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Oil Price Hedging to Secure Austrian Cash Flow

Key Points:

- ADX has entered into a hedging agreement for 40% of Gaiselberg and Zistersdorf fields forecast proven (1P) oil production over a 10-month period.
- The hedging agreement is a swap guaranteeing an average Brent price of US\$ 50.64 over the period.
- The hedging counterparty is BP.
- The financial risk associated with the swaps is considered very low given the high confidence of production revenues from the stable, mature, multi well production as well as additional revenues from associated gas production.
- While the fields are generating operating margins of approximately US\$ 20 per barrel at current Brent oil pricing; the hedging is intended to provide price protection in a currently volatile international crude oil market.
- ADX financial stability is further strengthened by the Euro 1 million of net revenue that has been generated from Austrian operations during the first 3 months of production since the acquisition of the fields was completed.

ADX Energy Ltd (ASX Code: **ADX**), is pleased to advise that it has executed agreements with BP to hedge the equivalent of 40% of ADX VIE GmbH (ADX wholly owned Austrian subsidiary) (**ADX VIE**) proven oil production profile for a period of 10 months. The hedging instruments are Dated Brent swaps at a fixed price of US\$ 50.64 per barrel over the period from 01 March 2020 to 31 December 2020. ADX VIE's oil sale revenues are indexed to Dated Brent price.

ADX has developed a hedging strategy to cover the majority of the operating costs associated with the ADX VIE's oil and gas production at the Gaiselberg and Zistersdorf fields. Implementing the hedge has taken some time in order to demonstrate the credit worthiness of ADX VIE via a track record of revenue and costs from the fields since their purchase in early December 2019. The hedging is intended to maintain profitability during a period of likely oil price volatility in Brent oil price.

The financial exposure attributable to the derivatives (swaps) relates to the inability to produce sufficient volumes sold at market price. The inability to produce the committed volumes of oil is very low in this case given the stable onshore, mature, multi well production at the Gaiselberg and Zistersdorf fields. Additional revenues are also generated from associated gas production.

ADX Energy Ltd (ASX:ADX)

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ADX has generated approximately Euro 1 million of net revenue from its Austrian operations during the first 3 months of production to the end of February 2020. The funds that have been generated already further strengthen the Company's financial position enabling ongoing life extension projects and well work over programs to go ahead that are expected to deliver additional reliability, production and reserves.

The stable, long lived, low decline and high value oil production combined with a relatively low operating cost per barrel ensures that the Gaiselberg and Zistersdorf fields will continue to deliver strong cash flow in the long term despite the recent weakness in oil pricing.

For further details please contact:

Paul Fink
Chief Executive Officer
+61 (08) 9381 4266
paul.fink@adx-energy.com

Ian Tchacos
Executive Chairman
+61 (08) 9381 4266
iantchacos@bigpond.com

END OF THIS RELEASE - Authorised for lodgement by Ian Tchacos, Executive Chairman