



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

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## CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING OF ADELAIDE ENERGY LIMITED HELD 30 NOVEMBER 2011

### Introduction

Ladies and Gentlemen

Welcome to the 6<sup>th</sup> AGM of Adelaide Energy Limited (**Adelaide Energy**).

### Highlights for the 2010/2011 fiscal year

I am pleased to report to shareholders that during the financial year ended 30 June 2011 Adelaide Energy achieved a number of important milestones including:

- the grant of Australia's first gas retention licence;
- the discovery of producible hydrocarbons in the Killanoola South East 1 well located on our PRL 13 tenement;
- 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 participation in Australia's first shale gas exploration program (the drilling of the Holdfast and Encounter wells in PEL 218), with our joint venture partner Beach Energy Limited (**Beach**));

## **Otway Project**

The gas storage opportunities in the Company's Katnook gas fields represents an opportunity to realise further value from our investment in the ex - Origin plant and gas fields which we acquired in December 2008. Those gas fields have produced, and may well continue to produce, useful quantities of gas, subject to carefully management. Our total revenue from gas sales from these fields to date, now exceeds \$8m.

This is not to say however that access to a revenue stream was the only purpose behind the acquisition of the Katnook assets. These assets have always been viewed by the Board as having a strategic value that underpinned our plans for further exploration in the Otway region.

Critical to the success of the Katnook plant has been the safe and efficient operation of the plant and in this regard I would like to acknowledge the efforts made by our staff at the Plant lead by our Field Superintendent Russell Campbell.

The discovery of producible hydrocarbons in the Killanoola South East #1 well in April 2011 gave us further encouragement to think that we were closer to cracking the complex geological code in the Otway region.

## **Cooper Basin Shale Gas**

Our participation in Australia's first shale gas exploration program in PEL 218, under a joint venture with Beach, promised a great deal. The better than expected results in the Holdfast 1 well enabled Adelaide Energy to book its share of the contingent resource announced by the operator, at 200 BCF of gas.

This provided the background to Adelaide Energy's decision in August this year, to enter into a strategic alliance with Beach under which Beach increased its interest in Adelaide Energy to 19.95%, by taking a placement of 73.5 million shares in 2 tranches at 16.5 cents per share. At the time this was an approximate 40% premium over our trading price. The funds raised placed Adelaide Energy in a position to comfortably meet its anticipated shale gas exploration commitments for the immediate term.

## **Beach Takeover**

On 7 November 2011 Beach launched an on market takeover offer for Adelaide Energy at 20 cents per share. The Board of Adelaide Energy considered all appropriate alternatives however in the end were faced with a number of realities, including:

- the price offered included a competitive premium over the trading price for Adelaide Energy shares in the period prior to the Offer;
- Beach had very quickly acquired a controlling stake making the probability of a competing offer relatively low; and
- Beach had declared the Offer final and consequently had no capacity to increase the Offer.

In the circumstances the Board of Adelaide Energy recommended shareholders accept the offer. The Directors of Adelaide Energy have declared their intention to accept the Offer and I would expect this to occur over the next few days.

### **Board Changes**

Beach currently holds over 85% of Adelaide Energy's shares and consequently there will shortly be an orderly transition to a new Board comprising representatives nominated by Beach.

I would like to thank the outgoing Board for their efforts in growing the company from a concept to a point where its assets were seen as having significant value.

I would like to publicly acknowledge the roles of Mr. Rod Hollingsworth whose long standing experience in the Australian oil and gas industry enhanced our deliberations at Board level, and Mr. Peter Hunt who chaired the Audit Committee and kept a close eye on all financial matters.

I should also make particular mention of our Managing Director, Carl Dorsch who brought considerable oil industry know-how to the table. In a relatively short period he built up an extensive exploration portfolio and made important strategic acquisitions such as the Katnook Gas Plant. I think it is appropriate to also acknowledge that Mr. Dorsch was an early proponent of the potential for shale gas in Australia and was the driving force behind the Company's focus upon unconventional gas opportunities, well before the pursuit of these opportunities became more conventional.

Finally I would like to sincerely thank all of the dedicated and highly motivated staff at Adelaide Energy who have supported the Company and for their efforts over the last 6 years.