

ASX/MEDIA ANNOUNCEMENT

2 March 2011

The Manager
Companies Announcements Office
Australian Securities Exchange



COMPANY PRESENTATION – EXCELLENCE IN OIL AND GAS CONFERENCE

Attached is a Company presentation from the “Excellence in Oil and Gas Conference” presented yesterday afternoon.

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ASX Code : ADE



adelaide energy limited

COMPANY PRESENTATION

Excellence in Oil and Gas Conference

1 March 2011

ACN : 116 256 823

ASX Code : ADE

www.adelaideenergy.com.au

“An Opportunity to Invest in an Emerging Oil and Gas Company”

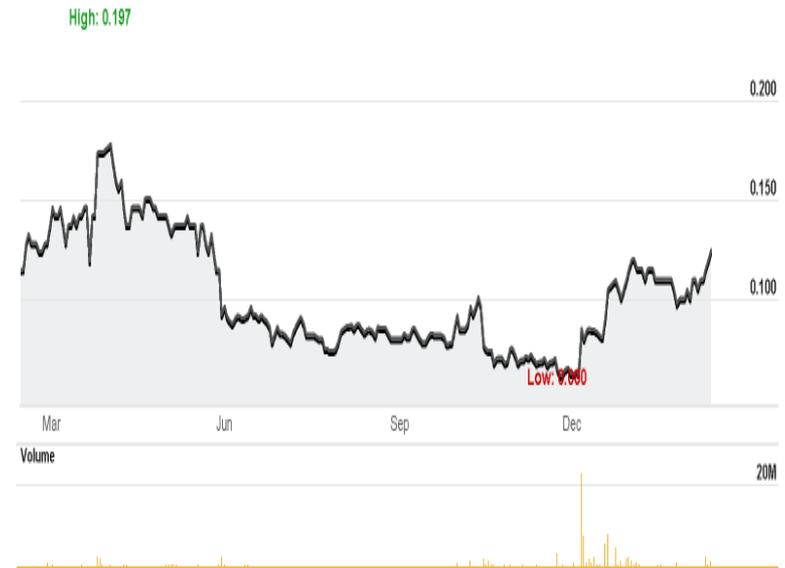
Disclaimer

- This presentation does not constitute investment advice. Neither this presentation nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction.
- This presentation contains forward looking statements that are subject to risk factors associated with oil and gas businesses.
- It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions, political risks, project delays or advancements, approvals and cost estimates.
- All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.



Corporate Snapshot

- ❑ Listed in June 2007
- ❑ Present market cap of ~\$41M
(with share price of ~\$0.12)
- ❑ Cash balance of \$3.5M
- ❑ Capital base:
 - ❑ 341M ordinary shares
 - ❑ 36M unlisted options
- ❑ Positive cash-flows from gas/condensate production
- ❑ A rare small-cap Operator (one of only around ten) of Australian gas production
- ❑ Developed and growing reserves
- ❑ Landholdings: > 1M net acres



Shareholding base:

- ❑ >1,500 shareholders
- ❑ Walker interests: 19.8%
- ❑ Board: ~ 6%
- ❑ Macquarie Bank: ~ 4%
- ❑ Beach Energy: ~4%



ADE's Rock and Roll Strategy

Increase Reserves (Rock) by:

- ❑ Having highly prospective & drillable projects with large upside potential
- ❑ Securing projects for further drilling and expansion
- ❑ Building a coherent on-shore Australian asset portfolio – balancing focus with diversity

Increase Revenue (Roll) by:

- ❑ Applying sound engineering to extend the life of mature assets
- ❑ Focusing on liquids whilst East Coast gas prices await the post LNG world
- ❑ Monetising broader energy market opportunities



Asset Portfolio

Nappamerri Trough

- Australia's most advanced shale gas play
- Current drilling/testing program
- Very positive results to date

Otway Petroleum Project

- 100% owned and vertically integrated
- Production through to exploration
- Energy market options

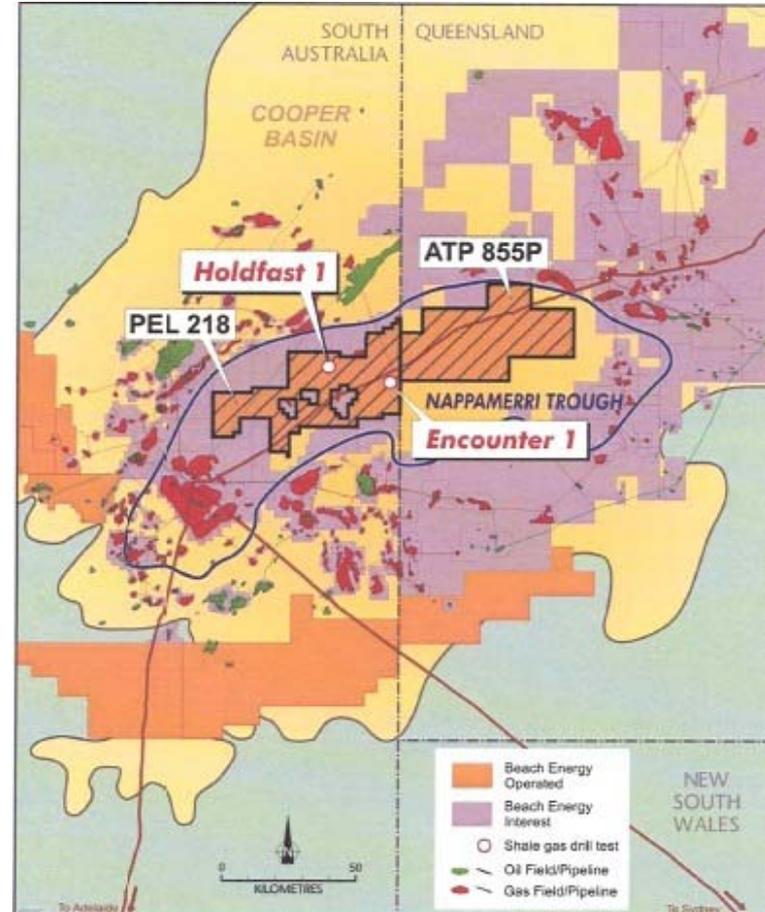
Other Exploration

- Onshore Australian asset focus
- Oil and gas targets
- Wells due in 2011



The Nappamerri Trough

- ❑ The Nappamerri Trough is at the forefront of shale gas exploration in Australia
- ❑ Drilling not desk-top studies
- ❑ A 2 well program in PEL 218 Permian is underway (ADE has a \$2.5M net carry)
- ❑ ADE provides high *leverage* to the Nappamerri Trough - and hence to shale gas in Australia
 - ❑ PEL 218 Permian – 10% (20% Post Permian)
 - ❑ ATP 855P – 20% (subject to farmout)
- ❑ The tight oil (and CBM) potential of the region is also to be tested – possibly very large resources



Map source: BPT

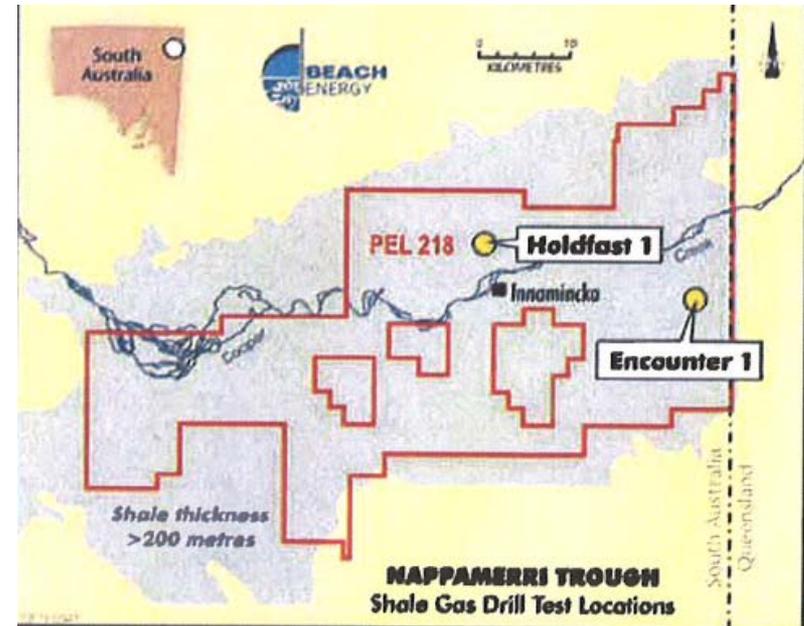


Current PEL 218 Drilling Program

- ❑ **Encounter-1 drilled late 2010:**
 - ❑ Very thick (~400M) gas-saturated section established in Roseneath / Epsilon / Murteree (REM) sequence
 - ❑ Extensive cores taken – results soon
 - ❑ No evidence of water

- ❑ **Holdfast-1 – drilling underway:**
 - ❑ ~20km from Encounter-1 (both off structure)
 - ❑ Same targets
 - ❑ TD due by late March

- ❑ **Program will:**
 - ❑ Evaluate gas content
 - ❑ Determine porosity & free gas
 - ❑ Aiming for contingent resource booking in 2011 – and forthcoming production pilot to move towards reserves



Map source: BPT

Shale Gas in Australia – Lessons from CBM

- ❑ Very large resources are attractive to the deep – pocketed (but opportunity constrained) Super-Majors, large IOCs and NOCs
- ❑ Australia is (still) an attractive investment destination
- ❑ Asia is the world growth hub for the foreseeable future
- ❑ Unconventional gas can be exported
- ❑ Current domgas pricing is irrelevant to acreage values
- ❑ The service sector follows large resources – costs come down over time
- ❑ The most profitable role for local companies is to establish initial resources/reserves – let others develop and produce

Recent new entrants to on-shore Australia

Super-majors:

- *Shell*
- *Conoco-Phillips*
- *Total*

Large IOCs:

- *BG*

NOCs:

- *Petronas*
- *Petrochina*
- *CNOOC*
- *Kogas*



The problems with shale gas in Australia

It isn't there...

- Next!

The local gas market is too small...

- Massive liquids deficit
- Wheels can be moved by gas instead
- Realistic carbon solution = gas instead of coal
- Export

It costs too much to produce...

- Haynesville costs (BG) - \$3.2/mmbtu
- Cheap conventional gas - going/gone
- Cheap CBM – going to Asia



Acreage metrics

- ❑ North American shale assets are often valued on a per acre basis
- ❑ Structural traps are not required – rather thick “blankets” of tight reservoir over large areas (as per CBM)
- ❑ Per acre metrics vary from Shale Basin to Basin, reflecting different levels of maturity, gas/condensate mix, pressure (and hence production rates), etc
- ❑ It is arguable that traditional reserves definitions have not caught up with commercial practice in North American Shale valuations and transactions (again, as for CBM)
- ❑ Typical deal prices have been US\$10k – 20k per acre

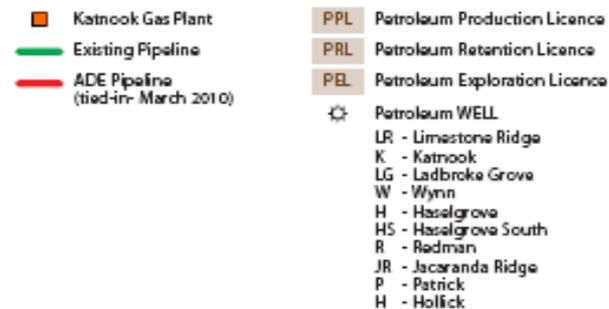
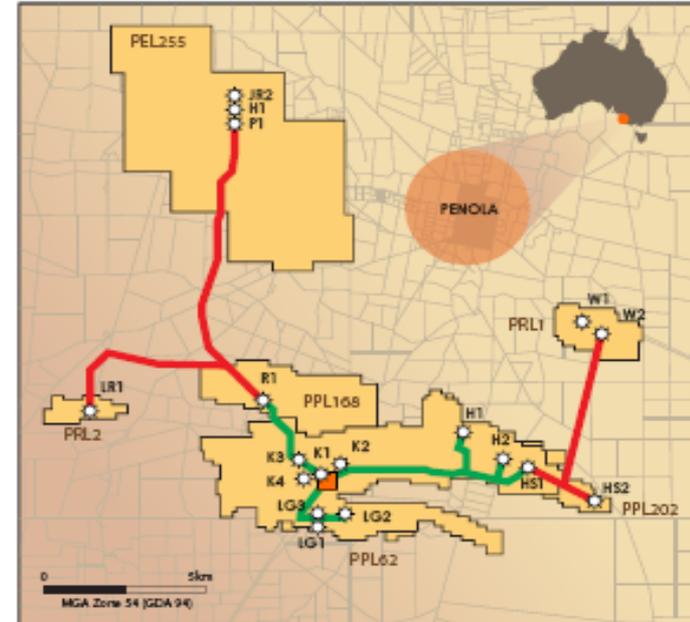
	PEL 218	ATPA 855P	Total
Square kilometres	1,603	1,679	3,282
ADE share	10%	20% <i>(gross)</i>	
Net km2	160	336	486
Net acres	39,520	82,992	122,512
\$500/acre	\$20M	\$41M	\$61M
\$1k/acre	\$39M	\$83M	\$122M
\$5k/acre	\$198M	\$415M	\$613M
\$10k/acre	\$395M	\$829M	\$1.2B

Note: the above \$ figures are illustrative only



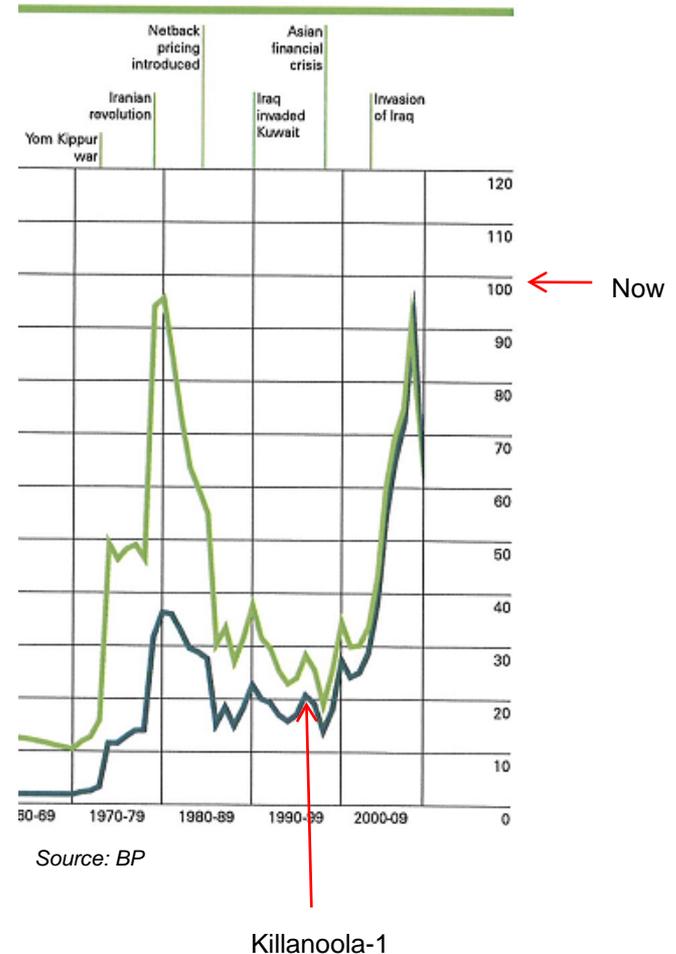
Otway Petroleum Project

- ❑ Operated production (gas/condensate) from old and new wells
- ❑ 100% ownership position provides flexibility and optionality
- ❑ Wells drilled in 2010 discovered gas – less than anticipated flow-rates still the subject of ongoing investigation
- ❑ Broad regional exploration portfolio – oil and gas targets
- ❑ Energy market options:
 - ❑ Power generation
 - ❑ Gas storage – GSRL 27 granted in 2010



Killanoola – imminent drilling for oil

- ❑ ADE has an upcoming well due to spud in the next month in the Otway Basin – Killanoola South-1 in PRL 13 (ADE – 100%)
- ❑ Killanoola-1 was drilled in 1998 and produced oil for a short period
- ❑ We now face a rather different oil price environment
- ❑ Given proven oil in the system, this is a relatively low risk exploration well - with P50 unrisks recoverable resources of 250k bbls (and P10 of 2.7M bbls)
- ❑ ADE’s existing operations in the region would mean that the marginal operating costs of a discovery would be low



A Great *Energy* Market Location

- ❑ Katnook is connected to the national pipeline grid and local gas customers
- ❑ Electricity transmission infrastructure is located immediately adjacent to Katnook
- ❑ The SA electricity market is the highest priced in the NEM
- ❑ ADE is undertaking FEED work on a generation development – using stranded (“free”) Ladbroke Grove gas
- ❑ Discussions are also ongoing with a number of parties over ADE’s underground gas storage project



Underground Gas Storage Project

- ❑ Gas storage will play an increasingly important role in Australia's energy balancing equation
- ❑ ADE is the only independent owner of depleted gas reservoirs on the Australian East Coast
- ❑ ADE has procured Australia's first specific underground gas storage licence and is in discussions with a number of large parties over commercialising this
- ❑ North American and European metrics for undeveloped gas storage assets would value GSRL 13 >> ADE market cap

Gas Storage Dynamics:

Supply side:

- *Depleting conventional reservoirs*
- *Supply from CBM is physically less flexible*
- *Reduced gas contract flexibility (average MDQ to ACQ ratio reducing)*

Demand side:

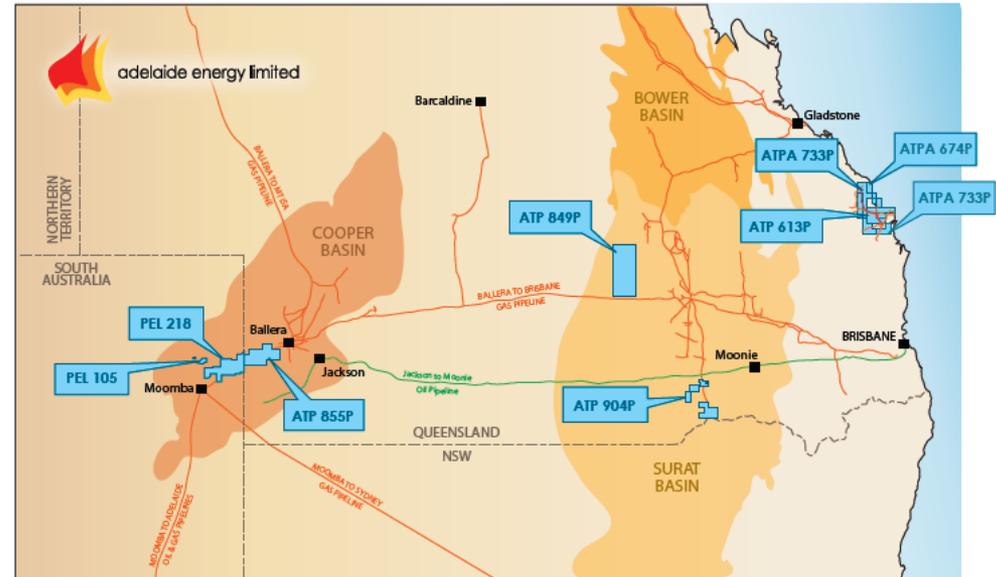
- *Electricity demand for air conditioning requires peaking gas fired generators*
- *Wind-farms induced by the RET require peaking gas-fired generation*
- *East Coast LNG projects need "ramp gas" storage prior to commissioning and maintenance management during operations*



Other Exploration Acreage

- ❑ **PEL 105 – 50% interest - plan to drill 1 well (Pirie-1) in late 2011 – large oil target**
- ❑ **Maryborough Basin:**
 - ❑ **Multiple targets – CBM, shale gas and tight sands**
 - ❑ **ADE carried through 9 CBM wells**
- ❑ **Surat Basin:**
 - ❑ **Conventional oil potential in ATP 904P (100%)**
 - ❑ **CBM in ATP 849P (20%)**
- ❑ **Non-core asset held in Colorado – Niobrara oil-play**

Maryborough, Cooper and Surat Permits



Good partners as Operators:

- ❑ **Cooper – Beach Energy**
- ❑ **Maryborough – Blue Energy**
- ❑ **Surat – Icon Energy**

Why invest in ADE?

- ❑ Very high leverage to a promising current shale gas exploration program
- ❑ Invested across the E&P conveyor belt: Operated production, developed reserves, near field opportunities, company-making exploration, land bank
- ❑ Broader energy market options from the 100% owned *Otway Petroleum Project*
- ❑ Multiple well drilling program over the next year in various projects across SA & Qld – largely free-carried
- ❑ Experienced, professional & competent team
- ❑ *And most importantly – the stock price is significantly less than the net asset value*



Thank you.....questions?

