

14 January 2025

Operations Update

Welchau-1 Production Testing affected by a Court Decision

“An interruption to testing operations is likely while an objection to existing Environmental Clearances for the drilling and testing is resolved.”

Key points:

- ADX holds a 75% economic interest in the Welchau discovery and other emerging prospects in the Welchau Investment Area located in ADX' ADX-AT-II licence in Upper Austria (refer Figure 1).
- ADX drilled the Welchau-1 well during the first quarter of 2024 in accordance with Drilling Permits issued in November 2023 by the Austrian State Ministry of Finance and an Environmental Clearance granted by the local Upper Austrian State Government authority (Environmental Authority) responsible for the Nature Conservation.
- On the 18th of March 2024 ADX announced the Welchau-1 well had encountered liquids rich gas shows in the Steinalm Formation. The well was evaluated including further zones of interest with a wire line logging and sampling program. On the 28th of March 2024, well operations were suspended to comply Environmental Clearance conditions (limiting drilling and testing operations to the Austrian winter months from 1 October 2023 to 31 March 2024). Casing was run in the well and cemented in preparation for future testing operations.
- Based on the evaluation of drilling and logging results the well intersected three primary carbonate reservoirs that were considered promising for testing and ongoing appraisal. ADX announced the commencement of testing operations with the mobilisation of a workover rig to the Welchau-1 well site on the 5th of November 2024 following the receipt of a further Environmental Clearance for testing operations. The planned program was to test the two major reservoirs encountered by the Welchau-1 well, starting with the deeper Steinalm Formation and then the shallower Reifling Formation.
- The ongoing testing of the Steinalm Formation and Reifling Formation was undertaken. The well was shut in following an initial flow test of the Reifling Formation due to limited inflow. The well has been monitored with a view to allowing a sufficient volume for reservoir fluids to enter the tubing string that can be sampled before a decision is taken whether to acidise the well and continue testing operations.
- ADX has continued to undertake testing operations lawfully and in accordance with Environmental Clearance provisions at all times.
- Four registered Austrian environmental groups (NGOs) objected to the Environmental Clearance by submitting an appeal to the Relevant Environmental Authority as well as seeking a suspension of operations. The suspension of operations was rejected by the Relevant Environmental Authority (“Rejection”). Testing operations at Welchau-1 were conducted despite the appeal process on the basis of the existing regulations that such appeals do not have a suspensive effect.

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- The Rejection was forwarded to the State Administrative Court of Upper Austria which in turn referred the Rejection to Austrian Constitutional Court to examine the legal basis (Judicial Review) for the article which prevented the suspension of operations for the period during which an objection is considered (Suspensive Effect Article). Following the Judicial Review, the Austrian Constitutional Court determined to repeal the Suspensive Effect Article on the basis that it was not constitutional.
- Based on advice received to date by ADX' lawyers, the testing of Welchau-1 should be suspended until the State Administrative Court of Upper Austria clarifies the approval situation.
- ADX will advise as soon as possible the likely interruption to testing operations. At present the well continues to be monitored to evaluate the rate of pressure build up with a view to determining the nature of fluid flow into the well.

ADX Executive Chairman, Mr Ian Tchacos, said, *“The Board of ADX is concerned about this recent development however we anticipate that the situation will be resolved in the near future. The interruption to permitting processes by special interest groups is becoming more and more common place. In contrast to many jurisdictions the licensing processes in Austria have been exemplary. This comes at a time when energy security is of great importance to Austria and its people. While testing results have been disappointing, the potential of the Welchau play remains compelling. Carbonate reservoirs such as those encountered at Welchau are complex and, as has been the case in the development of other new discoveries around the world, further evaluation is required and warranted. ADX believes there is strong support for Welchau exploration as articulated recently by the Upper Austrian deputy governor Dr. M. Haimbuchner – who stated that **after final legal approvals further complaints (from green NGOs) would not further delay the drilling or any other technical work from other companies.** The latest request and order from the Austrian State (Constitutional Court) to change the Upper Austrian law with regard to further exclusions of suspensions requested by opposition NGOs etc. must be abandoned.”*

ADX Energy Ltd (**ASX Code: ADX**) advises that a Judicial Review by the Constitutional Court of Austria may result in an interruption to the Welchau-1 well testing program. The Judicial Review has resulted in the repeal of an article which prevented registered Austrian environmental NGOs which objected to an Environmental Clearance to secure a suspension of operations.

ADX holds a 75% economic interest in the Welchau discovery and other emerging prospects in the Welchau Investment Area located in ADX' ADX-AT-II licence in Upper Austria (refer Figure 1).

ADX drilled the Welchau-1 well during the first quarter of 2024 in accordance with Drilling Permits issued in November 2023 by the Austrian State Ministry of Finance and an Environmental Clearance granted by the local Upper Austrian State Government authority (Environmental Authority) responsible for the Nature Conservation. ADX has continued to undertake testing operations lawfully and in accordance with Environmental Clearance provisions at all times.

The testing of the well commenced in November 2024. The well is shut in following an initial flow test of the upper Reifling Formation following limited inflow. The well has been monitored with a view to allowing a sufficient volume of reservoir fluids to enter the tubing string that can be sampled before a decision is taken whether to acidise the well and continue testing operations.

In November 2024 four registered Austrian environmental NGOs objected to the Environmental Clearance by submitting an appeal to the Relevant Environmental Authority as well as seeking a suspension of operations. The suspension of operations was rejected by the Relevant Environmental Authority (“Rejection”). The objections related to the legal assessment by Relevant Environmental Authority and incorrect determination of relevant facts. Testing operations at Welchau-1 were conducted despite the appeal process on the basis of the existing regulations that such appeals do not have a suspensive effect.

Following the Rejection the case was referred to the State Administrative Court of Upper Austria which in turn referred the Rejection to Austrian Constitutional Court to examine the legal basis (Judicial Review) for the article which prevented the suspension of operations for the period during which an objection is considered (Suspensive Effect Article). Following the Judicial Review, the Austrian Constitutional Court determined to repeal the Suspensive Effect Article on the basis that it was not constitutional. As a result of the repeal of the Suspensive Effect Article and the advice received to date by ADX' lawyers, the testing of Welchau-1 will be suspended for a period of time until the State Administrative Court of Upper Austria clarifies the approval situation.

It should be noted that the Constitutional Court has not made any substantive statement in relation to the Welchau-1 natural gas exploration well or the validity of nature conservation permits issued for drilling and testing.

ADX will advise as soon as possible the likely interruption to testing operations. At present the well continues to be monitored to evaluate the rate of pressure build up with a view to determining the nature of fluid flow into the well.

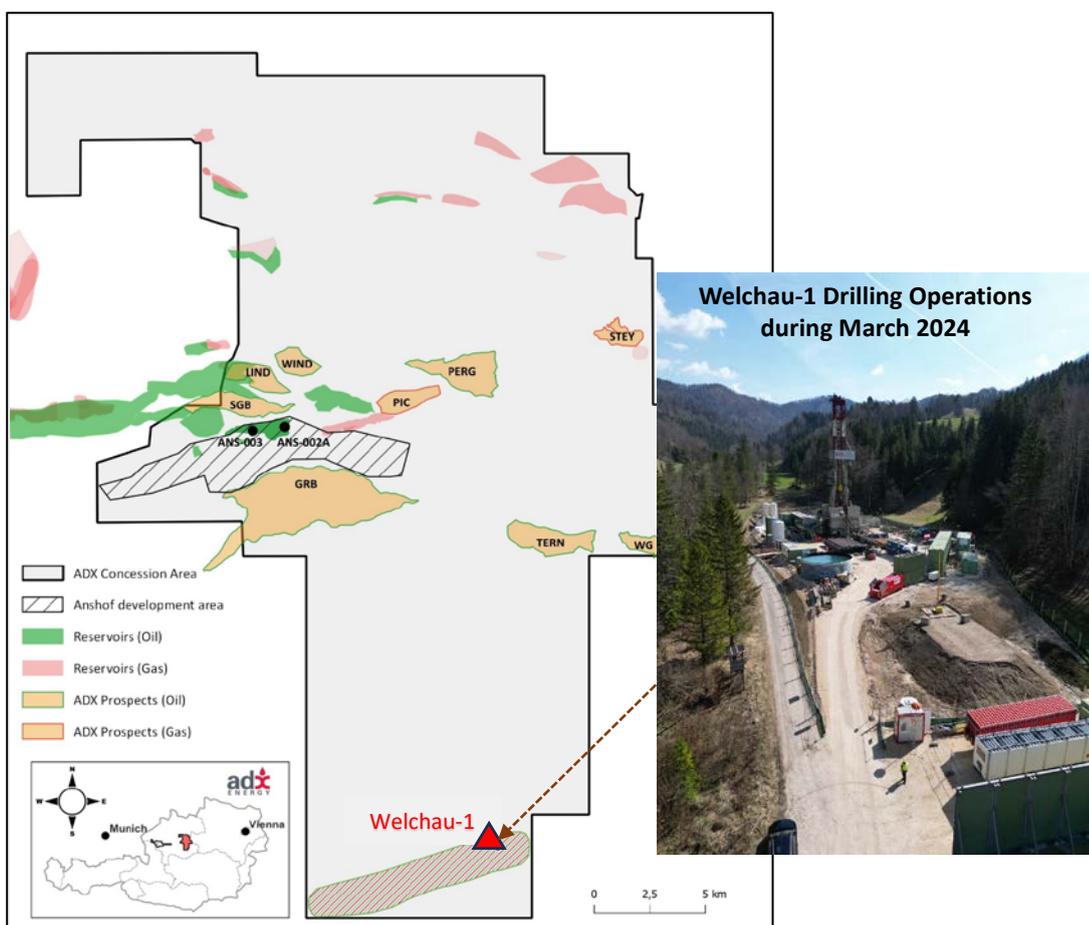


Figure 1: Location of the Welchau-1 Discovery in the Northern Calcareous Alps within the ADX-AT-II license area, as well as the Anshof oil discovery (ANS-3) and recent Anshof appraisal well (ANS-2A)

ADX Economic Participation

ADX has executed an Energy Investment Agreement (EIA) with MCF Energy Ltd. via its subsidiary MCF Energy GmbH (MCF) to fund 50% of Welchau-1 well costs up to a well cost cap of EUR 5.1 million to earn a 25% economic interest in the Welchau Investment Area which is part of ADX' ADX-AT-II licence in Upper Austria. The Welchau Investment Area contains the Welchau discovery well and other emerging oil and gas prospects. MCF has met its earn-in funding obligations in accordance with the EIA to earn a 25% economic interest. ADX holds a 75% economic interest in the Welchau Investment Area. MCF is obliged to pay 25% of ongoing well costs as well as exploration and appraisal expenditures. ADX holds a 100% economic interest in the remainder of the ADX-AT-II licence other than the Anshof Discovery Area.

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Authorised for lodgement by Ian Tchacos, Executive Chairman

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