

31 July 2019

## **Activities Report** **Quarter Ended 30 June 2019**

### **HIGHLIGHTS**

#### **Corporate Overview**

ADX has concentrated its efforts during the quarter on finalising preparations for the drilling of the Iecea Mica 1 appraisal well onshore Romania, securing a 2 year extension for the Parta Exploration Permit, finalising the farmout of the Parta Exploration Permit, as well as the completion of due diligence and transaction documentation for the RAG production and exploration data acquisition, onshore Austria announced on the 2<sup>nd</sup> of July 2019.

#### **Onshore Romania – Iecea Mare Production License and Parta Exploration License**

- The preparations for drilling and testing of the Iecea Mica 1 well have progressed during the quarter with all long lead items as well as road and site preparation to enable a spud date of 4 August 2019. The prospectivity of the Iecea Mica 1 Well and a summary of the drilling program is described in the Onshore Romania section of this report.
- The Romanian Licensing Authority (“NAMR”) confirmed a further 2 year extension for the current license phase of the Parta Exploration Permit with minimal additions to the work program (seismic processing).
- A Heads of Agreement for a farmin to the Parta Exploration License was announced on 8 April 2019 with an Australian private company Parta Energy Pty Ltd - whereby Parta Energy will fund 1.5 MM USD to acquire a 3D seismic program to earn a 50% interest in the license.
- A Farmin Agreement for the above mentioned farm in transaction was completed on the 17<sup>th</sup> of July 2019.

#### **RAG Production and Exploration Data Acquisition**

- ADX undertook due diligence for the RAG Assets located onshore in the Vienna Basin having been established as a potentially preferred bidder for the assets which include the 350 BOEPD Zistersdorf and Gaiselberg producing fields as well as 3D seismic, 2D seismic and geological data from for yet to be licensed exploration areas covered by the data.
- ADX entered into binding agreements with RAG for the RAG Assets on 2 July 2019 and paid a Euro 400,000 deposit for the assets on 15 July 2019.
- ADX expects to close the transaction on 1 October 2019.

---

ADX Energy Ltd

[www.adxenergy.com.au](http://www.adxenergy.com.au)

ABN 50 009 058 646

Address: Level 2, Suite 14, 210 Bagot Road, Subiaco WA 6008

Postal: PO Box 63, Subiaco WA 6904

Telephone: 08 9381 4266 Facsimile: 08 9381 4766 Email: [admin@adxenergy.com.au](mailto:admin@adxenergy.com.au)

## **Offshore Italy – Nilde Oil Field Redevelopment**

- No further activities have been undertaken since ADX was advised on the 4<sup>th</sup> of February 2019 that the Italian Parliament passed legislation to suspend exploration activities in permits that have been approved or are in the process of being approved for a period of up to 18 months to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities.
- Since that time ADX has been informally advised by the Italian Licensing Authorities that it has demonstrated sufficient financial capability for the ratification of the permit upon resumption of oil and gas activities following earlier announced Farmin by SDP Services Limited (SDP).
- ADX believes it will be in a strong position to commence appraisal operations on the Nilde Oil Redevelopment project upon resumption of oil and gas activities given the funding of Euro 20.8 million to be provided by SDP.

## **Offshore Tunisia – Dougga Appraisal and Development**

- Noble Corporation has advised that it is unable to offer the Globetrotter II drilling rig beyond June 2019 for the drilling of the Dougga Sud well offshore Tunisia.
- Given the water depth at Dougga of 330 metres it is unlikely that an alternate rig options will be available in the foreseeable future. That being the case ADX is seeking to engage with National Oil Company (ETAP) in relation to deferment of work program obligations.
- ADX continues to engage with Middle Eastern and North African focussed companies and funding institutions in relation to potential farmout and funding discussions for Dougga appraisal ongoing.
- Ongoing engagement with the in order to develop a collaborative approach for the attraction of capital to the Dougga gas Condensate Project.

## **Finance**

- On 16 July 2019 the Company finalised Convertible Loan Facility Agreements which are convertible to shares in ADX to raise A\$1,205,000 of new funding. Included in this new funding was \$150,000 provided equally by ADX's Directors Ian Tchacos, Paul Fink and Robert Brown.
- Reabold Resources PLC subscribed to a further 375,940 ordinary shares in ADX's UK subsidiary, Danube Petroleum Limited, at an issue price of £1 per share. This investment brings Reabold's total investment to date in Danube to £2.26 million (approximately A\$4.3 million).

## OPERATIONS REPORT

### PARTA APPRAISAL PROJECT and PARTA EXPLORATION PERMIT – Onshore Romania

ADX is operator and holds a 63% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via its' Romanian subsidiary, ADX Panonia, holds a 100% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Sole Risk Project) and a 100% interest in the Iecea Mare Production license.

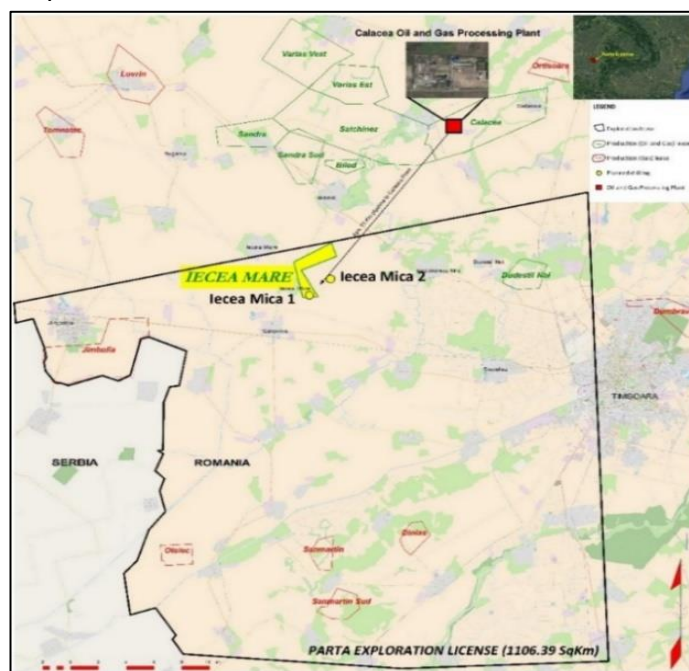
#### Appraisal Program Update (Iecea Mare Production License and surrounding Parta Sole Risk Area)

During the quarter ADX secured all environmental, statutory and local government approvals required for the drilling of the Iecea Mica 1 ("IM-1") appraisal and exploration well. At quarter end ADX commenced road access and well site construction operations. At the completion of the earthworks in late July, ADX was ready to commence the mobilisation of the drilling rig with all major equipment items being available for drilling operations.

Commencement of rig mobilisation commenced on the 29<sup>th</sup> of July 2019 and well spud is expected to occur approximately 8 days afterwards following completion of rig assembly, testing and commissioning.

#### Well Overview

ADX together with Danube's 37% shareholder, Reabold, have elected IM-1 as the first drilling candidate for the two well Parta Appraisal Program. IM-1 is located in the Iecea Mare Production License which is within the Parta Exploration License in the Panonian Basin, onshore Romania.



Location Map – Showing IM-1 Well location, Iecea Mare Production License and Parta License

### Well Prognosis and Resource Potential

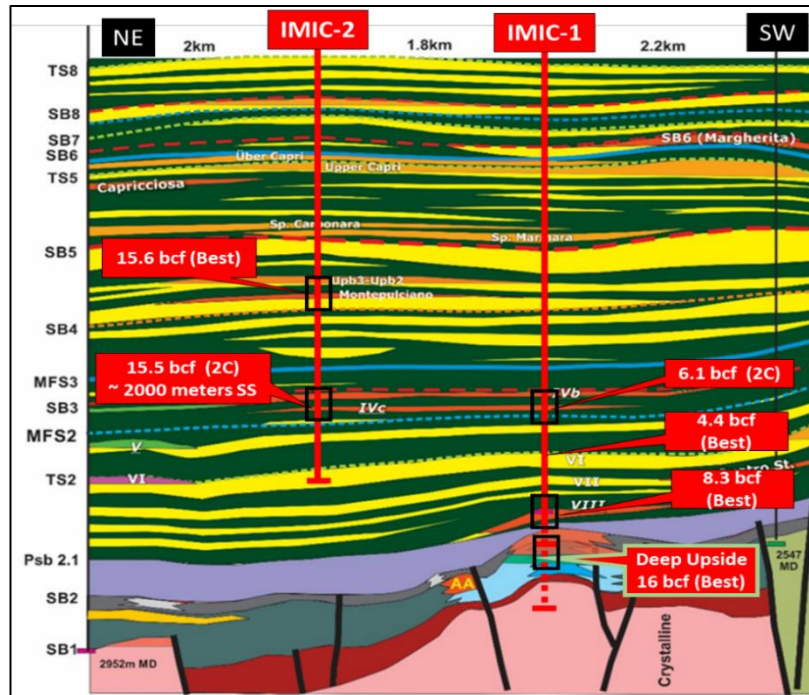
IM-1 is a structural trap targeting multiple (Pliocene to Miocene) pay zones including established appraisal potential from historic wells drilled in the 1980's that were tested but never produced as well as deeper not tested exploration potential defined on recently acquired 3D seismic. The independently assessed contingent and prospective resource potential of IM-1 is summarised in the following table extracted from the ERC Equipose Independent Report (ERCE). This evaluation excludes deeper exploration potential which can be accessed by the IM-1 well. The first proven, previously flow tested gas reservoir section is the Pa IV sand in the IM-1 well. That zone is expected to be encountered at a depth of ca. 1940 meters TVDSS.

**ERCE Independent Resource Estimates\* for Parta Appraisal Program**

Recoverable Hydrocarbon Volumes			ERCE Estimates		
Prospect	Target Reservoir	PRMS Category	P90 (bscf)	P50 (bscf)	P10 (bscf)
IM-1	Pa IV	Contingent <sup>1</sup>	2.0	6.1	16
IM-1	Pa VI	Prospective <sup>2</sup>	2.4	4.4	7.3
IM-1	Pa VIII inf.	Prospective	2.7	8.3	21.3
IM-2	PsB4.3	Prospective	5.4	15.6	39.1
IM-2	Pa IV	Contingent	4.8	15.5	43
<b>Total Program</b>		<b>Contingent</b>	<b>6.8</b>	<b>21.6</b>	<b>59.0</b>
<b>Total Program</b>		<b>Prospective</b>	<b>10.5</b>	<b>28.3</b>	<b>67.7</b>

\* Refer to ASX announcement 11 July 2018, ADX confirms that it is not aware of any new information or data that materially affects the information included in that market announcement and that all the material assumptions and technical parameters underpinning the estimates in that market announcement continue to apply and have not materially changed.

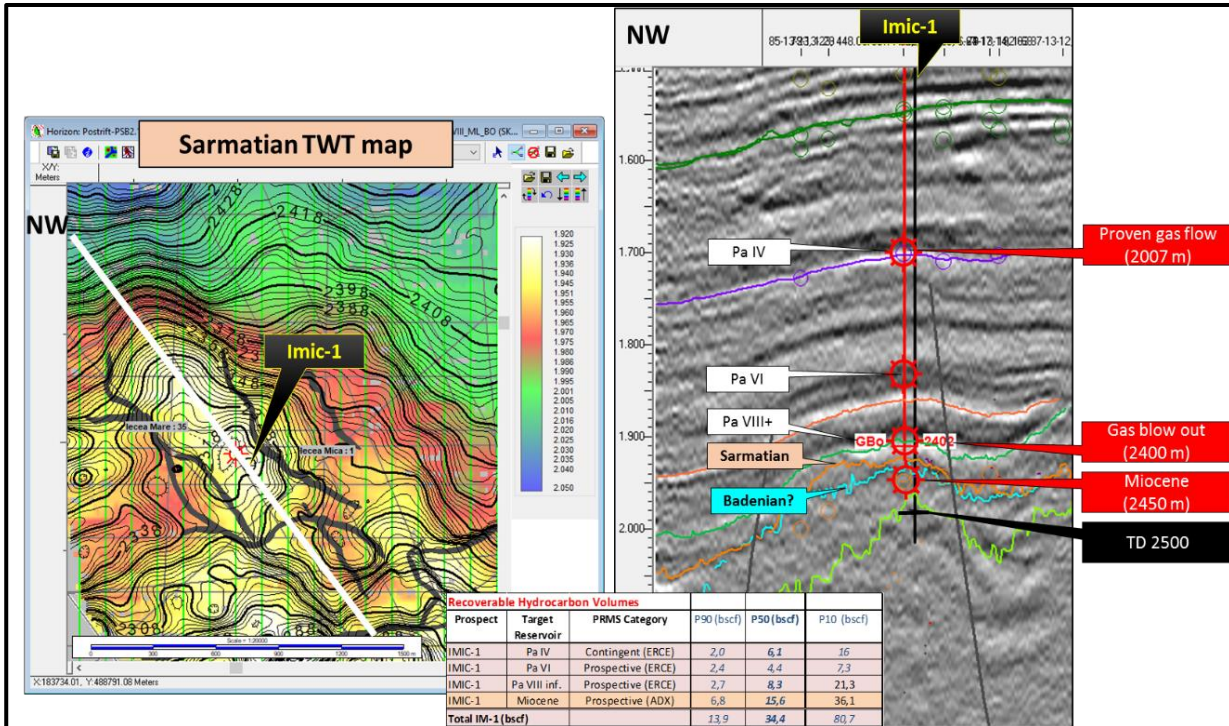
1. **Contingent Resources** are those quantities of petroleum estimated, as at a given date, to be potentially recoverable from known accumulations but, for which the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. 1C, 2C, 3C Estimates: in a probabilistic resource size distribution these are the estimates that have a respectively 90% (P90), 50% (P50) and 10% (P10) probability that the quantities actually recovered will be exceeded
2. **Prospective Resources** are those estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further explorations appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



**A Simplified Stratigraphic X section through IM-1 and IM-2 showing the potential deeper Badenian (Miocene) build up carbonate play or the alternate fractured basement play.**

In addition to the ERCE independently assessed Contingent and Prospective Resource volumes shown in the previous table, IM-1 offers a larger deeper exploration potential that was not included in ERCE’s estimates that can be reached within the current planned 2500 meters TD of the IM-1 well. It is predicted that the well will test a Badenian (Miocene) calcareous sandstone and/or a proven fractured basement play which has been successful in the Satchinez and Calacea fields 12km to the north of IM-1 well location. The Miocene Badenian age carbonate build up play is proven by gas discoveries to the East. Either one of, both of, or none of the deeper upside exploration plays may be present.

The Pa IV (Pannonian – Pliocene) horizon intersected in the original exploration discovery well tested at a rate of 1 MMSCFPD in 1989. It is expected the IM-1 well, with modern drilling and completion practices, will achieve significantly higher rates from this zone. Depending on which hydrocarbon charge model is assumed for the previously undrilled, deeper exploration plays there is also potential for an oil discovery at basement level. It should be noted that the previous Iacea Mare production license operator assessed the potential of the for the basement play to be in excess of 2 mmbbls of recoverable oil. ADX estimates 16 bscf for a best case recoverable prospective gas resource, assuming the intersection of a Miocene Badenian age (Miocene) calcareous sandstone is encountered as a gas bearing reservoir in a deeper exploration play success case. Based on nearby well data the intersection of potential basement reservoir is considered the most likely outcome.

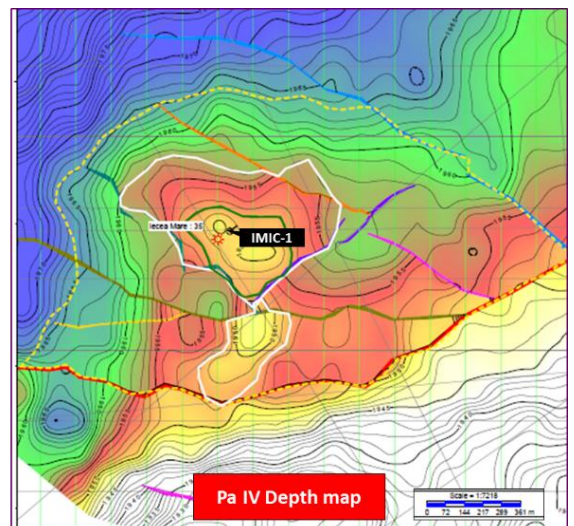
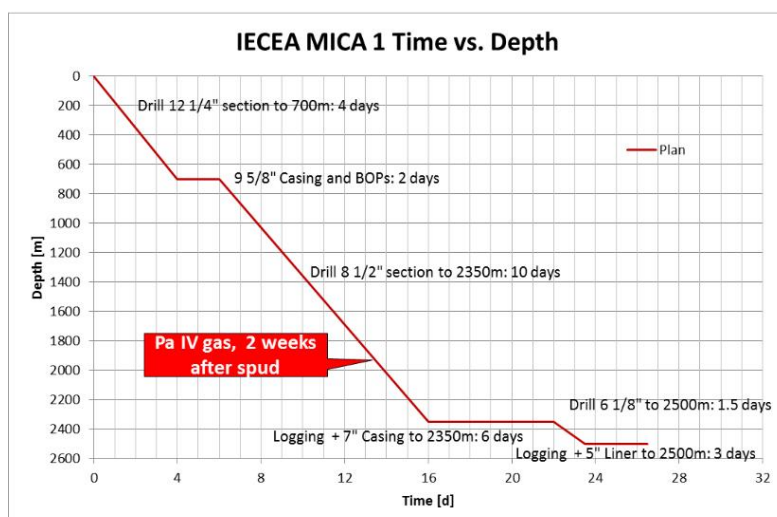


**IM-1 Map and 3D Seismic Section through IM-1 well location**

The above 3D seismic section through the IM-1 well location highlights the various currently identified reservoir targets and their respective depths. Note that the original exploration well only had electric logs down to the Pa VIII reservoir. The well was deepened further but experienced a major kick and overpressure around 2400 meters TVD that was not able to be tested. This is described as an uncontrolled flow in some old well reports for the discovery well.

### Well Design

Due to expected overpressure starting around 2400 meters (“the historic well blow out reservoir”) 7” casing is programmed to be run to a depth of 2350 meters TVDSS. The well will then be drilled through the overpressure zone in a smaller 6 1/8” hole size and will reach TD around 2600 meters.



The most likely well cost estimate for the well is approximately US\$3 million, including evaluation, logging and running casing. The above mentioned cost estimate does but not include well testing operations which are planned to be undertaken with a much smaller and cheaper work over unit. Included in the well cost estimate is a well head and production tubing which has already been purchased.

The IM-1 well is designed to enable the evaluation of an over pressured zone encountered in the original discovery well as well as highly prospective and potentially material deeper exploration targets not reached previously. These deeper exploration targets which are now mapped on 3D seismic are particularly exciting due to their materiality and the fact they can potentially be reached at minimal incremental cost.

#### *Parta Exploration License Extension*

ADX has applied for an extension of the Parta Exploration Licence phase one work program based on a maximum work program of 100 km<sup>2</sup> of 3D seismic, 60km 2D seismic and 2 exploration wells. ADX commenced discussions with the designated authority in Romania during the quarter for a license extension of at least 2 years from 23 June 2019.

On the 10<sup>th</sup> of June, a two year extension was announced for the Parta Exploration License. A minimal but necessary additional seismic processing work program commitment of 50 Km<sup>2</sup> of existing 3D seismic and 200 km of 2D seismic was a condition of the extension. The additional processing is estimated to cost approximately Euro 100,000.

The extension satisfied the only regulatory condition for the completion of a binding Heads of Agreement for a farm in to fund a 100 km<sup>2</sup> 3D Seismic program planned for Q4 2019 (*see below*).

The planned 3D seismic work program is highly complementary with the funded Iecea Mica 1 appraisal well due to spud soon in the adjoining Iecea Mare production license.

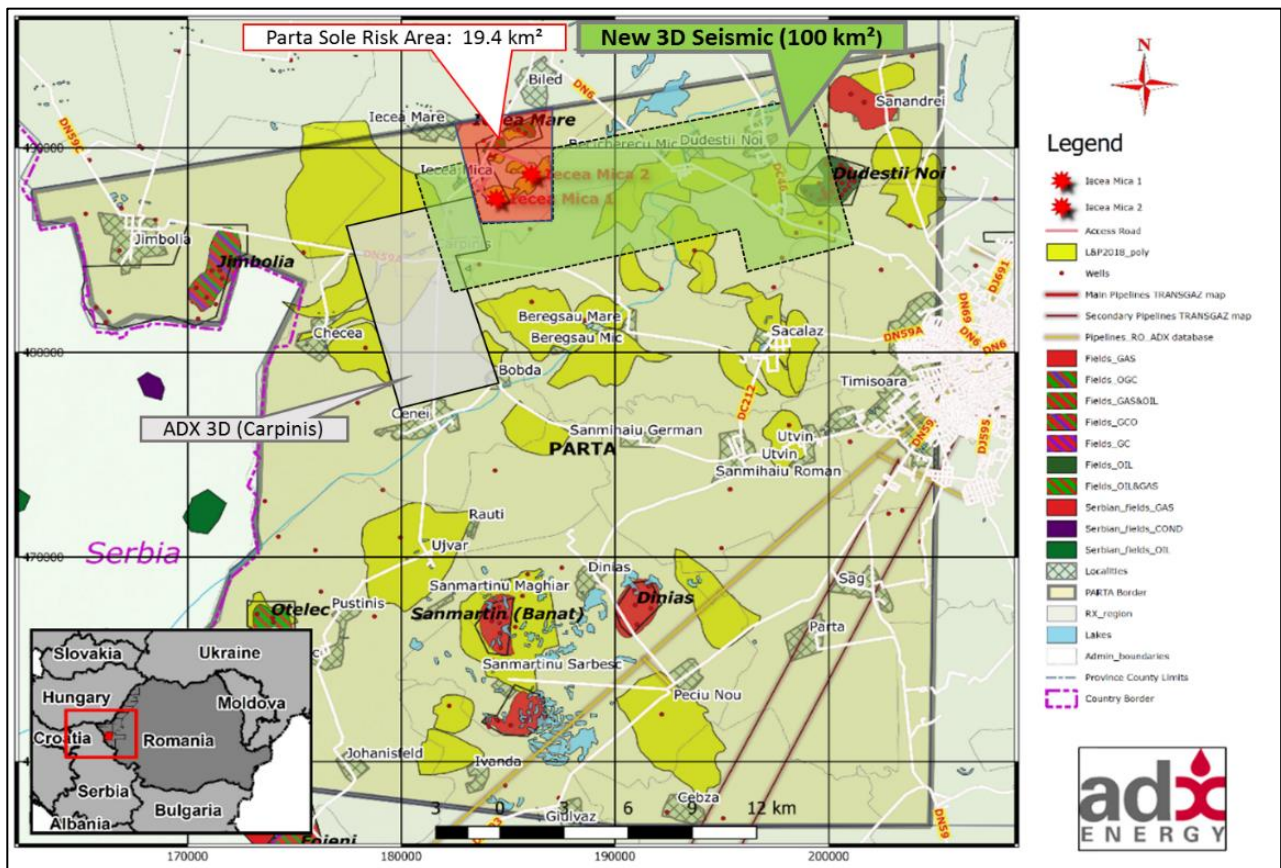
#### *Parta Exploration License Farm in Agreement*

ADX Energy Panonia SRL (Panonia) holds a 100% interest in the Parta Exploration License following the withdrawal of its previous partner RAG on 31 March 2019.

ADX executed a Heads of Agreement (HOA) for a farm-in on behalf of Danube Petroleum Limited (Danube) and Panonia for the funding of a 3D Seismic program planned for Q4 2019 in the Parta Exploration License. The HOA was subject to a number of conditions precedent including the finalisation of a joint operating agreement and the extension of the Parta Exploration License. The conditions precedent were satisfied on 17<sup>th</sup> of July and a Farm in Agreement was signed with Parta Energy Pty Ltd (Farminee) to fund a US\$ 1.5 million 3D Seismic program to secure a 50% interest in the License.

The Farminee is an Australian Private Company formed to undertake exploration in Romania, with guaranteed financial support to undertake its Farm-in obligations

The farm-in rights include the Parta Exploration License but exclude any rights relating to the Sole Risk Area which includes the Iecea Mare Production license where ADX is planning to drill the IMIC 1 appraisal well in August 2019 (“Parta Farmin Rights”). The map below shows the prospect inventory, the planned new 3D area and the Parta Sole risk area (in red) to which the farminee has no rights.



**NILDE OIL FIELD in d 363C.R-.AX PERMIT - Offshore Italy (Operator, 100% equity interest)**

*The Nilde Oil Field Redevelopment Project*

Following the enactment of legislation in February 2019 to suspend exploration activities in permits that have been approved or are in the process of being approved for a period of up to 18 months to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities, ADX has curtailed its activities in relations to Nilde.

While the decree is a very unfortunate delay given the recent positive engagement with Italian Authorities following the finalisation of a farmin agreement with SDP Services Limited (see below)



ADX believes it is now in a very secure position to recommence activities in August 2020 with the appropriate financial support to undertake the appraisal and redevelopment of Nilde.

While the new legislation is being legally challenged by the industry, ADX has decided not to participate in legal challenges being led by ENI and Total.

#### *Nilde Farmin Agreement*

The **Euro 20.82 million** farm out agreement announced on 31 October 2018 by ADX with SDP Services Limited (“SDP”) for a 50% interest in the d 363 C.R-.AX Permit (containing the Nilde Oil Redevelopment Project and the successfully tested Norma and Naila oil discoveries) remains in force despite the abovementioned suspension of E&P activities by the Italian Authorities.

#### *Further Financial Support*

ADX continues to engage with parties for additional potential funding support at a subsidiary level. Engagement is ongoing with number of Parties that may be able to work collaboratively with SDP and ADX that have the capacity to provide financial resources and technical capability to the project.

The ability to finalise any further transactions in relation to Nilde are likely to be conditional upon the resumption of E&P activities and ratification of the permit.

### **KERKOUANE PERMIT Offshore Tunisia (Operator, 100% equity interest)**

#### *Dougga Sud Appraisal Well*

ADX had secured a drilling option from Noble Drilling Services Inc. (Noble) for the Globe Trotter II drilling rig up until the end of June 2019. Subsequent to that date Noble required the approval from another operator to continue to offer the rig. ADX requested a further extension during the quarter to continue to provide the ability to drill the Dougga Sud well subject to the availability of farmout or funding support. Noble has advised that it is unable to secure the approval to extend the contract and as a result the parties have terminated the contract.

In order to drill the Dougga Sud well ADX will require an alternative rig with the capability to drill in water depths of 330 metres. Given the scarcity of moderate to deep water rigs in the Mediterranean ADX will seek a deferment of its drilling obligation with National Oil Company (ETAP). These discussions are expected to take place during the coming quarter.

#### *Appraisal Well Funding*

Discussions were ongoing during the quarter with a number of parties with a view to securing either a farmout, vendor finance or a combination of both. Farmout interest has waned since the end of

2018 due to the decline in oil price however ADX continues to seek further interest from new potential farminees or funding partners for the project.

ADX is attempting to expand the potential for Dougga appraisal farmout and funding support to Middle Eastern and North African focussed companies and funding institutions. ADX continues to engage discussions with multiple parties to expand the potential source of funding to parties focussed on Middle Eastern and North African investment.

#### *National Oil Company Collaboration*

Due to the potential strategic importance of Dougga and the need to obtain the support from ETAP for any potential funding transaction, ADX has attempted to increase engagement with ETAP at a high level. ADX has been seeking to develop a more collaborative approach with respect to the attraction of capital to the Dougga gas Condensate Project and ensure the support from ETAP with respect to the Tunisian ministry. This is becoming increasingly difficult in Tunisia due to large number of retirements from key positions within the ETAP and the designated authority.

### **NEW VENTURES**

#### *Investment Criteria*

ADX has focussed its recent attention on onshore European New Venture opportunities where its team is currently deployed on the Parta Appraisal Program and has on the ground geological and operational experience. Opportunities have been targeted where there is existing production together with follow up reserves growth opportunities so that ADX can both accelerate its pathway to cash flow but also maintain growth and reserves replacement. To enable such growth ADX has recognized the importance of a core area where we can assemble the necessary technical skills in a suitable pro development jurisdiction. The Board of ADX believes such assets have the potential to enhance the Company's value, continuity of access to finance and predictable growth potential which can be coupled with the Company's current high impact offshore assets.

#### ***RAG Asset Acquisition, Austria***

The RAG Asset acquisition announced on the 2<sup>nd</sup> of July satisfied the above mentioned investment criteria. ADX was introduced to the opportunity through a close technical and management relationship developed with RAG who were co-venturers in the ADX operated Parta Exploration Permit.

ADX established that it was potentially a preferred bidder for the RAG Assets and focused its resources on the due diligence and the negotiation of legal documentation for the purchase of the Zistersdorf and Gaiselberg producing fields (350 BOEPD 100% equity) located in the Vienna Basin

onshore Austria. In addition, ADX has secured the rights to 3D seismic, 2D seismic and geological data from for yet to be licensed exploration areas covered by the data.

ADX subsequently entered into binding agreements with RAG for the RAG Assets on 2 July 2019 and paid a Euro 400,000 deposit for the assets on 15 July 2019. ADX expects to close the transaction on 1 October 2019.

### *Asset 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 MMBOE** <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 MMBOE** <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)**

*ADX has reviewed Rag Exploration & Production GmbH's (REP) Reserves Estimates which are based on field performance and considers them to be conservative and reasonable.*

NOTE 1:

PRMS Reserves Classifications used above

**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.

### *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

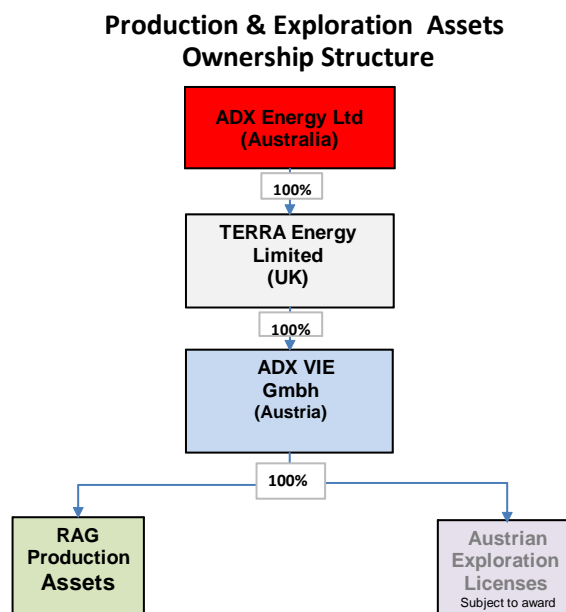
### *Strategic Opportunity*

- 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 is 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. 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.



*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 that have already been approved or built.

## FINANCE

### *Reabold Subscription in Danube*

Reabold Resources PLC (“Reabold”) subscribed to 375,940 ordinary shares in ADX’s UK subsidiary, Danube Petroleum Limited (“Danube”), at an issue price of £1 per share. This investment will bring Reabold’s total investment to date in Danube to £2.26 million (approximately A\$4.3 million). Following the investment ADX held a 63% shareholding in Danube with the remaining 37% held by Reabold. ADX provides technical, operational and corporate services to Danube via a service agreement with Danube. Danube via its’ 100% owned Romanian subsidiary, ADX Energy Panonia SRL, holds a 100% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Project) and a 100% interest in the Iecea Mare Production license, onshore Romania.

### *Convertible Loan Financing*

Subsequent to the quarter, in July 2019, ADX finalised convertible loan facility agreements (“Loan Agreements”) which are convertible to shares in ADX with several key existing shareholders and new investors to raise A\$ 1,205,000 of new funding. Included in this new funding is \$150,000 provided equally by ADX’s Directors Ian Tchacos, Paul Fink and Robert Brown.

The funding will be utilised to fund the deposit, asset structure formation (see below) and transaction costs for the Zistersdorf and Gaiselberg Fields located onshore in the Vienna Basin, Austria (RAG Production Assets) from RAG Exploration & Production GmbH (refer ASX announcement 1 July 2019) as well as ongoing activities across the rest of ADX asset portfolio. The key terms for the Loan Agreements are summarised as follows:

1. *Loan Term:* 6 months commencing 12 July 2019, extendable by mutual agreement in writing at least 15 days prior to expiry of Loan Term.
2. *Loan Interest:* 10% per annum; Payable at Termination.
3. *Loan Conversion Rights:* The lender has the option to convert part or all of the loan into ADX shares prior to Termination. The conversion price is determined the lower of:
  - a. the share price used for any capital raising by issue of ADX shares during the term of the Loan Agreement; and
  - b. A\$0.007 per share.

If the price under 3 (a) is less than A\$0.007, then the conversion to shares is subject to Shareholder approval. Conversion by Directors of ADX Energy Ltd or related parties (including associates) will also be subject to Shareholder approval.

4. *Early Termination by ADX:* ADX may terminate the loan at any time from 12 October 2019 to expiry by repayment of Loan Amount plus accrued interest. ADX will provide the Lender with three (3) business days notice prior to allow the Lender time to elect conversion.

#### Cash Balances

ADX's cash at the end of the quarter was \$2.6 million. This cash balance includes \$1.9 million held by 63% owned subsidiary Danube Petroleum Limited and its' Romanian subsidiary ADX Energy Panonia srl for drilling of Iecea Mica 1 and Parta Appraisal Operations.

#### TENEMENT TABLE

Tenements held at the end of the quarter, their location, ADX's percentage held at the end of the quarter and changes thereof:

Permit	% held at the beginning of the Quarter	% held at the end of the Quarter	% change
Offshore Tunisia, Kerkouane	100%	100%	-
Offshore Italy, d363C.R-.AX <sup>1</sup>	100%	100%	-
Onshore Romania, Parta <sup>2</sup>	100%	100%	-
Onshore Romania, Iecea Mare Production Licence	100%	100%	-

**Note 1:** ADX has commenced a process with the Italian Designated Authority to convert the exclusively awarded application to a ratified licence. This process was commenced after the award by the Ministry of Industry.

**Note 2:** ADX holds a 63% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via ADX Panonia holds a 100% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Sole Risk Project) and a 100% interest in the Iecea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube.

Yours faithfully,



**Paul Fink**  
CEO/Technical Director



**Ian Tchacos**  
Executive Chairman

#### Persons compiling information about Hydrocarbons.

Pursuant to the requirements of the ASX Listing Rule 5.31, 5.41 and 5.42 the technical and reserves information contained in this release has been reviewed by Paul Fink (and for the Austrian Asset Acquisition, this has been reviewed as part of the due diligence process) on behalf of ADX. Mr. Fink is Technical Director of ADX Energy Limited is a qualified geophysicist with 28 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 announcement 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).

DISCLAIMER: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbon

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

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

The **Zistersdorf and 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\$67.00 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\* Subject to Mining Authority Approval.

**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.

**END OF RELEASE**