

ASX/MEDIA ANNOUNCEMENT

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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.

ADE is pleased to announce the following developments with respect to the Otway Petroleum Project:

ITEM	DETAIL
Killanoola South East-1 (PRL 13)	<ul style="list-style-type: none">ADE has signed a drilling contract today with Hunt Energy Pty Ltd for the use of its Rig 2 to drill the Killanoola South-East-1 wellThe rig is currently moving to site from Western AustraliaThe well is located approximately 20 kms by road from Jacaranda Ridge (PEL 255) and 2 kms to the south east of the existing Killanoola 1 well which is completed and awaiting installation of a pumpSpud is expected on or around April 15 2011Total depth is expected to be +/- 1200mThis well is targeting P50 recoverable oil of ~250,000 bbls (with a P10 recoverable figure of ~2.5 million bbls)
Gas production	<ul style="list-style-type: none">Gas production at Katnook is currently shut in for an estimated four weeks to facilitate maintenance, staff leave, Jacaranda Ridge 2 workover and installation of compression (gas jacks) at the JR siteADE's gas prices are lower in summer – and will increase from the start of May. Production will recommence in late April
Land purchase	<ul style="list-style-type: none">ADE has entered into an Agreement to purchase the land on which its Katnook Gas Plant (and Origin Energy's Ladbroke Grove Power Station) is situated onThe purchase will largely be financed by a long term mortgage
Exploration – PEL 496	<ul style="list-style-type: none">ADE has agreed an option Agreement with AIM listed company President Petroleum PLC with respect to its PEL 496 tenementPresident Petroleum is currently drilling a well (Northumberland-1) in a permit adjoining PEL 496President is to be granted a 90 day option to farm-in to PEL 496 on certain pre-agreed termsThe Agreement is expected to be executed in the next week

ITEM	DETAIL
Gas Storage Project	<ul style="list-style-type: none"> ▪ ADE is currently in discussions with a number of parties over its gas storage project at Katnook ▪ The Company is encouraged by the interest shown to date by companies with extensive gas storage assets
Katnook Power Station Project	<ul style="list-style-type: none"> ▪ FEED work on this project continues, with progress being achieved on a number of fronts, including finalizing Development Approval and a Connection Agreement

Commenting on the progress being made on the Otway Petroleum Project, Mr Carl Dorsch, ADE's Managing Director, said:

"The forthcoming well at Killanoola South-East-1 provides a good opportunity to add oil production to our Otway operations, at a location which has been substantially de-risked for exploration purposes by the oil discovery made in the 1990s at Killanoola-1. Interestingly, this old well has recently produced oil to surface again, without the aid of a pump.

The progress being made on other fronts in the Otway provides the Company with a range of portfolio opportunities in addition to the major shale gas drilling program currently taking place in the Cooper Basin."

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
 - GSRL 27 : a gas storage retention licence over the major existing Katnook fields
- c. PEL's 494 and 496 – 2 exploration licences awarded to ADE on 24 March 2009
- d. **PRL 13 – Killanoola Prospect (100% ownership subject to final Ministerial approval)**

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