

## ADELPHI ENERGY LTD

### Sugarloaf Needs to Deliver

Adelphi Energy Ltd ("Adelphi", "ADI", "Company") has recently raised \$1m through a share placement, with a further \$300k subject to shareholder approval. Shares under the placement will be issued at 6cps. Additional shares may be issued as part of a Share Purchase Plan, also subject to shareholder approval on the 27<sup>th</sup> February 2009. Australian Worldwide Exploration Ltd ("AWE"), Adelphi's largest shareholder, fully participated in the issue.

The monies raised will keep the Company funded in the medium term and we believe that additional funding options are under consideration, including the sale of its 8.5% equity stake in two blocks in Yemen, one of which is highly prospective. Whilst risk has increased, we believe potential for a multiple return on investment remains. We rate Adelphi Energy Ltd as **Speculative Buy**.

### Sugarloaf Potential of ~150cps Remains

Results to date from 3 wells at the Sugarloaf project have been disappointing; however, potential remains.

**Sugarloaf 1** - Failed to intersect the main productive zone in the Austin Chalk and the fracture stimulation program is thought to have caused water influx into the well.

**Kennedy-1H** - Producing at low flow rates but is also thought to have been non-optimally drilled.

**Kowalik-1H** - There is still some hope for this well, which recorded encouraging gas shows whilst drilling but obstructions in the well bore may have prevented the achievement of potential high flow rates. A cleanup program has been completed and further acid stimulation is planned, which should result in increased flow rates.

The Company is currently drilling the Weston-1H well, where operational issues related to stuck equipment in the well bore have recently been overcome. In spite of this, a 3,000ft horizontal section has been completed, with elevated gas readings and flares recorded. Casing will now be cemented prior to fracture stimulation, with test results expected in 4-6 weeks.

Wells in adjacent acreage have achieved high flow rates; however, the play type is relatively new and some trial and error may be required before consistent results are achieved. Based on prices paid for adjacent acreage last year, Adelphi's acreage position would have been worth up to \$120m.

### Yemen Acreage Provides Funding Option

Adelphi holds 8.5% in Blocks 7 and 74, located onshore in Yemen. Block 7, in particular, is highly prospective, as an oil discovery has been made in the adjacent block, close to the shared boundary. Activity on the block is well advanced, with 3D seismic acquisition and analysis confirming a number of attractive prospects. We conservatively value the Yemen acreage at A\$5m.

11 Feb 2009

Share Price: \$0.06  
12mth Price Target: \$0.16

#### Brief Business Description:

Oil and gas explorer / producer with assets onshore Texas and Yemen

#### Hartleys Brief Investment Conclusion

Highly leveraged to success from current appraisal program in Texas

#### Chairman & CEO:

Alex Forcke (Chairman)  
Chris Hodge (Managing Director)

#### Top Shareholders:

ARC Energy Limited (32.4%)  
Trojan Equity Limited (3.8%)  
Beirne Trading Pty Ltd (1.9%)

#### Company Address:

Ground Floor, 88 Colin St  
West Perth, WA, 6005

Valuation: \$0.31  
Issued Capital: 137.9m  
- fully diluted 137.9m  
Market Cap: \$7.7m  
- fully diluted \$7.7m  
Cash (31 Dec '08): \$1.7m  
Debt (31 Dec '08): \$0.0m

#### Valuation Summary

Asset	Value \$m	risked cps	unrisked cps
Sugarloaf	42.5	30.8	154.0
Yemen	5.1	3.7	73.9
Cash	1.7	1.6	1.6
Debt	-	-	-
O/heads	-	6.0	5.6
<b>Total</b>	<b>43.3</b>	<b>30.5</b>	<b>224.0</b>

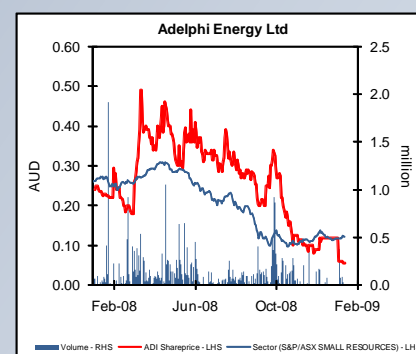
#### FY08a

Chg in Cash -\$4.3m  
Net Cash End \$1.7m

Resource Target (mmboe) 10.20  
EV / 2P Resource (target) 0.6x

\*normalised

Source: Hartleys Research



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Adelphi Energy Limited. See disclosure on back page for details.

# HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage						
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)	Hartleys Research Recommendation	Industry
<b>Oil &amp; Gas</b>						
1. Woodside Petroleum Ltd	WPL	31.79	22,266	25,296	Buy	Oil and Gas
2. Nexus Energy Ltd	NXS	0.465	300	465	Buy	Oil and Gas
3. Carnarvon Petroleum Ltd	CVN	0.290	195	124	Buy	Oil and Gas
4. Tap Oil Ltd	TAP	0.855	134	80	Buy	Oil and Gas
5. Cooper Energy Ltd	COE	0.280	82	-1	Buy	Oil and Gas
6. Amadeus Energy Ltd	AMU	0.280	56	112	Buy	Oil and Gas
7. Oilex Ltd	OEX	0.255	45	30	Buy	Oil and Gas
8. Strike Oil Ltd	STX	0.105	34	29	Buy	Oil and Gas
9. First Australian Resources Ltd	FAR	0.050	27	23	Speculative Buy	Oil and Gas
10. Red Fork Energy Ltd	RFE	0.190	17	13	Buy	Oil and Gas
11. Sun Resources NL	SUR	0.034	8	4	Speculative Buy	Oil and Gas
12. Adelphi Energy Ltd	ADI	0.056	6	4	Speculative Buy	Oil and Gas
Sub-Total			23,171	26,179		
<b>Resources</b>						
1. Western Areas NL	WSA	3.86	649	837	Buy	Nickel
2. Riversdale Mining Limited	RIV	2.33	438	115	Speculative Buy	Coal
3. Atlas Iron Limited	AGO	1.15	343	259	Buy	Iron Ore
4. Sundance Resources Limited	SDL	0.092	175	142	Speculative Buy	Iron Ore
5. Jabiru Metals Limited	JML	0.115	57	93	Buy	Base Metals
6. Ausquest Limited	AQD	0.110	25	-5	Speculative Buy	Junior Explorer
7. Hazelwood Resources Ltd	HAZ	0.070	7	6	Speculative Buy	Junior Explorer
8. Shaw River Resources Limited	SRR	0.050	7	4	Speculative Buy	Junior Explorer
9. Southern Gold Limited	SAU	0.052	6	4	Speculative Buy	Junior Explorer
10. BMA Gold Limited	BMO	0.011	5	4	Speculative Buy	Junior Explorer
11. Eleckra Mines Limited	EKM	0.055	3	2	Speculative Buy	Junior Explorer
12. Syndicated Metals Limited	SMD	0.100	3	-1	Speculative Buy	Junior Explorer
Sub-Total			1,719	1,460		
<b>Industrials</b>						
1. West Australian New paper	WAN	4.15	854	1,186	Buy	Media
2. Monadelphous Group Limited	MND	6.03	505	403	Reduce	Mining Services
3. Fleetwood Corporation	FWD	4.10	207	223	Buy	Consumer & Mining Services
4. Clough Limited	CLO	0.300	200	189	Reduce	Oil & Gas / Mining Services
5. Mermaid Marine Australia Ltd	MRM	1.00	182	217	Buy	Oil & Gas Services
6. Macmahon Holdings Limited	MAH	0.315	169	198	Buy	Mining & Civil Construction
7. Ausdrill Limited	ASL	0.845	147	193	Buy	Mining Services
8. Neptune Marine	NMS	0.330	97	84	Speculative Buy	Marine Services
9. GRD Limited	GRD	0.330	63	121	Buy	Mining & Civil Services
10. NRW Holdings Ltd	NWH	0.220	53	148	Speculative Buy	Mining & Civil Construction
11. Southern Cross Electrical	SXE	0.440	53	28	Neutral	Mining & Civil Construction
12. Imdex Ltd	IMD	0.265	50	72	Buy	Oil & Gas / Mining Services
13. Lycopodium Limited	LYL	1.25	47	42	Buy	Mining & Industrial Services
14. RCR Tomlinson Ltd	RCR	0.320	39	96	Buy	Mining & Industrial Services
15. Nomad Building Solutions Ltd	NOD	0.200	27	43	Neutral	Residential & Mining Services
16. VDM Group Limited	VMG	0.185	21	84	Speculative Buy	Mining & Civil Construction
17. Paladio Group	PDO	0.125	14	7	No rating	Mining & Civil Construction
Sub-Total			2,727	3,335		
GRAND TOTAL			27,617	30,974		

Source: IRESS, Hartleys Research. \* 11 Feb 2009

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## Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

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Hartleys has completed capital raisings within the past 12 months for Adelphi Energy Limited ("Adelphi") for which it received fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to Adelphi ("Adelphi") for which it received and continues to receive fees.

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