



## **Adelaide Energy Ltd (“ADE”)**

### **Australian Stock Exchange Announcement**

Date: 30<sup>th</sup> January 2008

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

Dear Sir/Madam

#### **Second Quarter Activities Report**

**THREE MONTHS TO 31<sup>st</sup> DECEMBER 2007**

#### **Highlights:**

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

#### **1. EXPLORATION ACTIVITIES**

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

#### **1.1. OIL & GAS PROJECT ACTIVITIES**

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

An extended production test program of the discovery well, Jacaranda Ridge 2 continued in September and October 2007. Following this, a production logging tool was run in order to determine the location of the producing sands. The tool hung up at 2660m some 100m from bottom due to a bridge in the well bore. However it was confirmed that all the flow was being produced from below this point and that the contribution from the Top Sawpit Sand was minimal.

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ABN 43 116 256 823

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Following the tests, the well has remained shut in pending further commercialization studies by the Company. Recent pressure readings indicate that the pressure around the well continues to build up closer to initial reservoir conditions than that determined from the pressure build up data. This suggests that the well is accessing a greater gas volume than immediately accessed in the testing above.

Extra gas could be reservoired in the 27 metre thick Top Sawpit Sand if it is permeable as indicated by mudlogging and electric logs. This sand appears not to be contributing to flow which may have been caused by damage during drilling operations. The Company is encouraged by the sand's potential across the Permit Area.

Extra long term contribution may also be coming from gas away from the well. Such long term accessing of gas in reservoir compartments away from the well has been clearly documented in the nearby Katnook and Haselgrove fields where long term pressure information, together with 10-15 years of production, indicates accessed gas-in-place in the order of two times the volumes in compartments around the wells as initially interpreted from analogous short term tests in the early 1990's.

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

During the reporting period the West Florence 1 well (Slanovich 32-23) was brought into oil production from the Codell Formation. The well now appears to have stabilized at 10 – 15 barrels of oil and 18 – 35 barrels of water a day. Although small, the production is now cash flow positive and could be further improved if water disposal costs could be reduced.

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 : 50.07% ADE Farmin Interest**

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. Previously and under a now terminated farmin with Austin, the Company had the right to earn a 16.67% interest by funding 33.33% of the cost of a well.

During the reporting period, in December 2007, the Company was also appointed as operator of PEL 105 under the terms of the farmin agreement with Austin.

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

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

The Company was granted the Petroleum Exploration Licence (PEL 218) from 1 November 2007 and for a period of 5 years. During the period, the Company continued with geotechnical work over the Permit and has evaluated up to 5 different prospects within the area and from existing seismic.

## **2. ACTIVITY UPDATE**

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

3D seismic acquisition over a total of 48 square kilometers over the whole Permit commenced in early January 2008. Acquisition is expected to be complete in early February 2008

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

The West Florence 1 well is currently producing oil at a rate of around 15 barrels a day from the Codell formation. The operator is monitoring the water production as well.

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

The Company continues to evaluate the permit for possible drill locations and further seismic requirements to justify these. Presently it is focusing on two plays within the permit and whether it is necessary to complete further seismic. It has investigated time slots for a proposed seismic shoot in the next quarters.

### **PEL 218 : Cooper Basin, South Australia**

The Company has nearly completed target generation resulting from eight leads it has been considering. It is approaching seismic contractors for proposed 2D seismic in the next quarter and following up with prospective farminees.

## **3. CAPITAL**

The Company had 98,607,625 ordinary shares, 31,142,374 Listed Options\* and 30,000,000 Unlisted Options\*\* on issue at 31 December 2008 and 30 September 2007. There have been no changes during the quarter:

\*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 second 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 \$250,000. The actual exploration and evaluation cash outflow for the current quarter amounts to \$423,000; the increase primarily due to the unexpected cash call on West Florence 1 production equipment and cost overruns on Jacaranda Ridge #2 discovery well.

### **4.2 Cash at 31 December 2007**

Cash at the end of the quarter was \$7,904,136

Attached is the Appendix 5B Statement of Cashflows for the period from 1<sup>st</sup> of October 2007 to 31<sup>st</sup> December 2007.

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## Appendix 5B

### Mining exploration entity quarterly report

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

Name of entity

ADELAIDE ENERGY LIMITED

ABN

43 116 256 823

Quarter ended ("current quarter")

31 December 2007

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	(423)	(3,892)
(b) development		-
(c) production		-
(d) administration	(273)	(810)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	123	286
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income taxes paid		
1.7 Other (provide details if material) –ATO Income Tax Credits received	360	546
<b>Net Operating Cash Flows</b>	<b>(215)</b>	<b>(3,873)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(15)	(35)
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>(15)</b>	<b>(35)</b>
1.13 Total operating and investing cash flows (carried forward)	(230)	(3,908)

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1.13	Total operating and investing cash flows (brought forward)	(230)	(3,908)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	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) –Further IPO costs	(7)	(19)
	<b>Net financing cash flows</b>	(7)	6
<b>Net increase (decrease) in cash held</b>			
		(237)	(3,902)
1.20	Cash at beginning of quarter/year to date	8,141	11,806
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	7,904	7,904

**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	121
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 amounting to \$110,000 and other fees paid to director associated entities amounting to \$11,000.
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**Non-cash financing and investing activities**

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

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

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### 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	2,500
4.2 Development	-
<b>Total</b>	<b>2,500</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7,784	8,141
5.2 Deposits at call	120	-
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>7,904</b>	<b>8,141</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		

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

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Appendix 5B  
Mining exploration entity quarterly report

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

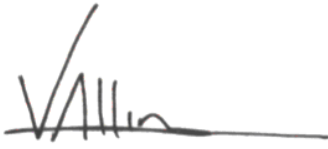
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	98,607,625	70,357,622		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	2009 Options 31,242,374	2009 Options 31,242,374	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30/06/2009
	2011 Options 30,000,000	2011 Options nil	<i>Exercise price</i> \$0.40	<i>Expiry date</i> 30/06/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

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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:  Date: 30 January 2008  
(Company Secretary)

Print name:

## 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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