

ASX/MEDIA ANNOUNCEMENT

16 June 2010



The Manager
Companies Announcements Office
Australian Securities Exchange

THE OTWAY PETROLEUM PROJECT – TESTING PROGRAM 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.

ADE has recently drilled and completed a number of wells as part of its Otway Petroleum Project. This report provides an update on the ongoing testing and analysis program on those wells.

TESTING PROGRAM REPORT TO 0600 hrs 16 June 2010

ITEM	DETAIL
Jacaranda Ridge-2	<ul style="list-style-type: none">■ The South Australian regulator, PIRSA, has now given ADE authority to commence an extended production test from the Jacaranda Ridge-2 well ("JR-2")■ Under this test, gas (and condensate from this liquid rich discovery) will be directed to the Katnook Plant and to sales for a period of up to 6 months■ Flows are expected to commence in the next few days
Patrick-1 and Hollick-1	<ul style="list-style-type: none">■ Patrick-1 and Hollick-1 wells have been shut in and surface pressure monitored over the last week■ Once JR-2 is flowing, pressure monitoring of the 2 wells will commence to ascertain reservoir connectivity and continuity■ The Company aims to book added reserves pending these results in order to facilitate the application for a Petroleum Production Licence over this area (PEL 255)
Wynn-2	<ul style="list-style-type: none">■ Surface pressure monitoring of the well continues and indicates a fluid influx – this may flow to surface at some stage which would allow fluid identification and enable cleanup
Safety issues	<ul style="list-style-type: none">■ None
Environmental issues	<ul style="list-style-type: none">■ None

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Commenting on the progress being made on the testing work, ADE's Managing Director, Mr Carl Dorsch, said:

"We appreciate that PIRSA have allowed us to put the JR-2 well into production via our newly installed pipeline to the Katnook Gas Facility. The extended flow test will allow the Company to achieve a number of important objectives whilst realising early revenue from this well discovered by ADE in 2007 viz:

- *Pressure monitoring of the recently drilled and adjacent Hollick-1 and Patrick-1 discovery wells will confirm whether or not there is connectivity between the wells. This will add significantly to the reserves already booked by the Company. If JR-2 and Patrick-1 are connected for instance, then the Jacaranda Ridge Sandstone over the structure could contain 2P recoverable reserves (P50) of around 600,000 barrels of oil equivalent. These reserves could be extended significantly if the Hollick-1 structure can be added as well as the Sawpit Sandstone which is yet to be accessed in Patrick-1.*
- *The test will allow the Company time to continue with data collection and analysis in order to be able to book extra reserves over the PEL 255 structure. This continuing process will be used in the application for a Petroleum Production Licence.*
- *Further, the test will help in the design of long term production facilities at the Jacaranda Ridge site and confirm the capacity of the Katnook Facility to continue to accept liquids rich gas.*

The Company's focus is to book additional and significant reserves over the following months as well as boosting revenues as quickly as possible through production and sales of gas and condensate".

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ASX Code : ADE

Competent Persons Statement:

The information in this report that relates to Hydrocarbon Resources is based on information compiled by Mr. Carl Dorsch (Managing Director) of the Company who is leading the Company's operations efforts with the help of various professional consultants who are experts in their fields.

Mr. Dorsch has been a member of the Society of Petroleum Engineers since 1981 and a director of the Company since January 2006. He holds Bachelor of Science and Bachelor of Chemical Engineering degrees from the University of Adelaide, South Australia and is a Chartered Engineer as well as a Fellow of the Institute of Chemical Engineers.

Mr. Dorsch has over 30 years experience in the oil and gas exploration and production business both in Australia and on the international stage. Although specialising in drilling and completion operations, his career has included reservoir and production studies at University and in the work place.

Mr. Dorsch has sufficient experience in the activities undertaken to qualify as a Competent Person(s) as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Dorsch hereby consents to the inclusion of the information in this release and the form and context in which it appears.

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