



Corporate Governance Statement

The Board of Directors of Adelaide Energy Limited has established corporate governance policies and procedures, where practicable, consistent with the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (**ASX Recommendations**).

The following statement sets out a summary of the Company's corporate governance practices that were in place during the financial year and how those practices relate to the revised Corporate Governance Principles and Recommendations issued by the Australian Stock Exchange Corporate Governance Council (**ASX Recommendations**). The Company has elected to undergo an early transition to the revised Principles and Recommendations and as such has reported against these for the financial year ending 30 June 2008.

These recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an effective, quality and integrity outcome. The Corporate Governance Council has recognised that a 'one size fits all' approach to Corporate Governance is not required. Instead, it states aspirations of best practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why.

In ensuring ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company. The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with best practice and which unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2008.

PRINCIPLE 1

Lay solid foundations for management and oversight

Recommendation 1.1 – Recommendation followed

The Board is governed by the Corporations Act 2001, ASX Listing Rules and a formal constitution adopted by the Company in 2005.

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company for the protection and enhancement of long-term shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

The Board has an established framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards. In fulfilling its responsibilities, the Board is supported by an Audit & Risk Committee to deal with internal control, ethical standards and financial reporting.

The Board has appointed a Managing Director responsible for the day to day management of the Company including management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic

direction and planning for the operations of the business and the provision of relevant information to the Board.

The Board has adopted a formal statement of matters reserved to it in a board charter that details its functions and responsibilities.

Recommendation 1.2 – Recommendation followed

The Board takes overall responsibility for monitoring the composition of the Board and reviewing the performance and compensation of the Company's Executive directors and senior management with the objective of motivating and appropriately rewarding performance.

A Remuneration Committee has been established to:

- review when required, the engagement, performance and remuneration of senior executives of the Company;
- recommend to the Board appropriate terms and conditions of engagement.

The Remuneration Committee is comprised of 2 Directors; Mr Neville Martin (Chairman of the Company) and Mr Roderic Hollingsworth.

Recommendation 1.3 – Recommendation followed

During the period the Board considered a performance evaluation of the Managing Director undertaken by the Remuneration Committee. The evaluation was in accordance with the Company's process for evaluation of senior executives.

PRINCIPLE 2

Structure the board to add value

Recommendation 2.1 – Recommendation not followed

The composition of the Board consists of four directors of whom two are Independent Directors.

The Chairman is a non-executive director however at the date of this Annual Report is not considered to be an independent director because of his substantial interest in the Company. The Board has determined that Mr Martin's experience as a director of listed oil & gas exploration companies is of benefit to the Company and given the Company's size, there are no plans to appoint an independent non-executive Chairman.

The Audit & Risk Committee currently consists of two Independent directors and the Chairman of the Company.

Recommendation 2.2 – Recommendation not followed

The Chairman, Mr Martin is not an Independent Director by virtue of his substantial interest in the Company and notwithstanding that a significant part of that interest is held non-beneficially.

Recommendation 2.3 – Recommendation followed

Mr Martin's role as Chairman of the Board is separate from that of the Managing Director, Mr Dorsch who is responsible for the day to day management of the Company and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

Recommendation 2.4 – Recommendation not followed

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior oil and gas exploration company, that the cost of establishing a Nomination Committee and a formal charter as recommended under Recommendation 2.4, cannot be justified by the perceived benefits of doing so.

Recommendation 2.5 – Recommendation not followed

The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior oil and gas exploration company, the assessment of the Board's overall performance and its own succession plan is conducted on an informal basis. Whilst this is at a variance with the ASX Recommendation 2.5, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place.

Recommendation 2.6 – Recommendation followed

The names of the directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of this report.

Messrs Hollingsworth and Hunt are considered to be independent.

The Company has no relationships with any of the independent directors which the Company believes would compromise the independence of these directors.

All directors are entitled to take such legal advice as they require at any time and from time to time on any matter concerning or in relation to their rights, duties and obligations as directors in relation to the affairs of the Company at the expense of the Company upon seeking permission and being granted it by the Chairman.

The Company's constitution specifies the number of directors must be at least three and at most ten. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

As the board does not have a Nomination Committee, the functions of this Committee in its absence are dealt with by the Board as a whole. An assessment of the Board's overall performance and its own succession plan is conducted on an informal basis and was done so during the year by the Chairman.

PRINCIPLE 3

Companies should actively promote ethical and responsible decision making

Recommendation 3.1 – Recommendation followed

The Company has adopted a formal code of conduct. The Company requires all its directors and employees to abide by the standards of behaviour and business ethics in accordance with the law and the code of conduct.

The following standards of behaviour apply:

- Comply with the laws that govern the Company and its operations.
- Act honestly and with integrity and fairness in all dealings with others and each other.
- Avoid or manage conflicts of interest.
- Use Company assets properly and efficiently for the Company's benefit.
- Contribute to the well being of the Company's key stakeholders.
- Seek to be an exemplary corporate citizen.

Directors are also required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.



Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

Recommendation 3.2 – Recommendation followed

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. Section 1043A of the Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possesses information that is not generally available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available. Securities trading policies have been established and all employees and Directors are obliged to comply.

All directors have been required to disclose details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party, to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Recommendation 3.3 – Recommendation followed

The Company's Trading Policies can be found at www.adelaideenergy.com.au

PRINCIPLE 4

Safeguard integrity in financial reporting

Recommendation 4.1 – Recommendation followed

Adelaide Energy Limited is not a company required by ASX Listing Rule 12.7 to have an Audit Committee during the year although it is an ASX Recommendation. Notwithstanding the Listing Rule requirement, an Audit & Risk Committee has been established by the Company to oversee corporate governance over internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

The main responsibilities of the Audit & Risk Committee include;

- reviewing, assessing and making recommendations to the Board on the annual and half year financial reports and all other financial information published or released to the market by the Company;
- overseeing establishment, maintenance and reviewing the effectiveness of the Company's internal controls and ensuring efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable Accounting Standards and ASX Listing Rules;
- liaising with and reviewing reports of the external auditor; and
- reviewing performance and independence of the external auditor and where necessary making recommendations for appointment and removal of the Company's auditor.

Recommendation 4.2 – Recommendation followed

The Audit & Risk Committee consists of three non-executive directors. Two members are non-executive, independent Board directors (Messrs Hunt and Hollingsworth) and the Committee is chaired by Mr Hunt.

The non-executive Chairman of the Company, Mr Martin, is also a member of the Audit Committee.

Recommendation 4.3 – Recommendation followed

The Company's Audit & Risk Committee charter can be found at www.adelaideenergy.com.au.

Recommendation 4.4 – Recommendation followed

Mr Hunt is a qualified Chartered Accountant. Details of the Audit & Risk Committee member's qualifications and attendance at meetings are set out in the Directors' Report section of this report.



The committee meets at least twice per annum and reports to the Board. The Managing Director, Company Secretary and external auditor may by invitation attend meetings at the discretion of the Committee.

PRINCIPLE 5

Make timely and balanced disclosure

Recommendation 5.1 and 5.2 – Recommendations followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

The Company's formal policy for continuous disclosure can be found at www.adelaideenergy.com.au.

The Company's Managing Director has the responsibility for ensuring that all relevant information is released to the market in a timely manner in consultation with the Board. The Company considers this to be a satisfactory protocol given the size and stage of the Company's development.

PRINCIPLE 6

Respect the rights of shareholders

Recommendation 6.1 and 6.2 – Recommendations followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act
- the half yearly financial report lodged with the Australian Stock Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's web-site; and
- disclosure of the Company's Corporate governance practices and communications strategy on the entity's web-site.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

The Company's policy for shareholder communication is posted on the Company's web-site, www.adelaideenergy.com.au

PRINCIPLE 7

Recognise and manage risk

Recommendation 7.1, 7.2 and 7.4 – Recommendations not followed

The Board recognises that there are inherent risks associated with the Company's operations including oil and gas exploration and production, environmental, title and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risk is presented to the Board.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, and the inherent risks associated with the industry it operates in, the Board does not believe formal policies for oversight and management of risk are required nor a mechanism for formal review be established. The policy describing how the Company manages risk by procedures established at Board and executive level can be found posted on the Company's web-site, www.adelaideenergy.com

Recommendation 7.3 – Recommendation followed

In accordance with ASX Recommendation 7.3 the Managing Director and acting Chief Financial Officer have given the Board their assurance that the written declarations provided under s295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks

PRINCIPLE 8

Remunerate fairly and responsibly

Recommendation 8.1 – Recommendation followed

The Board has established a Remuneration Committee. The members are Roderic Hollingsworth and Neville Martin.

Recommendation 8.2 and 8.3 – Recommendations followed

In accordance with ASX Recommendation 8.2 the Company's remuneration practices are set out as follows. The Company's Constitution specifies that the total amount of remuneration of non-executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive directors has been set at \$500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

Non-executive director remuneration is by way of fees and statutory superannuation contributions. Non-executive directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. Under the terms of the Plan, options to ordinary fully paid shares may be offered to the Company's eligible employees at no cost in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company. The non-executive directors are not eligible to participate in the Plan.

The employment conditions of the Managing Director are formalised in a contract of employment. The Managing Director's contract may be terminated at any time by mutual agreement or without notice in serious instances of misconduct.



Further details of director's remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

These Corporate Governance Policies can be found at www.adelaideenergy.com.au