

ASX/MEDIA ANNOUNCEMENT

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The Manager
Companies Announcements Office
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THE OTWAY PETROLEUM PROJECT - UPDATE

- *Resumption of gas sales revenue in November*
- *Timetable announced for pipeline construction, Otway drilling and seismic acquisition*

Adelaide Energy Limited (ASX code: ADE) is pleased to announce that gas and gas condensate sales for November have totalled approximately \$ 173,150 (GST excl) resulting in total gross revenue for the 11 month period from January 1 to 30 November 2009 of \$ 1,843,000 (GST excl).

October 2009 gas sales were very low due to an extended shut down time for vessel inspections and a technical problem at the borehole of Redman #1. It appears that Redman production has been unexpectedly curtailed by a "condensate block" which has been further degraded after the extended shutdown and exposure to residual surfactant. The Company is investigating strategies to resolve the problem and is confident of a successful solution over the coming months.

Further updates on activities in the Otway Petroleum Project include:

1. The installation of compression on two existing wells (Haselgrove 1 and 2) due for completion and tie in by end March 2010. Gas production is expected to improve from both wells.
2. The commencement of works on the gas pipelines connecting Jacaranda Ridge and Limestone Ridge to the Katnook Gas Facility is due in January 2010 and is expected to be completed by May 2010. Significant revenue increases should be realised from gas and gas condensate sales.
3. Drilling of Hollick #1 and Brand #1 in PEL 255 is expected to commence by March 2010. The wells will be located at the Jacaranda Ridge 2 wellsite and will be drilled directionally to their appropriate targets.
4. The Weatherall 2D seismic survey of approximately 100 line kms in PEL's 494 and 496 is due to start in late January/early February 2010.

In commenting on the significant and continuing activity for the Otway Project, Managing Director Mr Carl Dorsch said,

"The coming year will be an exciting phase for Adelaide Energy. The planned operations will hopefully allow us to demonstrate the faith we have in the upside potential of the Project and to ultimately provide value for our shareholders."

Continuing on, he said.

“Our existing wells remain a key focus for us. It should be noted that Redman 1 has produced 6.2 petajoules of gas to date but has significant reservoir pressure remaining. The upside target for future production of gas and gas condensate for this well is in the order of 2 petajoules corresponding to over \$10 million of revenue. Even with a conservative estimate of the remaining recoverable reserves, this is significant for Adelaide Energy”.

The Otway Petroleum Project (100% ADE) consists of:

- 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 & 2
 - 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

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