

27 April 2016



ADX Energy Ltd

Activities Report

Quarter Ended 31 March 2016

HIGHLIGHTS

COPORATE

- The implementation of overhead cost cutting measurements continued with the completion of all necessary legal, commercial and personnel processes to enable the closure of the Austrian office.
- Implemented asset refocus on low cost, low risk, profitable asset commercialisation with the announcement of contingent resources for the Nilde Area.

OPERATIONS

Offshore Italy:

- An independent third party assessment of the contingent oil resources in the Sicily Channel license d363C.R-.AX was completed by Senergy (GB), a member of the Lloyd's Register Group of Companies. The work, based on seismic, production and well test data resulted in **2C resources net to ADX of 34 million barrels of oil across the Nilde oil field and three tested discoveries.**
- The finalisation of potential Nilde project economics based on costs generated from ongoing discussions with FPSO contractors and drilling contractors which indicate the project is profitable at oil prices down to US\$ 20 per barrel for the 1C resources case and US\$ 15 per barrel for the 2C resources case, and
- Mapping of 5 exploration leads defined with existing 2D seismic in the d363C.R-.AX permit with total best estimate prospective resources of 90 million barrels of oil.

Onshore Romania – Parta license:

- Due to the increasing regulatory support and landowner willingness to sign permits a process has started to complete the 3D seismic permitting with a cost efficient experienced local team.

NEW VENTURES

- During the quarter activities focused on 2 oil field opportunities in Romania and potential exploration and appraisal assets in Italy.

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OPERATIONS

Offshore Italy Pantelleria Permits & d363C.R-.AX permit (*Operator, 100% equity interests*)

The d363C.R-.AX 3rd party independent resources review was completed by Senergy (GB) Ltd, a member of the Lloyd's Register group of companies. Senergy reviewed three tested oil discoveries in the vicinity of the prematurely abandoned Nilde oil field, together with the remaining resources of the abandoned Nilde field, should it be re-developed. The results are tabulated below:

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

CONTINGENT RESOURCES & DEFINITIONS Refer to ASX announcement by ADX dated 17/2/2016 and Notes below. ADX confirms that it is not aware of any new information or data that affects the information included in that market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. All resource figures quoted in this quarterly report are third party verified.

These highly encouraging results which were determined based on the volumetric resource estimation method was the catalyst for further geotechnical and reservoir engineering work to enable the development 3D geological model utilizing the extensive data set of seismic, drilling, production and well test data to develop a 3D visualisation of the reservoir including the properties which affect oil flow and oil recovery from the resources at Nilde and Nilde-Bis.

The 3D geological model will be the starting point for a reservoir simulation model that will be used to match historical production from the field. Matching historical production provides significant confidence in the geological model, the resulting reservoir simulation model and therefore the prediction of future production from the field.

The final results will be available during the next quarter however the work to date is encouraging. This work indicates that the Nilde and Nilde-Bis oil fields have:

1. A substantial larger OIIP (oil initially in place) potential in addition to the already proved and tested high permeability reservoirs.
2. A minimal pressure decline was measured after 20.5 mmbbls of oil production indicating an effective reservoir drive mechanism which should result in efficient and productive ongoing depletion of the reservoir. These findings provide further confidence that the Nilde field was prematurely abandoned due to a crash in oil prices, poor reservoir management to maximise short term production, the lack of water handling facilities on the vessel and the lack of any

Notes

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.

artificial lift capability in the Nilde well bores. Note that these types of water production and disposal facilities are commonplace in modern oil development and allow a large amount of oil to be produced in conjunction with any produced water.

As announced on the 21st of April 2016, ADX has continued to make progress in defining the Nilde project with the stated objective of declaring reserves by the end of 2016. The combination of excellent reservoir flow capacities (historically in excess of 10,000 bopd per well which are expected to continue due to still high reservoir pressures in the produced Nilde oil field), light 39 API oil proven for all discoveries, shallow water depths (around 95 meters), shallow drill depths (approximately 1500m) and the excellent Italian fiscal regime results in excellent field economics.

ADX worked closely with a number of contractors and industry advisors to determine realistic capital cost estimates for the potential development of the Nilde and Nilde-Bis fields. Indicative economics have been developed based on a FPSO development option which may not be the optimal cost outcome but is a solution that is readily available and can be bench marked with other comparable projects.

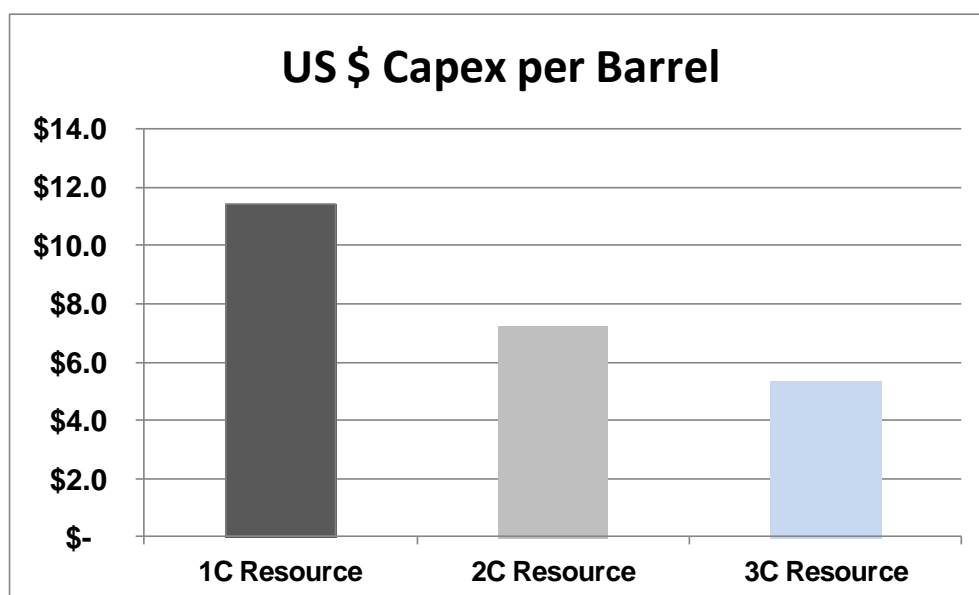
While leasing an FPSO facility is common place in the industry, ADX assumed the conversion of an existing tanker to an FPSO based on known costs that can be reliably bench marked rather than a leased solution which may provide a cost windfall in the current environment. The indicative economics assume a build own operate scenario rather than an optimized lease.

Other key development assumptions used for the Nilde and Nilde-Bis development economics are summarised as follows:

- The acquisition of 3D seismic and an appraisal well in 2017 (not utilised as a development well)
- Two subsea development wells drilled in 2018
- Commencement of first production in 2019

The assumption of first production is conservative for this project and is really a function of funding constraints while ADX develops confidence in the project rather than physical schedule limitations.

The expected capital costs per barrel for the project are very attractive for an offshore development. This is likely to lead to a project that is economic at low oil prices and very attractive at oil prices exceeding US\$ 40 per barrel.



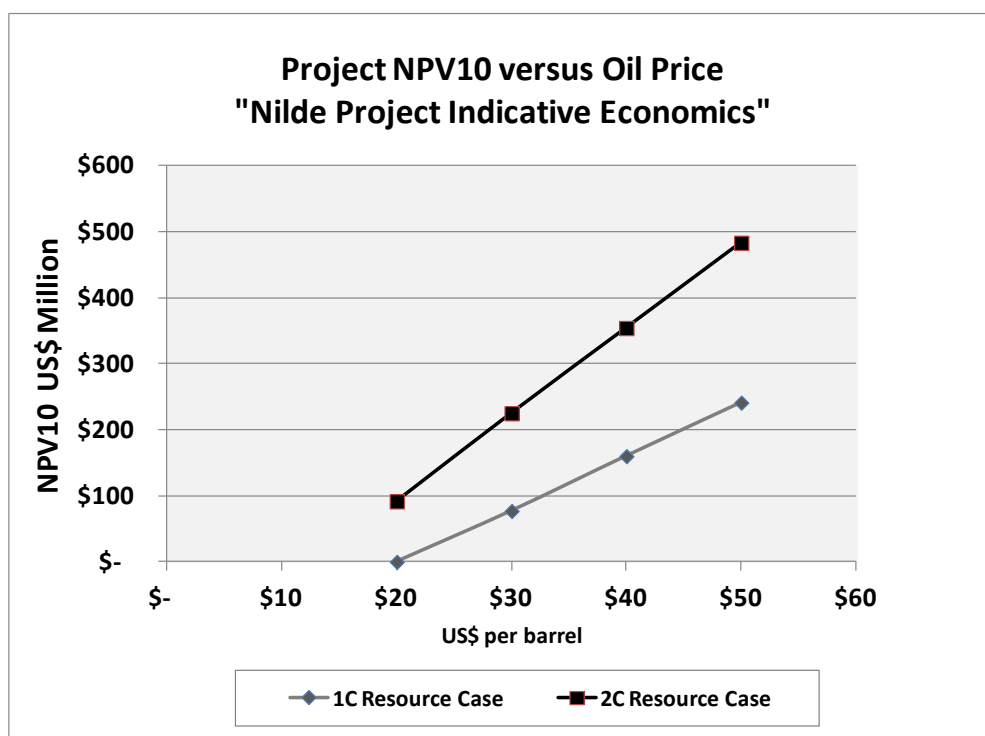
It should be noted that the current status of the oil and gas industry should provide ADX with further cost benefits given the trends in drilling costs, construction costs and FPSO utilisation rates than have been assumed in this analysis.

Three production scenarios were considered based on the Senergy Resources which are summarised below for each production case considered in the indicative economic analysis:

1C Production Case - Senergy ultimate recovery 18 mmbbl (Nilde and Nilde-Bis only)
▪ Initial rate of 6,000 bbl/d/well, decline 7.5% p.a. and massive water ingress in 5th year
2C Production Case - Senergy ultimate recovery 28.4 mmbbl (Nilde and Nilde-Bis only)
▪ Initial rate of 10,000 bbl/d/well, decline 5% p.a. and massive water ingress in 5th year
3C Production Case - Senergy ultimate recovery 38.8 mmbbl (Nilde and Nilde-Bis only)
▪ Initial rate of 14,000 bbl/d/well, decline 2.5% p.a. and massive water ingress in 5th year

Note: The Nilde 2 development well produced at an average rate of 10,000 barrels per day for over 5 years without decline.

Based on the above assumptions, the Post Tax Net Present Value for a discount factor of 10% indicates a potential Nilde and Nilde-Bis only development is robust for both the 1C and 2C resources cases at low oil prices and the project is potentially very valuable in the context of ADX market capitalization at oil prices above US\$ 40 per barrel.

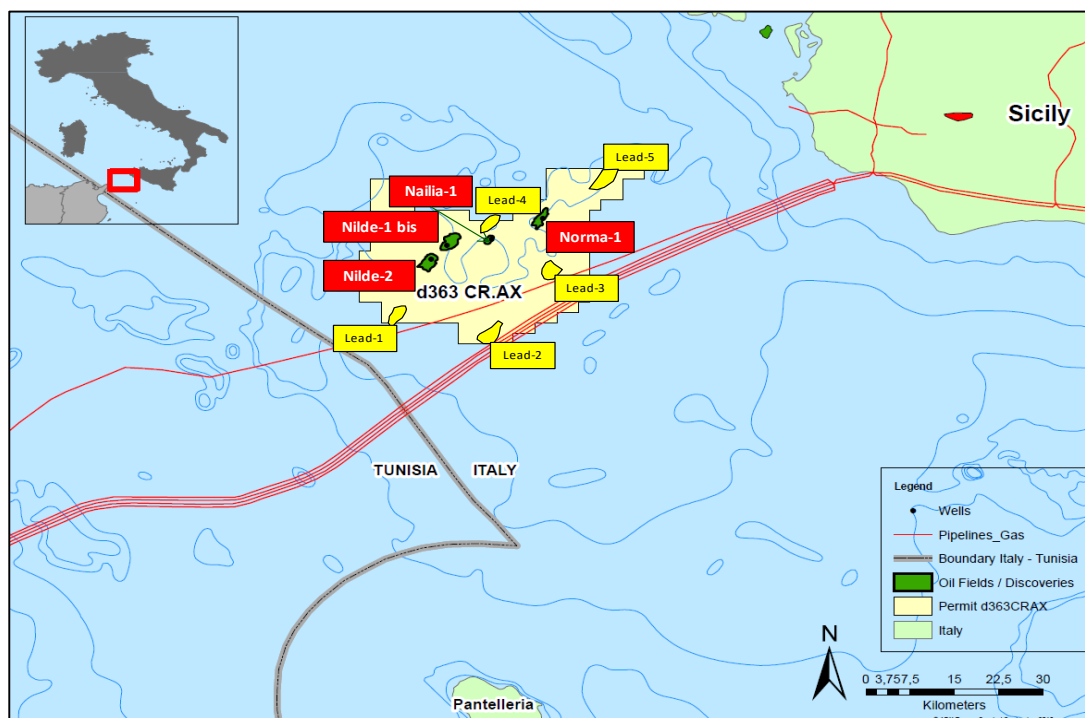


The key findings during the quarter regarding Nilde and Nilde Bis potential project economics are summarised as follows:

- Proven reservoir and excellent productivity of 10,000 bopd/well
- Shallow reservoir (1500 m TVDSS) and water depth (90 meters)
- Substantial resource of 28 mmbo 2C resources and 18 mmbo 1C resources from two proven accumulations at Nilde and Nilde-Bis
- High value high quality light crude (39 API gravity) proximal to refineries
- Excellent reservoir productivity enabling development with only two wells
- Low expected capital costs per barrel and excellent fiscal terms
- Indicative economics for the project demonstrate high profitability at oil prices above US\$ 40 per barrel and commercial viability below US\$ 30 per barrel for both 1C and 2C resource cases
- Economic value and profitability can be further enhanced with an FPSO lease option

While ADX intends to concentrate its efforts on the commercialisation of the Nilde and Nilde -Bis fields in the short term, the availability of near field exploration potential significantly enhances the opportunity for investors or potential farm in partners. Several well defined anticlinal structures exist within the license and ADX has commenced work on maturing the largest ones during the quarter.

The map below provides a reference summary of the tested oil discoveries and undrilled exploration leads.



ADX announced on the 21st of April 2016 the results of the mapping of 5 exploration leads defined with existing 2D seismic in the d363CR.AX permit with total best estimate prospective resources of 90 million barrels of oil.

Prospective oil resources (recoverable) for leading exploration leads in the permit are shown below.

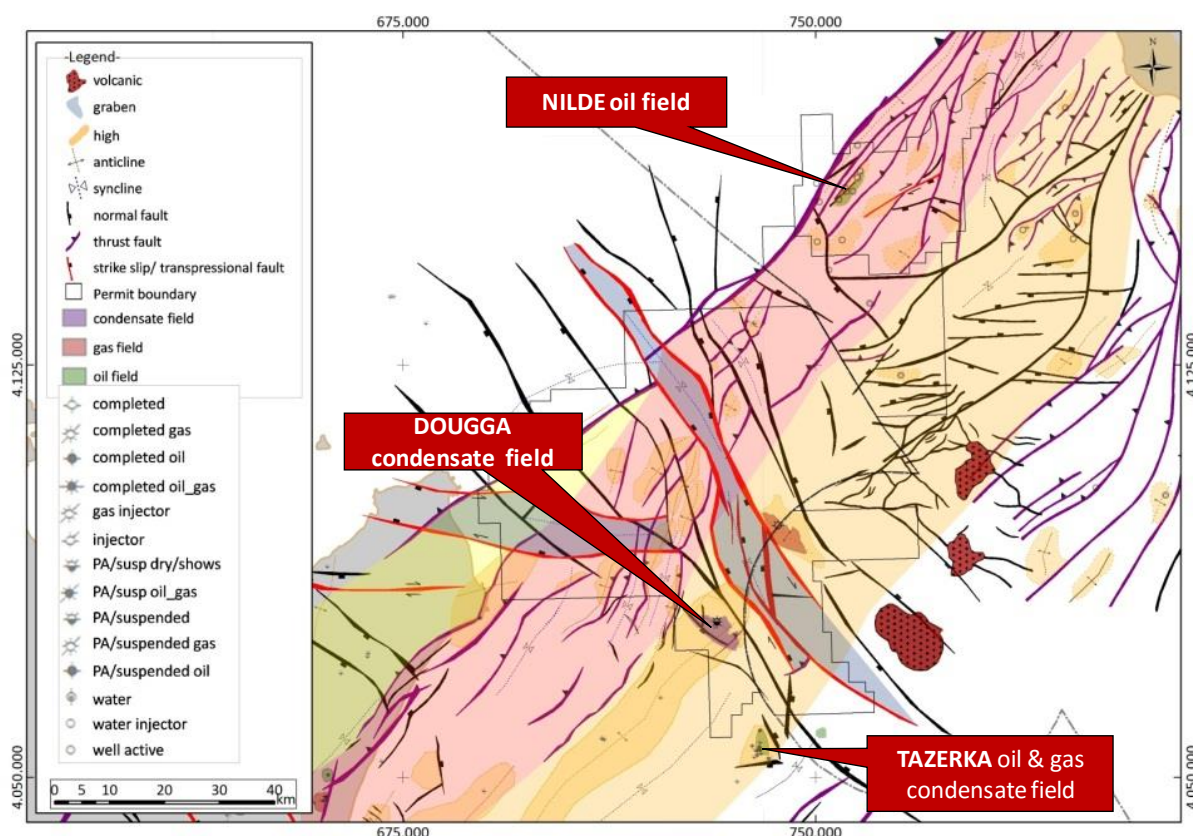
D 363 CR.AX Permit Prospective Resources MMb (Recoverable)			
Location	Low	Best	High
Lead 1 "Lippone Due"	8	13	20
Lead 2 "Nunzia Updip"	6	12	21
Lead 3	5	14	30
Lead 4	9	20	49
Lead 5	12	31	81
Total Permit	40	90	201

PROSPECTIVE RESOURCES & DEFINITIONS Refer to ASX announcement by ADX dated 21/2/2016. ADX confirms that it is not aware of any new information or data that affects the information included in that market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimates have been prepared by the company in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2011 approved by the Society of Petroleum Engineer. Prospective Resource estimates are for recoverable volumes and unless otherwise stated this report quotes Best Estimates. The estimates are unrisks and have not been adjusted for both an associated chance of discovery and a chance of development.

Offshore Tunisia Kerkouane permit (Operator, 100% equity interest)

In addition to technical planning work for a potential exploration 3D seismic, initial technical scoping work has been started for a potential joint development of the ADX owned Dougga gas condensate field (270 mmeboe 2C gas condensate resource) and the nearby abandoned Tazerka oil field which also has a potentially large undeveloped gas condensate resource beneath the exploited oil pool. The deeper reservoirs are identical to the Dougga reservoirs (Abiod formation) and also tested high yield gas condensate (Tazerka-1: 12 mmscf/d from a vertical well without any fracture stimulation). The Tazerka field is outside the ADX Kerkouane license and belongs to the license holders of the neighboring license to the south.

The map below shows the respective position of the fields mentioned above in their respective petroleum geological fairway setting:



Onshore Western Romania, Parta Concession (Operator, 50% equity interest)

A large number of access permits were obtained during the month to enable the acquisition of 3D seismic. Also, discussions and legal procedures with a few, selected large and high profile landowners have commenced.

With the strong legal and regulatory support from local authorities as well as the courts ADX and its JV partner are of the opinion that a local low cost conventional permitting phase can commence in the next quarter for 3D seismic acquisition.

Positive discussions in respect of 3D seismic acquisition over a producing oil field within the permit were held with both the field operator (Expert Petroleum) and the field license owner (Petrom).

FINANCE

ADX's cash at the end of the March 2016 quarter was \$0.311 million.

TENEMENT TABLE

Tenements held at the end of the quarter, their location, ADX's percentage held at the end of the quarter and changes thereof:

Permit	Percentage held at the beginning of the Quarter	Percentage held at the end of the Quarter	Percentage acquired
Offshore Tunisia, Kerkouane	100%	100%	-
Offshore Italy, d363C.R-.AX*	100%	100%	-
Offshore Italy, Pantelleria	100%	100%	-
Offshore Italy, d364C.R-.AX	100%	100%	-
Onshore Romania, Parta	50%	50%	-

* ADX has commenced a process with the Italian Designated Authority to convert the exclusively awarded application to a ratified licence. This process was commenced after the award by the Ministry of Industry. ADX believes ratification will occur during the first half of 2016.

SHARE INVESTMENTS

ADX Energy holds 26.7 million shares in ASX listed Riedel Resources Limited (ASX:RIE) (<http://www.riedelresources.com.au>).

Yours faithfully



Paul Fink
CEO/Technical Director



Ian Tchacos
Executive Chairman

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 presentation 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.