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Inactive Parta (Romanian) Exploration Licence Lapses due to Dispute over Land Access

ADX Energy Ltd (**ASX Code: ADX**) ADX holds a 49.2% shareholding in Danube Petroleum Limited (Danube). Danube, via its wholly owned subsidiary, ADX Energy Panonia SRL (Panonia). Panonia holds a 100% interest in the Parta Exploration licence (Parta) and a 100% interest in the Iecea Mare Production licence. ADX is the operator of the permit in accordance with a joint operating agreement (JOA). The remaining shareholding in Danube is held by Reabold Resources Plc.

ADX Energy Panonia SRL is the Romanian licence holder in accordance with the concession agreement for exploration phase 1. The total concession agreement duration is 20 years with a possible 15-year extension. At the end of the exploration phase 1, which expired on 3 December 2022, ADX had the option to immediately enter the exploration phase 2 by assuming further commitments or apply for an extension, which required a government-ratified approval.

ADX (on behalf of Panonia and its shareholders) has been in discussions with the Romanian Regulatory Authorities since before the expiry of the licence regarding an extension of the licence. ADX repeatedly requested an extension due to the inability to perform the work plan in Parta as a result of regulatory constraints, delays and operational access restrictions. These unforeseen delays and operational restrictions have prevented Panonia from undertaking a satisfactory work program despite investing in excess of EUR 10 million in exploration related expenditure, thereby denying Panonia the opportunity to drill wells in the most prospective areas identified within the licence area.

Panonia has been unable to conduct phase 1 exploration activities in Parta since 2019 which prevented work to be undertaken during the allocated exploration term (which lapsed in 2022) without an extension of the licence. ADX chose not to proceed with a phase 2 exploration program because this work was contingent on phase 1 exploration results. Since it was not possible to complete phase 1 exploration activities Panonia could not make an assessment of the exploration potential of the permit.

Delays and Operational Access

While Panonia was able to undertake some limited work during the exploration period, including seismic acquisition and the drilling of the Iecea Mica exploration well, it was denied access to the most prospective areas of the permit due to following circumstances and limitations applicable to the jurisdiction of the Relevant Authorities;

- A 3-year delay in the ratification of the Parta 10th Round exploration licence resulting in the rapid urban expansion of the city of Timisoara as well as coordinated resistance from landowners and residential home developers. The delay denied Panonia access to most prospective areas of the permit.
- In other areas of the Parta licence, the inability to complete the acquisition of sufficient 3D seismic due to access denied to the area and strong resistance from landowners. In some cases, ADX had to deal with insurrection and physical threats to employees and contractors.
- Where ADX did secure access, it was only after incurring significant legal costs (in excess of EUR 500,000) to address hundreds of court cases with the local landowners and agricultural associations. Despite the added cost and extensive delay, Panonia was unable to acquire adequate seismic coverage over the most prospective areas of Parta and as a result was unable to drill exploration wells in prospective areas of the permit.

Dispute Resolution

In addition, due to legal framework applicable to the concession agreement and regulatory inflexibility, there is no mechanism to transfer work programs to more appropriate accessible areas or negotiate an alternate agreement for Parta.

The lack of regulatory flexibility did not allow Panonia to yield any positive outcome with the Regulatory Authority in order to secure an extension of the Parta exploration phase. ADX was reluctant to enter into exploration phase 2, with additional significant commitments, due to the inability to perform the phase 1 program despite its reasonable efforts. As a result, the Regulatory Authority has advised that exploration phase 1 of the licence has expired. The Regulatory Authority has issued Panonia with invoices totalling EUR 4.2 million relating to alleged expenditures related to the unperformed exploration commitments applicable to the Parta for seismic acquisition and drilling based on the concession agreement.

ADX (on behalf of Panonia) will formally dispute the invoices on the basis of having incurred significant costs to address the unforeseen challenges attributable to the work program, as well as due to the regulatory delays and access restrictions which have prevented Panonia from entirely fulfilling the work program, and denied Panonia the ability to benefit from the potential upside from making a discovery.

ADX also reserves its rights to bring counterclaims for financial losses in excess EUR 10 million and consequential losses due to its inability to exercise its rights under the concession agreement to access land and explore in the most prospective areas of the permit.

ADX retains its rights in relation to Iecea Mare Production licence and the Iecea Mica- 1 well.

Further updates in relation to this matter will be provided to shareholders when available.

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Authorised for lodgement by Ian Tchacos, Executive Chairman

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