

30 April 2019

## Activities Report

### Quarter Ended 31 March 2019

## HIGHLIGHTS

### Corporate Overview

ADX has concentrated its efforts during the quarter on achieving operational readiness for the Iacea Mica 1 appraisal well onshore Romania, securing a farmout for the Parta Exploration Permit, ongoing financing and farmout discussions for Dougga Sud appraisal well and complimentary new ventures opportunities onshore Europe.

### Onshore Romania – Parta license

- The preparations for drilling and testing of the IMIC-1 well have progressed during the quarter with all long lead items and drilling rig contractually secured for a late June 2019 spud date.

Technical work identified a potentially large sized deeper target which can be reached around 2500 meters with the current rig and could contain a best-case prospective resource of 16 bscf <sup>note 1</sup>. Data recently obtained from the previous operator shows that there is also the possibility for an oil play at the same depth with a best-case prospective resource of 2 mmbbls <sup>note 1</sup> of recoverable oil (refer ASX announcement 20 March 2019).

*Note 1: 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. “Best” means a best estimate of the quantity that will actually be recovered from the accumulation by the project; there is a 50% probability (P50) that the quantity actually recovered will equal or exceed the best estimate.*

- Discussions with the Romanian Licensing Authority (“NAMR”) in relation to a further extension of the current license phase are ongoing. ADX has submitted a written extension request which requests a 3-year extension based on several previous discussions with NAMR. (It is in this context important to notice that ADX could always opt by default to go into the next phase of the exploration license period without any requirement to request an extension from NAMR. This would however result in a larger total work program commitment).

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- ADX (Panonia) was approached by several parties in order to participate in the Parta exploration program as non-operating partner. During the quarter ADX was undertaking farm in negotiations with an Australian private company Parta Energy Pty Ltd (“Parta Energy”). As a subsequent event ADX announced it had executed a head of agreement for a farm-in by Parta Energy where Parta Energy will fund 1.5 MM USD to acquire a 3D seismic program to earn a 50% interest in the Parta exploration license (refer to ASX announcement 8 April 2019).

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

### *Italian Government Legislation to Suspend Exploration Activities*

- ADX advised on the 4<sup>th</sup> of February 2019 that the Italian Parliament unexpectedly 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.
- In order to minimise risk, ADX requested a reduction in permit area by approximately 55% to minimise perceived environmental impact. The reduced area retains the Nilde oil field, the Norma and Naila discoveries as well as the most prospective areas for future exploration. The area reduction was accepted by the designated Authority.
- In view of the earlier announced Farmin by SDP Services Limited (SDP), ADX has requested confirmation by the designated Authority in relation to the verification of the economic-financial capability requirements to allow potential ratification of the license upon the resumption Exploration activities

### *Nilde Farmin Agreement*

- Despite the Suspension of E&P activities, the farm in by SDP for up to a maximum of **Euro 20.82 million** by funding drilling and seismic work programs to earn a 50% Interest and a 5% Net Profits Royalty, remains in force.
- The transaction is conditional upon ratification of the Permit by the Italian Authorities.

### *Further Funding Interest*

- Further ongoing farm in interest has been received following the farm out announcement to SDP. Ongoing discussions with a number of potential farminees and financial investment groups with a view to further strengthening the financial support for the project have been suspended until E&P activities can resume.

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

- Discussions with Noble Corporation in relation to the deferment of the Globetrotter II drilling rig availability beyond June 2019.

- Farmout and funding discussions for Dougga appraisal ongoing with multiple parties focussing on Middle Eastern and North African focussed companies and funding institutions.
- Ongoing engagement with the National Oil Company (ETAP) in order to develop a collaborative approach for the attraction of capital to the Dougga gas Condensate Project.

## Finance

- The Company has ensured corporate and administrative spending has been minimised to preserve capital until the Iecea Mica 1 appraisal well is drilled and evaluated. Discussions are ongoing with parties regarding investment in Danube Petroleum Ltd (66.7% ADX owned UK subsidiary) and funding for potential production acquisitions.

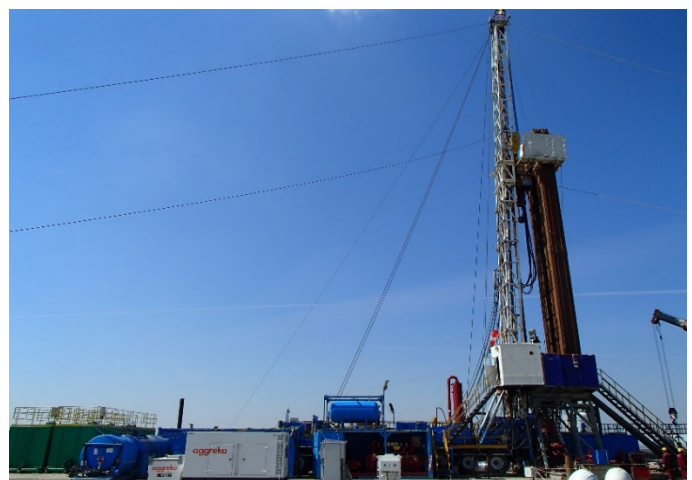
## OPERATIONS REPORT

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

*ADX is operator and holds a 66.7% 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 has progressed operations in preparation for drilling of the Iecea Mica 1 (“IMIC-1”) appraisal and exploration well. All long lead items are ready for deployment on site, rig contract and contracts with civil engineering (road and site building) and reservoir evaluation contractors (wire line logging, testing) have been completed. As soon as ADX has received the local construction permit for road and well site construction operations will start to prepare for a late June spud date. The two photographs below show the drilling site area and the drilling rig.



Technical work in the license has been progressed both in relation to the two appraisal prospects IMIC-1 and IMIC-2 and on defining the exploration potential.



### *Parta Exploration License*

ADX has been in discussion with several potential farminees during the quarter in order to secure funding for the acquisition of 3D seismic with view to maturing the Parta exploration portfolio for drilling in 2020. This is in line with the initial strategy for Parta license which was based on the concept of applying modern technology in a proven and prolific oil and gas province which had not been exposed to any modern exploration tools such as 3D seismic and modern drilling technology.

On the 31 March 2019, ADX Panonia SRL (ADX Panonia) 50% license partner RAG Austria AG (“RAG”) withdrew from the Parta license leaving ADX Panonia with a 100% interest in the license. RAG is in the process of selling or withdrawing from all its exploration and production activities on shore Europe.

### *Parta Exploration License Farm in Agreement*

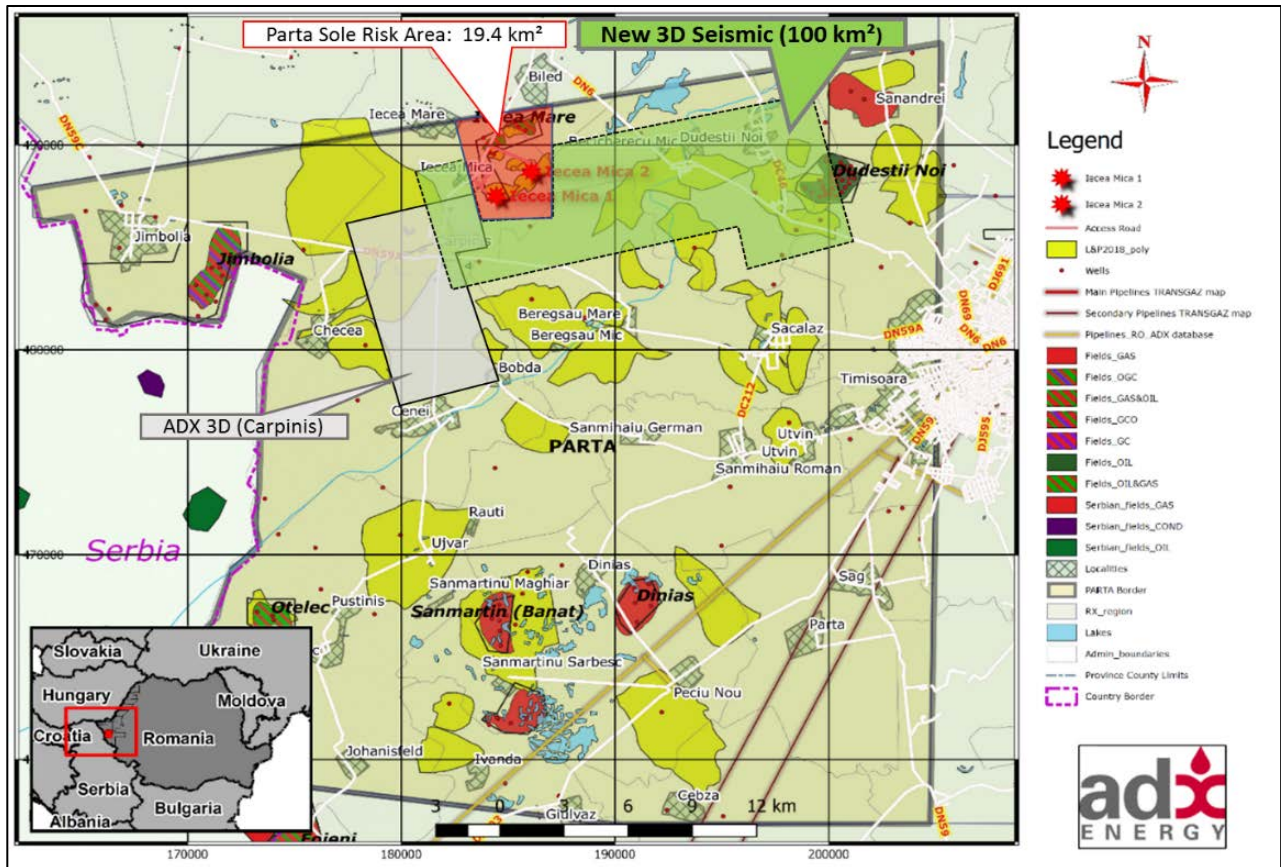
ADX subsequently executed a Heads of Agreement for a farm-in on behalf of Danube Petroleum Limited (Danube) and ADX Energy Panonia Srl (Panonia) to fund a 3D seismic program in the Parta Exploration License (License) onshore Romania. Subject to a number of condition precedent which ADX expects to satisfy by end June, Parta Energy Pty Ltd (Farminee) will fund a US\$ 1.5 million 3D Seismic program to secure a 50% interest in the License (ASX announcement 8 April 2019).

Farm-in funding is subject to the following conditions:

- The agreement of a Joint Operating Agreement;
- The extension of the Parta Exploration License for an additional 2 years; and
- The finalisation of a work program and budget for the 3D Seismic acquisition and processing.

The license interest is now available due to the withdrawal on 31 March 2019 by the previous exploration license partner RAG.

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 mid 2019 (“Parta Farmin Rights”). The map on the next page shows the prospect inventory, the planned new 3D area and the Parta Sole risk area (in red) to which the farminee has no rights.



### *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. Based on ADX discussions with the designated authority in Romania, ADX expects a license extension of at least 2 years from 23 June 2019. The extension application document requested a 3-year extension, a proposed time frame also discussed with NAMR prior to document submission. One of the planned appraisal wells which is part of the Parta Appraisal Program is expected to satisfy one of the Parta Exploration License phase one work program commitment wells.

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

#### **The Nilde Oil Field Redevelopment Project**

#### *Italian Government Bill to Suspend Exploration Activities*

ADX advised on the 4<sup>th</sup> of February 2019 that the Italian Parliament has passed a 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.

It is intended under the new legislation that the Ministries of Economic Development and Environment will review all areas in the Italian onshore and offshore territories to determine which are suitable for sustainable hydrocarbon prospecting, exploration and development activities. All areas will be assessed on the basis environment, social and economic suitability.

Offshore areas will be considered on the basis of the potential effects to the ecosystem, as well as impacts on sea routes, fishing and potential interference with the coastal communities. Areas considered suitable for E&P activities will resume activities. If the plan is not enacted within two years E & P activities will resume.

ADX anticipates that the d 363C.R-.AX permit offshore Sicily containing the Nilde oil field given its distance from shore (53 kilometres) and its location in a benign sea environment in terms of sea bottom carbonate banks and associated life forms and will be judged appropriate for E&P operations. In order to minimise risk, ADX requested a reduction in permit area by approximately 55%, to minimise perceived impact. The reduced area which has been accepted by the designated authority retains the Nilde oil field, the Norma and Naila discoveries as well as the most prospective areas for future exploration.

This new legislation is expected to be legally challenged by the industry. It is an unfortunate setback given the recent positive engagement with Italian Authorities following the provision by ADX to the Italian Authorities of farm in agreement documentation with a view to securing permit ratification (the “Decree”) as soon as practically possible.

#### *Nilde Farmin Agreement*

The Farm in agreement announced on 31 October 2018 by ADX with SDP Services Limited (“SDP”) to farmout a 50% interest in the d 363 C.R-.AX Permit (License) containing the Nilde Oil Redevelopment Project and the successfully tested Norma and Naila oil discoveries Offshore Italy remains in force despite the abovementioned suspension of E&P activities by the Italian Authorities. Under the agreement SDP has agreed to fund the work program commitments of Audax Energy Srl (**Audax**) a wholly owned Italian subsidiary of ADX up to a maximum of **Euro 20.82 million** to earn a pro-rata interest of 50% upon completion of funding. The transaction is conditional upon the Italian Licensing Authorities ratifying the License. The agreement provides ADX with the financial capability required to secure ratification of the License and commence operations upon the expected revision E&P activities in August 2020.

#### *Confirmation of Financial Capability by the Licensing Authority*

ADX advised Shareholders on 22 January 2018 that, pursuant to its application to operate d 363 C.R-.AX Permit via Audax, the designated Italian Licensing Authorities had advised ADX that in the opinion of the Authority Audax had insufficient financial capability to fulfil its Permit commitments.

ADX subsequently filed an objection to the Licensing Authorities evaluation as part of the application process. In the same notification the Authority had advised Audax that, with the support of ADX, Audax has the necessary technical and HSSE capacity in line with the legislation.

ADX met with the Italian Licensing Authority on January 21, 2019, providing all the documentation required in relation to its economic and financial capability including the farm-in agreement signed between Audax Energy srl, ADX Energy Ltd and SDP Services Limited where SDP will potentially become a financial partner of Audax in the development project of “d 363 CR-AX”.

Given the Farm out transaction with SDP is expected to provide the financial support required by the Licensing Authorities, ADX has requested confirmation by the Licensing Authority in relation to the confirmation of the economic-financial capability requirements to allow potential ratification of the license upon the resumption E&P activities by the Italian Authorities.

#### *Further Financial Support*

As advised in the previous quarterly report, the farm out announcement to SDP had resulted in further industry interest. ADX has discussed the potential for further funding at a joint venture or subsidiary level with a number of Parties that may be able to work collaboratively with SDP and ADX. The parties have the capacity to provide financial resources, technical capability and government support to the project.

Any further transactions 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*

The Noble Globe Trotter II drilling rig continues to be engaged in drilling operations under existing drilling contracts in the Black Sea. As a result the rig is unlikely to be available before June 2019. Noble and ADX have previously extended the drilling contract on the same commercial terms providing there is a drilling commencement date before 31 May 2019. ADX will seek a further extension during the coming quarter to continue to provide the ability to drill the Dougga Sud well subject to the availability of farmout or funding support.

##### *Appraisal Well Funding*

Due diligence and 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 had waned at the end of 2018 due to the decline in oil price however ADX has seen further interest from new potential farminees or funding partners for the project.

ADX has also expanded its focus for Dougga appraisal farmout and funding support to Middle Eastern and North African focussed companies and funding institutions. ADX has commenced



discussions with multiple parties to expand the potential source of funding to parties focussed on Middle Eastern and North African investment.

ADX continues to believe the ERCE Independent Resources Report, in combination with the TechnipFMC Concept Study, provides potential funding partners with an independent confirmation of the potential viability of the Dougga Gas Condensate Project by highly respected third parties.

Given that Dougga, once appraised, is a longer term infrastructure project requiring substantial development capital, ADX is pursuing alternative funding initiatives including combining Dougga with more immediate cash flow producing assets in Tunisia in order to blend immediate cash flow with long term reserves and growth potential of Dougga.

#### *National Oil Company Collaboration*

Dougga is a potentially strategic project of national significance in Tunisia given its potential to satisfy a significant proportion of the Country's shortfall in gas supplies. Tunisia currently imports approximately 60% of its gas requirements at relatively high cost from Algeria via the Trans Mediterranean Gas Pipeline which connects Algeria to Europe via Tunisia. This is a very significant economic burden on the Country's economy.

Due to the potential strategic importance of Dougga and the need to obtain the support from National Oil Company (ETAP) for any potential funding transaction, ADX has increased engagement with the National Oil Company (ETAP). ADX is 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 as well as discussions with prospective funding partners.

## **NEW VENTURES**

ADX is continuing to review New Venture production opportunities onshore Europe where its team currently deployed on the Parta Appraisal Program has on the ground geological and operational experience. ADX is most interested in transactions where there is existing production with follow up reserves growth opportunities so that ADX can both accelerate its pathway to cash flow but also maintain growth and reserves replacement in a core area.

ADX believes the addition of low risk cash flow in suitable jurisdictions to its existing asset base will enhance the Company's value, access to finance and growth potential.

## **FINANCE**

ADX has engaged with a number of parties that have expressed interest in providing funding at a parent level for ongoing activities as well as potential production acquisitions.

ADX has also continued to seek funding at a subsidiary level for Danube Petroleum Limited with a view to securing funding for ongoing appraisal activities in Romania.

ADX's cash at the end of the quarter was \$2.68 million. This cash balance includes \$1.78 million held in Danube for future 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	% acquired
Offshore Tunisia, Kerkouane	100%	100%	-
Offshore Italy, d363C.R-.AX <sup>1</sup>	100%	100%	-
Onshore Romania, Parta <sup>2</sup>	50%	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 66.7% 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**

*PERSON COMPILING INFORMATION ABOUT HYDROCARBONS* Pursuant to the requirements of the ASX Listing Rules 5.41 and 5.42, the technical and resource information contained in this presentation has been reviewed by Paul Fink, Technical Director of ADX Energy Ltd. Mr. Fink 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 presentation 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

**END OF RELEASE**