This report has been prepared in accordance with the requirements of the Petroleum and Geothermal Energy Act 2000 and the Petroleum and Geothermal Energy Regulations 2000 and covers all of the operations conducted under PRL 2 by Adelaide Energy Limited during the period 28 April 2009 and 27 April 2009.

This report was provided to PIRSA June 2010.
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1 Introduction

Petroleum Retention Licence No. 2 ("PRL 2") is located in the onshore portion of the Otway Basin, South Australia – approximately 12 km southwest of Penola. Origin Energy Resources Limited ("Origin") was granted PRL 2 over the Limestone Ridge Field from 28 April 2005 to 27 April 2010. During 2008 Origin sold its interest in PRL 2 to Adelaide Energy Limited ("ADE"), subject to Ministerial approval for the transfer which was granted 1 June 2009.

This report details the work conducted during Licence Year 5 of the licence (28 April 2009 - 27 April 2010 inclusive), in accordance with Regulation 33 of the Petroleum and Geothermal Energy Act 2000.
2 Permit Summary

Origin completed a transaction transferring the rights for PRL 2 to Adelaide Energy in late 2008 subject to Ministerial approval, which was granted in June 2009. For the duration of the licence year, ADE was 100% owner of licence PRL 2.

Adelaide Energy applied for extension of PRL 2 to 27 April 2015, which was granted by PIRSA in March 2010.

3 Regulated Activities

*Petroleum and Geothermal Energy Regulations, Section 33 (2) (a)* requires

“a summary of the regulated activities conducted under the licence during the year”.

3.1 Drilling and Related Activities

No regulated activities undertaken in licence reporting period.

3.2 Seismic Data Acquisition

No regulated activities undertaken in licence reporting period.

3.3 Seismic Data Processing and Reprocessing

No regulated activities undertaken in licence reporting period.

3.4 Geochemical, Gravity, Magnetic and other Surveys

No regulated activities undertaken in licence reporting period.

3.5 Production and Processing

Well site facilities were constructed and commissioned at Limestone Ridge #1 well site as part of the pipeline construction activities for Pipeline Licence PL 19. These facilities, remotely controlled from the Katnook Gas Plant Control room, were relocated from the Ladbroke Grove #3 well site and consist of the following:

- ESD shutdown valve;
- Automatic choke valve;
- Non-return valve;
- Orifice Plate Flow Meter;
- Facility blowdown vent;
- Manually operated isolation valve; and
- Insulation gasket.

The construction and installation work was primarily undertaken by DMK Engineering.

LR#1 wellsites were commissioned in accordance with the PL19 commissioning plan in April 2010, with extended production testing commencing from 19 April 2010.

A total of 633 thousand scm of raw gas, 42 kL of condensate and 1 kL of water was produced from Limestone Ridge #1 up to 27 April 2010 (inclusive).

3.6 Pipeline Construction and Operation

A 4.8km flowline connecting the Limestone Ridge #1 well to the Jacaranda Ridge-Redman flow line was constructed between January and March 2010 under pipeline licence PL 19. Approval for PL 19 was granted on 20th November 2009. The pipeline was designed by GPA and the primary contractor for construction of PL19 was CDP/DMT Pty Ltd.
3.7 Preliminary Survey Activities
No regulated activities undertaken in licence reporting period.

4 Compliance Issues

4.1 Licence and Regulatory Compliance

Petroleum and Geothermal Regulations, Section 33 (2) (b) and (c) requires:

“a report for the year on compliance with the Act, these regulations, the licence and any relevant statement of environmental objectives, and

a statement concerning any action to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, and to minimize the likelihood of the recurrence of any such non-compliance”.

4.1.1 Licence Non-Compliance

<table>
<thead>
<tr>
<th>No.</th>
<th>Stated Commitment</th>
<th>Reason for Non-Compliance</th>
<th>Rectification of Non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>No Licence non-compliances occurred</td>
</tr>
</tbody>
</table>

4.1.2 Regulatory Non-Compliance

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Activity</th>
<th>Details of Non-Compliance</th>
<th>Rectification of Non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No regulatory non-compliances occurred</td>
</tr>
</tbody>
</table>
4.1.3 **Compliance with Statement of Environmental Objectives (SEO)**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Assessment Criteria</th>
<th>Compliant / Non-Compliant</th>
<th>Comments</th>
</tr>
</thead>
</table>
| 1. Avoid surface water, groundwater and soil contamination                | • No contamination of surface water, groundwater or soil as a result of operation activities  
• No spills outside areas designed to contain them  
• No cross flow behind casing in production wells  
• Sufficient barriers demonstrated in production wells to prevent likelihood of cross flow | Compliant                 | • No incidents occurred involving contamination to groundwater.  
• No spills or leaks occurred.  
• Wellhead pressure readings indicate no casing failures.  
• Wells constructed with appropriate barriers in place.                                                                                     |
| 2. Minimise disturbance to native vegetation and native flora             | • No injuries to native fauna due to facility processes  
• Removal of native vegetation in accordance with requirements of Native Vegetation Council                                                                                                                 | Compliant                 | • No native fauna injured.  
• No development occurred resulting in the removal or damage to native vegetation.  
• Existing well site are already cleared on existing agricultural land.                                                                         |
| 3. Maintenance of facilities to prevent failure                           | • No unplanned interruptions of supply resulting in gas restrictions being applied to commercial and domestic customers                                                                                              | Compliant                 | • No unplanned supply interruptions to commercial and domestic customers occurred due to plant failures.                                                                                               |
| 4. Avoid disturbance to sites of Aboriginal and European heritage          | • No unauthorised disturbance to Aboriginal or European heritage areas                                                                                                                                               | Compliant                 | • No activities conducted outside current operating areas.  
• No disturbance to Aboriginal and non-indigenous heritage sites.  
• Existing well pad used for LR#2 well facilities                                                                                               |
| 5. Minimise the Risk to the public and other third parties                | • No injuries to the public as a result of facility processes                                                                                                                                                       | Compliant                 | • No injuries to the public as a result of facility processes.  
• Security fencing installed around LR#1 facilities.                                                                                                                                                      |
| 6. Avoid disturbance to stakeholders and their associated infrastructure  | • No reasonable complaints from stakeholders  
• Noise emissions comply with EPA requirements  
• No new weed or pest infestations due to site activities                                                                                         | Compliant                 | • No complaints received from land users or stakeholders.  
• Noise emissions from site fall within EPA noise emissions requirements  
• No introduced exotic weed species as a consequence of activities. Presence of weeks and pathogens consistent with or better than adjacent land.                                                                 |
4.2 Management System Audits

*Petroleum and Geothermal Regulations, Section 33 (2) (d) requires*

“a summary of any management system audits undertaken during the relevant licence year, including information on any failure or deficiency identified by the audit and any corrective action that has, or will be, taken”

A HAZOP on the LR#1 Facilities was undertaken in conjunction with GPA, the pipeline design engineers, in July 2009.

Normal system components (ie checklists, procedures) were amended and updated as part of internal review and use.

4.3 Report and Data Submissions

*Petroleum and Geothermal Regulations, Section 33 (3) (e) requires*

“a list of all reports and data relevant to the operation of the Act generated by the licensee during the relevant licence year”.

<table>
<thead>
<tr>
<th>Description of Report / Data</th>
<th>Due Date</th>
<th>Date Submitted</th>
<th>Compliant / Non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 PRL 2 Annual Report (Permit Year 4)</td>
<td>27/06/2009</td>
<td>June 2009</td>
<td>Compliant</td>
</tr>
<tr>
<td>ACTIVITY NOTIFICATIONS</td>
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</tr>
<tr>
<td>Activity Notification – Construction of Pipeline PL 19</td>
<td></td>
<td>01/12/2009</td>
<td>n/a</td>
</tr>
<tr>
<td>Activity Notification – Commission &amp; Operate Pipeline PL19</td>
<td></td>
<td>30/03/2010</td>
<td>n/a</td>
</tr>
<tr>
<td>CASED HOLE REPORTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cased Hole Report Katnook Area - Jun 2009</td>
<td>31/7/2009</td>
<td>03/06/2009</td>
<td>Compliant</td>
</tr>
<tr>
<td>Cased Hole Report Katnook Area - Sep 2009</td>
<td>31/10/2009</td>
<td>28/09/2010</td>
<td>Compliant</td>
</tr>
<tr>
<td>Cased Hole Report Katnook Area - Dec 2009</td>
<td>31/01/2010</td>
<td>25/01/2010</td>
<td>Compliant</td>
</tr>
<tr>
<td>Cased Hole Report Katnook Area – Mar 2010</td>
<td>31/04/2010</td>
<td>17/06/2010</td>
<td>Non-compliant</td>
</tr>
</tbody>
</table>

ADE is in the process of implementing a “Compliance Reporting Register” in order to flag operational and reporting compliance requirements and ensure suitable delegation of responsibilities.

4.4 Incidents

*Petroleum and Geothermal Regulations, Section 33 (2) (f) requires:*

“in relation to any incidents reported to the Minister under the Act and these regulations during the relevant licensing year—

(i) an overall assessment and analysis of the incidents, including the identification and analysis of any trends that have emerged; and

(ii) an overall assessment of the effectiveness of any action taken to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, or to minimise the risk of recurrence of any such non-compliance”.

There were no reportable incidents occurred during the reporting period.
4.5 Threat Prevention

Petroleum and Geothermal Regulations, Section 33 (2) (g) requires

“a report on any reasonably foreseeable threats (other than threats previously reported on) that reasonably present, or may present, a hazard to facilities or activities under the licence, and a report on any corrective action that has, or will be, taken”.

There were no perceived threats, and no action taken during the reporting period.

4.6 Future Work Program

Petroleum and Geothermal Regulations, Section 33 (2) (h) requires

“unless the relevant licence year is the last year in which the licence is to remain in force - a statement outlining operations proposed for the ensuing year”.

ADE intends to continue with extended production testing of LR#1, producing to Katnook Gas Plant to demonstrate commercial production. This will involve measurement of gas, condensate and water production rates and monitoring of pressure. This may include operation of “GasJack” compressors to boost production from the well.

5 Expenditure Statement

Petroleum and Geothermal Regulations, Section 33 (3) requires

“an annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year, showing expenditure under each of the following headings:

a) Drilling activities;
b) Seismic activities;
c) Technical evaluation and analysis;
d) Other surveys;
e) Facilities construction and modification;
f) Operating and administration expenses (not already covered under another heading)”.

Please refer to Appendix 1 for the expenditure statement for the current reporting period.