

23 November 2020

AGREEMENT TO DEFER LOAN NOTE REPAYMENT

“Revision of Loan Notes terms provides financial flexibility to pursue exceptional growth opportunities with recovering oil price”

Key Points:

- The revised terms apply to 35 Loan Notes of A\$100,000 each (A\$3.5 million in total) issued in December 2019 to fund the acquisition of the Gaiselberg and Zistersdorf production assets in Austria (Zistersdorf fields) and exploration data in upper Austria.
- The repayment of the A\$3.5 million principal will be repaid in two tranches – *Tranche 1* of A\$1.75 million to be repaid semi-annually with 4 equal payments over 2 years commencing from 26 May 2021 and ending on 26 November 2022; and *Tranche 2* of A\$1.75 million repayable as a bullet payment at the end of 2 years on 26 November 2022.
- Loan interest rate will continue to accrue at six percent (6%) per annum payable quarterly in arrears.
- The Company will cancel existing options previously issued in relation to the Loan Notes and, subject to shareholder approval, grant to the Loan Note holders 2 equal tranches of 67,500,000 options each with an exercise price of A\$0.01 maturing on 26 May 2022 and an exercise price A\$0.015 maturing on 26 November 2023 respectively.
- A financial covenant under the Loan Notes has been relaxed to enable ADX to draw down a further EUR 500,000 of debt on very favourable terms (part of a financing program backed the Austrian State) and to be used for field capital expenditures.
- The agreement by the Loan Note holders to revise terms enables ADX to meet its immediate asset objectives, position the Company for further growth opportunities particularly in Austria and provides the additional time to meet its debt obligations over a period when increasing oil price is anticipated.

ADX Energy Ltd (ASX Code: **ADX**) is pleased to advise that it has entered into a deed of variation with Loan Note holders in relation to 35 loan notes of A\$100,000 each totalling A\$3.5 million (Loan Notes). The Loan Note funding was used for the acquisition of the Zistersdorf and Gaiselberg oil and gas fields in the Vienna Basin as well as agreements for exploration data in upper Austria. The original terms for the Loan Notes were detailed in an ASX Release dated 14 October 2019.

The variation to the Loan Note terms was necessary as a result of the COVID-19 pandemic which caused a significant deterioration in oil prices. At the time the Loan Notes were issued Brent crude oil was trading at approximately US\$ 67 per barrel having averaged US\$ 64.30 per barrel during 2019. During the Loan Note repayment period the COVID-19 pandemic has resulted in a large reduction in field net cash flow due to the unforeseen drop in oil price where Brent is expected to average approximately US\$ 40 per barrel in 2020 and predicted to average US\$ 45.20 per barrel in 2021.

Future field cash flows during 2021 and 2022 are forecast to be more robust as a result of increasing oil price which enables the development of the Company's asset base as well as providing capacity for ongoing of the Loan Notes.

Under the revised terms the repayment period will be extended and the principal amount of A\$3.5 million has been split into 2 tranches where;

- the first tranche of 50% of the principal amount will be repaid semi annually with 4 equal payments over 2 years commencing from 26 May 2021 and ending on 26 November 2022; and
- the second tranche of 50% of the principal amount will be repayable as a bullet payment on 26 November 2022.

Interest will continue to accrue on the principal amount at a rate of six per cent (6%) per annum in accordance with the original Loan Note terms.

The terms for the existing 135,000,005 options issued to the Loan Note Holders (which were approved by Shareholders on 6 December 2019) have been amended under the revised terms where the options have been split into 2 equal tranches of 67,500,000 unlisted options each and;

- tranche 1 will have an exercise price of A\$0.01 per option and expiring on 26 May 2022; and
- tranche 2 will have an exercise price of A\$0.015 per option and expiring on 26 November 2023.

The changes to the terms of the Options will require shareholder approval which the Company will seek as soon as practically possible.

In addition to the above, the Company's financial covenant amount has been increased to allow ADX to draw down a further EUR 500,000 under the very favourable terms from the program of Austrian state financing from Austria Wirtschafts ("Economy") Service (AWS) and Volksbank Wien AG (Volksbank) which is the Company's local commercial bank in Austria, detailed in an ASX Release dated 5 August 2020. The funding will be used for ongoing capital expenditures which will ensure ongoing Zistersdorf and Gaiselberg field performance and reliability.

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