

30 August 2022

Potential Ratification of Offshore Italy License for Gas Exploration

“Several gas prospects identified with significant resource potential in ADX’ d363C.R-.AX license offshore Sicily”

Key points:

- 🔥 In February 2019, the Italian government suspended exploration activities in onshore and offshore licenses to determine suitability for sustainable hydrocarbon prospecting, exploration and development activities (refer ASX Announcement 4 February 2019).
- 🔥 The Italian licensing authorities have recently offered ADX the opportunity to ratify the d363C.R-.AX license under a number of conditions including that only the gas potential within the license is commercially exploited.
- 🔥 Based on previous technical work, ADX has submitted a report to the Italian authorities detailing the natural gas prospectivity of the license.
- 🔥 Several prospects and leads have been mapped based on existing 2D seismic. The total best technical prospective resource potential of 5 high graded prospects is 369 BSCF. Refer note 1. The high graded prospects have distinct seismically related “DHI”s (direct hydrocarbon indicators) which can be an indication of the presence of gas in potential reservoirs.
- 🔥 The combination of relatively shallow drill depths (700 to 1300 metres to the main gas targets), stacked reservoir potential with proven high productivity and the existence of DHI supported prospects (which reduces exploration risk) has incentivised ADX to pursue the license ratification process with the Italian Authorities with a view to further expanding ADX’ European gas prospect portfolio.

Note 1: The prospective resource estimates in this release are classified and reported in accordance with the PRMS – SPE Guidelines for the exploration license d363C.R-.AX in the Sicily Channel, Italy. Refer to the end of this release for an explanation of prospective resource classifications used and the basis on which the prospective resources were estimated. 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.

ADX CEO, Mr Paul Fink, said, *“While the protracted suspension of exploration activities for our d363C.R-.AX license has been disappointing given the oil prospectivity in the license, the government’s decision to focus on natural gas production has come as a welcome development for ADX. We are also encouraged about the potential of the d363C.R-.AX license to deliver significant future gas resources, especially in light of the recent gas price developments and considering Italy is the second largest gas consumer in Europe after Germany”.*

ADX Energy Ltd (**ASX Code: ADX**) is pleased to advise that the Italian licensing authorities have recently offered ADX the opportunity to ratify its' licence held within the Sicily Channel, offshore Italy. The ratification is subject to a number of conditions including that only the gas potential within its d363C.R.-AX license is commercially exploited. Technical work undertaken by ADX has highlighted the excellent shallow gas prospectivity of the shallow water license.

The total best technical prospective resource potential of five high graded prospects is 369 BSCF (billion standard cubic feet). The five high graded prospects are considered as relatively low risk since they are simple 4-way dip anticline closures featuring a seismic amplitude response commonly known in the industry as "DHI" (Direct Hydrocarbon Indicator).

Table 1 below summarises the above-mentioned prospects which are defined by existing 2D seismic. The prospects are analogous to the Lippone field which has encountered gas within the Miocene aged "Terravecchia" sandstone reservoirs approximately 50 km NE of the ADX license.

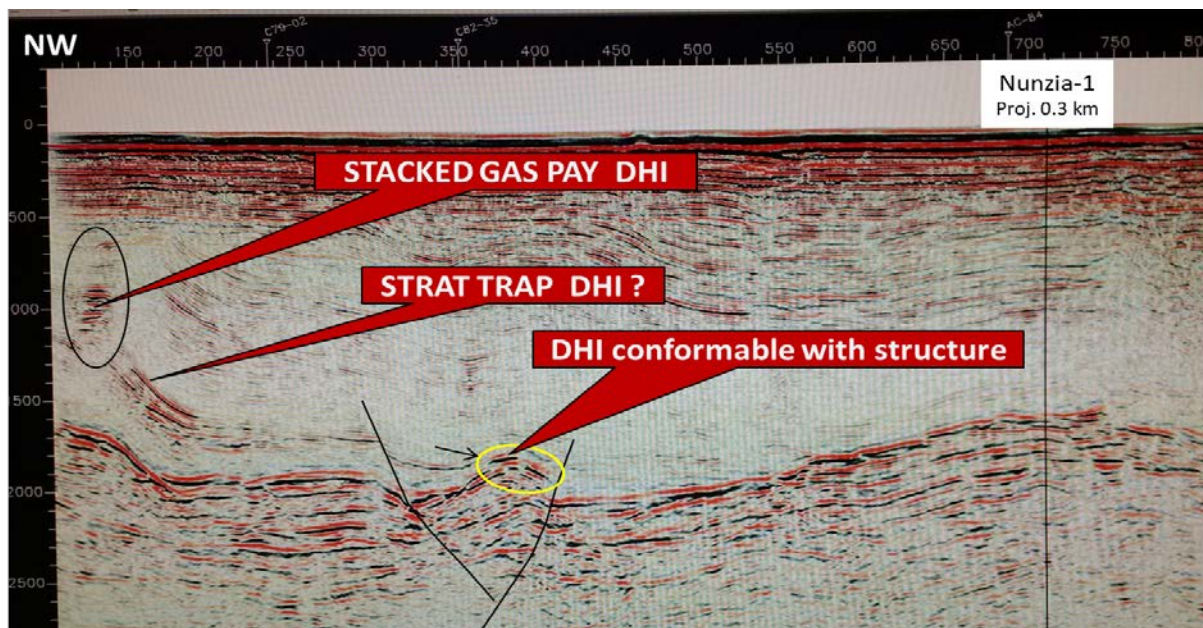
Table 1: Resource Potential of Top Ranked Gas Prospects within the d363C.R.-AX License

DHI supported Prospect	Best Technical Prospective Gas Resources [BSCF]
1	61.9
2	69.7
3	105.8
4	41.7
5	89.7
TOTAL BSCF	369

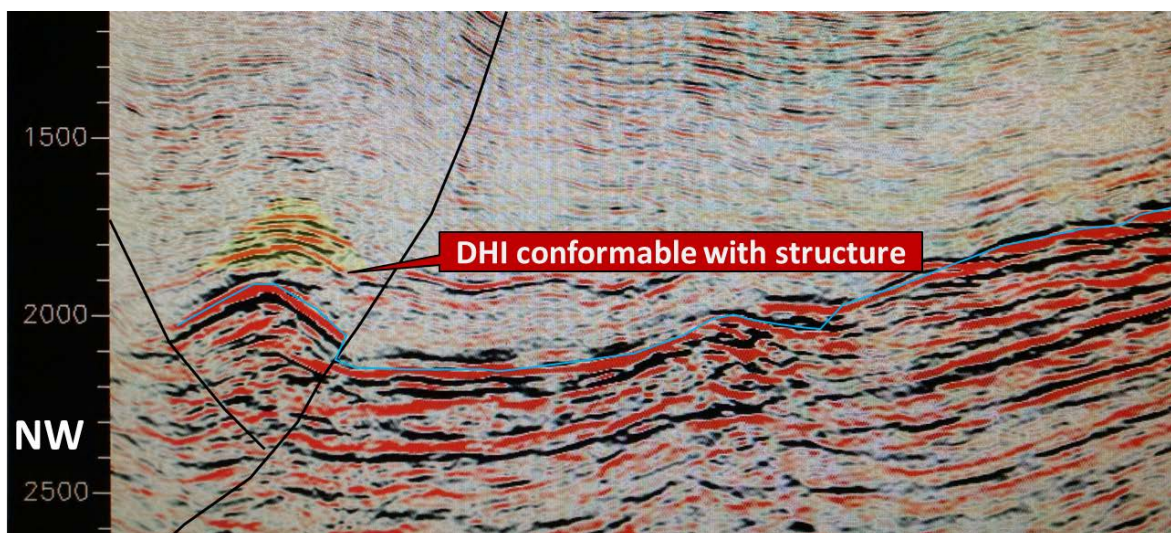
Technical interpretation and work program

The two 2D seismic lines below show that data quality is excellent for the Miocene reservoir section where the gas prospects are located. Several amplitude anomalies can be seen. In addition, the seismic response is in line with nearby well data which indicates stacked pay potential that may result in significant upside resource potential.

Based on initial discussions with the Italian authorities, ADX will submit, by 10th October 2022, a work program committing to seismic reprocessing and the option to acquire 2D seismic and 3D seismic data. Since none of the prospects and other identified leads have been covered with 3D seismic to date, ADX expects that more prospects may be identified, including large stratigraphic traps as indicated by the existing 2D seismic. It is expected that 3D seismic would further substantially reduce exploration risk and attract further investment through farmouts. At the end of 4 years after license ratification ADX could elect to drill a well or drop the license.



Seismic cross section showing anticlinal and stratigraphic traps with DHI

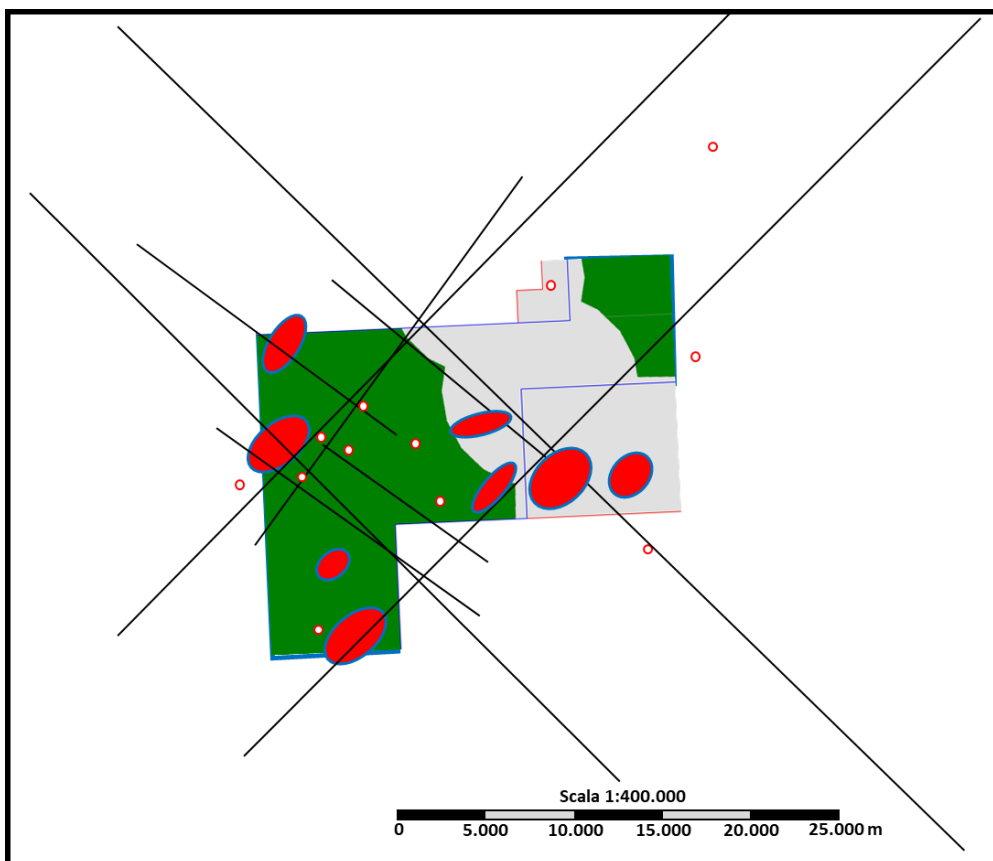


Seismic cross section showing an anticlinal trap with DHI

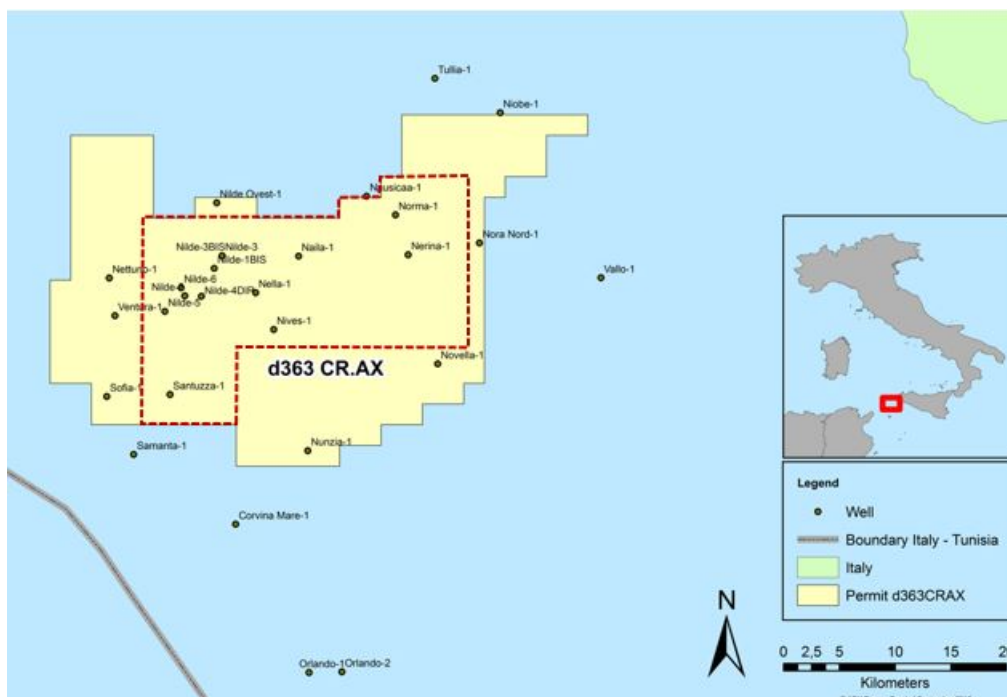
License ratification conditions

A further license condition requested by the authorities prior to license ratification is that ADX commits to only drill in areas within the licence outlined in green in the map below. This is a result of a 3-year process which led the Italian parliament to ratify a law outlining in detail the areas which are still available for conventional oil and gas activities based on an assessment of environmental, social and economic suitability.

The original license outline is shown for reference in the second map below. Some gas prospects are unlikely to be drilled in the foreseeable future due to the current license conditions, however the area still offers sufficient potential for highly attractive gas exploration supported by a combination of an attractive fiscal regime, low exploration risk, shallow water and a large unsatisfied gas demand in Italy.



New d363C.R.-AX new license outline (approx. 324 km²)
 with green areas open for gas exploration. Red ellipses approximate the outline of gas prospects, thin black lines show key regional 2D seismic lines



Map showing original outline in yellow and reduced license outline in red (approx. 324 km²)

European Gas Market Conditions

The European natural gas market has seen in excess of 15-fold price increase in 2021/22 and the TTF (the most liquid natural gas pricing benchmark in Europe) is currently trading at approx. USD 93 per mcf (USD 560 per barrel of oil equivalent). The surge in gas price is due to the combination of strong demand recovery since re-opening after the COVID-19 pandemic, domestic production constraints and the effects of the Ukraine-Russia conflict (Russia previously supplied 30% of the gas demand in Europe) as follows:

- Gas supply interruptions to Poland, Bulgaria, Finland and Latvia;
- Reduced gas deliveries to Germany through the Nord-Stream pipeline (down by 80%); and
- Strong demand to achieve the European Union gas storage targets (capacity filled at 80+% by 1 October 2022).

For further details please contact:

Paul Fink

Chief Executive Officer

+61 (08) 9381 4266

paul.fink@adx-energy.com

Ian Tchacos

Executive Chairman

+61 (08) 9381 4266

ian.tchacos@adxenergy.com.au

Authorised for lodgement by Ian Tchacos, Executive Chairman

Persons compiling information about Hydrocarbons:

Pursuant to the requirements of the ASX Listing Rule 5.31, 5.41 and 5.42 the technical and resources information contained in this release has been reviewed by Paul Fink. Mr. Fink is Technical Director of ADX Energy Ltd 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 release 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).

Reporting Standards for Resource Estimation

Reserves and resources are reported in accordance with the definitions of reserves, contingent resources and prospective resources and guidelines set out in the Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG), Society of Petrophysicists and Well Log Analysts (SPWLA) and European Association of Geoscientists and Engineers (EAGE), revised June 2018.

Prospective Resource Classifications

Best Estimate scenario of Prospective resources - denotes the best estimate of the quantity that will actually be recovered from an accumulation by an oil and gas project. It is the most realistic assessment of recoverable quantities if only a single result were reported. When probabilistic methods are used, there should be at least a 50 % probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

ADX has only reported Best Estimate Prospective Resources Scenarios in this release.

Nomenclature and conversions used in this release

BSCF means billion standard cubic feet. *Oil to gas energy equivalent conversion:* 1 BBL = 6 MCF

End of this Release

ADX Energy Ltd | ABN 50 009 058 646 -Registered and Principal Office Australia
29 Bay Road, Claremont WA 6010, Australia
Telephone: +61 8 9381 4266 | admin@adxenergy.com.au | adxenergy.com.au