

31 January 2019

Activities Report

Quarter Ended 31 December 2018

HIGHLIGHTS

Offshore Italy – Nilde Oil Field Redevelopment

Nilde Farmin Agreement

- Secured farmout to fund ADX 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.
- Farminee SDP SERVICES LIMITED (SDP) brings strong financial and operating capacity.
- Transaction conditional upon ratification of the Permit by the Italian Authorities.
- The Farmin significantly enhances the financial capability of ADX and the likelihood of Permit ratification by Italian Authorities.

Permit Ratification

- Positive engagement with Italian authorities following the provision Farmout documentation with a view to securing permit ratification (“decree”) as soon as practically possible.

Further Funding Interest

- Further farm in interest received following farmout announcement. Ongoing discussions with a number of potential farminees and financial investment groups with a view to further strengthening the financial support for the project.

Offshore Tunisia – Dougga Appraisal and Development

- The Noble Globetrotter II drilling rig availability is deferred to June 2019.
- Farmout and funding discussions for Dougga appraisal ongoing with multiple parties however the recent drop in oil price has suppressed farminee interest.
- The Tunisian Government Hydrocarbon Consultative Committee have deferred and reduced the requirement for a bank guarantee to ensure the completion of the Dougga Sud testing program. Ongoing discussions with Hydrocarbon Committee are expected in the coming months if a farminee or finance cannot be secured.

ADX Energy Ltd

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

Onshore Romania – Parta license

- Drilling long lead items purchased and rig contract executed for the drilling Iecea Mica-1 and 2 appraisal wells. Ongoing well operations planning, environmental approvals and licensing with a view to the commencement of operations during Q2 2019.
- Reabold Resources Plc (Reabold) exercised an option to subscribe 375,940 ordinary fully paid shares in the capital of Danube Petroleum Limited (Danube) by paying £375,940 (total funding to date for Parta Appraisal Project is £1,879,699 or approximately US\$2,500,000)
Note: ADX now holds a 66.7% shareholding in Danube. The remaining shareholding in Danube is held by Reabold.
- Romanian Licensing Authority approved the transfer of Iecea Mare Production License within Parta Permit resulting in;
 - Completion of the production license acquisition
 - ADX licensed as a production operator in Romania
 - Ability to optimally drill the Iecea Mica-1 well from within the production license
 - Utilise license area for rapid development of successful Parta Appraisal Program wells
 - Access to 3D seismic data available with production license
 - Access to further development, appraisal and exploration opportunities within the license

Finance

- Completed a placement at 1 cent per share to raise gross proceeds of \$750,000. One free unlisted Option (exercisable at \$0.02 each on or before 31 December 2019) was provided for every three (3) Shares subscribed for and issued under the placement.

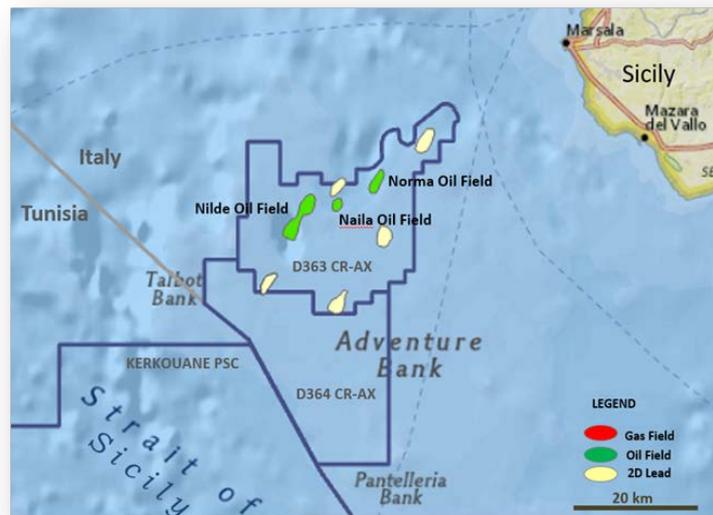
OPERATIONS REPORT

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

The Nilde Oil Field Redevelopment Project

Nilde Farmin Agreement

On 31 October 2018 ADX announced that it has signed an agreement 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. SDP will 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. Upon ratification of the License SDP will receive 5% net profits royalty interest attributable to any future production from the Nilde Field. ADX will remain operator of the license.



Location map of Nilde Field as well as Norma and Naila Discoveries

SDP is a privately owned specialised Oil and Gas services company providing drilling, seismic, testing, hydraulic fracturing and logging services with offices in London. The Company generates strong operating cash flow and profit as well as having a substantial balance sheet. The financial capability of SDP is particularly important to provide financial support to ADX with regard to ratification of the permit and future appraisal and development activities.

License Ratification by the Italian Authorities

ADX advised Shareholders on 22 January 2018 that, pursuant to its application to operate d 363 C.R.-AX Permit via its wholly owned Italian subsidiary Audax, the designated Italian Regulatory Authorities (Authority) 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 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 HSE capacity in line with the legislation.

The financial evaluation by the Authority took into account ADX’s obligations in other licenses in Romania and Tunisia. However, the Authority had not taken into account recent financial data or financial support commitments by ADX to its subsidiary Audax. As a result, ADX believe the Authority had not undertaken its evaluation on current or appropriate information. In the opinion of ADX’s Italian lawyers, the financial evaluation by the Authority was unreasonable and extended beyond the financial evaluation criteria in the legislation. Notwithstanding the compliance by Audax with all the elements provided by law, the Authority had added an additional requirement in their evaluation (not provided in the law) for the licensee to have upon license ratification the capacity to bear the cost of future committed work program expenditures in the Permit, despite

ADX not being obliged, based on the Permit work program commitments, including the costs of drilling a well in year 4 of the Permit.

The Farmout transaction with SDP is expected to provide the financial support required by the Italian Licensing Authorities. ADX commenced re-engagement with the Italian Authorities in December 2018 following provision of the SDP Farmout agreement to the Authority. The Authority indicated informally that the SDP Farmout is expected to satisfy its concerns regarding financial capability of ADX. The Authority has formally requested some clarification regarding SDP ownership and the source of historic and expected future cash flows. ADX expects the re-engagement process with Authorities will provide a ratification outcome during the coming quarter.

Further Financial Support

The farm out announcement to SDP has resulted in further industry interest from the industry. ADX is currently in discussions with a number of Parties that may be able to work collaboratively with SDP and ADX as well as add financial resources, technical capability and government support to the project.

Any further transactions are likely to be conditional upon ratification of the permit.

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

Dougga Sud Appraisal Well

Noble Drilling Services Inc has advised that the Noble Globe Trotter II drilling rig is unlikely to be available before March 2019 due to extension options being exercised under existing drilling contracts in the Black Sea. Noble and ADX have extended the drilling contract on the same excellent commercial terms as agreed previously. ADX expects greater clarity on rig availability during the coming quarter and the ability to drill the Dougga Sud well subject to the availability of farmout or funding support.

Appraisal Well Funding

Data room due diligence and funding discussions was ongoing with a number of parties during the quarter with a view to securing either a farmout, vendor finance or a combination of both. Farmout interest has waned in recent months due to recent decline in oil price however ADX continues to engage with new potential farminees or funding partners for the project. ADX believes the recently completed 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 however there is a reluctance for investment in longer term infrastructure projects requiring substantial development capital.

Work Program Approvals

The Director General of Hydrocarbons (DGH) has previously advised that the Hydrocarbon Consultative Committee (HCC) requires a bank guarantee in relation to the work program, which will be lifted upon the testing of the Dougga Sud well. During previous discussions between the DGH and ADX, the DGH had informally advised that the HCC had agreed to reduce the proposed bank guarantee for the completion of the Dougga Sud testing program from US\$ 8 million to US\$ 2 million and delayed its timing to the spudding of the well. This is a significant concession by the HCC facilitated by the DGH. ADX intends to secure the funding for the guarantee from potential farminees or providers of vendor finance.

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 50% 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 Summary

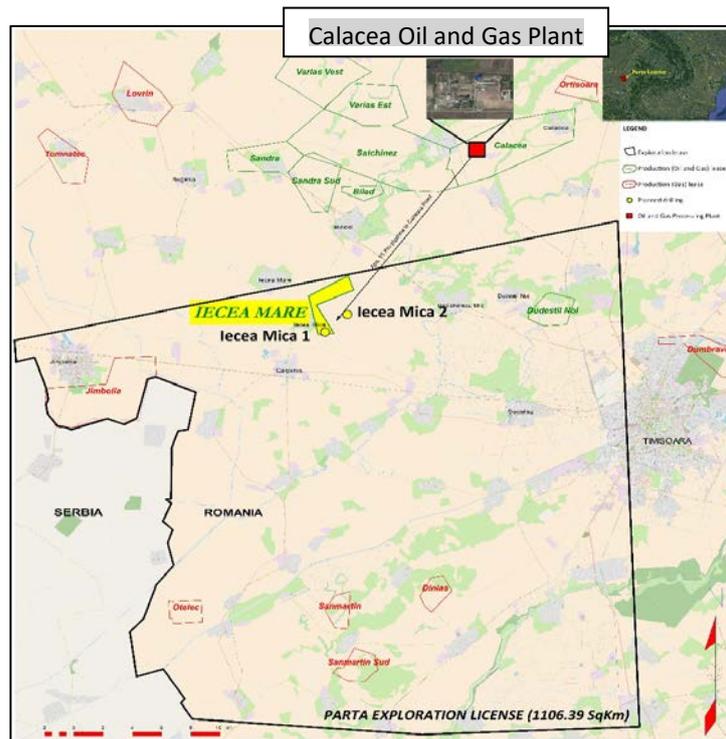
ADX via Danube is planning to drill the Iecea Mica (IM) -1 and IM -2 appraisal wells during Q2 and Q3 2019 with a view to testing the wells and commencing commercial production as soon as practically possible. The two appraisal wells are located in the Parta Exploration license and the recently acquired Iecea Mare production license. The IM-1 and IM-2 wells will target multiple pay zones including established appraisal potential from historic wells drilled in the 1980’s that were tested but never produced as well as exploration potential defined on 3 D seismic

The wells will be tested to determine flow rates and completed for production. It is intended that wells if successful will be tied in to the nearby Calacea Gas Plant in late 2019. Access is available to the gas plant.

Summary of Appraisal and Development Program Timing



Map of Parta Exploration License and Iecea Mare Production License in Romania

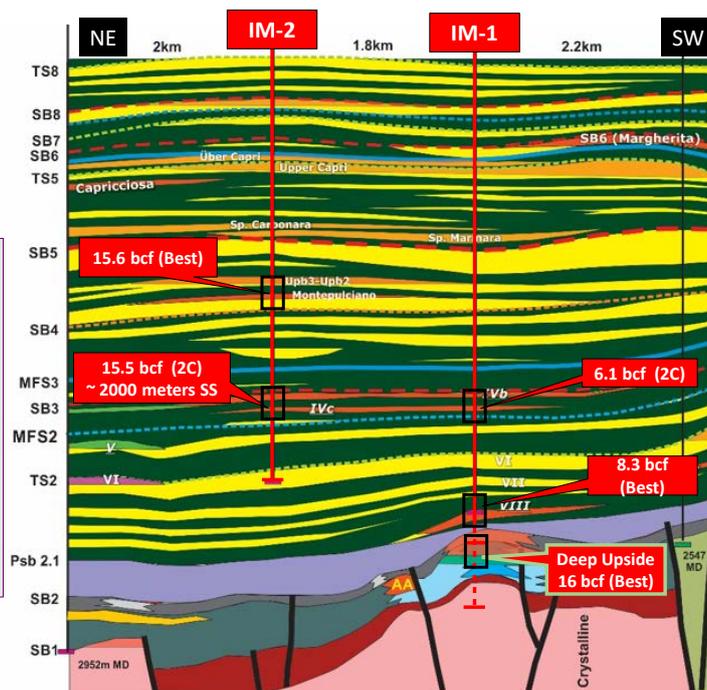


Appraisal Program Objectives

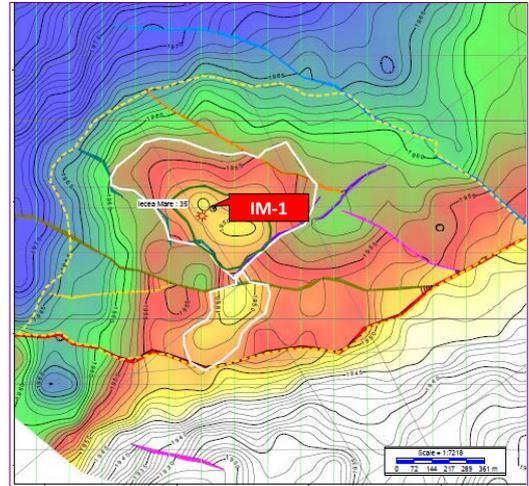
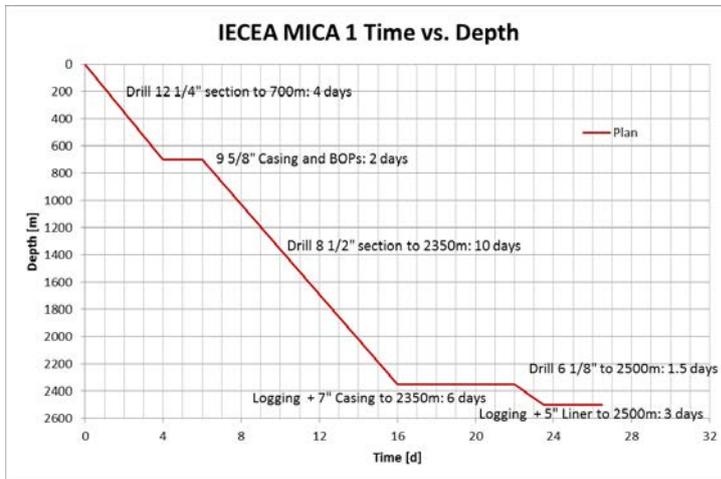
The following geological cross section and maps illustrate the main appraisal and exploration objectives for the IM-1 and IM-2 wells as well as the time depth curves for each Parta Appraisal well.

Stratigraphic Cross section through Planned wells IM -1 and IM-2.

The label inserts show 2C (contingent) and best technical (prospective) resources as per the ERCE Independent Evaluation Report, with the IM-1 exception of the deeper (2500 meters) Miocene upside prospective resource potential of 16 bscf (Best case). Note that there are fields to the north intersecting analogous gas reservoirs that also have a deeper oil leg.

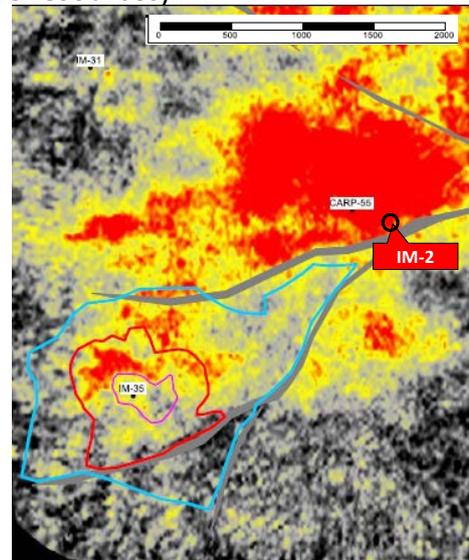
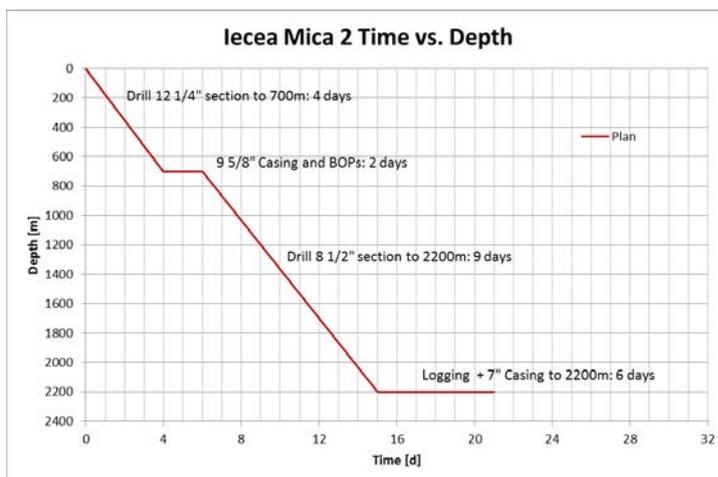


IM-1 Depth Structure Map and Drill Time Curve (mapped on tested PalVb reservoir, 6.1 bscf 2C resources)



IM-2: Reservoir Amplitude Map and Drill Time Curve

(mapped on historically tested PalVc reservoir 15.1 bscf 2C resources)



As previously announced an independent evaluation of the Parta Appraisal Program in Romania was completed by ERC Equipoise Pte Ltd (ERCE).

The Contingent Resources and Prospective Resources Estimates for the appraisal program are as summarised in the table below at 100% working interest of ADX Energy Panonia SRL* (*source: ERCE Independent Evaluation Report and ADX ASX announcement 11/7/2018*)

Recoverable Hydrocarbon Volumes			ERCE Estimates		
Prospect	Target Reservoir	PRMS Category	P90 (bscf)	P50 (bscf)	P10 (bscf)
IM-1	Pa IV	Contingent ¹	2.0	6.1	16
IM-1	Pa VI	Prospective ²	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
Total Program		Contingent³	6.8	21.6	59.0
Total Program		Prospective⁴	10.5	28.3	67.7

Notes regarding resources table:

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.
3. The total Contingent Resources presented in the table above are unrisks and have not been adjusted for the chance that the Contingent Resources will be developed and will reach commercial producing status. Totals are by arithmetic summation as recommended under PRMS guidelines. This results in a conservative 1C total and optimistic 3C total.
4. The total Prospective Resources estimates presented in the table above are unrisks and have not been adjusted for the chance of discovery and chance of development. Totals are by arithmetic summation as recommended under PRMS guidelines. This results in a conservative low case total and optimistic high case total.

* ADX Energy Panonia SRL is held 100% by Danube Petroleum Limited (Danube). ADX Energy Ltd holds 66.7% of Danube.

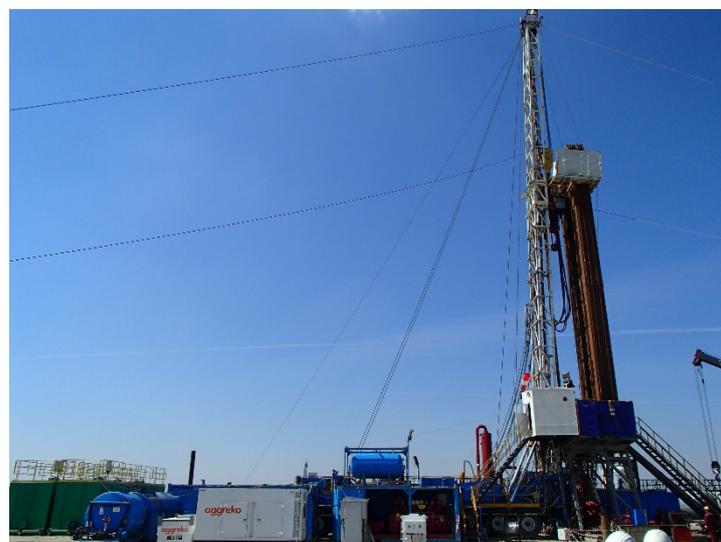
Operational Planning

ADX on behalf of Danube achieved the following key operational milestones during the quarter which are expected to enable the drilling of the first appraisal well during the second quarter of 2019;

- the approval of the location and well program for the IM-2 appraisal well located in the Parta Permit by the relevant Romanian Licensing Authority (NAMR),
- the transfer of Iecea Mare license which contains the IM-1 well location,
- the subsequent approval of the location and well program for the IM-1 appraisal well located in the Iecea Mare production by the NAMR,
- landowner approvals for access to both well rig sites,
- the purchase and fabrication of long lead items including well casing, tubing, well head and Xmas tree for either well,
- the signing of a drilling contract for one firm well plus an optional second appraisal well with Tacrom Srl for their Futura Rig 6,
- secured urbanisation certificate for the conversion of land use from rural to industrial, and
- evaluation and contracting of other key services contracts.



Parta Appraisal Program Rural Location.



Tacrom Rig 6 on another drilling location

Ongoing work prior to well spud includes the local set up of a logistics office, additional local government certificates and environmental work prior to the commencement of rig site and access road construction.

Danube Funding

Reabold Funding

In December 2018, Reabold exercised an option to subscribe 375,940 ordinary fully paid shares in the capital of Danube by paying a further £375,940 in addition to Tranche 1 and Tranche 2 funding of £1,503,759 previously invested in Danube pursuant to the subscription agreement. Reabold has invested total funding to date for Parta Appraisal Project of £1,879,699 or approximately US\$2,500,000 and holds a 33.3% interest in Danube.

In addition to the above ADX and Reabold have agreed to grant the following options to subscribe for shares in Danube in order to provide funding for the second Parta Appraisal Well (“Second Parta Well Funding”);

1. Reabold may subscribe for a further 1,627,604 Danube shares at an issue price of £1.20 per share for a total subscription price of £1,953,125 by electing to subscribe to shares within 6 weeks of receipt well logging data from the final logging run on the First Parta Appraisal Well.
2. ADX may subscribe for a further 651,042 Danube shares at an issue price of £1.20 per share for a total subscription price of £781,250 by electing to subscribe to shares within 6 weeks of receipt of well logging data from the final logging run on the First Parta Well.
3. Reabold and ADX may exercise their respective options to acquire shares up to an equivalent value for Reabold (£1,953,125) and ADX (£781,250) at any time prior to the spudding of the First Parta Well at a subscription price of £1.00 per Danube share rather than £1.20 per Danube share.

The agreed funding options provide a framework to fund the drilling, testing and completion for production of the two planned Parta Appraisal wells. Assuming the above funding options are exercised up to £5,365,954 (approximately US\$7 million) of funding will be provided to Danube by the parties. If Second Parta Well Funding is subscribed at a price of £1.20 per share Reabold will hold a 45% shareholding in Danube with the remaining 55% will be held by ADX.

Additional Funding Activities

ADX is engaged with a number of parties in relation to a potential investment in Danube with a view to securing alternative funding the second planned appraisal well as well as future development finding. ADX has also commenced discussions with debt providers with a view to securing funding for the tie in of the wells following drilling and testing.

NEW VENTURES

Following the completion of the Iacea Mare production license acquisition ADX is reviewing other 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 ADX can both accelerate its pathway to cash flow but also maintain growth and reserves replacement in a core area.

FINANCE

A placement to raise \$750,000 was completed on the 30th of November. The placement consisted of 75,000,000 new shares at 1 cent per share to raise gross proceeds of \$750,000. One free attaching unlisted Option (exercisable at \$0.02 each on or before 31 December 2019) was provided for every three (3) Shares subscribed for and issued under the placement.

The funds raised in conjunction with the Company's current cash resources will primarily be used to continue the funding of the Company's ongoing work program to obtain the ratification of the permit containing the Nilde Oil Field Development Project offshore Italy, secure funding for the appraisal of the Company's Dougga gas condensate discovery offshore Tunisia, ongoing operational planning work in relation to the upcoming Parta Appraisal Program as well as to augment ongoing working capital requirements.

ADX's cash at the end of the quarter was \$3.296 million. This cash balance includes \$2.25 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 ¹	100%	100%	-
Offshore Italy, Pantelleria	100%	100%	-
Onshore Romania, Parta ²	50%	50%	-
Onshore Romania, Iecea Mare Production Licence ³	Note ³	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 50% 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.

Note 3: ADX announced the acquisition of Iecea Mare Production License onshore Romania on 8 June 2018. Completion of license transfer was announced on 25 October 2018.

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