ADX Energy Ltd

ABN 50 009 058 646

ANNUAL REPORT

31 DECEMBER 2017

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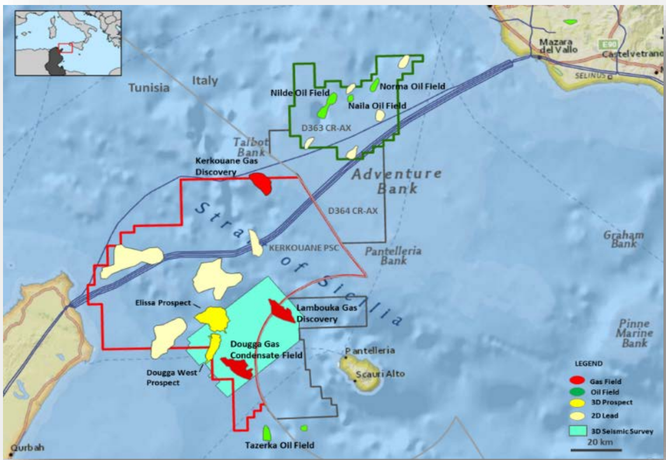
Dear Shareholders

The recent recovery in the oil price has resulted in a small revival of activity in the oil and gas sector, however this has not markedly changed industry investment behaviours which affect the development of smaller asset rich but capital poor companies like ADX. The majority of the available capital in the industry is being deployed on producing asset acquisitions or production enhancement opportunities.

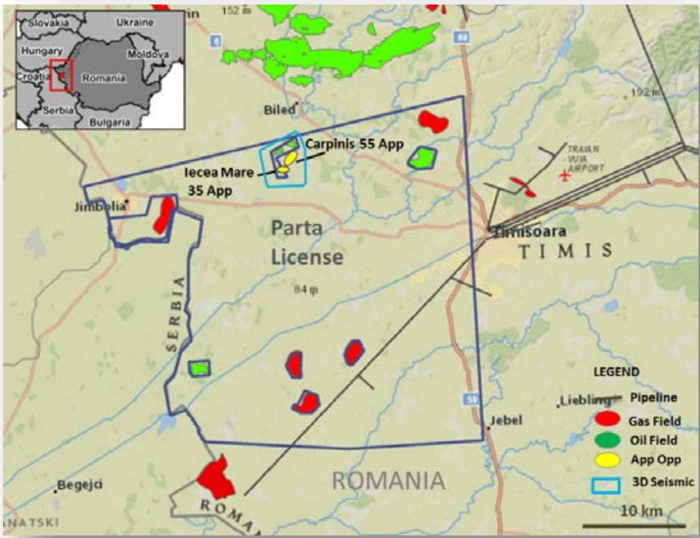
The farmout market is still very slow for exploration. For appraisal opportunities the situation is better but still tentative. Appraisal and development opportunities where investors can see line of sight to cash flow with investment propositions that are well defined are best placed. Recognising this situation, ADX has adapted its funding strategy to source alternative funding such as private equity and vendor finance while still pursuing traditional farmouts to fund the next stages of the Company's development. This approach has already been successful for our Romanian appraisal initiative.

With the goal of positioning its assets for investment, ADX has concentrated its efforts over the last 12 months on technical and commercial studies which establish the potential of its three assets; the Nilde Oil Redevelopment Project offshore Italy (Nilde), the Dougga Gas Condensate Project offshore Tunisia (Dougga) and the Parta Appraisal Project onshore Romania (Parta). While this work (which is further discussed in the following operations report) is critical for incubating the longer term value development of ADX, it does not translate into immediate third party value validation or drilling activity that drives share price and momentum. That said, ADX is now in a position to market all three assets with well defined investment proposals incorporating credible resource definition and development concepts with industry derived capital costs estimates. Post year end, ADX has also commenced an Independent Experts Report process with a view to independently validate the Company's work and facilitating third party investment - especially from investors without geotechnical capability.

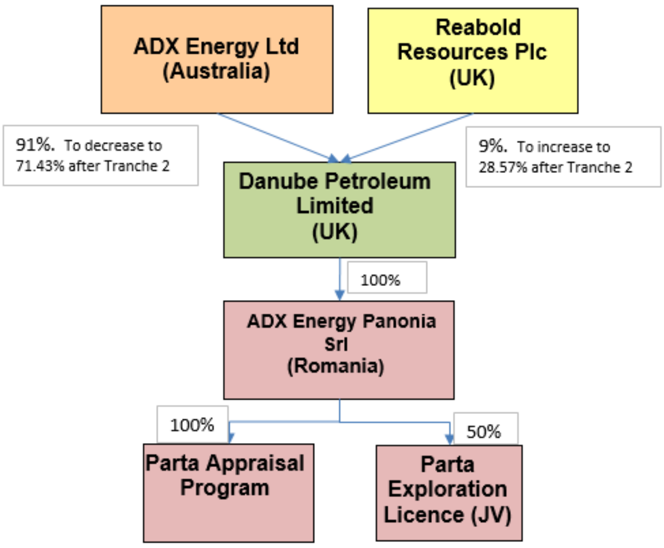


Map Showing the Kerkouane licence offshore Tunisia and the d 363 C.R-.AX Permit containing Dougga and Nilde

The focus of our activities in 2016 and 2017 has primarily been on Nilde and Dougga, assets which are company makers in their own right for the scale of ADX. We have also made excellent progress in 2017 with Romania by securing the Parta Appraisal Project. ADX has capitalised on the availability of 3D seismic in the Parta license where we have identified two excellent gas redrill opportunities (historic wells with multiple pay potential that were drilled and tested but not produced). The establishment of Danube Petroleum Limited (Danube) as a UK incorporated private investment vehicle has enabled ADX to secure the capital to drill one well in 2018. ADX expects to secure further funding for a second well in the Parta Appraisal program. The agreed funding terms will enable ADX to participate in two wells while retaining a majority interest in Danube which will hold 100% interest in the Parta Appraisal Program and a 50% in the Parta exploration license.



Map Showing the Parta Licence the location of the planned Carpinis and Iecea Mare Appraisal wells



Schematic Danube Parta Ownership Structure

Whilst we are making excellent progress in our asset definition work to define three compelling investment opportunities - it has not been without its challenges. The notification post year end by the Italian Authorities that ADX, in their opinion, has insufficient financial capability to fulfil the commitments of its wholly owned subsidiary Audax Energy Srl in the d 363 C.R-.AX Permit which contains the Nilde project was an unexpected setback. This notification occurred after 18 months of very positive engagement, where ministry representatives indicated that receiving a license to operate was just a matter of time. In the same notification the Italian Authorities advised that ADX meets the required technical capability and HSSE capability standards. Their notification (the result of an evaluation undertaken by a third party) has been given despite ADX satisfying all the financial evaluation criteria in the legislation and not actually being obliged to drill a well based on the permit work program for up to four years after receiving the license to operate. ADX's Italian lawyers believe that the Authorities are over reaching and have not undertaken their evaluation based on current or appropriate information. ADX has submitted a response to the ministry providing updated financial information, increased parent financial support to Audax Energy Srl, submitted legal arguments supporting ADX's position, provided details of its funding track record though farmouts and included support letters from a number of financially capable industry players that are interested in supporting the Nilde project. The Board of ADX believes the Company will

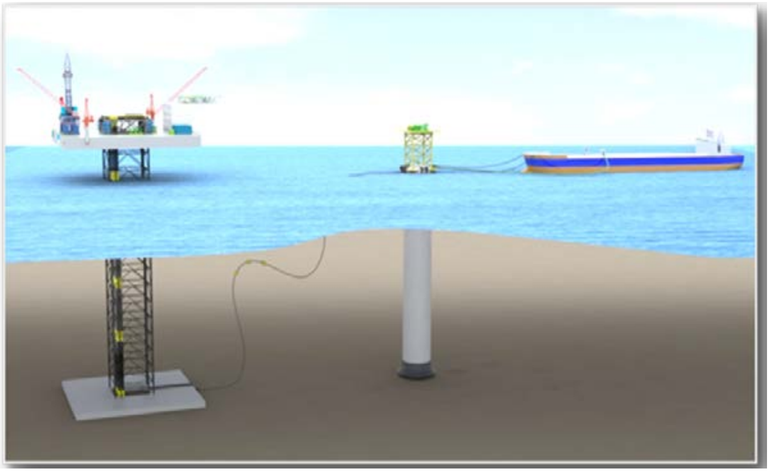
ultimately be successful in securing the license to operate and is in the process of sourcing a strong financial partner to further strengthen ADX position in the project.
Bringing three assets to the investment market with a small team and limited capital has unfortunately taken longer than your Board originally expected. Despite the setback in Italy, ADX is well positioned for multiple growth pathways. If all three assets can be progressed the Company will have a compelling mix of short term (Romania), medium term (Italy) and longer term (Tunisia) cash flow potential.

In addition to the above mentioned project definition work, the Company has positioned itself to drill up to three wells in 2018 by securing a favourable rig option for the drilling and testing of the Dougga Sud appraisal well utilising the Noble Corporation, Globetrotter II Drillship as well as commencing licensing and logistics work in Romania for the drilling of two Parta Appraisal wells.

ASSET ATTRIBUTES

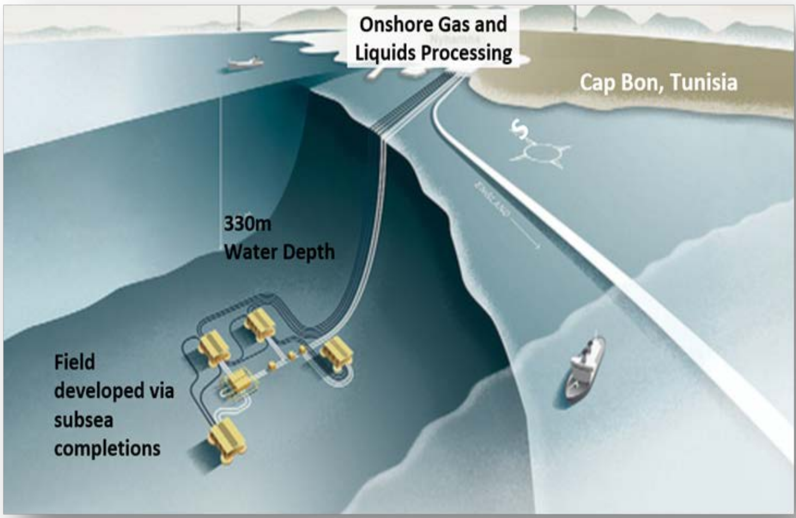
ADX operates assets in three different jurisdictions; each of which have their own unique physical, fiscal and political investment attributes. In all cases there is a strong local demand for oil and gas with good access to infrastructure. ADX manages its relations on the ground with capable and experienced country managers in each country.

The Nilde Oil Redevelopment Project offshore Italy provides the opportunity to redevelop 33 million barrels of light sweet crude based on ADX 2C resource estimates from proven, highly productive reservoirs in relatively shallow water and drill depth. The combination of excellent fiscal terms and low capital costs with the potential deployment of a leased platform and storage system, offered at favourable rates by Calm Oceans Pte Ltd (COPL) is expected to result in exceptional project economics. Like many European countries, the environmental lobby in Italy is strong, however the location of Nilde 53 kilometres from shore should work in the projects favour. Based on discussions with bureaucrats, the main concern of the authorities is that ADX would undertake the drilling of a well without the introduction of a larger balance sheet to the project. ADX believes this can be rectified by introducing a financially capable farminee subject to ADX receiving a license to operate the project. This is a reversal of the previous approach securing the approvals and then attracting a farminee.



Schematic of leased Mono column Platform and Storage System offered to ADX by COPL

The Dougga Gas Condensate Projec*t* offshore Tunisia represents a strategically important project for the Country. ADX participates in the asset via a production sharing contract with the Tunisian national oil company, Entreprise Tunisienne des Activités Pétrolières ("ETAP"). Based on ADX 2C estimates, Dougga is a substantial sales gas (517 billion cubic feet) and liquids (93 million barrels) resource project with long lived production of approximately 16,000 barrels of oil equivalent per day for over 20 years making it the most significant undeveloped energy resource in Tunisia. The Dougga facilities concept developed in conjunction with TechnipFMC for a 43 kilometre subsea tie back to an onshore gas plant has subsequently been costed based on market responses to an Expressions of Interest process. The facilities concept represents a robust design in terms of flow assurance and a 30% cost reduction compared to previous capital costs estimates involving an offshore facility tied back to shore.



Dougga Concept Schematic based on a Subsea Tie-back to an Onshore Gas Plant

Dougga's expected sales products are gas, LPG and Condensate. Tunisia's gas demand is growing at approximately 6% per annum, while its domestic gas production is in decline having dropped to approximately 40% of the Country's gas demand requirements. Tunisia imports its substantial gas deficit from Algeria via the Transmed pipeline that connects Algeria and Tunisia to European markets. Tunisia also imports approximately 60% of its LPG requirements. Dougga is ideally positioned in terms of demand for both gas and LPG. The project is also ideally located for both local electricity generation demand and export to Europe via the Transmed pipeline. ADX facilities planning cases considered to date include a 100 MMSCFPD and a 150 MMSCFPD raw gas production cases. These production cases would result in processed sales gas of 56 MMSCPD and 84 MMSCFPD respectively, LPG of 4500 BPD and 6750 BPD respectively and condensate of 4000 BPD and 6000 BPD respectively. The resulting product volumes represent between 37% and 55% of Tunisia's gas production and 65% to 95% of Tunisia's LPG production. This potential contribution of Dougga to Tunisia's energy requirements makes it a project of national significance which is now being recognised by the relevant authorities in Tunisia as result of the project definition work undertaken by ADX.

Given the potential relevance of Dougga, the national oil company and ADX's production sharing contractor partner, ETAP, Tunisia's hydrocarbon authority, Directorate-General for Hydrocarbons ("DGH"), and the countries gas transportation, purchasing and power generation authority, Société Tunisienne de l'Electricité et du Gaz ("STEG") are very supportive and invested in the success of the project. Unlike other jurisdictions these government authorities have the capacity to ensure all the necessary land access arrangements and licenses can be secured to execute the project as defined in the Hydrocarbon Code.

In Tunisia, STEG purchases gas on behalf of the state on an oil equivalent pricing formula and is in a position to purchase all gas produced from Dougga. In Tunisia, LPG and condensate is sold on an international pricing basis. LPG is likely to be utilised domestically and condensate will most likely be exported. ADX's share of gas and liquids proceeds would be paid in US$ and expatriated.

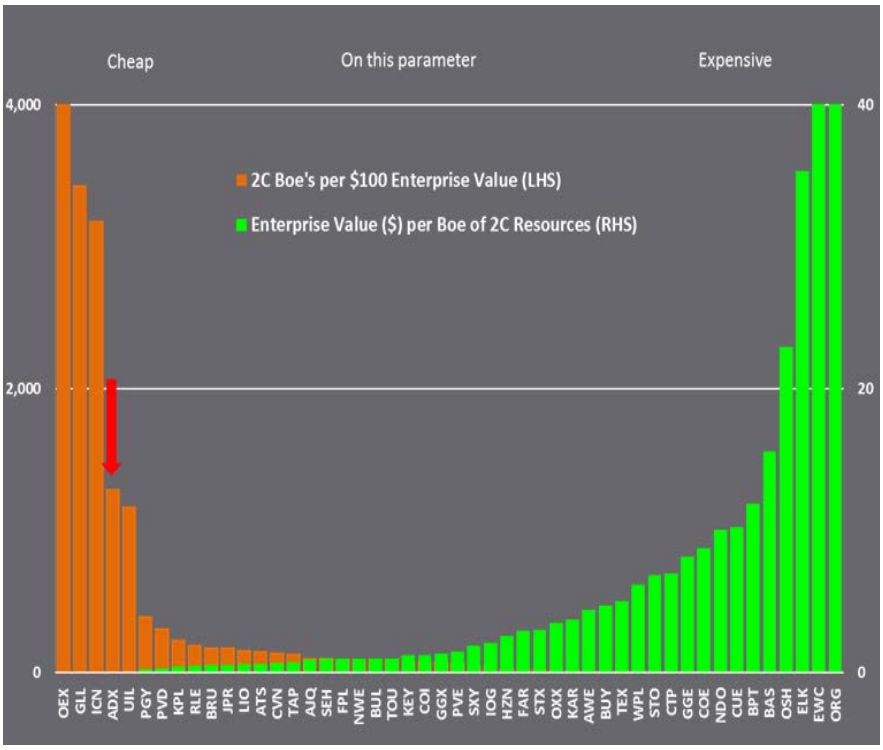
The political and security situation in Tunisia is improving following a period of instability during the Arab Spring and the transition to a democracy. Tunisia's reformist democracy is supported by European governments like France and Germany is now well placed to attract investment, ongoing growth and the political stability required to undertake a major infrastructure project like Dougga.

The Parta Appraisal Program is located in the northern part of the ADX-operated Parta license in Western Romania. Recently available 3D seismic has enabled ADX to delineate a number of oil and gas appraisal drilling opportunities based on historic wells which were drilled in the 1980's but never produced. Two gas redrill opportunities will be targeted in the coming year that are named after existing nearby wells and the villages of Iecea Mare ("IM") and Carpinis ("CARP"). Due to the proximity of the planned wells to an active oil and gas processing facility a rapid, low cost development is possible, which upon success is expected result in excellent economics due to,the excellent fiscal terms and strong gas pricing .

The potential for stacked pay in these wells provides a very compelling investment proposition. Assuming all prognosed zones are successful, approximately US$85 million of post-tax NPV10 value may be realised from 33 BCF of recoverable gas (assuming a multi well development). Additional un-risked prospective resources of approximately 300 BCF of gas and 45 MMbbl of oil have been identified on the basis of existing 2D seismic in the rest of the Parta permit which ADX (via Danube) can target in the near future with the recently completed 3D seismic program permitting.

STRATEGY

With the technical and commercial definition of its assets complete, the Company is now focussed on funding and drilling operations in order to start to unlock the value in the Company's large resource base.



Graph showing 2C contingent barrels of oil equivalent divided by enterprise value for ASX listed companies by *Resource Invest*

A summary of our asset objectives during the coming year are as follows;

- secure funding for the drilling and testing of the Dougga Sud appraisal well,
- secure funding for and drill two Parta Appraisal Program wells,
- secure a funding partner for the Nilde Project and
- obtain a license to operate the d 363 C.R-.AX Permit.

These ambitions have already started to take shape with the Reabold investment in Danube to fund the Parta Appraisal program.

As ADX moves into the operational phase, the Company is securing additional technical and operational support in Europe and Tunisia. These resources are being secured on a permanent, part time basis to ensure skills continuity without excessive fixed administrative cost. The commercial, legal, financial and company secretarial support remains centralised in Australia which enables the Company to retain financial control and minimise administrative cost.

ADX has a substantial resource position however unlocking its value relies upon sourcing appropriate industry funding coupled with sympathetic capital markets. Based on achieving industry funding for Dougga and Parta and delivering value to its existing shareholders the Company is considering the pursuit of a dual listing on the Alternative Investment Market on the London Stock Exchange ("AIM") to obtain greater access to future funding and greater value recognition given the geographic location of its assets.

During the past year we have made big steps forward in defining our assets for investment by working constructively with our local in country representatives, leveraging our geotechnical and commercial skills through collaboration and alignment with engineering and fabrication companies that provide the necessary facilities engineering competencies and positive engagement with local authorities.

Building an oil and gas appraisal and development company from a standing start is a long game however the reward from success given the potential of our assets is exceptional. While progress has been slower than expected your Board remains confident and focussed on the end game of transforming the Company's large contingent resource into high value reserves.

We appreciate the support that we have received from our shareholders and industry partners like COPL to deliver value from our assets in a difficult funding environment for non-income producing companies like ADX. I look forward to reporting to you consistent progress across the asset base as we continue to transform your company during the coming year.

IAN TCHACOS
Executive Chairman

Administrative Efficiency and Capability Enhancement

Key productivity and efficiency achievements are as follows:

- Continuation of cash burn reduction through the continuation of remuneration in cash and shares for Directors;
- Continued and deepened the various relationships with engineering and service companies who provide both technical knowledge support for project development and collaboration up to the level of risk and cost sharing at the project execution level;
- Implementation of updated corporate level guideline documents with a focus on safety, environment and health;
- Further centralised administrative and accounting function in Australia; and
- Introduced partial share based remuneration for consultants to reduce cash burn and increase alignment with company objectives.

Operational Asset Summary

Following the strategy shift from exploration to appraisal and development in early 2016, the year 2017 saw the implementation of this strategy by getting assets to a point where they are either ready for a farmout transaction or a collaboration with development or financial companies at a risk sharing level or for appraisal drilling such as the Romania Parta license. All assets have been advanced to a level of detail in terms of project definition and execution planning. Investors such as farminees, financial investors or development operators are able to participate in projects that are well defined technically (resource and facilities definition) and financially (detailed cost, schedule and cash flow modelling) with a high degree confidence in relation to project planning to enable the commencement of execution. This work detailed below has added significant value to the Company's assets;

- In offshore Italy in license d363 C.R.-.AX (ADX 100% equity interest and Operator), for the **Nilde oil field** (prematurely abandoned in 1989), ADX has completed the subsurface modelling and production history matched reservoir simulation work and delivered a set of peer reviewed contingent resources[1] [2] estimates with related oil and gas production profiles. The ADX in house 2C recoverable remaining oil resources, for example, are 34.1 million barrels of oil (mmbo) with a three well initial oil production of 22,000 bopd. This is consistent with the initial Senergy (a Lloyds company) Competent Person's Report volumetric method assessment of 32.8 mmbo 2C resources and confirms the significant remaining oil resource potential. Towards the year end, ADX also commissioned another Competent Person Report which will also review the production forecast, development concept and economics. Under the MOU with Calm Oceans Pte Ltd (COPL) further work was undertaken on refining the development concept and cost estimates for the economic analysis of the Nilde rejuvenation project. The project can be safely and profitably developed at oil prices significantly below $30/ barrel.

- Following the Kerkouane license extension by the Tunisian government in 2016, ADX was successful in obtaining agreement from the Tunisian authorities to modify the obligatory work program from exploration drilling and frontier area 3D seismic acquisition to a well and a flow test for the **Dougga gas condensate discovery** which could potentially open the way for the most significant gas field development in Tunisia in terms of economic benefit for many years. The year also saw the successful completion of a detailed Dougga reservoir model, production forecast scenarios, drilling planning, development concept studies and the negotiation of a rig contract with Noble Drilling Services with the objective of drilling the Dougga-Sud appraisal well near year end 2018.

- In the ADX operated onshore **Romania Parta exploration permit** (ADX 50% equity interest and Operator) the year started with the granting of a 30 months license extension without the necessity to take on any further substantial work program commitment. ADX was successful in obtaining a recently acquired 3D seismic which

[1] Contingent Resources: those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations but, for which the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.

[2] 1C, 2C, 3C Estimates: in a probabilistic resource size distribution these are the P_{90} (90% probability), P_{50}, and P_{10}, respectively, for individual opportunities.

covers partly tested gas discoveries made by the Romanian state oil company about 30 years ago, which were never developed for a number of technical and commercial reasons. 3D seismic has facilitated the understanding of these partly stratigraphic traps. The improved resource definition in combination with nearby active oil & gas processing facility and attractive European gas prices has provided the motivation for ADX to develop these two discoveries. The first appraisal well is planned for the 4th quarter 2018.

ASSETS

Offshore Italy Pantelleria Permit & d363 C.R.-.AX permit (Operator, 100% equity interests)

During 2017, a large amount of technical and commercial project work was completed and ADX internally peer reviewed this asset. The project is ready for marketing and it is expected that introduction of a financially capable partner will enhance the likelihood of ratification of the license, thereby addressing the only remaining concerns on the financial capability. (Note: ADX has been advised by its Italian lawyers that the opinion of the Italian authorities is highly subjective and the law does not support a license rejection on the basis of financial capabilities).

While the first independent review undertaken by Senergy in 2016 was based on the basic volumetric method, certifying a contingent 2C oil resource of 32.8 mmbbls, the current independent review is assessing a much more comprehensive development study and plan, consisting of the following:

- A 3D geological model based on the integration of all available data, notably core analysis, revised petrophysics (saturation modelling) and fracture description/& modelling.

- A number of forecast production profiles based on a reservoir simulation model which has been history matched to the previous 20.5 million barrels of production in the 1980s. The table below summarizes the contingent resources[3] [4]range based on three deterministic models.

(units are in million barrels oil)	1C	2C	3C
Original Oil in Place	118.2	176.4	223.9
Recoverable Oil	37.5	54.6	70.5
Previously Produced (1980-1989)	20.5	20.5	20.5
Remaining Recoverable Oil	17.0	34.1	50.0

- A facilities and development design study based on dry wellheads on a self installing, gravity base mono column platform (MCP), with pre-installed processing facilities.

- Removable mooring, storage and offloading system (RPSO).

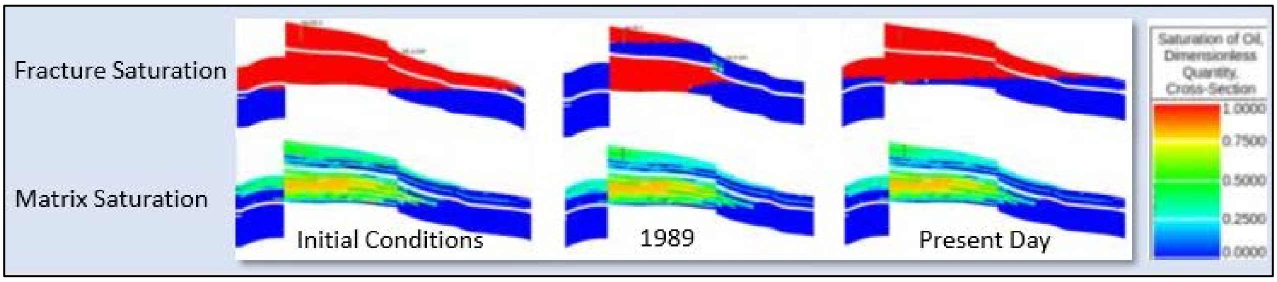
- Up to date development costs & economics and a project schedule based on lease rates offered by contractors and/or potential project partners such as Calm Oceans (currently operating with and supporting ADX under an MOU) and SPEC Energy. Based on these thoroughly screened CAPEX and OPEX assumptions and an oil price assumption of US$ 55/bbl the table below summarizes the highly attractive redevelopment economics.

[3] Contingent Resources: those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations but, for which the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.

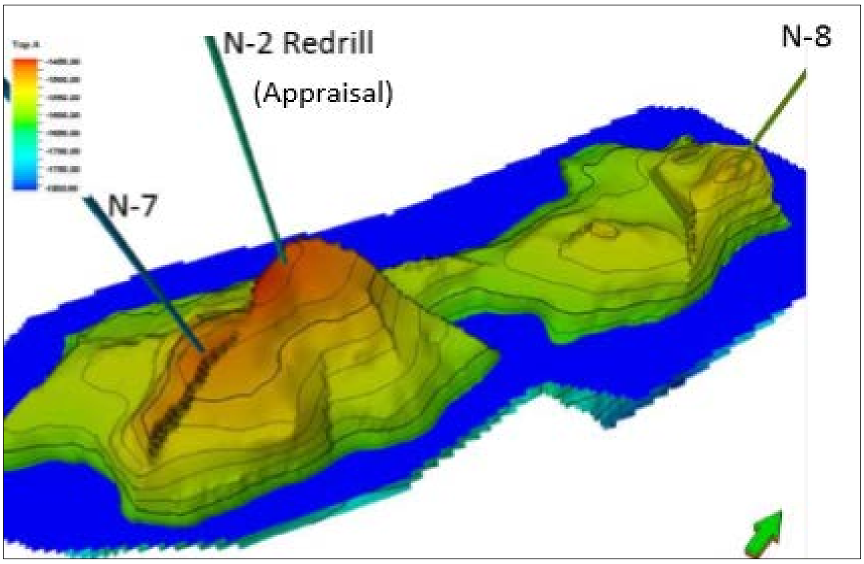
[4] 1C, 2C, 3C Estimates: in a probabilistic resource size distribution these are the P_{90} (90% probability), P_{50}, and P_{10}, respectively, for individual opportunities.

Resource Classification	1C (90% chance to exceed)	2C (50% chance to exceed)	3C (10% chance to exceed)
Recoverable Resources *(MM bbls)*	17.0	34.1	50.0
Max Production Flowrate *(bbls/day)*	20,400	22,000	22,000
NPV10 @ $ 55/bbl *(US$ million)*	$229	$537	$794
Production Period *(Years)*	3	6	9

The significant upside potential of 50 million barrels of oil is to a large extent provided by a reservoir section in the deeper part of the Nilde main structure which has been only drained minimally by the past production wells. This is credibly substantiated by the history matched production profile. The figure below from the reservoir simulation model illustrates this point. It also shows that this layer has the best matrix porosities and hence contains a large undrained OIIP (oil initially in place).



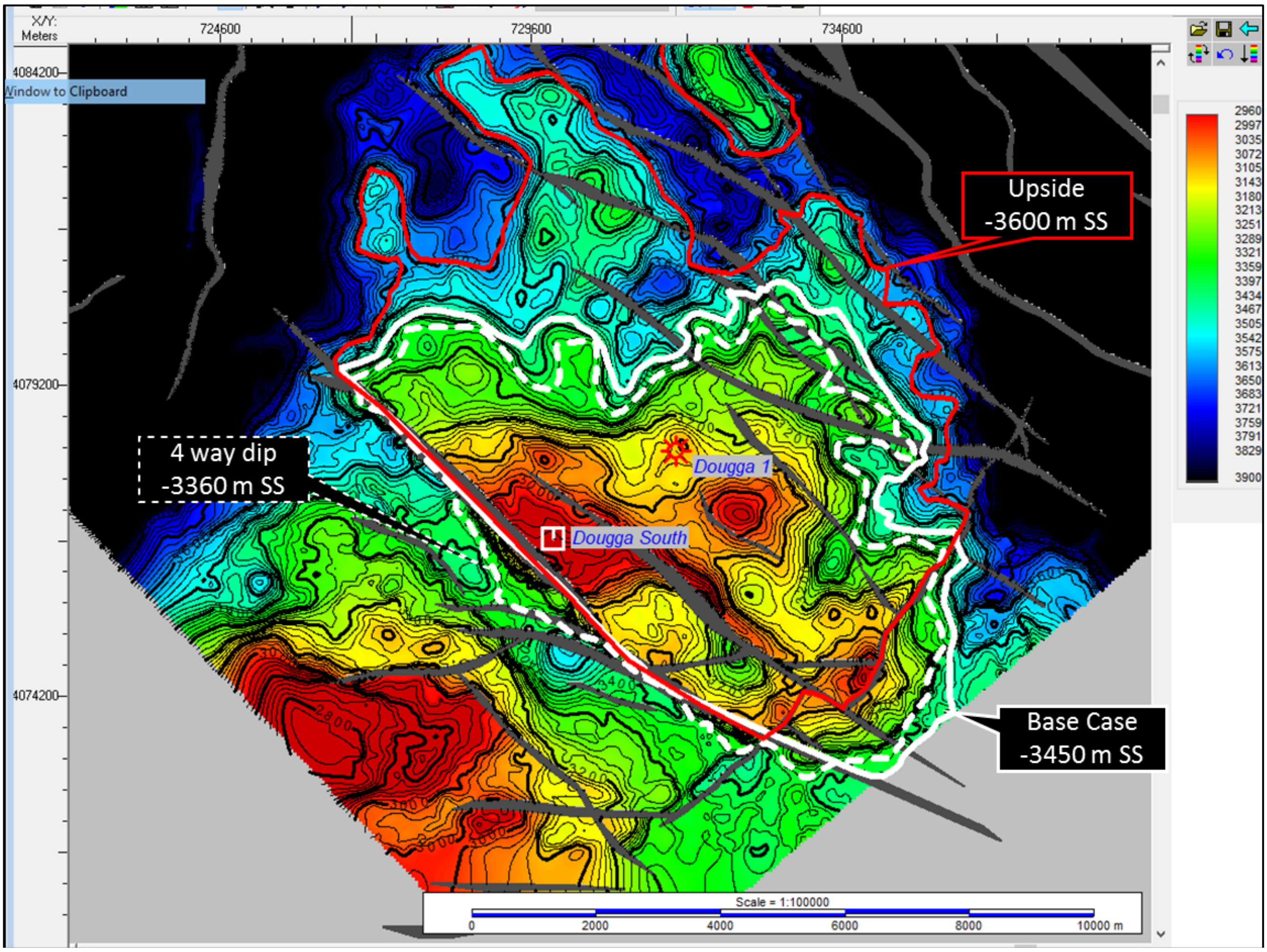
The development drilling plan therefore foresees two production wells (N-7 and N-2 redrill) in the southern culmination of the field where this lower relatively high porosity layer is well developed above the oil-water contact as illustrated in the figure below. One well (N-8) is planned to drain the north-eastern structural accumulation.



Offshore Tunisia Kerkouane Production Sharing Contract (Operator, 100% equity interest)

A key regulatory milestone for the Dougga gas condensate development was the acceptance of the proposed change of work program by the Tunisian authorities. Under the HCC (Hydrocarbon Committee) decision ADX is no longer required to acquire a large, exploration focused 3D seismic program of 500 sqkm and drill an exploration well, but instead can fulfil its outstanding obligations by drilling and testing the Dougga-Sud (South) well, with a view towards completing the well as a producer. Upon completion of the well test ADX can enter into the second license renewal period of the Kerkouane license for a further 3 years, as per the PSC (production sharing contract) provision. An exclusive production license can be granted over the Dougga field after declaration of commerciality.

The proposed appraisal well location and its position relative to the much further downdip Dougga-1 discovery well is shown in the Abiod reservoir depth map below. (The so called "Abiod" Upper Cretaceous fractured limestone reservoir contains the majority of the gas condensate resource).



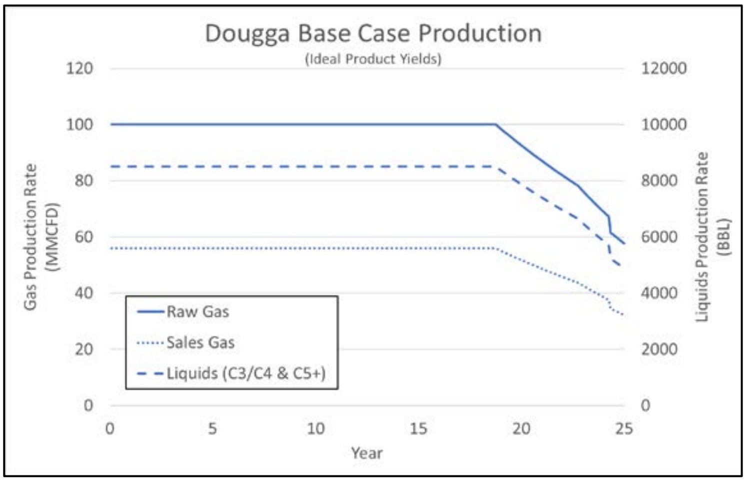
The well location proposed by ADX was approved by the PSC license holder, ETAP (Tunisian state oil company). In October 2017, ADX executed a drilling contract with Noble Drilling Services utilizing the Globe Trotter II drill ship (image below) for the drilling and testing of the Dougga-Sud well.

The GlobeTrotter II rig is expected to be available in the Mediterranean towards the end of 2018 after it completes a work program in the Black Sea. The rig is a high specification, high efficiency, dynamically positioned drill rig which has been secured at very competitive rates. ADX, towards the end of 2017, commenced detailed drilling planning work, long lead item availability reviews and contracting strategy together with a highly experienced drilling design & management company. In addition, ADX has commenced work on obtaining related environmental and marine operations approvals from the designated Tunisian authorities.

ADX has also engaged with relevant qualified third parties with the objective to independently review the contingent resource base, development concept and commerciality studies of the Dougga gas condensate field which were completed in Q4 2017 and announced on ASX on 20 December 2017 (resource table summary below).

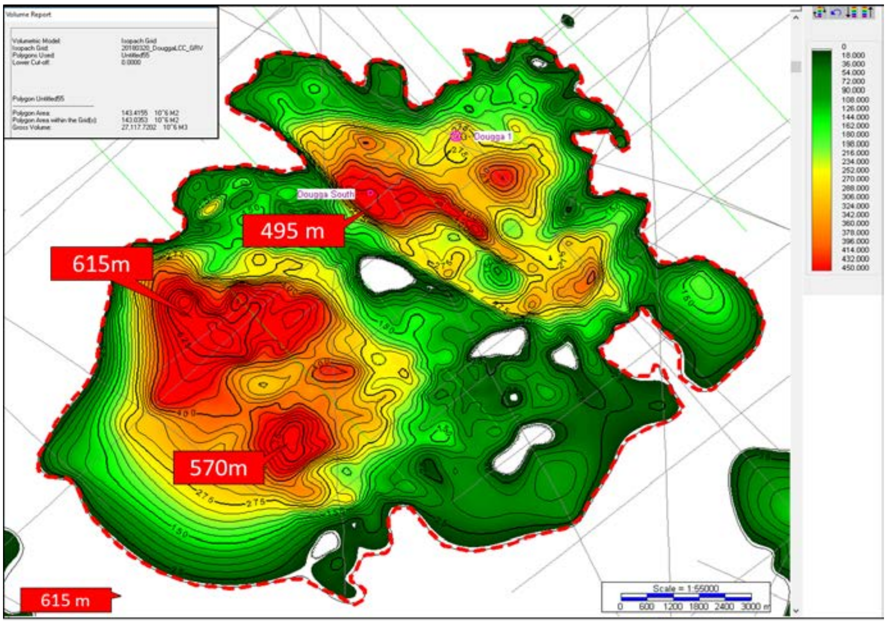
DOUGGA CONTINGENT RESOURCES[1] (2017)	1C	2C	3C
Total Oil Equivalent (MMBOE)	**108**	**165**	**250**
Sales Gas (BCF)	368	564	851
Liquids: LPG (MMBBLS)	29	44	66
Liquids: Condensate (MMBBLS)	25	39	59
Note 1. Contingent Resources : Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations but, for which the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.			

The base case (2C) shown below is for 6 Phase I development wells and 1 Phase II infill well producing over almost 20 years which is expected to deliver 56MMCFD sales gas and 8500BBL/D liquids (C3/4 and condensate) during plateau.



Further subsurface work was also undertaken on the options for CO2 sequestration close to the proposed onshore Dougga processing plant. Two relatively close and sufficiently large sized structures with previous hydrocarbon production or hydrocarbon well tests were identified as realistic options for sequestration of the CO2 at the rates expected from the potential Dougga development.

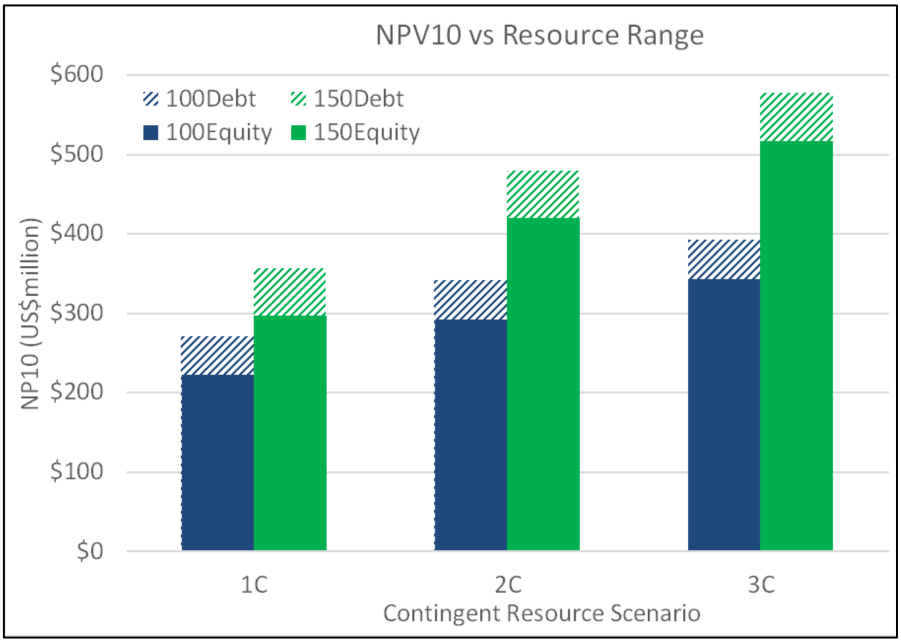
The subsurface integration of 2D seismic and 3D seismic also revealed that Dougga could be part of a giant “megastructure” as shown in the map below showing the potential Abiod gross hydrocarbon column across the mega structure which is multiples of area larger that the currently defined Dougga resource. This mega structure indicates the follow up potential for a Dougga development.



In parallel with the subsurface work, in 2017 ADX engaged TechnipFMC to undertake detailed concept selection and design analysis for the development of Dougga. This work provided a high level definition of engineering and operability for a design concept based on a subsea tie back to an onshore gas plant. In addition to the TechnipFMC study, ADX independently undertook an expression of interest process with suitably qualified contractors and equipment vendors to secure budget estimates for the Dougga project. The process has allowed ADX to high-grade and obtain budget estimates from parties who have the capability and experience to supply equipment and facilities for the development of Dougga. Based upon these estimates ADX’s most likely capital cost for facilities and wells is US$930 million - a reduction of over 30% compared to previous cost estimates based on a more complex design concept. The TechnipFMC study and Globe

Trotter II rig rates provided under the contract with Noble are key elements of the current CAPEX estimates for the economic modelling.

The table below summarizes the various economic scenarios based on the detailed subsurface and surface work undertaken by ADX. For the base case scenario (2C) a project NPV(10) of close to 500 MMUS$ can be achieved, assuming debt financing of 70%.



With the completion of the Dougga development project study to a very high degree of confidence, ADX was, at year end, in a position to open a comprehensive virtual dataroom (VDR) for interested farminees and/or alliance partners. Several parties are already in an advanced stage of evaluation and are continuing to engage positively with the Company.

Onshore Western Romania, Parta Concession (Operator, 50% equity interest)

The Parta permit covers an area of 1,221 km² and is located in the southern Pannonian basin area of western Romania. This prospective block covers 7 excised oil and gas fields and has never been explored with modern seismic technology. Exploration activities ceased in the late eighties and since then the only modern technology applied was 3D seismic over existing oil and gas fields which has demonstrated its potential to identify drilling targets with greater confidence.

In January 2017, ADX received government ratification for a further 30 months to complete its committed phase 1 work program of 160 km of 2D seismic, 150 square km of 3D seismic and 2 exploration wells. The joint venture has already completed 100 km of 2D seismic and 50 square km of 3D seismic.

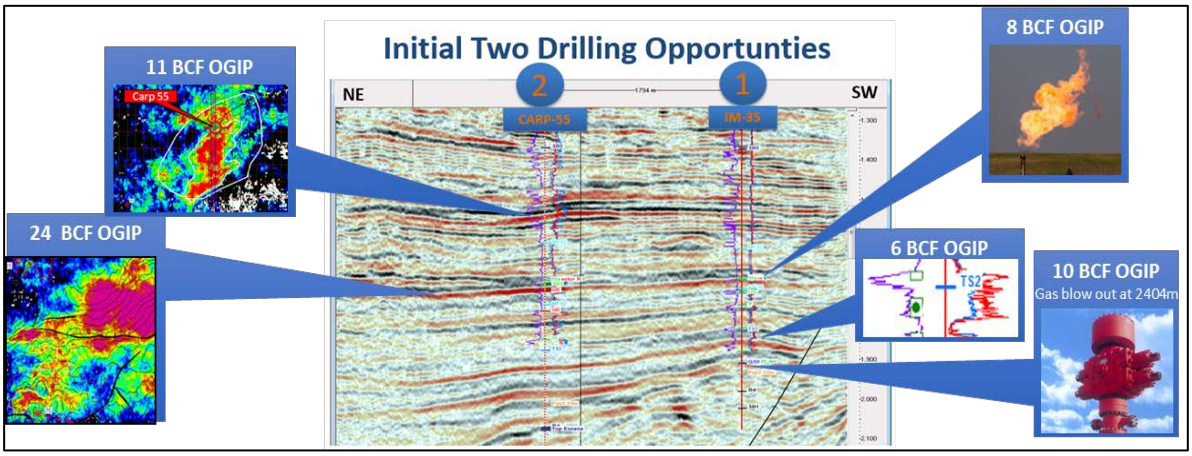
ADX also successfully obtained a previously acquired 3D seismic over the Iecea Mare production license inside its Parta block. Most of the 3D seismic is inside the ADX Parta block and outside the production license. The 3D seismic enabled ADX to further follow up on prospects identified on 2D seismic. Out of the several oil & gas appraisal or field infill opportunities identified, two gas appraisal prospects have been high-graded as drilling candidates for late 2018 or early 2019. These offer a balanced mix of several appraisal and relatively low-risk exploration targets which can be reached by the two planned wells. Each of the wells are expected to intersect at least two proven and/or prospective gas reservoirs, thereby significantly increasing the chances for at least one discovery and offering a low risk, fast track to early cash flow from gas production. Since a large part of each prospect is outside the now relinquished production licence, the previous Operator of this licence could not access them because ADX already had title to the Parta exploration license at the time.

The table below summarizes various possible outcomes modelled for a two well appraisal program. Each of the reservoir zones has either been flowing gas or had significant gas shows. As per PRMS (Petroleum Resource Management System) these resources would hence qualify as contingent.

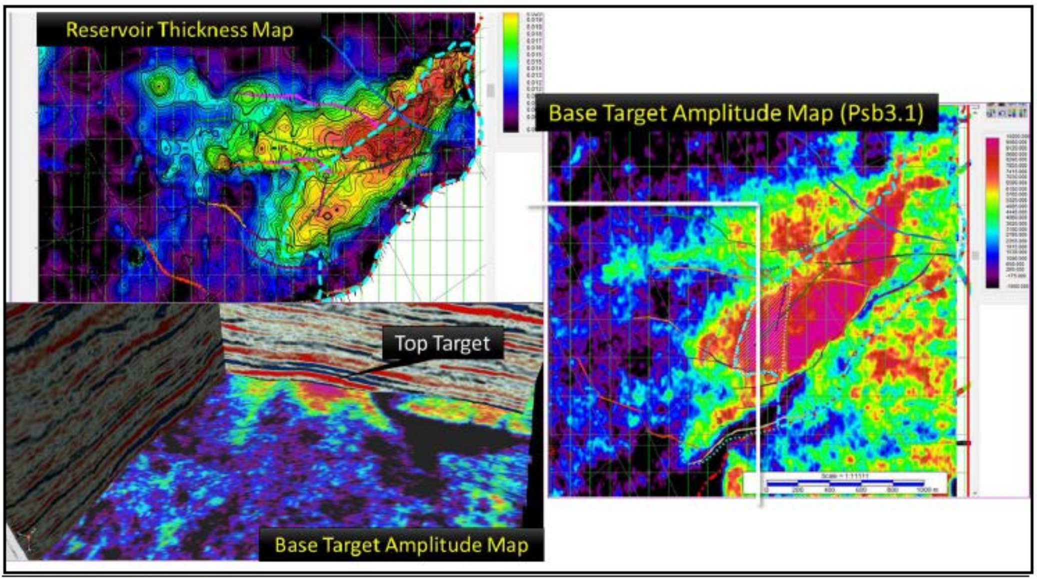
Opportunity	Well Cost (US$million)	P50 OGIP (BCF)	Recoverable Gas (BCF)	NPV_{10} (A.T.) (US$million)	ROI	Comment
CARP 55 Upper Zone	$2.2	11	3.3 (Single Well)	$7.0	2.5	Single shallow zone
CARP 55 Upper & Lower Zone	$2.5	35	7.3 (Single Well) 25.4 (Total Field)	$19.2 (Single Well) $64.3 (Total Field)	4.8 5.3	Single well dual zone 5 well full development
IM 35 Upper Zone	$2.5	8	3.2 (Single Well)	$6.4 (Single Well)	2.3	Single shallow zone
IM 35 All Zones	$3.2	18	8 (Single Well)	$22.4 (Single Well)	4.9	Single well dual zone

Due to a combination of relatively low well cost, shallow drill targets, close by infrastructure and European gas prices the investment proposal is highly profitable in the success case.

All drilling targets are covered by good quality 3D seismic as the figure below illustrates.



The shallow 11 BCF OGIP (best technical case) Carpinis-55 opportunity is shown in some more detail in the below figure:



Due to the stratigraphic nature of the shallow Carpinis trap there is a significant resource upside potential available.

In order to prepare for the 2018 and 2019 drilling campaign and potential development of appraisal prospects, ADX has engaged with the operator of the nearby (approx. 12 km) oil and gas processing facility for the producing Satchinez and Calacea fields. (The Petroleum Law of 2004 is applicable and grants access to nearby processing facilities, subject to technical capacities). This was followed up by a plant visit during which it was confirmed that the estimated dry gas production volumes could be handled by the plant.

In addition to the plant - tie in development option screening, ADX also identified landowners for drilling site and pipeline access. ADX does not expect major issues in relation to land access since the drilling site tenants, large agricultural operators, have already been supportive for the acquisition of 3D seismic and given their consent in writing.

ADX has also engaged with a number of local and international drilling companies in the region and expects to tender a rig by the end of the next quarter. Meanwhile well proposal and drilling documents to obtain permits from the granting authority NAMR (AGENTIA NATIONALA PENTRU RESURSE MINERALE) have started to be prepared during the quarter. This will be followed by land acquisition, environmental permits and permits for construction (including wells site access roads and the well site).

2018 Operations Outlook

Since its change of strategy away from exploration in 2016, ADX has been able to create a well-balanced and marketable appraisal and development asset base in countries with relatively low political risk, two of which are in the European Union. Our assets are now in a drill ready status, supported by credible and detailed development concepts on which the economic analysis is based. The tables below summarizes the asset base in terms of contingent and prospective resources for the flagship assets in each country of ADX operations ((1): note that for the Nilde oil field the Senergy third party verified resources are quoted. They are however for the 2C case close to the new 2C production profile generated resources of 34.1 mmbbls)

OFFSHORE ITALY: Nilde Resource Base	
2C Contingent Resource[1]:	**Nilde : 32.8 MMBBL remaining** Norma : 3.9 MMBBL Naila : 1.7MMBBL **Permit Total : 38.4 MMBBL**
Prospective Resource[1]:	90 MMBBL (best case estimate)

Refer to ASX announcement by ADX dated 14/2/2017 (Contingent) and 21/4/2016 (Prospective).

OFFSHORE TUNISIA: Kerkouane PSC Resource Base		
2C Contingent Resource:	Dougga:	517 Sales Gas 91 MMBBLS (LPG & Cond) 173 MMBOE
Prospective Resource:	1027 MMBOE (Best Estimate)	

Refer to ASX announcements 26/9/2012 (contingent) and 6/9/2013 (prospective).

ONSHORE ROMANIA: IM-35 and Carp55 Resources		
2C Contingent Resource:	IM-35	3.2 BCF Rec Gas
	Carp-55	17.4 BCF Rec Gas
	TOTAL	**20.6 BCF Rec Gas**
Prospective Resource: (best estimate)	IM-35	4.8 BCF Rec Gas
	Carp-55	8.0 BCF Rec Gas
	TOTAL	**12.8 BCF Rec Gas**

Refer to ASX announcement by ADX dated 8/8/2017 (Contingent and Prospective).

ADX confirms that it is not aware of any new information or data that affects the information included above and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Therefore the main operational targets for 2018 are summarized briefly below as follows:

- Significantly increase shareholder value by successfully marketing the appraisal and development opportunities especially in the case of Tunisia and Italy and transform Romania into a cash flow producing asset through the drilling of at least one successful appraisal well.

- In the case of Italy this will also require further engagement with the granting authorities to transform the current prospecting license into an exploration license which allows the drilling of wells and development of exisiting discoveries.

- Complete permitting, rig tendering, drilling and testing of at least one appraisal opportunity in the Romanian onshore Parta license.

- In Tunisia the drilling and testing of the Dougga-Sud appraisal well is targeted for late 2018.

- Acquire complimentary, value accretive appraisal and/or production opportunities where a combination of favourable fiscal terms, stable politics and local knowledge can deliver value development for ADX shareholders in a low oil price environment.

END OF OPERATIONS REPORT

Your Directors present their report for the year ended 31 December 2017.

DIRECTORS

The names and particulars of the Directors of the Company in office during the financial 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 the 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: Xstate Resources Limited and 3D Oil Limited (current) and Riedel Resources Limited (until 18/1/2016).

Paul Fink

MSc (Geophysics)

Executive Director (Appointed 25 February 2008)

Mr Fink has over 20 years of petroleum exploration and production industry experience in technical and management positions. Mr Fink is a graduate from the Mining University of Leoben, Austria. He started his career as a 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 he started his own petroleum consultancy business working on projects in Romania and as Vice President (Exploration) for Focus Energy, leading their highly successful exploration campaign in India.

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 Perthbased Ranger Oil Australia (later renamed Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director. Mr Childs is Chairman of Sacgasco Limited and Managing Director of Petroleum Ventures Pty Ltd.

Other directorships of listed companies in the last three years: Sacgasco Limited (current) and Riedel Resources Limited (until 30/3/2017).

Rob Brown

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

Non-Executive Director (Appointed 17 October 2016)

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 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 has recently co-founded a Perth based oil and gas advisory consultancy.

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

Philip Haydn-Slater
Non Executive Director (Appointed 21 July 2017)
Mr Haydn-Slater was co-founder and director of HD Capital for over 5 years and has worked throughout his 36-year career within institutional sales for a number of well-known financial institutions. Prior to HD Capital, Philip spent eight years as Head of Corporate Broking at WH Ireland Ltd in their London office. There he was responsible for originating and managing the sales process for a significant number of transactions, including flotations and secondary placings for corporate clients on AIM and other international exchanges.

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

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

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 30 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 28 years of resources related financial experience, both with explorers and producers. Ms Sparks has extensive experience in company secretarial, financial management, corporate governance and compliance for listed companies.

MEETINGS OF DIRECTORS

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

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

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

Name of Director	Number of Shares
I Tchacos	42,745,960
P Fink	33,442,207
A Childs	21,634,940
R Brown	2,843,012
P Haydn-Slater	8,000,000

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.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

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 financial year as follows:

ADX Energy Ltd	-	parent entity
Alpine Oil & Gas Pty Ltd	-	100% owned Australian controlled entity
AuDAX Energy Srl	-	100% owned Italian controlled entity
ADX Energy Panonia Srl	-	100% owned Romanian controlled entity
Bull Petroleum Pty Ltd	-	100% owned Australian controlled entity
Danube Petroleum Limited	-	100% owned UK controlled entity

Principal Activity

The principal activities of the Group during the year were oil and gas exploration. There were no significant changes in the nature of the principal activities during the year.

Operations review

Refer to the Operations Review preceding this 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 2017 $	Consolidated 31 December 2016 $
Cash and cash equivalents held at year end	1,840,247	734,152
Net profit/(loss) for the year after tax	(2,169,334)	(1,913,500)
Included in loss for the year:		
Exploration expensed	(1,857,322)	(949,530)
Share-based payments	(712,774)	(216,490)
Gain/(loss) on fair value - investment	54,819	(752)
Gain on disposal of investment	905,474	-
Basic profit/(loss) per share from continuing operations	(0.21) cents	(0.25) cents
Net cash (used in) operating activities	(1,938,573)	(1,447,335)
Net cash from investing activities	1,160,305	39,849
Net cash from financing activities	1,893,746	1,495,757

During the year:

- Exploration expenditure was $1,857,322. This was primarily expenditure on the Parta Joint Operation in Romania, the Nilde redevelopment project offshore Italy and activities on the Kerkouane permit offshore Tunisia. Expenditure includes $256,186 in recognising a provision for restoration and rehabilitation.

- On 31 May 2017, ADX announced the close of the 1 for 5 Non-Renounceable Entitlement Issue with the take up of 86,534,242 shares raising a total $1,124,945. On 19 June 2017, ADX advised that under the Shortfall Offer, it accepted applications for 69,230,768 Shares to raise an additional $900,000. Total raised was $2.025 million of the maximum $2.415 million under the Entitlement Issue with the level of participation confirming ongoing shareholder support for ADX and its projects.

- In September 2017, ADX sold its shareholding in ASX listed Riedel Resources Limited (ASX:RIE), recording a gain of $905,474.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

FUTURE DEVELOPMENTS

The Company intends to continue its exploration 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:

	Number	Exercise Price	Expiry Date
Unlisted Options	5,000,000	3 cents	31/12/2018
Unlisted Options	43,000,000	1.9 cents	1/12/2018

No option holder has any right under the options to participate in any other share issue of the Company or any other related entity.

No share options were exercised by employees or Key Management Personnel during the year.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

REMUNERATION REPORT (AUDITED)

The Directors present the 2017 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
Rob Brown	-	Non-Executive Director
Philip Haydn-Slater	-	Non-Executive Director – appointed 21 July 2017

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

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

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

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

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

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

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

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

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

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 participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

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

Executives fixed remuneration is currently a consulting fee of a daily rate.

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 2017 Shareholders approved the grant of options to Directors. Refer to section D of this report. 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 (was $40,000, reduced effective 1 July 2017). In accordance with the Company's Directors' Share Plan (Salary Sacrifice), part is paid in cash, and part in shares.

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.

Name	Term of agreement	Base annual remuneration inclusive of superannuation at 31/12/17	Termination benefit
I Tchacos – Executive Chairman – Consultancy	Term of 1 year commencing 1 October 2015, extended to 1 February 2018. Since 1 February 2018, ongoing.	$1,500 per day (after 4 days, rate is reduced to 50% cash and 50% equity, subject to shareholder approval) In addition, I Tchacos receives Directors fees of $25,000 pa (was $50,000, reduced effective 1 July 2017). 80% paid in cash, 20% paid in equity (subject to Shareholder approval)	1 month @ 4 days per month
P Fink – Executive Director - Consultancy	Term of 1 year commencing 1 October 2015, extended to 1 February 2018. Since 1 February 2018, ongoing.	$1,500 per day (after 8 days, rate is reduced to 50% cash and 50% equity, subject to shareholder approval) In addition, P Fink receives Directors fees of $25,000 pa (was $30,000, reduced effective 1 July 2017). 80% paid in cash, 20% paid in equity (subject to Shareholder approval)	1 month @ 8 days per month
R Brown – Non-executive - Consultancy	Term of 2 years commencing 1 December 2016.	$1,500 per day (after 4 days, rate is reduced to 50% cash and 50% equity, subject to shareholder approval) In addition, R Brown receives the standard Non-Executive Directors fees of $33,000 pa (was $40,000, reduced effective 1 July 2017). 60% paid in cash, 40% paid in equity (subject to Shareholder approval)	1 month @ 4 days per month

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:

		Post Employment		Share Based	Share Based	
2017	**Cash salary, directors fees and consulting fees $**	**Superannuation $**	**Total Cash $**	**Shares (in lieu of cash salary) [(1)] $**	**Options [(2)] $**	**Total including share based payments $**
Directors						
I Tchacos	257,298	1,952	259,250	131,468	115,624	506,342
P Fink	226,500	-	226,500	74,900	77,083	378,483
A Childs	21,515	1,735	23,250	18,250	30,833	72,333
R Brown	94,753	-	94,753	34,007	30,833	159,593
P Haydn-Slater[(3)]	13,750	-	13,750	-	-	13,750
TOTAL 2017	**613,816**	**3,687**	**617,503**	**258,625**	**254,373**	**1,130,501**

2016						
Directors						
I Tchacos	261,674	2,169	263,843	56,193	-	320,036
P Fink	202,200	-	202,200	68,000	-	270,200
A Childs	23,265	1,735	25,000	21,667	-	46,667
R Brown[(4)]	8,694	-	8,694	-	-	8,694
W Zimmer[(5)]	-	-	-	32,850	-	32,850
TOTAL 2016	**495,833**	**3,904**	**499,737**	**178,710**	-	**678,447**

(1) Share based payments – shares. These represent the amount expensed in the year for shares issued under the Directors Share Plan (Salary Sacrifice).

(2) Options. These represent the amount expensed for options granted and vested in the year.

(3) Philip Haydn-Slater was appointed on 21 July 2017. No remuneration has been paid yet to Mr Haydn-Slater, however his fees have been accrued.

(4) Rob Brown was appointed on 17 October 2016.

(5) Wolfgang Zimmer resigned on 26 May 2016.

D. REMUNERATION OK KEY MANAGEMENT PERSONNEL - CONTINUED

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

2017	Number of Shares Issued	Issue Date	Value per Share $	Part Remuneration for Quarter Ended
Directors				
I Tchacos	3,424,106	8/2/2017	0.007	December 2016
I Tchacos	2,421,873	9/8/2017	0.014	March 2017
I Tchacos	2,790,177	9/8/2017	0.014	June 2017
I Tchacos	2,466,517	27/12/2017	0.014	September 2017
P Fink	2,635,714	8/2/2017	0.007	December 2016
P Fink	1,612,500	9/8/2017	0.014	March 2017
P Fink	1,441,071	9/8/2017	0.014	June 2017
P Fink	978,571	27/12/2017	0.014	September 2017
A Childs	714,287	8/2/2017	0.007	December 2016
A Childs	357,143	9/8/2017	0.014	March 2017
A Childs	357,143	9/8/2017	0.014	June 2017
A Childs	232,142	27/12/2017	0.014	September 2017
R Brown	591,399	8/2/2017	0.007	December 2016
R Brown	357,143	9/8/2017	0.014	March 2017
R Brown	1,087,054	9/8/2017	0.014	June 2017
R Brown	689,136	27/12/2017	0.014	September 2017
TOTAL	22,155,976			

Options:
On 1 June 2017, the following options were granted as equity compensation benefits to Directors and other Key Management Personnel. These options vested at grant date.

	Number of Options at Exercise Price of 1.9 cents, expiry 1/12/2018	Value* per option at grant date $
I Tchacos	15,000,000	0.0077083
P Fink	10,000,000	0.0077083
A Childs	4,000,000	0.0077083
R Brown	4,000,000	0.0077083

These options were granted to recognise the efforts of ADXs directors and provide a retention incentive. Issue of these Director options were approved by Shareholders at the Company's Annual General Meeting held on 31 May 2017.

* Value at grant date has been calculated in accordance with AASB 2 *Share-based Payment*. ADX used a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Further details are in note 3 of the financial statements.

Shares issued to Key Management Personnel on exercise of compensation options
During the year to 31 December 2017, there were no compensation options exercised by Directors or other Key Management Personnel (2016: nil).

E. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR

(a) Option holdings of Key Management Personnel

Year ended 31 Dec 2017	Balance at beginning of the year	Granted as remuneration	Options exercised	Options expired	Balance at end of the year	Not exercisable	Exercisable
I Tchacos	-	15,000,000	-	-	15,000,000	-	15,000,000
P Fink	-	10,000,000	-	-	10,000,000	-	10,000,000
A Childs	-	4,000,000	-	-	4,000,000	-	4,000,000
R Brown	-	4,000,000	-	-	4,000,000	-	4,000,000
P Haydn-Slater	-	-	-	-	-	-	-
	-	33,000,000	-	-	33,000,000	-	33,000,000

(b) Shareholdings of Key Management Personnel

Year ended 31 Dec 2017	Balance at beginning of the year	Options exercised	Granted as remuneration	Purchases	Balance Held at Appointment Date	Balance at end of the year
I Tchacos	23,783,016	-	11,102,673	5,381,426	-	39,967,115
P Fink	20,787,737	-	6,667,856	4,684,691	-	32,140,284
A Childs	17,527,225	-	1,660,715	2,197,000	-	21,384,940
R Brown	-	-	2,724,732	118,280	-	2,843,012
P Haydn-Slater	-	-	-	-	8,000,000	8,000,000
	61,797,978	-	22,155,976	12,381,397	8,000,000	104,335,351

F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no other transactions with key management personnel during the year.

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 96% of "yes" votes on its Remuneration Report for the 2016 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

1. On 2 March 2018, ADX issued the following shares. These amounts were accrued for December 2017:

    a. 4,330,768 shares issued pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 31 May 2017. The shares were issued to directors in consideration of remuneration waived for the period 1 October 2017 to 31 December 2017 ($70,100).

    b. 1,061,537 shares issued to ADX's Company Secretaries in consideration of remuneration waived for the period 1 October 2017 to 31 December 2017 ($13,800).

    c. 2,562,517 shares issued to consultants in lieu of services ($31,841).

2. On 16 March 2018, ADX issued 4,380,018 shares ($50,000) to a consultant in lieu of advisory fees.

3. On 28 March 2018, ADX announced that it finalised the agreement announced on the 4th of December 2017 with Reabold Resources Plc (Reabold) to invest US$2 million in the ADX's subsidiary, Danube Petroleum Limited (Danube). Reabold has subscribed to an initial 10% interest in Danube with the payment of £375,940 (US$500,000) and placed £1,127,819 (US$1.5 million) million in an escrow account which will be released upon ADX issuing an Authority for Expenditure (AFE) in preparation for the drilling of the first well in the appraisal drilling program. Upon the release of escrow funds (totaling a US$2 million investment) Reabold will hold a 29% shareholding in Danube. The funds will be utilised for the drilling of the first well of the two well Appraisal Program during the second half of 2018, which will target a combination of tested contingent gas resources and log derived prospective gas resources quantified by recently acquired 3D seismic.

There are no other matters or circumstances that have arisen since 31 December 2017 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial 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

Auditors' independence - section 307C
The following is a copy of a letter received from the Company's auditors:

"Dear Sirs,
In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:
i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2017 financial statements; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)
Rothsay Chartered Accountants"

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

Signed in accordance with a resolution of the Directors.

Ian Tchacos
Executive Chairman

Dated this 29th day of March 2018

DIRECTORS' DECLARATION

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 2017 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 financial year ended 31 December 2017.

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

Ian Tchacos
Executive Chairman

Dated this 29th day of March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		Consolidated	
		Year ended 31 Dec 2017	Year ended 31 Dec 2016
	Note	$	$
Revenue and Income			
Interest revenue		4,303	1,841
Other income		905,474	-
		909,777	1,841
Expenses			
Administration and corporate expenses, net of recoveries from exploration projects	2	542,456	738,965
Share-based payments	3	712,774	216,490
Exploration expensed		1,857,322	949,530
Net loss/(gain) – other financial assets at fair value	2	(54,819)	752
Total expenses		3,057,733	1,905,737
Profit/(loss) before income tax		**(2,147,956)**	**(1,903,896)**
Income tax expense	4	21,378	9,604
Profit/(loss) after income tax attributable to members of ADX Energy Ltd		**(2,169,334)**	**(1,913,500)**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(95,586)	(14,699)
Income tax relating to items of other comprehensive income/(loss)		-	-
Other comprehensive income/(loss) for the year, net of tax		(95,586)	(14,699)
Total comprehensive profit/(loss) for the year		**(2,264,920)**	**(1,928,199)**
		Cents Per Share	**Cents Per Share**
Basic earnings/(loss) per share	5	(0.21)	(0.25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Consolidated	
	Note	31 December 2017 $	31 December 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,840,247	734,152
Trade and other receivables	7	164,814	152,683
Other financial assets at fair value	8	-	266,874
Total Current Assets		2,005,061	1,153,709
Non-Current Assets			
Property, plant and equipment		178	281
Total Non-Current Assets		178	281
Total Assets		2,005,239	1,153,990
LIABILITIES			
Current Liabilities			
Trade and other payables	9	675,711	422,249
Total Current Liabilities		675,711	422,249
Non-Current Liabilities			
Provisions	10	256,186	-
Total Current Liabilities		256,186	-
Total Liabilities		931,897	422,249
Net Assets		**1,073,342**	**731,741**
Equity			
Issued capital	11	68,083,114	65,859,376
Reserves	12	6,246,647	5,959,450
Accumulated losses		(73,256,419)	(71,087,085)
Total Equity		**1,073,342**	**731,741**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
At 1 January 2017	**65,859,376**	**5,959,450**	**(71,087,085)**	**731,741**
Profit/(loss) for the year	-	-	(2,169,334)	(2,169,334)
Other comprehensive income/(loss)	-	(95,586)	-	(95,586)
Total comprehensive loss for the year, net of tax	-	(95,586)	(2,169,334)	(2,264,920)
Transactions with owners in their capacity as owners:				
Issue of share capital	2,383,523	-	-	2,383,523
Cost of issue of share capital	(159,785)	-	-	(159,785)
Share based payments	-	382,783	-	382,783
	2,223,738	382,783	-	2,606,521
As at 31 December 2017	**68,083,114**	**6,246,647**	**(73,256,419)**	**1,073,342**
At 1 January 2016	**64,161,036**	**5,960,243**	**(69,173,585)**	**947,694**
Profit/(loss) for the year	-	-	(1,913,500)	(1,913,500)
Other comprehensive income/(loss)	-	(14,699)	-	(14,699)
Total comprehensive loss for the year, net of tax	-	(14,699)	(1,913,500)	(1,928,199)
Transactions with owners in their capacity as owners:				
Issue of share capital	1,818,861	-	-	1,818,861
Cost of issue of share capital	(120,521)	-	-	(120,521)
Share based payments	-	13,906	-	13,906
	1,698,340	13,906	-	1,712,246
As at 31 December 2016	**65,859,376**	**5,959,450**	**(71,087,085)**	**731,741**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Consolidated	
		Year ended 31 Dec 2017	Year ended 31 Dec 2016
	Note	$	$
Cash flows from operating activities			
Receipts in the ordinary course of activities		99,445	69,866
Payments to suppliers and employees, including for exploration expensed		(2,065,943)	(1,509,438)
Interest received		4,303	1,841
Income tax paid		(21,378)	(9,604)
Net cash flows used in operating activities	6(i)	(1,983,573)	(1,447,335)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	6,849
Payments for investments		(133,825)	-
Proceeds from sale of investments		1,313,130	-
Payments made on behalf of joint operation partners and operations		(386,000)	(428,000)
Receipts from exploration partners and operations		367,000	461,000
Net cash flows from investing activities		1,160,305	39,849
Cash flows from financing activities			
Proceeds from issue of shares and options		2,024,945	1,602,372
Payment of share issue costs		(131,199)	(106,615)
Net cash flows from financing activities		1,893,746	1,495,757
Net increase/(decrease) in cash and cash equivalents held		1,070,478	88,271
Net foreign exchange differences		35,617	23,860
Add opening cash and cash equivalents brought forward		734,152	622,021
Closing cash and cash equivalents at the end of the year	6	**1,840,247**	**734,152**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis with the exception of listed equity securities held for trading which have been measured at fair value.

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 United States dollars. ADX has identified the US dollar as its functional currency for the following reasons:

- The majority of ADX's activities are supporting its subsidiaries and their joint operations, primarily denominated in US dollars;
- A significant portion of ADX's assets (cash) are denominated in foreign currencies; and
- US dollars are the primary global currency used in the oil industry.

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 an exploration group, the Company and its controlled entities do not generate cash flows from their operating activities to finance these activities. As a consequence the ability of the Company to continue as a going concern is dependent on the success of capital fundraising, farmouts of projects or other financing opportunities. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should fundraising, farmouts or any alternative financing opportunities be unsuccessful, the Company may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

(b) Statement of Compliance

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

(c) Adoption of new and revised standards

Early adoption of accounting standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting year beginning 1 January 2017.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2017 affected any of the amounts recognised in the current year or any prior period and are not likely to affect future periods.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Adoption of new and revised standards - continued

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting year. The Group's assessment of the impact of these new standards and interpretations that may have an impact on the Group is set out below:

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group has yet to undertake a detailed impact assessment, however does not expect the new guidance to have a material impact for the Group. This standard is not applicable until the financial year commencing 1 July 2018.

AASB 16 Leases

AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. ADX does not believe this will the impact the group accounts at this stage. This standard is not applicable until the financial year commencing 1 July 2019.

(d) Significant accounting estimates and judgments

Significant accounting judgments
There are no significant accounting judgments.

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:

(i) 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 of shares is determined by the share price, and the fair value of options is determined using a Black-Scholes model.

(ii) Commitments - Exploration
The Group has certain commitments to maintain its right of tenure to exploration permits. These commitments require estimates of the cost to perform exploration work required under these permits.

(e) 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Basis of consolidation – continued

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.

(f) 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.

(g) Foreign currency translation

The presentation currency of ADX Energy Ltd Group is Australian Dollars. The functional currency of ADX Energy Ltd and its subsidiaries is United States Dollars, except for AuDAX Energy srl whose functional currency is Euros, and Danube Petroleum Limited whose functional currency is Great British Pounds.

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.

(u) Other taxes

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(u) Other taxes - continued

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.

NOTE 2 –INCOME AND EXPENSES

Exploration and evaluation 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 expenditure is capitalised to the Statement of Financial Position. Evaluation is deemed to be activities undertaken from the beginning of the pre-feasibility study 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.

		Consolidated	
	Note	Year Ended 31 Dec 2017 $	Year Ended 31 Dec 2016 $
INCOME			
Other income:			
Gain on disposal of other financial assets	8	905,474	-
EXPENSES			
Administration and corporate expenses include:			
Depreciation		-	9,601
Net foreign exchange losses/(gains)		(124,268)	(641)
Operating lease rental expense		40,150	42,315
Other administration and corporate expenses, net of recoveries		565,158	687,690
		481,040	738,965
Net loss/(gain) – other financial assets:			
Loss/(gain) on fair value – other financial assets		(54,819)	752

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 using a Black-Scholes model. 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).

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

	Consolidated	
	Year Ended 31 Dec 2017	**Year Ended 31 Dec 2016**
	$	**$**
Expensed against issued capital:		
Share-based payments – Options - note (b)(iv)	28,586	-
Expensed in the profit and loss:		
Share-based payments – Options to others - note (b)(v)	22,741	-
Share-based payments – Options to Directors (b)(iii)	254,373	-
Share-based payments – Options to Co Secretaries and staff (b)(iii)	77,083	-
Shares issued in lieu of fees:		
Share-based payments – Shares Issued to Directors (b)(i)	258,625	178,710
Share-based payments – Shares Issued to Co Secs and consultants (b)(ii)	99,952	37,780
Foreign exchange translation	-	-
	712,774	216,490

NOTE 3 – EQUITY-BASED PAYMENTS – continued

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

(i) Shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 31 May 2017 as follows:

Date Issued	Number of Shares	Value based on 90 Day VWAP $	In lieu of part remuneration for the quarter ended
8/2/2017	7,365,506	51,559	31/12/2016
9/8/2017	10,424,104	145,937	31/3/2017 and 30/6/2017
27/12/2017	4,366,366	61,129	30/9/2017
	22,155,976	258,625	

Summarised as:

Director	2017 Number of Shares	2017 Remuneration waived $	2016 Number of Shares	2016 Remuneration waived $
Ian Tchacos	11,102,673	131,468	8,822,167	56,193
Paul Fink	6,667,856	74,900	11,081,071	68,000
Andrew Childs	1,660,715	18,250	3,595,245	21,667
Rob Brown	2,724,732	34,007	-	-
Philip Haydn-Slater	-	-	-	-
Wolfgang Zimmer	-	-	5,474,934	32,850
	22,155,976	258,625	28,973,417	178,710

(ii) Shares to consultants in lieu of remuneration:

Date Issued	Number of Shares	Value based on 90 Day VWAP $	In lieu of part remuneration for the quarter ended
8/2/2017	1,328,571	9,300	31/12/2016
9/8/2017	2,703,458	35,180	31/3/2017 and 30/6/2017
27/12/2017	4,355,002	55,472	30/9/2017
	8,387,031	99,952	

(iii) On 1 June 2017, ADX granted:

a. 33,000,000 unlisted options to Directors, approved by Shareholders on 31 May 2017; and
b. 10,000,000 unlisted options to ADX's Company Secretaries and other staff.

The options have an exercise price of 1.9 cents and expire 1 December 2018.

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	1/6/2017	Expected volatility (%)	139.5
Option exercise price ($)	0.019	Risk-free interest rate (%)	1.53
Expected life of options (years)	1.5	Underlying share price ($)	0.014
Dividend yield (%)	-	Value of Option ($)	0.0077

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.

NOTE 3 – EQUITY-BASED PAYMENTS – continued

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

(iv) On 19 June 2017, ADX granted 5,000,000 options to the lead manager of ADX's Entitlement Issue in accordance with the Lead Managers Mandate. Value $28,586. These options have an exercise price of 3 cents and expire 31 December 2018.

(v) On 12 July 2017, ADX granted 5,000,000 options to consultants for marketing and introduction services. Value $22,741. These options had an exercise price of 3 cents and expiry of 31 December 2018. On 15 November 2017, these options were cancelled.

(c) Weighted average fair value

The weighted average fair value of equity-based payment options granted during the year was $0.0072 (2016: $0.0028).

(d) Range of exercise price

The range of exercise price for options granted as share based payments outstanding at the end of the year was $0.019 to $0.03 (2016: $0.02).

(e) Weighted average remaining contractual life

The weighted average remaining contractual life of share based payment options that were outstanding as at the end of the year was 0.92 years (2016: 0.33 years).

(f) Weighted average exercise price

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

	12 Months to 31 December 2017 Number	12 Months to 31 December 2017 WAEP $	12 Months to 31 December 2016 Number	12 Months to 31 December 2016 WAEP $
Outstanding at the beginning of year	5,000,000	0.02	20,500,000	0.04
Granted during the year	43,000,000	0.019	5,000,000	0.02
Granted during the year	5,000,000	0.03	-	
Granted during the year	5,000,000	0.03	-	
Cancelled during the year	(5,000,000)		-	
Lapsed during the year	(5,000,000)		(20,500,000)	
Outstanding at the end of the year	48,000,000	0.021	5,000,000	0.02
Exercisable at year end	48,000,000	0.021	5,000,000	0.02

The weighted average share price for options exercised during the year was nil (2016: nil).

NOTE 4 - INCOME TAX EXPENSE

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

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

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

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

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

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

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

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

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

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

NOTE 4 - INCOME TAX EXPENSE - continued

	Consolidated	
	Year Ended 31 Dec 2017 $	Year Ended 31 Dec 2016 $
(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	(2,147,956)	(1,903,896)
Prima facie income tax (benefit) @ 27.5% (2016: 28.5%)	(590,688)	(542,610)
Tax effect of non-deductible items	116,824	385,948
Deferred tax assets not brought to account	495,242	147,058
Income tax attributable to operating result	21,378	9,604
(b) Deferred tax assets not recognised relate to the following:		
Tax losses	12,145,833	12,122,622

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) Franking Credits
The franking account balance at year end was $nil (2016: $nil).

(d) Tax Consolidation Legislation
ADX Energy Ltd and its 100% owned Australian subsidiaries have not formed a tax consolidated group.

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.

	Consolidated	
	Year Ended 31 Dec 2017 Cents	Year Ended 31 Dec 2016 Cents
Basic earnings/(loss) per share	(0.21)	(0.25)
	$	$
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
- basic earnings per share	(2,169,334)	(1,913,500)

NOTE 5 - EARNINGS PER SHARE - continued

	Consolidated	
	Year Ended 31 Dec 2017 Number of shares	Year Ended 31 Dec 2016 Number of shares
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,020,560,745	750,044,578

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

NOTE 6 - CASH AND CASH EQUIVALENTS

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

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

	Consolidated	
	Year Ended 31 Dec 2017 $	Year Ended 31 Dec 2016 $
Cash at bank and on hand	1,840,247	734,152

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

Profit/(loss) after income tax	(2,169,334)	(1,913,500)
Non-Cash Items:		
Depreciation	-	9,601
Loss/(gain) on disposal of plant and equipment	-	22,346
Loss/(gain) on disposal of investment	(905,474)	-
Foreign exchange losses/(gains)	(124,268)	(641)
Share-based payments expensed	712,774	216,489
Loss/(gain) on fair value – other financial assets	(54,819)	752
Change in assets and liabilities:		
(Increase)/decrease in receivables	35,688	(13,729)
Increase/(decrease) in payables	265,674	232,107
Increase/(decrease) in provisions	256,186	(760)
Net cash flows used in operating activities	(1,983,573)	(1,447,335)

NOTE 6 - CASH AND CASH EQUIVALENTS - continued

(ii) Non-Cash Financing and Investing Activities

2017

On 19 June 2017, ADX granted 5,000,000 unlisted options to a broker in consideration for completion of the Company's Non-Renounceable Entitlement Issue ($28,586).

2016

On 23 May 2016, ADX granted 5,000,000 unlisted options to a broker in consideration for completion of a placement and ongoing financial advisory services ($13,906).

NOTE 7 – TRADE AND 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 within 12 months. Cash on deposit is not due for settlement until rights of tenure are forfeited or performance obligations are met.

	Consolidated	
	Year Ended 31 Dec 2017 $	**Year Ended 31 Dec 2016 $**
Current		
Share of cash held by joint operations	34,650	67,875
GST/VAT refundable	52,561	34,481
Receivables from joint operations	67,776	32,044
Prepayments	9,827	6,576
Other	-	11,707
Total current receivables	164,814	152,683

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 19.

Receivables do not contain past due or impaired assets as at 31 December 2017 (2016: none).

NOTE 8 - OTHER NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Current		
Listed equity securities held – Riedel Resources Limited	-	266,874

The fair value of listed securities has been determined by reference to published price quotations in an active market.

On 28 September 2017, ADX disposed of its interest in Riedel Resources Limited. Gross proceeds were $1,313,130, resulting in a profit of $905,474.

NOTE 9 – 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 financial 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 2017 $	Year Ended 31 Dec 2016 $
Current		
Trade creditors and accruals	675,711	422,249

The Group's exposure to interest rate risk is discussed in Note 19.

NOTE 10 – PROVISIONS

Obligations associated with exploration and development 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.

	Consolidated	
	31 December 2017 $	31 December 2016 $
Current		
Provision for restoration	256,186	-

NOTE 11 – 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	68,083,114	65,859,376

(b) Movements in Ordinary Share Capital

Number of Shares	Summary of Movements	Year Ended 31 December 2016 $
656,478,273	Opening balance 1 January 2016	64,161,036
114,286,000	Placement on 10 May 2016 at 0.7 cents	800,002
28,973,417	Issue of shares to Directors (note 3(b)(i))	178,710
5,961,428	Issue of shares to company secretaries in lieu of remuneration	37,780
46,014,748	Placement – tranche 1 on 14 November 2016 at 0.7 cents	322,103
68,609,493	Placement – tranche 2 on 23 December 2016 at 0.7 cents	480,266
	Costs of share issues – cash	(106,615)
	Costs of share issues – non-cash options	(13,906)
920,323,359	Closing Balance at 31 December **2016**	65,859,376
920,323,359	Opening balance 1 January 2017	65,859,376
22,155,976	Issue of shares to Directors (note 3(b)(i))	258,625
8,387,031	Issue of shares to consultants and co secretaries (note 3(b)(ii))	99,952
155,765,010	Rights Issue and shortfall at 1.3 cents (note i)	2,024,945
	Costs of share issues – cash	(131,198)
	Costs of share issues – non-cash options (note 3(b)(iv))	(28,586)
1,106,631,376	Closing Balance at 31 December **2017**	68,083,114

(ii) On 31 May 2017, ADX announced the close of the 1 for 5 Non-Renounceable Entitlement Issue with the take up of 86,534,242 shares raising a total $1,124,945. On 19 June 2017, ADX advised that under the Shortfall Offer, it accepted applications for 69,230,768 Shares to raise an additional $900,000. Total raised was $2.025 million.

(c) Options on issue at 31 December 2017

	Number	Exercise Price	Expiry Date
Unlisted Options	5,000,000	3 cents	31 December 2018
Unlisted Options	43,000,000	1.9 cents	1 December 2018

During the year:

(i) 43,000,000 unlisted options were granted as remuneration share-based payments to Directors and staff. Refer note 3(b)(iii) (2016: nil);
(ii) 10,000,000 unlisted options were granted to others. Refer note 3(b)(iv) and (v) (2016: 5,000,000);
(iii) 5,000,000 unlisted options were cancelled (2016: nil);
(iv) 5,000,000 unlisted options lapsed (2016: 20,500,000);
(v) 62,312,121 unlisted options expired (2016: nil); and
(vi) No unlisted options were exercised (2016: nil).

NOTE 11 – 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.

	Consolidated	
	31 December 2017 $	**31 December 2016 $**
NOTE 12 - RESERVES		
Share-based payments reserve	4,159,147	3,776,364
Foreign currency translation reserve	(1,078,042)	(982,456)
Option premium reserve	2,915,542	2,915,542
Asset revaluation reserve	250,000	250,000
	6,246,647	5,959,450
Share-based payments reserve		
Balance at the beginning of the year	3,776,364	3,762,458
Share-based payments (options granted)	382,783	13,906
Balance at the end of the year	4,159,147	3,776,364

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	(982,456)	(967,757)
Currency translation differences	(95,586)	(14,699)
Balance at the end of the year	(1,078,042)	(982,456)

NOTE 12 – RESERVES - continued

Nature and purpose of the reserves:

(i) Foreign currency translation reserve

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

(ii) Option premium reserve

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

(iii) 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 13 - INTERESTS IN JOINT OPERATIONS

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

	Principal Activities	**ADX Group % Interest**	
		31 December 2017	**31 December 2016**
Romania –Parta Block	Exploration	50%	50%

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

NOTE 14 – PARENT ENTITY INFORMATION

	Company 31 December 2017 $	Company 31 December 2016 $
Statement of Financial Position information		
Current assets	1,928,670	1,006,420
Non-current assets	178	193
Current liabilities	(344,715)	(364,274)
Non-current liabilities	-	-
Net Assets	1,584,133	642,339
Issued capital	68,083,114	65,859,376
Reserves	10,206,442	9,948,415
Accumulated losses	(76,705,423)	(75,165,452)
	1,584,133	642,339
Profit and loss information		
Profit/(loss) for the year	(1,539,971)	(2,002,172)
Comprehensive profit/(loss) for the year	(1,583,341)	(1,927,929)

Commitments and contingencies

There are no commitments or contingencies, including any guarantees entered into by ADX Energy on behalf of its subsidiaries

Subsidiaries

Name of Controlled Entity	Class of Share	Place of Incorporation	% Held by Parent Entity 31 December 2017	% Held by Parent Entity 31 December 2016
Alpine Oil & Gas Pty Ltd	Ordinary	Australia	100%	100%
AuDAX Energy Srl	Ordinary	Italy	100%	100%
ADX Energy Panonia Srl	Ordinary	Romania	100%	100%
Bull Petroleum Pty Ltd	Ordinary	Australia	100%	100%
Danube Petroleum Limited	Ordinary	UK	100%	-
ADX Energy GmbH	Ordinary	Austria	-	100%

NOTE 15 – COMMITMENTS AND CONTINGENCIES

	Consolidated 31 December 2017 $	Consolidated 31 December 2016 $
(a) Operating leases (non-cancellable):		
Within one year	23,036	12,000

These non-cancellable operating leases are for office premises.

NOTE 15 – COMMITMENTS AND CONTINGENCIES – continued

(b) Exploration Commitments and Contingencies for Tunisia, Italy and Romania

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

Tunisia - Kerkouane Permit

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

Romania - Parta

In December 2012, the Romanian Government ratified the concession agreement for ADX's EX 10 Parta license ("Parta Permit"). The committed work program for the Parta Permit requires the acquisition of 2D and 3D seismic and the drilling of two exploration wells. Total commitments are estimated at A$5.4 million (euro 3.5 million) for the 2.5 year period. ADX's share of this commitment is 50%. To date 90 km of 2D and 35 km2 of 3D seismic has been acquired. In order to complete the exploration program a 30 month extension of the exploration period has been signed with NAMR on 4 June 2015. The government ratified the extension application on 22 December 2016. The current license validity is therefore until 21 June 2019. In order to obtain the license, ADX and RAG have committed to an additional 60 km of 2D seismic and approximately 100 km2 of 3D seismic.

(c) Other contingencies

Italy - d363 C.R.-.AX license

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

Italy – Pantelleria permit

Under the Pantelleria West G.R.15.PU Exploration offshore permit, a third party has a 1.5% ORR interest under a 2003 Royalty Agreement.

(d) Conditional commitments to previous partners

In March 2009, ADX entered an agreement with a previous partner to acquire that partners' 30% interest in the Sicily Channel exploration permit, Pantelleria (Italy). As consideration, ADX will pay US$280,000 cash if and when ADX disposes of an interest in that permit.

In August 2011, a Sale and Purchase Agreement was signed with Carnavale Resources Limited ("CAV") to buy back a 20% interest in the Lambouka Prospect Area in the Kerkouane Permit. In the event that production is derived from a development of the Lambouka-1 well discovery, ADX will additionally pay two production payments of US$1 million each, after 6 and 12 months continuous production respectively.

NOTE 16 – KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of Key Management Personnel

	Consolidated	
	31 December 2017 $	31 December 2016 $
Short-term employment benefits	613,816	495,833
Post-employment benefits	3,687	3,904
Share-based payment	512,998	178,710
	1,130,501	678,447

(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 2018 at normal commercial rates. Rental paid for the year ended 31 December 2017 totalled $27,600 (2016: $24,000).

(ii) Mr Ian Tchacos, through an entity controlled by Mr Tchacos, provides office premises in Claremont at normal commercial rates. The rental is provided on a casual monthly basis. Rental paid for the year ended 31 December 2017 totalled $7,000 (2016: Nil).

NOTE 17 - AUDITORS' REMUNERATION

Amount received or due and receivable by the auditor for:		
Auditing the financial statements, including audit review - current year audits	29,500	28,000
Other services	-	-
Total remuneration of auditors	29,500	28,000

NOTE 18 – 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 products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory 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.

NOTE 18 – SEGMENT INFORMATION - continued

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:

- Tunisia Exploration and Evaluation Segment: This segment includes assets and activities that are associated with oil and gas exploration in that region.

- Romania Exploration and Evaluation Segment: This segment includes assets and activities that are associated with oil and gas exploration in that region.

- Italy Exploration and Evaluation Segment: This segment includes assets and activities that are associated with oil and gas exploration in that region.

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

NOTE 18 – SEGMENT INFORMATION - continued

Operating Segments	Tunisia	Romania	Italy	Total Operations
	$	$	$	$
Year ended 31 December 2017				
Revenue and income	-	-	-	-
Total segment revenue				**-**
Result				
Segment result	(1,144,613)	(183,212)	(534,862)	
Depreciation	-	-	-	-
Total Segment result	(1,144,613)	(183,212)	(534,862)	(1,862,687)
Reconciliation of segment profit after tax to net profit after tax:				
Unallocated revenue and income				909,777
Foreign currency gains/(losses)				124,268
Unallocated depreciation				-
Unallocated expenditure				(1,319,314)
Income tax expense				(21,378)
Net profit/(loss) after tax				**(2,169,334)**
Assets				
Segment assets	27,983	90,049	4,985	123,017
Reconciliation of segment assets:				
Unallocated cash				1,756,561
Other				125,661
Total assets				**2,005,239**
Liabilities				
Segment liabilities	(513,353)	(50,903)	(22,925)	(587,181)
Reconciliation of segment liabilities:				
Unallocated liabilities				(344,716)
Total liabilities				**(931,897)**
Capital expenditure				
Segment capital expenditure – plant and equipment	-	-	-	-
Total Segment capital expenditure	-	-	-	-
Reconciliation of capital expenditure:				
Unallocated additions				-
Total capital expenditure				**-**

NOTE 18 – SEGMENT INFORMATION - continued

Operating Segments	Tunisia	Romania	Italy	Total Operations
	$	$	$	$
Year ended 31 December 2016				
Revenue and income	-	-	-	-
Total segment revenue				**-**
Result				
Segment result	(151,540)	(233,734)	(556,991)	
Depreciation	(32)	-	-	
Total Segment result	(151,572)	(233,734)	(556,991)	(942,297)
Reconciliation of segment profit after tax to net profit after tax:				
Unallocated revenue and income				1,841
Foreign currency gains/(losses)				641
Unallocated depreciation				(9,569)
Unallocated expenditure				(954,512)
Income tax expense				(9,604)
Net profit/(loss) after tax				**(1,913,500)**
Assets				
Segment assets	13,844	80,658	15,730	110,232
Reconciliation of segment assets:				
Unallocated cash				709,684
Other financial assets at fair value				266,874
Other				67,200
Total assets				**1,153,990**
Liabilities				
Segment liabilities	(46,596)	(54,612)	(118,218)	(219,426)
Reconciliation of segment liabilities:				
Unallocated liabilities				(202,823)
Total liabilities				**(422,249)**
Capital expenditure				
Segment capital expenditure – plant and equipment	-	-	-	-
Total Segment capital expenditure	-	-	-	-
Reconciliation of capital expenditure:				
Unallocated additions				-
Total capital expenditure				**-**

NOTE 19 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash. The main purpose of this financial instrument is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors, security bonds and trade creditors, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken, except for share investments which are considered immaterial.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and foreign currency risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

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

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	31 December 2017 $	**31 December 2016 $**
Financial Assets:		
Cash and cash equivalents – interest bearing	1,082,839	546,137
Trade and other receivables – interest bearing	-	-
Net exposure	1,082,839	546,137

Sensitivity
Any sensitivity on changes of interest rates is immaterial on the groups result.

Liquidity risk
The Group has no significant exposure to liquidity risk as there is effectively no debt. The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Credit risk
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company 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 Company 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 Company does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

NOTE 19 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Foreign currency risk
As a result of oil and gas exploration operations in Europe being denominated in USD and Euro, the Group's Statement of Financial Position can be affected by movements in the USD/A$ and Euro/USD exchange rates. The Company does not hedge this exposure.

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 Euros and AUD, to meet current operational commitments.

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

	Consolidated	
	31 December 2017 $	31 December 2016 $
Financial Assets:		
Cash and cash equivalents - non USD	1,575,932	678,450
Trade and other receivables – current – non USD	47,877	42,008
Financial Liabilities:		
Trade and other payables – current – non USD	(323,141)	(375,579)
Net exposure	1,300,668	344,879

Sensitivity
Any sensitivity on changes of exchange rates is immaterial on the groups result.

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Commodity price risk
The Group's exposure to price risk is minimal given the Group is still in an exploration phase.

Fair value
Disclosure of fair value measurements by level are as follows:

• Level 1 – the fair value is calculated using quoted prices in active markets

• Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

• Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data

NOTE 19 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Fair value - continued

The following table presents the Group's assets and liabilities measured at fair value as well as the methods used to estimate the fair value.

	Year ended 31 December 2017				Year ended 31 December 2016			
	Quoted Market Price (Level 1)	Valuation with Observable Market Data (Level 2)	Valuation with no Observable Market Data (Level 3)	Total	Quoted Market Price (Level 1)	Valuation with Observable Market Data (Level 2)	Valuation with no Observable Market Data (Level 3)	Total
	$	$	$	$	$	$	$	$
Consolidated								
Other non-current financial assets at fair value	-	-	-	-	266,874	-	-	266,874

Transfer Between Categories
There were no transfers between Level 1 and Level 2 during the year.

NOTE 20 - SUBSEQUENT EVENTS

1. On 2 March 2018, ADX issued the following shares. These amounts were accrued for December 2017:

   a. 4,330,768 shares issued pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 31 May 2017. The shares were issued to directors in consideration of remuneration waived for the period 1 October 2017 to 31 December 2017 ($70,100).

   b. 1,061,537 shares issued to ADX's Company Secretaries in consideration of remuneration waived for the period 1 October 2017 to 31 December 2017 ($13,800).

   c. 2,562,517 shares issued to consultants in lieu of services ($31,841).

2. On 16 March 2018, ADX issued 4,380,018 shares ($50,000) to a consultant in lieu of advisory fees.

3. On 28 March 2018, ADX announced that it finalised the agreement announced on the 4th of December 2017 with Reabold Resources Plc (Reabold) to invest US$2 million in the ADX's subsidiary, Danube Petroleum Limited (Danube). Reabold has subscribed to an initial 10% interest in Danube with the payment of £375,940 (US$500,000) and placed £1,127,819 (US$1.5 million) million in an escrow account which will be released upon ADX issuing an Authority for Expenditure (AFE) in preparation for the drilling of the first well in the appraisal drilling program. Upon the release of escrow funds (totaling a US$2 million investment) Reabold will hold a 29% shareholding in Danube. The funds will be utilised for the drilling of the first well of the two well Appraisal Program during the second half of 2018, which will target a combination of tested contingent gas resources and log derived prospective gas resources quantified by recently acquired 3D seismic.

There are no other matters or circumstances that have arisen since 31 December 2017 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial years.

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ADX ENERGY LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ADX Energy Ltd ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2017, 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 2017 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter

Cash

The Group's cash makes up 92% of total assets by value and is considered to be the key driver of the Group's operations and exploration activities. We do not consider cash to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because it is a liquid asset. However due to the materiality in the context of the financial statements as a whole, cash is considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

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

- Documenting and assessing the processes and controls in place to record cash transactions;
- Agreeing cash holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in Notes 1 and 6 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, 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 misstatementt, 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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2017.

In our opinion the remuneration report of ADX Energy Ltd for the year ended 31 December 2017 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

Rothsay Auditing

GRSwan

Graham Swan FCA
Partner

Dated 29 March 2018

Chartered Accountants

Liability Limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Information as at 27 March 2018

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

Name	Number of Shares Disclosed in Substantial Holder Notice
Jetosea Pty Ltd	93,967,073
Willow Scent Limited	54,749,090

b) Shareholder Distribution Schedule

Size of Holding	Number of Shareholders	Number of Ordinary Shares	Percentage of Issued Capital
1 - 1,000	184	85,888	0.01
1,001 - 5,000	490	1,564,127	0.14
5,001 - 10,000	408	3,326,249	0.30
10,001 - 100,000	945	37,973,685	3.39
100,001 and over	489	1,076,016,267	96.16
Total Shareholders	2,516	1,118,966,216	100
Number of shareholders holding less than a marketable parcel	1,699		

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:

There are no securities currently subject to an ASX escrow. The Company has 4,380,018 ordinary shares (quoted) subject to a voluntary escrow until 16 March 2019 or the date of an approved transaction being secured, whichever is the earlier.

d) Twenty largest shareholders:

	Name	Number of Ordinary Shares	% of Issued Capital
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	145,464,729	13.00
2.	JETOSEA PTY LTD	102,647,600	9.17
3.	WILLOW SCENT LIMITED	54,749,090	4.89
4.	MR PAUL FINK	33,442,207	2.99
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,565,860	2.37
6.	AUST EXECUTOR TRUSTEES LTD <HENROTH PTY LIMITED>	25,200,000	2.25
7.	PAKASOLUTO PTY LIMITED <BARKL FAMILY SUPER FUND A/C>	25,155,000	2.25
8.	IRONSIDE PTY LTD <IRONSIDE SUPER FUND A/C>	19,865,710	1.78
9.	CITICORP NOMINEES PTY LIMITED	18,320,670	1.64
10.	EONIA PTY LTD	17,595,370	1.57
11.	LOBSTER BEACH PTY LTD	17,000,000	1.52
12.	MR ANDREW CHILDS	15,323,341	1.37
13.	KENLOW (1982) PTY LTD <SUPER FUND A/C>	15,250,000	1.36
14.	JONNOLA PTY LTD <SCALES SUPER A/C>	14,067,006	1.26
15.	MR ALAN GEORGE BROOKS + MRS PHILIPPA CLAIRE BROOKS <A G & P C BROOKS S/FUND A/C>	14,000,000	1.25
16.	FIVECUTS PTY LTD <ELLIMATTA SUPER FUND A/C>	13,300,000	1.19
17.	BFT ONE PTY LTD	11,999,922	1.07
18.	GREAT EASTERN HOLDINGS PTY LTD <NAMBUNG UNIT A/C>	11,000,000	0.98
19.	MR VICTOR MIASI + MR JOSEPH MIASI <VICTOR MIASI SUPER A/C>	11,000,000	0.98
20.	WARROORAH PTY LTD <TCHACOS FUND A/C>	10,961,705	0.98
		602,908,210	53.88
	Remaining Holders Balance	516,058,006	
	Shares on issue	1,118,966,216	

e) Unlisted Options:

Name	**Expire 1/12/2018 1.9 cents**	**Expire 31/12/2018 3 cents**
Directors:		
Ian Tchacos (Eonia Pty Ltd)	15,000,000	
Paul Fink	10,000,000	
Andrew Childs (Marina Childs)	4,000,000	
Robert Brown (Auspicious Resources & Technical Services Pty Ltd <The Milinos & Brown Family A/C>)	4,000,000	
Others:		
Issued under the Employee Incentive Option Plan	10,000,000	
Austmart Pty Ltd <Super Fund a/c>		2,000,000
QA Partners Pty Ltd		1,000,000
Lorre Pty Ltd <Penrose Family A/C>		2,000,000
	43,000,000	5,000,000

Oil AND GAS ASSETS
Europe and North Africa

Project	Permit	ADX Group Interest (%)	Operator
Kerkouane – Tunisia	Kerkouane	100%	ADX
Pantelleria – Italy	G.R15.PU	100%	ADX
Nilde – Italy – awarded application [Note 1]	d363 C.R.-.AX	100%	ADX
Romania - Parta	EX-10 PARTA	50%	ADX

Note 1: 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. ADX believes ratification should occur during 2018.