



# Adelaide Energy Limited (“ADE”)

## Australian Stock Exchange Announcement

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

Dear Sir/Madam

### First Quarter Activities Report

Three Months from 1 July 2009 to 30 September 2009

#### Highlights:

#### 1. OIL AND GAS PROJECT ACTIVITIES

##### a. The Otway Petroleum Project : Onshore Otway Basin, South Australia (100% ADE)

##### **Katnook Gas Plant**

The Company completed the installation of surfactant injection strings in three of the existing producing wells to the Katnook Gas Plant (Haselgrove 1, Haselgrove South 1 and Redman 1). This meant the installation of 1/8” stainless steel tube into the wellbore and to a depth of around 2800m in each well. A specialised surfactant/detergent solution is injected into the wellbore at depth using a solar powered injection pump. This solution mixes with the water wet gas stream and reduces the hydrostatic backpressure on the formation by lightening the weight of water. Theoretically, it is expected that this will help wells to produce for longer periods. Although still too early to tell, the Company is confident the procedure has been and will continue to be successful. This will be judged using historical production figures.

#### Registered Office

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The Company's gross revenue from gas and gas condensate sales totalled approximately \$ 819,700 (GST excl) in the quarter. Gas production for August 2009 was the highest for the Company since assuming control of the revenue stream commencing January 2009. Revenue for September 2009 was also a record for the Company – although gas sales were not quite as high as August, the Company sold around 100 barrels of gas condensate.

Revenue for the 9 months in the period January 1 2009 to September 30 2009 was \$ 1,667,100 (GST excl) for a total number of production days of 162 out of a total of 273. This is approximately 59%, an improvement over the first 6 months and is considered due to the placement of injection strings in mid August this quarter.

#### **Petroleum Exploration Licence 255 (PEL 255)**

No activity was recorded during the quarter. Plans are under way for a two well drilling program (Hollick 1 and Patrick 1) and the Company is in the process of trying to secure a drilling rig for the work.

#### **Petroleum Exploration Licences 494 and 496 (PEL's 494 and 496)**

The Company continued to plan for the acquisition of around 70 kms of 2D seismic in the blocks. The seismic is planned to commence prior to year end 2009 and is centred around 2 targets. The seismic will help in defining the structures more closely and hopefully lead to at least two drilling targets. Negotiations with landholders has been more complex than usual due to ownership issues in the pine plantations of 494 and the need for explosives in 496.

#### **b. PEL 218 : Cooper Basin, South Australia : 10% ADE**

The Company announced the completion of the acquisition of a 90% interest in the Permit by Beach Petroleum Limited (Beach) on 23 July 2009. As well as the \$5.14 M in cash paid by Beach to the Company in the quarter, the additional considerations for completion were:

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- i) Beach to fully carry the Company through the next \$25M of exploration expenditure – Beach has reimbursed the Company for the drilling rig deposit as part of this (\$430,000).
- ii) Beach has been issued 8 million fully paid ordinary shares in the Company for a total subscription of \$960,000 (\$0.12 per share). Funds were received on 23 July 2009.
- iii) Beach has assumed the role of operator for the PEL 218 Permit.

The first well of the Permit commitment, the post Permian Wakefield 1 was spudded during the quarter and reached a total depth of 2297m. The well was cased and suspended following the discovery of oil and possibly prospective coal bed methane sources. Further evaluation will be required in order to assess the commerciality of these discoveries. This work is on going by the operator (Beach) and further work will be conducted in the following quarter.

Following the drilling of Wakefield 1, the PEL 218 Joint Venture interests are:

<i>Permian</i>		<i>Post Permian</i>	
Adelaide Energy	90%	Adelaide Energy	10.00%
Beach	10%	Beach (Operator)	23.33%
		Icon Energy Ltd	33.33%
		Bounty Oil Ltd	23.28%
		Deka Resources P/L	5.03%
		Well Traced P/L	5.03%

**c. PEL 105 : Cooper Basin, South Australia : ADE to earn 50% Interest**

The Company is making plans to drill Pirie-1 as operator and will soon announce a revised farmin deal with the tenement holder. There has been a delay in the timing for the commencement of the well due to a drilling rig supply problem in the Cooper Basin. The Company has been forced to delay the project and



commencement (“spud”) of Pirie 1 is now expected prior to the end of second quarter 2010.

Hydrocarbon shows over the Tirrawarra Sandstone section down to approximate structural spill suggest a P10 potential of over 20 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) flowed for the entire period. Oil rate has declined dramatically and a total of 35 barrels only were produced for the quarter. The Company is awaiting a workover/drilling plan from the operator prior to any decision going forward.

The Company is in continuing negotiations to dispose of the asset.

**2. ACTIVITY UPDATE**

The following update is a summary of activity from the end of the quarter to the reporting date.

**a. Katnook Gas Production – The Otway Petroleum Project**

The Company has received payment for September 2009 Katnook gas and gas condensate production. The month of September was the highest monthly revenue since gas and gas condensate production commenced for Adelaide Energy in January 2009.

**3. CAPITAL**

On 23 July 2009 the company issued 8,000,000 ordinary shares at \$0.12 per security pursuant to the Share Subscription Agreement with Beach Petroleum Limited. The funds were raised in conjunction with the acquisition of an interest in PEL 218 by Beach Petroleum Limited.

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The company conducted a Share Purchase Plan (“SPP”) that closed on 4 September 2009. The SPP resulted in the company issuing 20,208,733 ordinary shares at \$0.115 per security

#### 4. FINANCIAL

Cash at the end of September 2009 was \$6,985,000.

Attached is the Appendix 5B Statement of Cash flows for the period from 1 July 2009 to 30 September 2009.

For further information contact:  
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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")

30 September 2009

### 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	553	553
1.2 Payments for		
(a) exploration and evaluation	(487)	(487)
(b) development	(285)	(285)
(c) production	(360)	(360)
(d) administration	(470)	(470)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	40	40
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) –		
- ATO Refund for Research & Development concession FYE 30/6/08	154	154
- Funds from Beach Petroleum for repayment for drilling as per PEL 218 Acquisition Agreement	427	427
<b>Net Operating Cash Flows</b>	<b>(432)</b>	<b>(432)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(43)	(43)
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>(43)</b>	<b>(43)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(475)</b>	<b>(475)</b>

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1.13	Total operating and investing cash flows (brought forward)	(475)	(475)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	3,284	3,284
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 – costs of capital raising	(35)	(35)
	<b>Net financing cash flows</b>	<b>3,249</b>	<b>3,249</b>
	<b>Net increase (decrease) in cash held</b>	<b>2,774</b>	<b>2,774</b>
1.20	Cash at beginning of quarter/year to date	4,211	4,211
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>6,985</b>	<b>6,985</b>

**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	202
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 and other fees paid to director associated entities amounting to \$202,000

**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

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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	350
4.2 Development	250
4.3 Production	300
4.4 Administration	150
<b>Total</b>	<b>1,050</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	6,827	4,057
5.2 Deposits at call	169	168
5.3 Bank overdraft	-	-
5.4 Other (provide details)	(11)	(14)
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,985</b>	<b>4,211</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest	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>	133,316,358	133,316,358		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	28,208,733	28,208,733		
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>	2011 A Class Options 31,333,332	2011 A Class Options	<i>Exercise Price \$0.40</i>	<i>Expiry Date 30/06/2011</i>
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: ..  
(Company Secretary)

Date: 27 October 2009

Print name: RS Alwis

## 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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