

Adelaide Energy Limited (“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 from 1 October 2009 to 31 December 2009

Highlights:

- **Improvements in gas and liquids production at Katnook: availability factor up in second half of 2010.**
- **Progress on all fronts at the Otway Petroleum Project: development, delineation and exploration plans will come to fruition in the first half of 2010.**
- **The drilling of Wakefield 1 in the Cooper Basin will be followed up with a testing program in 2010.**
- **The Company’s balance sheet has been significantly strengthened through the issuance of 50 million ordinary shares (cash at the end of the quarter was \$10.5 Million).**

1. OIL AND GAS PROJECT ACTIVITIES

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

Petroleum Production Licences 62, 168 & 202 (PPLs 62, 168 & 202)

The Company reported consecutive record revenue months for August and September 2009 following on from sales of gas and gas condensate from the Katnook Gas Facility.

The wells supplying the Facility were shut-in in October to conduct mandatory vessel inspections and also to allow pressure build up. These inspections took longer than anticipated and production for the quarter was accordingly less than previously anticipated.

Post the end of the quarter, gas-jack compression units were installed on existing Katnook wells to increase production. Results to date are encouraging.

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ABN 43 116 256 823

Petroleum Exploration Licence 255 (PEL 255)

Plans are well under way for a two well drilling program (Hollick 1 and Brand 1) in PEL 255 and the Company is in the process of securing a drilling rig for the work.

Post the end of the quarter, work commenced on preparing the drill pad (both wells will be drilled from the same pad). Spud date is estimated to be at the end of February/start of March.

Pipeline Licence 19 (PL 19)

Post the end of the quarter, work commenced on the installation of a new gas-gathering pipeline that will connect existing gas discoveries in PRL 2 (Limestone Ridge) and PEL 255 (Jacaranda Ridge) to the Katnook plant.

Petroleum Exploration Licences 494 and 496 (PELs 494 and 496)

The Company progressed planning for the acquisition of 95 kms of 2D seismic in PELs 494 and 496 (the Weatherall Survey). The seismic shoot is to commence in the first half of March 2010 and is centered around 2 targets. The seismic will help in defining the structures more closely and is planned to lead to at least two drilling targets. Negotiations with landholders are now complete and approval to proceed was received on January 25, 2010 from PIRSA, the SA government authority.

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

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

Permian

Adelaide Energy	10%
Beach (Operator)	90%

Post Permian

Adelaide Energy	10.00%
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%

Wakefield 1 will be further tested in the first half of 2010 to follow up on the oil and potential for coal seam gas encountered in the drilling of the well.

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Plans are progressing for a 2010 well for the Permian section of PEL 218 (the costs of which for ADE will be fully covered under the Company's farmin deal with Beach Energy).

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

The Company announced that it had reached agreement with the tenement holder of PEL 105 (Austin Exploration Ltd – ASX code: AKK) for the accelerated acquisition of a 50% undivided participating interest in the block.

The Company continues to plan for the drilling of Pirie-1 as operator. 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 is now aiming to spud the well 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

The Company is in continuing negotiations to dispose of this non-core asset, although some delays have arisen due to issues associated with the finances of some of the joint venture parties.

2. OTHER BUSINESS ACTIVITY UPDATE

a. Katnook Revenues

The Company received payment in January for December 2009 Katnook gas sales. This gave the Company total revenues from gas and gas condensate sales for the 12 month period January 1 to December 31, 2009 of \$1,920,400 (GST excl). A half-year break down is given in the table below:

Date	Total Katnook Revenue (GST excl)	# days of production	Total days available	%
Jan 1 – June 30, 2009	850 000	87	181	48.0
July1 – Dec 31, 2009	1 070 400	99	184	54.0
TOTAL	1 920 400	186	365	51.0

The table shows that there was a 6% increase in production days during the last six months, which lends weight to the success of the surfactant injection in a number of the key wells supplying the Facility. Without the extended shutdown during October 2009 for vessel inspections, availability would have improved even further.

b. Acquisitions

The Company entered into Agreements after the end of the reporting period for the acquisition of a number of interests in petroleum exploration permits:

- i) The purchase of Magellan Petroleum Corporation's interests in three exploration permits in Queensland's Maryborough Basin.
- ii) The purchase of 100% of the shares of Deka Resources Pty Ltd and Well Traced Pty Ltd ("DRWT"). These companies together own interests in four permits in Queensland and South Australia.

3. CAPITAL

The Company placed a total of fifty million ordinary shares at \$0.12 each.

4. FINANCIAL

Cash at the end of December 2009 was \$10,511,000.

Attached is the Appendix 5B Statement of Cash flows for the period from 1 October 2009 to 31 December 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")

31 December 2009

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	507	1,060
1.2 Payments for (a) exploration and evaluation	(671)	(1,158)
(b) development	(968)	(1,253)
(c) production	(425)	(785)
(d) administration	(510)	(980)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	75	115
1.5 Interest and other costs of finance paid	(3)	(7)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) –		
- ATO ITC repayment for Jul-Sep Quarter	66	66
- ATO Refund for Research & Development concession FYE 30/6/08		154
- Funds from Beach Petroleum for repayment for drilling as per PEL 218 Acquisition Agreement		427
Net Operating Cash Flows	(1,929)	(2,361)
Cash flows related to investing activities		
1.8 Payment for purchases of:	-	-
(a) prospects	-	-
(b) equity investments		
(c) other fixed assets	(52)	(95)
1.9 Proceeds from sale of:		
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(52)	(95)
1.13 Total operating and investing cash flows (carried forward)	(1,981)	(2,456)

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1.13	Total operating and investing cash flows (brought forward)	(1,981)	(2,456)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	6,000	9,284
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	(493)	(528)
	Net financing cash flows	5,507	8,756
	Net increase (decrease) in cash held	3,526	6,300
1.20	Cash at beginning of quarter/year to date	6,985	4,211
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	10,511	10,511

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	196
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 \$196,236.

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	3,000
4.2 Development	2,500
4.3 Production	300
4.4 Administration	150
Total	5,950

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	10,311	6,827
5.2 Deposits at call	212	169
5.3 Bank overdraft		
5.4 Other (provide details)	(12)	(11)
Total: cash at end of quarter (item 1.22)	10,511	6,985

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 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	183,316,358	183,316,358		
7.4 Changes during quarter (a) Increases through issues 27/11/09 30/11/09 3/12/09 (b) Decreases through returns of capital, buy-backs	33,000,000 12,000,000 5,000,000	33,000,000 12,000,000 5,000,000		
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>	2011 A Class Options 31,333,332	2011 A Class Options	<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 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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: 29 January 2010

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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