ADX Energy Ltd (ASX:ADX)

ASX RELEASE

13 March 2020

ADX Increases Hedged Oil Volumes from its Austrian Production

Key Points:

- ADX has contracted additional hedging of 25% of Gaiselberg and Zistersdorf fields forecast proven (1P) oil production over a 9-month period increasing hedged production to 65%.
- The hedging counterparty for this transaction as well as the previous hedging is BP.
- The hedging agreement is a put and collar structure that guarantees a minimum Brent price of US$30 per barrel for 25% 1P production while retaining pricing upside up to US$ 44 per barrel and any further upside in Brent price above US$ 59 per barrel.
- The additional hedging in combination with the previously announced hedging with swaps at a fixed Brent price of US$ 50.64 ensures sufficient revenue certainty to cover fixed and variable operating costs as well as well work overs and maintenance costs required to ensure optimal levels of field production.
- Production in excess of 65% of the 1P production profile may be sold based on Brent pricing at the time. ADX also has the option to potentially store production within storage tanks in the field to secure higher pricing at latter point in time.
- The hedging strategy is required to ensure field profitability during a period of price volatility resulting from the worsening effects of the Corona virus as well as recently announced over supply by OPEC intended to diminish high cost production in the US.
- The combination of hedged revenues, accumulated net revenues generated of approximately Euro 1 million up to the end of February 2020 and the potential to bank excess oil production during periods of depressed pricing provides ADX with financial stability and operating flexibility during a period of expected price volatility.
- The low cost and low decline nature of the production as well as additional revenues from associated gas production ensures strong ongoing cash flows from the field many years beyond the currently expected period of oil price volatility.

ADX Energy Ltd (ASX Code: **ADX**), is pleased to advise that it has executed further agreements with BP to hedge the equivalent of 25% of ADX VIE GmbH (ADX wholly owned Austrian subsidiary) (**ADX VIE**) proven oil production profile for a period of 9 months. The hedging structure over the period from 1 April 2020 to 31 December 2020 are a reparticipation collar which has been priced as follows:

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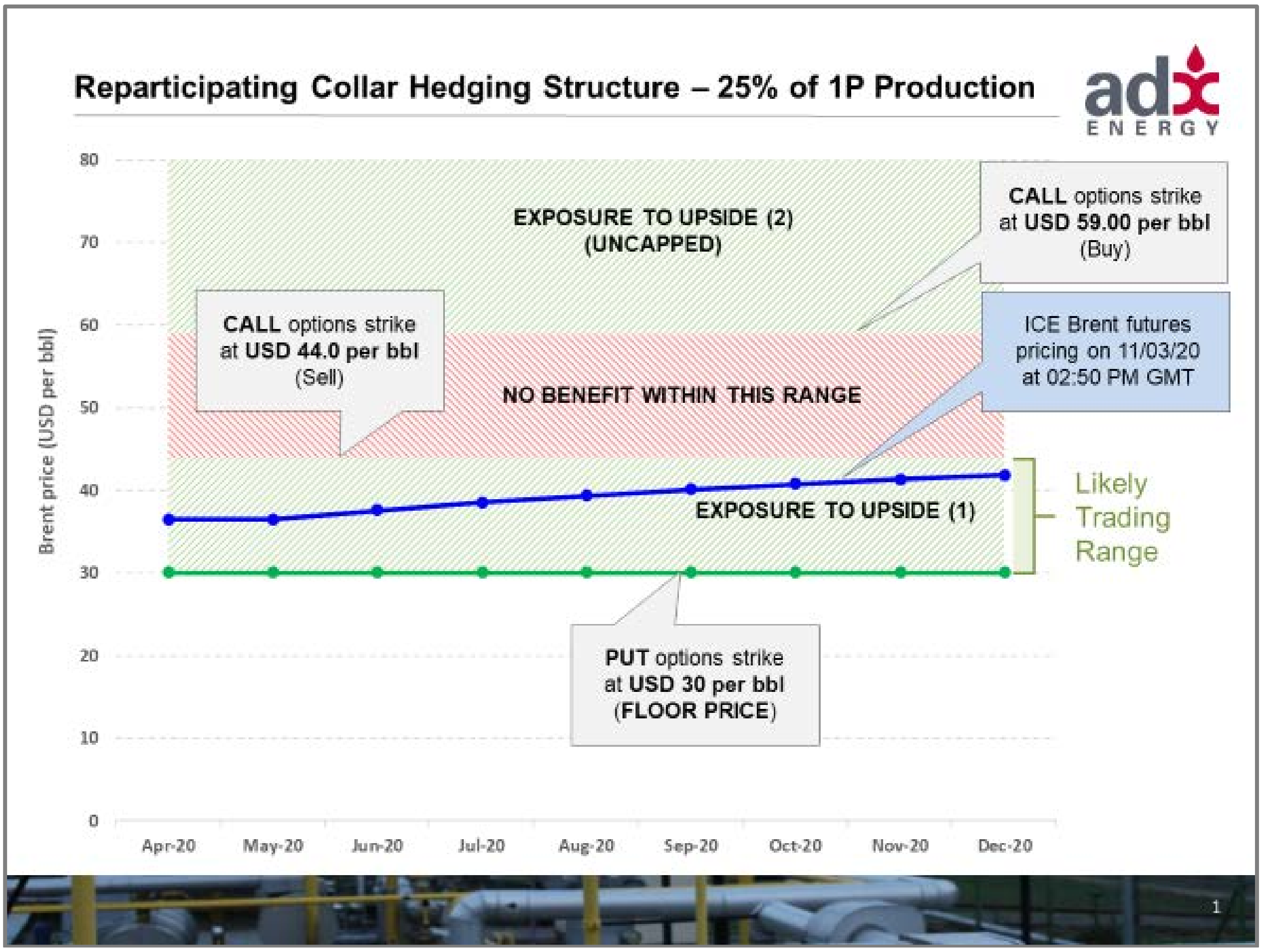
- A Put (buy) option at a strike price of USD 30.00 per bbl Brent.
- A Call (sell) option at a strike price of USD 44.00 per bbl Brent.
- A Call (buy) option at a strike price of USD 59.00 per bbl Brent.

There is zero upfront cash cost for the structure and based on the forward curve for Brent futures on 11 March 2020 the hedging structure allows the capture of all of the contango upside (increasing oil price) forecast by crude markets over the period.

The graphic for the reparticipation collar hedging structure below shows the trading ranges achievable over the period including a comparison to the forward curve for Brent futures. Note that ADX VIE's oil sale revenues are indexed to Dated Brent price.



The Board of ADX believes it is prudent to deploy the abovemention hedging strategy to ensure sufficient revenue to cover all field operating operating costs and overheads as well as planned field maintenance and production enhancing well work over work. Furthermore the potential to utilise tank capacity in field for storage of excess production (above hedged volumes) and a pipeline system enabling the efficient export of crude to the OMV refinery in Vienna may enable ADX to bank oil to optimise the price of oil sold at later date.

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Tank Farm at the Gaiselberg and Zistersdorf Fields

As announced previously ADX has generated approximately Euro 1 million of net revenue from its Austrian operations during the first 3 months of production to the end of February 2020. The funds that have been generated from operations to date further strengthens the Company's financial position during this turbulent period.

The combination of efficient field production and sales infrastructure (tanks and pipelines) together with stable, long lived, low decline and high value oil production ensures that the Gaiselberg and Zistersdorf fields will continue to deliver strong cash flow in the longer term despite the current weakness in oil pricing.

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END OF THIS RELEASE - Authorised for lodgement by Ian Tchacos, Executive Chairman

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