



# **ADX Energy Ltd**

ABN 50 009 058 646

**ANNUAL REPORT**

**31 DECEMBER 2020**

# ADX ENERGY LTD

## CONTENTS

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<b>Contents</b>	<b>Page</b>
Corporate Directory.....	2
Chairman's Report.....	3
Operations Report.....	7
Reserves Report.....	18
Directors' Report.....	22
Auditors' Independence Declaration to the Directors.....	36
Directors' Declaration.....	37
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	38
Consolidated Statement of Financial Position.....	39
Consolidated Statement of Changes in Equity.....	40
Consolidated Statement of Cash Flows.....	41
Notes to the Financial Statements.....	42
Auditor's Report.....	82
Additional Shareholder Information.....	86
Tenement Schedule.....	89

**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)

**Company Secretaries**

Peter Ironside  
Amanda Sparks

**Registered and Principal Office**

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**Share Registry**

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**Solicitors**

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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

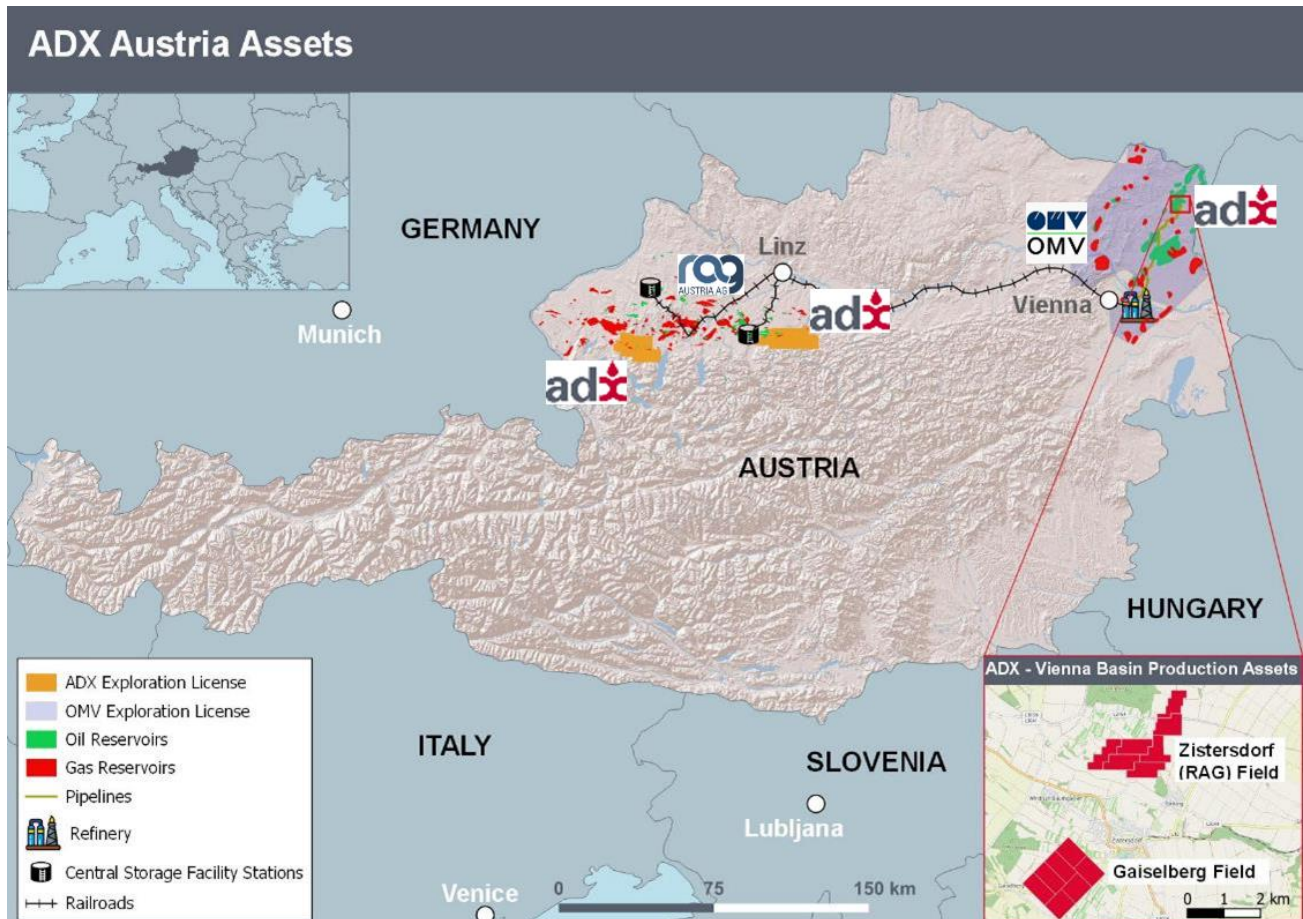
**Auditors**

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

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

Dear Shareholders,

The acquisition of the Gaiselberg and Zistersdorf oil and gas fields in Austria in December 2019 from RAG Exploration & Production GmbH (RAG E&P) was a transformative step for the Company. ADX achieved the goal of becoming a material European producer, however the last year has presented an extraordinary set of challenges for ADX due to the COVID-19 Pandemic. Brent crude oil price plunged from above US\$ 63.50 per barrel in January 2020 to under US\$ 18.55 per barrel during April 2020. The deterioration in oil price resulted in a dramatic drop in oil revenue which would have been a major setback for the ambitious growth plans of the Company without the timely hedging of oil production.



**ADX Austrian asset position showing producing fields within the OMV dominated Vienna Basin in the East and the Upper Austria AGS concessions (orange) adjacent to the RAG oil and gas fields in the Molasse Basin east of Munich**

The unprecedented effects of the COVID-19 Pandemic during the past year have required the Company's management to implement a number of risk mitigation measures including hedging approximately 80% of the oil production and minimising discretionary oil field capital expenditures. In conjunction with the measures to maximise revenue, ADX has been able to receive financial assistance from the Austrian government including a low interest and security light loan which allowed the Company to continue to execute its growth strategy in Austria.

Despite COVID-19 Pandemic related local lockdowns and border closures, field oil production remained unaffected due to the implementation of appropriate work practices and workforce isolation measures by our local ADX management. Unlike many other jurisdictions where oil sales were impaired, in Austria oil sales were not impacted due to the priority given to local crude production in the local OMV refinery near Vienna.

Production rates from Gaiselberg and Zistersdorf oil fields during the year were in line with the most likely expectation based on an independent reserves assessment conducted by ERCE Equipoise Pte Ltd announced in November 2020. Sales during the year averaged 285 barrels of oil equivalent per day. The results of a base line independent reserves review

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

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announced in November 2020, detailed in the Operations Report, exceeded ADX prepurchase developed reserves assessment.

An important element of the transaction with RAG E&P was a Data User Agreement providing ADX with access to RAG's exploration data (including 3650 km<sup>2</sup> of modern 3D seismic) in Upper Austria. Securing access to this very valuable exploration data base in Upper Austria surrounding RAG's core production fields was an important advantage for ADX which provided the basis for securing exploration licenses in Upper Austria in December 2020. The Upper Austria exploration licenses have positioned ADX with a ready to drill prospect inventory mapped on modern 3D seismic in a highly prospective and prolific producing basin (with a 48% historical exploration success ratio in the area).

In addition to securing the ready to drill exploration licenses in Upper Austria, ADX has entered in to binding agreements to secure access to RAG E&P's Upper Austria oil and gas gathering, processing and export infrastructure based on firm tariffs. These access arrangements ensure greater economic certainty and short payback time for development of hydrocarbons discovered and appraised in the exploration licenses ranging from relatively small appraisal targets to large exploration prospects.

ADX producing fields in the Vienna Basin as well as the Upper Austria exploration licenses provide multiple, complimentary opportunities to enhance the Company's asset base by implementing carbon abatement and renewable technologies including but not limited to hydrogen (H<sub>2</sub>) storage, CO<sub>2</sub> sequestration and geothermal energy. The combination of overlapping renewable power generation, onshore reservoirs and production infrastructure in a highly supportive jurisdiction in the heart of the European Union with its world leading green energy subsidies programs provides an excellent set of circumstances for renewable project formation.



**Photograph showing ADX Gaiselberg and Zistersdorf Field infrastructure proximal to the largest wind farms in Austria suitable for generating green hydrogen**

A key success factor enabling the expansion in the Austrian business has been our highly experienced and well connected technical, operating and management team in Austria. This has allowed the Company to efficiently manage its Vienna basin oil fields, assess and secure growth opportunities such as ADX Upper Austrian exploration licenses and undertake collaborative negotiations with RAG in relation access to their infrastructure in Upper Austria. The Company's current asset position is the culmination of over 18 months of technical work, commercial discussions and relationship building with RAG and the Austrian designated authorities.

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**CHAIRMAN'S REPORT**

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**ADX production and management personnel at the Gaiselberg & Zistersdorf field**

In contrast to Austrian operating conditions, Romania were severely affected by the COVID-19 Pandemic. Following the successful drilling, evaluation and suspension of Iecea Mica-1 (IMIC-1) well in September 2019, the completion and testing of the well was delayed until July 2020 due to the COVID-19 Pandemic related border closures that prevented some essential equipment and operational services to be imported within the planned timelines. The IMIC-1 well was tested and subsequently acidized, however, the test results of the main gas reservoir target to date have been below expectation and further analysis is ongoing to determine the future potential of the reservoir tested to date, other reservoirs encountered and deeper exploration potential in the well. The analysis of the IMIC-1 results as well as other prospects defined on recently reprocessed 3D seismic will determine the ongoing appraisal operations utilising the IMIC-1 well and further opportunities in the Iecea Mare production license.



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

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

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No exploration or appraisal activities were conducted in ADX offshore licenses in Italy or Tunisia during 2020. Activities relating to the Nilde Oil Field Redevelopment Project in the d 363C.R-.AX permit, offshore Italy, were suspended following the legislation passed on the 4<sup>th</sup> of February 2019 by the Italian Parliament to suspend exploration operations in all permits. Due to the COVID-19 Pandemic the suspension of exploration and appraisal activities in Italy are expected to be extended until late 2021. In September 2019, ADX announced activities in Tunisia were being suspended in favour of the abovementioned more stable and fiscally attractive jurisdictions. During late 2020 ADX finalised arrangements for withdrawal from Tunisia, deregistered the ADX subsidiary which was the permit holder and closed its branch office.

Despite challenging market conditions for the oil and gas industry in 2020, the Company has continued to build its financial capability in line with the expansion of its asset base. The rescheduling and deferment repayments under the A\$ 3.5 million loan notes issued in December 2019 to fund the acquisition of the Gaiselberg and Zistersdorf production assets has enabled ADX to meet its immediate asset objectives and position the Company for further growth opportunities in Austria. The Company raised A\$ 2.38 million of additional equity and secured A\$ 1.32 million of debt during the year. After year-end ADX raised a further A\$ 3.0 million pursuant to an over-subscribed Share Purchase Plan announced in December 2020.

The expansion of the Company's activities in Europe has come at a time where the COVID-19 Pandemic has limited travel to and from Europe. The combination of a strong team on the ground in Austria supported by a capable corporate, commercial and finance team in Australia as well as Board representation in the UK with extensive finance capability has enabled the Company to function efficiently in challenging times.

In summary, your Company has made excellent progress in the development of its full upstream life cycle portfolio in Austria where it has a unique position as the only foreign producer and explorer as well as leveraging its ideally positioned asset base to enter the hydrogen and renewable energy business in Europe with minimal initial expenditure and enormous opportunity. It is only just becoming apparent that well positioned oil and gas companies have both the assets and the skills to become major players in the green revolution and decarbonisation especially in Austria where there is a commitment to a six-fold expansion of renewable energy and Europe where over € 150 billion have been committed to finance a hydrogen-based energy landscape. The ability to utilise our oil and gas fields' reservoirs once depleted for renewable energy storage such as hydrogen creates an exciting new business opportunity as well as potentially adding significant value to assets that would otherwise be abandonment liabilities later in field life, i.e in approximately 10 to 14 years from now.

ADX has developed a very unique position in Austria becoming only one of three production operators and one of two exploration operators in a small country with excellent fiscal terms and licensing conditions coupled with extensive oil and gas infrastructure where over 1 billion barrels of oil and approximately 3 Tcf of gas have been discovered. Our focus in the coming year will be on exploring our "drill ready" portfolio in Upper Austria, extending our production and reserves base in the Vienna basin, seeking further production opportunities and working with our highly experienced hydrogen expert, Horváth & Partners to build a viable hydrogen business with the view of establishing ADX as a provider of large-scale hydrogen and green gas underground storage.

On behalf of the Board of ADX I would like to thank our Shareholders for their ongoing support. We look forward to reporting on the Company's activities as we continue to transform ADX into a material European onshore producer and renewable energy project developer.



IAN TCHACOS  
Executive Chairman

# ADX ENERGY LTD

## OPERATIONS REPORT

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### Operations Review

#### **Activities Overview**

During the year ended 31 December 2020, ADX has concentrated its activities on production operations at the Gaiselberg and Zistersdorf fields in in the Vienna Basin, Austria, securing exploration licenses in Upper Austria, commencing feasibility studies in relation to utilising depleted reservoirs at Gaiselberg and Zistersdorf for hydrogen storage and appraisal operations in Romania. ADX has established itself as an onshore European producer, developer and explorer in Austria as well as a potential participant in the European low carbon economy.

ADX's Austrian based technical team has been central to the Company's success becoming one of only three production operators and one of only two exploration operators in Austria. In Romania, ADX is credentialed as a 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, complimentary carbon abatement and renewable technologies as well as appraisal operations in nearby Romania and the implementation of further new ventures initiatives in Austria.

In Romania, the focus was on testing the IMIC-1 appraisal well within the Iecea Mare production license, preparations for the IMIC-2 appraisal well and preparations for the acquisition of a 3D seismic program within the Parta exploration permit.

#### **Asset Activities Summary**

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

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

##### *Production and Revenues*

During the year, production operations at Gaiselberg and Zistersdorf have continued with low downtime and stable production rates averaging approximately 285 barrels of oil equivalent per day ("BOEPD"). Due to the low oil price, investments in the field have been limited to improvement in reliability and field life extension such as well workovers and successful rectification of process disruptions primarily due to emulsion formation.

Sales revenues during the year totalled €3,277,105. Revenues peaked in January 2020 at € 430,000 per month with a Brent crude oil price of US\$ 63.50 per barrel and dropped to a low €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 revenue during the year was approximately € 274,000 per month. The drop in sales revenue during the year was partially compensated by revenues from hedging contracts of € 337,000 from March 2020 onwards.

During 2020, ADX focussed on establishing and ensuring the profitability of its new production business by maintaining high levels of production uptime and remaining financially robust despite the adverse effects of the COVID-19 Pandemic. ADX has been able to execute planned well workover jobs as well as a number of facilities enhancements and maintenance programs required to maintain and enhance field production.



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

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**Winter production operations at Gaiselberg and Zistersdorf**

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.

*Reserves reporting for Gaiselberg and Zistersdorf fields*

ADX's technical team has undertaken a base line reserves assessment for Gaiselberg and Zistersdorf. A Competent Person's Report ("CPR") was subsequently undertaken by Independent Consultants ERCE. ERCE was engaged to audit the developed Reserves held by ADX. The effective date of the CPR was 31 December 2019. The developed Reserves have been classified as producing and non-producing. The developed producing Reserves comprise oil and gas quantities from existing producing wells and non-producing developed Reserves from behind pipe reservoirs which will become producing reserves once perforated to access and produce proven oil and gas reservoirs has been made.

The results of the CPR were announced on the ASX on 5 November 2020. Based on the results of the CPR developed reserves for the fields exceed ADX prepurchase expectation for 1P (Proven) and 2P (Proven and Probable) developed Reserves by 13% and 4% respectively.

The unaudited estimated remaining 2P developed Reserves of 0.98 MMboe at 31 December 2018 was announced by ADX on 2 July 2019. Field production between 31 December 2018 to 31 December 2019 was 0.12 MMboe. The audit work validates ADX reserves expectation of long-life oil and gas production from the fields which is further supported by ongoing production trends with highly predictable slow decline production rates.

The CPR was prepared in accordance with the June 2018 SPE/WPC/AAPG/ SPEE/SEG/SPWLA/EAGE Petroleum Resources Management System (PRMS) as the standard for classification and reporting.

*Reserves and production development studies*

In addition to the base line assessment, a number of geological and reservoir engineering studies are being conducted with a view to optimising field depletion from developed Reserves as well as identifying additional reserves potential which cannot be accessed by the current production wells (undeveloped Reserves).

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

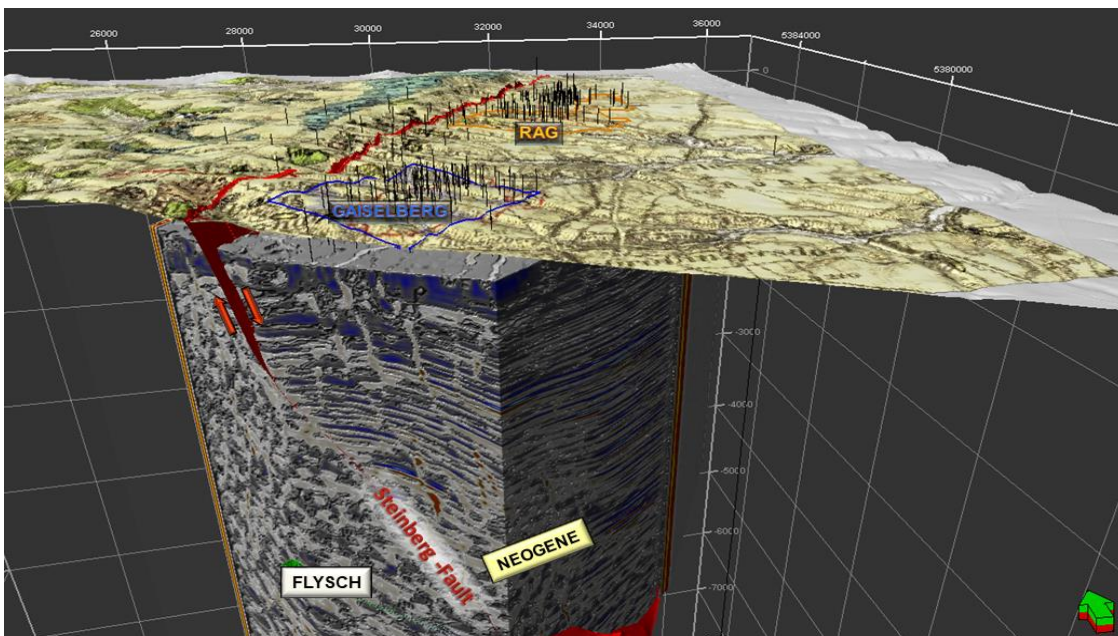
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ADX is utilising recently available state of the art 3D seismic to assess undeveloped Reserves and appraisal opportunities within the fields area. The review is utilising recently acquired and reprocessed 3D seismic. The outcome of this work will be to better define development drilling opportunities within the Fields (Neogene reservoirs) as well as deeper appraisal opportunities in the proven but not yet fully developed Flysch reservoirs (Paleogene and Cretaceous age).

The figure below is a cross section of a 3D seismic cube image showing on the hanging wall (right side) the younger highly productive Miocene & Pliocene (“Neogene”) age oil & gas reservoirs (approximately 50 productive reservoirs) and on the footwall (left) the proven but underdeveloped Mesozoic Upper Cretaceous “Flysch” sandstone reservoirs.

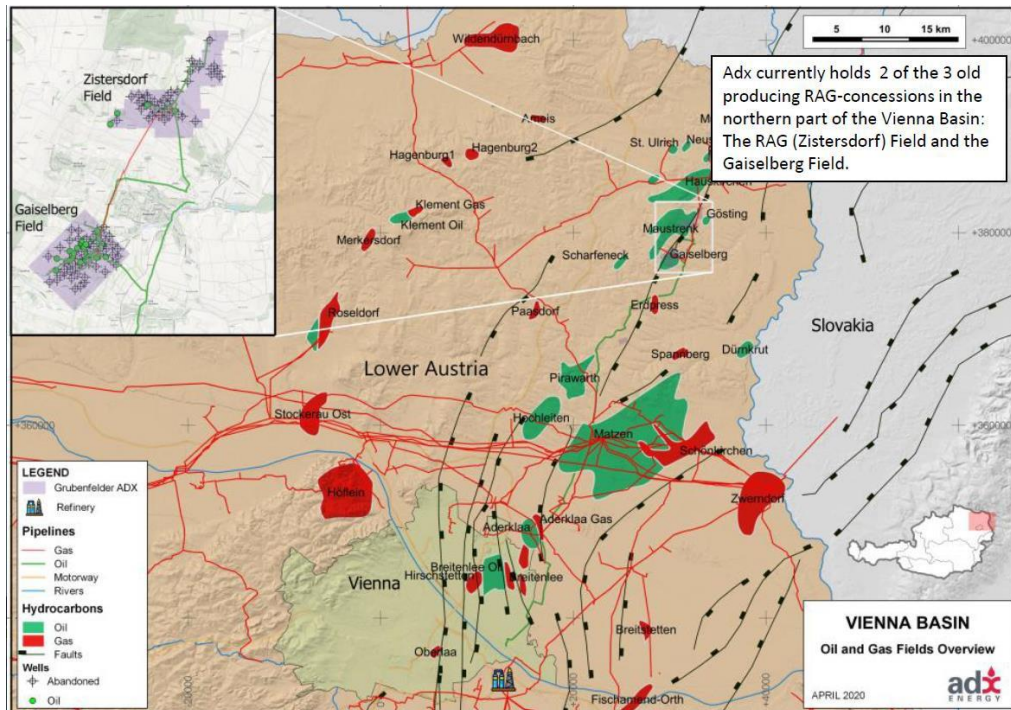
The combination of low risk, long life developed production, high quality oil, low production royalties (less than 1%), shallow reservoirs (less than 1500m on average) as well as efficient and well-maintained production infrastructure which is connected to the OMV refinery by export pipeline makes additions to the Field reserves potentially highly profitable (refer to location map further below).

ADX expects to mature development drilling as well as appraisal opportunities during the coming year which will be reported to Shareholders at the appropriate time. The increasing oil price trend substantially increases the economic potential of these undeveloped Reserves, appraisal and production growth opportunities.



**Cross section of Gaiselberg and Zistersdorf (“RAG Wells”) utilising a 3D seismic cube image. Main oil and gas production is from Neogene, the older Upper Cretaceous “Flysch” sandstones are oil and gas producing but are still under-developed. The production license outlines are shown in blue and yellow color on the rendered surface map**

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



**Location map showing Gaiselberg and Zistersdorf fields proximity to Vienna where the OMV refinery is located and other fields in the basin held by OMV**

*Hydrogen and CO<sub>2</sub> Storage Feasibility Studies*

Oil and gas fields, such as ADX' Zistersdorf and Gaiselberg fields with reservoirs and infrastructure located near sources of renewable electricity which can be used for the production of hydrogen through electrolysis, are ideally positioned to economically, reliably and safely store hydrogen. ADX fields are also connected to gas export infrastructure which can be utilised for hydrogen injection and transportation.

There is increasing potential funding, subsidies and carbon credits for CO<sub>2</sub> storage and renewable technologies in Europe. In Austria alone the currently available 3.8 GW of wind and solar energy capacity is planned to be increased to 21 GW by 2030 according to European Union (EU) guidelines, which is expected to create significant excess energy for green hydrogen generation and high demand for energy storage in general.

Based on the economic and physical fundamentals outlined above ADX undertook technical studies to identify depleted reservoirs within the ADX fields at Zistersdorf and Gaiselberg which provide an excellent opportunity to develop a hydrogen storage business.

After year-end ADX announced entering into a consulting agreement with Horváth & Partners (Horváth) to support ADX for pre-feasibility studies in relation to hydrogen storage.

Horváth have a significant track record in the hydrogen business, starting with projects in Germany where strategies for hydrogen subsurface storage were developed for salt caverns in Northern Germany. Horváth are also part of the "Evety" Joint Venture (JV). JV partner "OGE" is Germany's largest gas transmission operator with a network of 12,000 km in Germany alone. The other partner "TÜV SÜD" is a German globally active company with over 25,000 employees who optimise leading edge plant technology and complex systems. Their core business today is technical innovation in the fields of autonomous driving, renewable energy and hydrogen.

The objective of the Horváth studies is building a viable hydrogen business establishing ADX as a provider of large-scale hydrogen and green gas underground storage. The first phase of the study during the first half of 2021 seeks to reach the following milestones:

- Establish partnerships with major green energy providers such as the wind power operators next to the Gaiselberg and Zistersdorf fields;

## ADX ENERGY LTD

### OPERATIONS REPORT

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- Determine the technical viability of reservoirs within ADX' fields as large-scale subsurface hydrogen storage facilities;
- The potential of converting green hydrogen and carbon dioxide into green methane which can be sold through the gas pipeline infrastructure as well as pure hydrogen;
- Form a joint venture with one or several nearby green energy providers to access European Green Energy Transformation funding; and
- Establish the technical viability of underground energy storage at the ADX fields and ADX as a certified participant in Europe's rapidly expanding energy storage market.

The potential for hydrogen storage is created by anticipated exponential growth in wind and solar energy production in Austria as a result of the recently ratified government directive for a 6 times increase in power generation (source: Austrian Power Grid AG). It is anticipated that during summer the renewable energy facilities will create an excess capacity of around 2 TWh per month. This energy has then to be either "destroyed" or exported at great cost if no large scale energy storage is available.

In the anticipated second phase studies ADX and Horváth intend to establish a detailed business plan and financing plan for the large-scale expansion and establishment of a profitable and growing energy storage and green gas business which may be linked to carbon dioxide sequestration.

The ability to potentially utilise the ADX fields for renewable energy storage can create a new business opportunity as well as adding significant value to an asset that would otherwise be an abandonment liability later in field life.

#### ***Upper Austria Exploration Licenses, Molasse Basin - Onshore Austria***

*ADX is operator and holds a 100% interest in the exploration licenses ADX-AT-1 and ADX-AT-2.*

ADX submitted applications during the year and engaged in discussions with the responsible Austrian authorities for the award of two exploration, production and geothermal concessions ("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. In January 2021 ADX announced the execution of concession agreements for exploration, production and gas storage in Upper Austria (Upper Austria AGS) between ADX and Federal Ministry responsible for Mining ("BMLRT") on behalf of the Republic of Austria.

The signing of the Upper Austria AGS followed a comprehensive federal approval process including the Finance Ministry which demonstrates Austria's continued commitment to domestic energy sector investment. Austria's energy policy is premised on a preference for oil and gas produced in country where strict greenhouse gas emissions and environmental standards can be guaranteed. This provides a further future market advantage when carbon border taxes will be introduced for less environmentally sustainable imported products.

The signing of the Upper Austria AGS is the culmination of over 18 months of technical work, commercial discussions and relationship building with RAG E&P and the Austrian designated authorities.

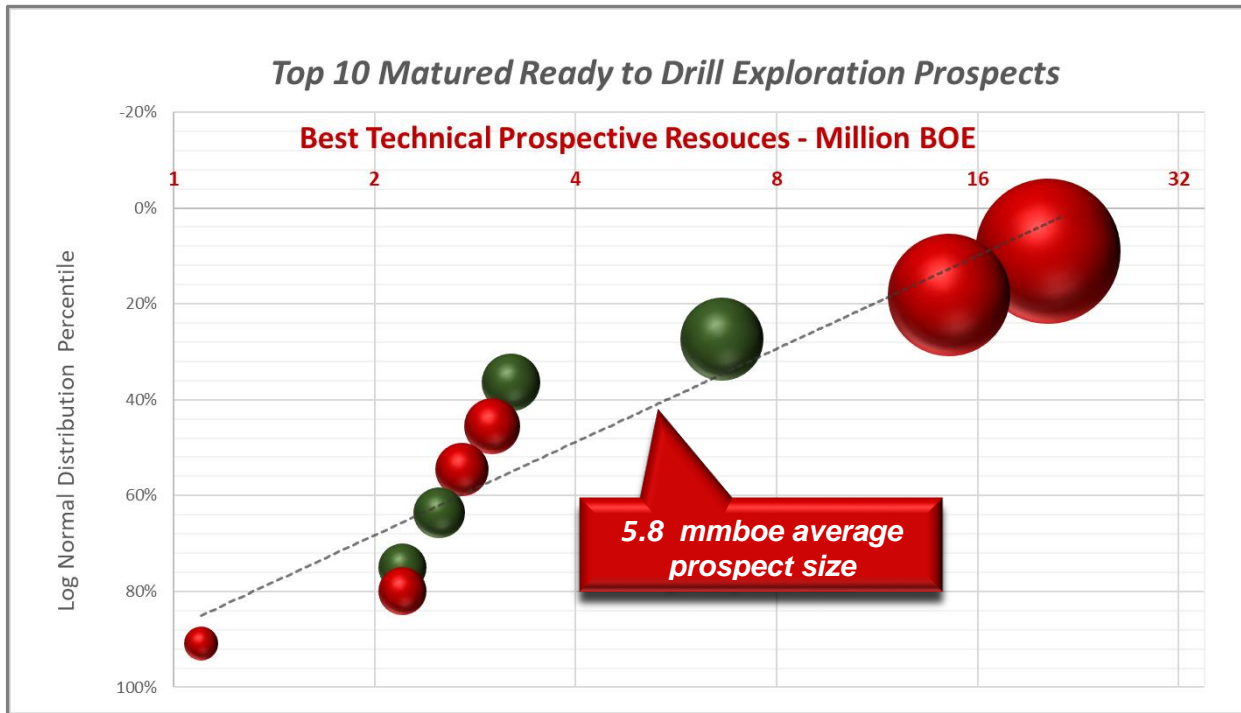
The key attributes of the Upper Austria AGS licenses are as follows:

- ADX technical evaluation of high graded areas has been enabled by access to a 3D seismic data set with US\$ 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 48% have been recorded over a number of different play types;
- The areas include a drill ready portfolio including the availability of multiple drill sites ready for appraisal and exploration operations;
- 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; and
- Strong demand for geothermal developments adds further value potential and risk diversification to portfolio.

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

*Prospect Inventory*

The drill ready exploration prospect inventory for the Upper Austria AGS licenses is summarised in the prospective resources histogram below - showing the best technical case prospective resources ("Resources") for each prospect. The prospects range from just over 1 to over 20 MMBOE Resources. The average prospect Resource size is 5.8 MMBOE. Prospects less than 1 MMBOE are profitable due to proximity to modern infrastructure. The larger prospects exceeding a 5 MMBOE Resources if successful are highly valuable in an onshore setting proximal to infrastructure. Refer to ASX releases 30 November 2020 when above resource estimates were first announced and 30 March 2021 when the resource estimates were subsequently revised.



**Resource Size Distribution for top ten matured exploration prospects (lognormal fit)**  
where ● denotes an oil prospect and ● denotes a gas prospect

The recent historical exploration success ratio utilising 3D seismic has been approximately 48%. The licenses also include lower risk appraisal opportunities or RAG field extensions within ADX exploration license areas. ADX is fortunate to have an experienced and successful exploration team that has successfully worked the basin for RAG prior to joining ADX.

*Upper Austria AGS License Terms*

The total term for the Upper Austria AGS is 16 years without any relinquishment and the first 4 year firm period commencing 1<sup>st</sup> January 2021. ADX has entered a 2 well drilling commitment, however the minimum financial obligation to keep the licenses in good standing is € 2.2 million for the first period.

*Licensing System*

Austria does not have a typical open door licensing round system for obtaining oil and gas rights, however the concession agreement negotiations with the respective Mining Authorities and the subsequent speedy government ratification process which required finance ministry approvals has highlighted the efficiency and the government support for oil and gas activities and investment. The acceptance of ADX as an oil and gas operator and producer in Lower Austria was a key milestone and pre-condition for achieving the historic award of oil and gas concessions in Austria, where only OMV and RAG have been the only companies to undertake exploration operations for almost a century.

A significant advantage of the system is the ability to make exploration and production area extensions, part relinquishments and secure drilling location approvals in relatively short time frames of a few months.

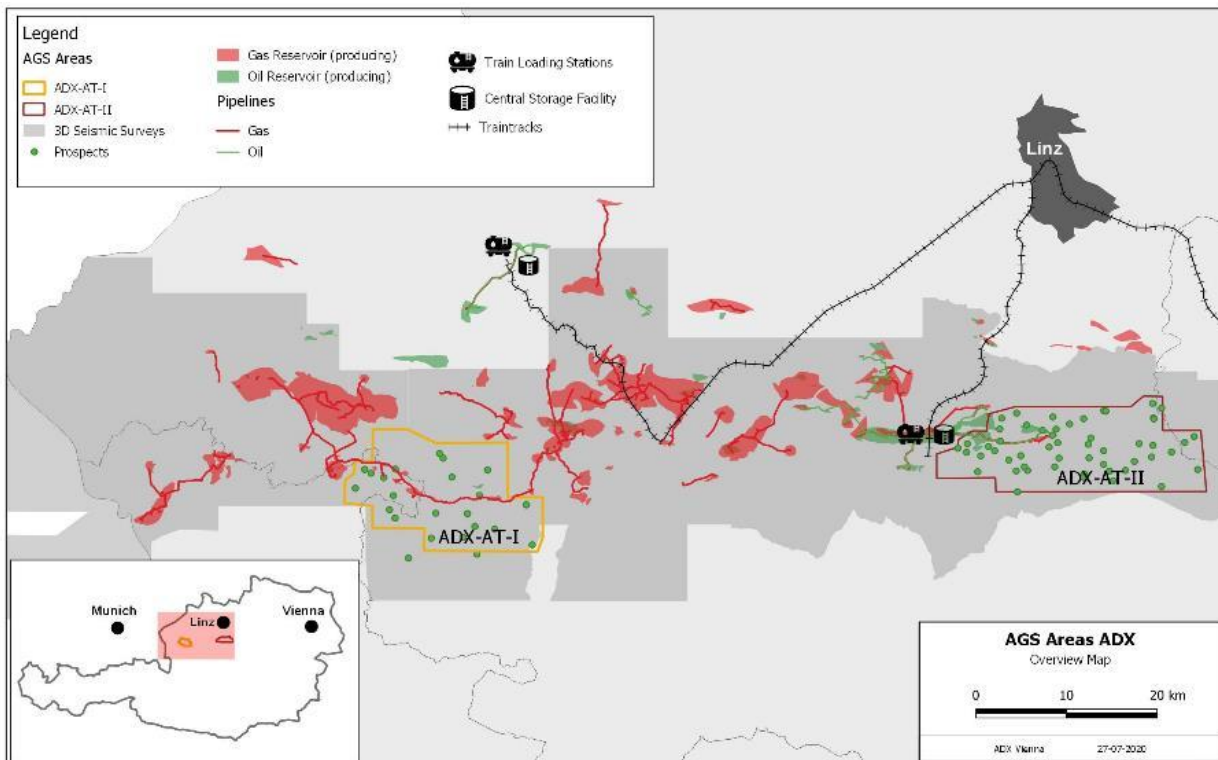
**ADX ENERGY LTD**  
**OPERATIONS REPORT**

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*Infrastructure Access Agreement*

In December 2020 ADX signed an infrastructure agreement with RAG E&P, a wholly owned subsidiary of RAG Austria AG, covering principal legal and commercial terms for guaranteed access to a modern and extensive oil and gas infrastructure system. The agreements provide attractive commercial terms for the access of future ADX oil and gas production from the Upper Austria AGS concessions which surround the producing fields and infrastructure owned and operated by RAG E&P.

The agreement provides greater economic certainty for development of hydrocarbons discovered and appraised in the concessions ranging from relatively small appraisal prospects to large exploration prospects. It is envisaged that the arrangements will be beneficial for both parties ensuring that hydrocarbons from the basin can be produced efficiently and cost effectively by utilising available capacity and maximising throughput through RAG E&P’s facilities, thereby lowering the production costs for both parties.



**Map showing ADX Upper Austria AGS exploration areas proximal to RAG’s infrastructure and fields. The round green dots indicate a rich portfolio of oil and gas prospects and leads covered by 3D seismic (dark grey areas)**

*Farmout Process*

The combination of a multi prospect portfolio, mature and drill ready prospect inventory focused on proven exploration plays with certainty of access to infrastructure on beneficial terms is expected to be attractive for prospective farminees who are seeking a rapid pathway from exploration or appraisal drilling to production cash flow. ADX will commence a systematic farmout process by the end of the first quarter of 2021. The process has already commenced with a number of interested companies approaching ADX ahead of the formal farmout process planned to start in Q2 2021.

ADX is confident of being able to complete a successful farmout process because it can offer interested investors or companies competitive advantages compared to other opportunities available on the market, such as a “drill ready” prospect and appraisal portfolio fully covered by modern 3D seismic with very fast development and financial pay out times in case of a discovery, and of additional importance, the portfolio is well balanced and catering for a range of different risk appetites.

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

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***New Venture Opportunities – Upper Austria***

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 (seller of Gaiselberg and Zistersdorf fields) in relation to other production assets in Upper Austria.

ADX is also reviewing further appraisal, exploration and brownfield redevelopment opportunities in Upper Austria. Having established an AGS concession in Upper Austria ADX has identified a number of both exploration and production rejuvenation growth opportunities which can be secured by extending ADX current Upper Austria AGS areas.

***Icea Mare Production License and Parta Exploration License - Onshore 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 Icea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube*

The IMIC-1 well was successfully drilled and evaluated in September 2019. 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.

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. 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.

Due to the COVID -19 Pandemic Romania's borders were closed from March to late June 2020, restricting access to essential personnel and imported goods. 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.

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 June 2020 in preparation for production testing the IMIC-1 well.

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. Well production equipment was run into the well and perforated to initiate flow from the Lower Pannonian "Pa IV" gas reservoir (the Pa V and Pa III potential gas reservoirs were not perforated during the program). Testing concentrated on the PA IV sand which is a proven reservoir and appeared to have the greatest reserves potential of the 3 reservoir intervals intersected in the IMIC-1 well.

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 was not achieved during the first test.

The flow test results from the first test 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 rock typing analysis from cuttings from IMIC-1 drilling together with modern petrophysical analysis from the well logs indicated good Pa IV gas reservoir permeability.

In early September 2020, ADX undertook acidisation of the Pa IV gas interval resulting in gas flow to surface confirming excellent dry gas quality (methane) and a significantly faster pressure build up than previously observed. The failure to flow at commercial gas rates without any well stimulation is interpreted as drilling and completion induced localised reservoir damage rather than an intrinsic reservoir quality issue of the Pa IV reservoir. The well was placed under pressure build up

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

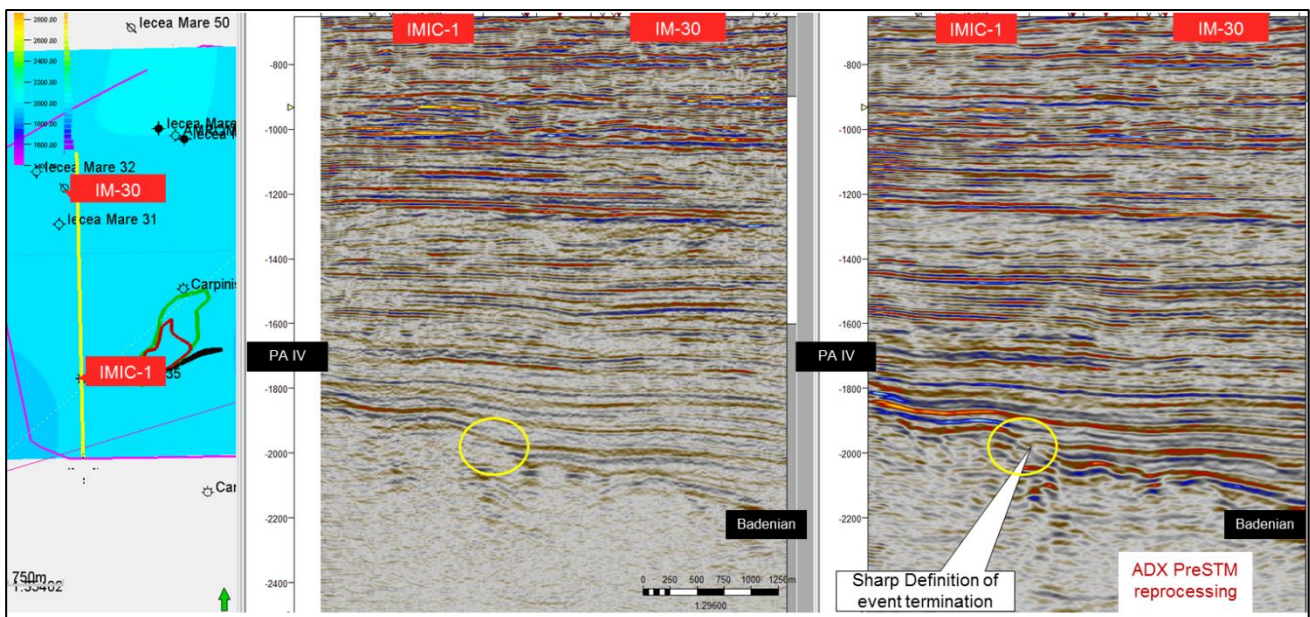
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observation and built up very quickly to a bit over 160 bar wellhead pressure caused by gas inflow with significantly less associated water volumes compared to the first build up tests.

ADX together with locally experienced well testing and engineering companies such as Tacrom have designed a potential skin frac job to test the concept of increasing the effective near wellbore flow area of the Pa IV reservoir perforation in discovery well IMIC-1.

The completed operational execution program also foresees a relatively low-cost option to perforate the slightly deeper PA V reservoir zone which was a proven oil producer in the ADX Iecea Mare production license just a few kilometres further north (IM-30 well, 2.5 km north of IMIC-1) and is gas and condensate bearing in well IMIC-1 (ASX release from 29 August 2019).

Prior to a final decision on well stimulation operations and the drilling of the nearby IMIC-2 prospect ADX has completed the reprocessing of the Iecea Mare 3D seismic and commenced a detailed and integrated technical evaluation of the remaining prospectivity of the area covered by the 3D seismic. The figure below shows a comparison example of the newly reprocessed (PreSTM) seismic relative to the original data. While the improvements in the shallower section – including the IMIC-1 Pa IV reservoir- are good, the deeper Miocene to basement section has significantly improved. Both the Badenian and basement are proven reservoirs in the area and hence a prospectivity upgrade is expected once the ongoing technical evaluation based on IMIC-1 well results and the newly reprocessed 3D seismic has been completed.



**3D reprocessing (right hand seismic section) has resulted in significant improvements especially in the deeper prospective section**

The integrated interpretation of the Iecea Mare 3D seismic area with a special focus on IMIC-1 results, implications for planned IMIC-2 well and remaining (deeper) prospectivity has commenced during the last quarter 2020 and is expected to be completed during the first half of 2021.

As a subsequent event, ADX also has completed AVO 3D processing to further derisk gas prospects already identified on the original 3D data.



## ADX ENERGY LTD

### OPERATIONS REPORT

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#### *Parta license exploration*

Despite COVID-19 related delays and restrictions on personnel movements, ADX made good progress with Hungarian based seismic contractor AGS (Viking) to acquire 3D seismic during Q3 2020. All key landowner and necessary authority permits were obtained, with the final environmental permits expected received during the third quarter of 2020.

While all landowner, local authority and environmental permits were obtained for the approximately 100 square km survey, the survey had to be cancelled because the 3D funding farminee Parta Energy Ltd, a wholly owned subsidiary of Tamaska Oil & Gas ("Tamaska") had informed ADX on extremely short notice that it would not proceed with the farmin transaction. This came as a surprise to ADX and its Hungarian seismic contractor who had already mobilised to Romania for the survey on good faith (refer to ASX announcement from 8 September 2020).

ADX has continued discussions with the seismic contractor to seek cost efficient options for a later survey start up and is also in discussions with the Romanian authorities to consider the unforeseeable event caused by the surprise withdrawal of funding partner Tamaska for an additional license extension of the current period. ADX is also engaging with landowners and local authorities to extend all necessary permits.

#### *Tamaska Farmin Agreement Payment Default*

As a result of default by Parta Energy Pty Ltd (PE) (being a wholly owned subsidiary of ASX listed Tamaska) in relation to a farmin obligation pursuant to a farmin agreement between ADX Energy Panonia Srl, Danube and PE ("Farmin Agreement"), ADX has had to put on hold the mobilisation of the 3D exploration seismic crew and has minimised ongoing financial exposure in relation to the 3D exploration seismic program operations with the seismic contractor.

ADX has prepared all supporting evidence and a writ of summons with a reputed Perth-based law firm to pursue on behalf of Danube what ADX is advised is a fair claim of damages caused by Tamaska's default.

#### *Way Forward*

The planned activities for 2021 include the remapping of reprocessed Iacea Mare 3D seismic data set, the further evaluation of Iacea Mica-1 (IMIC-1) well test results and evaluation of proposal for an acid frac program based on the encouragingly fast pressure build up seen for the Pa IV reservoir and the progress of appropriate legal recourse in relation to the default under the Farmin Agreement by Tamaska.

In addition to the above activities a third party review of the Parta prospectivity, especially within the planned 3D area is underway with a view to a renewed farmout effort for the Parta license.

#### ***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 license. This process was commenced after the award by the Ministry of Industry.*

No further activities have been undertaken since ADX was advised on the 4th 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 late 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.

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

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***Kerkouane Permit, Offshore Tunisia***

On September 2019 ADX announced that it had declared force majeure in relation to the Dougga project due to the unexpected termination of a drilling contract by Noble Services International Limited for the Globe Trotter II drill ship contracted for the drilling of the Dougga Sud appraisal well. Activities in Tunisia were subsequently suspended in favour of the abovementioned more stable and fiscally attractive jurisdictions. During 2020, ADX completed a withdrawal from Tunisia, deregistered the ADX subsidiary which was the permit holder and closed its branch office.

***Summary of Planned Activities during 2021***

The Company plans to focus its operating activities during 2021 primarily in Austria and to a lesser extent in Romania.

Austrian planned activities are summarised as follows:

- Ongoing well workover work on the Zistersdorf and Gaiselberg fields to enhance production rates;
- Ongoing geotechnical evaluation utilising a newly processed 3D seismic data set as well as engineering and planning work with a view to maturing sidetrack and infill development wells in the Zistersdorf and Gaiselberg fields as well as appraisal opportunities in the underdeveloped Flysch reservoirs;
- Undertake an independent reserves review for the Zistersdorf and Gaiselberg fields following completion of the current Zistersdorf and Gaiselberg field technical review utilising the new 3D seismic data set;
- Complete prefeasibility studies, develop a joint venture with green power producers and establish a business case for H<sub>2</sub> storage at the Gaiselberg and Zisterdorf fields;
- Progress a farmout in relation to the Upper Austria AGS exploration and appraisal licenses with a view to drilling an exploration well during the second half 2021; and
- Ongoing pursuit of further collaboration opportunities pursuant to a non-binding letter of intent with RAG in relation to other assets in Upper Austria.

Romanian planned activities are summarised as follows:

- Remapping of reprocessed Iacea Mare 3D seismic data set to determine the potential of IMIC-1 and IMIC-2 for further appraisal and other potential targets within the Iacea Mare production license;
- Further evaluation of IMIC-1 well test results and evaluation of proposal for an acid frac program based on the encouragingly fast pressure build up seen for the Pa IV reservoir;
- Progress an appropriate legal recourse in relation to the default under the Farmin Agreement by Tamaska; and
- Review the Parta prospect portfolio with a third party especially on the planned Parta 3D area with a view to a renewed farmout process for Parta.

**ADX ENERGY LTD**  
**RESERVES REPORT**

ADX purchased the Gaiselberg and Zistersdorf oil and gasfields in the Vienna basin, Austria in December 2019 from RAG Exploration & Production GmbH.

A Competent Person's Report ("CPR") was undertaken by Independent Consultants ERCE Equipoise Pte Ltd (ERCE). ERCE was engaged to undertake an audit for the developed Reserves held by the ADX Energy Ltd Group (ADX) at the Zistersdorf Field and Gaiselberg Field in the Vienna Basin, Austria. The effective date of the CPR was 31 December 2019 (the "Effective Date"). The developed Reserves have been classified as producing and non-producing. The developed producing Reserves comprise oil and gas quantities from existing producing wells and non-producing developed Reserves from behind pipe reservoirs which will become developed producing Reserves once perforated to access and produce proven oil and gas reservoirs.

The following Reserves are an independently audited estimate of developed Reserves announced on the ASX on 5 November 2020. The Company intends to undertake an independent audit on an annual basis.

A summary of the Austrian licence interests held by ADX is summarised below.

<b>ADXs Licence Interests, Vienna Basin, Austria</b>			
<b>Block</b>	<b>Working Interest</b>	<b>Licence Expiry</b>	<b>Field(s)</b>
Zistersdorf Field	100%	NA	Zistersdorf
Gaiselberg Field	100%	NA	Gaiselberg

*Note:*

Both licence areas are covered by an Austrian mining law by which production rights are granted indefinitely.

**2020 Reserves Audit Results**

The following tables are the results of ERCE's independent audit of the quantities of oil and gas to be produced from existing wells from ADX licence interests in the Vienna basin, as of 31 December 2019.

The aggregate oil and gas developed (developed producing and developed non-producing) Reserves both in total and attributable to ADX's working interests, are shown below.

<b>ADX Developed Oil Reserves as of 31 December 2019</b>						
	<b>Gross Oil Reserves (MMstb)</b>			<b>Working Interest Oil Reserves (MMstb)</b>		
	<b>1P</b>	<b>2P</b>	<b>3P</b>	<b>1P</b>	<b>2P</b>	<b>3P</b>
Developed Producing	0.34	0.53	0.86	0.34	0.53	0.86
Developed Non- Producing	0.16	0.28	0.5	0.16	0.28	0.5
<b>Total</b>	<b>0.5</b>	<b>0.81</b>	<b>1.36</b>	<b>0.5</b>	<b>0.81</b>	<b>1.36</b>

*Results extracted from ERCE's developed Reserves CPR as of 31 December 2019*

**Notes**

1. Company Working Interest Reserves are based on the working interest share of the field gross Reserves and are prior to deduction of any royalties.
2. Developed Producing Reserves comprise production from existing producing wells.
3. Developed Non-Producing Reserves comprise production from future completions of behind pipe reservoirs.
4. Totals may not sum arithmetically due to rounding.

**ADX ENERGY LTD**  
**RESERVES REPORT**

**ADX Developed Gas Reserves as of 31 December 2019**

	Gross Gas Reserves (Bscf)			Working Interest Gas Reserves (Bscf)		
	1P	2P	3P	1P	2P	3P
Developed Producing	0.19	0.32	0.59	0.19	0.32	0.59
Developed Non- Producing	0.09	0.18	0.31	0.09	0.18	0.31
<b>Total</b>	<b>0.28</b>	<b>0.5</b>	<b>0.9</b>	<b>0.28</b>	<b>0.5</b>	<b>0.9</b>

Results extracted from ERCE's developed Reserves CPR as of 31 December 2019

**Notes**

1. Company Working Interest Reserves are based on the working interest share of the field gross Reserves and are prior to deduction of any royalties.
2. Developed Producing Reserves comprise production from existing producing wells.
3. Developed Non-Producing Reserves comprise production from future completions of behind pipe reservoirs.
4. Totals may not sum arithmetically due to rounding.

**ADX Developed Oil Equivalent Reserves as of 31 December 2019**

	Gross Oil Equivalent Reserves (MMboe)			Working Interest Oil Equivalent Reserves (MMboe)		
	1P	2P	3P	1P	2P	3P
Developed Producing	0.37	0.58	0.96	0.37	0.58	0.96
Developed Non- Producing	0.18	0.31	0.55	0.18	0.31	0.55
<b>Total</b>	<b>0.55</b>	<b>0.90</b>	<b>1.51</b>	<b>0.55</b>	<b>0.90</b>	<b>1.51</b>

Results extracted from ERCE's developed Reserves CPR as of 31 December 2019

**Notes**

1. Company Working Interest Reserves are based on the working interest share of the field gross Reserves and are prior to deduction of any royalties.
2. Developed Producing Reserves comprise production from existing producing wells.
3. Developed Non-Producing Reserves comprise production from future completions of behind pipe reservoirs.
4. Totals may not sum arithmetically due to rounding.
5. 1 MMboe - million of barrels of oil equivalent including solution gas. Barrels of oil equivalent calculated based on: 5,841 standard cubic feet (scf) = 1 boe
6. The term Barrels of Oil Equivalent (BOE) allows for a single value to represent the sum of all the hydrocarbon products that are forecast as resources. Gas quantities are converted to an oil equivalent based on a conversion factor that is recommended to be based on a nominal heating content or calorific value equivalent to a barrel of oil.

**2020 Oil and Gas Production**

The following table shows oil and gas production from the Gaiselberg and Zistersdorf fields during the 2020 Calendar Year.

<b>Oil and Gas Production between 31 December 2019 and 31 December 2020</b>	
<b>Gross Oil Production (MMstb)</b>	<b>0.092487</b>
<b>Gross Gas Production (Bscf)</b>	<b>0.068440</b>
<b>Gross Oil Equivalent Production (MMboe)</b>	<b>0.104204</b>

**ADX ENERGY LTD**  
**RESERVES REPORT**

**2020 Year End Reserves Reconciliation.**

The following tables summarise ADX's unaudited estimates of developed Reserves as of 31 December 2020, based on the ERCE's audited developed Reserves as of 31 December 2019 less production from the Gaiselberg and Zistersdorf fields during the intervening period.

<b>ADX Developed Oil Reserves as of 31 December 2020</b>						
	<b>Gross Oil Reserves (MMstb)</b>			<b>Working Interest Oil Reserves (MMstb)</b>		
	<b>1P</b>	<b>2P</b>	<b>3P</b>	<b>1P</b>	<b>2P</b>	<b>3P</b>
Developed Producing	0.25	0.44	0.77	0.25	0.44	0.77
Developed Non- Producing	0.16	0.28	0.5	0.16	0.28	0.5
<b>Total</b>	<b>0.41</b>	<b>0.72</b>	<b>1.27</b>	<b>0.41</b>	<b>0.72</b>	<b>1.27</b>

*Above results are ADX's unaudited developed reserves as of 31 December 2020*

**Notes**

1. Company Working Interest Reserves are based on the working interest share of the field gross Reserves and are prior to deduction of any royalties.
2. Developed Producing Reserves comprise production from existing producing wells.
3. Developed Non-Producing Reserves comprise production from future completions of behind pipe reservoirs.
4. Totals may not sum arithmetically due to rounding.

<b>ADX Developed Gas Reserves as of 31 December 2020</b>						
	<b>Gross Gas Reserves (Bscf)</b>			<b>Working Interest Gas Reserves (Bscf)</b>		
	<b>1P</b>	<b>2P</b>	<b>3P</b>	<b>1P</b>	<b>2P</b>	<b>3P</b>
Developed Producing	0.12	0.25	0.52	0.12	0.25	0.52
Developed Non- Producing	0.09	0.18	0.31	0.09	0.18	0.31
<b>Total</b>	<b>0.21</b>	<b>0.43</b>	<b>0.83</b>	<b>0.21</b>	<b>0.43</b>	<b>0.83</b>

*Above results are ADX's unaudited developed reserves as of 31 December 2020*

**Notes**

1. Company Working Interest Reserves are based on the working interest share of the field gross Reserves and are prior to deduction of any royalties.
2. Developed Producing Reserves comprise production from existing producing wells.
3. Developed Non-Producing Reserves comprise production from future completions of behind pipe reservoirs.
4. Totals may not sum arithmetically due to rounding.

<b>ADX Developed Oil Equivalent Reserves as of 31 December 2020</b>						
	<b>Gross Oil Equivalent Reserves (MMboe)</b>			<b>Working Interest Oil Equivalent Reserves (MMboe)</b>		
	<b>1P</b>	<b>2P</b>	<b>3P</b>	<b>1P</b>	<b>2P</b>	<b>3P</b>
Developed Producing	0.27	0.48	0.86	0.27	0.48	0.86
Developed Non- Producing	0.18	0.31	0.55	0.18	0.31	0.55
<b>Total</b>	<b>0.44</b>	<b>0.79</b>	<b>1.41</b>	<b>0.44</b>	<b>0.79</b>	<b>1.41</b>

*Above results are ADX's unaudited developed reserves as of 31 December 2020*

**Notes**

1. Company Working Interest Reserves are based on the working interest share of the field gross Reserves and are prior to deduction of any royalties.
2. Developed Producing Reserves comprise production from existing producing wells.
3. Developed Non-Producing Reserves comprise production from future completions of behind pipe reservoirs.
4. Totals may not sum arithmetically due to rounding.
5. 1 MMboe - million of barrels of oil equivalent including solution gas. Barrels of oil equivalent calculated based on: 5,841 scf = 1 boe
6. The term Barrels of Oil Equivalent (BOE) allows for a single value to represent the sum of all the hydrocarbon products that are forecast as resources. Gas quantities are converted to an oil equivalent based on a conversion factor that is recommended to be based on a nominal heating content or calorific value equivalent to a barrel of oil.

**ADX ENERGY LTD**  
**RESERVES REPORT**

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**Petroleum Resources Management System**

All reserves are estimated by deterministic estimation methodologies consistent with the definitions and guidelines in the Society of Petroleum Engineers (SPE) 2007 Petroleum Resources Management System (PRMS)

PRMS Reserves Classifications Used

**1P** Denotes low estimate of Reserves (i.e., Proved Reserves). Equal to P1.

**2P** Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.

**3P** Denotes high estimate of Reserves. The sum of Proved plus Probable plus Possible Reserves.

1. **Developed Reserves** are quantities expected to be recovered from existing wells and facilities.
  - a. *Developed Producing Reserves* are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
  - b. *Developed Non-Producing Reserves* include shut-in and behind-pipe reserves with minor costs to access.
2. **Undeveloped Reserves** are quantities expected to be recovered through future significant investments.

A. **Proved Reserves** are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

B. **Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

C. **Possible Reserves** are those additional Reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves that are located outside of the 2P area (not upside quantities to the 2P scenario) may exist only when the commercial and technical maturity criteria have been met (that incorporate the possible development scope). Standalone Possible Reserves must reference a commercial 2P project.

**Persons compiling information about Hydrocarbons.** Pursuant to the requirements of the ASX Listing Rule 5.31, the unaudited technical and reserves information contained in this report has been prepared under the supervision of Mr Paul Fink. Mr Fink is Technical Director of ADX Energy Limited, is a qualified geophysicist with 23 years of technical, commercial and management experience in exploration for, appraisal and development of oil and gas resources. Mr. Fink has consented to the inclusion of this information in the form and context in which it appears. Mr. Fink is a member of the EAGE (European Association of Geoscientists & Engineers) and FIDIC (Federation of Consulting Engineers).

ERCE has conducted an independent audit of the developed Reserves, as of 31 December 2019, and consented to the inclusion of information specified as ERCE audited values in this report.

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

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Your Directors present their report for the year ended 31 December 2020.

**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 capitalisation of over GBP 1.5 MM, partly due to 3<sup>rd</sup> 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 and Xstate Resources Limited (both 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 15 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.

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

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**Previous Director - Philip Haydn-Slater (resigned 7 April 2020)**

*Non Executive Director (Appointed 21 July 2017, Resigned 7 April 2020)*

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.

**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.

**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 Stavely 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, 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 Stavely Minerals Limited.

**MEETINGS OF DIRECTORS**

During the year, 3 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

<b>Name of Director</b>	<b>Meeting Held</b>	<b>Meetings Attended</b>
I Tchacos	3	3
P Fink	3	3
A Childs	3	2
E Etienvre	2	2
P Haydn-Slater	1	-
R Brown	1	-

In addition, ADX had 17 circular resolutions signed by all directors during the year.



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

***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.

	I Tchacos	P Fink	A Childs	E Etienvre
<b>Shares</b>				
Ordinary fully paid shares	<b>62,303,958</b>	<b>73,010,542</b>	<b>25,388,524</b>	<b>1,976,956</b>
<b>Options</b>				
Unlisted Options, Ex Price \$0.013, Expiry 26/6/2021	-	-	-	5,000,000
Unlisted Options, Ex Price \$0.008, Expiry 15/6/2021	1,000,000	1,000,000	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/5/2022	6,354,086	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/5/2023	10,864,955	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/10/2023	3,954,545	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/1/2024	4,106,250	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 26/6/2024	6,000,000	6,578,571	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/7/2024	6,078,125	3,373,438	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/10/2024	5,116,071	3,354,910	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/1/2025	7,250,000	2,632,811	-	-
<b>Total Options</b>	<b>50,724,032</b>	<b>16,939,730</b>	<b>-</b>	<b>5,000,000</b>

***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
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
Alpine Oil & Gas Pty Ltd	-	100% owned Australian controlled entity (wound-up in December 2020)

**Principal Activity**

The principal activities of the Group during the year were oil and gas production, appraisal and exploration.

**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 2020	Consolidated 31 December 2019
	\$	\$
Cash and cash equivalents held at year end	2,144,469	4,953,759
Net profit/(loss) for the year after tax	(4,486,676)	(1,086,908)
Non-controlling interest in loss for the year	(206,611)	(107,208)
Included in loss for the year:		
Operating revenue	6,833,016	1,114,613
Cost of sales – operating costs	(5,035,455)	(649,340)
Cost of sales – depreciation/amortisation	(3,004,005)	(229,714)
Exploration expensed	(1,231,427)	(328,630)
Basic profit/(loss) per share from continuing operations	(0.25) cents	(0.077) cents
Net cash (used in) operating activities	(1,451,154)	(3,326,352)
Net cash (used in) investing activities	(3,777,049)	(8,240,477)
Net cash from financing activities	2,302,214)	13,092,221

During the year:

- Exploration expenditure was \$1,231,427. This was expenditure primarily for new ventures (\$1,097,916), Tunisia \$68,692, Italy \$7,140 and Romania \$57,679.
- Production from ADX's Zistersdorf and Gaiselberg Fields in Austria was as follows:

	31 December 2020	31 December 2019
Crude Oil Sold (Barrels)	92,487	8,555
Gas Sold (Boe)	11,717	935
Total Oil Equivalent (Boe)	104,204	9,490
Average Production Rate (Boepd)	285	316

*Convertible Loan Facilities*

On 14 January 2020, \$1,050,000 of ADX's convertible loan facilities were converted to 149,999,995 shares (at \$0.007/share). The remaining loan facility of \$50,000 was repaid in cash.

*Borrowings*

During the year, ADX secured EUR 1.13 million funding for its wholly owned Austrian subsidiary ADX VIE GmbH via a program of Austrian state financing from Austria **Wirtschafts** ("Economy") **Service (AWS)** and Volksbank Wien AG (**Volksbank**) which is ADX local commercial bank. The loan guarantee is provided by the Austrian state.

The facility consists of two parts:

- EUR 500,000, zero interest, repayment starts 30 June 2022 and ends latest 31 December 2024. ADX VIE has drawn these funds in August 2020; and
- EUR 630,000, 1% interest, same repayment terms as above. ADX VIE has drawn EUR 330,000 of these funds during the year.

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

---

Collateral of EUR 120,000 is held in an ADX account with Volksbank.

The use of funds is very flexible including all ADX VIE operating costs, capital costs and servicing of existing debts.

The additional source of funding enables ADX to continue to build its Austrian business activities during a challenging period. Key investment initiatives being pursued by ADX in Austria that this funding has assisted or will assist are as follows;

- Ongoing production and reliability enhancements at the Company's Zistersdorf and Gaiselberg producing fields (Z&G);
- Geotechnical work to enhance the current field reserves position at Z&G as well as the maturing for drilling of the large but underdeveloped resource potential (Mesozoic deep water Flysch reservoirs) that can be accessed from the existing Z&G production footprint;
- Securing a highly prospective appraisal and exploration acreage position surrounding RAG's producing oil and gas fields in Upper Austria; and
- Pursuing further production acquisitions in Austria where ADX can enhance its production position within or in very close proximity to its exploration and appraisal acreage.

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 Austrian state guaranteed 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.

#### *Other Loans*

On 23 November 2020, ADX announced an amendment to the repayment terms of the Company's A\$ 3.5 million loan notes ("Loan Notes"). The repayment of the A\$ 3.5 million principal will now be repaid in two tranches – Tranche 1 of A\$ 1.75 million to be repaid semi-annually with 4 equal payments over a period of 2 years commencing from 26 May 2021 and ending on 26 November 2022; and Tranche 2 of A\$ 1.75 million repayable as a bullet payment at the end of 2 years on 26 November 2022.

The variation to the terms of the Loan Notes was necessary as a result of the COVID-19 pandemic which caused a significant deterioration in oil prices. The Company will cancel existing options previously issued in relation to the Loan Notes (having been granted a waiver of ASX Listing Rule 6.23.3) and, subject to shareholder approval, grant to the Loan Note holders 2 equal tranches of 67,500,000 options each, one tranche with an exercise price of A\$ 0.01 maturing on 26 May 2022 and the other tranche with an exercise price A\$ 0.015 maturing on 26 November 2023 respectively. The changes to the terms of the options were approved by Shareholders at the Company's general meeting held on Friday 19 February 2021.

#### *Placement and Share Purchase Plan*

On 15 December 2020, ADX announced that it had successfully completed a placement to sophisticated investors to raise A\$ 1.3 million at A\$ 0.006 per share. One unlisted Placement Option was issued for every two Placement Shares at a strike price of A\$ 0.008 per share with an expiry date of 15 June 2021.

At the same time, ADX announced a share purchase plan ("SPP") allowing shareholders to invest on same terms as Placement. The share purchase plan closed on 29 January 2021, oversubscribed, with subscriptions totalling \$3 million being accepted. One free attaching unlisted option was granted for every two (2) shares issued under the SPP ("SPP Options"). The exercise price of the SPP Options is A\$ 0.008 with an expiry date of 15 June 2021.

Funds raised by the Placement and the SPP will be used to supplement ADX's cash requirements for the Company's key projects as well as growth opportunities in Austria and for working capital purposes. The Austrian growth opportunities include the payment of a bank guarantee to the Austrian Mining Authority for the recently announced Molasse basin exploration and appraisal licenses in Upper Austria as well as well work overs on its producing Gaiselberg and Zistersdorf fields in the Vienna basin.

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

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***DIVIDENDS***

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

***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>
Unlisted Options	345,495,007	0.8 cents	15/06/2021
Unlisted Options	5,000,000	1.3 cents	26/06/2021
Unlisted Options	67,500,020	1.0 cents	26/05/2022
Unlisted Options	67,500,020	1.5 cents	26/11/2023
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	9,451,563	Nil cents	31/07/2024
Unlisted Options	8,470,981	Nil cents	31/10/2024
Unlisted Options	9,882,811	Nil cents	31/01/2025
Total Options	<u>551,158,809</u>		

No optionholder 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.

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

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**REMUNERATION REPORT (AUDITED)**

The Directors present the 2020 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

**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
Edouard Etienvre	-	Non-Executive Director (appointed 7 January 2020)
Philip Haydn-Slater	-	Non-Executive Director (resigned 7 April 2020)
Robert Brown	-	Non-Executive Director (resigned 7 January 2020)

**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;
- 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; and
- if required, 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.

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

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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 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 reviewing 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 the year 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.

**ADX ENERGY LTD**

**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 31/12/20</b>	<b>Termination benefit</b>
I Tchacos – Executive Chairman – Technical Consultancy	Term of 2 years commencing 1 July 2020	Technical consulting - \$1,500 per day (cash)	2 months (up to \$18,000)
I Tchacos – Executive Chairman – Corporate Consultancy	Ongoing	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 with ADX Energy Ltd	Term of 2 years commencing 1 July 2020	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)
P Fink – Executive Director – Consultancy with ADX VIE GmbH	No written agreement	Consulting at EUR 900 per day.	None
E Etienvre – Non-Executive Director – Consultancy with ADX Energy Ltd	Term of 2 years commencing 1 July 2020	Consulting at \$1,500 per day (50% cash and 50% equity (shares), subject to shareholder approval)  In addition, E Etienvre receives non-executive Directors fees of \$33,000 pa. 61% paid in cash, 39% paid in equity (subject to Shareholder approval). E Etienvre also receives Director fees from 49% owned subsidiary, Danube Petroleum Ltd of GBP 12,000 per annum.	1 month (up to \$7,500)

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

**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:

2020	Cash salary, directors fees and consulting fees, including accruals* \$	Post Employment	Share Based	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> \$	Options (sign-on) <sup>(3)</sup> \$	
<b>Directors</b>						
I Tchacos	255,301	2,665	3,750	114,281	-	375,997
P Fink	297,417	-	3,750	89,775	-	390,942
A Childs	30,137	2,863	-	-	-	33,000
E Etienvre <sup>(2)</sup>	82,082	-	9,505	-	14,688	106,275
R Brown <sup>(2)</sup>	330	55	250	-	-	635
P Haydn-Slater <sup>(2)</sup>	16,948	-	-	-	-	16,948
<b>TOTAL 2020</b>	<b>682,215</b>	<b>5,583</b>	<b>17,255</b>	<b>204,056</b>	<b>14,688</b>	<b>923,797</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.

<sup>(2)</sup> Edouard Etienvre was appointed 7 January 2020. Robert Brown resigned 7 January 2020, and Philip Haydn-Slater resigned 7 April 2020.

<sup>(3)</sup> Other Options. These represent the amount expended for options granted and vested in the year.

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

2019	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	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>

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.



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

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

<b>Date Issued</b>	<b>Number of Shares</b>	<b>Value based on 90 Day VWAP \$</b>	<b>In lieu of part remuneration for the quarter ended</b>
13/01/2020	1,760,714	17,500	31/12/2019
26/06/2020	786,481	5,505	31/3/2020
5/11/2020	958,332	5,750	30/6/2020
5/11/2020	821,427	5,750	30/9/2020
	4,326,954	34,505	
<b>Issued Subsequent to Year End</b>			
5/02/2021	958,332	5,750	31/12/2020

Summarised as:

<b>Director</b>	<b>2020 Number of Shares</b>	<b>2020 \$</b>
Ian Tchacos	690,475	5,000
Paul Fink	690,475	5,000
Andrew Childs	325,000	3,250
Edouard Etienvre	1,435,290	9,505
Robert Brown	360,714	3,500
Philip Haydn-Slater	825,000	8,250
Issued during the year	<u>4,326,954</u>	<u>34,505</u>

**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.

<b>Date Issued</b>	<b>Number of Options</b>	<b>Value based on 90 Day VWAP \$</b>	<b>In lieu of part remuneration for the quarter ended</b>
13/01/2020	8,793,750	87,938	31/12/2019
26/06/2020	12,578,571	88,050	31/3/2020
5/11/2020	9,451,563	56,709	30/6/2020
5/11/2020	8,470,981	59,297	30/9/2020
	39,294,865	291,994	
<b>Issued Subsequent to Year End</b>			
5/02/2021	9,882,811	59,297	31/12/2020

Summarised as:

<b>Director</b>	<b>2020 Number of Options</b>	<b>2020 \$</b>
Ian Tchacos	21,300,446	155,344
Paul Fink	17,994,419	136,650
	<u>39,294,865</u>	<u>291,994</u>

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

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

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

During the year to 31 December 2020, 32,405,165 compensation options exercised by Directors or other Key Management Personnel (2019: nil). A summary of options exercised by Directors is as follows:

	Number	Exercise Price	Expiry Date
<b>Ian Tchacos</b>			
Unlisted Options	6,616,071	Nil cents	31/7/2023
<b>Paul Fink</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
<b>Total exercised</b>	<b>32,405,165</b>		

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

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

Year ended 31 Dec 2020	Balance at beginning of the year	Options exercised	Granted as remuneration	Conversion of Notes	On-market Trades (purchases)	On-market Trades (sales)	Resignation of Director	Balance at end of the year
I Tchacos	44,646,223	6,616,071	690,475	7,142,856	1,000,000	-	-	60,095,625
P Fink	34,342,470	25,789,094	690,475	7,142,857	2,837,313	-	-	70,802,209
A Childs	25,375,630	-	325,000	-	448,394	(760,500)	-	25,388,524
E Etienvre	-	-	1,435,290	-	-	-	-	1,435,290
R Brown	7,289,551	-	-	-	-	-	(7,289,551)	-
P Haydn-Slater	15,038,930	-	825,000	-	-	-	(15,863,930)	-
	126,692,804	32,405,165	3,966,240	14,285,713	4,285,707	(760,500)	(23,153,481)	<b>157,721,648</b>

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

Year ended 31 Dec 2020	Balance at beginning of the year	Granted as remuneration	Granted upon appointment	Options exercised	Options expired	Balance at end of the year	Not exercisable	Exercisable
I Tchacos	27,789,657	21,300,446	-	(6,616,071)	-	42,474,032	-	42,474,032
P Fink	21,101,594	17,994,419	-	(25,789,094)	-	13,306,919	-	13,306,919
A Childs	-	-	-	-	-	-	-	-
E Etienvre	-	-	5,000,000	-	-	5,000,000	-	5,000,000
R Brown	-	-	-	-	-	-	-	-
P Haydn-Slater	-	-	-	-	-	-	-	-
	48,891,250	39,294,865	5,000,000	(32,405,165)	-	<b>60,780,951</b>	-	60,780,951

**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. 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 98.7% of "yes" votes on its Remuneration Report for the 2019 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**

Concession Agreements

On 11 January 2021, ADX announced that it had executed concession agreements with the Federal Ministry responsible for Mining ("BMLRT") on behalf of the Republic of Austria which ratified the exploration, production and gas storage concession agreements ("AGS") negotiated earlier in the year with the responsible BMLRT for Upper Austria. The total term for the Upper Austria AGS is 16 years without any relinquishment and the first 4 year firm period commencing 1st January 2021. ADX has entered a 2 well drilling commitment, however the minimum financial obligation to keep the licenses in good standing is EUR 2.2 million for the first period.

Hydrogen Storage

On 20 January 2021, ADX announced that it had entered an agreement with Horváth & Partners (Horváth) to undertake a pre-feasibility assessment for hydrogen (H<sub>2</sub>) storage at ADX's Gaiselberg and Zistersdorf fields in the Vienna Basin as well as the creation of a profitable hydrogen business model which will be complimentary and synergistic with ADX's current oil and gas energy business (Hydrogen Study). The Hydrogen Study is expected to be undertaken in two phases. The first is to establish the feasibility of the Fields for hydrogen storage and or green gas production, establish a joint venture partnership with renewable energy producers proximal to the fields and determine the availability of feasibility project funding. The second phase will be to establish a detailed business and finance plan for a future project.

Share Purchase Plan Closed Over Subscribed

On 3 February 2021, ADX announced its Share Purchase Plan (SPP), which closed on Friday, 29 January 2021, was significantly oversubscribed, with the Company receiving applications totalling approximately A\$3.6 million, well in excess of the targeted amount of A\$1 million. The Company scaled-back applications to a total of \$3 million. Under the SPP, each Eligible Shareholder was entitled to subscribe for up to A\$30,000 of new fully paid ordinary shares in the Company at the issue price of A\$0.006 per share, subject to scale back. The SPP formed part of the capital raising as announced on 15 December 2020, which also comprised a Placement to institutional and sophisticated investors raising A\$1.3 million at A\$0.006 per share.

In addition, one (1) free attaching unlisted option was issued for every two (2) shares issued under the SPP ("SPP Options"). The exercise price of the SPP Options is A\$0.008 with an expiry date of 15 June 2021.

Loan Note Options

On 19 February 2021, 135,000,005 unlisted options with an exercise price of \$0.018, expiring 26/11/2021 were cancelled. The Company was granted a waiver of ASX Listing Rule 6.23.3 to permit the Company to cancel the existing 135,000,005 options issued to Loan Note Holders (as approved by Shareholders on 6 December 2019) and issue 135,000,040 new, replacement options (as approved by Shareholders on 19 February 2021).

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

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Exercise of Unlisted Options

The following unlisted options have been exercised at \$0.008/share since year end:

- On 25 February 2021, 21,653,334 unlisted options (raising \$173,227); and
- On 22 March 2021, 7,210,470 unlisted options (raising \$57,684).

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.

There are no other matters or circumstances that have arisen since 31 December 2020 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>

**AUDIT INDEPENDENCE AND NON-AUDIT SERVICES**

**Auditor's independence - section 307C**

The Auditor's Independence Declaration is included on page 36 of this report.

**Non-Audit Services**

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 31<sup>st</sup> day of March 2021



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P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

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

As lead auditor of the review of ADX Energy Ltd for the year ended 31 December 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 audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

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

**Rothsay Auditing**

A handwritten signature in black ink that reads 'Dalla'.

**Daniel Dalla  
Director  
31 March 2021**

**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 2020 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 2020.

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



Ian Tchacos  
Executive Chairman

Dated this 31<sup>st</sup> day of March 2021

**ADX ENERGY LTD**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

		<b>Consolidated</b>	
		<b>Year ended 31 Dec 2020</b>	<b>Year ended 31 Dec 2019</b>
		<b>\$</b>	<b>\$</b>
	<b>Note</b>		
Operating revenue	2	6,833,016	1,114,613
Cost of sales	2	(8,039,460)	(879,054)
<b>Gross profit</b>		<b>(1,206,444)</b>	<b>235,559</b>
Other income		454	17,209
<b>Other Expenses:</b>			
Administration, staff and corporate expenses, net of recoveries from exploration projects	2	(2,902,152)	(796,005)
Exploration expensed		(1,231,427)	(328,630)
Finance costs	2	(286,051)	(167,089)
Loss on windup of subsidiary		(51,885)	-
Reversal of provision for abandonment	13	258,184	-
Loss on disposal of plant and equipment		(26,602)	-
<b>Profit/(loss) before income tax</b>		<b>(5,445,923)</b>	<b>(1,038,956)</b>
Income tax benefit/(expense)	4	959,247	(47,952)
<b>Profit/(loss) after income tax</b>		<b>(4,486,676)</b>	<b>(1,086,908)</b>
Profit/(loss) is attributable to:			
Owners of ADX Energy Ltd		(4,280,065)	(979,700)
Non-Controlling Interest	16	(206,611)	(107,208)
		<b>(4,486,676)</b>	<b>(1,086,908)</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		139,113	(701,030)
Hedge accounting		(250,470)	-
Income tax relating to items of other comprehensive income/(loss)		-	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>(111,357)</b>	<b>(701,030)</b>
<b>Total comprehensive profit/(loss) for the year</b>		<b>(4,598,033)</b>	<b>(1,787,938)</b>
Total comprehensive loss is attributable to:			
Owners of ADX Energy Ltd		(4,375,599)	(1,540,778)
Non-Controlling Interest		(222,434)	(247,160)
		<b>(4,598,033)</b>	<b>(1,787,938)</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	(0.25)	(0.077)

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 31 DECEMBER 2020

		<b>Consolidated</b>	
		<b>31 December</b>	<b>31 December</b>
		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	2,144,469	4,953,759
Other receivables	7	1,619,229	3,452,921
Inventories	8	999,446	315,164
<b>Total Current Assets</b>		<b>4,763,144</b>	<b>8,721,844</b>
<b>Non-Current Assets</b>			
Other receivables	7	190,914	37,516
Oil and gas properties	9	23,952,807	23,006,244
Right of Use Assets	10	484,880	-
Deferred tax assets	4	1,404,728	337,074
<b>Total Non-Current Assets</b>		<b>26,033,329</b>	<b>23,380,834</b>
<b>Total Assets</b>		<b>30,796,473</b>	<b>32,102,678</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	1,948,686	2,182,032
Current tax liabilities		-	64,339
Borrowings	12	902,654	2,850,000
Lease liabilities – right of use assets	10	121,870	-
Provisions	13	294,585	457,728
<b>Total Current Liabilities</b>		<b>3,267,795</b>	<b>5,554,099</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	4	556,141	468,449
Borrowings	12	3,945,489	1,750,000
Lease liabilities – right of use assets	10	364,524	-
Provisions	13	13,969,628	13,810,164
<b>Total Non-Current Liabilities</b>		<b>18,835,782</b>	<b>16,028,613</b>
<b>Total Liabilities</b>		<b>22,103,577</b>	<b>21,582,712</b>
<b>Net Assets</b>		<b>8,692,896</b>	<b>10,519,966</b>
<b>Equity</b>			
Issued capital	14	74,334,593	71,889,435
Reserves	15	6,419,852	6,189,581
Accumulated losses		(80,898,819)	(76,618,754)
Capital and reserves attributable to owners of ADX Energy Ltd		(144,374)	1,460,262
Non-controlling interests	16	8,837,270	9,059,704
<b>Total Equity</b>		<b>8,692,896</b>	<b>10,519,966</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 2020

	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 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 year	-	-	(4,280,065)	(206,611)	(4,486,676)
Other comprehensive income/(loss)	-	(95,534)	-	(15,823)	(111,357)
<b>Total comprehensive loss for the year, net of tax</b>	<b>-</b>	<b>(95,534)</b>	<b>(4,280,065)</b>	<b>(222,434)</b>	<b>(4,598,033)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	2,570,927	-	-	-	2,570,927
Cost of issue of share capital	(125,769)	-	-	-	(125,769)
Share based payments	-	325,805	-	-	325,805
	2,445,158	325,805	-	-	2,770,963
<b>As at 31 December 2020</b>	<b>74,334,593</b>	<b>6,419,852</b>	<b>(80,898,819)</b>	<b>8,837,270</b>	<b>8,692,896</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 2020

		<b>Consolidated</b>	
		<b>Year ended</b>	<b>Year ended</b>
		<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
<b>Note</b>		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
	Receipts in the ordinary course of activities	7,657,058	79,031
	Payments to suppliers and employees, including for exploration expensed	(9,035,377)	(3,406,490)
	Government subsidies	195,050	-
	Interest received	454	1,309
	Interest paid	(268,339)	-
	Income tax paid	-	(202)
	<b>Net cash flows used in operating activities</b>	<b>(1,451,154)</b>	<b>(3,326,352)</b>
<b>Cash flows from investing activities</b>			
	Payments for production permit acquired	-	(48,762)
	Payments for oil and gas properties	(1,531,228)	(3,692,702)
	Payments for exploration appraisal/development	(2,447,818)	(4,803,227)
	Payments made on behalf of joint operation partners and operations	-	(583,132)
	Receipts from exploration partners and operations	-	591,229
	Receipts – farmout	-	296,117
	Refund – Austrian final acquisition price	201,997	-
	<b>Net cash flows used in investing activities</b>	<b>(3,777,049)</b>	<b>(8,240,477)</b>
<b>Cash flows from financing activities</b>			
	Proceeds from issue of shares and options	1,330,000	2,797,019
	Payment of share issue costs	(107,361)	(297,346)
	Proceeds from issue of shares in subsidiary	-	5,887,548
	Convertible loan note facilities	-	1,205,000
	Convertible loan note repayments	(50,000)	-
	Loan note facilities	-	3,500,000
	Bank loans	1,320,489	-
	Secured for bank loans	(190,914)	-
	<b>Net cash flows from financing activities</b>	<b>2,302,214</b>	<b>13,092,221</b>
	<b>Net increase in cash and cash equivalents held</b>	<b>(2,925,989)</b>	<b>1,525,392</b>
	Net foreign exchange differences	116,699	129,138
	Add opening cash and cash equivalents brought forward	4,953,759	3,299,229
	<b>Closing cash and cash equivalents at the end of the year</b>	<b>2,144,469</b>	<b>4,953,759</b>

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

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

##### (i) 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

The functional currency of the parent entity is 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:

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, however 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.

##### (ii) 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 2020

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

**(iii) 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 2020.

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

There were no material new or amended standards implemented that had a material impact on the financial statements during the year.

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. The application of the Conceptual Framework did not have a material impact on the Group's financial statements.

**(iv) Significant Accounting Estimates and Judgements**

***Significant accounting judgements***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

***Significant accounting estimates and assumptions***

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the value of the services, or a Black-Scholes model.

*Coronavirus (COVID-19) Pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. Currently there is no significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*Commitments - Exploration*

The Group has certain minimum exploration commitments to maintain its right of tenure of its permits. These commitments require estimates of the cost to perform exploration work required under these permits.

*Deferred Appraisal Costs*

The Group capitalises acquisition expenditure and appraisal costs relating to its permits where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since exploration activities in such areas have not yet concluded.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

##### (v) 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.

##### (vi) 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.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

##### (vii) Foreign currency translation

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

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

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.

##### (viii) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods & Services Tax (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 2020

**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 and 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 and 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 2020</b>	<b>Year Ended 31 Dec 2019</b>
	\$	\$
<b>OPERATING REVENUE</b>		
Oil sales	5,076,159	756,477
Gas sales	308,124	39,239
Hedging gains, net	567,317	-
Government subsidies	195,050	-
Other operating revenue (including reimbursements)	686,366	318,897
	6,833,016	1,114,613
<b>COST OF GOODS SOLD</b>		
Operating costs	5,035,455	649,340
Depreciation	2,786,536	212,374
Amortisation of asset retirement obligation assets	217,469	17,340
	8,039,460	879,054

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
		<b>\$</b>	<b>\$</b>
<b>NOTE 2 – INCOME AND EXPENSES - continued</b>			
<b>OTHER EXPENSES – Administration and corporate expenses:</b>			
Share based payments – in lieu of cash remuneration		412,922	502,470
Share based payments – in lieu of other services		70,000	58,000
Share based payments – other		14,688	-
	3(a)	497,610	560,470
Less: prior period accrued share based payments		(115,994)	(155,651)
Add: accrued share based payments issued/to be issued after period end		111,681	115,994
Net foreign exchange losses/(gains)		16,680	(508,351)
Operating lease rental expense		69,743	64,306
Depreciation – right of use assets		121,220	-
Other administration, personnel and corporate expenses		3,621,197	2,133,944
		4,322,137	2,210,712
Less: project cost recoveries		(1,419,985)	(1,414,707)
		2,902,152	796,005
<b>OTHER EXPENSES – Finance costs:</b>			
Interest expense		213,278	74,073
Accretion		70,207	5,516
Right of use assets – interest		2,566	-
Borrowing costs		-	87,500
		286,051	167,089

**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 2020

**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**

		<b>Consolidated</b>	
	<b>Note</b>	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
		\$	\$
Expensed against issued capital:			
Share-based payments – Options in lieu of capital raising costs		18,409	-
Expensed in the profit and loss:			
Share-based payments – Options to Directors on appointment		14,688	-
Shares and Options issued in lieu of fees:			
Share-based payments – Shares Issued to Directors	3(b)(i)	34,505	86,250
Share-based payments – Options Issued to Directors	3(b)(ii)	291,994	346,294
Share-based payments – Shares Issued to Co Secs and consultants	3(b)(iii)	86,422	69,926
Share-based payments – Shares Issued for other services	3(b)(iv)	70,000	58,000
		497,609	560,470

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

- (i) Shares pursuant to ADXs’ Directors’ Share Plan, approved by Shareholders on 26 June 2020 as follows:

Date Issued	Number of Shares	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
13/01/2020	1,760,714	17,500	31/12/2019
26/06/2020	786,481	5,505	31/03/2020
5/11/2020	958,332	5,750	30/06/2020
5/11/2020	821,427	5,750	30/09/2020
	4,326,954	34,505	
<b>Issued Subsequent to Year End</b>			
5/02/2021	958,332	5,750	31/12/2020

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTE 3 – EQUITY-BASED PAYMENTS – continued**

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

Summarised as:

Director	2020	2020	2019	2019
	Number of Shares	Remuneration waived \$	Number of Shares	Remuneration waived \$
Ian Tchacos	690,475	5,000	679,110	6,250
Paul Fink	690,475	5,000	679,110	6,250
Andrew Childs	325,000	3,250	1,765,690	16,250
Edouard Etienvre	1,435,290	9,505	-	-
Rob Brown*	360,714	3,500	1,765,690	16,250
Philip Haydn-Slater	825,000	8,250	4,482,142	41,250
Issued during the year	4,326,954	34,505	9,371,742	86,250

\* Shares were issued in lieu of remuneration after Rob Brown had resigned as a Director of ADX.

- (ii) Options pursuant to ADXs' Performance Rights and Option Plan, approved by Shareholders on 26 June 2020 as follows:

Date Issued	Number of Options	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
13/01/2020	8,793,750	87,938	31/12/2019
26/06/2020	12,578,571	88,050	31/03/2020
5/11/2020	9,451,563	56,709	30/06/2020
5/11/2020	8,470,981	59,297	30/09/2020
	39,294,865	291,994	
<b>Issued Subsequent to Year End</b>			
5/02/2021	9,882,811	59,297	31/12/2020

Summarised as:

Director	2020	2020	2019	2019
	Number of Options	Remuneration waived \$	Number of Options	Remuneration waived \$
Ian Tchacos	21,300,446	155,344	21,435,571	194,344
Paul Fink	17,994,419	136,650	17,685,633	151,950
	39,294,865	291,994	39,121,204	346,294

- (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
13/01/2020	1,116,736	10,806	31/12/2019
26/06/2020	3,340,214	23,243	31/03/2020
5/11/2020	3,934,150	22,661	30/06/2020
5/11/2020	4,781,018	29,712	30/09/2020
	13,172,118	86,422	
<b>Issued Subsequent to Year End</b>			
5/02/2021	4,388,536	24,368	31/12/2020

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTE 3 – EQUITY-BASED PAYMENTS – continued**

**(b) Summary of equity-based payments granted during the 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	26/06/2020	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 (\$)	0.0029375

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.

- (v) On 18 December 2020, ADX granted 7,900,000 options to the lead manager of ADX's Placement in accordance with the Lead Managers Mandate. Value \$18,409. These options have an exercise price of 0.8 cents and expire 15 June 2021.
- (vi) On 18 December, ADX issued 11,666,666 shares (\$70,000) in consideration for investor relation services.

**(c) Weighted average exercise price**

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

	<b>12 Months to 31 December 2020 Number</b>	<b>12 Months to 31 December 2020 WAEP \$</b>	<b>12 Months to 31 December 2019 Number</b>	<b>12 Months to 31 December 2019 WAEP \$</b>
Outstanding at the beginning of year	48,891,251	Nil	18,770,047	0.012
Granted during the year	8,793,750	Nil	18,072,991	Nil
Granted during the year	12,578,571	Nil	12,798,214	Nil
Granted during the year	9,451,563	Nil	8,249,999	Nil
Granted during the year	8,470,981	Nil	-	-
Granted during the year	5,000,000	0.013	-	-
Granted during the year	7,900,000	0.008	-	-
Lapsed during the year	-	-	(9,000,000)	0.025
Exercised during the year	(32,405,165)	Nil	-	-
Outstanding at the end of the year	<u>68,680,951</u>	<u>0.0019</u>	<u>48,891,251</u>	<u>Nil</u>
Exercisable at year end	68,680,951	0.0019	48,891,251	Nil

The weighted average share price for options exercised during the year was nil (2019: nil).

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### NOTE 3 – EQUITY-BASED PAYMENTS – continued

##### (d) Weighted average fair value

The weighted average fair value of equity-based payment options granted during the year was \$0.0062 (2019: \$0.0089).

##### (e) 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 to \$0.008 (2019: \$nil).

##### (f) 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 2.83 years (2019: 3.33 years).

#### 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.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 4 - INCOME TAX EXPENSE - continued**

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.

	<b>Consolidated</b>	
	<b>Year Ended</b>	<b>Year Ended</b>
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>

**(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 year before tax	(5,445,923)	(1,038,956)
Prima facie income tax (benefit) @ 30%	(1,633,777)	(311,687)
Tax effect of non-deductible items	206,112	171,604
Tax rate differential	196,481	-
Translation differences	21,865	-
Deferred tax assets not brought to account	250,072	188,035
Income tax expense/(benefit) attributable to operating result	(959,247)	47,952

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

Tax losses	13,992,715	14,479,373
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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.

**(c) Deferred tax assets and liabilities:**

Deferred tax assets:

Temporary differences - Asset retirement obligations	313,859	337,074
Temporary differences - Tax losses	861,489	-
Temporary differences - Other	229,380	-
	1,404,728	337,074

Deferred tax liabilities:

Temporary differences - Oil and gas properties	434,890	468,449
Temporary differences - Other	121,251	-
	556,141	468,449

**(d) Franking Credits**

The franking account balance at year end was \$nil (2019: \$nil).

**(e) Tax Consolidation Legislation**

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

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**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 2020</b>	<b>Year Ended 31 Dec 2019</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share attributable to members of ADX Energy Ltd	(0.25)	(0.077)
	<b>\$</b>	<b>\$</b>
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
- basic earnings per share	(4,280,065)	(979,700)
	<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	1,710,039,752	1,269,022,906

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.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**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.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	2,144,469	4,953,759

Cash includes \$0.43 million held by 49.18% owned subsidiary Danube Petroleum Limited.

**(i) Reconciliation of loss for the period to net cash flows used in operating activities**

Loss after income tax	(4,486,676)	(1,086,908)
Non-Cash Items:		
Depreciation and amortisation	3,125,225	229,714
Loss on sale of plant and equipment	26,602	-
Foreign exchange losses/(gains)	16,680	(508,351)
Share-based payments expensed	497,610	560,469
Accretion	70,207	5,516
Change in assets and liabilities:		
(Increase)/decrease in receivables	1,048,557	(2,731,435)
(Increase)/decrease in inventories	(205,226)	(315,164)
(Increase)/decrease in deferred tax assets	(1,067,654)	(337,074)
Increase/(decrease) in payables	(327,885)	272,513
Increase/(decrease) in income tax payable	(64,339)	64,339
Increase/(decrease) in lease liabilities	(119,706)	-
Increase/(decrease) borrowings	27,655	-
Increase/(decrease) in deferred tax liabilities	170,939	320,485
Increase/(decrease) in provisions	(163,143)	199,544
Net cash flows used in operating activities	(1,451,154)	(3,326,352)

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

- As a result of adopting AASB 16, right of use lease asset additions for the year amounted to \$606,100 (refer note 10).
- Fees paid to the lead manager of the placement included share options valued at \$18,409 (refer note 14).
- In January 2020, \$1,050,000 of convertible notes were converted to 149,999,995 shares (\$0.007/share). Refer to note 14.

There were no other non-cash financing or investing activities during the year (2019: none). Non-cash operating activities, consisting of shares and options granted in lieu of remuneration are disclosed in note 3.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**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.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
	\$	\$
<b>Current</b>		
Trade and other debtors	560,518	1,249,621
GST/VAT refundable	789,214	1,555,530
Prepayments	65,898	588,548
Other	203,599	59,222
	1,619,229	3,452,921
Total current receivables	1,619,229	3,452,921

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 23. Receivables do not contain past due or impaired assets as at 31 December 2020 (2019: none).

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
	\$	\$
<b>Non-Current</b>		
Cash secured for bank loans	190,914	-
Other	-	37,516
	190,914	37,516
	190,914	37,516

EUR 120,000 is held as security for bank loans – refer note 12.

**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.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
	\$	\$
Drilling inventories	772,163	293,107
Oil and gas inventories	20,964	22,057
Materials and consumables	206,319	-
Total current inventories	999,446	315,164
	999,446	315,164



**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**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.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Austria</b>		
Buildings	381,308	312,912
Undeveloped land	190,835	-
Field office fixtures and equipment	391,087	283,372
Plant and machinery	5,392,632	5,229,189
Wells	8,078,874	9,490,449
Retirement obligation assets	1,685,278	1,873,795
Construction in progress	69,647	444,092
Rights and other intangible assets	15,631	-
<b>Romania</b>		
Appraisal costs	7,747,515	5,372,435
	<b>23,952,807</b>	<b>23,006,244</b>
<i>Reconciliation of the carrying amount of oil and gas assets:</i>		
Buildings – opening balance	312,912	-
Additions	102,282	316,078
Depreciation	(39,252)	(3,166)
Translation differences	5,366	-
	<b>381,308</b>	<b>312,912</b>
Undeveloped Land – opening balance	-	-
Additions	180,317	-
Translation differences	10,518	-
	<b>190,835</b>	<b>-</b>

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 9 – OIL AND GAS PROPERTIES - continued</b>		
Field office fixtures and equipment – opening balance	283,372	-
Additions	153,249	286,339
Depreciation	(55,329)	(2,967)
Translation differences	9,795	-
	391,087	283,372
Plant and machinery – opening balance	5,229,189	-
Additions	789,490	5,293,876
Transferred from Construction in Progress	291,754	
Transferred from Wells	1,785	-
Depreciation	(944,156)	(64,687)
Translation differences	24,570	-
	5,392,632	5,229,189
Wells – opening balance	9,490,449	-
Additions	189,120	9,632,004
Transferred from Construction in Progress	142,815	
Transferred to Plant and Machinery	(1,785)	
Depreciation	(1,747,108)	(141,555)
Translation differences	5,383	-
	8,078,874	9,490,449
Retirement obligation assets – opening balance	1,873,795	-
Additions	56,313	1,891,135
Disposals	(28,239)	-
Amortisation	(217,455)	(17,340)
Translation differences	864	-
	1,685,278	1,873,795
Construction in progress – opening balance	444,092	-
Additions	56,053	444,092
Transferred to Plant and machinery	(291,754)	
Transferred to Wells	(142,815)	-
Translation differences	4,071	-
	69,647	444,092

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated	
	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
	\$	\$
<b>NOTE 9 – OIL AND GAS PROPERTIES - continued</b>		
Rights and other intangible assets – opening balance	-	-
Additions	16,351	-
Depreciation	(679)	-
Translation differences	(41)	-
	15,631	-
	15,631	-
Appraisal costs – Romania – opening balance	5,372,435	-
Additions	2,269,396	5,372,435
Translation differences	105,684	-
	7,747,515	5,372,435
	7,747,515	5,372,435

*(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).

Final purchase price	-	3,362,291
Additional costs of the acquisition	-	364,620
	-	3,726,911
	-	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
	-	3,726,911

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 10 – RIGHT OF USE ASSETS**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-to-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (ie: those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

	<b>Consolidated</b>	
	<b>Year Ended</b>	<b>Year Ended</b>
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	\$	\$
<b>Non-Current Assets</b>		
Right of use assets - properties	484,880	-
	484,880	-
<b>Lease Liabilities</b>		
Current	121,870	-
Non-Current	364,524	-
	486,394	-

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### NOTE 11 – 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 2020	Year Ended 31 Dec 2019
	\$	\$
<b>Current</b>		
Trade creditors and accruals	1,595,757	2,109,711
Accrued interest payable	17,260	72,321
Hedging liabilities	335,669	-
	<u>1,948,686</u>	<u>2,182,032</u>

The Group's exposure to interest rate risk is discussed in Note 23.

#### NOTE 12 – BORROWINGS

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 borrowings approximates their fair value.

##### Convertible Note Facilities

In the prior year, 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 was 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 2019 year, \$105,000 of these convertible loan facilities were converted at \$0.007 to 14,999,996 shares.

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 shares.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### NOTE 12 – BORROWINGS - continued

##### Loan Notes

In the prior year, 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.

On 23 November 2020, the Loan Note holders and ADX entered into a deed of variation (Deed of Variation). The variation to the Loan Note terms was necessary as a result of the COVID-19 pandemic which caused a significant deterioration in oil prices.

Under the original terms of the Loan Notes, 50% of the principal was to be repaid after 12 months, and the remainder after 24 months. Under the Deed of Variation, the repayment period was extended and the principal amount of A\$3.5 million has been split into 2 tranches where;

- the first tranche of 50% of the principal amount will be repaid semi annually with 4 equal payments over 2 years commencing from 26 May 2021 and ending on 26 November 2022; and
- the second tranche of 50% of the principal amount will be repayable as a bullet payment on 26 November 2022.

Interest will continue to accrue on the principal amount at a rate of six per cent (6%) per annum in accordance with the original Loan Note terms.

The Company was granted a waiver of ASX Listing Rule 6.23.3 to permit the Company to cancel the existing 135,000,005 options issued to the Loan Note Holders (as approved by Shareholders on 6 December 2019) and issue 135,000,040 new, replacement options (Loan Note Options as approved by Shareholders on 19 February 2021) as follows:

- tranche 1: 67,500,020 unlisted options with an exercise price of A\$0.01 per option, expiring on 26 May 2022; and
- tranche 2: 67,500,020 unlisted options with an exercise price of A\$0.015 per option, expiring on 26 November 2023.

##### Bank Loans

As announced on 5 August 2020, ADX's Austrian subsidiary, ADX VIE GmbH, secured banking facilities totalling EUR 1,130,000 from Volksbank and guaranteed by the Austria Wirtschaft's ("Economy") Service (the Innovation and Start Up Financing bank of the Austrian state) (AWS), split between two loan facilities:

- EUR 500,000: interest-free until 31 July 2022, at which point interest will be charged at Euribor plus 0.75%, with the rate to be at least 0%; and
  - EUR 630,000: incurring interest at 1% per annum on the drawn down value.
- The Collateral for the loan facilities is EUR 120,000 (held in an ADX VIE bank account with Volksbank).
  - The loan is repayable between 30 June 2022 and 31 December 2024.
  - 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.

As at the date of this report, EUR 830,000 (A\$1,320,489) of loans have been drawn down.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 12 – BORROWINGS - continued**

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2020</b>	<b>Year Ended 31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Convertible notes	-	1,100,000
Loan notes – interest bearing	875,000	1,750,000
Insurance funding – interest bearing	27,654	-
	902,654	2,850,000
<b>Non-Current</b>		
Loan notes – interest bearing	2,625,000	1,750,000
Bank loans – interest bearing	525,014	-
Bank loans – non-interest bearing	795,475	-
	3,945,489	1,750,000

The Group's exposure to liquidity and interest rate risk is discussed in Note 23.

**NOTE 13 – 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.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 13 – PROVISIONS - continued**

	Consolidated	
	31 December 2020 \$	31 December 2019 \$
<b>Current</b>		
Provision for employee entitlements	294,585	199,544
Provision for restoration – exploration assets	-	258,184
	294,585	457,728
<b>Non-Current</b>		
Provision for asset retirement obligations (ARO) – production assets	13,969,628	13,810,164
<i>Reconciliation of the movement in restoration/ARO provisions:</i>		
Provision for restoration (current) – opening balance	258,184	283,844
Reversal of provision upon windup of subsidiary	(258,184)	-
Translation differences	-	(25,660)
	-	258,184
Provision for asset retirement obligations (non-current) – opening balance	13,810,164	-
Additions – acquisition of Austrian fields (note 9(i))	-	13,804,648
Additions	81,451	-
Accretion	70,207	5,516
Translation differences	7,806	-
	13,969,628	13,810,164

**NOTE 14 – 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	74,334,593	71,889,435
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**(b) Movements in Ordinary Share Capital**

Number of Shares	Summary of Movements	Note	2020 \$
1,525,312,281	Opening balance 1 January 2020		71,889,435
4,326,954	Issue of shares to Directors	3(b)(i)	34,505
13,172,118	Issue of shares to consultants and co secretaries	3(b)(ii)	86,422
221,250,004	Placement at \$0.006	14(b)(i)	1,327,500
11,666,666	Issue of shares in lieu of services	14(b)(ii)	70,000
32,405,165	Exercise of Unlisted Options	14(c)	-
166,666	Exercise of Listed Options	14(c)	2,500
149,999,995	Conversion of convertible notes	12	1,050,000
	Costs of share issues – cash		(125,769)
1,958,299,849	Closing Balance at 31 December 2020		74,334,593



**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 14 – ISSUED CAPITAL - continued**

Number of Shares	Summary of Movements	2019 \$
1,207,970,915	Opening balance 1 January 2019	69,070,587
9,371,742	Issue of shares to Directors	86,250
7,467,828	Issue of shares to consultants and co secretaries	69,926
200,000,000	Placement at \$0.01	2,000,000
79,701,800	Share Placement Plan at \$0.01	797,018
5,800,000	Issue of shares in lieu of services	58,000
14,999,996	Conversion of convertible notes	105,000
	Costs of share issues – cash	(297,346)
1,525,312,281	Closing Balance at 31 December 2019	71,889,435

- (i) On 18 December 2020, ADX issued 221,250,004 shares under a placement raising a total \$1,327,500 before costs. For every two shares subscribed for under the placement, ADX granted one free attaching unlisted Option (exercisable at \$0.008 each on or before 15 June 2021).
- (ii) On 18 December 2020, ADX issued 11,666,666 shares (\$70,000) in lieu of services for investor relations. For every two shares, ADX granted one free attaching unlisted Option (exercisable at \$0.008 each on or before 15 June 2021).

**(c) Options on issue at year end**

	Number	Exercise Price	Expiry Date
Unlisted Options	135,000,005	\$ 0.018	26/11/2021
Unlisted Options	124,358,338	\$ 0.008	15/6/2021
Unlisted Options	5,000,000	\$ 0.013	26/6/2021
Unlisted Options	6,354,086	\$ nil	31/5/2022
Unlisted Options	10,864,955	\$ nil	31/5/2023
Unlisted Options	3,954,545	\$ nil	31/10/2023
Unlisted Options	4,106,250	\$ nil	31/1/2024
Unlisted Options	12,578,571	\$ nil	26/6/2024
Unlisted Options	9,451,563	\$ nil	31/7/2024
Unlisted Options	8,470,981	\$ nil	31/10/2024
Total Options	320,139,294		

During the year:

- (i) 39,294,865 unlisted options were granted as in lieu of remuneration to Directors Ian Tchacos and Paul Fink. Refer note 3(b)(ii).
- (ii) 116,458,338 unlisted options were issued for every two shares subscribed for in the December 2020 placement and with the December 2020 shares in lieu of services. Refer note 14(b).
- (iii) 7,900,000 unlisted options were issued to the lead broker in the December 2020 placement.
- (iv) 5,000,000 unlisted options were granted to Director Edouard Etienvre as a sign-on bonus. Refer note 3(b)(iv).
- (v) No unlisted options were cancelled (2019: nil).
- (vi) 95,000,621 Listed options lapsed.
- (vii) 166,666 Listed options were exercised (2019: nil).
- (viii) 32,405,165 unlisted options were exercised by Directors (exercise price was nil).

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 14 – ISSUED CAPITAL - continued**

**(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.

<b>Consolidated</b>	
<b>31 December</b>	<b>31 December</b>
<b>2020</b>	<b>2019</b>
<b>\$</b>	<b>\$</b>

**NOTE 15 - RESERVES**

Share-based payments reserve	4,961,047	4,635,242
Foreign currency translation reserve	(1,456,267)	(1,611,204)
Hedging reserve – refer note 17	(250,470)	-
Option premium reserve	2,915,542	2,915,542
Asset revaluation reserve	250,000	250,000
	6,419,852	6,189,581

**Share-based payments reserve**

Balance at the beginning of the year	4,635,242	4,289,948
Share-based payments (options granted)	325,805	346,294
Balance at the end of the year	4,961,047	4,635,242

*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	(1,611,204)	(1,050,126)
Currency translation differences	154,937	(561,078)
Balance at the end of the year	(1,456,267)	(1,611,204)

*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.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 15 – RESERVES - continued**

(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.

**NOTE 16 – NON-CONTROLLING INTERESTS**

	Consolidated	
	31 December 2020 \$	31 December 2019 \$
Non-Controlling Interests	8,837,270	9,059,704
<i>Movement during the year:</i>		
Balance at the beginning of the year	9,059,704	3,419,316
Capital invested by non-controlling interests in subsidiary	-	5,887,548
Share of loss for the period	(206,611)	(107,208)
Share of other comprehensive loss	(15,823)	(139,952)
Balance at the end of the year	8,837,270	9,059,704

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 (registered in England and Wales) and its wholly owned Romanian subsidiary, ADX Energy Panonia Srl.

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

<b>2020</b>				
Date	Subscriber	# Danube Shares	GBP	AUD Equivalent
Total for 2020				
		-	-	-
<b>2019</b>				
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
		2,814,355	3,139,875	5,887,548
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
		782,469	830,855	1,568,219
Total for 2019		3,596,824	3,970,730	7,455,767

As at 31 December 2020, Reabold holds a 50.82% interest in Danube (2019: 50.82%). 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 Petroleum Limited are directors of ADX Energy Ltd.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 16 – NON-CONTROLLING INTERESTS - continued**

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:

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Summarised Statement of Financial Position</b>		
Current assets	1,885,168	4,360,724
Current liabilities	(322,253)	(173,923)
Current net assets	1,562,915	4,186,801
Non-current assets	14,701,065	12,514,869
Non-current liabilities	-	-
Non-current net assets	14,701,065	12,514,869
Net Assets	16,263,980	16,701,670
<b>Summarised Statement of Comprehensive Income</b>		
Revenue	-	-
Loss for the period	(406,557)	(286,257)
Other comprehensive income/(loss)	(31,134)	(373,687)
Total comprehensive loss	(437,691)	(659,944)
Loss allocated to Non-Controlling Interests	(206,611)	(107,208)
Other comprehensive loss allocated to Non-Controlling Interests	(15,823)	(139,952)
<b>Summarised Statement of Cash Flows</b>		
Cashflows from/(used in) operating activities (including VAT paid)	(290,568)	(1,515,215)
Cashflows from/(used in) investing activities	(2,442,252)	(4,836,677)
Cashflows from financing activities	94,587	7,455,767
Net foreign exchange differences	(181,974)	(185,110)
Net increase/(decrease) in cash and cash equivalents	(2,820,207)	918,765

**NOTE 17 – 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.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### NOTE 17 – DERIVATIVE FINANCIAL INSTRUMENTS

- 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.

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
<b>Hedging Reserve (included in Reserves - note 14)</b>		
Balance brought forward	-	-
Change in value of hedging instruments recognised in Other Comprehensive Income for the period	333,716	-
Less: Deferred tax	(83,246)	-
Balance at the end of the period	250,470	-

As at 31 December 2020, the following derivative financial instruments are in place:

- Fixed price swaps for a fixed Brent crude oil price from January 2021 to April 2021 at USD 41.77 per barrel; and
- Fixed price swaps for a fixed Brent crude oil price from January 2021 to June 2021 at USD 44.34 per barrel.

In total, ADX's subsidiary, ADX VIE GmbH, has fixed price swaps in place for the period between 1 January 2021 and 30 April 2021 representing approximately 80% of its forecast proven (1P) production and fixed price swaps in place for the period between 1 May 2021 and 30 June 2021 representing circa 40% of its forecast proven (1P) production.

#### Fixed Price Swaps

	Barrels of Oil (BBL)	Fixed Price USD per BBL
January 2021 to April 2021	12,216	USD 41.77
January 2021 to June 2021	17,925	USD 44.34

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

<b>NOTE 18 – PARENT ENTITY INFORMATION</b>	<b>Company</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Statement of Financial Position information</b>		
Current assets	1,614,042	1,680,370
Non-current assets	1,605,631	4,121,993
Current liabilities	(1,251,366)	(3,131,300)
Non-current liabilities	(2,625,000)	(1,750,000)
Net Assets	(656,693)	921,063
Issued capital	74,334,593	71,889,435
Reserves	8,126,590	7,800,785
Accumulated losses	(83,117,876)	(78,769,157)
	(656,693)	921,063
<b>Profit and loss information</b>		
Profit/(loss) for the year	(4,348,719)	(2,612,552)
Comprehensive profit/(loss) for the year	(4,348,719)	(2,612,552)

**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**

<b>Name of Controlled Entity</b>	<b>Class of Share</b>	<b>Place of Incorporation</b>	<b>% Held by Parent Entity</b>	
			<b>31 December 2020</b>	<b>31 December 2019</b>
AuDAX Energy Srl	Ordinary	Italy	100%	100%
Bull Petroleum Pty Ltd	Ordinary	Australia	100%	100%
Terra Energy Limited	Ordinary	UK	100%	100%
ADX VIE GmbH	Ordinary	Austria	Held 100% by Terra Energy Limited	Held 100% by Terra Energy Limited
Danube Petroleum Limited	Ordinary	UK	49.18%	49.18%
ADX Energy Panonia Srl	Ordinary	Romania	Held 100% by Danube Petroleum Limited	Held 100% by Danube Petroleum Limited
Alpine Oil & Gas Pty Ltd	Ordinary	Australia	-	100%

Alpine Oil & Gas Pty Ltd was wound up in December 2020.

None of the above subsidiaries are audited by Rothsay Auditing.

Refer to note 16, non-controlling interests, for details on Danube Petroleum Limited Group.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>Consolidated</b>	
<b>31 December</b>	<b>31 December</b>
<b>2020</b>	<b>2019</b>
<b>\$</b>	<b>\$</b>

**NOTE 19 – COMMITMENTS AND CONTINGENCIES**

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

Within one year	16,952	17,628
Later than one year, not later than five years	-	1,352
Balance at the end of the year	16,952	18,980

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.

**Parta Exploration License and Iecea Mare Production License - Romania**

*Ownership of Parta Exploration License and Iecea Mare Production License.*

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 Iecea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube.

**Parta Exploration License**

In December 2012, the Romanian Government ratified the concession agreement for ADX's EX 10 Parta license ("Parta Permit"). The committed work program agreed in June 2019 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 year period commencing 21 June 2019 following an extension agreed with NAMR.

ADX Energy Panonia SRL ("ADX Panonia") share of this commitment is 100% following the non-performance of a farmin commitment by Parta Energy Pty Ltd ("Parta Energy") (being a wholly owned subsidiary of ASX listed 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 which was contracted to be 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.

While all landowner, local authority and environmental permits had been obtained for the approx. 100 sqkm survey, the survey had to be cancelled because the 3D funding farminee Parta Energy had informed ADX on extremely short notice that it would not proceed with the farmin transaction. This came as a surprise to ADX and its Hungarian seismic contractor who had already mobilised to Romania for the survey on good faith (refer to ASX announcement from 8 September 2020).

ADX has subsequently settled costs incurred with the seismic contractor and remains in discussion for a deferred survey start. Extensions of landowner and authority permits are under negotiations and the Romanian Mining Authority NAMR has been advised that due to unforeseen events including COVID-19 Pandemic related delays and the completely unexpected default of Tamaska, an additional extension may be justified.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### NOTE 19 – COMMITMENTS AND CONTINGENCIES - continued

##### *Tamaska Farmin Agreement Payment Default*

As a result of default by Tamaska relation to a farmin obligation pursuant to a farmin agreement between ADX Energy Panonia Srl, Danube and PE (“Farmin Agreement”), ADX has had to put on hold the mobilisation of the 3D exploration seismic crew and has minimised ongoing financial exposure in relation to the 3D exploration seismic program operations with the seismic contractor.

ADX has prepared all supporting evidence and a writ of summons with a reputed Perth-based law firm to pursue on behalf of Danube what ADX is advised is a fair claim of damages caused by Tamaska’s default.

##### **Iecea Mare Production 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.

##### **Data User Agreement –Austria**

In December 2019, 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 has exclusive access to 3D and 2D seismic and geological data from RAG for its exploration, production and gas storage licenses (“AGS Licenses”) ratified on the 1<sup>st</sup> January 2021 with the Federal Ministry responsible for Mining (“BMLRT”) on behalf of the Republic of Austria as an event subsequent to year end. ADX has agreed to pay RAG EUR 40,755 per annum for exclusive rights to the data set covering the 450 km<sup>2</sup> AGS license areas for up to 5 years.

##### **Upper Austria Exploration (AGS) Licenses – Austria**

ADX executed concession agreements for exploration, production and gas storage in Upper Austria (Upper Austria AGS) on the 8<sup>th</sup> of January 2021 between ADX and Federal Ministry responsible for Mining (“BMLRT”) on behalf of the Republic of Austria. Following the execution of agreements, a payment of a EUR 330,000 was made in lieu of a bank guarantee to cover federal exploration license fees.

The total term for the Upper Austria AGS is 16 years without any relinquishment and the first 4 year firm period commencing 1<sup>st</sup> January 2021. ADX has entered a 2 well drilling commitment, however the minimum financial obligation to keep the licenses in good standing is EUR 2.2 million for the first period.

##### **Kerkouane Permit - Tunisia**

ADX, via its previous wholly owned subsidiary Alpine Oil & Gas Pty Ltd (AOG), held a 100% interest and was the contractor of the Kerkouane exploration permit offshore Tunisia. The Kerkouane permit contained the Dougga gas condensate discovery. Discussions between AOG, ETAP and the DGE were ongoing in relation to the potential extension of Kerkouane PSC which would provide the time required to appraise the Dougga discovery. Such a renewal was subject to the drilling and testing of the Dougga Sud well.

In April 2019, the Company on behalf of AOG, engaged with the then highly experienced Chairman of ETAP with the view to securing fiscal relaxation for the Dougga project. Early discussions focussed on a more collaborative basis between ADX and ETAP with view to attracting capital for the project were promising. Regrettably the resignation of the then Chairman of ETAP during the second quarter of 2019 resulted in the potential for further constructive discussions in relation to a potential fiscal concession unlikely. As a result, ADX ability to securing a funding partner for Dougga was substantially curtailed.

Previously, in October 2017, ADX on behalf of AOG secured an option to utilise the Noble Services International Limited (Noble) Globetrotter II drilling rig to undertake the drilling and testing of the Dougga Sud – 1 appraisal well. The option expired in June 2019 due to the extension of previous drilling options by other oil and gas operators in the Black sea and the decision by Noble to demobilise the rig from the Mediterranean region to the Gulf of Mexico.



## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### NOTE 19 – COMMITMENTS AND CONTINGENCIES - continued

Given the water depth at Dougga of 330 metres it was unlikely that an alternate rig options would be available for the foreseeable future. That being the case AOG has advised ETAP in relation to deferment of work program obligations due to circumstances outside AOG's control. Furthermore, AOG informed the Designated Authority that the non availability of the drilling rig, owned by Noble, is a force majeure event. The designated Authority has in turn contested AOG's declaration of force majeure and was not prepared to enter into discussions on the matter with AOG local management.

As a result, ADX determined that AOG would be forced to forfeit the permit unless it contested the legal basis for forfeiture due to force majeure with the Designated Authority. Such a legal process was subject to cost and risk in jurisdiction where AOG was experiencing increasing difficulties in engagement with local Authorities. On that basis the Board of ADX took the necessary steps to cease operations, to close the local office in Tunis and deregister AOG after the payment of all outstanding liabilities in relation the Tunis office and local contractors. The deregistration process for AOG was completed in December 2020.

#### **Lambouka 1 Well -Tunisia**

The Lambouka 1 well was abandoned in a manner that ensured isolation of subsurface hydrocarbon bearing reservoirs to avoid the potential for leakage. The well was abandoned from a well safety, and integrity perspective fulfilling all Tunisian, UKOAAA and also Norwegian abandonment requirements. The surface casing on the well was not cut down to the mud line to enable the potential future re-entry to the well. The Company believes that existence of casing above the mud line does not represent a maritime threat or a threat to fishing given the depth of approximately 700 meters. ETAP has requested the visual inspection of the well to confirm there is no gas leakage. This work was intended to be accomplished utilising a ROV (remote operated vehicle) deployed from a supply vessel during future well operations at an expected cost of between US\$ 50,000 to US\$ 100,000. Given the forfeiture of the permit and the wind up of AOG this potential liability is not considered likely.

#### **(a) Other contingencies**

##### **Id363 C.R.-AX license - Italy**

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.

ADX was advised on the 4th of February 2019 that the Italian senate 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 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. Due to the COVID-19 Pandemic the suspension of exploration activities is expected to be extended until the fourth quarter of 2021.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 20 – KEY MANAGEMENT PERSONNEL DISCLOSURES**

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

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Short-term employment benefits	682,215	568,567
Post-employment benefits	5,583	6,270
Share-based payment	235,999	303,376
	923,797	878,213

**(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 2020 totalled \$31,200 (2019: \$31,200).
- (ii) In the prior year, previous Director 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 2020 totalled \$nil (2019: \$6,432).
- (iii) In the prior year, 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:
- Loan Term: 6 months commencing 12 July 2019, extendable by mutual agreement in writing at least 15 days prior to expiry of Loan Term.
  - Loan Interest: 10% per annum; Payable at Termination.
  - 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.

On 13 January 2020, each of those Directors converted their \$50,000 to shares (7,142,857 shares at \$0.007/share). During the year, interest paid totalled \$164.38 to Ian Tchacos, Paul Fink and Robert Brown each (2019: \$2,356, \$2,356 and \$2,219 respectively).

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$

#### NOTE 21 - AUDITORS' REMUNERATION

Amount paid or due and payable to the auditor for:

Auditing the financial statements, including audit review - current year audits	55,000	29,000
Other services	-	-
Total remuneration of auditors	55,000	29,000

#### NOTE 22 – 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.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**NOTE 22 – 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 2020

NOTE 22 – SEGMENT INFORMATION - continued

Operating Segments	Sicily Channel \$	Romania \$	Austria (Production) \$	Total Operations \$
<b>Year ended 31 December 2020</b>				
Revenue and income	-	-	6,833,016	6,833,016
<b>Total segment revenue</b>				<b>6,833,016</b>
<b>Result</b>				
Segment result	(52,373)	(458,138)	(2,976,509)	(3,487,020)
<b>Reconciliation of segment profit after tax to net profit after tax:</b>				
Unallocated revenue and income				26,148
Foreign currency gains/(losses)				(16,680)
Unallocated expenditure				(1,009,124)
<b>Net profit/(loss) after tax</b>				<b>(4,486,676)</b>
<b>Assets</b>				
Segment assets	(3,336,223)	9,611,753	14,870,055	21,145,585
<b>Reconciliation of segment assets:</b>				
Unallocated cash				1,561,591
Other				8,089,297
<b>Total assets</b>				<b>30,796,473</b>
<b>Liabilities</b>				
Segment liabilities	(18,634)	(301,323)	(17,932,779)	(18,252,736)
<b>Reconciliation of segment liabilities:</b>				
Unallocated liabilities				(3,850,841)
<b>Total liabilities</b>				<b>(22,103,577)</b>
<b>Capital expenditure</b>				
Segment capital expenditure – oil and gas assets	-	7,747,515	16,690,172	24,437,687
<b>Reconciliation of capital expenditure:</b>				
Unallocated additions				-
<b>Total capital expenditure</b>				<b>24,437,687</b>

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 22 – 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 2020

#### NOTE 23 – FINANCIAL RISK MANAGEMENT

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 continued 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 prices' 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 prices 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.

In total, ADX's subsidiary, ADX VIE GmbH, has fixed price swaps in place for the period between 1 January 2021 and 30 April 2021 representing approximately 80% of its forecast proven (1P) production and fixed price swaps in place for the period between 1 May 2021 and 30 June 2021 representing circa 40% of its forecast proven (1P) production. Refer to note 17 for further information on derivatives.

	Fixed Price Swaps	
	Barrels of Oil (BBL)	Fixed Price USD per BBL
January 2021 to April 2021	12,216	USD 41.77
January 2021 to June 2021	17,925	USD 44.34

The hedging program is designed to provide certainty of cash flows during a period of expected ongoing volatility.

#### Currency risk

The Group's source currency for the majority of costs is in EUR. 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 price 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 2020, 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. 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.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

**Interest rate risk**

At balance date the Group's exposure to market risk for changes in interest rates relates primarily to the Company's borrowings. 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 interest rates for variable borrowings, the interest rate risk is considered immaterial.

	<b>31 December 2020</b>	<b>31 December 2019</b>
	\$	\$
Borrowings – fixed rate	3,527,654	4,600,000
Borrowings - variable	525,014	-
Borrowings – variable (currently non-interest bearing)	795,475	-
<b>Total</b>	4,848,143	4,600,000

**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:

	Total	Less than 1 Year	Between 1-5 Years
	\$	\$	\$
<b>31 December 2020</b>			
Trade and other payables	1,948,686	1,948,686	-
Current tax liabilities	-	-	-
Borrowings	4,848,143	902,654	3,945,489
<b>Total</b>	6,796,829	2,851,340	3,945,489
<b>31 December 2019</b>			
Trade and other payables	2,182,032	2,182,032	-
Current tax liabilities	64,339	64,339	-
Borrowings	4,600,000	2,850,000	1,750,000
<b>Total</b>	6,846,371	5,096,371	1,750,000



## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

##### **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.

#### NOTE 24 - SUBSEQUENT EVENTS

##### Concession Agreements

On 11 January 2021, ADX announced that it had executed concession agreements with the Federal Ministry responsible for Mining (“BMLRT”) on behalf of the Republic of Austria which ratified the exploration, production and gas storage concession agreements (“AGS”) negotiated earlier in the year with the responsible BMLRT for Upper Austria. The total term for the Upper Austria AGS is 16 years without any relinquishment and the first 4 year firm period commencing 1st January 2021. ADX has entered a 2 well drilling commitment, however the minimum financial obligation to keep the licenses in good standing is EUR 2.2 million for the first period.

##### Hydrogen Storage

On 20 January 2021, ADX announced that it had entered an agreement with Horváth & Partners (Horváth) to undertake a pre-feasibility assessment for hydrogen (H<sub>2</sub>) storage at ADX’s Gaiselberg and Zistersdorf fields in the Vienna Basin as well as the creation of a profitable hydrogen business model which will be complimentary and synergistic with ADX’s current oil and gas energy business (Hydrogen Study). The Hydrogen Study is expected to be undertaken in two phases. The first is to establish the feasibility of the Fields for hydrogen storage and or green gas production, establish a joint venture partnership with renewable energy producers proximal to the fields and determine the availability of feasibility project funding. The second phase will be to establish a detailed business and finance plan for a future project.

##### Share Purchase Plan Closed Over Subscribed

On 3 February 2021, ADX announced its Share Purchase Plan (SPP), which closed on Friday, 29 January 2021, was significantly oversubscribed, with the Company receiving applications totalling approximately A\$3.6 million, well in excess of the targeted amount of A\$1 million. The Company scaled-back applications to a total of \$3 million. Under the SPP, each Eligible Shareholder was entitled to subscribe for up to A\$30,000 of new fully paid ordinary shares in the Company at the issue price of A\$0.006 per share, subject to scale back. The SPP formed part of the capital raising as announced on 15 December 2020, which also comprised a Placement to institutional and sophisticated investors raising A\$1.3 million at A\$0.006 per share.

In addition, one (1) free attaching unlisted option was issued for every two (2) shares issued under the SPP (“SPP Options”). The exercise price of the SPP Options is A\$0.008 with an expiry date of 15 June 2021.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**NOTE 24 - SUBSEQUENT EVENTS - continued**

Loan Note Options

On 19 February 2021, 135,000,005 unlisted options with an exercise price of \$0.018, expiring 26/11/2021 were cancelled. The Company was granted a waiver of ASX Listing Rule 6.23.3 to permit the Company to cancel the existing 135,000,005 options issued to Loan Note Holders (as approved by Shareholders on 6 December 2019) and issue 135,000,040 new, replacement options (as approved by Shareholders on 19 February 2021).

Exercise of Unlisted Options

The following unlisted options have been exercised at \$0.008/share since year end:

- On 25 February 2021, 21,653,334 unlisted options (raising \$173,227); and
- On 22 March 2021, 7,210,470 unlisted options (raising \$57,684).

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.

There are no other matters or circumstances that have arisen since 31 December 2020 that have or may significantly affect the operations, results, or state of affairs of the Group in future years.



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## INDEPENDENT AUDITOR'S 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 controlled entities (“the Group”) which comprises the consolidated statement of financial position as at 31 December 2020, 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 2020 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 (Including Independence Standards)* (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.





INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ADX ENERGY LTD (continued)

<b>Key Audit Matter - Revenue</b>	<b>How our Audit Addressed the Key Audit Matter</b>
<p>The Group started generating significant revenue of \$6,833,016 in the current financial year predominantly from the sale of gas and oil in Austria.</p> <p>We do not consider revenue to be at a high risk of significant misstatement, however due to the materiality in the context of the financial statements as a whole and being the first year of significant proceeds from sales, this is considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures over the existence of the Group's revenue included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Documenting and assessing the processes and controls in place to record revenue transactions; and</li> <li>• Testing a sample of revenue transactions and receipts to determine they were recorded correctly.</li> </ul> <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>
<p><b>Key Audit Matter - Borrowings</b></p> <p>The Group recorded a significant amount of borrowings during the year.</p> <p>We do not consider borrowings 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, this is considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p><b>How our Audit Addressed the Key Audit Matter</b></p> <p>Our procedures over the audit of the borrowing balances included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We assessed the reasonable accuracy of the interest calculation on the amounts borrowed;</li> <li>• We reviewed loan agreements for any potential covenants or securities over borrowed funds; and</li> <li>• We reviewed the accuracy of allocation between current and non-current portions of the borrowings.</li> </ul> <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>
<p><b>Key Audit Matter - Share-based Payments</b></p> <p>The Group recorded a significant number of share-based payments in the current year.</p> <p>We do not consider share-based payments 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, this is considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p><b>How our Audit Addressed the Key Audit Matter</b></p> <p>Our procedures over the audit of share-based payments included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We reconciled share-based payment balances to equity and reserve balances;</li> <li>• We reviewed the valuation of the share-based payments; and</li> <li>• We reviewed the compliance of accounting treatment of the share-based payments with AASB 2 Share-based Payment.</li> </ul> <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ADX ENERGY LTD (continued)**

***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 2020, 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, 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.



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

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 2020.

In our opinion the remuneration report of ADX Energy Ltd for the year ended 31 December 2020 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

Dated 31 March 2021

Daniel Dalla  
Partner

## ADX ENERGY LTD

### ADDITIONAL SHAREHOLDER INFORMATION

Information as at 26 March 2021

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

Name	Number of Shares Disclosed in Substantial Holder Notice
Jetosea Pty Ltd	166,676,404

**b) Shareholder Distribution Schedule**

Size of Holding	Number of Shareholders	Number of Ordinary Shares	Percentage of Issued Capital
1 - 1,000	173	82,859	0.003
1,001 - 5,000	471	1,492,183	0.060
5,001 - 10,000	374	3,052,260	0.122
10,001 - 100,000	1,057	50,187,929	2.012
100,001 and over	1,104	2,439,196,241	97.803
Total Shareholders	3,179	2,494,011,472	100
Number of shareholders holding less than a marketable parcel	1,562		

**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
- (iii) 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:**

4,162,409 ordinary shares are subject to voluntary escrow until 26 June 2021.

**ADX ENERGY LTD**

**ADDITIONAL SHAREHOLDER INFORMATION**

**d) Twenty largest shareholders:**

Name	Number of Ordinary Shares	% of Issued Capital
1. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	205,532,852	8.24
2. JETOSEA PTY LTD	161,676,404	6.48
3. GILLARD SUPERANNUATION PTY LIMITED <GILLARD SUPER FUND A/C>	100,000,000	4.01
4. MR PAUL FINK	72,831,971	2.92
5. WINDMERE INTERNATIONAL LIMITED	54,749,090	2.20
6. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	37,847,774	1.52
7. MR BRIAN THOMAS CLAYTON + MRS JANET CLAYTON	33,333,333	1.34
8. IRONSIDE PTY LTD <IRONSIDE SUPER FUND A/C>	31,805,042	1.27
9. WARROORAH PTY LTD <TCHACOS FUND A/C>	25,164,160	1.01
10. ANDREW DUNCAN MURDOCH	25,005,000	1.00
11. COMSEC NOMINEES PTY LIMITED	24,841,793	1.00
12. BRAZELL PTY LTD <A & M SUPER FUND A/C>	23,839,500	0.95
13. KENLOW (1982) PTY LTD <SUPER FUND A/C>	23,250,000	0.93
14. BOND STREET CUSTODIANS LIMITED <PNCORK - D00089 A/C>	21,983,688	0.88
15. MRS AMANDA GRACE SPARKS	21,134,249	0.85
16. CITICORP NOMINEES PTY LIMITED	21,007,763	0.84
17. MR PETER LIGONIS	20,105,522	0.81
18. MS SIHOL MARITO GULTOM	20,000,000	0.80
19. MR ALAN GEORGE BROOKS + MRS PHILIPPA CLAIRE BROOKS <A G & P C BROOKS S/FUND A/C>	19,500,000	0.78
20. MR TIMOTHY FRANCIS CLIVE MCDONNELL + MRS MILA MCDONNELL <MCDONNELL SUPER FUND A/C>	18,888,888	0.76
	<u>962,497,029</u>	<u>38.59</u>
Remaining Holders Balance	<u>1,531,514,443</u>	
Shares on issue	<u>2,494,011,472</u>	

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

	Number	Exercise Price	Expiry Date	Holders of >20%
Unlisted Options	345,495,007	0.8 cents	15/06/2021	No holders > 20%
Unlisted Options	5,000,000	1.3 cents	26/06/2021	Mr Edouard Etievre (100%)
Unlisted Options	67,500,020	1.0 cents	26/05/2022	(i)
Unlisted Options	67,500,020	1.5 cents	26/11/2023	(i)
Unlisted Options	6,354,086	Nil cents	31/05/2022	Eonia Pty Ltd (100%)
Unlisted Options	10,864,955	Nil cents	31/05/2023	Mr Ian Tchacos (100%)
Unlisted Options	3,954,545	Nil cents	31/10/2023	Mr Ian Tchacos (100%)
Unlisted Options	4,106,250	Nil cents	31/01/2024	Mr Ian Tchacos (100%)
Unlisted Options	12,578,571	Nil cents	26/06/2024	(ii)
Unlisted Options	9,451,563	Nil cents	31/07/2024	(iii)
Unlisted Options	8,470,981	Nil cents	31/10/2024	(iv)
Unlisted Options	9,882,811	Nil cents	31/01/2025	(v)
Total Options	<u>551,158,809</u>			



**ADX ENERGY LTD**

**ADDITIONAL SHAREHOLDER INFORMATION**

(i) Holders of more than 20%

<b>Name</b>	<b>#</b>	<b>%</b>
Jetosea Pty Ltd	57,857,160	85.71
Others (each holding less than 20%)	9,642,860	14.29
<b>Unlisted options expiring 26/5/2022</b>	<b>67,500,020</b>	<b>100</b>

<b>Name</b>	<b>#</b>	<b>%</b>
Jetosea Pty Ltd	57,857,160	85.71
Others (each holding less than 20%)	9,642,860	14.29
<b>Unlisted options expiring 26/11/2023</b>	<b>67,500,020</b>	<b>100</b>

(ii) Holders of more than 20%

<b>Name</b>	<b>#</b>	<b>%</b>
<i>Directors:</i>		
Paul Fink	6,578,571	52.3
Ian Tchacos	6,000,000	47.7
<b>Unlisted options expiring 26/6/24</b>	<b>12,578,571</b>	<b>100</b>

(iii) Holders of more than 20%

<b>Name</b>	<b>#</b>	<b>%</b>
<i>Directors:</i>		
Paul Fink	3,373,438	35.69
Ian Tchacos	6,078,125	64.31
<b>Unlisted options expiring 31/7/24</b>	<b>9,451,563</b>	<b>100</b>

(i) Holders of more than 20%

<b>Name</b>	<b>#</b>	<b>%</b>
<i>Directors:</i>		
Paul Fink	3,354,910	39.6
Ian Tchacos	5,116,071	60.4
<b>Unlisted options expiring 31/10/24</b>	<b>8,470,981</b>	<b>100</b>

(iv) Holders of more than 20%

<b>Name</b>	<b>#</b>	<b>%</b>
<i>Directors:</i>		
Paul Fink	2,632,811	26.64
Ian Tchacos	7,250,000	73.36
<b>Unlisted options expiring 31/1/25</b>	<b>9,882,811</b>	<b>100</b>

**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
Upper Austria AGS Licenses <sup>Note 1</sup>	Upper Austria AGS	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

**Note 1:** Concession agreements for exploration, production and gas storage in Upper Austria (Upper Austria AGS) were signed on the 8<sup>th</sup> of January 2021 between ADX and Federal Ministry responsible for Mining (“BMLRT”) on behalf of the Republic of Austria.

**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.