



# **ADX Energy Ltd**

ABN 50 009 058 646

**ANNUAL REPORT**

**31 DECEMBER 2019**

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# ADX ENERGY LTD

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**ADX ENERGY LTD**  
**CORPORATE DIRECTORY**

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**Directors**

Ian Tchacos (Executive Chairman)  
Paul Fink (Technical Director / CEO)  
Andrew Childs (Non-Executive Director)  
Edouard Etienvre (Non-Executive Director)  
Philip Haydn- Slater (Non-Executive Director)

**Company Secretaries**

Peter Ironside  
Amanda Sparks

**Registered and Principal Office**

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**Share Registry**

Computershare Investor Services Pty Ltd  
45 St Georges Terrace  
Perth, Western Australia 6000  
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**Solicitors**

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
Perth Western Australia 6000

**Bankers**

Commonwealth Bank of Australia  
1254 Hay Street  
West Perth Western Australia 6005

**Stock Exchange Listing**

Australian Stock Exchange  
2 The Esplanade  
Perth Western Australia 6000  
ASX Code: ADX

**Auditors**

Rothsay Auditing  
Level 1, Lincoln Building  
4 Ventnor Avenue  
West Perth Western Australia 6005

**ADX ENERGY LTD**  
**CHAIRMAN'S REPORT**

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Dear Shareholders

ADX has taken its first major steps in late 2019 to satisfy its stated corporate ambitions of becoming a European focused producer, developer and explorer with the purchase of long-life producing Gaiselberg and Zistersdorf oil fields in Austria and the drilling of a successful Iecea Mica -1 (IMIC-1) appraisal well in Romania. I am also pleased to report safe and efficient drilling operations were accomplished during drilling of IMIC-1 in Romania.

As a result of the abovementioned progress we have created an excellent platform for growth onshore Europe. ADX has become only the third production operator in Austria with a multi-disciplinary management, technical and operations team established in Vienna, Austria. ADX is also licensed to operate both production and exploration in Romania. The Company is well placed to take advantage of operational synergies which exist between Austria and Romania utilising its core team now in Vienna with corporate, administrative and finance support provided by our Australian head office.

Our focus is now onshore in two unique, low cost, pro-development jurisdictions with favourable fiscal terms, excellent access to infrastructure and high energy pricing for both oil and gas. ADX has multiple development, appraisal and exploration opportunities in Austria and Romania where the Group can generate rapid returns on investment and cashflow growth.



**Location of ADX projects and offices in Europe.**

***Austrian Production Acquisition***

The Zistersdorf and Gaiselberg fields are longest lived producing oil fields in Europe. The fields infrastructure includes processing facilities, pipeline network, storage tanks and a pipeline directly to the refinery in Schwechat nearby Vienna. ADX owns these facilities as well as surrounding agricultural land used for wine growing.

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**CHAIRMAN'S REPORT**

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State of the art control and monitoring systems ensure efficient, safe and low emission production. The crude oil is a premium product produced to stringent environmental standards. The fields are expected to be in production for up to a further 20 years providing local employment and high value, essential raw materials for Austria's economy.

The benefit for ADX investors is high value, predictable, low decline and sustained cash flow with further reserves upside potential from already identified infill drilling opportunities. In addition to developed and undeveloped reserves at Zistersdorf and Gaiselberg further development drilling opportunities exist from underdeveloped reservoirs with proven productive potential that can be exploited from the existing infrastructure footprint.

The fields have performed above expectation and we intend to be in a position to report further on the fields remaining reserves position as well as infill drilling opportunities to grow the reserves basis in the coming year.



**The Zistersdorf & Gaiselberg fields in the Vienna Basin**

A further benefit beyond the existing and potential reserves at Zistersdorf and Gaiselberg is additional intrinsic value available from well-maintained oil and gas infrastructure and reservoirs which can be utilised for alternate energy storage (such as hydrogen) and decarbonisation technologies in high value markets such as onshore Europe.

In addition to the Zistersdorf and Gaiselberg fields acquisition, ADX has acquired exclusive rights to exploration data in Upper Austria including 3D seismic with a EUR 100 million replacement value and a matured, ready to drill prospect inventory. ADX has already utilised this data to apply for a highly prospective acreage portfolio in upper Austria with access to adjacent infrastructure on attractive terms. It is ADX's goal to finalise terms for the application areas during the second half of the current year. In addition to conventional oil and gas targets the area provides the opportunity to pursue proven geothermal potential. Several prospects have dual geothermal and hydrocarbon resource potential.

*Romanian Appraisal Program*

Romania is an excellent investment destination with a rapidly growing economy, a predictable regulatory framework, good access to infrastructure and favourable fiscal terms where ADX has established itself with strong local relationships as well as exploration and production operating credentials.

Following the successful drilling of the IMIC-1 well ADX shareholders can look forward to the testing and development of the well in the Iecea Mare production license as well as the drilling of a further appraisal and exploration well later in 2020. The proximity to available infrastructure and strong local gas demand enhances likelihood that Romania can provide a second source of cashflow and growth for ADX.

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**Drilling operations on the IMIC-1 appraisal well.**

In addition to the appraisal and development activities, a 3D seismic program will also be acquired in the Parta exploration permit with a view to undertaking exploration drilling in 2021. The combination of appraisal, development and exploration activities are expected to position the Company for strong growth in Romania. ADX is also well placed to take advantage of further growth opportunities which have been identified for appraisal or production.

Funding for the above-mentioned work programs have been sourced from Reabold Resources PLC (Reabold, LSE AIM:RBD) for appraisal and development activities in the Parta Sole Risk Area (ASX Announcement 2/12/19) and Tamaska Oil and Gas ("Tamaska") pursuant to a farm in agreement where Tamaska will fund the planned 3D seismic program to earn a 50% interest in the Parta Exploration Licence.

*Italy and Tunisia - offshore appraisal*

The Nilde offshore oil development project, offshore Italy has the potential to access proven, highly productive reservoirs with high quality crude. The combination of modern production technology, highly productive reservoirs with high quality crude, shallow water depths and drill depths and favourable fiscal terms have the potential to yield excellent development economics and rapid paybacks.

ADX expects to be in a position to pursue the appraisal of Nilde following the termination of a government moratorium by utilising funding provided by a farmout announced in late 2018.

The Dougga gas condensate project in the Kerkouane offshore licence, (Tunisia), is a large, strategically important gas condensate resource with further exploration potential defined on 3D seismic. Despite a very well defined technical and commercial solution developed by ADX in conjunction with world class contractors for the potential appraisal and development of Dougga, the fiscal terms offered in Tunisia remain a barrier to investment for a large a high capital cost project.

In contrast to the projects in Austria, Romania and Italy, the Dougga project is likely to be deferred or suspended in favour of the abovementioned more stable and fiscally attractive projects and jurisdictions.

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**CHAIRMAN'S REPORT**

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*Financial Stability*

The volatility of oil markets resulting from the worsening effects of the Coronavirus (Covid-19) as well as recently announced over supply by OPEC members intended to diminish the supply of high production from US oil shale has necessitated the implementation of a hedging strategy to ensure sufficient revenue to cover all Zistersdorf and Gaiselberg fields operating costs and overheads as well as planned field maintenance and production enhancing well work.

Swap contracts and collars have been implemented until the end of 2020 to cover 65% of field production. The combination of hedged revenues, accumulated net revenues of approximately EUR 1 million generated up to the end of February 2020 and the potential to bank excess oil production during periods of depressed pricing provides ADX with financial resilience and operating flexibility during a period of expected price volatility. Further-more the low cost and low decline nature of the production at Zistersdorf and Gaiselberg as well as additional revenues from associated gas production ensures strong ongoing cash flows from the fields many years beyond the currently expected period of oil price volatility.

*Looking forward*

ADX's business model has changed from one that was dependent on opportunistic farmouts to one that is based on a sustainable growth platform with predictable cash flows, low risk expansion opportunities as well as the higher risk higher reward appraisal and exploration that can be funded by farmouts.

The Company's immediate focus is on production enhancement, reserves growth and appraisal opportunities in Austria as well as the testing and commercialisation of the IMIC-1 well in Romania and the drilling of the IMIC-2 well. Longer term, the central European region from Austria in the west to Romania the east offers more attractive opportunities for growth as the traditionally state run large oil companies operating in this area shift their investments abroad.

Despite the difficult current market conditions expected during 2020, ADX is well placed to weather the storm and capitalise on the unique break through position it has developed in very desirable European jurisdictions traditionally dominated by national oil companies and well-funded private equity groups. The Board of ADX thanks ADX Shareholders for their ongoing support and looks forward to completing the Company's transformation to a material European onshore producer.



IAN TCHACOS  
Executive Chairman

**ADX ENERGY LTD**  
**OPERATIONS REPORT**

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Last year's Chairman's Report outlined the plan to refocus our strategy towards appraisal and production while taking a more opportunistic approach on riskier exploration which recently has become much harder to fund through equity markets or carried industry joint ventures. This year we have delivered on both accounts, with the acquisition of a very well run, low decline oil & gas production asset in Austria and the fully financed drilling of an appraisal and exploration well in western Romania. The western Romanian gas well encountered above expectation resource potential and has been suspended ready for testing and production. In contrast, due to the political situation in Italy and Tunisia, no operations were undertaken on these projects and costs were reduced to a minimum.

- In **Austria** the **acquisition of three oil and gas fields** approximately 40 kilometres northeast of the capital city of Vienna, two of which are currently producing ("Zistersdorf" and "Gaiselberg") was successfully completed on 2<sup>nd</sup> December 2019. Due to the deal effective date of 1<sup>st</sup> January 2019, ADX benefited from a year of oil & gas production which performed slightly better than our expected 2P reference case, delivering stable cash flow and making a significant contribution to the final purchase price at closing date of EUR 2.06 million.
- Also in **Austria**, ADX successfully acquired exclusive rights for 3D and 2D seismic data and well data in Upper Austria with a replacement value over EUR 100 million as well as access arrangements to RAG's extensive production infrastructure. Upper Austria is a major oil & gas producing province approximately 170 kilometres west of Vienna and 140 kilometres east of Munich in Germany. The data was utilised to make applications for exploration acreage in Upper Austria, the terms of which are currently under discussion with the relevant Austrian authorities.
- In the ADX operated onshore **Romania Parta exploration permit and Iacea Mare Production License** (ADX 49.2% equity interest and Operator) ADX successfully secured funding for the drilling, testing, development of the Iacea Mica – 1 appraisal well ("IMIC-1") and the planned 3D seismic acquisition through funding from Reabold Resources PLC (Reabold, LSE AIM:RBD) and a subsidiary of Tamaska Oil and Gas ("Tamaska", ASX: TMK). We successfully completed the drilling, evaluation and suspension of the IMIC-1 well with resulting 2C Contingent Resource estimates of 20 Bcf in three gas zones (ASX announcement 9/9/19). We also completed land access contracts for the 3D seismic which will be acquired in 2020 with the objective of further delineating the upside potential of the IMIC-1 well, the IMIC-2 appraisal area (IMIC-2 drilling scheduled for the second half of 2020) and a number of exploration and appraisal prospects identified on an ADX reprocessed 2D seismic grid.
- In **offshore Italy in license d363 C.R.-AX** (ADX 100% equity interest and Operator) ADX was able to achieve a 50% farmout and funding of EUR 20.82 million in 2018. Regrettably the Italian government, under pressure from the "5 Star" coalition partner and political movement, decided to impose an 18-month moratorium on exploration and development activities commencing February 2019. ADX continues to engage with the relevant authorities to ensure that once the moratorium is eventually lifted operations can resume.
- In **offshore Tunisia, Kerkouane license**, (ADX 100% equity interest and Operator) ADX continued to engage with Middle Eastern and North African focussed companies in relation to the Dougga development project, however the current political situation post elections in Tunisia on 6th October 2019 does not bode well for a quick formation of the newly formed coalition government to provide the required strong support for the complex Dougga project. Subsequent attacks on the US Embassy in March 2020 have added to these concerns.

#### **Outlook for 2020**

As a subsequent event, the temporary shutdown of substantial parts of the economy in Europe due to the arrival of the Coronavirus pandemic is not yet expected to have a fundamental impact on the operations of ADX but will most likely result in some delays of the commencement of the IMIC-1 well test, due to Romania temporarily closing its borders. For the other planned operations, it is too early to make any estimate of possible delays due to the impact of Coronavirus in Europe.

Production at the Austrian oil & gas fields is expected to continue as planned, despite the volatile oil price outlook for 2020. Due to hedging of 40% of the 1P (proven) oil production at USD 50.64 per bbl. and another 25% no less than USD 30 per bbl. ADX expects Austrian production to be profitable throughout 2020.

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The table below provides an overview of the planned operations in 2020:

		2020				2021
		Q 1	Q 2	Q 3	Q 4	Q 2
<b>Gaiselberg &amp; Zistersdorf Field Production and Development.</b> Vienna basin, Austria	Independently Audited Reserves Review	Reserves revision				
	Well recompletions & maintenance	Well workovers				
	Infill drilling high grading & planning			Infill well 1	Infill well 2	
	Appraisal drilling potential & planning	Flyscht contingent resources				
<b>Upper Austria Exploration Acreage Gazettal</b> Molasse Basin, Austria	Acreage Gazettal Submitted Nov 2019	Gazettal negotiations				
	Farmout Campaign & drilling preparations	Expected Award		Funding by prospect	Exp Well 1	
<b>Austria Production Acquisition</b> TBA	ADX to seek preferred bidder status	Data Review & Negotiation				
	Financing discussions commenced will be critical to success	Legal Close		Due Diligence	Financial Close	
<b>Romania Parta Area Appraisal &amp; Exploration Program</b> Pannonian Basin	Test successful 2019 appraisal well	IMIC-1 test				
	Commercialise gas resource	IMIC-1 Feasibility & Dev planning			First gas	
	Parta exploration 3 D seismic			3D Seismic		
	Drill second appraisal well				IMIC-2 Drilling	

**ASSETS**

**Onshore Austria, Zistersdorf and Gaiselberg Production Assets (100% ADX)**



The acquisition of the 100% equity of oil & gas production assets from RAG Austria AG (“RAG”) in December 2019, is delivering stable cash flow to ADX. The acquisition of the field was made at a price of approximately EUR 2.2 per boe of developed 2P reserve or circa 1x EBITDA based on 2019 revenues. Hedging of 65% of the 1P production until year end 2020 is expected to deliver profitable production despite volatile crude oil markets there by delivering on going value for shareholders.

The high-quality sweet crude oil production of approximately 320 boepd has been performing slightly better than expected in 2019 (2P reference case), despite several workovers not being carried out by RAG as planned. Better than expected field performance is due to an efficient low-cost operation managed by highly experienced management and oil field staff. ADX and its local Austrian based team were also successful in obtaining all regulatory approvals in a minimum amount of time, including the ADX ownership of approximately 14 hectares of premium agricultural land (vineyards). The production operations have the full support of all state and local authorities due to an exemplary track record of safe and environmentally friendly operations with very low emissions.

Since completion of the acquisition, ADX has been working on enhancing the resource base of the field and has identified several infill drilling opportunities. Two opportunities identified as near-term infill projects have the potential to

**ADX ENERGY LTD**  
**OPERATIONS REPORT**

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significantly increase the developed 2P reserves. The first development well proposal for the Gaiselberg field has already met all regulatory approvals for drilling.

In addition to the infill opportunities, several production wells inside the ADX oil fields and in neighboring OMV fields have proven the potential of an older (Cretaceous) "Flysch" reservoir which has a very large oil in place potential but typically lower production rates and hence historically was not the prime focus of development work. Technical studies and recent production performance from new wells have, however, demonstrated that with modern drilling and completion technology this large resource can be developed conventionally without the need for fracture stimulation (which is legally allowed in Austria). A detailed review, including 3D seismic reprocessing, a joint study with OMV and in house petrophysics and reservoir engineering is underway. Based on the large oil in place calculated from existing seismic and well data, the best technical estimate is 8 mmboc of 2C resources (reference: ASX reserves reporting date for Zistersdorf and Gaiselberg, 6/9/2019).

***Onshore Upper Austria, Exploration and Appraisal***



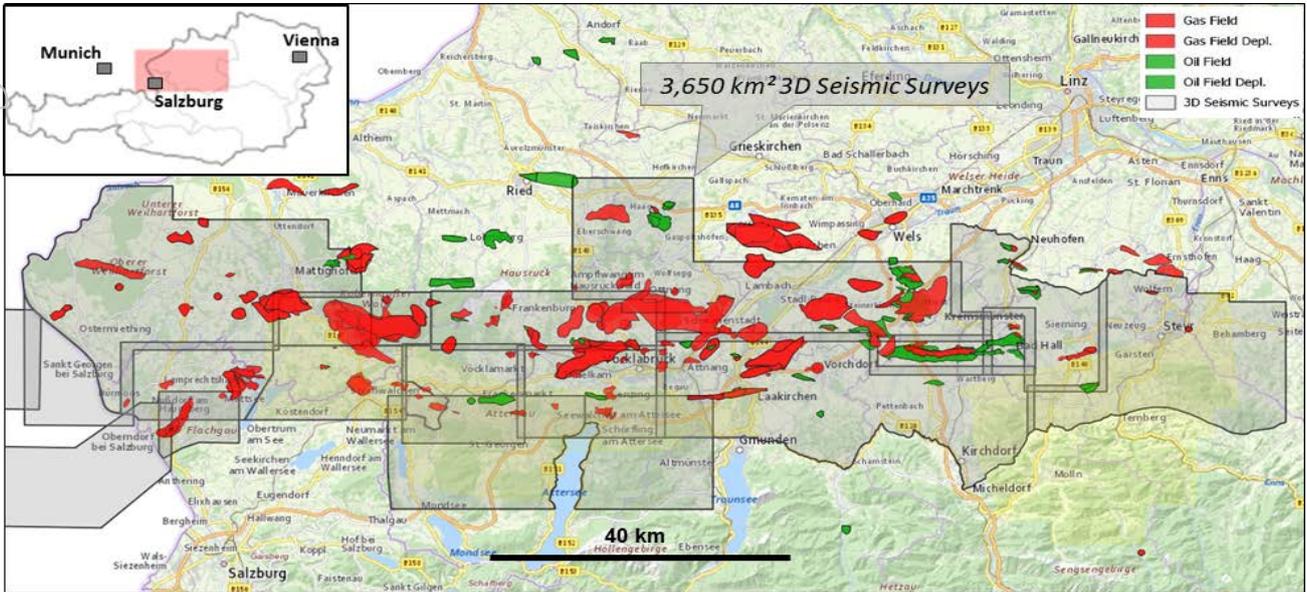
Part of the RAG asset acquisition includes the exclusive rights to a highly valuable seismic and well dataset in the producing oil & gas province of Upper Austria. The area encompasses approximately 10,000 km<sup>2</sup> of proven prospective exploration area. Most importantly, ADX obtained access to a modern 3D seismic dataset of 3,650 km<sup>2</sup> (replacement value of approx. EUR 100 million) and the knowledge of highly experienced exploration staff with a decade long track record of discoveries. ADX also has successfully negotiated contractual agreements with RAG to use their extensive gas & oil infrastructure to tie in any new exploration discoveries or appraisal opportunities.

Based on the above, ADX has submitted an application for exploration, production and gas storage licenses ("AGS" license) in Q4 2019 and is currently discussing terms with the relevant Austrian authorities. The application area has a well-balanced mix of low risk tie-in appraisal projects, low to medium risk exploration prospects and high impact "company maker" type prospects with drilling costs typically ranging from USD 1.5 MM up to USD 5 MM and prospective resources (best case) ranging from 0.5 mmboc for typical low risk side track appraisal projects to 100 mmboc for the proven but underexplored overthrust plays.

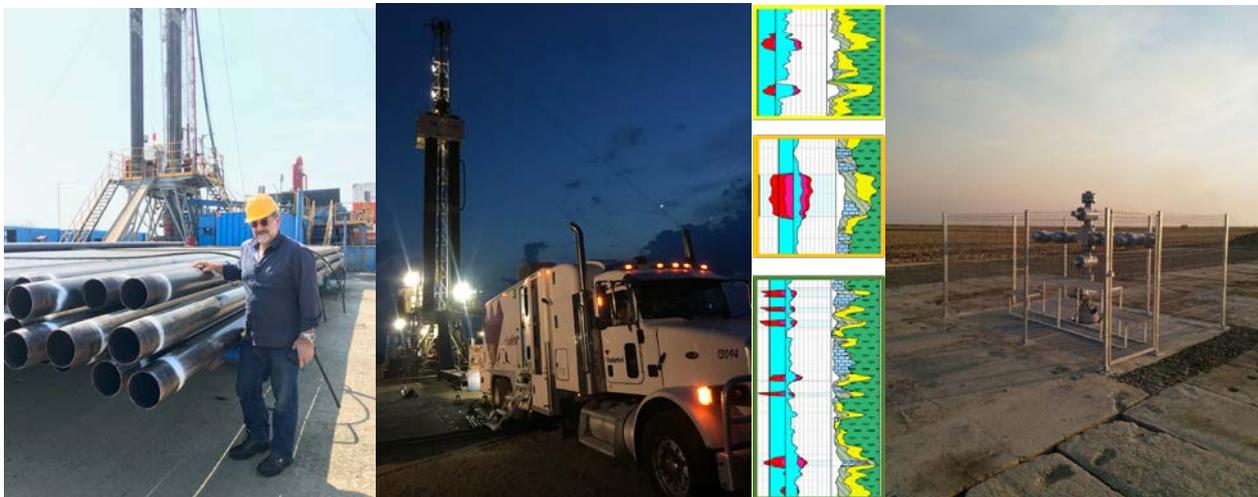
In addition to hydrocarbon exploration, the Upper Austrian so called Molasse basin has substantial geothermal potential which has been demonstrated in the western extension of the basin in Germany providing a growing amount of municipal heating energy to Munich. Several prospects have dual hydrocarbon and geothermal targets and are located close to municipalities or industry areas with strong demand for geothermal energy.

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**OPERATIONS REPORT**

The map below shows the exclusive 3D seismic dataset of 3,650 km<sup>2</sup>:



**Onshore western Romania, Parta Exploration Concession and Iecea Mare Production License**  
**(ADX Operator, 49.2% equity interest <sup>Note 1</sup>)**



The Parta permit on the border with Serbia and close to Hungary covers an area of 1,221 km<sup>2</sup> and is located in the southern Pannonian basin area of western Romania. This prospective block covers 7 excised oil and gas fields and has never been explored with modern seismic and drilling technology. Exploration activities ceased in the late eighties.

Following the acquisition of a modern 3D seismic dataset from Amromco in the Iecea Mare License, ADX identified two appraisal prospects with additional exploration potential. The first one inside the Iecea Mare license, which is within the Parta concession area, was successfully drilled this year by well IMIC-1. Well logging results and subsequent interpretation by two independent expert companies, including wireline logging contractor Weatherford identified three potential gas pay zones within well IMIC-1. ADX suspended the well for production testing and production operations, installing a wellhead as shown in the photograph of IMIC-1 location above. A re-evaluation of 3D seismic and well data led to a 2C resource estimate of around 20 bscf (ASX announcement 9/9/2019).

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During the fourth quarter of 2019 ADX prepared for the well test of IMIC-1 in the second quarter of 2020, having subsequently obtained all regulatory approvals and contracts signed for long lead items, well testing equipment and a workover rig. Studies for the commercialisation of IMIC-1 identified two viable commercialisation options. One is the delivery of sales gas to the nearby Satchinez - Calacea Processing Plant or alternately the conversion of produced gas to power and the connection to a high voltage power line located approximately 2km from the IMIC-1 location. Either option is expected to provide a viable commercial solution.

ADX also progressed the preparations for design, planning and drilling of IMIC-2, which is located approximately 2km northeast of the successful IMIC-1 well. Funding for appraisal work including in the Parta Sole Risk Area (IMIC-1 and IMIC-2) has been secured through contributions from Reabold of A\$5.89 million and from ADX of A\$1.57 million to Danube Petroleum Limited. IMIC-2 will target around 31 bscf of prospective and contingent resources (ASX announcement 11 July 2018, ERCE independent resources review ).

***Note 1: Asset Ownership Structure***

ADX holds a 49.2% shareholding in Danube. The remaining shareholding in Danube is held by Reabold. Danube via its Romanian subsidiary, ADX Energy Panonia Srl, holds a 100% interest in the Parta Exploration license (including a 100% interest in the Parta Sole Risk Area) and a 100% interest in the Iacea Mare Production license. Upon completion of the farmin by Tamaska subsidiary Parta Energy, Danube will hold a 50% interest in the Parta Exploration License.

***Offshore Italy d363 C.R-.AX permit (Operator, 100% equity interest) – Nilde oil field redevelopment***

The Italian Designated Authority exclusively awarded the d363 C.R-.AX application ADX. ADX has pursued a process to ratify the licence after the award by the Ministry of Industry. The license area contains, in addition to exploration prospects and tested undeveloped oil discoveries, the Nilde oil field redevelopment in shallow waters offshore Sicily. The results of an independent resources assessment conducted on behalf of ADX, indicated Nilde contains 2C resources of approximately 34 mmbo (Senegy – Lloyds independent resources review, ASX announcement 17 February 2016).

No further activities have been undertaken on the Permit since ADX was advised on the 4th of February 2019 that the Italian Parliament passed legislation to suspend exploration activities in permits that have been approved or are in the process of being approved for a period of up to 18 months to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities. Since that time ADX has been informally advised by the Italian Licensing Authorities that it has demonstrated sufficient financial capability for the ratification of the permit upon resumption of oil and gas activities following earlier announced farmin by SDP Services Limited (SDP). The Italian Senate has further advised that suspension will be extended to the first quarter of 2021.

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

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Your Directors present their report for the year ended 31 December 2019.

**DIRECTORS**

The names and particulars of the Directors of the Company in office during the year and up to the date of this report were as follows. Directors were in office for the entire year unless otherwise stated.

**Ian Tchacos**

**B.Eng (Mech.)**

*Executive Chairman (Appointed 2 March 2010)*

Mr Tchacos was appointed as Non Executive Chairman of ADX on 2 March 2010 and appointed as Executive Chairman on 28 September 2015. He is a Petroleum Engineer with over 30 years international experience in corporate development and strategy, mergers and acquisitions, petroleum exploration, development and production operations, commercial negotiation, oil and gas marketing and energy finance. He has a proven management track record in a range of international oil company environments. As Managing Director of Nexus Energy he was responsible for this company's development from an onshore micro cap explorer to an ASX top 200 offshore producer and operator.

*Other directorships of listed companies in the last three years: 3D Oil Limited (current) and Xstate Resources Limited (until 26 November 2019).*

**Paul Fink**

**MSc (Geophysics)**

*Executive Director (Appointed 25 February 2008)*

Mr Fink has over 25 years of petroleum exploration and production industry experience in technical and management positions. He is a graduate from the Mining University of Leoben, Austria and started his career as a seismic data processing geophysicist and then worked predominantly on international exploration and development projects and assignments in Austria, Libya, Bulgaria, UK, Australia and Pakistan as Exploration and Reservoir Manager for OMV. In 2005 Paul started his own petroleum consultancy working on projects in Romania and as Vice President for Focus Energy, leading their highly successful exploration and development campaign in Western India. Paul was a key team member for the resulting highly successful IPO on the London Stock Exchange (Indus Gas) which led to a market cap of over 1.5 MM Pounds, partly due to 3rd party reserves audits managed by Paul.

*Other directorships of listed companies in the last three years: Nil.*

**Andrew Childs**

**BSc (Geology and Zoology)**

*Non-Executive Director (Appointed 11 November 2009)*

Mr Childs graduated from the University of Otago, New Zealand in 1980 with a Bachelor of Science in Geology and Zoology. Having started his professional career as an Exploration Geologist in the Eastern Goldfields of Western Australia, Mr Childs moved to petroleum geology and geophysics with Perth based Ranger Oil Australia (later renamed Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director. Mr Childs is Chairman of Sacgasco Limited and Managing Director of Petroleum Ventures Pty Ltd.

*Other directorships of listed companies in the last three years: Sacgasco Limited (current).*

**Edouard Etienvre**

**MSc (Management)**

*Non-Executive Director (Appointed 7 January 2020)*

Mr Etienvre is an energy and natural resources executive and entrepreneur with over 12 years of experience in the oil and gas, mining, shipping and offshore facilities sectors initially with banks including sell-side equity research and reserve-based lending. More recently his experience has included positions with private and public E&P companies, ship owners and offshore facilities owners, mining companies and a mid-size trading group managing investments in companies active in the oil and gas sector. Mr Etienvre has extensive commercial, business development, risk assessment, management and project management experience and expertise including deal sourcing, transaction structuring, commercial negotiations and financing including debt, equity, off-take finance, vendor finance and reverse take-overs with TSX-V and LSE listed companies.

*Other directorships of listed companies in the last three years: Nil.*

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**DIRECTORS' REPORT**

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**Philip Haydn-Slater**

*Non Executive Director (Appointed 21 July 2017)*

Mr Haydn-Slater was co-founder and director of HD Capital for over 5 years and has worked throughout his 36-year career within institutional sales for a number of well-known financial institutions. Prior to HD Capital, Philip spent eight years as Head of Corporate Broking at WH Ireland Ltd in their London office. There he was responsible for originating and managing the sales process for a significant number of transactions, including flotations and secondary placings for corporate clients on AIM and other international exchanges.

Philip's expertise was mainly focused on deals pertaining to the extractive industries and he continues to maintain a focus on oil and gas and mining. During his career, Philip has worked in both London and Sydney for financial organisations that include ABN Amro, Bankers Trust, James Capel & Co and Bain Securities (Deutsche Bank) Sydney.

*Other directorships of listed companies in the last three years: Sacgasco Limited (until 2 August 2018). Non-Executive Director of RA International Group plc and the Non-Executive Chairman of RiverFort Global Opportunities plc, both AIM listed companies.*

**Previous Director - Robert Brown (resigned 7 January 2020)**

***M.Eng (Chem.) C.Eng MIChemE GAICD***

*Non-Executive Director (Appointed 17 October 2016, Resigned 7 January 2020)*

Mr Brown is Perth based and has 25 years of petroleum industry experience in technical, managerial and leadership positions. He is a Master in Engineering graduate of Leeds University in Chemical Engineering. Rob has worked in the North Sea, South America, India, North America, SE Asia, West Africa and Australia. He has been responsible for highly successful operations, projects and developments and has proven experience of delivering against challenging capital, schedule and operating metrics with Amoco, Schlumberger, Lasmo, Cairn and Tullow. Rob is an adjunct lecturer in process design and safety, a WA SPE Board Member and a regulatory specialist.

*Other directorships of listed companies in the last three years: Nil.*

**COMPANY SECRETARIES**

***Peter Ironside B.Com, CA***

*Appointed 8 March 1995*

Mr Ironside has a Bachelor of Commerce Degree and is a Chartered Accountant and business consultant with over 40 years' experience in the exploration and mining industry. Mr Ironside has a significant level of accounting, financial compliance and corporate governance experience including corporate initiatives and capital raisings. Mr Ironside has been a Director and/or Company Secretary of several ASX listed companies including Integra Mining Limited and Extract Resources Limited (before \$2.18Bn takeover) and is currently a non-executive director of Zamanco Minerals Limited and Stavelly Minerals Limited.

***Amanda Sparks B.Bus, CA, F.Fin***

*Appointed 6 October 2015*

Ms Amanda Sparks is a Chartered Accountant with over 30 years of resources related financial experience, both with explorers and producers. Ms Sparks has extensive experience in company secretarial, financial management, capital raisings, corporate transactions, corporate governance and compliance for listed companies and is currently a non-executive director of Stavelly Minerals Limited.

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

**MEETINGS OF DIRECTORS**

During the year, 4 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

Name of Director	Meeting Held	Meetings Attended
I Tchacos	4	4
P Fink	4	4
A Childs	4	4
P Haydn-Slater	4	2
R Brown	4	1

In addition, ADX had 28 circular resolutions signed by all directors during the year.

**DIRECTORS' INTERESTS IN SHARES AND OPTIONS**

The following table sets out each director's relevant interest in shares and options in shares of the Company as at the date of this report.

Name of Director	Number of Shares	Number of Unlisted Options Exercisable at Nil				
		Expiry 31/5/22	Expiry 31/5/23	Expiry 31/7/23	Expiry 31/12/23	Expiry 31/1/24
I Tchacos	51,914,079	6,354,086	10,864,955	6,616,071	3,954,545	4,106,250
P Fink	69,096,734	-	-	-	-	-
A Childs	26,149,024	-	-	-	-	-
E Etienvre	-	-	-	-	-	-
P Haydn-Slater	15,863,930	-	-	-	-	-

**CORPORATE INFORMATION**

**Corporate Structure**

ADX Energy Ltd is a limited liability company that is incorporated and domiciled in Australia. ADX Energy Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the year as follows:

ADX Energy Ltd	- parent entity
Alpine Oil & Gas Pty Ltd	- 100% owned Australian controlled entity
AuDAX Energy Srl	- 100% owned Italian controlled entity
Bull Petroleum Pty Ltd	- 100% owned Australian controlled entity (dormant)
Terra Energy Limited	- 100% owned UK controlled entity
ADX VIE GmbH	- Terra Energy Limited owns 100% of this Austrian controlled entity
Danube Petroleum Limited	- 49.18% owned UK controlled entity
ADX Energy Panonia Srl	- Danube Petroleum Limited owns 100% of this Romanian controlled entity

**Principal Activity**

The principal activities of the Group during the year were oil and gas production, appraisal and exploration. Effective 2 December 2019, the ADX Group acquired oil and gas producing fields in Austria, changing the nature of activities to include production of oil and gas.

**Operations review**

Refer to the Operations Review preceding this report.

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

**Summary of Financial Position, Asset Transactions and Corporate Activities**

A summary of key financial indicators for the Group, with prior year comparison, is set out in the following table:

	Consolidated 31 December 2019 \$	Consolidated 31 December 2018 \$
Cash and cash equivalents held at year end	4,953,759	3,299,229
Net profit/(loss) for the year after tax	(1,086,908)	(2,457,662)
Non-controlling interest in loss for the year	(107,208)	(75,027)
Included in loss for the year:		
Operating revenue	1,114,613	-
Cost of sales – operating costs	(649,340)	-
Cost of sales – depreciation/amortisation	(229,714)	-
Exploration expensed	(328,630)	(1,234,003)
Basic profit/(loss) per share from continuing operations	(0.077) cents	(0.21) cents
Net cash (used in) operating activities	(3,326,352)	(2,720,866)
Net cash from/(used in) investing activities	(8,240,477)	(58,641)
Net cash from financing activities	13,092,221	4,088,032

During the year:

- Exploration expenditure expensed in the profit and loss was \$328,630. This was expenditure primarily in Tunisia, Italy and Romania on the Parta Exploration Licence.
- Expenditure capitalised as development costs under Oil and Gas Properties on the Statement of Financial Position totalled \$5,372,435 and relates primarily to the Parta Sole Risk project in Romania (Iecea Mica-1 well costs).
- During 2019, Reabold Resources Plc (LSE AIM:RBD) (Reabold) subscribed for an additional 2,814,355 shares in ADX's UK subsidiary, Danube Petroleum Limited for GBP 3,139,875 (A\$5,887,548). ADX subscribed for an additional 782,469 shares in Danube for GBP 830,855 (A\$1,568,219). As at year end, Reabold's share of the Danube group was 50.82%.
- On 2 December 2019, ADX announced completion of the acquisition of the Zistersdorf and Gaiselberg oil and gas fields located onshore in the Vienna Basin, Austria (Production Assets) as well as agreements for exploration data and access arrangements to production infrastructure in Upper Austria. Refer to note 9 in the financial statements.
- On 21 October 2019, ADX issued 2,000,000,000 shares under a placement raising a total \$2,000,000 before costs. For every three shares subscribed for under the placement, ADX granted one free attaching Listed Option (exercisable at \$0.015 each on or before 20 November 2020).
- On 22 November 2019, ADX completed a Share Purchase Plan (SPP) to eligible Shareholders at 1 cent per share (same price as the offer price under the Placement). The SPP participants also received one free attaching Listed Option for every three new Shares issued (exercisable at 1.5 cents on or before 20 November 2020). Gross proceeds were \$797,018.

**DIVIDENDS**

No dividends were paid or declared during the year. The Directors do not recommend payment of a dividend.

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

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**ENVIRONMENTAL ISSUES**

The Company's environmental obligations are regulated by the laws of the countries in which ADX has operations. The Company has a policy to either meet or where possible, exceed its environmental obligations. No environmental breaches have been notified by any governmental agency as at the date of this report.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Significant changes in the state of affairs of the Company during the year are detailed in the Operations Report and Financial Summary in this report.

**FUTURE DEVELOPMENTS**

The Company intends to continue its production operations in Austria and continue its' exploration and development programme on its existing permits, and to acquire further suitable permits for exploration and development. Additional comments on likely developments are included in the Operations Report.

**SHARES UNDER OPTION**

Unissued ordinary shares of the Company under option at the date of this report are as follows:

	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Listed Options	95,167,287	1.5 cents	20/11/2020
Unlisted Options	135,000,005	1.8 cents	26/11/2021
Unlisted Options	6,354,086	Nil cents	31/5/2022
Unlisted Options	10,864,955	Nil cents	31/5/2023
Unlisted Options	6,616,071	Nil cents	31/7/2023
Unlisted Options	3,954,545	Nil cents	31/10/2023
Unlisted Options	4,106,250	Nil cents	31/01/2024

No option holder has any right under the options to participate in any other share issue of the Company or any other related entity. No share options were exercised by employees or Key Management Personnel during the year.

**INDEMNIFICATION AND INSURANCE OF OFFICERS**

The Company has paid a premium to insure the Directors and Officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group.

**REMUNERATION REPORT (AUDITED)**

The Directors present the 2019 Remuneration Report, outlining key aspects of ADX's remuneration policy and framework, together with remuneration awarded this year.

The report is structured as follows:

- A. Key management personnel (KMP) covered in this report
- B. Remuneration policy, link to performance and elements of remuneration
- C. Contractual arrangements of KMP remuneration
- D. Remuneration awarded
- E. Equity holdings and movement during the year
- F. Other transactions with key management personnel
- G. Use of remuneration consultants
- H. Voting of shareholders at last year's annual general meeting

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

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**A. KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT**

For the purposes of this report key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise).

**Key Management Personnel during the Year**

**Directors**

Ian Tchacos	-	Executive Chairman
Paul Fink	-	Executive Director
Andrew Childs	-	Non-Executive Director
Philip Haydn-Slater	-	Non-Executive Director
Robert Brown	-	Non-Executive Director

**B. REMUNERATION POLICY, LINK TO PERFORMANCE AND ELEMENTS OF REMUNERATION**

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board ensures that executive reward satisfies the following key criteria for good reward corporate governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

**Remuneration Philosophy**

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre Executives;
- link Executive rewards to shareholder value; and
- establish appropriate, demanding performance hurdles in relation to variable Executive remuneration.

The Group has structured an executive framework that is market competitive and complementary to the reward strategy for the organisation.

Both Executive and Non-Executive Directors may elect, subject to Shareholder approval, to reduce their cash director fees and consulting fees in lieu of Shares in accordance with the Company's Directors' Share Plan (Salary Sacrifice). The Shares are issued on a quarterly basis according to the Directors' fees owing to each of the Directors at that time, at an issue price of no less than the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of the corresponding calendar quarter in which the Directors' fees were incurred. The Executive Directors may also elect, subject to Shareholder approval, to reduce their cash consulting fees in lieu of Options in accordance with the Company's Performance Rights and Option Plan. The Options are issued on a quarterly basis according to the consulting fees owing to each of the Directors at that time, using a deemed price of no less than the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of the corresponding calendar quarter in which the consulting fees were incurred.

**Remuneration Committee**

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered efficient for ADX. The Board has taken a view that the full Board will hold special meetings or

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

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sessions as required. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and payments are provided to shareholders in the annual report and on the web. The Board has adopted the following policies for Directors' and executives' remuneration.

**Non-Executive directors' remuneration**

Non-executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-executive Directors' remuneration may include an incentive portion consisting of options or similar instruments, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with ASX listing rules.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-executive Directors when undertaking the annual review process. Fees for Non-Executive directors are not linked to the performance of the Group.

**Executive Director Remuneration**

In determining the level and make-up of Executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

Remuneration consists of a fixed remuneration and may include a long term incentive portion as considered appropriate.

Executives remuneration is currently a fixed consulting fee based on a daily rate for actual days worked.

Long term incentives granted to Executives are delivered in the form of options. The option incentives granted are aimed to motivate Executives to pursue the long term growth and success of the Company within an appropriate control framework and demonstrate a clear relationship between key Executive performance and remuneration. Director options are granted at the discretion of the Board and approved by shareholders. Performance hurdles are not attached to vesting periods; however the Board may determine appropriate vesting periods to provide rewards over a period of time to key management personnel. During 2019 there were no performance related payments made.

**C. CONTRACTUAL ARRANGEMENTS OF KMP REMUNERATION**

On appointment to the board, all Non-Executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director. Non-Executive Directors are paid a fee of \$33,000 pa, inclusive of any superannuation if applicable. In accordance with the Company's Directors' Share Plan (Salary Sacrifice), part may be paid in cash, and part in shares.

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**DIRECTORS' REPORT**

Remuneration and other terms of employment for the executive directors and the other key management personnel are also formalised in consultancy agreements. The major provisions of the agreements relating to remuneration are set out below.

<b>Name</b>	<b>Term of agreement</b>	<b>Base annual remuneration inclusive of superannuation at 31/12/19</b>	<b>Termination benefit</b>
I Tchacos – Executive Chairman – Technical Consultancy	Term of 2 years commencing 1 July 2018	Technical consulting - \$1,500 per day (cash) Corporate consulting - \$500/month (cash) plus options subject to Board and Shareholder approval for additional work at a value of \$1,500 per day  In addition, I Tchacos receives Directors fees of \$25,000 pa. 80% paid in cash, 20% paid in equity (subject to Shareholder approval)	2 months (up to \$18,000)
P Fink – Executive Director - Consultancy	Term of 2 years commencing 1 July 2018	Retainer of \$500 per month (cash) plus consulting at \$1,500 per day (50% cash and 50% equity (options), subject to shareholder approval)  In addition, P Fink receives Directors fees of \$25,000 pa. 80% paid in cash, 20% paid in equity (subject to Shareholder approval)	2 months (up to \$18,000)

**D. REMUNERATION OF KEY MANAGEMENT PERSONNEL**

Details of the remuneration of each Director and named executive officer of the Company, including their personally-related entities, during the year was as follows:

<b>2019</b>	<b>Cash salary, directors fees and consulting fees, including accruals* \$</b>	<b>Post Employment</b>	<b>Share Based</b>	<b>Share Based</b>	<b>Total \$</b>
		<b>Superannuation \$</b>	<b>Shares (in lieu of cash fees) <sup>(1)</sup> \$</b>	<b>Options (in lieu of cash consulting fees) <sup>(1)</sup> \$</b>	
<b>Directors</b>					
I Tchacos	248,846	2,470	3,750	126,001	381,067
P Fink	246,625	-	3,750	125,625	376,000
A Childs	21,350	1,900	9,750	-	33,000
R Brown	21,350	1,900	9,750	-	33,000
P Haydn-Slater	30,396	-	24,750	-	55,146
<b>TOTAL 2019</b>	<b>568,567</b>	<b>6,270</b>	<b>51,750</b>	<b>251,626</b>	<b>878,213</b>

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

2018	Cash salary, directors fees and consulting fees, including accruals* \$	Post Employment	Share Based	Share Based	Total \$
		Superannuation \$	Shares (in lieu of cash fees) <sup>(1)</sup> \$	Options (in lieu of cash consulting fees) <sup>(1)</sup> \$	
<b>Directors</b>					
I Tchacos	300,739	2,169	2,500	71,720	377,128
P Fink	258,600	-	2,500	39,750	300,850
A Childs	23,637	2,863	6,500	-	33,000
R Brown	41,101	1,431	8,282	-	50,814
P Haydn-Slater	30,134	-	16,500	-	46,634
<b>TOTAL 2018</b>	<b>654,211</b>	<b>6,463</b>	<b>36,282</b>	<b>111,470</b>	<b>808,426</b>

<sup>(1)</sup> Share based payments. These represent the amount expended in the year for shares issued under the Directors Share Plan (Salary Sacrifice) and Options in lieu of cash consulting fees.

\* Includes accruals of fees paid subsequent to year end via equity.

There were no performance related payments made during the year. Performance hurdles are not attached to remuneration options; however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

#### Share-based Compensation

##### Shares:

The Company's Directors' Share Plan (Salary Sacrifice), allows for shares to be issued on a quarterly basis according to the Directors' fees owing to each of the Directors at that time, at an issue price of no less than the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of the corresponding calendar quarter in which the Directors' fees were incurred. The shares are issued after Shareholder approval.

The following shares were granted as equity compensation benefits (in lieu of cash remuneration) to Directors during the year.

Date Issued	Number of Shares	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
8/4/2019	2,874,996	34,500	30/9/2018 and 31/12/2018
28/6/2019	2,464,283	17,250	31/3/2019
8/8/2019	2,464,283	17,250	30/6/2019
16/10/2019	1,568,180	17,250	30/9/2019
	9,371,742	86,250	
<b>Issued Subsequent to Year End</b>			
13/1/2020	1,725,000	17,250	31/12/2019

Summarised as:

Director	2019 Number of Shares	2019 \$
Ian Tchacos	679,110	6,250
Paul Fink	679,110	6,250
Andrew Childs	1,765,690	16,250
Rob Brown	1,765,690	16,250
Philip Haydn-Slater	4,482,142	41,250
Issued during the year	9,371,742	86,250

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**DIRECTORS' REPORT**

**Options:**

The Executive Directors may also elect, subject to Shareholder approval, to reduce their cash consulting fees in lieu of Options in accordance with the Company's Performance Rights and Option Plan. The Options are issued on a quarterly basis according to the consulting fees owing to each of the Directors at that time, using a deemed price of no less than the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of the corresponding calendar quarter in which the consulting fees were incurred.

The following options were granted as equity compensation benefits (in lieu of cash remuneration) to Directors during the year.

Date Issued	Number of Options	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
8/8/2019	18,072,991	165,956	30/9/18 & 31/12/18 & 31/3/2019
8/8/2019	12,798,214	89,588	30/6/2019
16/10/2019	8,249,999	90,750	30/9/2019
	39,121,204	346,294	
<b>Issued Subsequent to Year End</b>			
13/1/2020	1,725,000	17,250	31/12/2019

Summarised as:

	<b>2019</b>	<b>2019</b>
<b>Director</b>	<b>Number of Options</b>	<b>\$</b>
Ian Tchacos	21,435,571	194,344
Paul Fink	17,685,633	151,950
	<u>39,121,204</u>	<u>346,294</u>

No other options were granted as equity compensation benefits to Directors and other Key Management Personnel.

**Shares issued to Key Management Personnel on exercise of compensation options**

During the year to 31 December 2019, there were no compensation options exercised by Directors or other Key Management Personnel (2018: nil).

Subsequent to year end, in March 2020, director Paul Fink exercised the following options:

	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Unlisted Options	3,415,961	Nil cents	31/5/2022
Unlisted Options	7,208,036	Nil cents	31/5/2023
Unlisted Options	6,182,143	Nil cents	31/7/2023
Unlisted Options	4,295,454	Nil cents	31/10/2023
Unlisted Options	4,687,500	Nil cents	31/01/2024

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

**E. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR**

**(a) Shareholdings of Key Management Personnel**

Year ended 31 Dec 2019	Balance at beginning of the year	Options exercised	Granted as remuneration	Purchases	Balance at end of the year
I Tchacos	42,967,113	-	679,110	1,000,000	44,646,223
P Fink	33,663,360	-	679,110	-	34,342,470
A Childs	22,209,940	-	1,765,690	1,400,000	25,375,630
P Haydn-Slater	10,556,788	-	4,482,142	-	15,038,930
R Brown	5,523,861	-	1,765,690	-	7,289,551
	114,921,062	-	9,371,742	2,400,000	<b>126,692,804</b>

**(b) Option holdings of Key Management Personnel**

Year ended 31 Dec 2019	Balance at beginning of the year	Granted as remuneration	Options exercised	Options expired	Balance at end of the year	Not exercisable	Exercisable
I Tchacos	6,354,086	21,435,571	-	-	27,789,657	-	27,789,657
P Fink	3,415,961	17,685,633	-	-	21,101,594	-	21,101,594
A Childs	-	-	-	-	-	-	-
P Haydn-Slater	4,000,000	-	-	(4,000,000)	-	-	-
R Brown	-	-	-	-	-	-	-
	13,770,047	39,121,204	-	(4,000,000)	<b>48,891,251</b>	-	48,891,251

**F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL**

On 16 July 2019, ADX finalised Convertible Loan Facility Agreements ('Convertible Notes') which were convertible to shares in ADX to raise A\$1,205,000. Included in this new funding was \$150,000 provided equally by ADX's Directors Ian Tchacos, Paul Fink and previous director, Robert Brown.

The key terms for the Convertible Notes were as follows:

1. Loan Term: 6 months commencing 12 July 2019, extendable by mutual agreement in writing at least 15 days prior to expiry of Loan Term.
2. Loan Interest: 10% per annum; Payable at Termination.
3. Loan Conversion Rights: The lender has the option to convert part or all of the loan into ADX shares prior to Termination. The conversion price is determined the lower of:
  - a. the share price used for any capital raising by issue of ADX shares during the term of the Loan Agreement; and
  - b. A\$0.007 per share.
4. Early Termination by ADX: ADX may terminate the loan at any time from 12 October 2019 to expiry by repayment of Loan Amount plus accrued interest. ADX will provide the Lender with three (3) business days notice prior to allow the Lender time to elect conversion.

On 20 September 2019, Shareholders approved the issue of the convertible notes to the Directors.

Subsequent to year end, on 13 January 2020, the Directors' convertible loan facilities were converted at \$0.007 to 21,428,570 shares.

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

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**G. USE OF REMUNERATION CONSULTANTS**

No remuneration consultants were engaged by ADX during the year.

**H. VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING**

The Company received more than 92% of "yes" votes on its Remuneration Report for the 2018 year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**END OF THE AUDITED REMUNERATION REPORT**

**SUBSEQUENT EVENTS**

Conversion of Convertible Note Facilities

Subsequent to year end, on 13 January 2020, the \$1,100,000 of convertible note facilities expired, with \$50,000 of these convertible loan facilities were repaid in cash, and the remaining \$1,050,000 converted at \$0.007 to 149,999,995 shares.

Hedging

Subsequent to year end, on 5 March 2020, ADX announced that it hedged the equivalent of 40% of its' proven oil production profile for a period of 10 months. The hedging instruments are Dated Brent swaps at a fixed price of USD 50.64 per barrel over the period from 01 March 2020 to 31 December 2020.

On 13 March 2020, ADX announced that it further hedged the equivalent of 25% of its' proven oil production profile for a period of 9 months. The hedging structure over the period from 1 April 2020 to 31 December 2020 are a reparticipating collar structured as follows:

- a Put (buy) option with a strike price of USD 30.00 per bbl (Dated Brent).
- a Call (sell) option with a strike price of USD 44.00 per bbl (Dated Brent).
- a Call (buy) option with a strike price of USD 59.00 per bbl (Dated Brent).

There was zero upfront cash cost for the structure and based on the forward curve for Brent futures on 11 March 2020 the hedging structure allows the capture of all of the contango upside (higher Brent forward price in the future) forecast by crude markets over the period.

The hedging program is designed to provide certainty of cash flows.

There are no other matters or circumstances that have arisen since 31 December 2019 that have or may significantly affect the operations, results, or state of affairs of the Group in future years.

**CORPORATE GOVERNANCE**

The Directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the Company's website for details of corporate governance policies:

<http://adx-energy.com/en/investors/corporate-governance.php>

**ADX ENERGY LTD**  
**DIRECTORS' REPORT**

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**AUDIT INDEPENDENCE AND NON-AUDIT SERVICES**

**Auditors' independence - section 307C**

The following is a copy of a letter received from the Company's auditors:

"Dear Sirs,  
In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2019 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)  
Rothsay Auditing"

There were no non-audit services provided during the year.

Signed in accordance with a resolution of the Directors.



Ian Tchacos  
Executive Chairman

Dated this 31st day of March 2020

**ADX ENERGY LTD**  
**DIRECTORS' DECLARATION**

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1. In the opinion of the directors:
  - a) The financial statements and notes are in accordance with the Corporations Act 2001, including:
    - i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year then ended; and
    - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
    - iii) complying with International Financial Reporting Standards (IFRS) as stated in note 1 of the financial statements; and
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 31 December 2019.

This declaration is signed in accordance with a resolution of the Board of Directors.



Ian Tchacos  
Executive Chairman

Dated this 31st day of March 2020

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

		Consolidated	
		Year ended 31 Dec 2019	Year ended 31 Dec 2018
	Note	\$	\$
Operating revenue	2	1,114,613	-
Cost of sales	2	(879,054)	-
<b>Gross profit</b>		<b>235,559</b>	-
Other income		17,209	2,169
<b>Other Expenses:</b>			
Administration, staff and corporate expenses, net of recoveries from exploration projects	2	(796,005)	(1,225,828)
Exploration expensed		(328,630)	(1,234,003)
Finance costs	2	(167,089)	-
<b>Profit/(loss) before income tax</b>		<b>(1,038,956)</b>	<b>(2,457,662)</b>
Income tax expense	4	(47,952)	-
<b>Profit/(loss) after income tax</b>		<b>(1,086,908)</b>	<b>(2,457,662)</b>
Profit/(loss) is attributable to:			
Owners of ADX Energy Ltd		(979,700)	(2,382,635)
Non-Controlling Interest	15	(107,208)	(75,027)
		<b>(1,086,908)</b>	<b>(2,457,662)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(701,030)	22,620
Income tax relating to items of other comprehensive income/(loss)		-	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>(701,030)</b>	<b>22,620</b>
<b>Total comprehensive profit/(loss) for the year</b>		<b>(1,787,938)</b>	<b>(2,435,042)</b>
Total comprehensive loss is attributable to:			
Owners of ADX Energy Ltd		(1,540,778)	(2,355,434)
Non-Controlling Interest		(247,160)	(79,608)
		<b>(1,787,938)</b>	<b>(2,435,042)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b>		<b>Cents Per Share</b>	<b>Cents Per Share</b>
Basic earnings/(loss) per share	5	(0.077)	(0.21)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

For personal use only

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

	Note	Consolidated	
		31 December 2019 \$	31 December 2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	4,953,759	3,299,229
Other receivables	7	3,452,921	684,405
Inventories	8	315,164	-
<b>Total Current Assets</b>		<b>8,721,844</b>	<b>3,983,634</b>
<b>Non-Current Assets</b>			
Other receivables		37,516	-
Oil and gas properties	9	23,006,244	-
Deferred tax assets	4	337,074	-
<b>Total Non-Current Assets</b>		<b>23,380,834</b>	<b>-</b>
<b>Total Assets</b>		<b>32,102,678</b>	<b>3,983,634</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	2,182,032	444,576
Current tax liabilities		64,339	-
Interest bearing liabilities	11	2,850,000	-
Provisions	12	457,728	-
<b>Total Current Liabilities</b>		<b>5,554,099</b>	<b>444,576</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	4	468,449	-
Interest bearing liabilities	11	1,750,000	-
Provisions	12	13,810,164	283,844
<b>Total Non-Current Liabilities</b>		<b>16,028,613</b>	<b>283,844</b>
<b>Total Liabilities</b>		<b>21,582,712</b>	<b>728,420</b>
<b>Net Assets</b>		<b>10,519,966</b>	<b>3,255,214</b>
<b>Equity</b>			
Issued capital	13	71,889,435	69,070,587
Reserves	14	6,189,581	6,404,365
Accumulated losses		(76,618,754)	(75,639,054)
Capital and reserves attributable to owners of ADX Energy Ltd		1,460,262	(164,102)
Non-controlling interests	15	9,059,704	3,419,316
<b>Total Equity</b>		<b>10,519,966</b>	<b>3,255,214</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non- controlling Interest	Total Equity \$
<b>At 1 January 2019</b>	<b>69,070,587</b>	<b>6,404,365</b>	<b>(75,639,054)</b>	<b>3,419,316</b>	<b>3,255,214</b>
Loss for the year	-	-	(979,700)	(107,208)	(1,086,908)
Other comprehensive income/(loss)	-	(561,078)	-	(139,952)	(701,030)
<b>Total comprehensive loss for the year, net of tax</b>	<b>-</b>	<b>(561,078)</b>	<b>(979,700)</b>	<b>(247,160)</b>	<b>(1,787,938)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	3,116,194	-	-	5,887,548	9,003,742
Cost of issue of share capital	(297,346)	-	-	-	(297,346)
Share based payments	-	346,294	-	-	346,294
	2,818,848	346,294	-	5,887,548	9,052,690
<b>As at 31 December 2019</b>	<b>71,889,435</b>	<b>6,189,581</b>	<b>(76,618,754)</b>	<b>9,059,704</b>	<b>10,519,966</b>
<b>At 1 January 2018</b>	<b>68,083,114</b>	<b>6,246,647</b>	<b>(73,256,419)</b>	<b>-</b>	<b>1,073,342</b>
Loss for the year	-	-	(2,382,635)	(75,027)	(2,457,662)
Other comprehensive income/(loss)	-	27,201	-	(4,581)	22,620
<b>Total comprehensive loss for the year, net of tax</b>	<b>-</b>	<b>27,201</b>	<b>(2,382,635)</b>	<b>(79,608)</b>	<b>(2,435,042)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	1,058,758	-	-	3,498,924	4,557,682
Cost of issue of share capital	(71,285)	-	-	-	(71,285)
Share based payments	-	130,517	-	-	130,517
	987,473	130,517	-	3,498,924	4,616,914
<b>As at 31 December 2018</b>	<b>69,070,587</b>	<b>6,404,365</b>	<b>(75,639,054)</b>	<b>3,419,316</b>	<b>3,255,214</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019

		Consolidated	
		Year ended 31 Dec 2019	Year ended 31 Dec 2018
Note	\$	\$	\$
<b>Cash flows from operating activities</b>			
		79,031	104,237
		(3,406,490)	(2,827,272)
		1,309	2,169
		(202)	-
	6(i)	<u>(3,326,352)</u>	<u>(2,720,866)</u>
<b>Cash flows from investing activities</b>			
		(48,762)	(74,641)
		(3,692,702)	-
		(4,803,227)	-
		(583,132)	(279,000)
		591,229	295,000
		296,117	-
		<u>(8,240,477)</u>	<u>(58,641)</u>
<b>Cash flows from financing activities</b>			
		2,797,019	750,000
		(297,346)	(60,892)
		5,887,548	3,398,924
		1,205,000	-
		3,500,000	-
		<u>13,092,221</u>	<u>4,088,032</u>
		1,525,392	1,308,525
		129,138	150,457
		<u>3,299,229</u>	<u>1,840,247</u>
	6	<u><b>4,953,759</b></u>	<u><b>3,299,229</b></u>

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

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## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis. ADX Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report is presented in Australian dollars, which is the group's presentation currency.

##### Functional and presentation currency

Effective 1 January 2019, the functional currency of the parent entity changed from United States dollars back to Australian Dollars. ADX has identified Australian dollars as its functional currency on the basis that all fundraising is in Australian dollars, and loans to subsidiary companies are made from Australian dollars.

ADX's subsidiaries have the following functional currencies:

Alpine Oil & Gas Pty Ltd – USD  
AuDAX Energy Srl – EUR  
Bull Petroleum Pty Ltd – AUD  
Terra Energy Limited - GBP  
ADX VIE GmbH - EUR  
Danube Petroleum Limited – GBP  
ADX Energy Panonia Srl - EUR

The presentation currency of the Group is Australian dollars.

##### Going Concern

The financial statements have been prepared on the basis that the Company will continue to meet its commitments and can therefore continue normal business activities and realise assets and settle liabilities in the ordinary course of business.

As a producer in Austria, the Group expects to generate cash flows, but with a focus on exploration and development in other parts of Europe, the Group may need additional cashflows to finance these activities. As a consequence, the ability of the Company to continue as a going concern may require additional capital fundraising, farmouts of projects or other financing opportunities. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should fundraising, farmouts or any alternative financing opportunities be unsuccessful, the Company may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

##### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Adoption of new and revised standards

**Early adoption of accounting standards**

The Group has not elected to apply any pronouncements before their operative date in the annual reporting year beginning 1 January 2019.

**New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period for which the Group has adopted. The only significant standard was:

- AASB 16 Leases

*AASB 16 Leases*

There was no impact on the Group for the year ended 31 December 2019. AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. The Group's current leases for premises and miscellaneous equipment are covered by the exception for short-term and low-value leases under AASB 16. With the acquisition of production fields in Austria in December 2019, there may be leases entered into during 2020 that will be accounted for under AASB 16.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of ADX Energy Ltd ("Company" or "Parent Entity") and its subsidiaries as at 31 December each year (the Group). Subsidiaries are all entities over which the group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The financial statements of the subsidiaries are prepared for the same period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

##### (e) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange, adjusted for any conditions imposed on those shares. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

##### (f) Foreign currency translation

The presentation currency of ADX Energy Ltd Group is Australian Dollars. The functional currency of ADX Energy Ltd is Australian Dollars. ADX's subsidiaries have the following functional currencies:

Alpine Oil & Gas Pty Ltd – USD	AuDAX Energy Srl – EUR
Bull Petroleum Pty Ltd – AUD	ADX VIE GmbH – EUR
Terra Energy Limited – GBP	ADX Energy Panonia Srl – EUR
Danube Petroleum Limited – GBP	

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the rate of exchange ruling at the balance sheet date.

As at the reporting date the assets and liabilities of the subsidiaries are translated into the presentation currency of ADX Energy Ltd at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

##### (g) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 2 –INCOME AND EXPENSES**

**Revenue**

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period. Revenue from the sale of oil & gas is recognised and measured in the accounting period in which the goods and/or services are provided based on the amount of the transaction price allocated to the performance obligations. The performance obligation is the supply of oil & gas over the contractual term; the units of supply represent a series of distinct goods that are substantially the same with the same pattern of transfer to the customer. The performance obligation is considered to be satisfied as the customer receives the supply through the pipeline, based on the units delivered. Hence revenue is recognised over time.

**Exploration, evaluation and appraisal expenditure**

Exploration expenditure is expensed to the profit or loss statement as and when it is incurred and included as part of cash flows from operating activities.

Evaluation/Appraisal and Development expenditure is capitalised to the Statement of Financial Position as oil and gas properties. Evaluation/Appraisal is deemed to be activities undertaken following a discovery from the beginning of appraisal and pre-feasibility studies conducted to assess the technical and commercial viability of extracting a resource before moving into the Development phase. The criteria for carrying forward the costs are:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- evaluation activities in the area of interest which has not yet reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Costs carried forward in respect of an area of interest which is abandoned are written off in the year in which the abandonment decision is made.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2019</b>	<b>Year Ended 31 Dec 2018</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>OPERATING REVENUE</b>		
Oil sales	756,477	-
Gas sales	39,239	-
Other operating revenue (including reimbursements)	318,897	-
	1,114,613	-
<b>COST OF GOODS SOLD</b>		
Operating costs	649,340	-
Depreciation	212,374	-
Amortisation of asset retirement obligation assets	17,340	-
	879,054	-

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated	
		Year Ended 31 Dec 2019 \$	Year Ended 31 Dec 2018 \$
<b>NOTE 2 – INCOME AND EXPENSES - continued</b>			
<b>OTHER EXPENSES – Administration and corporate expenses:</b>			
Share based payments – in lieu of cash remuneration		502,470	370,227
Share based payments – in lieu of other services		58,000	58,656
	3(a)	<u>560,470</u>	<u>428,883</u>
Less: prior period accrued share based payments		(155,651)	(139,675)
Add: accrued share based payments issued/to be issued after period end		115,994	155,651
Net foreign exchange losses/(gains)		(508,351)	120,686
Operating lease rental expense		64,306	50,658
Other administration, personnel and corporate expenses		<u>2,133,944</u>	<u>2,010,816</u>
		<u>2,210,712</u>	<u>2,631,478</u>
Less: project cost recoveries		<u>(1,414,707)</u>	<u>(1,405,650)</u>
		<u>796,005</u>	<u>1,225,828</u>
<b>OTHER EXPENSES – Finance costs:</b>			
Interest expense		74,073	-
Accretion		5,516	-
Borrowing costs		<u>87,500</u>	-
		<u>167,089</u>	-

**NOTE 3 – EQUITY-BASED PAYMENTS**

*Equity settled transactions:*

The Group provides benefits to executive directors, employees and consultants of the Group in the form of share-based payments, whereby those individuals render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with these individuals is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined either using a Black-Scholes model, or in the case of consulting by directors, the number of options granted will be determined by dividing the Directors' consulting fees that the Company has agreed to pay to the Related Parties via equity using a deemed price based on the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of the corresponding calendar quarter in which the Directors' consulting fees were incurred. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of ADX Energy Ltd (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (the vesting date).

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – EQUITY-BASED PAYMENTS – continued

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the grant date fair value of the award;
- (ii) the extent to which the vesting period has expired; and
- (iii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest taking into account such factors as the likelihood of non-market performance conditions being met.

This opinion is formed based on the best available information at reporting date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If an equity-settled award is forfeited, any expense previously recognised for the award is reversed. However, if a new award is substituted for a cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(a) Value of equity based payments in the financial statements

	Note	Consolidated	
		Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
		\$	\$
Expensed against issued capital:			
Share-based payments – Options in lieu of capital raising costs		-	10,392
Expensed in the profit and loss:			
Share-based payments – Options to Directors on appointment		-	8,656
Shares and Options issued in lieu of fees:			
Share-based payments – Shares Issued to Directors	3(b)(i)	86,250	133,315
Share-based payments – Options Issued to Directors	3(b)(ii)	346,294	111,468
Share-based payments – Shares Issued to Co Secs and consultants	3(b)(iii)	69,926	125,443
Share-based payments – Shares Issued for other services	3(b)(iv)	58,000	50,000
		560,470	428,882

(b) Summary of equity-based payments granted during the year:

- (i) Shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 31 May 2019 as follows:

Date Issued	Number of Shares	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
8/4/2019	2,874,996	34,500	30/9/2018 and 31/12/2018
28/6/2019	2,464,283	17,250	31/3/2019
8/8/2019	2,464,283	17,250	30/6/2019
16/10/2019	1,568,180	17,250	30/9/2019
	9,371,742	86,250	
<b>Issued Subsequent to Year End</b>			
13/1/2020	1,725,000	17,250	31/12/2019

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – EQUITY-BASED PAYMENTS – continued

(b) Summary of equity-based payments granted during the year - continued:

Summarised as:

Director	2019 Number of Shares	2019 Remuneration waived \$	2018 Number of Shares	2018 Remuneration waived \$
Ian Tchacos	679,110	6,250	2,999,998	38,625
Paul Fink	679,110	6,250	1,523,076	19,425
Andrew Childs	1,765,690	16,250	825,000	9,750
Rob Brown	1,765,690	16,250	2,680,849	34,290
Philip Haydn-Slater	4,482,142	41,250	2,556,788	31,225
Issued during the year	9,371,742	86,250	10,585,711	133,315

- (ii) Options pursuant to ADXs' Performance Rights and Option Plan, approved by Shareholders on 31 May 2019 as follows:

Date Issued	Number of Options	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
8/8/2019	18,072,991	165,956	30/9/18 & 31/12/18 & 31/3/2019
8/8/2019	12,798,214	89,588	30/6/2019
16/10/2019	8,249,999	90,750	30/9/2019
	39,121,204	346,294	
<b>Issued Subsequent to Year End</b>			
13/1/2020	1,725,000	17,250	31/12/2019

Summarised as:

Director	2019 Number of Options	2019 Remuneration waived \$	2018 Number of Options	2018 Remuneration waived \$
Ian Tchacos	21,435,571	194,344	6,354,086	71,718
Paul Fink	17,685,633	151,950	3,415,961	39,750
	39,121,204	346,294	9,770,047	111,468

- (iii) Shares to consultants and company secretaries in lieu of remuneration:

Date Issued	Number of Shares	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
8/4/2019	2,206,893	26,483	30/9/2018 and 31/12/2018
28/6/2019	1,298,214	9,087	31/3/2019
8/8/2019	2,183,035	14,906	30/6/2019
16/10/2019	1,779,686	19,450	30/9/2019
	7,467,828	69,926	
<b>Issued Subsequent to Year End</b>			
13/1/2020	1,116,736	10,806	31/12/2019

- (iv) On 21 October 2019, ADX issued 5,800,000 shares (\$58,000) in lieu of investor relation services.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 3 – EQUITY-BASED PAYMENTS – continued

(c) **Weighted average fair value**

The weighted average fair value of equity-based payment options granted during the year was \$0.0089 (2018: \$0.0087).

(d) **Range of exercise price**

The range of exercise price for options granted as share based payments outstanding at the end of the year was \$nil (2018: \$nil to \$0.03).

(e) **Weighted average remaining contractual life**

The weighted average remaining contractual life of share based payment options that were outstanding as at the end of the year was 3.33 years (2018: 2.13 years).

(f) **Weighted average exercise price**

The following table shows the number and weighted average exercise price (“WAEP”) of share options granted as share based payments.

	12 Months to 31 December 2019 Number	12 Months to 31 December 2019 WAEP \$	12 Months to 31 December 2018 Number	12 Months to 31 December 2018 WAEP \$
Outstanding at the beginning of year	18,770,047	0.012	48,000,000	0.021
Granted during the year	18,072,991	Nil	9,770,047	Nil
Granted during the year	12,798,214	Nil	4,000,000	0.019
Granted during the year	8,249,999	Nil	5,000,000	0.03
Lapsed during the year	(9,000,000)	0.025	(48,000,000)	0.021
Outstanding at the end of the year	48,891,251	Nil	18,770,047	0.012
Exercisable at year end	48,891,251	Nil	18,770,047	0.012

The weighted average share price for options exercised during the year was nil (2018: nil).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 4 - INCOME TAX EXPENSE**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint operations, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint operations, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 - INCOME TAX EXPENSE - continued

	Consolidated	
	Year Ended 31 Dec 2019 \$	Year Ended 31 Dec 2018 \$
<b>(a) Income Tax Expense</b>		
The reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:		
Profit/(loss) for year	(1,086,908)	(2,457,662)
Prima facie income tax (benefit) @ 30%	(326,072)	(737,299)
Tax effect of non-deductible items	171,604	50,858
Deferred tax assets not brought to account	202,420	686,441
Income tax attributable to operating result	47,952	-
<b>(b) Deferred tax assets not recognised relate to the following:</b>		
Tax losses	14,479,373	13,171,310
These deferred tax assets have not been brought to account as it is not probable that tax profits will be available against which deductible temporary differences can be utilised.		
<b>(c) Deferred tax assets and liabilities:</b>		
Deferred tax assets:		
Temporary differences - Oil and gas properties	337,074	-
Deferred tax liabilities:		
Temporary differences - Asset retirement obligations	468,449	-

**(d) Franking Credits**

The franking account balance at year end was \$nil (2018: \$nil).

**(e) Tax Consolidation Legislation**

ADX Energy Ltd and its 100% owned Australian subsidiaries have not formed a tax consolidated group.

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**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 5 - EARNINGS PER SHARE**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2019</b>	<b>Year Ended 31 Dec 2018</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share attributable to members of ADX Energy Ltd	(0.077)	(0.21)
	<b>\$</b>	<b>\$</b>
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
- basic earnings per share	(979,700)	(2,382,635)
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,269,022,906	1,127,950,879

Diluted earnings per share is not disclosed because potential ordinary shares, being options granted, are not dilutive and their conversion to ordinary shares would not demonstrate an inferior view of the earnings performance of the Company.

**NOTE 6 - CASH AND CASH EQUIVALENTS**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2019</b>	<b>Year Ended 31 Dec 2018</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	4,953,759	3,299,229

Cash includes \$3.22 million held by 49.18% owned subsidiary Danube Petroleum Limited.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	Year Ended 31 Dec 2019 \$	Year Ended 31 Dec 2018 \$
<b>NOTE 6 - CASH AND CASH EQUIVALENTS – continued</b>		
<b>(i) Reconciliation of loss for the period to net cash flows used in operating activities</b>		
Loss after income tax	(1,086,908)	(2,457,662)
Non-Cash Items:		
Acquisition costs of permit expensed	-	74,641
Depreciation and amortisation	229,714	-
Foreign exchange losses/(gains)	(508,351)	120,686
Share-based payments expensed	560,469	428,883
Accretion	5,516	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	(2,731,435)	(603,369)
(Increase)/decrease in inventories	(315,164)	-
(Increase)/decrease in deferred tax assets	(337,074)	-
Increase/(decrease) in payables	272,513	(284,045)
Increase/(decrease) in income tax payable	64,339	-
Increase/(decrease) in deferred tax liabilities	320,485	-
Increase/(decrease) in provisions	199,544	-
Net cash flows used in operating activities	<u>(3,326,352)</u>	<u>(2,720,866)</u>

**(ii) Non-Cash Financing and Investing Activities  
2019**

There were no non-cash financing or investing activities during the year.

**2018**

On 10 December 2018, ADX granted 5,000,000 unlisted options to a broker in consideration for completion of a placement and ongoing financial advisory services (\$10,392).

**NOTE 7 – OTHER RECEIVABLES**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables (including VAT) within 12 months.

	Consolidated	
	Year Ended 31 Dec 2019 \$	Year Ended 31 Dec 2018 \$
<b>Current</b>		
Trade and other debtors	1,249,621	-
GST/VAT refundable	1,555,530	138,229
Prepayments	588,548	534,451
Share of cash held by joint operations	-	11,725
Other	59,222	-
Total current receivables	<u>3,452,921</u>	<u>684,405</u>

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 7 – OTHER RECEIVABLES - continued

Information about the impairment of trade and other receivables, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 22. Receivables do not contain past due or impaired assets as at 31 December 2019 (2018: none).

NOTE 8 – INVENTORIES

Inventories include hydrocarbon stocks, consumable supplies and maintenance and drilling spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs.

	Consolidated	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
	\$	\$
Drilling inventories	293,107	-
Oil and gas inventories	22,057	-
Total current inventories	315,164	-

NOTE 9 – OIL AND GAS PROPERTIES

Oil and gas properties are stated at cost less accumulated depreciation and impairment charges. Oil and gas properties include the costs to acquire, construct, install or complete production and infrastructure facilities such as pipelines, capitalised borrowing costs, development wells and the estimated cost of dismantling and restoration. Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

Oil and gas properties and other plant and equipment are depreciated to their estimated residual values at rates based on their expected useful lives with a maximum period of 100 months. All items of oil and gas properties are depreciated using the straight-line method over their useful life capped at 100 months. They are depreciated as follows: • Buildings – 30 years; • Oil and Gas equipment – 8.3 years.

	Consolidated	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
	\$	\$
Austria		
Buildings	312,912	-
Field office fixtures and equipment	283,372	-
Plant and machinery	5,229,189	-
Wells	9,490,449	-
Retirement obligation assets	1,873,795	-
Construction in progress	444,092	-
Romania		
Appraisal costs	5,372,435	-
	23,006,244	-

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	Year Ended 31 Dec 2019 \$	Year Ended 31 Dec 2018 \$
<b>NOTE 9 – OIL AND GAS PROPERTIES - continued</b>		
<i>Reconciliation of the carrying amount of oil and gas assets:</i>		
Buildings – opening balance	-	-
Additions – acquisition of Austrian fields	316,078	-
Depreciation	(3,166)	-
	<u>312,912</u>	-
Field office fixtures and equipment – opening balance	-	-
Additions – acquisition of Austrian fields	286,339	-
Depreciation	(2,967)	-
	<u>283,372</u>	-
Plant and machinery – opening balance	-	-
Additions – acquisition of Austrian fields	5,293,876	-
Depreciation	(64,687)	-
	<u>5,229,189</u>	-
Wells – opening balance	-	-
Additions – acquisition of Austrian fields	9,632,004	-
Depreciation	(141,555)	-
	<u>9,490,449</u>	-
Retirement obligation assets – opening balance	-	-
Additions – acquisition of Austrian fields	1,891,135	-
Amortisation	(17,340)	-
	<u>1,873,795</u>	-
Construction in progress – opening balance	-	-
Additions	444,092	-
	<u>444,092</u>	-
Appraisal costs – Romania – opening balance	-	-
Additions	5,372,435	-
Amortisation	-	-
	<u>5,372,435</u>	-

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ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 9 – OIL AND GAS PROPERTIES - continued

(i) Acquisition of Austrian fields:

On 2 December 2019, ADX announced completion of the acquisition of the Zistersdorf and Gaiselberg oil and gas fields located onshore in the Vienna Basin, Austria (Production Assets) as well as agreements for exploration data and access arrangements to RAG's production infrastructure in Upper Austria.

The final purchase price for the Production Assets was EUR 2,059,671 (A\$3,362,291).

	Consolidated	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
	\$	\$
Final purchase price	3,362,291	-
Additional costs of the acquisition	364,620	-
	3,726,911	-
Consists of:		-
Buildings	316,078	-
Field office fixtures and equipment	286,339	-
Plant and machinery	5,293,876	-
Wells	9,632,004	-
Retirement obligation assets	1,891,135	-
Inventories	22,057	-
Provision for asset retirement obligations	(13,804,648)	-
Deferred tax assets	323,208	-
Deferred tax liabilities	(451,862)	-
Other net current assets	152,714	-
Translation differences	66,010	-
	3,726,911	-

NOTE 10 – TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

	Consolidated	
	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
	\$	\$
<b>Current</b>		
Trade creditors and accruals	2,109,711	444,576
Accrued interest payable	72,321	-
	2,182,032	444,576

The Group's exposure to interest rate risk is discussed in Note 22.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 11 – INTEREST BEARING LIABILITIES**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. The carrying amount of interest-bearing liabilities approximates their fair value.

Convertible Note Facilities

On 16 July 2019, ADX finalised Convertible Loan Facility Agreements (“Convertible Notes”) which were convertible to shares in ADX to raise A\$1,205,000. Included in this new funding was \$150,000 provided equally by ADX’s Directors Ian Tchacos, Paul Fink and previous director, Robert Brown.

The key terms for the Convertible Notes were as follows:

1. Loan Term: 6 months commencing 12 July 2019, extendable by mutual agreement in writing at least 15 days prior to expiry of Loan Term.
2. Loan Interest: 10% per annum; Payable at Termination.
3. Loan Conversion Rights: The lender has the option to convert part or all of the loan into ADX shares prior to Termination. The conversion price is determined the lower of:
  - a. the share price used for any capital raising by issue of ADX shares during the term of the Loan Agreement; and
  - b. A\$0.007 per share.
4. Early Termination by ADX: ADX may terminate the loan at any time from 12 October 2019 to expiry by repayment of Loan Amount plus accrued interest. ADX will provide the Lender with three (3) business days notice prior to allow the Lender time to elect conversion.

If the price under 3(a) is less than A\$0.007, then the conversion to shares is subject to Shareholder approval. All conversion rights of Directors of ADX Energy Ltd and their related parties (including associates) are subject to Shareholder approval.

During the year, \$105,000 of these convertible loan facilities have been converted at \$0.007 to 14,999,996 shares.

Subsequent to year end, \$50,000 of these convertible loan facilities were repaid in cash, and the remaining \$1,050,000 have been converted at \$0.007 to 149,999,995 shares.

Loan Notes

In November 2019, 35 loan notes of \$100,000 each totalling A\$ 3.5 million were issued. For each Loan Note, ADX issued the subscriber 3,857,143 unlisted options (total 135,000,005 options), with an exercise price of 1.8 cents per option and expiring 26 November 2021. Interest is paid quarterly at 6% per annum with 50% of the principal repaid after 12 months, and the remainder after 24 months.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2019</b>	<b>Year Ended 31 Dec 2018</b>
	\$	\$
<b>Current</b>		
Convertible notes	1,100,000	-
Loan notes	1,750,000	-
	2,850,000	-
<b>Non-Current</b>		
Loan notes	1,750,000	-

The Group’s exposure to liquidity and interest rate risk is discussed in Note 22.

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ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 – PROVISIONS**

Obligations associated with exploration, development and production assets are recognised when the Group has a present obligation, the future sacrifice of the economic benefits is probable, and the provision can be measured reliably. The determination of the provision requires significant judgement in terms of the best estimate of the costs of performing the work required, the timing of the cash flows and the appropriate discount rate. A change in any, or a combination of, the key assumptions used to determine the provision could have a material impact on the carrying value of the provision. On an ongoing basis, the restoration will be remeasured in line with the changes in the time value of money (recognised as an expense and an increase in the provision), and additional disturbances recognised as additions to the provision.

*Key Estimates and Judgements*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). Asset retirement obligation costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its asset retirement obligations provision at each reporting date. The ultimate asset retirement obligations costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expense can also change. Therefore, significant estimates and assumptions are made in determining the provision for asset retirement obligations. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future asset retirement obligations costs required.

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Provision for employee entitlements	199,544	-
Provision for restoration – exploration assets	258,184	283,844
	<u>457,728</u>	<u>283,844</u>
<b>Non-Current</b>		
Provision for asset retirement obligations (ARO) – production assets	<u>13,810,164</u>	-
<i>Reconciliation of the movement in restoration/ARO provisions:</i>		
Provision for restoration (current) – opening balance	283,844	-
Translation differences	(25,660)	-
	<u>258,184</u>	-
Provision for asset retirement obligations (non-current) – opening balance	-	-
Additions – acquisition of Austrian fields (note 9(i))	13,804,648	-
Accretion	5,516	-
	<u>13,810,164</u>	-

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated  
31 December      31 December  
2019                      2018  
\$                              \$

**NOTE 13 – ISSUED CAPITAL**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(a) Issued Capital**

Ordinary shares fully paid	71,889,435	69,070,587
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**(b) Movements in Ordinary Share Capital**

Number of Shares	Summary of Movements	Note	2019 \$
1,207,970,915	Opening balance 1 January 2019		69,070,587
9,371,742	Issue of shares to Directors	3(b)(i)	86,250
7,467,828	Issue of shares to consultants and co secretaries	3(b)(ii)	69,926
200,000,000	Placement at 1 cent	13(b)(i)	2,000,000
79,701,800	Share Placement Plan at 1 cent	13(b)(ii)	797,018
5,800,000	Issue of shares in lieu of services	13(b)(iii)	58,000
14,999,996	Conversion of convertible notes	11	105,000
	Costs of share issues – cash		(297,346)
1,525,312,281	Closing Balance at 31 December <b>2019</b>		71,889,435
			<b>2018</b>
			\$
1,106,631,376	Opening balance 1 January 2018		68,083,114
10,585,711	Issue of shares to Directors	3(b)(i)	133,315
11,373,810	Issue of shares to consultants and co secretaries	3(b)(ii)	125,443
4,380,018	Issue of shares to consultant advisor		50,000
75,000,000	Placement at 1 cent with 1 for 3 free attaching unlisted Option (exercisable at \$0.02 each on or before 31/12/19)		750,000
	Costs of share issues – cash		(60,893)
	Costs of share issues – non-cash options	3(b)(iv)	(10,392)
1,207,970,915	Closing Balance at 31 December <b>2018</b>		69,070,587

- (i) On 21 October 2019, ADX issued 2,000,000,000 shares under a placement raising a total \$2,000,000 before costs. For every three shares subscribed for under the placement, ADX granted one free attaching Listed Option (exercisable at \$0.015 each on or before 20 November 2020).
- (ii) On 22 November 2019, ADX completed a Share Purchase Plan (SPP) to eligible Shareholders at 1 cent per Share (same price as the offer price under the Placement). The SPP participants also received one free attaching Listed Option for every three new Shares issued (exercisable at 1.5 cents on or before 20 November 2020).
- (iii) On 21 October 2019, ADX issued 5,800,000 shares (\$58,000) in lieu of services for investor relations. For every three shares, ADX granted one free attaching Listed Option (exercisable at \$0.015 each on or before 20 November 2020).

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 13 – ISSUED CAPITAL - continued

(c) Options on issue at year end

	Number	Exercise Price	Expiry Date
Listed Options	95,167,287	1.5 cents	20/11/2020
Unlisted Options	135,000,005	1.8 cents	26/11/2021
Unlisted Options	9,770,047	Nil cents	31/5/2022
Unlisted Options	18,072,991	Nil cents	31/5/2023
Unlisted Options	12,798,214	Nil cents	31/7/2023
Unlisted Options	8,249,999	Nil cents	31/10/2023

During the year:

- (i) 39,121,204 unlisted options were granted as in lieu of remuneration to Directors Ian Tchacos and Paul Fink. Refer note 3(b)(ii).
- (ii) 95,167,287 Listed options were issued for every three shares subscribed for in the October 2019 placement, October 2019 shares in lieu of services and the November 2019 Share Purchase Plan. Refer note 13(b).
- (iii) 135,000,005 unlisted options were granted to others. Refer note 11. (2018: 5,000,000);
- (iv) No unlisted options were cancelled (2018: nil);
- (v) 34,000,000 unlisted options lapsed (2018: 48,000,000);
- (vi) No unlisted options were exercised (2018: nil).

(d) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

(e) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintains optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market. Management has no current plans to adjust the capital structure. There are no plans to distribute dividends in the next year.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	31 December 2019 \$	31 December 2018 \$
<b>NOTE 14 - RESERVES</b>		
Share-based payments reserve	4,635,958	4,289,664
Foreign currency translation reserve	(1,611,919)	(1,050,841)
Option premium reserve	2,915,542	2,915,542
Asset revaluation reserve	250,000	250,000
	<u>6,189,581</u>	<u>6,404,365</u>

**Share-based payments reserve**

Balance at the beginning of the year	4,289,664	4,159,147
Share-based payments (options granted)	346,294	130,517
Balance at the end of the year	<u>4,635,958</u>	<u>4,289,664</u>

*Nature and purpose of the reserve:*

The Share-based payments reserve is used to recognise the fair value of options issued but not exercised.

**Foreign currency translation reserve**

Balance at the beginning of the year	(1,050,841)	(1,078,042)
Currency translation differences	(561,078)	27,201
Balance at the end of the year	<u>(1,611,919)</u>	<u>(1,050,841)</u>

*Nature and purpose of the reserve:*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*Nature and purpose of the other reserves:*

(i) *Option premium reserve*

The option premium reserve is used to accumulate proceeds received from the issuing of options.

(ii) *Asset revaluation reserve*

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. This reserve can only be used to pay dividends in limited circumstances.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 15 – NON-CONTROLLING INTERESTS

	Consolidated	
	31 December 2019 \$	31 December 2018 \$
Non-Controlling Interests	9,059,704	3,419,316

*Movement during the year:*

Balance at the beginning of the year	3,419,316	-
Capital invested by non-controlling interests in subsidiary	5,887,548	3,498,924
Share of loss for the period	(107,208)	(75,027)
Share of other comprehensive loss	(139,952)	(4,581)
Balance at the end of the year	9,059,704	3,419,316

Non-controlling interests represent Reabold Resources Plc (LSE AIM:RBD) (Reabold) interest held in the Danube group. The Danube Group consists of Danube Petroleum Limited (UK company) and its wholly owned Romanian subsidiary, ADX Energy Panonia Srl.

During the year, Reabold subscribed to the following additional shares in Danube:

Date	Subscriber	# Danube Shares	GBP	AUD Equivalent
10 May 19	Reabold	375,940	375,940	685,084
16 September 19	Reabold	237,838	237,838	429,801
1 October 2019	Reabold	572,973	572,973	1,043,665
26 November 2019	Reabold	200,000	240,000	456,408
2 December 2019	Reabold	1,427,604	1,713,124	3,272,590
		<u>2,814,355</u>	<u>3,139,875</u>	<u>5,887,548</u>
16 September 19	ADX Energy Ltd	158,559	158,559	289,553
21 October 2019	ADX Energy Ltd	381,982	381,982	729,809
26 November 2019	ADX Energy Ltd	241,928	290,314	548,857
		<u>782,469</u>	<u>830,855</u>	<u>1,568,219</u>
Total for the year		<u>3,596,824</u>	<u>3,970,730</u>	<u>7,455,767</u>

As at 31 December 2019, Reabold holds a 50.82% interest in Danube (2018: 33.33%). ADX Energy Ltd continues to consolidate the Danube Group as it has control via day-to-day management, accounting and two out of three directors on the board of Danube are ADX Energy Ltd directors.

Summarised financial information for Danube Petroleum Limited and its' 100% owned subsidiary ADX Energy Panonia SRL is as follows. The amounts disclosed are before inter-company eliminations:

	Consolidated	
	31 December 2019 \$	31 December 2018 \$
<b>Summarised Statement of Financial Position</b>		
Current assets	4,360,724	2,972,500
Current liabilities	(173,923)	(13,584)
Current net assets	<u>4,186,801</u>	<u>2,958,916</u>
Non-current assets	12,514,869	7,632,017
Non-current liabilities	-	-
Non-current net assets	<u>12,514,869</u>	<u>7,632,017</u>
Net Assets	<u>16,701,670</u>	<u>10,590,933</u>

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 15 – NON-CONTROLLING INTERESTS - continued

	Consolidated	
	31 December 2019 \$	31 December 2018 \$
<b>Summarised Statement of Comprehensive Income</b>		
Revenue	-	-
Loss for the period	(286,257)	(276,724)
Other comprehensive income/(loss)	(373,687)	(16,896)
Total comprehensive loss	(659,944)	(293,620)
Loss allocated to Non-Controlling Interests	(107,208)	(75,027)
Other comprehensive loss allocated to Non-Controlling Interests	(139,952)	(4,581)
<b>Summarised Statement of Cash Flows</b>		
Cashflows from operating activities (including VAT paid)	(1,515,215)	(1,171,160)
Cashflows from investing activities	(4,836,677)	(20,992)
Cashflows from financing activities	7,455,767	3,480,152
Net foreign exchange differences	(185,110)	28,662
Net increase/(decrease) in cash and cash equivalents	918,765	2,269,695

NOTE 16 - INTERESTS IN JOINT OPERATIONS

Interests in jointly controlled assets are reported in the financial statements by including the group's share of assets employed in the Joint Operations, the share of liabilities incurred in relation to the Joint Operations and the share of any expenses and revenues in relation to the Joint Operations in their respective categories.

	Principal Activities	ADX Group % Interest	
		31 December 2019	31 December 2018
Romania –Parta Block	Exploration	100%	50%

On the 31 March 2019, ADX Energy Panonia SRL (ADX Panonia) 50% license partner RAG Austria AG ("RAG") withdrew from the Parta license leaving ADX Panonia with a 100% interest in the license. This is in line with RAG's strategy to sell or withdraw from all its exploration and production activities and concentrate on its core business of gas production, gas transmission, energy storage and gas innovations.

The Group has classified these as joint arrangements because under the terms of the agreements, all partners share in all the assets employed in the joint arrangement and are liable for all the liabilities of the joint arrangement, according to their participating share.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 17 – PARENT ENTITY INFORMATION	Company	
	31 December 2019 \$	31 December 2018 \$
<b>Statement of Financial Position information</b>		
Current assets	1,680,370	1,074,906
Non-current assets	4,121,993	-
Current liabilities	(3,131,300)	(411,609)
Non-current liabilities	(1,750,000)	-
Net Assets	921,063	663,297
Issued capital	71,889,435	69,070,587
Reserves	7,800,785	7,709,315
Accumulated losses	(78,729,157)	(76,116,605)
	921,063	663,297
<b>Profit and loss information</b>		
Profit/(loss) for the year	(2,612,552)	(2,136,218)
Comprehensive profit/(loss) for the year	(2,612,552)	(2,038,826)

**Commitments and contingencies**

There are no commitments or contingencies, including any guarantees entered into by ADX Energy Ltd on behalf of its subsidiaries as at year end.

**Subsidiaries**

Name of Controlled Entity	Class of Share	Place of Incorporation	% Held by Parent Entity	
			31 December 2019	31 December 2018
Alpine Oil & Gas Pty Ltd	Ordinary	Australia	100%	100%
AuDAX Energy Srl	Ordinary	Italy	100%	100%
Bull Petroleum Pty Ltd	Ordinary	Australia	100%	100%
Terra Energy Limited	Ordinary	UK	100%	-
ADX VIE GmbH	Ordinary	Austria	Held 100% by Terra Energy Limited	-
Danube Petroleum Limited	Ordinary	UK	49.18%	66.7%
ADX Energy Panonia Srl	Ordinary	Romania	Held 100% by Danube Petroleum Limited	Held 100% by Danube Petroleum Limited

Terra Energy Limited and ADX VIE GmbH were both incorporated during the year.

None of the above subsidiaries are audited by Rothsay Auditing.

Refer to note 15, non-controlling interests, for details on Danube Petroleum Limited Group.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated	
31 December 2019 \$	31 December 2018 \$

**NOTE 18 – COMMITMENTS AND CONTINGENCIES**

**(a) Operating leases (non-cancellable):**

Within one year	17,628	17,628
Later than one year, not later than five years	1,352	3,380
Within one year	18,980	21,008

These non-cancellable operating leases are for office premises and a photocopier.

**(b) Commitments and Contingencies for Oil and Gas Properties**

In order to maintain current rights of tenure to exploration licenses the Company may be compelled to perform minimum exploration activities to meet requirements specified by the relevant governments. These expenditure commitments may be varied as a result of renegotiations, relinquishments, farm-outs or sales.

**Tunisia - Kerkouane Permit**

ADX, together with Entreprise Tunisienne d'Activités Pétrolières (ETAP), have agreed a modified work program and jointly submitted this program to the Tunisian authorities (Direction Generale de l'Energie, "DGE") for a second license renewal as per the PSC provisions (Production Sharing Contract). The three year renewal includes a 36% relinquishment of the exploration block area and the commitment to an exploration well during the renewal period following the drilling, evaluation and productivity testing of the Dougga Sud well. The relinquishment area has been agreed with ETAP and does not impact the Dougga gas discovery, the Kerkouane gas discovery or the prospective exploration inventory covered by 3D seismic which includes the Dougga West oil prospect.

ADX contracted the Noble Globe Trotter II drilling rig to drill the Dougga Sud well in October 2017. In June 2019 Noble Corporation advised that it is unable to offer the Globetrotter II drilling rig beyond June 2019 for the drilling of the Dougga Sud well offshore Tunisia due to other operational commitments. Given the water depth at Dougga of 330 metres is beyond the capability of available rigs in the region it is unlikely that alternate rig options will be available during the current license term. ADX and has formally advised the DGE and ETAP that this is a force majeure event pursuant to the Petroleum Code. That being the case ADX has been seeking to engage with National Oil Company (ETAP) in relation to a deferment of work program obligations. To date no agreement has been reached with ETAP or the DGH for the extension of the Kerkouane Permit beyond 2019.

**Romania - Parta**

In December 2012, the Romanian Government ratified the concession agreement for ADX's EX 10 Parta license ("Parta Permit"). As at 21 June 2019 the committed work program for the Parta Permit requires the acquisition of 60 km of 2D and 100 km<sup>2</sup> of 3D seismic and the drilling of two exploration wells. Total commitments are estimated at A\$5.4 million (EUR 3.5 million) for a 2.0 year period commencing 21 June 2019 following an extension agreed with NAMR. ADX Energy Panonia SRL ("ADX Panonia") share of this commitment is 100% which will reduce to 50% upon the completion of a farm in commitment by Tamaska Oil and Gas Limited ("Tamaska") to Fund 100 km<sup>2</sup> of 3D seismic at an estimated cost of A\$ 2.5 million funded by Tamaska. To date approx. 100 km of 2D (surface) and 50 km<sup>2</sup> of 3D (surface area) seismic has been acquired. The current license validity is until 21 June 2021. In order to retain the license, ADX Panonia have committed to an additional 60 km of 2D seismic and approximately 100 km<sup>2</sup> of 3D seismic.

**Romania – Iecea Mare License**

In 2018, ADX acquired a 100% equity interest in the Iecea Mare Production license "License". ADX has committed to pay a 5% royalty for production from wells located within License. The current production license is valid until November 2034 and extensions are possible. The license does not carry any commitments, but an annual work-program will have to be agreed with the Romanian government (via NAMR. The National Agency for Mineral Resources). ADX estimates the annual cost for such activities may be approximately \$50,000.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 18 – COMMITMENTS AND CONTINGENCIES – continued

(b) Commitments and Contingencies for Oil and Gas Properties - continued

**Austria – Zistersdorf and Gaiselberg Fields**

ADX entered into a binding Asset Purchase Agreement (APA) with RAG Exploration & Production GmbH (REP) on the 1st of July 2019 for the acquisition of the Zistersdorf and Gaiselberg producing oil fields located onshore in the Vienna Basin. The purchase was based on an effective date of 1 January 2019. Payment was via a staged financing process including the initial payment of a 10% non refundable deposit following signing of the APA with the balance of the funds paid at closing on the 1 December 2019 following the transfer of the production licenses to ADX. The final cash payment was adjusted for the net post tax cashflow of the fields between the 1 January and 1 December 2019 (Adjustment Period). All capital expenditures during the Adjustment Period other the cost of construction of new pipeline interconnection required to connect crude exports from the field to a third party owned pipeline to the Schwechat refinery near Vienna, Austria have been paid by REP. ADX has agreed to pay for the cost of the pipeline interconnection 90 days after they become due. The cost of the pipeline interconnection has been capped at EUR 700,000. To date EUR 238,000 has been invoiced, the balance is expected during the second half of 2020.

**Data User Agreement – Upper Austria**

In addition to the Zistersdorf and Gaiselberg acquisition, ADX entered into a Data User Agreement (DUA) with RAG Austria AG (RAG) for access to RAG Exploration Data (including 3650 km<sup>2</sup> of modern 3D seismic) in the Molasse Basin, in Upper Austria. Under the DUA, ADX will have exclusive access to 3D and 2D seismic and geological data from RAG for yet to be licensed exploration areas covered by the data. ADX has made exploration area applications utilising the data for a portion of the 3650 km<sup>2</sup> area covered by the 3D seismic. Upon award of an exploration area ADX has agreed to pay RAG EUR 400,000 per annum for exclusive rights to the entire data set covering the entire 3650 km<sup>2</sup> for up to 5 years. It is likely that ADX will utilise a portion of the area and therefore an equivalent proportion of the EUR 400,000 annual fee. ADX anticipates the award of an exploration area during the third quarter of 2020.

(c) Other contingencies

**Italy - d363 C.R.-AX license**

ADX holds a 100% interest in the d363 C.R.-AX prospecting license which contains the Nilde Oil Re Development Project. Subsequent to year end, ADX has completed submissions to the Italian licensing authorities (UFFICIO NAZIONALE MINERARIO PER GLI IDROCARBURI E LE GEORISORSE or UNMIG) in order to convert the area to an exploration license. Upon ratification of the prospecting license to an exploration license ADX will assume the commitment to purchase and reprocess 300 Km of 2D seismic and drill one exploration well within 5 years. Upon ratification ADX intends to complete the purchase of 2D seismic and undertake seismic reprocessing and make applications to UNMIG to drill an appraisal well on the Nilde field in lieu of its exploration commitment.

As previously announced ADX completed a farmout with SDP Services Limited (“SDP”) where SDP can earn an interest of 50% interest in the d363 C.R.-AX Permit (License) containing the Nilde Oil Redevelopment Project by funding the work program commitments of Audax Energy Srl (Audax) a wholly owned subsidiary of ADX up to a maximum of EUR 20.82 million. The transaction is conditional upon the Italian Licensing Authorities ratifying the License. Upon ratification of the License SDP will receive 5% net profits royalty interest attributable to any future production from the Nilde Field. ADX will remain operator of the license.

The Italian Senate has passed a Bill to suspend exploration activities in permits that have been approved or are in the process of being approved for a period of up to 18 months (to approximately August 2020) to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities. The Italian Senate has further advised that suspension will be extended to the first quarter of 2021. Accordingly, ADX’s d363 licence cannot be converted to an exploration licence until early in 2021.

In order to minimize any possible future actions from environmental groups ADX has voluntarily reduced the license area to a total of 400 sqkm. The remaining area contains all known oil discoveries made to date and also the main prospects mapped by ADX. It does however not contain areas which may be considered environmentally sensitive due to possible seabed carbonate build up.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 19 – KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Compensation of Key Management Personnel**

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Short-term employment benefits	568,567	654,211
Post-employment benefits	6,270	6,463
Share-based payment	303,376	147,752
	878,213	808,426

**(b) Other transactions and balances with Key Management Personnel**

- (i) Mr Andrew Childs is the owner of Resource Recruitment. ADX Energy Ltd has an office rental agreement with Resource Recruitment to rent office premises in Subiaco until 30 June 2020 at normal commercial rates. Rental paid for the year (excluding GST) ended 31 December 2019 totalled \$31,200 (2018: \$31,200).
- (ii) In the prior year, Mr Ian Tchacos, through an entity controlled by Mr Tchacos, provides office premises in Claremont at normal commercial rates. The rental was provided on a casual monthly basis. Rental paid for the year ended 31 December 2019 totalled \$nil (2018: \$12,000).
- (iii) Mr Philip Haydn-Slater, through an entity controlled by Mr Haydn-Slater, provides office premises in London at normal commercial rates to ADX's subsidiary, Danube Petroleum Limited. The rental is provided on a casual monthly basis. Rental paid for the year ended 31 December 2019 totalled \$6,432 (2018: \$4,820).
- (iv) On 16 July 2019, ADX finalised Convertible Loan Facility Agreements ('Convertible Notes') which were convertible to shares in ADX to raise A\$1,205,000. Included in this new funding was \$150,000 provided equally by ADX's Directors Ian Tchacos, Paul Fink and previous director, Robert Brown.

**(b) Other transactions and balances with Key Management Personnel - continued**

The key terms for the Convertible Notes were as follows:

1. Loan Term: 6 months commencing 12 July 2019, extendable by mutual agreement in writing at least 15 days prior to expiry of Loan Term.
2. Loan Interest: 10% per annum; Payable at Termination.
3. Loan Conversion Rights: The lender has the option to convert part or all of the loan into ADX shares prior to Termination. The conversion price is determined the lower of:
  - a. the share price used for any capital raising by issue of ADX shares during the term of the Loan Agreement; and
  - b. A\$0.007 per share.

On 20 September 2019, Shareholders approved the issue of the convertible notes to the Directors.

Subsequent to year end, on 13 January 2020, the Directors' convertible loan facilities were converted at \$0.007 to 21,428,570 shares. Interest paid to these Directors in January 2020 totalled \$7,424.45.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$

**NOTE 20 - AUDITORS' REMUNERATION**

Amount received or due and receivable by the auditor for:

Auditing the financial statements, including audit review - current year audits	29,000	42,000
Other services	-	-
Total remuneration of auditors	29,000	42,000

**NOTE 21 – SEGMENT INFORMATION**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the work undertaken, and
- Geographic environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the Financial Statements.

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the geographical region. Discrete financial information about each of these operating businesses is reported to the Board. The reportable segments are based on aggregated operating segments determined by the similarity of economic environment, as these are the sources of the Group's major risks and have the most effect on the rates of return.

**Reportable Operating Segments Identified**

For management purposes, the Group has organised its operating segments into three reportable segments as follows:

- Sicily Channel Offshore Exploration and Evaluation Segment: This segment includes assets and activities that are associated with oil and gas exploration offshore Italy and Tunisia.
- Romania Exploration and Appraisal/Development Segment: This segment includes assets and activities that are associated with oil and gas exploration, appraisal and development in that region, and include the costs if the parent entity, Danube Petroleum Limited.
- Austria Production Segment: This segment includes assets and activities that are associated with oil and gas production in that region.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**NOTE 21 – SEGMENT INFORMATION - continued**

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Group's financing (including finance income) is managed on a group basis and are not allocated to operating segments.

**Accounting Policies**

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts.

There have been no inter-segment transactions.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items are not allocated to segments as they are not considered part of core operations of any segment and are managed on a Group basis.

- Interest revenue
- Foreign currency gains/(losses)
- Corporate costs

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 21 – SEGMENT INFORMATION - continued

Operating Segments	Sicily Channel \$	Romania \$	Austria (Production) \$	Total Operations \$
<b>Year ended 31 December 2019</b>				
Revenue and income	-	-	1,114,613	1,114,613
<b>Total segment revenue</b>				<b>1,114,613</b>
<b>Result</b>				
Segment result	(209,248)	(180,987)	140,108	(250,127)
<b>Reconciliation of segment profit after tax to net profit after tax:</b>				
Unallocated revenue and income				17,209
Foreign currency gains/(losses)				508,352
Unallocated expenditure				(1,362,342)
<b>Net profit/(loss) after tax</b>				<b>(1,086,908)</b>
<b>Assets</b>				
Segment assets	15,167	9,743,253	20,861,329	30,619,749
<b>Reconciliation of segment assets:</b>				
Unallocated cash				1,384,584
Other				98,345
<b>Total assets</b>				<b>32,102,678</b>
<b>Liabilities</b>				
Segment liabilities	(275,698)	(173,922)	(16,250,618)	(16,700,238)
<b>Reconciliation of segment liabilities:</b>				
Unallocated liabilities				(4,882,474)
<b>Total liabilities</b>				<b>(21,582,712)</b>
<b>Capital expenditure</b>				
Segment capital expenditure – oil and gas assets	-	5,372,435	17,633,809	23,006,244
<b>Reconciliation of capital expenditure:</b>				
Unallocated additions				-
<b>Total capital expenditure</b>				<b>23,006,244</b>

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 21 – SEGMENT INFORMATION - continued

Operating Segments	Tunisia	Romania	Italy	Total Operations
	\$	\$	\$	\$
<b>Year ended 31 December 2018</b>				
Revenue and income	-	-	-	-
<b>Total segment revenue</b>				<b>-</b>
<b>Result</b>				
Segment result	(609,365)	(383,005)	(187,911)	(1,180,281)
<b>Reconciliation of segment profit after tax to net profit after tax:</b>				
Unallocated revenue and income				2,169
Foreign currency gains/(losses)				(120,646)
Unallocated expenditure				(1,158,904)
<b>Net profit/(loss) after tax</b>				<b>(2,457,662)</b>
<b>Assets</b>				
Segment assets	5,837	2,887,750	66,848	2,960,435
<b>Reconciliation of segment assets:</b>				
Unallocated cash				970,748
Other				52,451
<b>Total assets</b>				<b>3,983,634</b>
<b>Liabilities</b>				
Segment liabilities	(294,524)	(13,583)	(8,703)	(316,810)
<b>Reconciliation of segment liabilities:</b>				
Unallocated liabilities				(411,610)
<b>Total liabilities</b>				<b>(728,420)</b>
<b>Capital expenditure</b>				
Segment capital expenditure – plant and equipment	-	-	-	-
Total Segment capital expenditure	-	-	-	-
<b>Reconciliation of capital expenditure:</b>				
Unallocated additions				-
<b>Total capital expenditure</b>				<b>-</b>

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### NOTE 22 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk (commodity, currency and interest rate risks), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. ADX's Board of Directors ('Board') is responsible for approving ADX's policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal controls. Risk management is carried out by the senior executives under these policies which have been approved by the Board. Management identifies, evaluates and, if necessary, hedges financial risks.

##### Commodity price risk

During the year the Group began generating revenue from its Zistersdorf and Gaiselberg fields in Austria. With this oil and gas production and sales, the group is exposed to the Brent Benchmark crude oil price and European gas price fluctuations. Exposure to oil and gas price risk is measured by monitoring the Group's forecast financial position and cash flows with various assumptions. This analysis is regularly performed. Commodity hedging may be undertaken where the Board of Directors determines that a hedging strategy is appropriate to mitigate potential periods of adverse movements in commodity price and protect forward cash flows to meet commitments. This will be balanced against the desire to expose shareholders to oil price upside and the reliability of production forecasts.

Subsequent to year end, on 5 March 2020, ADX announced that it hedged the equivalent of 40% of its' proven oil production profile for a period of 10 months. The hedging instruments are Dated Brent swaps at a fixed price of USD 50.64 per barrel over the period from 01 March 2020 to 31 December 2020.

On 13 March 2020, ADX announced that it further hedged the equivalent of 25% of its' proven oil production profile for a period of 9 months. The hedging structure over the period from 1 April 2020 to 31 December 2020 are a reparticipating collar structured as follows:

- A Put (buy) option at a strike price of USD 30.00 per bbl (Dated Brent).
- A Call (sell) option at a strike price of USD 44.00 per bbl (Dated Brent).
- A Call (buy) option at a strike price of USD 59.00 per bbl (Dated Brent).

There was zero upfront cash cost for the structure and based on the forward curve for Brent futures on 11 March 2020 the hedging structure allows the capture of all of the contango upside ((higher Brent forward price in the future) forecast by crude markets over the period.

The hedging program is designed to provide certainty of cash flows.

##### Currency risk

The Group's source currency for the majority of costs is in EUR. Given the location of the group's offices and operations in Europe, there is a small exposure to foreign exchange risk arising from the fluctuations in the USD to AUD exchange rate. Operating revenue is invoiced in EUR but is indexed to Dated Brent price (USD). Currency risk arises where the value of a financial instrument or monetary item fluctuates due to changes in foreign currency exchange rates. The exposure to currency risk is measured using sensitivity analysis and cash flow forecasting.

The Board has formed the view that in the ordinary course of business it would not be beneficial for the Group to purchase forward contracts or other derivative financial instruments to hedge any currency risk. Currency risk for operating revenue is hedged via hedging of the commodity as necessary (see section 'Commodity risk').

During the year the company undertook capital raising activities via the issue of new shares on the ASX. These capital raisings are priced and received in AUD. Over the time period of a capital raising there is some short-term exposure to movements in the AUD to EUR exchange rates as part of the funds are used in Europe. At 31 December 2019, management has assessed that the entity's exposure to foreign exchange movements is immaterial due to revenues and costs primarily in EUR and therefore no further analysis is provided.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTE 22 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

**Currency risk – continued**

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in EUR and AUD, to meet current operational commitments.

At balance date, the Group had the following exposures to foreign currencies that are not designated in cash flow hedges:

**Interest rate risk**

At balance date the Group's exposure to market risk for changes in interest rates relates primarily to the Company's cash. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

Given the very low or nil interest rates for cash, the interest rate risk is considered immaterial.

**Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

Significant cash deposits are with institutions with a minimum credit rating of AA (or equivalent) as determined by a reputable credit rating agency e.g. Standard & Poor.

The Group has only one customer for operating revenue being a significant company in Austria. Revenue is received monthly and hence the credit risk deemed very low.

The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

**Liquidity risk**

Liquidity risk is the risk that Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows with scenario analysis. As at reporting date the Group had sufficient cash reserves to meet its current requirements.

The contractual maturity analysis of payables as at year end are:

	<b>Total</b>	<b>Less than 1</b>	<b>Between 1-2</b>
	<b>\$</b>	<b>Year</b>	<b>Years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2019</b>			
Trade and other payables	2,182,032	2,182,032	-
Current tax liabilities	64,339	64,339	-
Interest bearing liabilities	4,600,000	2,850,000	1,750,000
<b>Total</b>	<b>6,846,371</b>	<b>5,096,371</b>	<b>1,750,000</b>
<b>31 December 2018</b>			
Trade and other payables	444,576	444,576	-
<b>Total</b>	<b>444,576</b>	<b>444,576</b>	<b>-</b>

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**NOTE 23 - SUBSEQUENT EVENTS**

Conversion of Convertible Note Facilities

Subsequent to year end, on 13 January 2020, the \$1,100,000 of convertible note facilities expired, with \$50,000 of these convertible loan facilities were repaid in cash, and the remaining \$1,050,000 converted at \$0.007 to 149,999,995 shares.

Hedging

Subsequent to year end, on 5 March 2020, ADX announced that it hedged the equivalent of 40% of its' proven oil production profile for a period of 10 months. The hedging instruments are Dated Brent swaps at a fixed price of USD 50.64 per barrel over the period from 01 March 2020 to 31 December 2020.

On 13 March 2020, ADX announced that it further hedged the equivalent of 25% of its' proven oil production profile for a period of 9 months. The hedging structure over the period from 1 April 2020 to 31 December 2020 are a reparticipating collar structured as follows:

- A Put (buy) option at a strike price of USD 30.00 per bbl (Dated Brent).
- A Call (sell) option at a strike price of USD 44.00 per bbl (Dated Brent).
- A Call (buy) option at a strike price of USD 59.00 per bbl (Dated Brent).

There was zero upfront cash cost for the structure and based on the forward curve for Brent futures on 11 March 2020 the hedging structure allows the capture of all of the contango upside (higher Brent forward price in the future) forecast by crude markets over the period.

The hedging program is designed to provide certainty of cash flows.

There are no other matters or circumstances that have arisen since 31 December 2019 that have or may significantly affect the operations, results, or state of affairs of the Group in future years.

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ADX ENERGY LTD

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of ADX Energy Ltd (“the Company”) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors’ declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group’s financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the “Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Key Audit Matter*

##### **Oil and Gas properties**

During the year the Group acquired oil and gas production assets. We do not consider the oil and gas production assets to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, the oil and



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gas production assets are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence, completeness and valuation of the Group's oil and gas production assets included but were not limited to:

- Reviewing documentation of the acquisition;
- Documenting and assessing the processes and controls in place to record the acquisition;
- We tested a sample of current year development and appraisal expenditure to source documents;
- We checked the calculation of the depreciation charge; and
- We obtained an understanding of the key processes associated with management's review of the carrying values of the oil and gas properties and the asset retirement obligation.

We have also assessed the appropriateness of the disclosures included in Notes 1, 9, 12 and 18 to the financial report.

#### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***Directors' Responsibility for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

#### ***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate,

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they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

**A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/Home.aspx](http://www.auasb.gov.au/Home.aspx)**

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

#### **Report on the Remuneration Report**

##### ***Opinion on the Remuneration Report***

We have audited the remuneration report included in the directors' report for the year ended 31 December 2019.

In our opinion the remuneration report of ADX Energy Ltd for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

##### ***Responsibilities***

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Rothsay Auditing**

**Graham Swan FCA  
Partner**

Dated 31<sup>st</sup> March 2020

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## ADX ENERGY LTD

### ADDITIONAL SHAREHOLDER INFORMATION

Information as at 24 March 2020

#### a) Substantial Shareholders (who have lodged notices with ADX Energy Ltd)

Name	Number of Shares Disclosed in Substantial Holder Notice
Jetosea Pty Ltd	141,130,283
Willow Scent Limited	54,749,090

#### b) Shareholder Distribution Schedule

Size of Holding	Number of Shareholders	Number of Ordinary Shares	Percentage of Issued Capital
1 - 1,000	184	84,543	0.00
1,001 - 5,000	479	1,521,968	0.09
5,001 - 10,000	390	3,185,377	0.19
10,001 - 100,000	861	34,373,650	2.02
100,001 and over	570	1,664,777,568	97.70
Total Shareholders	2,484	1,703,943,106	100

Number of shareholders holding less than a marketable parcel 1,947

#### Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy or attorney, Representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- (iv) on a poll every member entitled to vote and present in person or by proxy or attorney or representative duly authorised shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited).

There are no voting rights for Optionholders.

#### c) Securities Subject to Escrow:

There are no securities currently subject to an escrow.

ADX ENERGY LTD

ADDITIONAL SHAREHOLDER INFORMATION

d) Twenty largest shareholders:

Name	Number of Ordinary Shares	% of Issued Capital
1. JETOSEA PTY LTD	242,185,699	14.21
2. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	180,827,955	10.61
3. MR PAUL FINK	69,096,734	4.06
4. WILLOW SCENT LIMITED	54,749,090	3.21
5. SARGON CT PTY LTD <HENROTH PTY LIMITED>	40,000,000	2.35
6. ANDREW DUNCAN MURDOCH	30,005,000	1.76
7. IRONSIDE PTY LTD <IRONSIDE SUPER FUND A/C>	29,281,579	1.72
8. GILLARD SUPERANNUATION PTY LIMITED <GILLARD SUPER FUND A/C>	27,000,000	1.58
9. BRAZELL PTY LTD <A & M SUPER FUND A/C>	24,600,000	1.44
10. KENLOW (1982) PTY LTD <SUPER FUND A/C>	23,250,000	1.36
11. WARROORAH PTY LTD <TCHACOS FUND A/C>	23,164,160	1.36
12. MR TIMOTHY FRANCIS CLIVE MCDONNELL + MRS MILA MCDONNELL <MCDONNELL SUPER FUND A/C>	20,888,888	1.23
13. CITICORP NOMINEES PTY LIMITED	19,685,670	1.16
14. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,386,584	1.14
15. FIVECUTS PTY LTD <ELLIMATTA SUPER FUND A/C>	16,800,000	0.99
16. MRS AMANDA SPARKS	16,662,821	0.98
17. EONIA PTY LTD	16,466,798	0.97
18. PAKASOLUTO PTY LIMITED <BARKL FAMILY SUPER FUND A/C>	15,000,000	0.88
19. MR TIMOTHY FRANCIS CLIVE MCDONNELL	14,888,888	0.87
20. AUSPICIOUS RESOURCES & TECHNICAL SERVICE PTY LTD <THE MOLINOS & BROWN FAMILY A/C>	14,757,408	0.86
	898,697,274	52.74
Remaining Holders Balance	805,245,832	
Shares on issue	1,703,943,106	

e) Unlisted Options (Holders of more than 20%):

Name	Expire 26/11/2021 1.8 cents	Expire 31/5/2022 Nil cents	Expire 31/5/2023 Nil cents	Expire 31/7/2023 Nil cents	Expire 31/10/2023 Nil cents	Expire 31/1/2024 Nil cents
<i>Directors:</i>						
Eonia Pty Ltd		6,354,086				
Ian Tchacos			10,864,955	6,616,071	3,954,545	4,106,250
<i>Others:</i>						
Jetosea Pty Ltd	115,714,290					
Others (each holding less than 20%)	19,285,715					
	135,000,005	6,354,086	10,864,955	6,616,071	3,954,545	4,106,250

**ADX ENERGY LTD**  
**TENEMENT SCHEDULE**

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**Oil AND GAS ASSETS**  
**Europe and North Africa**

<b>Project</b>	<b>Permit</b>	<b>ADX Group Interest (%)</b>	<b>Operator</b>
Onshore Austria	Zistersdorf and Gaiselberg Production License <sup>Note 1</sup>	100%	ADX
Onshore Romania – Parta <sup>Note 2</sup>	EX-10 PARTA	100%	ADX
Onshore Romania – Iecea Mare Production Licence <sup>Note 2</sup>	Iecea Mare	100%	ADX
Offshore Italy, Nilde – awarded application <sup>Note 3</sup>	d363 C.R.-.AX	100%	ADX
Offshore Tunisia, Kerkouane	Kerkouane	100%	ADX

**Note 1:** Production License acquisition completed on 2 December 2019 (refer ASX announcement 3/12/19).

**Note 2:** ADX holds a 49.2% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via ADX Energy Panonia Srl holds a 100% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Sole Risk Project) and a 100% interest in the Iecea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube.

**Note 3:** ADX has commenced a process with the Italian Designated Authority to convert the exclusively awarded application to a ratified licence. This process was commenced after the award by the Ministry of Industry.