



ADX Energy Ltd

AUSTRALIA
29 Bay Road
Claremont WA 6010
Australia

T +61 (08) 9381 4266
E admin@adxenergy.com.au

ABN 50 009 058 646

www.adxenergy.com.au

23 January 2023

Letter to ADX Shareholders

Welchau Drilling Project Information in the Austrian Media

Dear Shareholders,

There have been recent reports in the Austrian press in relation to ADX's planned Welchau well. The well has a large gas potential and is located in a relatively under explored area in the Austrian Alps. Predictably, the drilling project is attracting both government and community interest, at a time when security of energy supply in Europe is critical.

The Austrian Federal Ministry of Finance (ministry in charge of mining and energy) stated last week in response to media reports that *"The events (Note: in the context the significant energy price increases and the shut off from Russian gas is meant) during the last months have shown that Austria needs to increase its energy security through diversification of its energy sources. The acquisition of new sources of energy, including domestic resources, and their evaluation and open discussion is in the interest of the national Austrian security of energy supply."* (Source: public written statement by the Finance Ministry on Austrian National television (ORF) on 17th January 2023).

However, there has also been some misleading information circulated that incorrectly states that Welchau is about to be developed as a gas field, or that Welchau is located within a national park. These statements have created some confusion amongst the local community of Molln where the well site is located. In addition, there have been requests for information about whether gas from Welchau would be exported or sold into the Austrian market to ensure security of domestic gas supply with some poorly informed sources stating that Welchau gas may be transported for sale to Australia.

It should be recognised that ADX is a newcomer in the Austrian energy sector which has been dominated by two companies for over 70 years. While the majority of our staff are Austrian nationals with extensive oil and gas experience in Austria, ADX, as a company, is relatively unknown in the general community despite having an excellent rapport with the Ministry and the local community in the Zistersdorf area. At Zistersdorf, ADX is an important employer that reliably and safely produces oil and gas to high environmental standards. ADX has expanded its activities to Upper Austria where Welchau is located and where ADX recently made the Anshof oil discovery which is now being produced under a long-term test.

In addition to ADX oil and gas production operations and exploration activities which are intended to provide increasing, reliable energy in the near term, ADX is pursuing a number of complimentary renewable energy projects which we hope will provide longer term low carbon energy production. These renewable projects are highlighted in the Company's website.

In order to provide clarity in relation to the Welchau drilling project and ADX's activities in Austria generally, ADX made the attached Press Release in Austria on the 20th of January 2023 (English translation of German release attached). The Press Release is intended to ensure that the Company's stakeholders and the community are informed with factual information about planned well operations, the permitting process, the resource potential at Welchau and, if successful, the strategic importance of Welchau gas.

As reported in an ASX release dated 14 December 2022, the Welchau well is now at the permitting stage for drilling of the well following the recent execution of a land access and rental agreement for the Welchau-1 drill site with the Austrian Forestry Ministry. ADX believes that the necessary permits can be achieved within a four to six month time frame. ADX was able to execute the Anshof project from governmental approval application to drilling to production in just over a year, this demonstrates that oil and gas projects can be executed efficiently and reliably in Austria, including the engagement with many affected stakeholders from property owners to environmental agencies.

ADX will continue to inform its shareholders, stakeholders and the community in which we operate in relation to our ongoing activities at the Welchau gas prospect as well as the other planned drilling projects such as the new Anshof oil field development wells.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Ian Tchacos', with a long horizontal flourish extending to the right.

IAN TCHACOS
Executive Chairman

Gas Exploration On Behalf Of The Republic Of Austria

Background information for media and journalists

English Translation of Media Release made by ADX VIE GmbH in Vienna, Austria on 20 January 2023

In recent days, there has been media attention in the domestic press about the planned natural gas drilling at the Welchau-1 well in the municipality of Molln (Upper Austria). According to expert studies, the well has great potential and could, if successful, make a significant contribution to Austria's energy supply. The Australian Stock Exchange -listed energy company ADX Energy Ltd (**ASX Code: ADX**) is a newcomer in the Austrian oil and gas sector, which has previously been defined by two companies for over 70 years.

The Austrian subsidiary of ADX Energy Ltd, ADX VIE GmbH (ADX), has been awarded an exploration license from the Republic of Austria for an area of 1,020 km² in Upper Austria. This exploration license not only allows exploration activities but obliges ADX to explore for oil and gas and undertake drilling activities, such as, for example, at the location of the municipality of Molln. Exploration activities can only proceed when all necessary permits have been obtained and all environmental, as well as mining law requirements, have been appropriately met.

On Wednesday (18 January 2023), ADX provided the Molln municipal board with the relevant background information that was requested in order to ensure the building of trust within the community through open engagement. On Friday (20 January 2023), ADX also held a media conference to answer questions from some local media in Vienna.

ADX would like to advise that it is engaged in a well-defined process for securing the necessary permits prior to commencement of Welchau drilling operations in the municipality of Molln. During the permitting process the municipality and other stakeholders will be provided with the relevant project documents.

The planned location of the drilling site at Welchau was defined by the geological interpretation of the underlying gas prospect. The well site is located outside but in the vicinity of a local nature reserve. It is recognized that the exploration activities will have a minimal impact on the rural infrastructure in the area however this impact is most likely to be to the benefit of the region. It should also be noted that all environmental and nature conservation regulations are being complied with for the planned drilling project.

In 2021/2022, ADX was the only exploration company in Austria to drill an exploration well (the Anshof-3 well in Upper Austria). The oil discovery at Anshof is currently being successfully evaluated by long term production testing and ADX expects that the well will eventually be connected to the existing oil and gas infrastructure.

The employees at the Austrian subsidiary of ADX have extensive international oil and gas experience and, the local management consists of two executives Mr Paul Fink and Mr Alan Reingruber, who are both graduates of the University of Leoben, in Austria

Summary Of Domestic Energy Supply

ADX Energy attaches great importance to the principal that domestic natural gas and oil deposits are being developed in the interest of the Republic of Austria in order to support the security of the domestic energy which is currently endangered by war, supply uncertainty and price inflation.

The Vienna Basin in Lower Austria and the Molasse Zone in Upper Austria are two particularly rich oil and gas provinces that have so far supplied over a billion barrels of oil and almost 100 billion cubic meters of gas (3.5 TCF). ADX is therefore convinced, together with other technical experts, that Austria has excellent potential for further significant resources to be discovered.

ADX can commit to ensuring that future gas reserves will be developed primarily for consumption in Austria and not, as some critics have said, sold to Australia. This makes no sense from either an ecological or an economic point of view. The current production from ADX' existing fields is sold locally and processed for Austrian consumption.

It should be recognized that if the supply of renewable energy cannot meet 100% of Austria's energy requirements, energy sources such as natural gas will be indispensable for Austrian industry, transport and households. Furthermore, the European Union has also made it clear that natural gas is an important key energy source for the transition to a carbon neutral future.

Conclusion: Although Austria is a small country in terms of area, Austria has a comparatively large number of oil and natural gas deposits, which have been successfully developed in the past by two long-established energy companies. It can therefore be expected that there is still good potential for further deposits in Austria. From the point of view of climate policy, it makes more sense to exploit Austria's domestic resources in a timely manner than continuing the dependency on war-financing Russian gas, ecologically questionable fracking gas from the USA or expensive LNG gas delivered from Qatar.

About ADX

ADX VIE GmbH (ADX), is a 100% subsidiary of Australian Stock Exchange listed ADX Energy Ltd. ADX explores for and produces hydrocarbons in Europe. ADX is one of the few companies in Austria that has the know-how and licenses for the development and production of oil and natural gas. ADX produces crude oil and gas from fields which are located in the greater Zistersdorf area (Lower Austria) and in the municipality of Waldneukirchen (Upper Austria).

About the drilling project

The Welchau-1 well is an exploration project which is expected to be drilled to a depth of approximately 1900 m and will target potential gas reservoirs that were previously encountered by the nearby Molln 1 well in 1989. At that time, high-quality gas was discovered and tested at Molln but it was not further developed. Currently, ADX is in the exploration phase at Welchau, so it is not possible to predict the results of drilling or potential gas volumes with certainty until the well has been drilled and evaluated.

Further technical information on the Welchau 1 exploration well can be found on the ADX website and the Australian Stock Exchange, Australia:

<https://adx-energy.com/wp-content/uploads/2022/12/20221129.pdf>