

# Environmental Clearance Received for Drilling the Giant Welchau Gas Prospect

*“The last regulatory requirement to commence drilling operations has been achieved”*

## Key points:

- ADX holds an 80% economic interest in the Welchau Investment Area which contains Welchau Gas Prospect and other emerging gas prospects in ADX' ADX-AT-II licence in Upper Austria. MCF Energy Ltd. (TSXV – MCF.V) (MCF) has executed an Energy Investment Agreement (EIA) to fund 50% of the cost of the Welchau-1 well to earn a 20% economic interest in the Welchau Investment Area.
- An Environmental Clearance has been received from the Department of Nature Protection of the State Government of Upper Austria (Department) to drill the Welchau-1 gas well. The Environmental Clearance is the last regulatory requirement to commence operations at the Welchau gas exploration project.
- The Welchau-1 drilling location is near an area of touristic interest and close to a small nature protection area. While the drilling location is on agricultural land, the Department took extra care to balance all stakeholder interests including the outspoken opposition from a small group of environmentalists who took special interest in the nature protection area. As a consequence of this interest the requirement for environmental research and third party expert opinions process took longer than usual which has resulted in a delay to the commencement of the project.
- The local community has shown no opposition to the project and a large number of prominent community members have provided strong public support for the drilling of Welchau.
- The Environment Clearance follows a drilling permit that was received for the Welchau-1 gas well from the Mining Authority on behalf of the Ministry of Finance of the Republic of Austria (Bundesministerium für Finanzen) (BMF) as announced on the 16<sup>th</sup> of August 2023.
- ADX will commence drill-site construction as soon as possible and plans to commence Welchau-1 drilling operations during January 2024.
- The well will be drilled by the RED Drilling & Services GmbH (RED) E202 drilling rig which has been pre-approved based on the required safety, noise and environmental emission standards. ADX has a rig services contract in place with RED for the E202 rig which is currently being used to drill the Anshof-2 well.

The Welchau gas prospect has exceptional gas resource potential, located in the heart of Europe at a relatively shallow drill depth and proximal to gas pipelines. ADX estimates that Welchau has **best technical Prospective Resources of 807 BCFE (134 MMBOE)**<sup>1</sup>. Welchau is targeting the same reservoirs as the nearby Molln-1 well which tested gas in 1989.

**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.

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<sup>1</sup> Best Technical Prospective Resources Prospective resources reporting date 22.06.2023

ADX Energy Ltd (**ASX Code: ADX**) is pleased to advise it has received an environmental clearance (Clearance) from the Department of Nature Protection of the State Government of Upper Austria (Department) to drill the Welchau-1 gas well in ADX' ADX-AT-II licence in Upper Austria. ADX holds an 80% economic interest in the Welchau Investment Area which contains Welchau Gas Prospect and other emerging gas prospects.

The Clearance is the final stage of the permitting process which is based on an independent expert's environmental report nominated by the Department that has been submitted to the Department, as well as a number of additional reports and statements requested from ADX by the Department. The Clearance is the last regulatory approval required to commence drilling operations on the Welchau-1 prospect.

ADX has previously advised that a drilling permit has been issued by the Mining Authority on behalf of the Ministry of Finance of the Republic of Austria (Bundesministerium für Finanzen), (BMF) for the drilling of the Welchau-1 well in the ADX-AT-II licence in Upper Austria (Drilling Permit). The Drilling Permit is tied to two specific rig types including a drilling rig and a work over rig provided by RED with whom ADX has a rig services contract in place. The RED E202 drilling rig has been pre-approved based on the required safety and environmental emission standards. The RED E202 rig is currently being used by ADX to drill the Anshof-2 well, nearby to Welchau, in the ADX-AT-II licence. Under the terms of the Drilling Permit, the Welchau-1 well can be drilled any time during the term of the exploration license providing it is drilled during a period between 1 October to 31 March (winter period).

The Clearance allows ADX to progress the project without any opposition.

ADX can now commence Welchau drill site construction and intends to commence drilling operations during January 2024. The success case drilling program is expected to take approximately 39 days.

#### *Permitting Process*

The drilling permit for the drilling of Welchau was received from the Mining Authority on behalf of the Ministry of Finance of the Republic of Austria (Bundesministerium für Finanzen) (BMF) on the 16<sup>th</sup> of August 2023.

The Clearance from the Department took longer than expected for the usually fast and efficient decision making process of the Austrian regulatory authorities.

While the Welchau drill site will be located on agricultural land, it is in an area of touristic interest and close to a small nature protection area. As a result of the significance of Welchau's location, the Department took extra care to balance all stakeholder interests including outspoken opposition from a small group of environmentalists with media connections. As a consequence of this interest, the requirement for environmental research and third-party expert opinions took longer than usual. This extraordinary process has resulted in a delay to the commencement of the project.

It is important to note that throughout the permitting process the local community has not shown opposition to the project and a large number of prominent community members have provided strong public support for the drilling of Welchau.

In order to minimise any impact on the nearby nature protection area during the six to eight weeks of operations, ADX has, together with the Nature Protection Department of Upper Austria, agreed to limit its drilling operations effectively to the winter months when fauna and flora activity is at its minimum or completely inactive.

#### *Operational Readiness*

ADX has purchased all the necessary long lead items to drill the Welchau-1 well. Drilling rig services will be provided by RED. ADX used the RED drilling rig to drill the Company's first exploration well in Austria at Anshof-3. Anshof-3 was drilled without any lost time safety incidents and within budget. The drilling services and other contracted services will be almost exclusively provided by highly trained local staff from Upper Austria, as was the case for the Anshof-3 well. ADX has endeavoured to maximise local content where there is an excellent past record of safety, environmental protection and project execution.

#### *MCF Energy Ltd.'s Economic Participation*

Canadian TSX Venture Exchange ("TSXV") listed MCF Energy Ltd., under the EIA, has agreed to fund 50% of the cost of the Welchau-1 well to earn a 20% economic interest in the Welchau Investment Area. ADX retains an 80% economic interest in the Welchau Investment Area.

**ADX Executive Chairman, Mr Ian Tchacos, said,** *“The Board of ADX is delighted that the last hurdle for the commencement of operation to drill the exceptional Welchau gas Prospect has been achieved. While some delays have been experienced in receiving the Environmental Clearance, we continue to be impressed by the highly efficient and transparent regulatory environment for energy projects in Austria compared to many other jurisdictions. Despite opposition from activists, high media interest and the need for additional experts reports, decisions have been made in a relatively fast, predictable timeframe in accordance with a clear and enforceable legal framework. This Environmental Clearance is based on a balance between environmental, community, economic and energy security interests. The drilling of Welchau comes at a time when Russian gas still supplies over 50% of Austria’s gas requirements but is now officially threatened to be cut off in 2024. The Welchau exploration project is an exceptional domestic energy supply and economic growth opportunity for the State of Austria. ADX and our partner MCF are committed to responsible gas exploration”.*

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**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 Prospective Resources information relating to Austria contained in this release has been reviewed by Paul Fink as part of the due diligence process on behalf of ADX. Mr. Fink is Technical Director of ADX Energy Ltd is a qualified geophysicist with 30 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).

**Previous Estimates of Reserves and Resources:**

ADX confirms that it is not aware of any new information or data that may materially affect the information included in the relevant market announcements for reserves or resources and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

**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

**Low Estimate** scenario of Prospective Resources - denotes a conservative estimate of the quantity that will actually recovered from an accumulation by an oil and gas project. When probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

**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.

**High Estimate** scenario of Prospective Resources - denotes an optimistic scenario of the quantity that will actually be recovered from an accumulation by an oil and gas project. When probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will be equal or exceed the high estimate.

**End of this Release**