

31 January 2011

Activities Report

Period Ending 31 Dec 2010

Highlights

Operational

- The preparations for drilling of the Sidi Dhaher well in the Chorbane license, onshore Tunisia continued during the quarter and a suitable rig was secured.
- Verus Investments Ltd has signed a farm-in agreement to earn 10% interest in the onshore Tunisia Chorbane permit upon completion of the Sidi Dhaher well.
- The new ADX in-house 3D seismic re-evaluation of the Dougga Gas Condensate field, Kerkouane permit, offshore Tunisia has resulted in an increase of hydrocarbon in place figures. Most notably for the high confidence resources case (P90), where an increase from 320 to 455 bcf IGIP (Initial gas in place) was estimated.
- Lodgement of a prospectus with ASIC for an Initial Public Offering (“IPO”) of Riedel Resources Limited incorporating ADX’ gold and base metal assets. The offer closed on the 24th of December 2010 raising A\$5.22 million. The IPO enables ADX to continue its stated transformation into a focused energy company while ensuring that its highly prospective gold and base metal assets secure the appropriate management and funding to achieve their potential.

Farmouts, Asset Sales and Funding

- Execution of a farmout for 10% of its 50% remaining interest in the Chorbane Permit with Verus Investments Limited. ADX received US\$1,350,000. The transaction represents a 2 for 1 farm-in deal plus back costs.
- The placement to institutions and sophisticated investors of 60,240,964 shares at 8.3 cents each to raise gross proceeds of \$5 million.

ADX Energy Ltd

AUSTRALIA

Suite 6, Level 2
11 Ventnor Ave, West Perth
Western Australia 6005
PO Box 913 West Perth
Western Australia 6872

T +61 (08) 9226 2822

F +61 (08) 9226 5333

E admin@adxenergy.com.au

ABN 50 009 058 646

AUSTRIA

Kundratstrasse 6/2/1
A 1100 Vienna, Austria

T +43 (0) 1 641 0189

F +43 (0) 1 641 0189 20

www.adxenergy.com.au

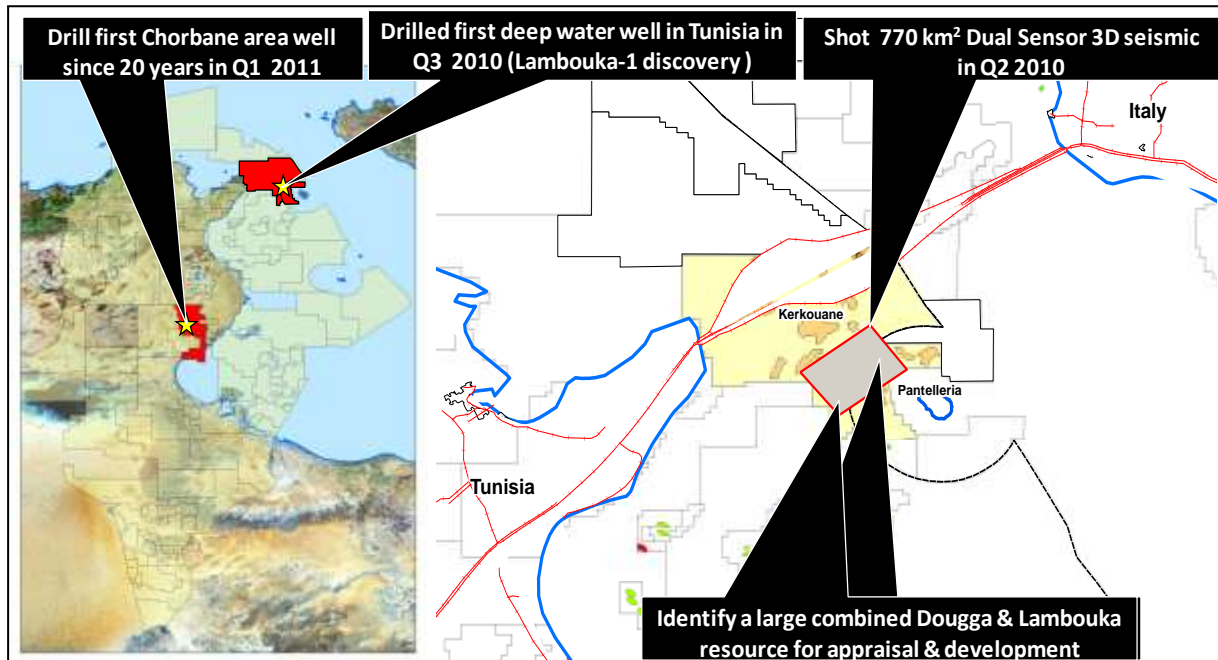


Figure 1: Tunisia & Italy ADX operated Assets and 2010 activities summary. The purple areas in the right hand figure show the Dougga and Lambouka discoveries. Light orange areas are exploration prospects.

Offshore Tunisia & Italy - Kerkouane & Pantelleria Permit (ADX operated)

Following the discovery and subsequent suspension of the Lambouka-1 well for re-entry, the technical focus for the quarter was on the Dougga gas condensate discovery and its re-evaluation based on the newly acquired leading edge (dual sensor technology) 3D seismic. The potential for a gas development at Dougga has recently been significantly enhanced by the nearby Lambouka gas discovery. Together Dougga and Lambouka represent a compelling appraisal and potential development opportunity with a potential mean Recoverable Contingent Resource exceeding 500 bcf and 70 mmbbls of condensate.

The 3D seismic acquired in 2010 covers both discoveries and has identified additional medium to low risk exploration prospects which can be quickly monetized through tie-in. Several additional large size prospects have been identified on 2D seismic. In 2010 Shell acquired a very large 3D survey (1,520 km²) to cover this very prospective trend with 3D seismic in the adjacent Sicily Channel licenses.

Lambouka Resource Evaluation

ADX holds a 30% interest and is operator of Lambouka and the surrounding Lambouka prospect area.

Following the completion of drilling of the Lambouka–1, activities concentrated on the evaluation of results from the discovery well. The evaluation was undertaken by ADX based on incorporating the following data;

- a comprehensive set of LWD and wireline log data
- gas chromatography data acquired during the Lambouka #1 drilling campaign; and
- an updated 3D seismic interpretation incorporating geological data acquired during the drilling of the Lambouka #1 well.

ADX utilised a number of third party log analysis experts to review log data and contribute to this evaluation.

ADX estimates of recoverable resources at Lambouka

	P90	P50	Mean	P10
Sales Gas [BCF]	145	277	309	528

While condensate estimates have not been included in the above estimates, gas chromatograph measurements taken while drilling indicate condensate rich gas is present at Lambouka. Using a similar gas condensate ratio to Dougga for Lambouka would result in condensate resources of 24 mmbbls based on the mean resource estimate.

Unlike the nearby Dougga field which contains relatively high proportions of CO₂ (i.e. 30%) it is assumed that no CO₂ is present at Lambouka given that CO₂ was not detected on measuring equipment during the drilling of the well.

Dougga Revised Resource Evaluation

ADX holds a 60% interest and is operator of Dougga and the surrounding Kerkouane permit.

ADX revised its resource evaluation for the Dougga gas condensate field based on the results of ADX remapping using its leading edge dual sensor 3D seismic data acquired earlier in 2010.

The results of the ADX in-house evaluation can be summarised as follows (Table 1);

- Increase of in-place gas and condensate volume estimates across all confidence categories – 42% for P(90), 26% for P(50) and 11% for the P(10) estimate

- 3D seismic mapping indicates 300 meters of updip potential from Dougga-1 discovery well which is interpreted to have intersected a 200+ metre column of gas and condensate.

Table 1: Dougga Probabilistic in-place raw gas volumes				
Confidence Case	P(90)	P(50)	P(10)	Mean
Tacs 2009 "In Place Volume" (bcf)	320	559	983	621
ADX Nov 2010 Estimate "In Place Volume" (bcf)	455	702	1089	742
<i>Percentage Change</i>	<i>+42%</i>	<i>+26%</i>	<i>+11%</i>	<i>+19%</i>

In addition to the substantial potential increase to the "high confidence" P90 contingent resource case as a result of the 3D seismic mapping, the seismic has also revealed the potential for a thicker high quality reservoir further updip from the Dougga-1 well intersection.

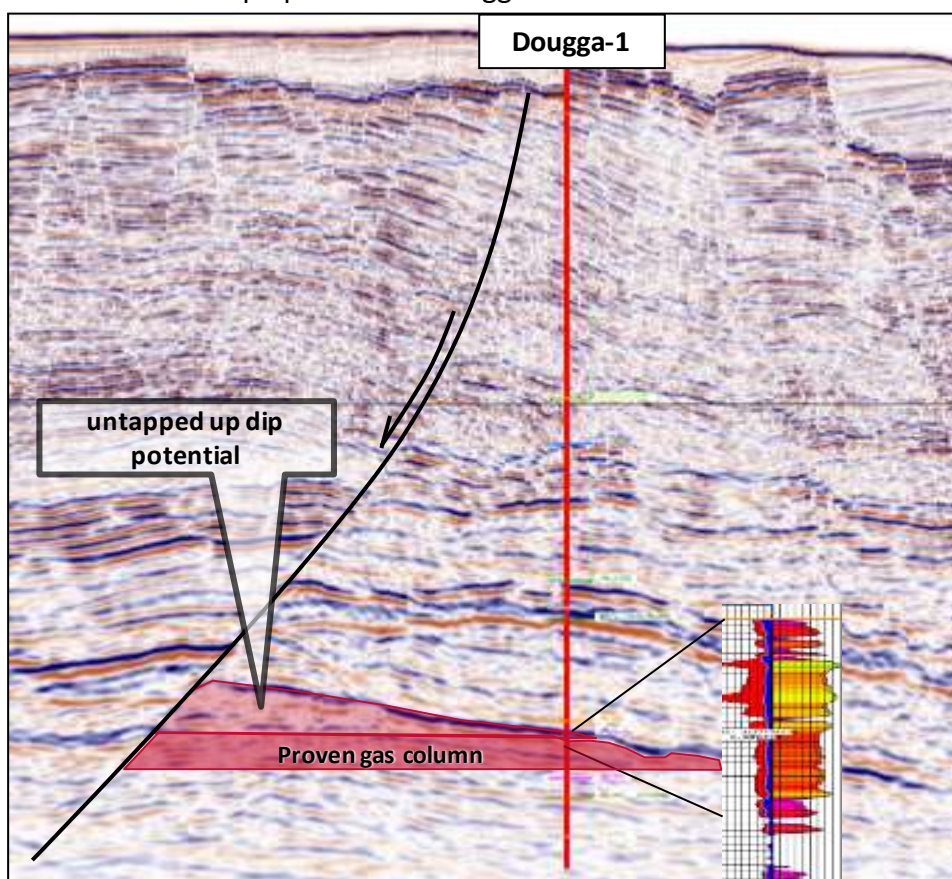


Figure 2: Seismic cross section from 3D volume through Dougga-1 well. Note additional seismic events beneath top reservoir event. This indicates additional reservoir.

As a result a location approximately 300 meters updip from Dougga-1 will provide an excellent candidate for a future Dougga well.

The 3D seismic interpretation also indicates that Dougga is likely to contain a highly fractured reservoir analogous to that encountered at Lambouka. The interpreted fracturing and additional reservoir section based on ADX 3D seismic mapping enhances the potential for good reservoir productivity which in turn is important for the commerciality of Dougga. Demonstrating commercial gas and condensate flow rates via well test will be a key objective of the next well on the Dougga structure.

ADX on behalf of its partners is undertaking a pre-feasibility review of Dougga incorporating the results from the recently acquired Kerkouane - Pantelleria 770 km² 3D survey (640 km² full fold, full aperture) which covers Dougga, revised cost estimates and alternative development options. It is intended that a well is drilled on the Dougga structure during 2011 with a view to establishing the commerciality of this potentially significant resource.

Onshore Tunisia - Chorbane Permit (ADX operated)

ADX is the operator and holds a 40% interest.

During the quarter all necessary approvals for the drilling of the large Sidi Dhaher structure were obtained and preparations for a Q1 2011 spud date have commenced. By the end of the quarter most of the tender and contractor and supply sourcing processes had been completed and civil works to prepare the rig site had successfully commenced.

In order to further strengthen its cash position and still remain with a significant share of Chorbane (i.e. 40% now), ADX executed a farm-out deal with Verus Investments Limited. Under the terms of the agreement ADX received US\$1,350,000 by the 3rd of December 2010. The transaction represents a 2 for 1 farm-in deal plus back costs.

The Sidi Dhaher structure has significant closure at Eocene through to the Lower Cretaceous and Jurassic reservoirs that add significant upside and risk reduction to the prospect.

Reprocessed seismic over the Sidi Dhaher Prospect has identified an Eocene (Metlaoui - El Gueria reservoirs) Direct Hydrocarbon Indicator

(DHI) or flat spot that is conformable with structure which ADX interprets as indicative of trapped hydrocarbons. The DHI is a positive indication of good porosity; trap integrity and hydrocarbon generation, thereby significantly increasing the likelihood of a discovery. The most likely case resource estimates for the Metlaoui are – 175 bcf of gas with the possibility for an oil leg.

Of special interest is the large closure (+25km²) at the Upper Cretaceous reservoir level that is, in many respects, comparable to the Sidi-El Kilani field, which to date has produced approximately 50 mmbbl of oil from the same horizon and is on the same structural trend, approximately 30km north of the Sidi Dhaher Prospect.

Finally, Sidi Dhaher mean recoverable resources are estimated by ADX to be 350 bcf and 7 mmbbl of condensate at the Jurassic level.

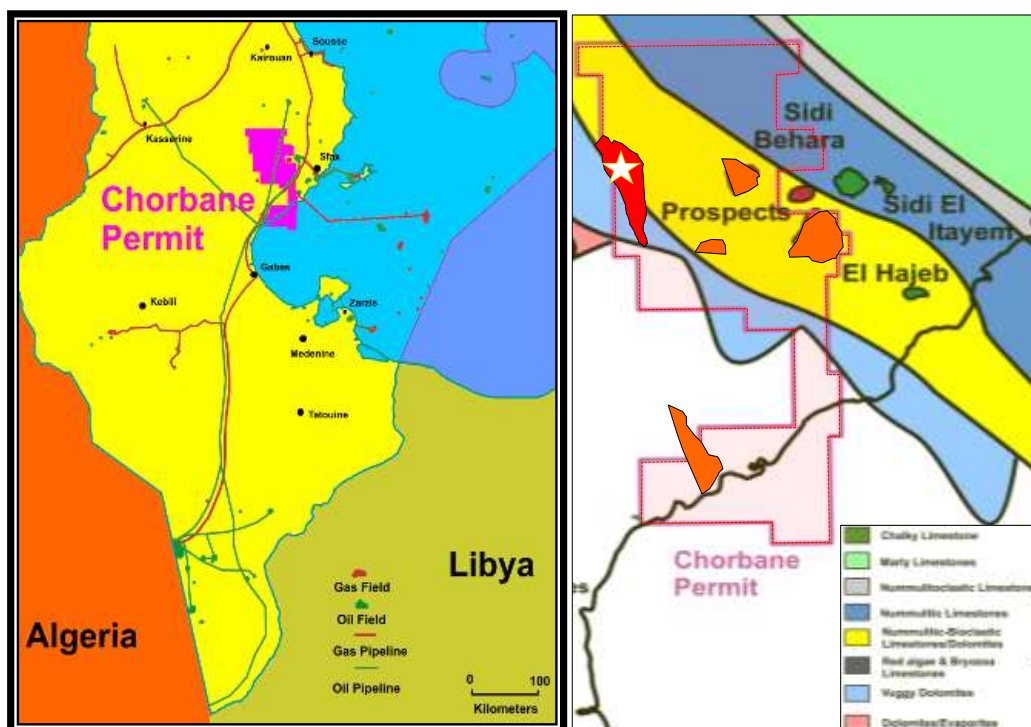


Figure 3: Maps showing Chorbane block outlines and infrastructure (left map) and Sidi Dhaher Prospect (see star symbol on right map) in relation to proven reservoir fairways inside which the DHI over Sidi Dhaher was mapped.

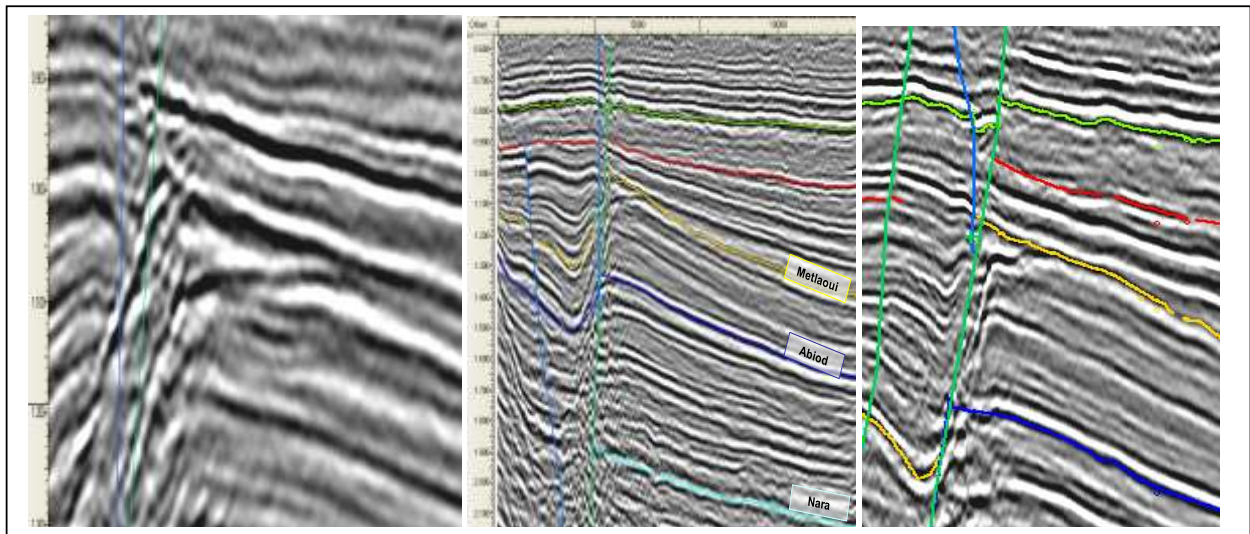


Figure 4: Seismic lines through Sidi Dhafer prospect showing also flat spot at the shallow nummulitic limestone target. Deeper prospective target reservoirs will also be penetrated.

Romania: Parta Concession Awarded and AMI Activities

ADX is the operator and holds a 60% interest in the awarded block.

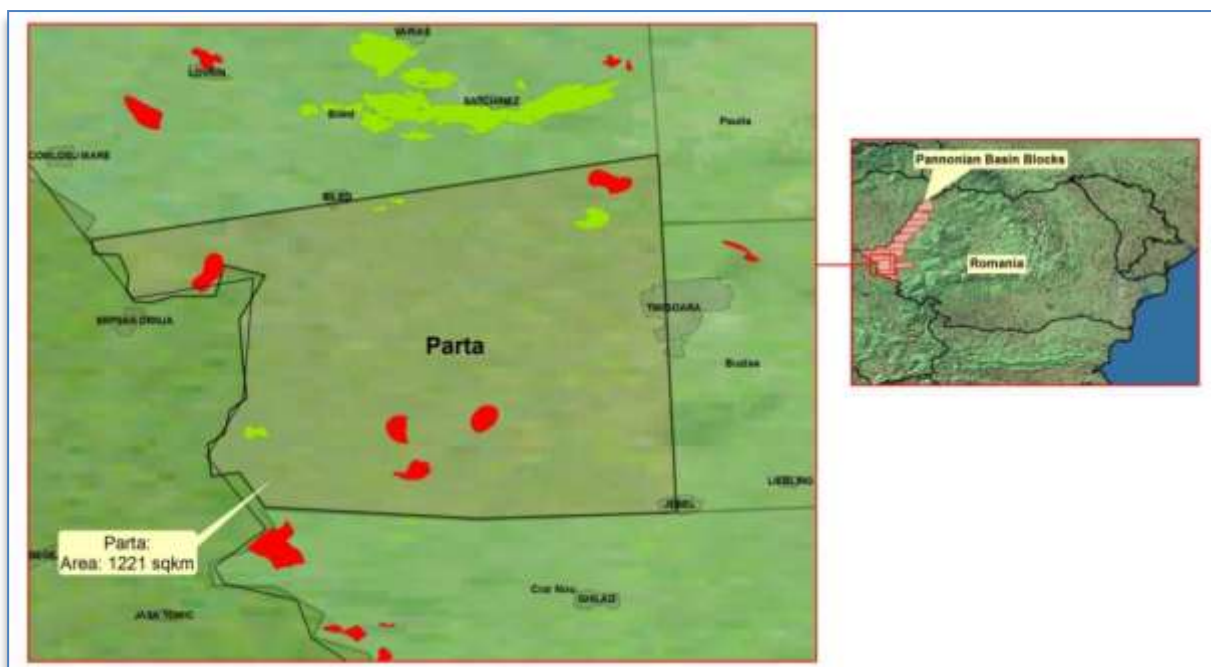


Figure 5: Map showing Parta block location. Red and Green areas depict existing gas and oil fields, respectively.



Following the success of ADX and its Area of Mutual Interest, partners (ASX listed Caspian Oil & Gas Limited and Sibinga Petroleum Limited) in being awarded exploration block EX-10 PARTA in Romania during the 10th bidding round in 2010 in the Romanian Pannonian Basin, activities concentrated on finalising the concession agreement with NAMR (Agentia Nationala Pentru Resurse Minerale).

The PARTA block has an area of 1221 km² and is located in the southern Pannonian basin area of western Romania. This prospective block covers 7 excised oil and gas fields and is considered underexplored based on seismically identified prospectivity.

ADX has identified 12 leads and prospects which are estimated to contain a total of 47 mmbbls of oil and 480 bcf of gas (recoverable mean prospective resource potential). Upon ratification by the Romanian Government of the concession agreement which is anticipated in May 2011, ADX will commence seismic operations.

Australia: Gold and Base Metal Assets

A prospectus for Riedel Resources Limited was lodged with ASIC for an Initial Public Offering incorporating ADX' gold and base metal assets. The offer closed on the 24th of December 2010 raising A\$ 5.22 million. ADX retains 42.94% of the Company.

This IPO enables ADX to continue its stated transformation into a focused energy company while ensuring that its' highly prospective gold and base metal assets secure the appropriate management and funding to achieve their potential.

Corporate and Finance

ADX completed a placement to institutions and sophisticated investors of 60,240,964 shares at 8.3 cents each to raise gross proceeds of \$5 million. The placement comprising of 50 million shares as approved by shareholders at the annual general meeting on 15 November 2010 and an additional 10,240,964 shares issued under the Company's 15% placement power under ASX Listing Rule 7.1.

The funds raised in the Placement will be used to fund exploration and appraisal work programs in Tunisia and Romania, including costs relating to the recently completed Lambouka well in Tunisia, project acquisitions opportunities and provide working capital to the Company.



ADX will receive additional funding from the release of a US\$1 million bond upon commencement of drilling the Sidi Dhaher well. The bond was previously paid 100% by ADX.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Wolfgang Zimmer', written in a cursive style.

WOLFGANG ZIMMER
Managing Director