATION

The registered office of the company is:

Adelaide Energy Limited
Level 5, 70 Pirie Street
Adelaide SA 5000
Ph: 08 8228 5207

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 18 to 52 are in accordance with the *Corporations Act 2001*:
   a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company;
   c. also comply with International Financial Reporting Standards as outlined within Note 1
2. The Managing Director and Chief Finance Officer have each declared that:
   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.
3. 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

Chairman

Dated this 28th day of September 2011.

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

Report on the financial report

We have audited the accompanying financial report of Adelaide Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Adelaide Energy Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Adelaide Energy Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 28 September 2011

SHAREHOLDER INFORMATION

Additional Information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report is set out below. The information is as at 6 October 2011.

Substantial shareholders

Beach Energy Limited: 19.95%

Auckland Trust Company Ltd: 17.08%.

There were no other substantial shareholders as at 6 October 2011.

Voting Rights

Fully paid ordinary shares

Subject to any rights or restrictions attached to any class of shares, at a meeting of members, on a show of hands, each member present (in person, by proxy, attorney or representative) has one vote and on a poll, each member present (in person, by proxy, attorney or representative) has one vote for each fully paid share they hold.

Unlisted Options

Option holders will be entitled on the payment of the exercise price to be allotted one ordinary fully paid share in the Company for each Option exercised. The exercise price and expiry date of Options are as follows:

Options	Exercise Price	Expiry Date
2012 Options	$0.20	31 January 2012
2013 A Class Options	$0.18	31 January 2013
2013 Options	$0.15	31 December 2013

Any Options not exercised before the expiry date will lapse.

Distribution of equity security holders

Category	Holders of Ordinary Shares	Holders of Options
1 – 1000	118	0
1,001 – 5,000	129	0
5,001 – 10,000	227	0
10,001 – 100,000	989	2
100,001 – and over	453	3
Total number of security holders	1,916	5

SHAREHOLDER INFORMATION

Twenty largest shareholders

The names of the 20 largest holders of fully paid ordinary shares constituting a class of quoted equity securities on the Australian Securities Exchange Limited including the number and percentage held by those at 6 October 2011 are as follows:

Rank	Name	Units	% of Units
1.	BEACH ENERGY LIMITED	86,590,840	18.65
2.	AUCKLAND TRUST COMPANY LIMITED	74,300,000	16.00
3.	MACQUARIE BANK LIMITED	17,350,000	3.74
4.	NATIONAL NOMINEES LIMITED	9,166,930	1.97
5.	BLUE DOG ENERGY PTY LTD <B16 ENERGY FAMILY A/C>	7,500,000	1.62
6.	MR CARL WILLIAM DORSCH	7,325,079	1.58
7.	MR NEVILLE WAYNE MARTIN	7,064,654	1.52
8.	PRIMARY PETROLEUM PTY LTD	7,000,000	1.51
9.	DAYCORP SUPER FUND	6,337,070	1.36
10.	MR DENNIS MILTON HARRISON + MRS KATHLEEN MARGARET HARRISON <DM & KM HARRISON FAMILY A/C>	5,500,000	1.18
11.	AUCKLAND TRUST COMPANY LTD <SECOND PACIFIC MASTER SF A/C>	5,000,000	1.08
12.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,056,588	0.87
13.	MR STEVEN MARINOFF	4,020,189	0.87
14.	MR RODERIC JOHN SMILY HOLLINGSWORTH <RJS HOLLINGSWORTH FAMILY A/C>	4,000,000	0.86
15.	MR STEWART ROBERT HOSKEN	3,654,732	0.79
16.	CITICORP NOMINEES PTY LIMITED	3,020,000	0.65
17.	VOBE RESOURCES PTY LTD <SUPERANNUATION FUND A/C>	2,969,312	0.64
18.	MR LARRY WERECKY <SUPER FUND A/C>	2,838,939	0.61
19.	MRS PAMELA FRANCES CARTER + MRS CECELIA JOSEPHINE BASELEY <SHEPHERD KING SUPERFUND A/C>	2,641,309	0.57
20.	MR MICHAEL KEVIN RICKETTS + MRS CATHERINE ALICE RICKETTS <THE SPIKER SUPER FUND A/C>	2,607,143	0.56
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	**262,942,785**	**56.62**
	Total Remaining Holders Balance	**201,427,413**	**43.38**

Unlisted Option holders

The names of the holders of Unlisted Options constituting a class of unquoted equity securities on the Australian Securities Exchange Limited including the number and percentage held by those at 6 October 2011 are as follows:

1.	MR CARL WILLIAM DORSCH	3,000,000	68.97
2.	BADETTE PTY LTD <WARNER FAMILY A/C>	1,000,000	22.99
3.	MR RUSSELL CAMPBELL	200,000	4.60
4.	MR SIMON GERARD MOONEY	100,000	2.30
5.	MRS JOANNA EVA TREPA	50,000	1.15
	Totals: Top 5 holders of UNLISTED OPTIONS	**4,350,000**	**100.00**
	Total Remaining Holders Balance	**0**	**0.00**

Otway Basin

Katnook Gas Plant

Existing Pipeline

ADE Pipeline
(tied-in- March 2010)

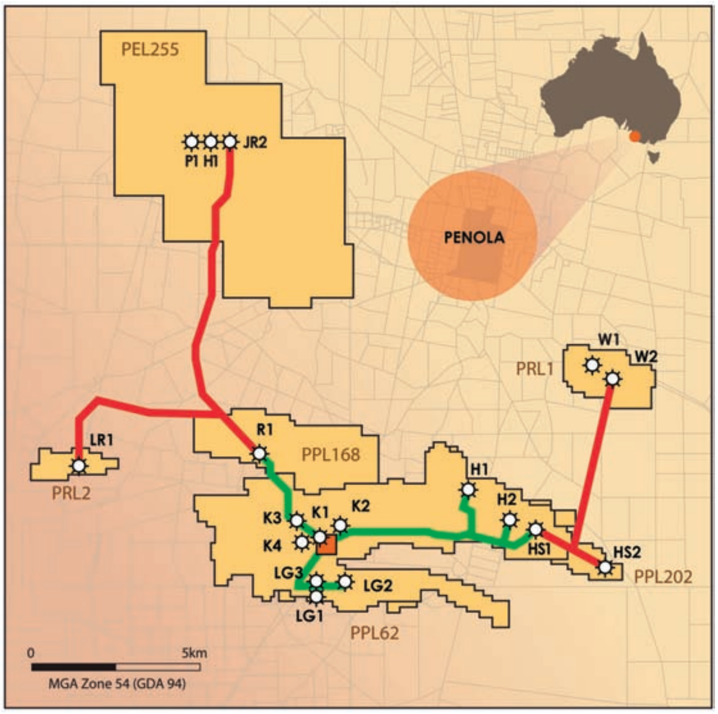
PPL Petroleum Production Licence

PRL Petroleum Retention Licence

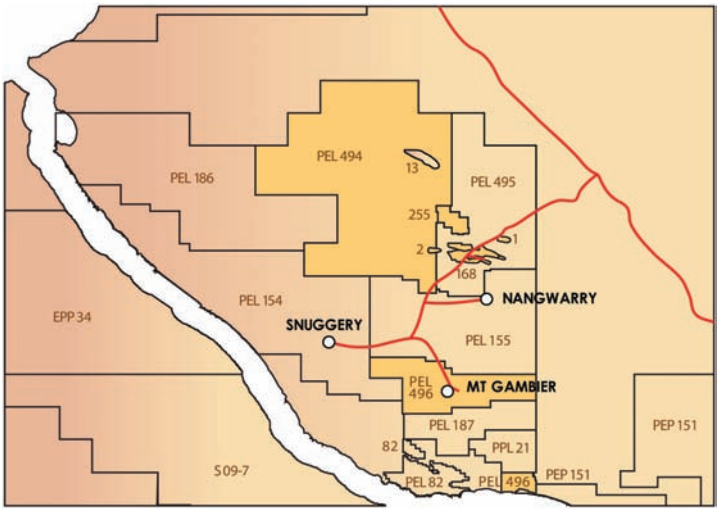
PEL Petroleum Exploration Licence

Petroleum WELL

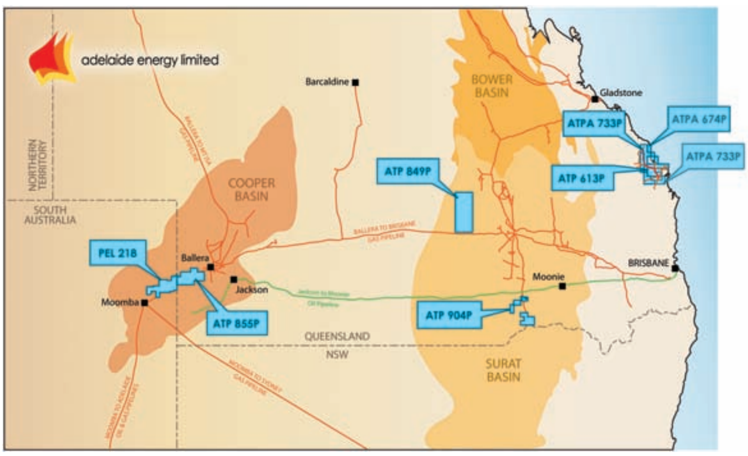
LR - Limestone Ridge
K - Katnook
LG - Ladbroke Grove
W - Wynn
H - Haselgrove
HS - Haselgrove South
R - Redman
JR - Jacaranda Ridge
P - Patrick
H - Hollick



Otway Exploration Permits



Maryborough Cooper and Surat Permits



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