



# **ADX Energy Ltd**

**ABN 50 009 058 646**

**HALF-YEAR FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2020**

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**Directors**

Ian Tchacos (Executive Chairman)  
Paul Fink (Executive Director)  
Andrew Childs (Non-Executive Director)  
Edouard Etienvre (Non-Executive Director)

**Company Secretaries**

Amanda Sparks  
Peter Ironside

**Registered and Principal Office**

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**Share Registry**

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Telephone: +61 8 9323 2000  
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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 - ASX Code: ADX  
152-158 St Georges Terrace  
Perth, Western Australia 6000

**Auditors**

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

# ADX ENERGY LTD

## DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 30 June 2020.

### DIRECTORS

The names of Directors of the Company during or since the half-year and up to the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name	Position
Mr Ian Tchacos	Executive Chairman
Mr Paul Fink	CEO and Executive Director
Mr Andrew Childs	Non-Executive Director
Mr Edouard Etienvre	Non-Executive Director – appointed 7 January 2020
<i>Previous Directors</i>	
Mr Robert Brown	Non-Executive Director – resigned 7 January 2020
Mr Philip Haydn-Slater	Non-Executive Director – resigned 7 April 2020

### REVIEW AND RESULTS OF OPERATIONS

#### Summary of Financial Performance

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

	Consolidated 6 Months to 30 June 2020 \$	Consolidated 6 Months to 30 June 2019 \$
Net profit/(loss) for the half-year after tax attribute to members of the Parent Entity	(2,221,102)	(856,559)
Included in loss for the half-year:		
Operating revenue	3,699,011	-
Cost of sales – operating costs	(2,952,325)	-
Cost of sales – depreciation/amortisation	(1,475,904)	-
Exploration expensed	(733,067)	(768,035)
Basic profit/(loss) per share (cents) from continuing operations	(0.13) cents	(0.07) cents
Net cash (used in) operating activities	(212,699)	(1,356,078)
Net cash from/(used in) investing activities	(1,564,298)	8,898
Net cash from/(used in) financing activities	(55,942)	683,202

During the six month period:

- Exploration expenditure was \$733,067. This was expenditure primarily in Austria.
- Production from ADX's Zistersdorf and Gaiselberg Fields in Austria was as follows:

	6 Months to 30 June 2020	6 Months to 30 June 2019
Crude Oil Sold (Barrels)	48,061	-
Gas Sold (M <sup>3</sup> )	1,053,021	-
Total Oil Equivalent (BOE)	54,473	-
Average Production Rate (BOEPD)	298	-

Operations Review

Activities Overview

During the half year ended 30 June 2020 ADX has concentrated its activities on production operations in Austria and appraisal operations in Romania. ADX has made substantial progress towards becoming a significant onshore European producer, developer and explorer following the successful acquisition of the Gaiselberg and Zistersdorf oil and gas fields in Austria and the ongoing appraisal of the Iecea Mica-1 (IMIC-1) appraisal well in Western Romania.

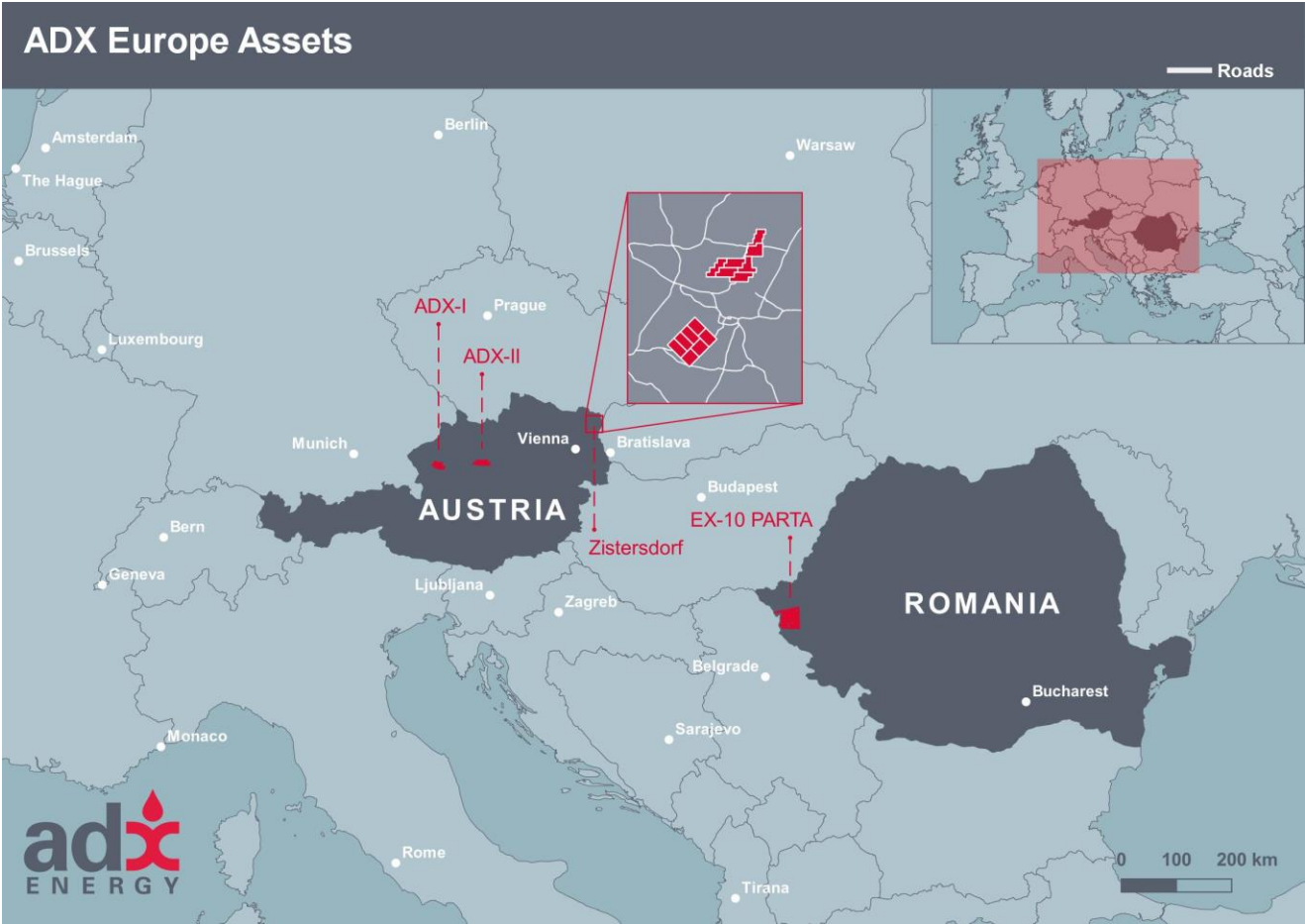


Figure 1: ADX Central Europe Assets Location Map

Upon completion of its Austrian production acquisition in late 2019, ADX has become one of the only three oil and gas production operators in Austria. In Romania, ADX is credentialed as both a production and exploration operator. Importantly ADX has also developed an operational and technical hub in Austria with the necessary skills to manage its production operations in Austria, appraisal operations in nearby Romania and the implementation of further new ventures initiatives in Austria.

During the half year period production operations at the Gaiselberg and Zistersdorf has continued with low down time and stable production rates averaging approximately 300 barrels of oil equivalent per day (“BOEPD”). Various investments have been made in the field to improve field reliability and extend field life.

ADX also finalised discussions with the Austrian licensing authorities in relation to the award of exploration licenses (ADX-I and ADX-II in Figure 1) and has subsequently submitted all necessary documentation required for a potential award.

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## DIRECTORS' REPORT

The final concession agreement contracts for exploration, production and gas storage rights in Upper Austria are expected to be signed in the second half of the year 2020.

In Romania, the focus has been on testing the IMIC-1 appraisal well within the Iecea Mare production license and preparations for the acquisition of a 3D seismic program within the Parta exploration permit.

During the period, the Company has endured a number of challenges including the effects of the COVID-19 pandemic and the substantial drop in oil price when Brent Crude Oil averaged US \$18.55 per barrel during April 2020. A number of COVID-19 measures were implemented to ensure uninterrupted production as well as a hedging strategy which has resulted in 34% contribution to revenues enabling field operations to remain cashflow positive during the period.

In addition to ongoing field operations, ADX has undertaken a base line reserves and production review of the Gaiselberg and Zistersdorf fields as well as significant forward looking technical work utilising recently acquired and reprocessed 3D seismic over the Gaiselberg and Zistersdorf fields to define development drilling locations in the field and deeper appraisal targets in an underdeveloped but already producing reservoir with a large resource potential coincident with ADX owned production infrastructure.

The Company has also continued to progress license applications in Upper Austria utilising a large 3D seismic data set exclusively acquired from oil and gas producer RAG Austria AG ("RAG") in conjunction with the field acquisition late last year. The applications are expected to provide ADX with access to low risk appraisal opportunities adjacent to RAG production infrastructure as well as high impact exploration targets. ADX continues to assess potential growth opportunities in Austria with high value production, industry leading low emission standards and complying with the highest environmental standards.

During the next half year ADX will focus on the following activities;

- Continued stable production at Gaiselberg and Zistersdorf fields,
- Testing the IMIC 1 well in Romania,
- The drilling of the IMIC-2 well in Parta, Western Romania,
- Parta license 3D seismic acquisition in Western Romania,
- Finalisation of baseline reserves assessment for the Gaiselberg and Zistersdorf fields,
- Generation of infill drilling targets at Gaiselberg and Zistersdorf as well as appraisal opportunities in underlying, underdeveloped reservoirs with a large resource potential,
- Finalisation and signing concession agreements for exploration, production and gas storage in Upper Austria, and
- Production asset purchase opportunities in Austria.

### **Asset Activities Summary**

#### ***Gaiselberg and Zistersdorf Production Assets, Vienna Basin - Onshore Austria***

*ADX is operator and holds a 100% interest in the production licenses.*

Field production rate during the half year averaged approximately 300 BOEPD, increasing from an average rate in January 2020 of 290 BOEPD to 320 BOEPD in June. The rate increase was the result of a combination of well work overs and rectification of process disruptions primarily due to emulsion formation.

# ADX ENERGY LTD

## DIRECTORS' REPORT



**Photo 1: Gaiselberg and Zistersdorf Field, Austria**

Sales revenues during the period totalled € 1,665,633 peaking in January 2020 at € 430,000 per month with a Brent Crude Oil price of US\$ 63.50 per barrel and dropping to € 144,000 per month when Brent oil price was at a low of US\$ 18.95 per barrel in April 2020. The monthly average sales revenues during the period was approximately € 277,000 per month. The drop in sales revenues during the period was partially compensated by revenues from hedging contracts of € 275,000 from March 2020 onwards.

ADX has made good progress establishing its Austrian business by maintaining high levels of production uptime and remained financially robust despite the effects of the COVID-19 pandemic. ADX has been able to execute planned well work over jobs as well as a number of facilities enhancements and maintenance programs required to maintain and enhance field production.

In order to ensure operational continuity and the safety of its personnel, ADX initiated COVID-19 pandemic precautions including subdivision of field operations into two separated shifts to ensure continued operations, maintenance work and workover work. All workspaces were set up to allow individual personal isolation. As a result of the precautions taken there was no interruption to production, well work or facility enhancement projects.

In addition to ongoing operations, ADX's technical team has undertaken a base line reserves assessment for the field and commenced maturing a number of field development and appraisal opportunities utilising a highly improved 3D seismic data set with a view to identifying reserves and resources additions at and Gaiselberg and Zistersdorf fields. The outcome of this work is the technical maturation of undeveloped reserves potential which can be accessed via infill drilling as well as the appraisal of the large resource potential at the geologically older underdeveloped Flysch (Mesozoic) sandstone reservoirs which can be accessed via the existing production footprint. The combination of existing field production and export infrastructure, high value crude quality and very low royalty (1%) makes reserves and production additions very compelling.

### *Portfolio Development Activities, Molasse Basin - Onshore Austria*

ADX submitted applications during the period and engaged in discussions with the responsible Austrian authorities for the award of two exploration, production and gas storage licenses ("AGS") in Upper Austria (Molasse Basin). This has resulted in the finalisation of a formal application document defining mutually agreed terms and conditions in accordance with fiscal and legal framework. Based discussions to date with the designated authority ADX expects that the AGS contracts for the 3D seismic covered areas will be offered to ADX in second half of the year for signature and award.

The key attributes of the AGS areas under application are as follows:

- ADX technical evaluation of high graded areas has been enabled by an exclusive 3D seismic data set with \$100 million replacement value,
- Low risk appraisal and high impact exploration prospects have been matured that are proximal to infrastructure where historical exploration success rates of approximately 47% have been recorded over a number of different play types,

# ADX ENERGY LTD

## DIRECTORS' REPORT

- The areas include a drill ready portfolio including the availability of drill sites ready for appraisal and exploration operations as well as low cost side track opportunities available in the portfolio,
- The majority of the portfolio is proximal to existing infrastructure which enables rapid and cost-effective commercialisation,
- A high impact, low cost, shallow gas thrust imbricates play has been identified on 3D seismic and gas related geophysical anomalies,
- Several prospects in the portfolio have dual hydrocarbon and geothermal objectives in geothermal reservoirs that are proven in the area where extensive development has already taken in the basin in nearby Germany, close to the city of Munich, and
- Strong demand for geothermal developments adds further value potential and risk diversification to the portfolio.

In addition to the above-mentioned license applications ADX continued to pursue further collaboration opportunities pursuant to a non-binding letter of intent with RAG (previous owner of the Gaiselberg and Zistersdorf fields) in relation to other production assets in Upper Austria.

### ***lecea Mare Production License and Parta Exploration License - Onshore Western Romania***

*ADX holds a 49.2% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via its' wholly owned subsidiary, 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 lecea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube.*

From March to late June 2020 Romania's borders were closed for non-essential travel, restricting access to key operations personnel and imported goods due to the COVID-19 pandemic. As a result of the border closures a number of oil field services could not be accessed during this period which delayed a number of planned appraisal and exploration activities. ADX's operations in Romania were also dependent on the status of border closures in neighbouring countries such as Germany and Hungary from which equipment and people were sourced for the operations.

The timing of the IMIC-1 testing program was initially determined by the time required to manufacture and deliver well down hole well equipment which enabled the well to be completed and tested as a future production well without further intervention. Work over rig mobilisation commenced on the 19<sup>th</sup> of June 2020 in preparation for production testing the IMIC-1 well drilled in the 4<sup>th</sup> quarter 2019.

The testing programme included the installation of permanent production tubing and flow control equipment in the well prior to perforation and production testing of the well. After the half year end (on 2 July 2020) ADX reported well production equipment had been run into the well and perforated to initiate flow from the Lower Pannonian "Pa IV" gas reservoir (the PaV and Pa III potential gas reservoirs were not perforated during the current program). Testing has concentrated on the PA IV sand which is a proven reservoir and has the greatest resource potential of the 3 reservoir intervals intersected in the IMIC-1 well. ADX has identified a large stratigraphic upside and updip potential which will be further quantified with the planned high resolution 2D seismic and 3D seismic reprocessing during the second half of the year.

Testing operations yielded some well production inflow of gas based on wellhead pressure measurements at surface following well perforation and confirmed from subsequent down hole sampling, however gas flow to surface from the well has not yet been achieved.

The flow test results to date suggest reservoir damage and mud filtrate build up around the well bore given that the IMIC-1 well encountered good reservoir porosity (20% within the net pay gas zone) and gas saturations in the Pa IV sandstone reservoir based on electric wireline logs and gas shows (gas inflow to the drilling mud) while drilling late last year. In addition, well test results from the nearby historic well drilled in the mid 80's flowed at up to 1 MMSCFPD and subsequent cuttings from IMIC-1 drilling analysis together with modern petrophysical analysis from the well logs indicated good Pa IV gas reservoir permeability.

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Reservoir damage and mud filtrate build up around the well bore may have resulted in the blocking of reservoir fluids due to mud ingress into the reservoir and the build-up of nonpermeable filtrate from drilling mud. This damage can be overcome with acidisation, which is a routine practice within these reservoirs in the Pannonian basin where carbonate cement within the reservoir matrix containing movable hydrocarbons is common. Modern rock typing work has further established the presence of carbonate cement (including siderite) within the Pa IV reservoir. Approximately 20% of the reservoir matrix consists of calcite and siderite cement that can be dissolved by acid to enhance near well bore permeability.

ADX is planning to undertake acidisation and further testing of the well in early September.

Site preparation for the IMIC-2 well location commenced in late March utilising local contractors. ADX has secured long lead items and contracted services to enable the drilling of the IMIC-2 well during the 4<sup>th</sup> quarter 2020 providing that COVID-19 related border restrictions remain relaxed during the second half of the year.

Despite COVID-19 related delays and restrictions on personnel movements, ADX has made good progress with Hungarian based seismic contractor AGS (Viking) to acquire 3D seismic during the 3<sup>rd</sup> quarter 2020. All key landowner and necessary authority permits were obtained, with the final environmental permit expected in early September after a short public consultation period. The actual start date for the seismic acquisition will be determined by the conclusion of large parts of the local harvest which is expected to be in the in late September. In addition to 3D seismic, three high resolution 2D seismic lines are planned for acquisition over the lecea Mare production license covering the IMIC-1 discovery to further delineate the interpreted updip (stratigraphic) potential.

A small vintage 3D seismic survey was purchased over the lecea Mare production license (inside Parta) from the previous operator Amromco. The seismic is good quality and has been reprocessed previously by US based contractors in 2010. Following the recent receipt of the original field recording tapes, ADX intends to reprocess the 3D data set within the lecea Mare production license to take advantage of significant improvements in seismic processing technology during recent years. The reprocessing contract was awarded to Germany based contractor DMT who was able to achieve significant improvements in a 3D seismic data set for ADX in Austria. The seismic reprocessing of the lecea Mare 3D data set is expected to provide a better understanding of the extent of the IMIC-1 discovery and the results from the planned IMIC-2 exploration and appraisal well.

### ***Nilde Oil Field Redevelopment d 363C.R-.AX PERMIT - Offshore Italy***

*ADX is operator and holds 100% interest in the d 363C.R-.AX Exploration Permit*

*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.*

No further activities have been undertaken since ADX was advised on the 4<sup>th</sup> of February 2019 that the Italian Parliament passed legislation to suspend exploration activities in all 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. Due to the COVID-19 pandemic the suspension of exploration activities is expected to be extended until the first or second quarter of 2021.

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.

### ***Kerkouane Permit, Offshore Tunisia***

On 6 September 2019 ADX announced, activities in Tunisia were being suspended in favour of the abovementioned more stable and fiscally attractive jurisdictions. ADX is currently finalising arrangements for withdrawal from Tunisia and closing its branch office as soon as practically possible.



# ADX ENERGY LTD

## DIRECTORS' REPORT

### TENEMENTS LIST

Tenements held at the beginning and the end of the half year reporting period as per below table:

Permit	Percentage held as at 1 January 2020	Percentage held as at 30 June 2020	Percentage change
Onshore Austria, Zistersdorf and Gaiselberg Production License	100%	100%	-
Onshore Romania, Parta <sup>1</sup>	100%	100%	-
Onshore Romania, Iecea Mare Production Licence	100%	100%	-
Offshore Italy, d363C.R.-AX <sup>2</sup>	100%	100%	-
Offshore Tunisia, Kerkouane <sup>3</sup>	100%	100%	-

**Note 1:** 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 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 2:** 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.

**Note 3:** ADX has commenced a process of withdrawal from Tunisia and Kerkouane license. Withdrawal from Tunisia including closure of the Tunisian branch office is underway.

### SUBSEQUENT EVENTS

#### FINANCING - AUSTRIA

As announced on 5 August 2020, ADX's Austrian subsidiary, ADX VIE GmbH, secured a loan amount of Euro 1,130,000 split between two loans:

- 500,000 euro. This is interest-free and State-guaranteed by Austria Wirtschaftsfonds ("Economy") Service (the Innovation and Start Up Financing bank of the Austrian state) (AWS);
  - 630,000 with ADX VIE's local bank Volksbank and AWS. This is 90% guaranteed by AWS, and 10% by Volksbank.
- The collateral for the loan is Euro 120,000 (held in an ADX VIE bank account with Volksbank)
  - The loan is repayable between 30 June 2022 and 31 December 2024
  - Loan interest is 0% for the Euro 500,000 loan and 1% for the Euro 630,000 loan
  - Loan covenants restrict dividends and profit distributions but do not prevent payment of intercompany recharges or loans. A negative pledge relating to other debt is limited to taking up further debt at a subsidiary level and does not restrict servicing of existing debt.

The AWS funding program has been initiated as a result of the COVID-19 pandemic in conjunction with commercial banks to help companies with robust business models to exit the crisis in a strong position for the ongoing growth of their business. In order to secure AWS funding it was necessary for ADX to demonstrate the ongoing viability of its business because AWS funding is not available for struggling companies or companies without a business model likely to succeed in the future.

The loan enables the following key initiatives;

- Ongoing production and reliability enhancements at ADX's Zistersdorf and Gaiselberg fields (Z&G);
- Geotechnical work to enhance the current field reserves position as well as a relatively large resource potential that can be accessed from the existing production (Z&G) footprint;
- Securing highly prospective appraisal and exploration acreage surrounding RAG's production fields in upper Austria; and
- Pursuing RAG Phase II acquisition which provides a unique opportunity and gives ADX critical mass.

As at the date of this report, the 500,000 euro loan has been drawn down.

# ADX ENERGY LTD

## DIRECTORS' REPORT

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### *PARTA FARMIN*

On 8 September 2020, ADX announced that it had received a notice from Parta Energy Pty Ltd (PE) (being a wholly owned subsidiary of ASX listed Tamaska Oil & Gas Limited (Tamaska)) that the board of Tamaska have decided not to proceed with the farmin transaction relating to the EX-10 Parta Exploration licence in Western Romania pursuant to the terms of the previously announced farmin agreement between ADX Energy Panonia Srl (ADX Panonia), Danube Petroleum Limited (Danube) and PE (Farmin Agreement). ADX strongly rejects the legal basis upon which Tamaska has elected not to comply with the farmin transaction agreed in the Farmin Agreement and will reserve all of its rights. ADX is seeking legal advice in relation to Tamaska's letter and will advise Shareholders on the results of this advice in due course. As a result of the letter from PE, ADX has put on hold the 3D exploration seismic in Romania.

### *COVID-19*

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential future impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required by section 307C of *the Corporations Act 2001* is set out on page 12.

This report is made in accordance with a resolution of the directors.



Ian Tchacos  
Executive Chairman  
PERTH, 11 September 2020

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

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In accordance with a resolution of the Directors of ADX Energy Ltd, I state that:

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 30 June 2020 and of its performance for the half-year ended on that date; and
    - ii) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001; 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 half-year ended 30 June 2020.

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



Ian Tchacos  
Executive Chairman

PERTH, 11 September 2020

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor of the review of ADX Energy Limited for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of ADX Energy Limited and the entities it controlled during the year.

Rothsay Auditing



Daniel Dalla  
Partner  
11 September 2020

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**ADX ENERGY LTD**  
**CONSOLIDATED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2020**

	Note	Half-year ended 30 June 2020 \$	Half-year ended 30 June 2019 \$
Operating revenue	3	3,699,011	-
Cost of sales	3	(4,428,229)	-
<b>Gross profit</b>		<b>(729,218)</b>	-
Other income		13,350	11,823
<b>Other Expenses:</b>			
Administration, staff and corporate expenses, net of recoveries from exploration projects	3	(1,265,990)	(170,413)
Exploration expensed		(733,067)	(768,035)
Finance costs	3	(124,612)	-
Total expenses		(2,123,669)	(938,448)
<b>Loss before income tax</b>		<b>(2,839,537)</b>	<b>(926,625)</b>
Income tax benefit/(expense)	5	516,612	-
<b>Net loss for the half-year</b>		<b>(2,322,924)</b>	<b>(926,625)</b>
Loss is attributable to:			
Owners of ADX Energy Ltd		(2,221,102)	(856,559)
Non-Controlling Interest	12	(101,822)	(70,066)
		<b>(2,322,924)</b>	<b>(926,625)</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		48,488	(277,531)
Hedge accounting		355,055	-
Income tax relating to items of other comprehensive income/(loss)		(88,764)	-
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>314,779</b>	<b>(277,531)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(2,008,145)</b>	<b>(1,204,156)</b>
Total comprehensive loss is attributable to:			
Owners of ADX Energy Ltd		(1,884,910)	(1,134,090)
Non-Controlling Interest		(123,235)	(70,066)
		<b>(2,008,145)</b>	<b>(1,204,156)</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 loss per share		(0.13)	(0.07)

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

**ADX ENERGY LTD**  
**CONSOLIDATED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	As at 30 June 2020 \$	As at 31 December 2019 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		3,039,209	4,953,759
Other receivables		2,115,813	3,452,921
Inventories		700,153	315,164
<b>Total Current Assets</b>		<u>5,855,175</u>	<u>8,721,844</u>
<b>Non-Current Assets</b>			
Other receivables		3,430	37,516
Oil and gas properties	7	24,031,506	23,006,244
Deferred tax assets	5	834,317	337,074
<b>Total Non-Current Assets</b>		<u>24,869,253</u>	<u>23,380,834</u>
<b>Total Assets</b>		<u>30,724,428</u>	<u>32,102,678</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		2,366,361	2,182,032
Current tax liabilities		65,695	64,339
Interest bearing liabilities	8	1,750,000	2,850,000
Provisions	9	533,754	457,728
<b>Total Current Liabilities</b>		<u>4,715,810</u>	<u>5,554,099</u>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	5	548,968	468,449
Interest bearing liabilities	8	1,750,000	1,750,000
Provisions	9	13,909,931	13,810,164
<b>Total Non-Current Liabilities</b>		<u>16,208,899</u>	<u>16,028,613</u>
<b>Total Liabilities</b>		<u>20,924,709</u>	<u>21,582,712</u>
<b>Net Assets</b>		<u>9,799,719</u>	<u>10,519,966</u>
<b>EQUITY</b>			
Issued capital	10	72,985,943	71,889,435
Reserves	11	6,717,163	6,189,581
Accumulated losses		(78,839,856)	(76,618,754)
Capital and reserves attributable to owners of ADX Energy Ltd		<u>863,250</u>	<u>1,460,262</u>
Non-controlling interests	12	8,936,469	9,059,704
<b>Total Equity</b>		<u>9,799,719</u>	<u>10,519,966</u>

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 HALF-YEAR ENDED 30 JUNE 2020**

	Contributed Equity	Reserves	Accumulated Losses	Non- controlling Interests	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 half-year	-	-	(856,559)	(70,066)	(926,625)
Exchange differences on translation of foreign operations	-	(277,531)	-	-	(277,531)
<b>Total comprehensive loss for the period, net of tax</b>	<b>-</b>	<b>(277,531)</b>	<b>(856,559)</b>	<b>(70,066)</b>	<b>(1,204,156)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital, net of transaction costs	-	-	-	685,084	685,084
Share based payments – options - note 4	-	-	-	-	-
Share based payments – shares - note 4	87,320	-	-	-	87,320
Share issue costs for share based payments	(1,882)	-	-	-	(1,882)
	85,438	-	-	685,084	770,522
<b>At 30 June 2019</b>	<b>69,156,025</b>	<b>6,126,834</b>	<b>(76,495,613)</b>	<b>4,034,334</b>	<b>2,821,580</b>
<b>At 1 January 2020</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>
Loss for the half-year	-	-	(2,221,102)	(101,822)	(2,322,924)
Exchange differences on translation of foreign operations	-	69,901	-	(21,413)	48,488
Hedge accounting	-	266,291	-	-	266,291
<b>Total comprehensive loss for the period, net of tax</b>	<b>-</b>	<b>336,192</b>	<b>(2,221,102)</b>	<b>(123,235)</b>	<b>(2,008,145)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital, net of transaction costs	1,050,000	-	-	-	1,050,000
Share based payments – options - note 4	-	191,390	-	-	191,390
Share based payments – shares - note 4	57,054	-	-	-	57,054
Share issue costs for share based payments	(10,546)	-	-	-	(10,546)
	1,096,508	191,390	-	-	1,287,898
<b>At 30 June 2020</b>	<b>72,985,943</b>	<b>6,717,163</b>	<b>(78,839,856)</b>	<b>8,936,469</b>	<b>9,799,719</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 HALF-YEAR ENDED 30 JUNE 2020**

<b>CONSOLIDATED</b>	<b>Half-year ended 30 June 2020</b>	<b>Half-year ended 30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>		
Receipts in the ordinary course of activities	4,076,306	37,369
Payments to suppliers and employees, including for exploration expensed	(4,322,393)	(1,394,516)
Interest received	321	1,069
Interest paid	(159,773)	-
Other (mostly government subsidies)	192,840	-
<b>Net Operating Cash Flows</b>	<b>(212,699)</b>	<b>(1,356,078)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for oil and gas properties – Austrian facilities	(713,191)	-
Payments for oil and gas properties - appraisal/development	(1,032,241)	-
Refund – Austrian final acquisition price	201,997	-
Payments made on behalf of joint operation partners and operations	(189,402)	(191,102)
Repayments from exploration partners and operations	168,539	200,000
<b>Net Investing Cash Flows</b>	<b>(1,564,298)</b>	<b>8,898</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	-	-
Payment of share issue costs	(5,942)	(1,882)
Payment of convertible note loan	(50,000)	-
Proceeds from issue of shares in subsidiary	-	685,084
<b>Net Financing Cash Flows</b>	<b>(55,942)</b>	<b>683,202</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>	<b>(1,832,939)</b>	<b>(663,978)</b>
Cash and Cash Equivalents at beginning of half-year	4,953,759	3,299,229
Effect of foreign exchange rates	(81,611)	84,465
<b>Cash and Cash Equivalents at End of Half-Year</b>	<b>3,039,209</b>	<b>2,719,716</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*



# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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### 1. Basis of Preparation of Half-Year Financial Statements

ADX Energy Ltd is a company limited by shares, domiciled and incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange.

This consolidated financial report for the half-year ended 30 June 2020 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report for the year ended 31 December 2019 and any public announcements made by ADX Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial statements have been prepared in accordance with the historical cost basis.

The Group is a for profit entity and is primarily involved in hydrocarbon exploration, evaluation, and development.

The half year consolidated financial statements comprise the financial statements of ADX Energy Ltd and its subsidiaries ("Group") as at 30 June 2020.

#### ***Functional and presentation currency***

ADX Energy Ltd 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 – Euro
- Bull Petroleum Pty Ltd – AUD
- Danube Petroleum Limited – GBP
- ADX Energy Panonia Srl - Euro
- Terra Energy Limited - GBP
- ADX VIE GmbH - Euro

The presentation currency of the Group is Australian dollars.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 1. Basis of Preparation of Half-Year Financial Statements - continued

#### 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.

#### Adoption of New or Revised Standards

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. All new and amended Accounting Standards and Interpretations effective from 1 January 2020 have been adopted. None of these amended standards had a material impact on the ADX Group. The Group has not elected to early adopt any new standards or amendments.

### 2. Earnings Per Share

The Company's potential ordinary shares, being its options granted, have been excluded in the determination of diluted earnings per share as they are considered to be anti-dilutive for the periods presented.

	Consolidated	
	6 Months to 30 June 2020	6 Months to 30 June 2019
	\$	\$
<b>3. Income and Expenses</b>		
<b>OPERATING REVENUE</b>		
Oil sales	2,639,597	-
Gas sales	155,655	-
Hedging revenues	421,305	-
Other operating revenue (including reimbursements)	356,001	-
Government subsidies	126,453	-
	<u>3,699,011</u>	<u>-</u>

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		6 Months to 30 June 2020	6 Months to 30 June 2019
		\$	\$
<b>3. Income and Expenses - continued</b>			
<b>COST OF GOODS SOLD</b>			
Operating costs		2,952,325	-
Depreciation		1,366,380	-
Amortisation of asset retirement obligation assets		109,524	-
		<u>4,428,229</u>	<u>-</u>
<b>OTHER EXPENSES – Administration and corporate expenses:</b>			
Share based payments – in lieu of cash remuneration	4	233,042	87,320
Share based payments – other	4	14,688	-
		<u>247,730</u>	<u>87,320</u>
Less: prior period accrued share based payments		(115,994)	(60,983)
Add: accrued share based payments issued/ to be issued after period end		98,293	192,030
Other administration, staff and corporate expenses		1,786,009	898,516
Net foreign exchange losses/(gains)		(40,626)	(302,014)
		<u>1,975,412</u>	<u>814,869</u>
Less: project cost recoveries		(709,422)	(644,456)
		<u>1,265,990</u>	<u>170,413</u>
<b>FINANCE COSTS</b>			
Interest expense		105,288	-
Accretion		19,324	-
		<u>124,612</u>	<u>-</u>

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 4. Share Based Payments

#### (a) Value of share based payments in the financial statements

	Note	Consolidated	
		6 Months to 30 June 2020 \$	6 Months to 30 June 2019 \$
Expensed in the profit and loss:			
Share-based payments – Shares Issued to Directors in lieu of fees	4(b)(i)	22,755	51,750
Share-based payments – Options to Directors in lieu of fees	4(b)(ii)	175,988	-
Share-based payments – Shares Issued to Co Secs and Consultants in lieu of fees	4(b)(iii)	34,299	35,570
Share-based payments – Options to Directors	4(b)(iv)	14,688	-
		247,730	87,320

#### (b) Summary of share-based payments granted during the half-year:

(i) Shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders at ADX's AGM as follows:

Date Issued	Number of Shares	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
13/1/2020	1,725,000	17,250	31/12/2019
26/6/2020	786,481	5,505	31/3/2020
	2,511,481	22,755	

(ii) Options pursuant to ADXs' Performance Rights and Option Plan, approved by Shareholders at ADX's AGM as follows:

Date Issued	Number of Options	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
13/1/2020	8,793,750	87,938	31/12/2019
26/6/2020	12,578,571	88,050	31/3/2020
	21,372,321	175,988	

(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
13/1/2020	1,116,736	10,806	31/12/2019
26/6/2020	3,375,928	23,493	31/3/2020
	4,492,664	34,299	

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 4. Share Based Payments - continued

#### (b) Summary of share-based payments granted during the half-year - continued:

- (iv) On 26 June 2020, ADX granted 5,000,000 unlisted options to Director Edouard Etienvre as approved by Shareholders on 26 June 2020. The options have an exercise price of 1.3 cents and expire 26 June 2021.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Grant date	26/6/2020	Expected volatility (%)	131.66
Option exercise price (\$)	0.013	Risk-free interest rate (%)	0.24
Expected life of options (years)	1	Underlying share price (\$)	0.008
Dividend yield (%)	-	Value of Option (\$)	0.002937

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

	Consolidated	
	6 Months to 30 June 2020	6 Months to 30 June 2019
	\$	\$

### 5. Income Tax Expense

#### (a) Income Tax Expense

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 the period	(2,839,537)	(926,625)
Prima facie income tax (benefit) @ 30%	(851,861)	(277,988)
Tax effect of non-deductible items	117,055	61,200
Tax rate differential	107,211	-
Deferred tax assets not brought to account	110,983	216,788
Income tax expense / (benefit) attributable to operating result	<u>(516,612)</u>	<u>-</u>

#### (b) Deferred tax assets not recognised relate to the following:

Tax losses	14,573,756	14,341,318
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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.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Consolidated	
	6 Months to 30 June 2020 \$	6 Months to 30 June 2019 \$
<b>5. Income Tax Expense - continued</b>		
<b>(c) Deferred tax assets and liabilities:</b>		
Deferred tax assets:		
Temporary differences - Asset retirement obligations	319,233	-
Temporary differences - Other	18,450	-
Temporary differences – Tax Losses (Austria)	496,634	-
	834,317	-
Deferred tax liabilities:		
Temporary differences - Oil and gas properties	460,206	-
Temporary differences - Other	88,762	-
	548,968	-

### 6. Non-cash Financing and Investing Activities

There were no non-cash financing or investing activities during the period (2019: nil). Non-cash operating activities, consisting of shares and options granted in lieu of remuneration are disclosed in note 4.

	Consolidated	
	30 June 2020 \$	31 December 2019 \$
<b>7. Oil and Gas Properties</b>		
Austria		
Land and Buildings	386,150	312,912
Undeveloped Land	181,260	-
Field office fixtures and equipment	346,104	283,372
Plant and machinery	4,896,485	5,229,189
Wells	8,778,024	9,490,449
Retirement obligation assets	1,764,271	1,873,795
Construction in progress	793,248	444,092
Romania		
Appraisal costs	6,885,964	5,372,435
	24,031,506	23,006,244

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Consolidated	
	30 June 2020 \$	31 December 2019 \$
<b>8. Interest Bearing Liabilities</b>		
<b>Current</b>		
Convertible notes	-	1,100,000
Loan notes	1,750,000	1,750,000
	<u>1,750,000</u>	<u>2,850,000</u>
<b>Non-Current</b>		
Loan notes	1,750,000	1,750,000
	<u>1,750,000</u>	<u>1,750,000</u>

### Convertible Note Facilities

In January 2020, \$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 ADX 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. The Company is considering negotiating with the loan note holders to amend the repayment terms.

	Consolidated	
	30 June 2020 \$	31 December 2019 \$
<b>9. Provisions</b>		
<b>Current</b>		
Provision for employee entitlements	275,570	199,544
Provision for restoration – exploration assets	258,184	258,184
	<u>533,754</u>	<u>457,728</u>
<b>Non-Current</b>		
Provision for asset retirement obligations (ARO) – production assets	13,909,931	13,810,164
	<u>13,909,931</u>	<u>13,810,164</u>
Provision for asset retirement obligations (non-current) – opening balance	13,810,164	-
Additions – acquisition of Austrian fields	-	13,804,648
Additions – other	80,443	-
Accretion	19,324	5,516
	<u>13,909,931</u>	<u>13,810,164</u>

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 10. Issued Capital

#### (a) Issued Capital

Number of Shares	Summary of Movements	Note	6 Months to 30 June 2020 \$
1,525,312,281	Opening balance 1 January 2020		71,889,435
149,999,995	Conversion of convertible note facilities	8	1,050,000
1,725,000	Issue of shares to Directors (part remuneration for 12/2019 quarter)	4	17,250
1,116,736	Issue of shares to Co Secs and Consultants (remuneration for 12/2019 quarter)	4	10,806
25,789,094	Options exercised by Director, P Fink. Exercise price nil		-
6,616,071	Options exercised by Director, I Tchacos. Exercise price nil		-
786,481	Issue of shares to Directors (part remuneration for 3/2020 quarter)	4	5,505
3,375,928	Issue of shares to Co Secs and Consultants (remuneration for 3/2020 quarter)	4	23,493
-	Costs of share issues - cash		(10,546)
1,714,721,586	Closing Balance as at 30 June 2020		72,985,943

#### (b) Options on issue as at 30 June 2020

	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	6,354,086	Nil cents	31/05/2022
Unlisted Options	10,864,955	Nil cents	31/05/2023
Unlisted Options	3,954,545	Nil cents	31/10/2023
Unlisted Options	4,106,250	Nil cents	31/01/2024
Unlisted Options	12,578,571	Nil cents	26/06/2024
Unlisted Options	5,000,000	1.3 cents	26/06/2021

During the year:

- (i) 21,372,321 unlisted options were granted as in lieu of remuneration to Directors Ian Tchacos and Paul Fink. Refer note 4.
- (ii) 32,405,165 unlisted options with a nil exercise price were exercised by Directors. These options had been granted in earlier periods in lieu of remuneration and have been approved by Shareholders.
- (iii) 5,000,000 unlisted options were granted to Director, Edouard Etienvre as a sign-on bonus upon appointment as a Director. Refer note 4(b)(iv).



# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Consolidated	
	30 June 2020	31 December 2019
	\$	\$
<b>11. Reserves</b>		
Share-based payments reserve	4,826,633	4,635,958
Foreign currency translation reserve	(1,541,303)	(1,611,919)
Option premium reserve	2,915,542	2,915,542
Asset revaluation reserve	250,000	250,000
Hedging Reserve – refer note 13	266,291	-
	<u>6,717,163</u>	<u>6,189,581</u>

### 12. Non-controlling Interests

ADX's subsidiaries that have non-controlling interests:

Name of Controlled Entity	Place of Incorporation	% Held by ADX Group	
		30 June 2020	31 December 2019
Danube Petroleum Limited	UK	49.18%	49.18%
<u>Danube's 100% owned subsidiary</u>			
ADX Energy Panonia Srl	Romania	49.18%	49.18%

Danube Petroleum Limited (Danube), via its' Romanian subsidiary, ADX Energy Panonia, 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.

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<b>Non-controlling Interests</b>		
Opening balance as at 1 January	9,059,704	3,419,316
Capital invested by non-controlling interests in subsidiary	-	685,084
Share of Loss for the period	(101,822)	(70,066)
Share of other comprehensive loss	(21,413)	-
	<u>8,936,469</u>	<u>4,034,334</u>

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 13. Derivative Financial Instruments

The Group's accounting policy for cash flow hedges are as follows:

Cash flow hedges are a derivative or financial instrument designated to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.

Recognition date: At the date the instrument is designated as a hedging instrument.

Measurement: Measured at fair value. The fair value of oil derivative contracts is determined by estimating the difference between the relevant market prices and the contract price, for the volumes of the derivative contracts.

Changes in fair value: Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income and accumulated in equity in the hedging reserve to the extent that the hedge is effective. Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement within other income or other expenses. Amounts accumulated in equity are transferred to the income statement or the statement of financial position, for a non-financial asset, at the same time as the hedged item is recognised. When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the underlying forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Hedge effectiveness is determined at the inception of the hedge relationship, and through regular prospective assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

#### *Hedging reserves*

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. The group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve.

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
<b>Hedging Reserve (included in Reserves - refer note 11)</b>		
Balance brought forward	-	-
Change in value of hedging instruments recognised in Other Comprehensive Income for the period	355,055	-
Less: Deferred tax	(88,764)	-
Balance at the end of the period	<u>266,291</u>	<u>-</u>

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 13. Derivative Financial Instruments - continued

As at 30 June 2020, the following derivative financial instruments are in place:

- Fixed price swaps for a fixed Brent crude oil price from July 2020 to December 2020 of USD 50.64 per barrel; and
- Fixed price swaps for a fixed Brent crude oil price from July 2020 to April 2021 at USD 41.77 per barrel.

In total, ADX's subsidiary, ADX VIE GmbH, has fixed price swaps in place covering 80% of its forecast proven (1P) production to the end of December 2020 with 40% fixed at an average Brent price US\$ 41.77 per barrel and 40% fixed at US\$ 50.64 per barrel. The remaining 20% of production will be priced at the prevailing Brent price. For the period between 1 January 2021 and 30 April 2021, 40% of ADX VIE forecast proven (1P) production is hedged at an average Brent price of US\$ 41.77 per barrel. The re-participating collar consisting of Put and Call Asian options was unwound on 24 June 2020 through an off-setting transaction effective from 01 June 2020. The cost of unwinding the re-participating collar was USD 28,074.42 which was settled in cash on 26 June 2020.

	Fixed Price Swaps	
	Barrels of Oil (BBL)	Fixed Price USD
June 2020 to December 2020	22,688	USD 50.64
July 2020 to April 2021	31,427	USD 41.77
Total	54,115	

### 14. Related Party Transactions

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. This rental agreement is expected to be extended to 30 June 2021.

There were no other new related party transactions during the half-year.

### 15. Commitments and Contingencies

Since the last annual reporting date, there has not been a material change to commitments or contingencies, other than as follows:

#### Austria – Pipeline and Other Capital Commitments

As at 30 June 2020, the cost of construction of a 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 RAG exploration & Production GmbH (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. As at 30 June 2020, approximately EUR 600,000 has been invoiced, the balance is expected during the second half of 2020.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 15. Commitments and Contingencies - continued

#### Tunisia - Kerkouane Permit

ADX, together with Entreprise Tunisienne d'Activités Pétrolières (ETAP), had previously 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. In the absence of such an agreement with ETAP and the DGH, ADX will relinquish its rights pursuant to the PSC.

### 16. Subsequent Events

#### FINANCING - AUSTRIA

As announced on 5 August 2020, ADX's Austrian subsidiary, ADX VIE GmbH, secured a loan amount of Euro 1,130,000 split between two loans:

- 500,000 euro. This is interest-free and State-guaranteed by Austria Wirtschafts ("Economy") Service (the Innovation and Start Up Financing bank of the Austrian state) (AWS);
  - 630,000 with ADX VIE's local bank Volksbank and AWS. This is 90% guaranteed by AWS, and 10% by Volksbank.
- The collateral for the loan is Euro 120,000 (held in an ADX VIE bank account with Volksbank)
  - The loan is repayable between 30 June 2022 and 31 December 2024
  - Loan interest is 0% for the Euro 500,000 loan and 1% for the Euro 630,000 loan
  - Loan covenants restrict dividends and profit distributions but do not prevent payment of intercompany recharges or loans. A negative pledge relating to other debt is limited to taking up further debt at a subsidiary level and does not restrict servicing of existing debt.

The AWS funding program has been initiated as a result of the COVID-19 pandemic in conjunction with commercial banks to help companies with robust business models to exit the crisis in a strong position for the ongoing growth of their business. In order to secure AWS funding it was necessary for ADX to demonstrate the ongoing viability of its business because AWS funding is not available for struggling companies or companies without a business model likely to succeed in the future.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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### 16. Subsequent Events - continued

The loan enables the following key initiatives;

- Ongoing production and reliability enhancements at ADX's Zistersdorf and Gaiselberg fields (Z&G);
- Geotechnical work to enhance the current field reserves position as well as a relatively large resource potential that can be accessed from the existing production (Z&G) footprint;
- Securing highly prospective appraisal and exploration acreage surrounding RAG's production fields in upper Austria; and
- Pursuing RAG Phase II acquisition which provides a unique opportunity and gives ADX critical mass.

As at the date of this report, the 500,000 euro loan has been drawn down.

#### *PARTA FARMIN*

On 8 September 2020, ADX announced that it had received a notice from Parta Energy Pty Ltd (PE) (being a wholly owned subsidiary of ASX listed Tamaska Oil & Gas Limited (Tamaska)) that the board of Tamaska have decided not to proceed with the farmin transaction relating to the EX-10 Parta Exploration licence in Western Romania pursuant to the terms of the previously announced farmin agreement between ADX Energy Panonia Srl (ADX Panonia), Danube Petroleum Limited (Danube) and PE (Farmin Agreement). ADX strongly rejects the legal basis upon which Tamaska has elected not to comply with the farmin transaction agreed in the Farmin Agreement and will reserve all of its rights. ADX is seeking legal advice in relation to Tamaska's letter and will advise Shareholders on the results of this advice in due course. As a result of the letter from PE, ADX has put on hold the 3D exploration seismic in Romania.

#### *COVID-19*

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential future impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
ADX ENERGY LIMITED**

**Report on the Review of the Half-Year Financial Report**

**Conclusion**

We have reviewed the half-year financial report of ADX Energy Limited ("the Company"), and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Basis for Conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our 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 (including Independence Standards)* ("the Code") that are relevant to our audit of the annual 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 review report.

**Directors' Responsibility for the Financial Report**

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
ADX ENERGY LIMITED (continued)

***Auditor's Responsibility for the Review of the Half-Year Financial Report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Rothsay Auditing

Dated 11 September 2020

Daniel Dalla  
Partner

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