

25 October 2016

Nilde Oil Field Re Development Update

100 % increased Oil In Place Resource expected, based on new data and technical studies.

PROJECT HIGHLIGHTS

- Approximately 300 Million Barrels best technical original oil in place (OIIP) now estimated for the Nilde Field based on additional field data acquired by ADX and studies undertaken by highly qualified geotechnical and reservoir engineering consultancies.
- Now a 60 Million Barrels 2C remaining resource can be inferred assuming the same recovery factor as that used by Competent Person Senenergy. Compares very favourably with Senenergy's independently assessed 2C Resource of 28 Million Barrels for the Nilde field announced on 17 February 2016.
- The revised estimates honour all the available geological, drilling and production data adding significant credibility to the viability and potential value of the Nilde Oil Field Re Development Project.
- Reservoir production simulation using the revised and more detailed geological model to develop field production forecasts is nearing conclusion.
- Review of development options is ongoing with preferred facility providers of FPSO's (floating, production, storage and offloading facilities) and MOPU's (mobile offshore production units).
- A drilling and well completion study has been undertaken to develop drilling programs and cost estimates for vertical, high angle or horizontal appraisal wells that can be used as producers.
- ADX is now well placed in terms of resource estimation, preferred development options, facilities costs and well cost estimates to provide clarity in relation to economic potential of the project.
- A formal farm out process will commence in November however there has been early engagement with a number of potential farminees and potential purchasers of an interest in the field.
- Government Authority engagement has commenced to accelerate licensing based on Nilde appraisal drilling in 2017.

ADX Energy Ltd

AUSTRALIA

Level 2,
Suite 14, 210 Bagot Road
Subiaco WA 6008

PO Box 63 Subiaco 6904

T +61 (08) 9381 4266

F +61 (08) 9381 4766

E admin@adxenergy.com.au

ABN 50 009 058 646

AUSTRIA

Wassergasse 11
A 2500 Baden, Austria
T +43 (0) 2252 206 506
F +43 (0) 2252 206 506 20

www.adxenergy.com.au

ADX goal now is to secure funding and approvals to drill appraisal wells that can be used as future development wells in 2017.

ADX Energy Ltd (**ASX:ADX**) advises that it has made significant progress in the detailed assessment of the resource potential, the preferred development options, the expected project costs and a potential path to commercialisation of the Nilde Oil Field (incorporating Nilde and adjacent Nilde Bis discovery) in the d363 CR.AX permit offshore Sicily, Italy. ADX believes that it is now well placed to commence farm-out discussions or partial sales to fund ongoing engineering work and the drilling of appraisal wells. Subject to funding and government approvals it is ADX goal to drill two appraisal wells in 2017 which could be utilised as future production wells.

Importantly the resource potential of the Nilde field and confidence in ADX geological model has been significantly enhanced by the recent geological, petrophysical and reservoir engineering studies which have been undertaken utilising all the available data for the field. ADX has acquired an extensive seismic, geological, drilling and production data base for Nilde since the last third party review in February 2016. Utilising this expanded data set, studies by ADX assisted by highly qualified and reputed consultancy firms (*GE Plan and Hot Engineering Note 1*) with extensive experience in the assessment and production of fractured carbonate reservoirs has revealed an approximate doubling of the oil in place for the field relative to that estimated by Senergy (GB) Limited ("Senergy") in their independent assessment announced in February 2016. Senergy's earlier assessment was based on a more basic volumetric analysis with the data available at the time. Using a 30% recovery factor for the field – which is the same as that used by Senergy and also previously by ENI (then AGIP) the remaining 2C Contingent Recoverable Resource estimated by ADX would be approximately 60 Million Barrels of oil. This compares very favourably with the 28 Million Barrels of 2C Contingent Resource independently assessed by Senergy via the volumetric method in February 2016 when a less detailed database was available to ADX. The key data and studies which have contributed to this increase are discussed in greater detail below.

With the revised 3D geological model completed, the current emphasis of the Company's work is the forecasting of future field production using reservoir simulation. This work is expected to be completed in early November 2016. The modelling will provide a better understanding of the excellent past production performance for the field, the optimal well development plan to recover the remaining resources and a predicted remaining recoverable resource based on well production forecasts.

The substantial increase in resource potential of the Nilde field significantly enhances the potential viability and value of the Nilde Oil Field Redevelopment Project.

The combination of light oil (39° API), highly productive reservoirs demonstrated by the Nilde 2 well which produced at approximately 10,000 barrels per day for over 5 years, modest water depths (90 meters at Nilde), modest drill depths (1500 meters) , excellent fiscal terms and relatively benign sea conditions enhance the potential commerciality of Nilde.

As announced in a “Project Update” on 21 April 16, based on indicative development cost estimates for suitable FPSO facilities and current drilling cost trends a capital cost per barrel of less than US\$10 can be expected for Nilde based on the Senergy 2C resource. Potential project economics indicate that the project is profitable at oil prices down to US\$ 20 per barrel for the 1C Senergy resources Case and US \$15 per barrel for the 2C Senergy resources case. Revised economics will be provided for revised resources estimates upon completion of the current reservoir simulation studies which will provide a new range of recoverable resources based on the revised geological model with a significantly larger estimated oil in place.

Note 1

Principal Consultant Capability

GEPLAN CONSULTING S.R.L. (GEP) is a consulting firm based in Italy and was founded in 1998. Amongst other expertise GEPLAN has specialist skills in carbonate and fractured reservoir characterisation and has undertaken a large number of projects in Italy and the Circum-Mediterranean, the Middle East, Africa, USA and Latin America. In Italy it has worked on several major oil and gas fields such as Vega and Tempa Rossa for its clients Edison, Total and Shell.

HOT Engineering GmbH (HOT) is a leading reservoir consultancy company with headquarters in Austria, branch offices in Germany, Libya and the United Arab Emirates, and a global network of representative offices. With three decades of consulting experience, HOT is one of the established providers of advanced and integrated geological, geophysical, petrophysical as well as reservoir and production engineering technology. Over the past three decades, HOT has performed many integrated reservoir studies, ranging from new discoveries to mature giant fields, from clastic to fractured carbonate/granite environment, in consolidated and unconsolidated settings, from high perm to low perm and ‘tight’ reservoirs, from simple structures to heavily compartmented and fractured environment, from undersaturated reservoirs to gas condensate fields, from dry gas fields to underground gas storage.

HOT’s main focus for consulting services has been Europe, the Middle East and North Africa with occasional studies also been made for customers in Australia, the Far East and Latin America.

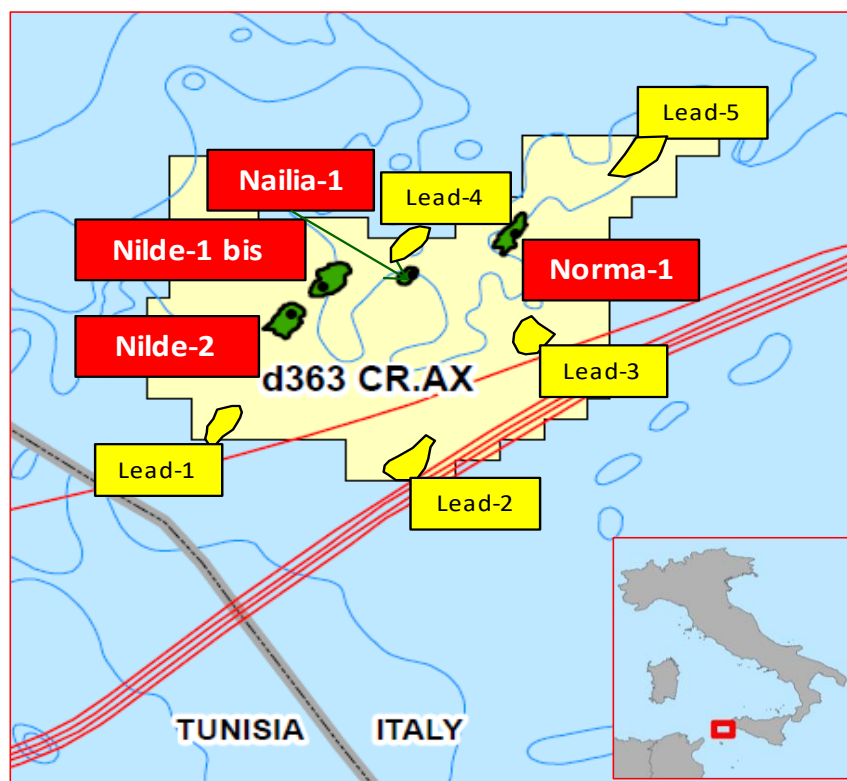


Figure 1: d363 CR.AX Permit showing Nilde Field and proximal discoveries. Exploration prospects shown in yellow.

The following table summarise the results of the independent evaluation of the Contingent Resources from the Nilde Area from the Senergy report announced on 17 February 2016:

Gross Contingent ¹ Resources Volumes (MMstb)			
	1C ² Estimate	2C ² Estimate	3C ² Estimate
Nilde Field	8.7	13.1	17.8
Nilde- Bis Discovery	9.3	15.3	21.0
Norma Discovery	1.2	3.9	12.9
Naila Discovery	1.0	1.7	2.7
Total³	20.2	34.0	54.4

The above evaluation by Senergy was based on the volumetric estimation method.

Notes Contingent Definitions

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.

² 1C, 2C, 3C Estimates: in a probabilistic resource size distribution these are the P₉₀ (90% probability), P₅₀, and P₁₀, respectively, for individual opportunities.

³ Totals are by arithmetic summation as recommended under PRMS guidelines. This results in a conservative low case total and optimistic high case total.

Now all the newly acquired data has been integrated into a 3D geocellular model. The map below shows the outline of the Nilde and Nilde Bis oil field. The colours shown are representative of the so called hydrocarbon pore volume which is the product of oil column in meters as well as oil saturation and porosity in percentages.

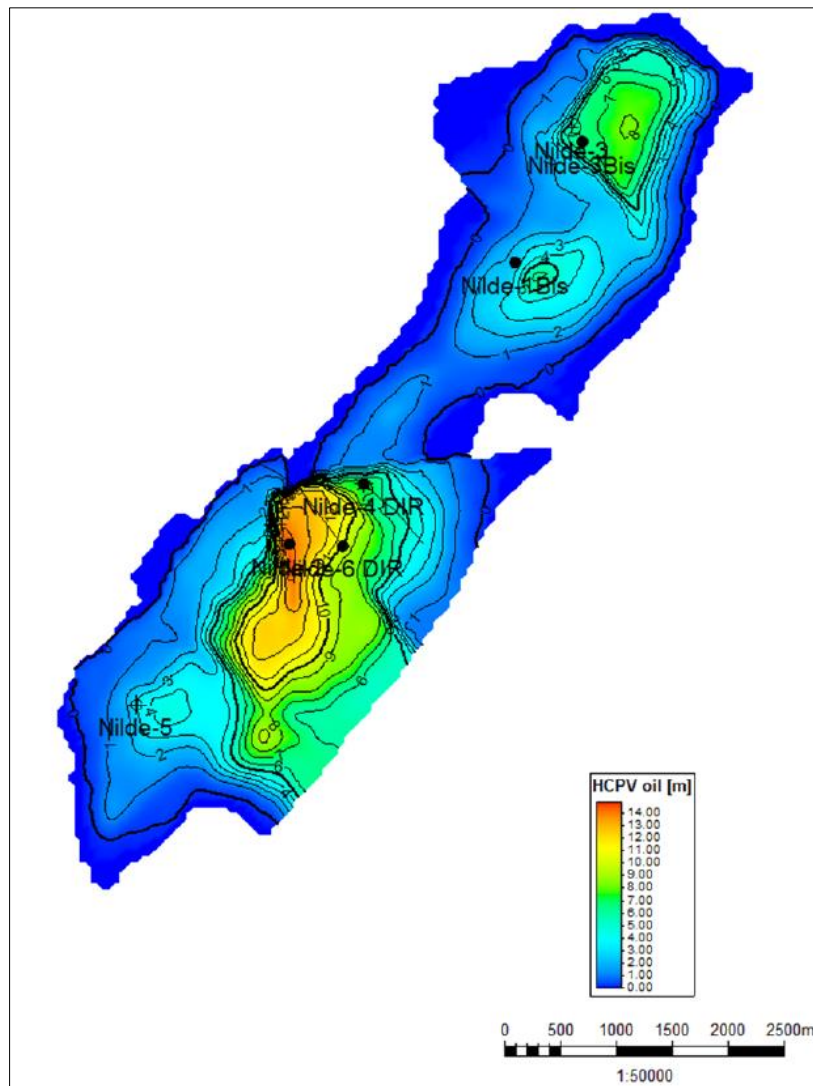


Figure 2: Nilde & Nilde Bis Oil field hydrocarbon pore volume map generated from detailed 3D geocellular model (Petrel). Case shown is currently the “best technical” case, equivalent to approximately 300 mmbo OIIP, whereby about 265 mmbo are contained in the rock matrix as defined by log and core data and the remainder in an extensive fracture and karst system.

WAY FORWARD

Upon conclusion of the current resource assessment work in early November ADX will have all the elements of the project sufficiently well-defined to enable potential investors to assess the value and risk of the Nilde Redevelopment project. Drilling studies to date have demonstrated that appraisal wells can be drilled in such a way that they can confirm the remaining resources of the field and subsequently be completed as producers.

ADX believes that two slanted or high angle appraisal wells (one in Nilde lobe and one Nilde Bis lobe) will provide sufficient certainty to progress a development as well as provide the necessary well bores for the future production wells that could subsequently be tied in to a leased MOPU or FPSO. Utilising successful appraisal wells in this manner will derisk the project and significantly reduce the development costs for the project.

Based on the above ADX will commence a farm out process in November with the intention of funding two suitably defined appraisal wells. ADX has had early engagement with a number of potential farminees and purchasers of a partial interest in the license. ADX will advise shareholders of progress with these discussions.

ADX goal is to get its funding, well programming and environmental approvals in place to drill appraisal wells by the end of 2017. With that goal in mind ADX is engaging with Government Authorities to accelerate licensing based on immediate appraisal drilling without the need for further seismic.

SUMMARY OF RECENT STUDIES

Revised Resource Assessment (OIIP, oil initially in place)

Since the Senergy independent review in February 2016 ADX has acquired from various sources, including the previous operator ENI and its joint venture partner Shell a more comprehensive database which includes production data, seismic data, well test data, reservoir pressure, volume and temperature (PVT) data, wire line log data, reservoir core data and a large amount of interpretative reports by ENI and Shell, respectively.

Italian consultancy firm GE Plan helped ADX to build a detailed structural model integrating all available data. GePlan has extensive regional experience in the Sicily Channel and also specializes in structural geology and fractured carbonate oil & gas reservoirs in Italy, where Total, ENI and Shell are its main clients. This expertise is crucial for the Nilde field, since the very high but also long term sustainable well flow rates can only be explained with a combination of good reservoir matrix porosity, highly permeable fractures and karst zones (weathering zones beneath the Top Nilde reservoir unconformity).

Reservoir engineering consultancy HOT was responsible for the integration of conventional petrophysics and saturation height functions based on core data and completed the porosity and oil saturation model in order to estimate oil initially in place (OIIP). A very important by-product of this effort was the estimation of the free water level (FWL) for the Nilde oil field. A near perfect fit now exists between petrophysically derived water saturations and water saturations obtained from core plugs and saturation height functions, respectively. This has led to the high confidence estimation of a deeper than previously assumed FWL and oil water contact (OWC), respectively. A substantial part of the OIIP increase relative to the first more basic but fit for purpose volumetric model by Senergy is due to a deeper OWC, which also fits well with the observed production and well test data.

The figure below shows an excellent fit between the water saturations calculated from drainage capillary pressure curves and log derived saturations for the assumed best technical FWL.

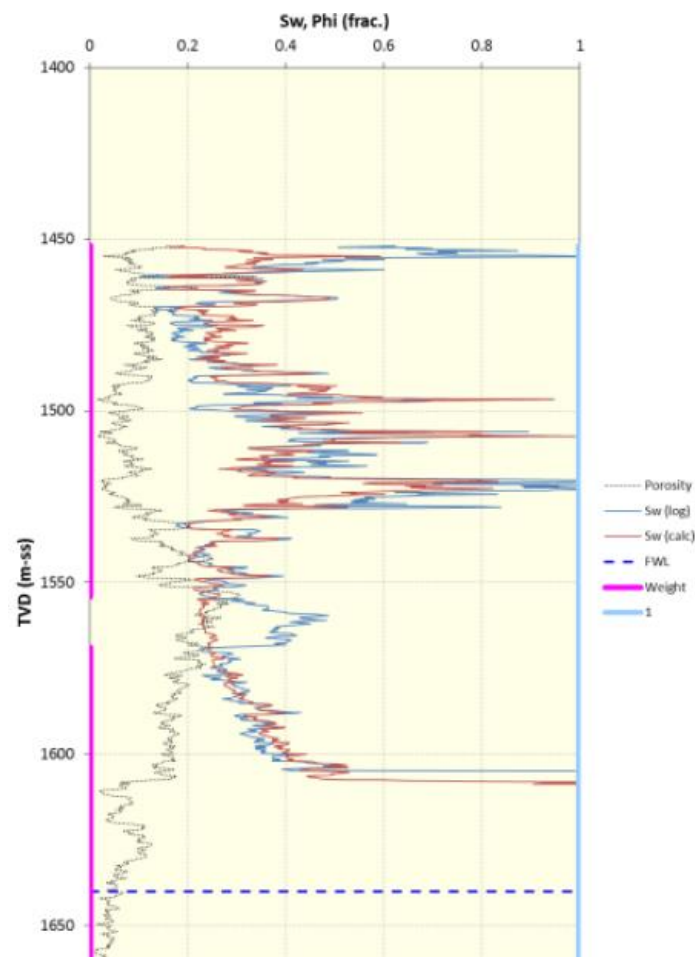


Figure 3: Reservoir Simulation Studies: Estimation of FWL

Dynamic flow modelling has commenced using the 3 dimensional geological model recently completed for the field. The modelling includes history matching of recently received historical production data to that derived from the dynamic flow model. This process provides further validation of the geological model which is the input to the dynamic flow model. A key outcome of the work will be an optimised subsurface development plan based on simulated production forecasting and a remaining recoverable resource for the field based on predicted well production.

Currently the permeability model is being refined based on the initial fracture and karst layer model and a detailed ADX review of the still available core data in ENI's core store. This will provide insight into the relationship between the field's 3D structural geometry and the likely strong water drive mechanism. This work will enable optimal placement and completion of future development wells.

CLOSING REMARKS

The Board of ADX is very encouraged by the progress being made in defining the potential of the Nilde Oil Field Re Development project. Not only are we fortunate to have an extensive data set which has enabled us to perform a detailed evaluation of resource, but the work to date utilising the significantly expanded data set from that previously available to Senergy indicates the potential to significantly increase the estimated resource for the field. We look forward to providing further updates on our project definition work and our farmout or partial sales discussions.

Qualified Resource Evaluator Statement

The information in this report and the contingent resources and related supporting documentation and data have been reviewed by Mr. Paul Fink who is a petroleum consultant to ADX and serves on the board of ADX as an executive director. He holds an MSc from the Mining University of Leoben, is a chartered Engineer, a member of Fidic (International Federation of Consulting Engineers) and a member of EAGE (European Association of Geoscientists and Engineers) and is qualified in accordance with ASX listing rule 5.41.

For further details please contact:

Paul Fink

Chief Executive Officer

+61 (08) 9381 4266

www.adxenergy.com.au

Ian Tchacos

Executive Chairman

+61 (08) 9381 4266

Nilde Area Background

The Nilde oil field was discovered by ENI in shallow water offshore Sicily and came on stream with one vertical well (Nilde-2) in 1980 when the oil price was US\$37 per barrel. High productivity of light oil (API 39) was achieved (around 10,000 bopd from Nilde-2) in shallow reservoirs at a depth of approximately 1500 meters. The Nilde 2 well produced at high rates for over 7 years. A horizontal production well was drilled very close by (less than 1km) in 1986 to increase production to 12,000 bopd when oil prices started to decrease significantly. Both wells had subsea wellhead completions that were tied in to an FPSO (Figure 2 below) which essentially was a converted tanker tied to a so called SALS (single anchor leg storage system) system. The FPSO was subsequently upgraded and used for the ENI operated Aquila oil field.



Figure 2: “Firenze” FPSO, as it looks today. Source: SAIPEM

Late life well performance was affected by an interpreted strong water aquifer which resulted in an increase in water cut which could not be remedied due to the lack of provision of production facilities capable of artificially lifting the wells. The decision was made prematurely to abandon production instead of drilling additional development/appraisal wells within potentially undrained areas in the field in 1988. The decision to abandon is reported to have been triggered by a collapse in oil price to US\$14 per barrel.

In addition to developing the Nilde field, ENI also made several oil discoveries in the area, notably nearby Nilde-Bis wells, Norma-1 and Naila-1 which were all successfully tested and proved the presence of both light oil and the excellent Miocene age Nilde carbonate reservoir. To date these discoveries remain undeveloped.

The d363 CR.AX application permit was awarded to ADX via gazettal in May 2014 at a 100% equity interest. ADX has committed to seismic reprocessing, and development studies in the first license phase (6 years) and a well within the first four years of this phase. An extension of one year is possible. Upon drilling a well the license can be extended for another 6 (3+3) years.

ADX initially applied for the d363 CR AX license unaware of the remaining resource potential of Nilde and the nearby discoveries. The focus at the time was to explore the 3D seismic covered foothill anticline structural play of its neighbouring Tunisian Kerkouane license.

Since the award of the permit ADX has undertaken geotechnical studies focusing on the Nilde shut in oil field and three discoveries in close proximity, the Nilde-Bis, Norma and Naila discoveries (see figure 1) with a view to determining their resource potential and the potential commercial viability of the resources. ADX was very encouraged by the production performance of the reservoirs at Nilde, the modest water depths (90 meters at Nilde), modest drill depths as well as excellent fiscal terms which enhance the potential commerciality of the resources in a low oil price environment.

The important attributes of the Nilde Area observed from the technical and economic work undertaken to date are summarised as follows:

- The presence of historical production data and test data for all undeveloped discoveries provides significant confidence in relation to the performance of reservoirs and crude quality which is light oil (39° API) discovered within the Nilde Area.
- High well productivities demonstrated by previous production wells (approximately 10,000 BOPD from vertical wells).
- Shallow drill depths (less than 1700m).
- Modest water depths (approximately 90m at Nilde main field location) and relatively benign sea conditions offshore Sicily.
- Excellent seismic data quality and good vintage 2D seismic coverage.
- Potential for a staged low cost development focusing initially on Nilde remaining resources and Nilde-Bis (approximately 28 million barrels 2C resource based on the Senergy estimate).
- A substantial 1C resource at Nilde and Nilde-Bis of 18 million barrels based on the Senergy estimate.
- The combination of the above factors results in robust indicative economics at sub US\$20 per barrel oil pricing for the 1C resource case.
- Simple, modest royalty based regime (4% royalty, with royalty free production of first 350,000 bbls oil).
- Near field exploration potential exists in the block which may provide significant upside beyond the discovered resources, notably a sizable undrilled anticline structure located just 7 kilometers NW of the Nilde main field area.