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ADX Adjusts Hedging Position for its Austrian Production

“Previous collar position unwound and new Brent swap secured at US\$ 41.77 per barrel”

Key Points:

- ADX has unwound the reparticipating collar position announced on 13 March 2020 which guaranteed a minimum Brent crude oil 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.
- In the place of the reparticipating collar position ADX has secured a fixed price swap for an average Brent crude oil price from July 2020 to April 2021 for 40% of the Gaiselberg and Zistersdorf fields forecast proven (1P) oil production over this 10-month period at USD 41.77 per barrel.
- The revised hedging position in combination with the previously secured swaps at a fixed Brent price of US\$ 50.64 per barrel ensures pricing certainty over approximately 80% of proven (1P) oil production at an average Brent in excess of US\$ 46 per barrel until the end of December 2020.
- The combined fixed swap position ensures certainty of cash flow to cover field operating costs, well work over costs and maintenance costs required to ensure optimal levels of production as well as local administrative costs to ensure ADX ongoing portfolio growth initiatives.
- The hedging counterparty for this transaction as well as the previous hedging is BP.
- The revised hedging position was initiated to take advantage of recent increase in Brent crude oil prices and to ensure field profitability during a period of ongoing price volatility, the worsening effects of the Corona virus in the US and ongoing inventory build despite the recent large cut back by OPEC.

ADX Energy Ltd (ASX Code: **ADX**) is pleased to advise that it has executed further hedging transactions on behalf ADX VIE GmbH (ADX wholly owned Austrian subsidiary) (**ADX VIE**) with BP to unwind the previously contracted collar hedging structure ^{Note 1}. ADX contemporaneously entered into a fixed price swap from July 2020 to April 2021 inclusive for 40% of ADX VIE proven (1P) production at US\$ 41.77 per Barrel.

The above mentioned transactions in combination with a previous fixed price swap contracted on 05 March 2020 results in ADX VIE having fixed price swaps in place over 80% of its forecast (1P)

proven production to the end of December 2020 with 40% fixed at an average Brent price US\$ 41.77 per barrel and 40% fixed at US\$ 50.64 per barrel. The remaining 20% of production will be priced at the prevailing Brent price. During the period between 1 January 2021 and 30 April 2021, 40% of ADX VIE proven (1P) production profile will be hedged at an average Brent price of US\$ 41.77 per Barrel.

The Board of ADX seeks to deploy an ongoing hedging strategy to ensure sufficient revenue to cover all field operating costs and overheads as well as planned field maintenance and production enhancing well work over work during a period of expected ongoing oil price volatility. 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.

Note 1: The hedging structure announced on 13 March 2020 over the period from 1 April 2020 to 31 December 2020 was priced as follows:

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

The cost to unwind the collar structure was an all in cost of US\$ 28,074.42 in total.

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