

ASX/MEDIA ANNOUNCEMENT

2 June 2010

The Manager
Companies Announcements Office
Australian Securities Exchange



THE OTWAY PETROLEUM PROJECT – PRODUCTION & TESTING UPDATE

The **Otway Petroleum Project** is Adelaide Energy Ltd's (ADE's) 100% owned suite of integrated production, development and exploration oil and gas assets, which are located in the South Australian section of the onshore Otway Basin.

The Company is pleased to advise that May 2010 has been a record revenue month for ADE with gas and gas condensate sales of approximately \$ 697,000 (GST excl). The revenue is more than double the previous best month recorded by the Company (August 2009).

The Company also provides an update on the ongoing testing program on recently drilled wells in PEL 255 (Hollick 1 and Patrick 1) as well as progress on the testing of Wynn 2 in PRL 1. All equipment is expected to be released by week end.

TESTING PROGRAM REPORT TO 0600 hrs 2 June 2010

| ITEM | DETAIL |
|----------------------|--|
| Patrick-1 | <ul style="list-style-type: none">Patrick-1 was shut in during most of the week for buildup data collection after pressure recorders were placed – these have been retrieved and analysis is due to commenceShut in surface pressure built to a stabilized 2655 psiAn interval of the Jacaranda Ridge Sandstone (2980 – 2988 mMD) was re perforated yesterdayThe rate of gas and gas condensate production has increased slightly to +/- 350,000 scf/d + condensateFlowing surface pressure appears to have increased from 10 to 19 psi on a 1" chokeThe flowing well is to be monitored over the next days as it appears to be "cleaning up"The Sawpit Sandstone is yet to be perforatedResults of the Jacaranda Ridge sandstone core analysis expected soon |
| Hollick-1 | <ul style="list-style-type: none">The well has been shut in over the week to record downhole pressuresShut in surface pressure is 410 psi |
| Wynn-2 | <ul style="list-style-type: none">The well is being swabbed currentlyNo hydrocarbon flows to surface at this stage |
| Safety issues | <ul style="list-style-type: none">None |
| Environmental issues | <ul style="list-style-type: none">None |

Commenting on the testing program, Managing Director Carl Dorsch said, "Whilst it is encouraging that hydrocarbons in the form of gas and gas condensate are present and recoverable in both the Patrick and Hollick reservoirs, it is disappointing that the flows to date appear to be uncommercial. It remains perplexing that these test flows to date do not reflect the indicated results during drilling.

We have a lot of work to do to analyse all the data collected over the last weeks in order to formulate a strategy to try to improve production and demonstrate increased recoverable reserves", he said.

The Otway Petroleum Project (100% ADE) comprises:

- a. PEL 255 : contains the Jacaranda Ridge 2 discovery + 5 extra targets
- b. The Katnook Gas Assets consisting of:
 - The Katnook Gas Processing Plant and associated infrastructure
 - The Ladbroke Grove Gas Processing Plant and associated infrastructure
 - Petroleum Retention Licences 1 (Wynn) & 2 (Limestone Ridge)
 - Petroleum Production Licences 62, 168 & 202
 - Existing gas pipelines to the Gas Plants from wells in the PPL's
 - 13 Producing/shut in gas/gas liquids wells
- c. PEL's 494 and 496 – 2 exploration licences awarded to ADE on 24 March 2009
- d. PRL 13 (30% ADE) – Killanoola Prospect (soon to be 80% ADE)

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