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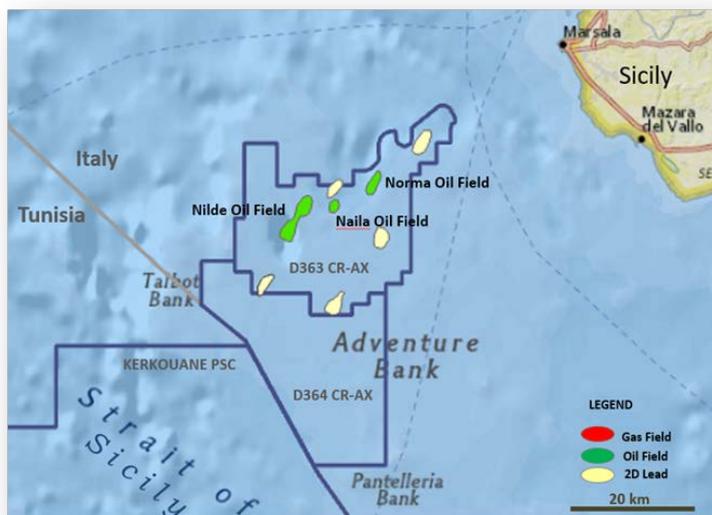
## NILDE AREA PERMIT FARMOUT – OFFSHORE ITALY

**(The d 363 C.R.-AX Permit containing the Nilde Oil  
Redevelopment Project)**

### Highlights

- **Drilling and Seismic Work Program Fully Funded to earn a 50% Interest and a 5% Net Profits Royalty.**
- **Farminee - SDP SERVICES LIMITED (SDP) brings strong financial and operating capacity.**
  - **An Oil and Gas Services Company with Onshore and Offshore Rigs, Seismic and Logging equipment.**
- **The Farmin by SDP significantly enhances the financial capability of ADX and the likelihood of Permit ratification by Italian Authorities**
- **The transaction is conditional upon ratification of the Permit by the Italian Authorities**
- **Subject to ratification ADX is now in a position to progress the appraisal of the highly profitable Nilde Oil field Redevelopment Project**

ADX Energy Ltd (ASX Code: **ADX**) is pleased to announce 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 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 the 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 Authority's 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. 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.

This Farmout transaction provides the financial support required by the Italian Licensing Authorities and places ADX in a strong position to seek ratification of the License.

### *Work Program Obligations*

Audax was issued the d 363 C.R-.AX permit by the Regulatory Authority in May 2014.

A summary of the Permit work program submitted in 2014 are as follows;

- Year 1 and 2) Seismic purchase and studies year 1 and 2 (*Euro 300,000 est*),
- Year 3) Seismic acquisition (*Euro 520,000 est*)
- Year 4) Drill a well (*Euro 20,000,000 est*).<sup>Note 1</sup>

*Note 1: Well costs have reduced significantly since 2014, ADX current estimate to drill an appraisal well is approximately US\$ 14 million.*

Permit obligations commence once the license is ratified. ADX has already expended approximately Euro 950,000 which is significantly in excess of the year 1 and 2 work program obligations. Upon ratification ADX intends to accelerate the work program with a view to appraising the remaining resources in Nilde as soon as practically possible.

**Ian Tchacos, Executive Chairman of ADX, commented** “The Board of ADX is pleased to have secured this potentially important Farmout transaction with SDP Services. We expect that the funding support provided by SDP will break impasse with the Italian Authorities and lead to the long overdue ratification of the license. Upon ratification a substantial investment in the Nilde Re Development project has the potential to unlock substantial value for ADX and SDP shareholders. Nilde at current oil prices is potentially a very valuable project as outlined in the attached project summary and we now can start to look forward to getting back on track.”

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## Nilde Oil Redevelopment Project Overview

Subject to License ratification by the Italian Licensing Authorities prior to farmin ADX Energy Ltd holds a 100% working interest in the d 363 C.R.-AX 'Nilde' permit in the Sicily Channel, offshore Italy (Figure 1). The permit sits in 90-100m water depth just over 60 km from the shore of the island of Sicily and comprises the Nilde Oil Field, which previously produced 20.5 million barrels of 39°API oil in the 1980s, two further oil discoveries Norma-1 and Naila-1, and an exploration inventory of 5 leads. Across the permit there are Contingent Resources of 19.2 to 65.6 million <sup>Note 1</sup> barrels remaining oil and Prospective Resources of 40 to 201 million barrels oil (arithmetically added) <sup>Note 2</sup> (Contingent Resources Reporting Date for Nilde was 29/3/2018 and Prospective Resources in d 363 C.R.-AX 21/4/2016).

The oil redevelopment project at Nilde will target the production of 34.1 mmbbl of 2C contingent resource from 3 wells at an estimated initial production rate of 22,000 bopd. The production wells will have dry wellheads and produced fluids will be processed through a self-installing mono-column platform. In the 2C resource case, the field life is expected to be around 7 years and return an estimated Post Tax NPV10 of \$591 million and an IRR of over 110% inclusive of the appraisal costs at an oil price of US\$55 per barrel. The breakeven oil price of under \$12/bbl in the 2C case and under \$19/bbl in the 1C case demonstrates the project is very robust to oil price changes due to a low capital cost per barrel, highly productive reservoirs and excellent fiscal terms.

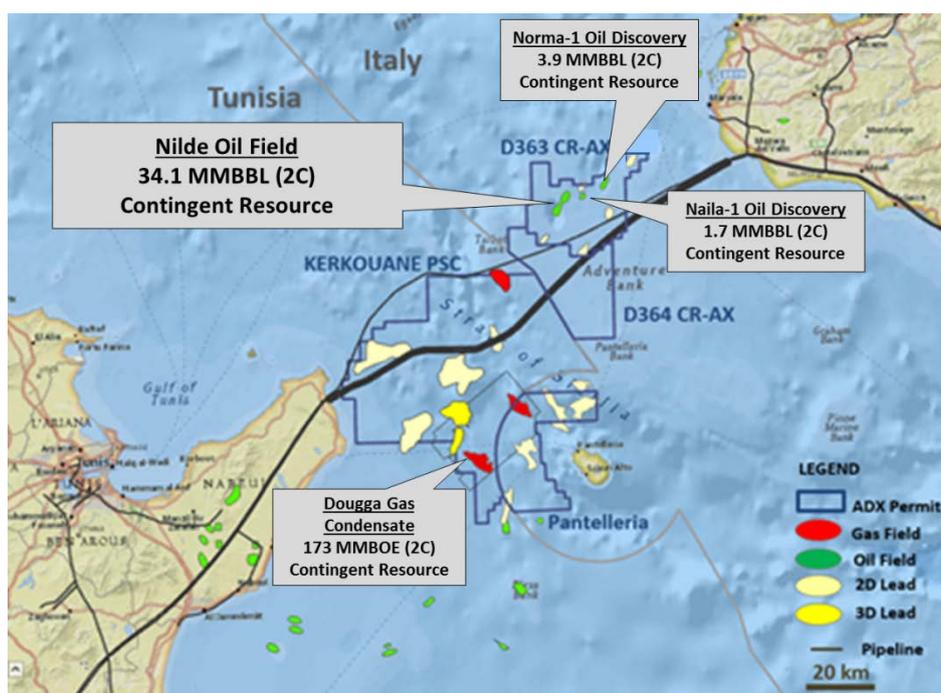


Figure 1 : Geographic Location of the d 363 C.R.-AX 'Nilde' Permit

Nilde is a mature oil field that in the 1980s produced 20.5 million barrels of 39° API oil from 1980-1989 from subsea infrastructure tied back to the Firenze FPSO (Figure 2). The productive reservoir, known as the Nilde Formation, is a fractured limestone carbonate of Middle Miocene age and is located at approximately 1500 mSS in a series of up-thrown folded and faulted blocks. It is a dual porosity system with both fracture and matrix systems contributing to production and strong aquifer that have previously supported highly productive wells.

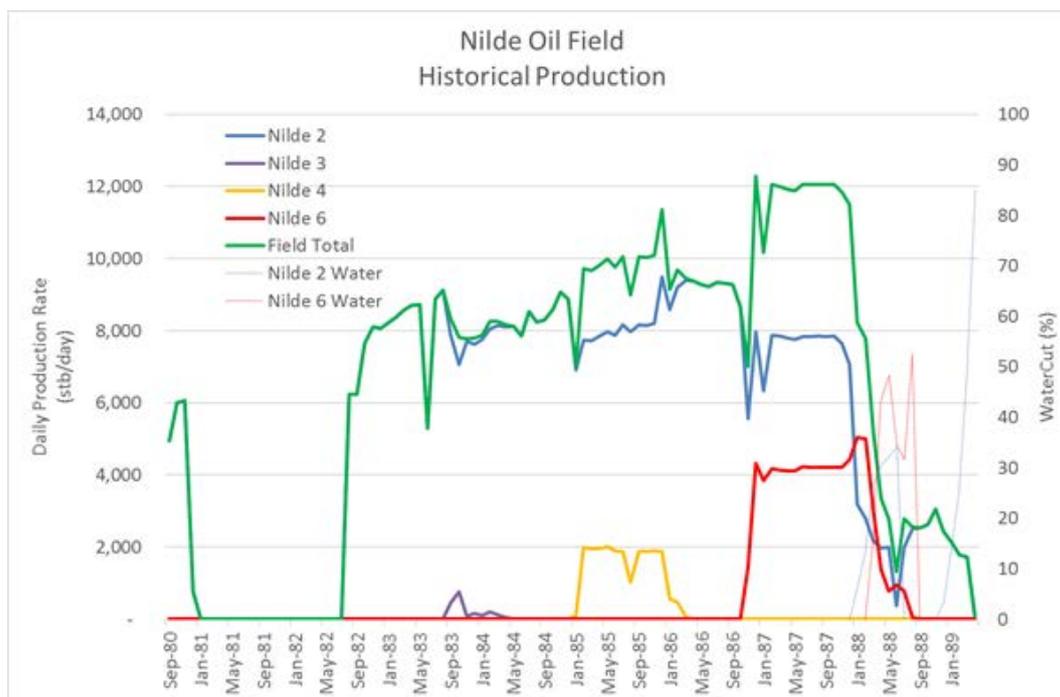


Figure 2 : Nilde Field Production History

As water began to encroach in the main well, Nilde-2, in the late 1980s, the watercut increased. This decline could not be remedied at that time, as the subsea completions and production facilities did not provide for artificial lift or water handling. In 1989, the field was prematurely abandoned due to the combination of these technical issues and the collapse in oil price from around \$30/bbl to \$14/bbl.

Over the last 24 months, ADX has undertaken an integrated subsurface review with raw data interpretation and deterministic geological scenario modelling leading into probabilistic volumetrics and a series of history matched dynamic models from which resource estimates and production forecasts have been predicted.

The integrated subsurface review estimates the remaining 2C Contingent Resource at Nilde at 34.1 million barrels within the 1C to 3C range of 17 to 50 million barrels of oil, respectively. The earlier Senergy Competent Person’s Report (CPR) (dated February 2016) provides independent confirmation of significant remaining oil resources at the Nilde Field as well as a further combined 2.2 to 15.6 million barrels at the Norma-1 and Naila-1 discoveries, respectively.

d 363 C.R.-AX ‘Nilde’ permit Contingent Resource Estimate (Remain)					Basis/Sour
<b>Nilde Oil Field</b>				2017 (Sep)	Internal integrated modelling
<b>Norma-1 Discovery</b>				2016 (Feb)	Senergy CPR
<b>Naila - Discovery</b>				2016 (Feb)	Senergy CPR
<b>Total</b>					Arithmetic Addition

Table 1 : Nilde Permit Contingent Resource Estimate

### Development Concept

ADX has matured a fast-track, technically robust, low capex development concept utilising the flexibility of dry trees and leased equipment (Figure 3). In concept selection studies, this low-cost option, referred to as the ‘Base Case’, generated the highest return on investment when compared to subsea development options, such as the original FPSO development. ADX has a MOU in place

with Calm Oceans Pte Ltd (COPL) for the construction, installation and lease of the major components for the fast-track concept.

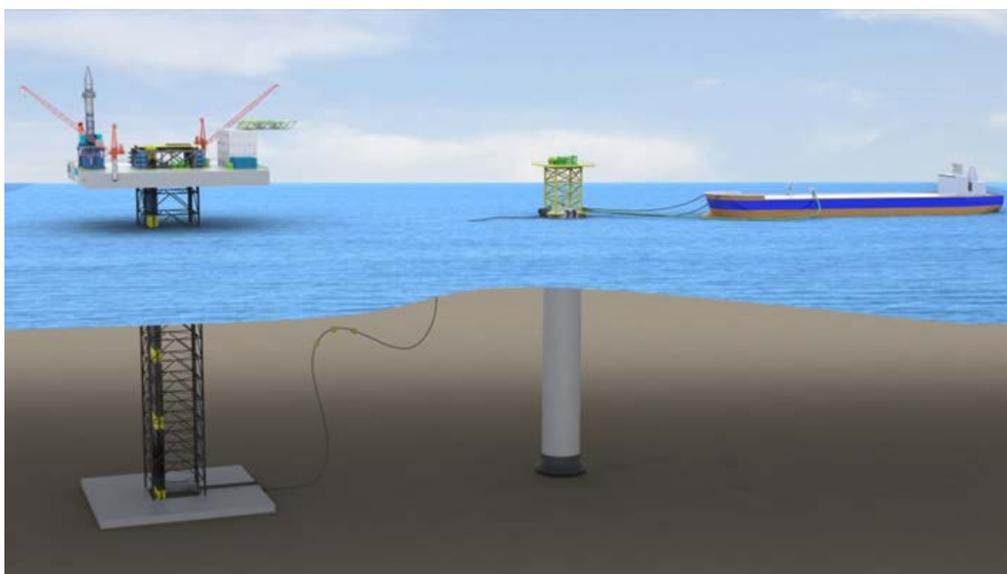


Figure 3: Nilde Base Case Development Concept

The Base Case concept envisions three production wells (see Figure 4) and a gas disposal well (all with dry wellheads) to be drilled and completed by a jack-up rig and tied into a self-installing Mono Column Platform (MCP). The MCP will house production facilities with a maximum fluid rate of 25,000 barrels of liquid per day. Reservoir fluids will be separated into oil, gas and water phases on the MCP with the oil pumped to a custom designed, Relocatable Pivoting Storage and Offloading facility (RPSO) from which an offtake tanker will lift parcels at intervals.

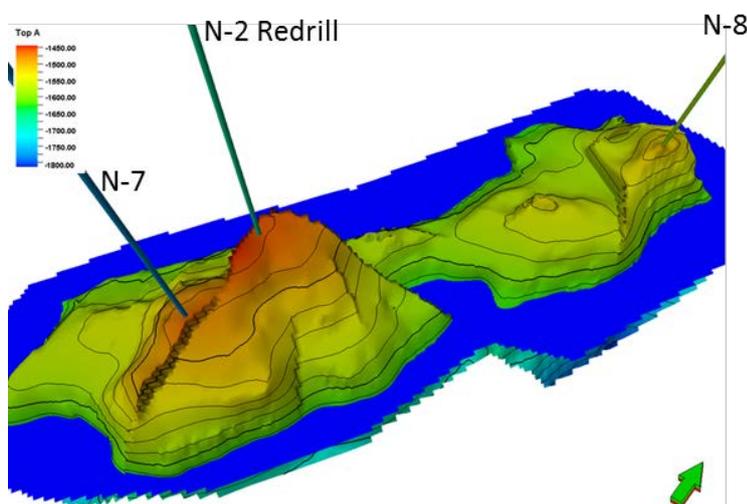


Figure 4: Nilde Subsurface Development Plan

**Note 1: CONTINGENT RESOURCES:** Those quantities of petroleum estimated, as of 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 P<sub>90</sub> (90% probability), P<sub>50</sub>, and P<sub>10</sub>, respectively, for individual opportunities. Totals are by arithmetic summation as recommended under PRMS guidelines. This results in a conservative low case total and optimistic high case total.

**Note 2: PROSPECTIVE RESOURCES:** 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 hydrocarbons.

*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 document 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 hydrocarbons. ERC Equipoise Pte Ltd, the independent resource reviewer named in this document, has consented to the inclusion of information relevant to their review in the form and context in which it appears.

**END OF RELEASE**