

ASX/MEDIA ANNOUNCEMENT

22 February 2010

The Manager
Companies Announcements Office
Australian Securities Exchange



THE OTWAY PETROLEUM PROJECT - 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.

Given the substantial ongoing activity currently being undertaken by ADE in the *Otway Petroleum Project*, the company intends in this quarter to issue regular updates to investors on the progress being made in the various project areas, as follows:

| PROJECT AREA | PROGRESS REPORT |
|------------------------|---|
| Drilling | <ul style="list-style-type: none">▪ The Hunt Energy rig which ADE has contracted to drill Hollick and Brand has nearly finished a well for CO2CRC just over the Victorian border and is expected to commence moving to site this week▪ ADE's expected spud date remains on track for the first fortnight in March 2010 |
| Production enhancement | <ul style="list-style-type: none">▪ The gas-jack additional compression units that were recently installed on existing Katnook wells continue to support enhanced production levels▪ ADE is aiming for a record revenue quarter in Q1 2010 |
| New facilities | <ul style="list-style-type: none">▪ The installation of the new gathering pipeline network connecting gas discoveries with the Katnook Plant is proceeding well and main line construction has now finished▪ The attached map shows the new gathering network – including wells previously cased and suspended in retention leases 1 & 2 (Wynn 2 and Limestone Ridge 1)▪ No LTI, environmental or other issues have arisen in the construction to date▪ The attached photos show pipe being readied to be connected to the Jacaranda Ridge-2 well-head |
| Seismic | <ul style="list-style-type: none">▪ Final Government approvals have been received for ADE's forthcoming Otway seismic program▪ The start date remains on track for early March |

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

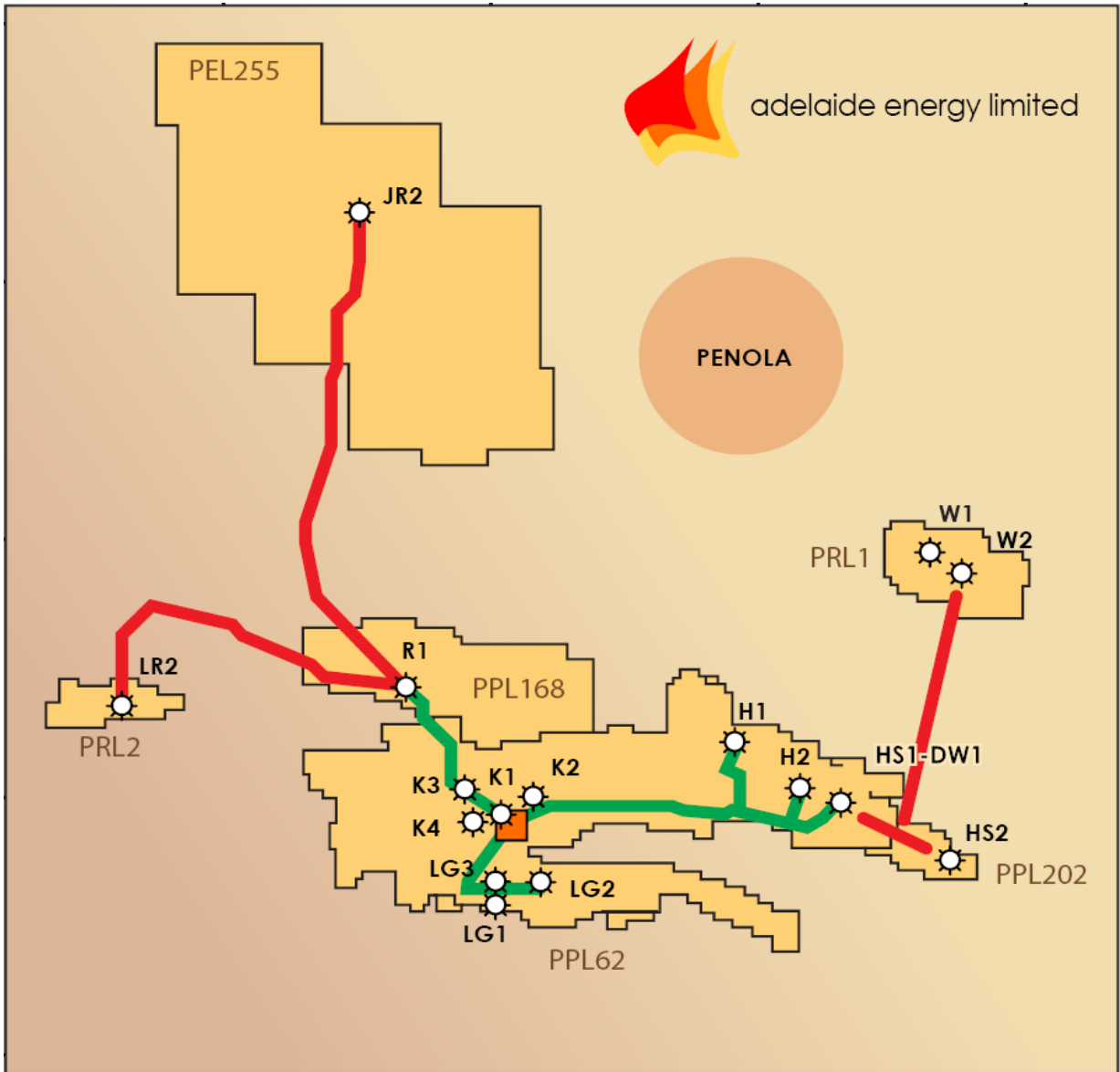
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ASX Code : ADE

Attachment 1 – Map of Gas Gathering Network



0 5km
MGA Zone 54 (GDA 94)

-  Katnook Gas Plant
-  Proposed Pipeline
-  Existing Pipeline

-  PPL Petroleum Production Licence
-  PRL Petroleum Retention Licence
-  PEL Petroleum Exploration Licence

 Petroleum WELL

- LR - Limestone Ridge
- K - Katnook
- LG - Ladbroke Grove
- W - Wynn
- H - Haselgrove
- HS - Haselgrove South
- R - Redman

Attachment 2 - Pictures of Pipeline Installation Activity

Pipe being readied for connection to the Jacaranda Ridge -2 well-head

