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## **Austrian Oil and Gas Production Asset Acquisition** ***“350 BOEPD of production, transformational cash flow and an exceptional niche growth opportunity”***

ADX Energy Ltd (ASX Code: **ADX**), is pleased to advise it has entered into binding agreements with RAG Exploration & Production GmbH (**REP**) on the 1<sup>st</sup> of July 2019 for the acquisition of Zistersdorf & Gaiselberg Fields located onshore in the Vienna Basin. In addition, ADX will acquire 3D and 2D seismic and geological data from RAG Austria AG (**RAG**; RAG Exploration Data) for yet to be licensed exploration areas covered by the data.

The purchase price of Euro 4 million is based on an effective date of 1 January 2019. Payment includes a staged financing process including an initial payment of a 10% non refundable deposit following signing of the Asset Purchase Agreement (APA) with the balance of the funds due at closing on the later of 1 October 2019 or transfer of the production licenses. The final cash payment is to be adjusted for the net post tax cashflow of the fields between the effective date and the closing date. A Data User Agreement (DUA) has also been executed for access to RAG Exploration Data (including 3650 km<sup>2</sup> of modern 3D seismic) in the Molasse Basin.

### ***Acquisition Overview***

- Production Rate **350 BOEPD and Euro 2 million post tax flow in 2019**
- Acquisition at significant discount to NPV based on most likely **2P Developed Reserves Case of 0.98 MIMBOE** <sup>NOTE 1</sup> (*Based on RAG PRMS internal estimates @ 1 January 2019*)
- Defined infill potential to increase **2P Developed and Undeveloped Reserves Case to 1.51 MIMBOE** <sup>NOTE 1</sup> (*Based on RAG PRMS internal estimates @ 1 January 2019*)
- High value barrels delivered by pipeline selling to local refinery at small discount to Brent Crude Price
- Long life production with very modest decline of approximately 20% in last 10 years
- Highly optimised, automated and very well maintained production facilities - all in US\$31 per BOE production cost Excellent owned infrastructure position and land position
- Deeper oil contingent resource potential proven beneath field
- Access to highly skilled, experienced personnel in line with asset base development.
- Large exploration potential and valuable data base at low cost (**3650 km<sup>2</sup> of 3D seismic**)
- Further cooperation with RAG or REP possible in the future
- ADX has reviewed REP's Reserves Estimates which are based on field performance and considers them to be conservative and reasonable. Production and Reserves quoted in this release are still under the ownership of REP/RAG. ADX will assume those Reserves, the production and assets upon transfer of licences and closing of the transaction, estimated to be 1 October 2019. At that point, ADX may undertake further assessment of reserves.

### ***Key Transaction Metrics***

The Following metrics apply to the acquisition;

- Purchase price multiple to Post Tax Net Cash Flow = **2 Years**
- Purchase Price Cost per flowing Barrel = **US\$ 12,800 per barrel**
- Estimated Cash required at closing approximately (including deposit) **Euro 2.6 million**

### ***Investment Rationale***

- Buying low risk long life production at low cost, then enhancing asset position through increased asset production and extending field life and through field reserves additions, contingent resource additions and appraisal potential that can be tied into ADX or RAG – OMV infrastructure.
- Operate purchased production assets and exploration portfolio by accessing highly skilled and experienced work force from RAG (formerly a Shell – Mobil joint venture)
- Secure UK SPV funding for low risk high reward infield reserve additions.
- Attract asset funding for deeper contingent resource and appraisal potential.
- Potential for further cooperation in other areas with RAG or REP.
- Benefit from operational synergies with Romania

### ***Strategic Opportunity***

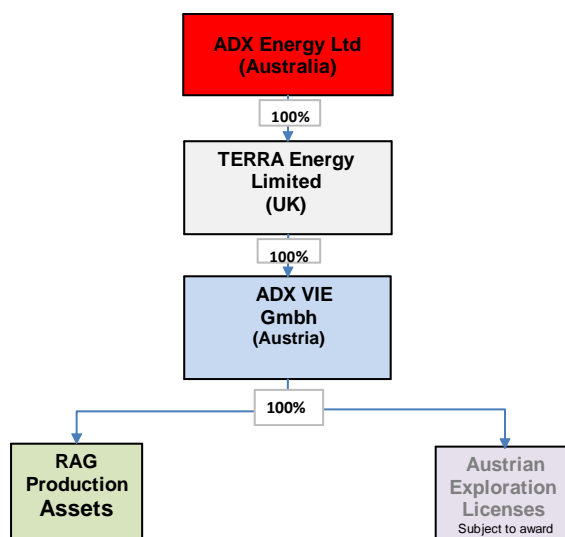
This asset acquisition provides to ADX a number of very unique Strategic opportunities for growth by;

- Securing a transformational asset enabling ADX to become a producer in a favourable jurisdiction with tangible growth potential.
- Buying at low cost (2 years of cash flow) a portfolio of self funding production assets with infill drilling and appraisal upside.
- Developing a portfolio of oil and gas assets in stable pro development political jurisdiction onshore Europe where there is excellent access to infrastructure and high demand for oil and gas with high European gas prices.
- Exclusive exploration access possibility to almost an entire proven hydrocarbon basin (“Molasse Basin” of Upper Austria) covered by a large 3D data set (3650 km<sup>2</sup>) to explore for low to medium risk prospects and appraisal opportunities proximal to infrastructure owned by RAG.
- Leverage ADX existing operating position in Romania, management in Austria and access to highly skilled technical personnel from RAG to become a niche player in Austria and nearby Romania.
- Share infrastructure and skills with RAG and REP for the mutual benefit of both companies

### Asset Ownership Structure

ADX has incorporated a UK special purpose vehicle (Terra Energy Limited) which will be the holding Company for an Austrian Subsidiary (ADX VIE GmbH). ADX VIE GmbH will be the local operating company in Austria, the owner and licensee for the Production Assets as well as the planned exploration license holder. ADX VIE GmbH is expected to be incorporated by the end of July 2019. The ownership structure shown below is similar to that deployed in Romania (Danube Petroleum Limited). The structure enables funding to be deployed by ADX or by third party investment in Terra Energy Limited. ADX envisages the establishment of a services agreement between ADX and Terra for the provision of administration and management services to ADX VIE GmbH.

#### Production & Exploration Assets Ownership Structure



*Note: Terra Structure enables investment at UK SPV level*

### Transfer of RAG Personnel to ADX

Upon closing RAG will transfer to ADX five (5) employed Field Technicians and two (2) full time Technical Employees (subsurface experts) supporting oil and gas field operations and an oil field Asset Manager. These personnel will be allocated to the producing asset management and enhancement opportunities.

In addition, RAG will also upon closing and after successfully applying for exploration acreage, transfer to ADX four subsurface – geoscience professionals. These personnel will be utilised for appraisal drilling programs within the production licenses and generate exploration projects out of the large mostly 3D seismic covered exploration and appraisal portfolio within the planned exploration licenses. For a number of prospects, drilling locations have already been approved or built.

### Transaction Funding

ADX is in discussions with multiple parties regarding the funding of the transaction either via investment in ADX or investment in the UK SPV (Terra Energy Limited). ADX is very confident of sourcing funding for the acquisition and is prepared to pay a non refundable deposit. The required funding is reduced due to the effective date being 1 January 2019.

### **Information in Relation to the Seller (RAG)**

RAG is Austria's largest gas storage company and one of Europe's leading gas storage facility operators. The company develops pioneering energy technologies that act as partners to renewables. Its portfolio of business activities also includes gas production, supply and trading, as well as the use of gas as a transport fuel (CNG and LNG).

RAG is focusing on gas, which RAG believes will play an indispensable role in energy supplies in the future. In 2018 RAG Austria AG founded the 100% subsidiary RAG Exploration & Production GmbH to concentrate on oil field management including the assets in Zistersdorf.

*"RAG's CEO Markus Mitteregger commented, that RAG will further concentrate on its core business energy storage and gas innovations and is very delighted to have ADX as a production and (possible) exploration successor and partner for further energy and technical cooperation. The transaction is subject to authority approval."*

[www.rag-austria.at](http://www.rag-austria.at)   [www.rag-exploration-production.at](http://www.rag-exploration-production.at)

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### **Persons compiling information about Hydrocarbons.**

Pursuant to the requirements of the ASX Listing Rule 5.31 the technical and reserves information contained in this release has been reviewed by Paul Fink as part of the due diligence process on behalf of ADX. Mr Fink is Technical Director of ADX Energy Ltd and is a qualified geophysicist with 23 years of technical, commercial and management experience in exploration for, appraisal and development of oil and gas resources. Mr Fink has reviewed the results, procedures and data contained in this release and considers the resource estimates to be fairly represented. Mr Fink has consented to the inclusion of this information in the form and context in which it appears. Mr Fink is a member of the EAGE (European Association of Geoscientists & Engineers) and FIDIC (Federation of Consulting Engineers).

#### **NOTE 1:**

##### **PRMS Reserves Classifications used in this Release**

**1P** Denotes low estimate of Reserves (i.e., Proved Reserves). Equal to P1.

**2P** Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.

**3P** Denotes high estimate of Reserves. The sum of Proved plus Probable plus Possible Reserves.

1. **Developed Reserves** are quantities expected to be recovered from existing wells and facilities.
  - a. *Developed Producing Reserves* are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
  - b. *Developed Non-Producing Reserves* include shut-in and behind-pipe reserves with minor costs to access.
2. **Undeveloped Reserves** are quantities expected to be recovered through future significant investments.

A. **Proved Reserves** are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

B. **Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

C. **Possible Reserves** are those additional Reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves that are located outside of the 2P area (not upside quantities to the 2P scenario) may exist only when the commercial and technical maturity criteria have been met (that incorporate the Possible development scope). Standalone Possible Reserves must reference a commercial 2P project.

## **Additional Information Required under Chapter 5 of the Listing Rules**

### **LR 5.31.1 Material Economic Assumptions**

The **Zistersdorf & Gaiselberg** - RAG Fields are located near Zistersdorf in the Vienna basin. The fields consist of two Miocene age clastic high poro-perm reservoir accumulations. The fields are currently producing from conventional reservoirs into optimised and well maintained surface facilities. Production trends and operating cost trends are well established enabling the reliable prediction future production by decline curve analysis, the estimation of future revenue from oil and gas sales as well as the forecasting of future costs. Economic life of reserves takes into account oil and gas revenues based on prevailing commodity pricing as well estimated operating costs, capital costs, royalties and taxes.

These assets conventional assets and Reserves have been calculated in accordance with the SPE PRMS system of reporting as updated in June 2018. Reserves associated with producing wells are Proved Developed as well Proved and Probable Developed have been estimated. Additional value exists in Proved and Probable Developed and Undeveloped Reserves which have been estimated. Proved and Probable Developed and Undeveloped Reserves require further capital investment for infill drilling and side tracks of existing wells to access reserves identified on electric line logs and confirmed through pressure measurement. Further Proved, Probable and Possible Developed and Undeveloped Reserves potential has been identified and estimated in conjunction with the necessary capital investment. All estimates have been made in accordance with the PRMS system of reporting as updated in June 2018.

The reserves estimated are based on a 100% equity interest with only 1% royalty levied on gross production. After the closing date of the reported transaction ADX will become the owner and operator of the fields. Economics used for the calculation of reserves including economic life for the above producing properties are based on the prevailing Brent Oil Price of US\$ 67 per barrel flat with a 7.9% quality differential. Operating costs are based on three year historical averages provided by the operator and include the cost of all personnel, maintenance costs, IT control costs and pipeline tariffs. These costs are estimated to be US\$ 31 per barrel. Corporate tax is the only other impost in Austria which is levied at a rate of 25% however no license fees are paid for these

production licenses. No forward looking valuations are included in this release other than reserves in the Proven and Probable Developed Category.

**LR 5.31.2 Overview of Operatorship of production**

Subject to closing of the described transaction.

ADX will assume operatorship of the Zistersdorf and Gaiselberg fields following license transfer and closing of the transaction with the asset owner.

**LR 5.31.3 Types of Permits held by ADX in respect to the reported petroleum**

Subject to closing of the described transaction.

<b>Mining Plot Name</b>	<b>ADX interest*</b>	<b>Area (km<sup>2</sup>)</b>
Zistersdorf Field, Vienna Basin, Austria	100%	2,503
Gaiselberg Field Vienna Basin, Austria	100%	2,523

\*Subject to Mining Authority Approval. The licenses will be held ADX VIE GmbH, a company incorporated in Austria which is a 100% subsidiary of ADX.

**LR 5.31.4 Basis for Determining Petroleum Reserves**

All reserves estimates are calculated probabilistically using the relevant PRMS Reserves Classifications. Production trends are predictions of future production determined by decline curve analysis. Oil and gas reserves are expressions of judgement based on experience and industry practice. ADX has had the benefit of the previous Operators extensive data base during due diligence. Estimates valid when originally calculated but may alter significantly when new information or techniques become available.