ASX Release

17 February 2016

INDEPENDENT ASSESSMENT OF "NILDE DISCOVERY AREA" RESULTS IN A 2C CONTINGENT RESOURCE OF *34 MILLION BARRELS* OF OIL OFFSHORE ITALY

HIGHLIGHTS

- **34 Million Barrels of 2C Contingent Resource assessed in the Nilde Area across Nilde oil field and three tested discoveries**
- **28 Million Barrels of 2C Contingent Resource assessed in the Nilde Field and Nilde Bis discovery area which are part of the same geological structure**
- **Based on the 1C Contingent Resource for Nilde Field and the nearby Nilde Bis discovery (18 Million Barrels) indicative economics conducted by ADX are robust at sub US$ 40 per barrel.**
- **Nilde Area in Block D 363 CR.AX of the Sicily Channel is held at a 100% equity by ADX**
- **Independent assessment by Senergy (GB) Limited, a member of the Lloyd's Register Group of companies**

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ADX Energy Ltd (**ASX:ADX**) advises that an Independent Assessment has been completed over the Nilde Area which incorporates the previously produced Nilde oil Field, the adjacent Nilde Bis discovery and two other discoveries in the D 363 CR.AX permit located in the Sicily Channel, offshore Italy. The D 363 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 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. ADX has been fortunate to have secured extensive geological, production and well test data provided from ENI (the Italian National Oil Company) to undertake its assessment of the resources and provide confidence in the results.

Refer to "Nilde Area Background" for a summary of the exploration and production history of the area.

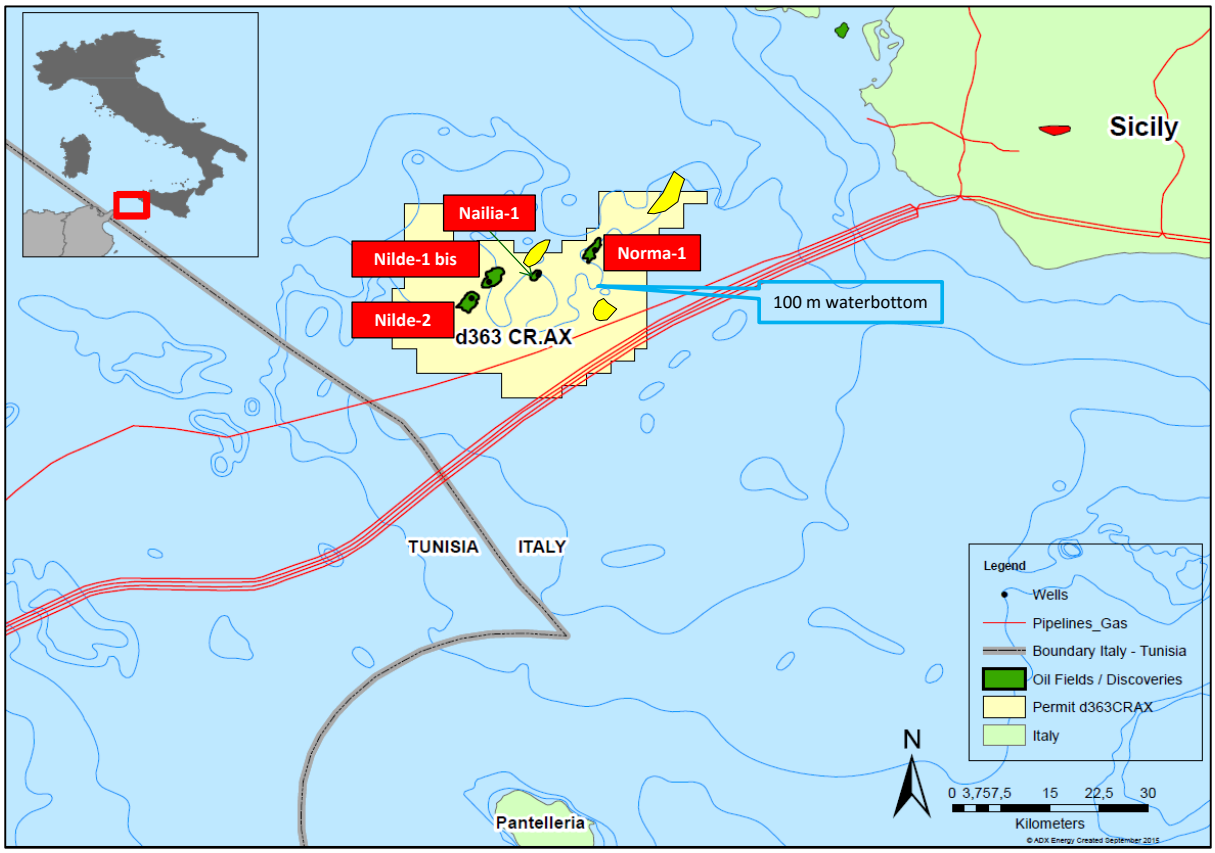

Figure 1: d363 CR.AX Permit showing Nilde Field and proximal discoveries. Exploration prospects shown in yellow.

ADX commissioned an independent resource assessment for the Nilde Area which was conducted by Senergy (GB) Limited, an independent consulting company and a member of the Lloyd's Register Group of companies with offices in Aberdeen, London, Stavanger, Abu Dhabi, Dubai, Jakarta, Kuala Lumpur, and Perth. The purpose of the assessment is to commence discussions with potential funding partners and contractors with a view to start prefeasibility work on the project.

The following table summarise the results of the independent evaluation of the Contingent Resources from the Nilde Area from the Senergy (GB) Limited report dated 15 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
Total[3]	20.2	34.0	54.4

The Contingent Resources in this release are stated at ADX economic interest (no overriding royalties apply).

The conversion of the Contingent Resources in the Nilde Area to reserves will require the acquisition of 3D seismic for optimal production well location, the completion field development feasibility and engineering studies, economic studies based on a preferred development option, the finalisation of a field / fields development plan and the necessary regulatory approvals.

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 (39º API) discovered within the Nilde Area.
- High well productivities demonstrated by previous production wells (approximately 10,000 BOPD from vertical wells).

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 P_{90} (90% probability), P_{50}, and P_{10}, 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.

- 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).
- A substantial 1C resource at Nilde and Nilde-Bis of 18 million barrels.
- Simple, modest royalty based regime (4% royalty, with royalty free production of first 350,000 bbls oil).
- The combination of the above factors results in robust indicative economics at sub US$40 per barrel oil pricing for the 1C resource case.
- 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.

Having independently established the resource potential of the Nilde Area, ADX now plans to engage with suitably qualified contractors and consultants to determine an optimal field development solution and commence further technical and economic studies with a view to establishing the viability of the resource. ADX will also explore the opportunity for industry funding or contractor alliance structures which may provide an innovative solution for the provision of production facilities in exchange for an equity share of production.

ADX Executive Chairman, Ian Tchacos said, "Despite the current oil price, the Board of ADX is very encouraged by the results of this independent analysis of resources in the Nilde Area. These resources are significant and provide tangible development potential which, based on indicative economics, may be valuable even at modest oil prices given the highly productive reservoirs, favourable operating setting and attractive fiscal terms. Nilde provides ADX with an immediate and significant focus area for shareholder value development."

Professional Qualifications

Senergy (GB) Limited, established in 1990, is an independent consulting company and a member of the Lloyd's Register Group of companies. The company specialises in petroleum reservoir engineering, geology and geophysics and petroleum economics. All of these services are supplied under an accredited ISO9001 quality assurance system. Except for the provision of professional services on a fee basis, Senergy has no commercial arrangement with any person or company involved in the interest that is the subject of this report.

Dr. Barry James Squire is the Commercial Project Manager of LR Senergy's Reserves and Asset Evaluation group and was responsible for supervising this evaluation. He is a professional petroleum geologist with over 25 years of oil industry experience gained in international companies, consultancy companies and within LR Senergy. He is a Fellow of the Geological Society, a member of the Petroleum Exploration Society of Great Britain and has a B.Sc. in Geology and a Ph.D. in Sedimentary Geochemistry both from the University of Manchester.

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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.

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. 3D seismic acquired by ADX in Tunisia had led to the discovery of large anticlinal prospects in the foothill area and it was hoped that the same could be achieved on the Italian side of the Sicily Channel area, albeit in a fiscally far more attractive regime. The initial review of ENI vintage seismic has led to the identification of several good sized exploration prospects, some of which are less than 10 kilometres from the Nilde oil field area.

ADX intends to acquire 3D seismic over both the Nilde oil field area to optimally locate future production wells and also cover nearby satellite exploration prospects.