



ADELAIDE  
ENERGY  
LIMITED

## Adelaide Energy Ltd (“ADE”)

### Australian Stock Exchange Announcement

Wednesday 31<sup>st</sup> October 2007

General Manager  
The Company Announcements Office  
Australian Stock Exchange Limited  
Electronic Lodgment System

Dear Sir/Madam

#### First Quarter Activities Report

THREE MONTHS TO 30<sup>th</sup> SEPTEMBER 2007

#### Highlights:

The following activities have been conducted by or on behalf of the Company:

#### 1. OIL & GAS PROJECT ACTIVITIES

##### PEL 255 : Otway Basin, South Australia : 100% ADE

Jacaranda Ridge #2 drilling operations commenced on 14 July 2007. The well reached total depth of 2765m on 8 August 2007 and the drilling rig was released on 11 August 2007.

Testing of the well commenced on 18 August 2007 and the presence of producible hydrocarbons was demonstrated. Relatively stable flows of gas and gas condensate were achieved during the first planned extended production test allowing the Company to place an initial reserves estimate for the well of 1.2 billion cubic feet of gas and 60,000 barrels of condensate. Further work was undertaken after the reporting period.

#### Registered Office

Level 5, 70 Pirie Street, Adelaide SA 5000

[www.adelaideenergy.com.au](http://www.adelaideenergy.com.au)

t +61 8 8228 5207 f +61 8 8228 3235

ABN 43 116 256 823

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## **West Florence Prospect : Colorado, USA : 15% ADE Participating Interest**

The Company entered into an agreement (with an effective date of 8 January 2007) to earn a 15% working interest in 12,000 acres of leasehold in the West Florence Basin of Colorado, USA, in return for reimbursing a portion of the lease acquisition costs and paying 15% of the cost of drilling, completing and testing the first well, West Florence 1 (“Slanovich 32 – 23”).

During the reporting period the West Florence well was tested across a number of zones. Swabbing operations were conducted over a number of zones of the Muddy J sand as well as the Niobrara and Codell formations. Significant oil with water was recovered in four zones in the Upper Cretaceous section of the well between 5400 and 5700 feet.

Additionally the Company entered into an agreement whereby it has the right to earn up to a 10.5% interest in an additional 13,000 acres in the West Florence Prospect. This gives the Company exposure to a gross leaseholding of 25,000 acres in this highly prospective area. The petroleum potential resource for the West Florence Project is estimated to be in the order of 100-200 billion cubic feet of recoverable gas in the sands of the Muddy J and Dakota Formation and additionally around 15 million barrels of recoverable oil cumulatively from the Pierre, Niobrara and Codell formations, if oil and gas are present.

The participants in the drilling of West Florence-1 and the current acreage of the West Florence Oil and Gas Project and their respective interests are as follows:

<b>Adelaide Energy Limited</b>	<b>15%</b>
Mountain Petroleum Corporation (Operator)	25%
Victoria Petroleum N.L.	25%
Fall River Resources Limited	15%
North American Oil Gas Energy Pty Ltd	5%
Private American Interest	15%

## **PEL 105 : Cooper Basin, South Australia : 16.67% ADE Farmin Interest**

Over the reporting period, the Company continued to evaluate the available seismic and geologic data and target generation supplied by the Operator.

## **PELA 218 : Cooper Basin, South Australia : 100% ADE**

The Company continued geotechnical work over the Permit and expects to have a firm drilling target in the following quarter.

## **2. ACTIVITY UPDATE**

### **PEL 255 : Otway Basin, South Australia : 100% ADE**

The Company has now completed the running of a production logging tool in the Jacaranda Ridge #2 discovery well. Results of the run are currently being evaluated by the Company.

The Company is also well advanced with its plans for a 3D seismic survey to be run over the entire permit and which is expected to commence in late January 2008.

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## **West Florence Prospect : Colorado, USA : 15% ADE Participating Interest**

Following the successful swabbing operations during the reporting period, a beam pump was installed on the West Florence. The well is currently producing oil at a rate of around 35 barrels a day from the Codell formation. The operator is monitoring the water production as well.

### **PEL 105 : Cooper Basin, South Australia**

The Company executed a Farm In Agreement with Austin Exploration Limited whereby it has the right to earn a 50% interest in PEL 105 by funding 100% of the first commitment well in the Permit by October 2008 (previous to this it had a 16.67% Farmin interest by spending 33.33% of the cost of a well).

### **3. CAPITAL**

The Company had 98,607,625 ordinary shares, 31,142,374 Listed Options\* and 30,000,000 Unlisted Options\*\* on issue at 30 September 2007. The following issues occurred in the quarter:

- 100,000 Listed Options\* were exercised on 2 July 2007 resulting in 100,000 ordinary shares being issued.

\*The Listed Options are exercisable at \$0.25 and expire on 30 June 2009.

\*\*The Unlisted Options are exercisable at \$0.40 and expire on 30 June 2011.

### **4. FINANCIAL**

#### **4.1 Reconciliation of Expenditure**

This is the first quarterly report for Adelaide Energy Limited for the year ended 30 June 2008. In the previous quarterly report the estimated exploration and evaluation cash outflows for the current quarter amounted to \$2,612,000. The actual exploration and evaluation cash outflow for the current quarter amounts to \$3,469,000; the increase is primarily due to the additional drilling and evaluation testing costs at the Jacaranda Ridge #2 discovery well.

#### **4.2 Cash at 30 September 2007**

Cash at the end of the quarter was \$8,141,445.

Attached is the Appendix 5B Statement of Cashflows for the period from 1<sup>st</sup> July 2007 to 30<sup>th</sup> September 2007.

For further information contact:

Carl Dorsch

Managing Director

Adelaide Energy Limited

Mob: 0400 508 088

c.dorsch@adelaideenergy.com.au

ASX Codes: ADE, ADEO

## Appendix 5B

### Mining exploration entity quarterly report

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

Name of entity

ADELAIDE ENERGY LIMITED

ABN

43 116 256 823

Quarter ended ("current quarter")

30 SEPTEMBER 2007

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(3,469) - - (537)	(3,469) - - (537)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	163	163
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) GST received	186	186
<b>Net Operating Cash Flows</b>	<b>(3,658)</b>	<b>(3,658)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	- - (20)	- - (20)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(20)</b>	<b>(20)</b>
1.13 Total operating and investing cash flows (carried forward)	(3,678)	(3,678)

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1.13	Total operating and investing cash flows (brought forward)	(3,678)	(3,678)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	25	25
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid		
1.19	Other (provide details if material) –IPO costs	(12)	(12)
	<b>Net financing cash flows</b>	13	13
<b>Net increase (decrease) in cash held</b>			
		(3,665)	(3,665)
1.20	Cash at beginning of quarter/year to date	11,806	11,806
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	8,141	8,141

**Payments to directors of the entity and associates of the directors**

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	135
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and salaries paid during the quarter and other fees paid to director associated entities.
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**Non-cash financing and investing activities**

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

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

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### Financing facilities available

*Add notes as necessary for an understanding of the position.*

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

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	-
<b>Total</b>	<b>250</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	8,141	11,806
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>8,141</b>	<b>11,806</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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### Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	98,607,625	70,357,622		
7.4 Changes during quarter (a) Increases through issues 2/7/2007 (b) Decreases through returns of capital, buy-backs	100,000 Nil	100,000 Nil		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Listed Options 31,142,374  Unlisted Options 30,000,000	Listed Options 31,142,374  Unlisted Options nil	<i>Exercise price</i> \$0.25  <i>Exercise price</i> \$0.40	<i>Expiry date</i> 30/06/2009  <i>Expiry date</i> 30/06/2011
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	100,000	100,000	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30/06/2009
7.10 Expired during quarter	-	-		
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				


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## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
(Company Secretary)

Date: 31 October 2007

Print name: Victoria Marie Allinson

## Notes

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

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

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

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

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

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