

ASX/MEDIA ANNOUNCEMENT

5 October 2010

The Manager
Companies Announcements Office
Australian Securities Exchange



SHALE GAS DRILLING PROGRAM COMMENCES

Adelaide Energy Ltd (ADE) is pleased to announce that it has been advised by the Operator of the PEL 218 shale gas drilling program, Beach Energy Ltd (BPT), that the drilling of the first well in that program (Encounter-1) commenced on Sunday 3 October 2010. ADE has a 10% interest in this program and is carried through the first \$25M of gross expenditure thereon.

Encounter-1 is a vertical test well to approximately 3700 metres, whose major objective is to undertake extensive technical evaluation of the Permian shale/sand/shale sequence in the Nappamerri Trough (the "REM" sequence from 3250 – 3550m). The well is expected to take around 50 days to drill and will be immediately followed by the Holdfast-1 well, located some 20 kilometres distant.

Ensign Rig 16 is drilling this well – see illustration on the attachment.

Commenting on the spudding of the well, Carl Dorsch, ADE's Managing Director, said:

"The spudding of Encounter-1 is a major step forward in the search for significant volumes of shale gas in countries outside of North America. ADE's participation in this exploration program provides our shareholders with leveraged exposure to a very large potential gas resource and we look forward to the drilling and evaluation of the Encounter-1 and Holdfast-1 wells over the course of the rest of this year."

For further information contact:

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Ensign Rig 16 at the Encounter 1 Site



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