

3 August 2011

## ADX : Sidi Dhafer operations update

ADX Energy Ltd (**ASX:ADX**) is pleased to provide the following update on progress with preparations for the commencement of drilling the Sidi Dhafer well on the Chorbane licence, onshore Tunisia.

The rig up process has been essentially completed save for a few small, but critical operational safety items that remain unresolved which are resulting in an ongoing delay in the spudding of this well.

Material critical for the testing of the Blow Out Preventer ("BOP") and diverter as well as certain pressure valves and related transducers for the standpipe have been delayed in delivery to the well site location due to transport and customs challenges resulting from this equipment being sourced from the drill contractor's (Challenger Limited) regional offices in Benghazi, Libya.

While the Challenger rig is now basically rigged up and ready to operate, due to the prevailing conditions in Libya and delays in Tunisian customs processing, the rig cannot be formally accepted by ADX, the operator of the Sidi Dhafer well, until such time as these safety critical items are on site, installed and satisfactorily inspected and tested. ADX therefore anticipates that there will be some minor but frustrating additional slippage in the anticipated spud date for the well.

Under normal circumstances ADX would expect the above issues to be resolved within a few days however given the current political situation in Libya, ADX is not yet in a position to provide an estimate of the likely spud date for this well. ADX notes that payments to the drilling contractor for use of this rig will only commence once the rig is fully commissioned and accepted as ready to spud by ADX.

The Sidi Dhafer prospect is located in the 2,428km<sup>2</sup> large Chorbane Exploration Permit onshore central Tunisia near the port city of Sfax. It is surrounded by several producing oil fields and extensive oil and gas infrastructure. A summary of the Chorbane Permit and the Sidi Dhafer prospect is attached to this ASX release.

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Participant interests in the Sidi Dhaher -1 well will be as follows;

<b>ADX Energy Ltd</b>	<b>40%</b>	<b>Operator</b>
Gulfsands Petroleum Plc	40%	*
XState Resources Ltd	10%	* (ASX code: XST)
Verus Investments Limited	10%	* (ASX code: VIL)

Note: The respective participant interests in the Sidi Dhaher well and the Chorbane Permit are based on the completion of all farmin obligations.

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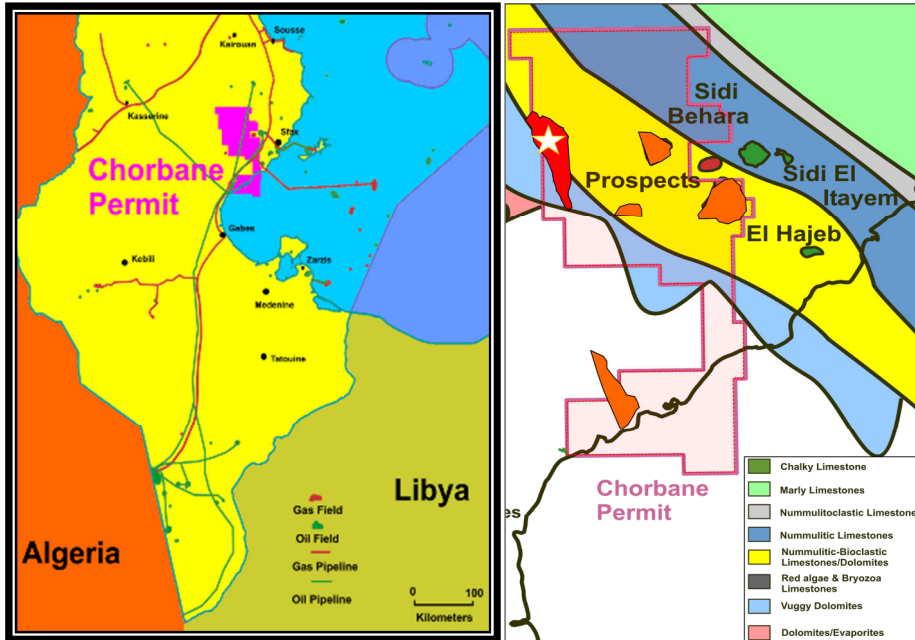
## Chorbane Permit Summary

The ADX operated Chorbane Exploration Permit is located mainly onshore central Tunisia. The permit is relatively underexplored containing prospects and leads with multiple oil and gas potential. Chorbane is favorably located with regard to infrastructure for both oil and gas export due to its proximity to a number of producing fields, oil and gas pipelines and the port of Sfax. Several proven petroleum systems are evidenced by fields on trend that produce or have tested oil, condensate and gas.

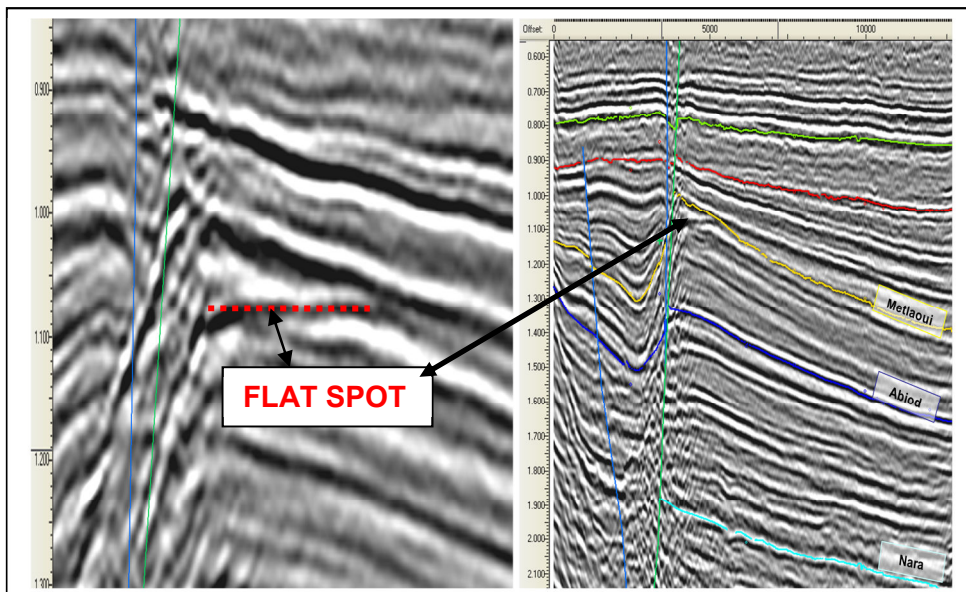
The largest structure mapped and the most highly ranked prospect is the multi-reservoir Sidi Dhaher prospect. The structure has large closure at Eocene through to the Lower Cretaceous reservoirs that provide significant resource potential.

A Direct Hydrocarbon Indicator (DHI, flat spot) which is indicative of a gas-water contact has been identified in the Metlaoui reservoir that significantly enhanced the expectation of success. Additionally a large closure (+25km<sup>2</sup>) exists at the Abiod reservoir level that is analogous to the Sidi-El Kilani field which to date has produced approximately 50 mmbbls of oil from the same horizon 30 kilometers north of Sidi Dhaher prospect.

The Sidi Dhaher prospect has estimated prospective resources of **175 billion cubic feet** (5 billion m<sup>3</sup>) of recoverable gas at the Metlaoui level and **44 million barrels** (5.9 million tons) of oil for the Abiod Formation. Additional targets also exist including the deeper Douleb and Bireno reservoirs that produce oil and gas in the Guebiba-El Hajeb field immediately east of the permit.



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



Seismic lines through Sidi Dhafer prospect also showing a flat spot at the shallow reservoir target. Deeper prospective reservoirs such as the Abiod, Douleb and Bireno reservoirs will also be penetrated.