



Adelaide Energy Ltd (“ADE”)

Australian Stock Exchange Announcement

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

Dear Sir/Madam

Second Quarter Activities Report THREE MONTHS TO 31st of December 2008

Highlights:

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

1. OIL AND GAS PROJECT ACTIVITIES

a. The Otway Petroleum Project: Onshore Otway Basin, South Australia

KATNOOK FACILITY/INFRASTRUCTURE PURCHASE

The Company completed the purchase of the Katnook and Ladbroke Grove gas processing facilities, related infrastructure and 13 shut in/producing wells from Origin Energy Retail Limited on 18 December 2008. The Company continued to work towards approval by the SA Minister for the transaction and expects this to be forthcoming in the third quarter (Financial Year 2009).

Nett revenue from gas and condensate sales from 1 October 2007 until completion (18 December 2008) will be deducted from the purchase price. Gas production has been shut in during the handover period (from end October 2008) and the Company recommenced production on 11 January 2009.

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

A number of activities were conducted on the Permit during the reporting period:

3D Seismic Survey

Processing and interpretation of the Jacaranda Ridge 3D seismic survey data has now been completed. The Jacaranda Ridge Sandstone, now formally recognised as a

Registered Office

Level 5, 70 Pirie Street, Adelaide SA 5000

www.adelaideenergy.com.au

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

ABN 43 116 256 823

For personal use only



regionally extensive reservoir in the region, may be tracked across PEL 255 with regions of superior reservoir quality and hydrocarbon potential evident as bright spots. These seismic anomalies have been mapped as potential drilling targets and volumetric hydrocarbon potential is described below.

PEL 255 Hydrocarbon Potential

A number of drilling targets have been identified following completion of the interpretation of the 3D seismic above. Volumetric analysis of the targets indicates unrisks P90 potential of 1,260,000 BOE (barrels of oil equivalent) and un-risked P10 potential of 48,610,000 BOE.

Jacaranda Ridge-2 Discovery Well

During the quarter, the Company received an independent reserves report from Resource Investment Strategy Consultants for the reserves accessed by the well. As well as the discovery well, they also audited and signed off on the booked reserves for the Limestone Ridge 1 well which is located in PRL 2 and was purchased from Origin Energy as part of the Katnook Assets purchase. This well was not connected to the existing infrastructure by Origin but will be connected by Adelaide Energy.

The booked reserves for the two wells were confirmed as follows:

- 1P Proven Undeveloped recoverable: 70,468 BOE
- 3P Proven, possible and probable recoverable: 425,451 BOE.

OT2008 BLOCKS B & D

During the quarter, the Company was advised by the South Australian Mineral Resources Development Minister that it had been the successful bidder on the two Petroleum Exploration Licences located in the Otway Basin. Both blocks are located close to the existing Company infrastructure with Block B adjoining PEL 255 on its western border and Block D covering extensive potential acreage to the south.

b. PEL 218 : Cooper Basin, South Australia : 100% ADE

The Company completed the acquisition of 220 km of high quality 2D seismic which will allow further detailing and identification of drilling prospects in the PEL. Discussions with potential farminees for the potential deep basin gas plays are continuing.

c. PEL 105 : Cooper Basin, South Australia : 50.0% ADE Farm-in Interest

The Company completed the acquisition of 93 kms of 2D seismic survey over the Toonman and Bookabourdie areas of the tenement. The seismic data will be used to further detail and identify other drilling targets.

Negotiations are continuing with potential farm-in partners with the first well, Pirie-1, now planned for middle 2009.

Registered Office

Level 5, 70 Pirie Street, Adelaide SA 5000

www.adelaideenergy.com.au

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

ABN 43 116 256 823

For personal use only



ADELAIDE
ENERGY
LIMITED

Hydrocarbon potential based on P50 reservoir volume is 300,000 barrels of oil with 1.5 BCF associated gas. Hydrocarbon shows over the Tirrawarra Sandstone section down to approximate structural spill suggest a P10 potential of 23 million barrels of oil in place

d. West Florence Prospect : Colorado, USA : 25% ADE Participating Interest

During the reporting period the West Florence 1 well (Slanovich 32-23) continued to produce oil at rates of 2 -10 barrels of oil per day. The well performance continued to be erratic and another work-over was performed. Results were initially favourable but the well production continued to decline during the period.

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 with additional 15 million barrels of recoverable oil cumulatively from the Pierre, Niobrara and Codell formations assuming both oil and gas are present.

The participants in the current acreage of the West Florence Oil and Gas Project of 12,000 acres and their respective interests are as follows:

Adelaide Energy Limited	25%
Victoria Petroleum N.L. (Operator)	40%
Fall River Resources Limited	25%
North American Oil and Gas Pty Ltd	10%

e. VICTORIA PETROLEUM USA INC

The potential purchase of Victoria Petroleum USA Inc by the Company was terminated by mutual agreement with the seller during the reporting period.

2. ACTIVITY UPDATE

The Otway Basin Project, South Australia

Maiden production for the Company commenced in January 2009 at the Katnook Gas Facility. Gas is being sold under a Gas Sales Agreement with Origin Energy Retail Ltd. The Company remains confident that positive cash flows can be generated in the medium term and continue in to the future with the connection of Jacaranda and Limestone Ridge reserves.

Acquisition of Victoria Petroleum USA Inc.

After termination of the offer of purchase, the Company has now been reimbursed the deposit on the transaction with interest.

Registered Office

Level 5, 70 Pirie Street, Adelaide SA 5000

www.adelaideenergy.com.au

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

ABN 43 116 256 823



Attached is the Appendix 5B Statement of cash flows for the period from 1 October 2008 to 31 December 2008.

For further information contact:

Carl Dorsch
Managing Director
Adelaide Energy Limited
Mobile: 0400 508 088
c.dorsch@adelaideenergy.com.au
ASX Codes: ADE, ADEO

For personal use only

Registered Office
Level 5, 70 Pirie Street, Adelaide SA 5000
www.adelaideenergy.com.au
t +61 8 8228 5207 f +61 8 8228 3235
ABN 43 116 256 823

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 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(2,434)	(4,027)
(b) development		
(c) production	(44)	(44)
(d) administration	(636)	(953)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	43	102
1.5 Interest and other costs of finance paid	(1)	(27)
1.6 Income taxes paid		
1.7 Other (provide details if material) –		
- ATO Income Tax Credits received	146	360
- JV Cash Call Funds for PEL218	697	697
Net Operating Cash Flows	(2,229)	(3,892)
Cash flows related to investing activities		
1.8 Payment for purchases of:	-	-
(a)prospects	-	-
(b)equity investments		
(c) other fixed assets	(1,366)	(1,378)
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)	-	-
Net investing cash flows	(1,366)	(1,378)
1.13 Total operating and investing cash flows (carried forward)	(3,595)	(5,270)

+ See chapter 19 for defined terms.

For personal use only

1.13	Total operating and investing cash flows (brought forward)	(3,595)	(5,270)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	275	275
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)	(5)	(5)
	Net financing cash flows	270	270
Net increase (decrease) in cash held			
		(3,325)	(5,000)
1.20	Cash at beginning of quarter/year to date	3,552	5,227
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	227	227

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	170
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 amounted to \$170,111.

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

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

+ See chapter 19 for defined terms.

For personal use only

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	-
Total	250

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	99	3,428
5.2 Deposits at call	128	124
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	227	3,552

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			

+ See chapter 19 for defined terms.

For personal use only

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 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	104,107,625	83,560,183		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Quoted on ASX	5,500,000 Ordinary Shares issued 23.12.2008			
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	2009 Attaching Options 31,142,374 2011 A Class Options 30,000,000	2009 Attaching Options 31,142,374 2011 A Class 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				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

For personal use only

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: 30 January 2009

Print name: P A M Bentick-Owens

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.

== == == == ==

+ See chapter 19 for defined terms.

For personal use only