



ADX Energy Ltd

ABN 50 009 058 646

ANNUAL REPORT

31 DECEMBER 2018

ADX ENERGY LTD

CONTENTS

Contents	Page
Corporate Directory.....	2
Chairman’s Report.....	3
Operations Report.....	8
Directors’ Report.....	17
Directors’ Declaration.....	28
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	29
Consolidated Statement of Financial Position.....	30
Consolidated Statement of Changes in Equity.....	31
Consolidated Statement of Cash Flows.....	32
Notes to the Financial Statements.....	33
Auditors’ Report.....	61
Additional Shareholder Information.....	64
Tenement Schedule.....	66

ADX ENERGY LTD
CORPORATE DIRECTORY

Directors

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

Company Secretary

Peter Ironside
Amanda Sparks

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Perth Western Australia 6000

Bankers

Commonwealth Bank of Australia
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Stock Exchange Listing

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

Auditors

Rothsay Chartered Accountants
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West Perth Western Australia 6005

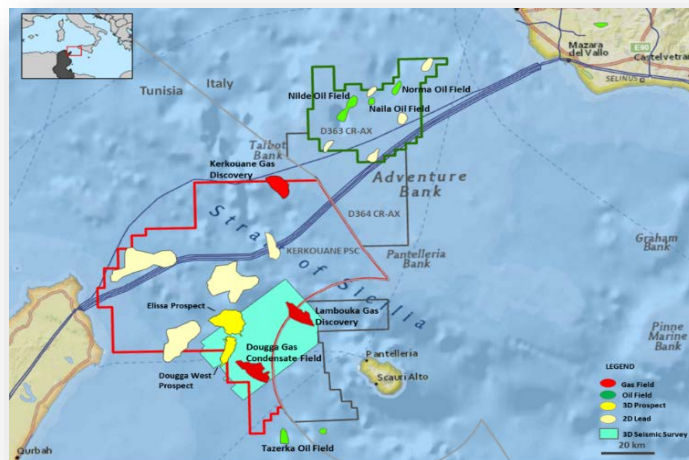
ADX ENERGY LTD
CHAIRMAN'S REPORT

Dear Shareholders

Despite a recovery in the oil price during the early half 2018, the negative trend in the latter half of the year significantly eroded investor confidence and access to capital markets. Currently the majority of the capital being deployed in the oil and gas business is by private equity. Regrettably the focus of private equity has been on production assets or production enhancement opportunities rather than appraisal and development assets such as ADX's asset base.

For ADX the availability of funding is critical to our success. The Company is asset rich but capital poor. Our strategy has been to concentrate on developing credible investment cases for each of our appraisal / development assets, securing funding and creating value by converting the Company's large independently assessed resource base to reserves through successful appraisal. We had three different offerings during 2018 to potential farminees, private equity or vendor finance investors. The intention has been to source capital and value validation at an asset level without substantial dilution at a corporate level with a view to maximising shareholder value. In addition to securing funding at an asset level the abovementioned work has enabled your Company to prepare for a future dual listing on the London Stock Exchange – Alternative Investment Market ("AIM"). An AIM listing would better position ADX for future growth by placing the Company in a more sympathetic investor environment for securing future funding due to the geographic location of ADX's assets in Europe and the Mediterranean North Africa.

During the year we completed internal resource assessments, development concepts and costs studies supported by independent expert reports for each asset - the Nilde Oil Redevelopment Project ("Nilde") offshore Sicily, the Dougga Gas Condensate Project ("Dougga") offshore Tunisia and the Parta Appraisal Project ("Parta") Onshore Romania. By the mid 2018 ADX had completed well defined investment proposals and data rooms for all assets incorporating credible resource definition, development feasibility studies and industry derived capital costs estimates.



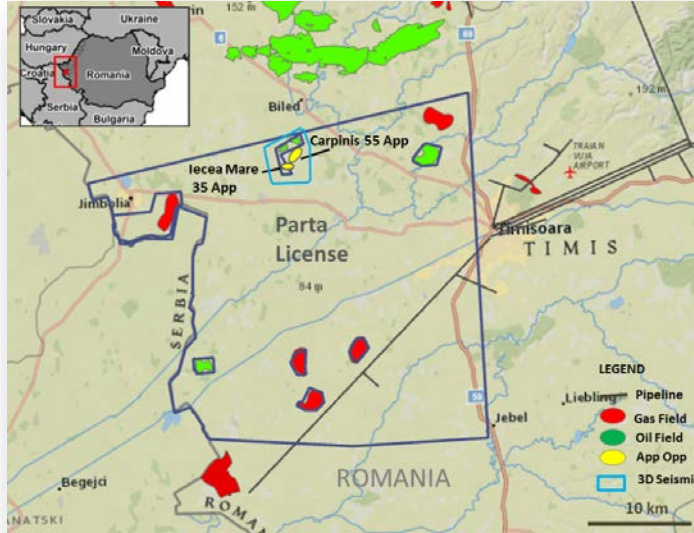
Map Showing the Kerkouane licence offshore Tunisia and the D363 C.R.-AX Permit containing Dougga and Nilde

Our efforts to attract investment at an asset level have yielded a number of funding transactions including a Euro 20.8 million funding commitment from SDP Services Limited ("SDP") for Nilde and US\$ 2.5 million funding for Parta by Reabold Resources PLC ("Reabold"). As announced on 31 October 2018 SDP agreed to farm in to Nilde to earn a 50% equity interest in the asset. Reabold has invested in a UK special purpose vehicle - Danube Petroleum Limited (Danube) formed by ADX to conduct appraisal, development and Exploration activities in Parta. At year end ADX held a 67% shareholding in Danube with Reabold holding the remaining 33% interest. Based on these investments alone the value of ADX interests in Nilde post farm in and the Danube shareholding are approximately A\$ 23 million.

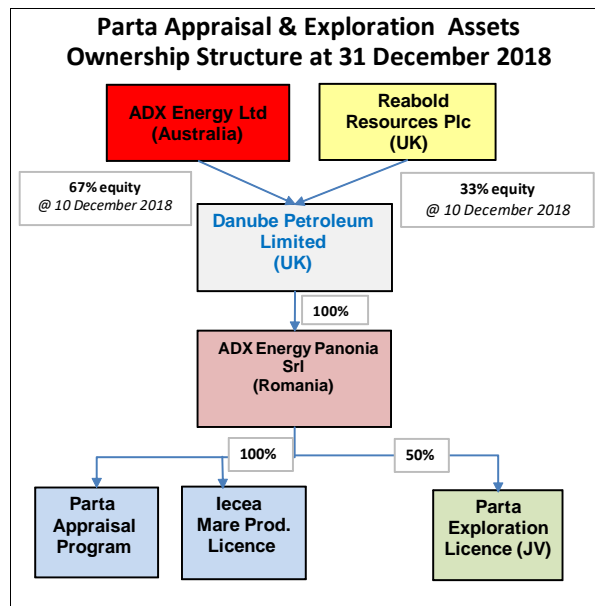
Regrettably the decision by the Italian government to impose an 18 month moratorium on exploration and development activities commencing February 2019 has delayed Nilde appraisal operations and significantly eroded short term investor confidence in ADX resulting in a 50% drop in the price of the Company's shares. While activities on Nilde have been delayed

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CHAIRMAN'S REPORT

ADX believes the value created in the Nilde asset will be retained and reflected in the Company's share price when appraisal activities resume from a much stronger financial base in 2020.



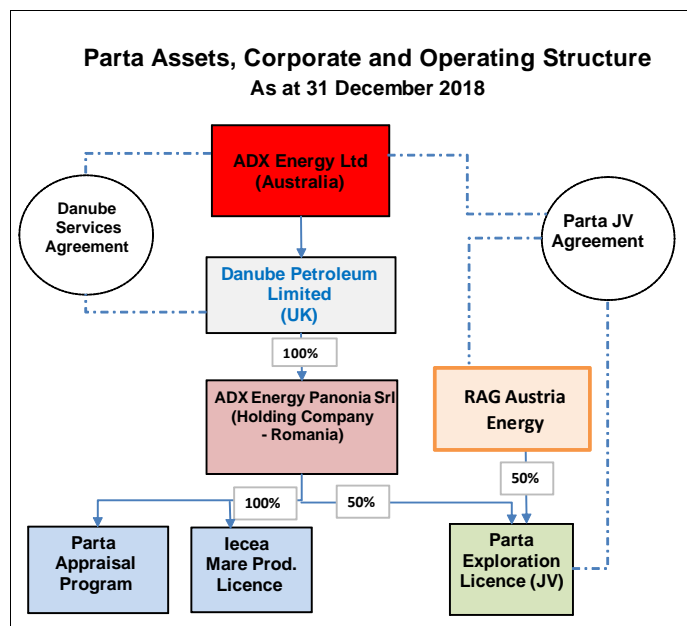
Map Showing the Parta Licence the location of the planned Carpinis and Iecea Mare Appraisal wells



Schematic Showing Danube Parta Ownership Structure

The establishment of Danube as a UK incorporated private investment vehicle has enabled ADX to create an operational and financing platform for appraisal, development and exploration operations in Romania. ADX has secured the capital from Reabold to drill its first appraisal well in Parta and position Danube for the purchase of the highly complementary Iecea Mare production license (Iecea Mare License). The acquisition provides Danube with access to a 3D seismic data set as well as the ability to drill its first appraisal well ("Iecea Mica 1") from an optimal location within the Iecea Mare license. The potential and operational readiness of the Iecea Mica 1 well due to spud in late June 2019 is described in the following Operations Report.

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CHAIRMAN'S REPORT



Schematic Showing Parta Assets and Operating Structure

The Danube asset and commercial structure positions ADX in a strong position to undertake operations, secure further capital and create value in Romania. The Danube platform provides shareholders with the following investment attributes;

1. Proven independently assessed appraisal potential with substantial exploration upside identified by ADX in the Parta appraisal area and the surrounding exploration permit.
2. An established in country asset and operating position - ADX is now licensed to operate exploration and production.
3. Appraisal drilling activity with a rapid pathway to cash flow – a proximal gas plant to wells enabling rapid and low cost tie in potential.
4. An attractive, established regulatory and fiscal environment in Romania - Romania is part of the European Union, is the second largest Eastern European gas producer with excellent infrastructure access in the eastern Romania where Parta is located.
5. Strong commodity pricing, low cost operating environment, excellent fiscal terms resulting in highly profitable economics, and
6. Further growth opportunities identified for appraisal or production.

Given the asset position established under Danube with the abovementioned attributes, ADX looks forward to the commencement of operations and the results of the Iecea Mare 1 well appraisal well mid 2019.

The funding of the Dougga Sud appraisal well is yet to be secured. Dougga despite being by far the largest resource base in the ADX portfolio with *122 MMBOE 2C Contingent Resources* independently assessed by ERC Equipoise (ERCE) as announced by ADX to the ASX on 16/7/2018 remains the most challenging asset for securing funding. Regrettably the farmout market amongst mid tier companies remains poor for larger, more capital intensive and longer lead time projects such as Dougga. In the case of Dougga sourcing funding is despite the Dougga project being rated by ERCE as having a 70% chance of commercialisation success. Recognising this situation, ADX has adapted its funding strategy for Dougga to focus on alternative funding sources such as private equity and vendor finance while still pursuing traditional farmouts.

ADX continues to promote Dougga's very positive investment attributes with new potential sources of funding;

- A large gas condensate contingent resource and exploration potential that has been independently assessed.
- A well defined project with a high chance of commercial and technical success.

ADX ENERGY LTD

CHAIRMAN'S REPORT

- A strategic project in a desperately under supplied gas market with expansion potential.
- An established and stable, political and regulatory environment in a country that is receiving European and world bank support for energy infrastructure development.

Dougga's strategic significance is based on the potential relevance of estimated project gas, LPG and condensate production volumes to the Tunisian economy. 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 consumption 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 base case for Dougga is 150 MMSCFPD of raw gas production resulting in 84 MMSCFPD sales gas, 6750 BPD of LPG and 6000 BPD of condensate. These potential product volumes represent 55% of Tunisia's gas production and 95% of Tunisia's LPG production. The potential contribution of Dougga to Tunisia's energy requirements makes it a project of national significance.

ADX has ongoing discussions with a number of parties that have the potential to provide the necessary financial support to progress the drilling of Dougga Sud during 2019.

Looking Forward

ADX has completed the technical and commercial definition of its Nilde, Dougga and Parta assets as well as securing funding for Parta and Nilde following the completion of the E & P activities moratorium in Italy. The Company is now focussed on the drilling of the first Parta Appraisal well onshore Romania, securing funding for Dougga and positioning the Company in a sympathetic market that best values the Company's assets.

The Company's investment attributes can be summarised as follows;

- A large independently assessed resource base compared to the Company's market capitalisation.
- Three technically mature appraisal and development assets, all of which are transformational for ADX.
- Operated assets with high equity interests in favourable jurisdictions.
- Operational readiness with boots on the ground in Romania that could be utilised in other favourable onshore jurisdictions in Europe.

ADX near term value creation opportunities in our current asset base are as follows;

- In Romania the *Parta Appraisal Drilling program* provides funded near term, low risk, appraisal drilling capable of delivering rapid material cash Flow.
- Offshore Tunisia ongoing discussions with multiple parties for funding the *Dougga Gas Condensate Project* has the potential to provide validation of a long term strategic asset with a rig option currently available in Q2 2019 on favourable terms and the potential to also unlock large exploration in the Permit.
- The Italian moratorium is a regrettable populist decision delaying the appraisal of the *Nilde Oil Field Redevelopment Project*. However, the Euro 21 million farm out to SDP provides the financial capability required by Italian Authorities and the ability to progress appraisal of this potentially high value project during late 2020.

Your Board recognises that unexpected E & P moratorium in Italy has been a major setback. Despite the moratorium ADX is receiving considerable ongoing interest in the Nilde project. Importantly SDP continues to support their farmin which we expect will enable the license to be ratified and operations enabled to commence post moratorium.

On the other hand in Romania ADX has made tangible, important progress and ADX looks forward to the drilling of Iecea Mica 1 well having achieved operation readiness for drilling mid 2019. Furthermore we see a lot of running room in Romania for further appraisal and exploration potential in our Parta permit and Iecea Mare production license.

ADX is in a position to further leverage our skills on the ground and build a meaningful cash flow base through Danube in Romania as well as other potential country entries focussed on production opportunities with upside. Strategically a number of countries in central and eastern Europe provide excellent potential opportunities where there is well developed infrastructure, favourable fiscal terms, strong demand and pricing for hydrocarbons especially for gas, ADX management has had previous on the ground experience and larger companies are exiting providing opportunity for smaller players. We

ADX ENERGY LTD
CHAIRMAN'S REPORT

hope to report on number of potential complimentary growth opportunities that have already been identified during the coming year.

ADX now moves into the operational phase in Romania and continues to seek to unlock the large resource potential in Dougga and Nilde. Your management team is working very hard to reverse the recent trend in the Company's share price and place the Company back on track to deliver exceptional growth for its investors.

We appreciate the support that we have received from our shareholders despite recent disappointments in Italy and 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

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OPERATIONS REPORT

Administrative Efficiency and Capability Enhancement

ADX continued the following efficiency and capability enhancement initiatives during 2018

- Continuation of cash burn reduction through the continuation of remuneration in cash and equity.
- Termination of several third party contracts following the successful completion of the Nilde and Dougga engineering and resource certification studies.
- Development of operating capability in Romania to support the Parta appraisal drilling program.

Operational Asset Summary

Last year in 2017, ADX saw the implementation and largely completion of the new ADX strategy in terms of getting assets to a status 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. In 2018, ADX started to deliver the first successes on this strategy:

- In **offshore Italy in license d363 C.R.-AX** (ADX 100% equity interest and Operator) ADX was able to achieve a 50% farmout and future funding of Euro 20.82 million. Simultaneously the ADX application for the license ratification (“decree”) was reviewed again by the Italian authorities, this time with a positive feedback on the financial capability of operator ADX. Also, the farmout efforts have led to a number of potential farminees and financial investment groups showing continuing interest and support for the project.
- In **offshore Tunisia, Kerkouane license**, (ADX 100% equity interest and Operator) ADX was able to both maintain the Noble Globe Trotter II drilling rig availability and the continued support of the Tunisian authorities for the project. Farmout efforts have succeeded to engage with a number of financial institutions and potential service providers who expressed their interest to participate in the funding of the project.
- In the ADX operated onshore **Romania Parta exploration permit** (ADX 50% equity interest and Operator) ADX was able to secure funding for the first well (“IMIC-1”) through a SPV with Reabold Resources Plc (LSE AIM:RBD). Reabold now holds a 33% shareholding in the common SPV Danube, with the remaining 67% held by ADX. Reabold has a number of options to further increase its funding and shareholding. ADX has started to fast track all necessary governmental, environmental and local council permits for the drilling of two appraisal wells with exploration upside. Third party supplier contracts such as a rig contract were signed and long lead items were ordered. ADX also completed a resource report with reputed third party ERCE leading to a substantial contingent resource described further below and highly favourable economics.

Another successful achievement of the year was that ADX via its Romanian subsidiary ADX Energy Panonia SRL (“ADX Panonia”) executed a Sales and Purchase Agreement (“SPA”) to purchase 100% equity interest in the Iacea Mare Production license “License” from the Romanian production company Amromco Energy SRL.

ASSETS

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

During early 2018 all technical and commercial project work was completed and the marketing to third parties started.

The detailed history matching and production profile reservoir simulation resulted in the below summarized cases. The 2C recoverable oil resources case is in line with the 2C case estimated by independent third party reviewer Senergy (a Lloyds company). i.e. 33 mmbbls oil remaining to produce.

ADX ENERGY LTD
OPERATIONS REPORT

The tables below summarizes the modelled cases in terms of contingent resources^{1 2} and related economics at an oil price of US\$55/ bbl.

	1C	2C	3C
Case	P90 STOIIP	Base Case	P10 STOIIP
STOIIP	118.2	176.4	223.9
TUR	37.5	54.6	70.5
Remaining Resource	17.0	34.1	50.0

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

ADX was also successful on the marketing of its' Italian project: On 31 October 2018, ADX announced that it has signed an agreement with SDP Services Limited ("SDP") to farmout a 50% interest in the d 363 C.R.-AX Permit (License) containing the Nilde Oil Redevelopment Project and the successfully tested Norma and Naila oil discoveries Offshore Italy. SDP will fund the work program commitments of Audax Energy Srl (Audax) a wholly owned subsidiary of ADX up to a maximum of Euro 20.82 million to earn a pro-rata interest of 50% upon completion of funding. The transaction is conditional upon the Italian Licensing Authorities ratifying the License. Upon ratification of the License SDP will receive 5% net profits royalty interest attributable to any future production from the Nilde Field. ADX will remain operator of the license.

The farm out announcement to SDP has resulted in further industry interest from the industry. ADX is in currently in discussions with a number of Parties that may be able to work collaboratively with SDP and ADX as well as add financial resources, technical capability and government support to the project.

This Farmout transaction was also expected to provide the financial support required by the Italian Licensing Authorities to finally recommend the license for ratification ("decree") to the Italian government. ADX commenced re engagement with the Italian Authorities in December 2018 following provision of the SDP Farmin agreement to the Authority. The Authority indicated informally that the SDP Farmout is expected to satisfy its concerns regarding financial capability of ADX.

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 P₉₀ (90% probability), P₅₀, and P₁₀, respectively, for individual opportunities.

ADX ENERGY LTD
OPERATIONS REPORT

Offshore Tunisia Kerkouane permit (Operator, 100% equity interest)

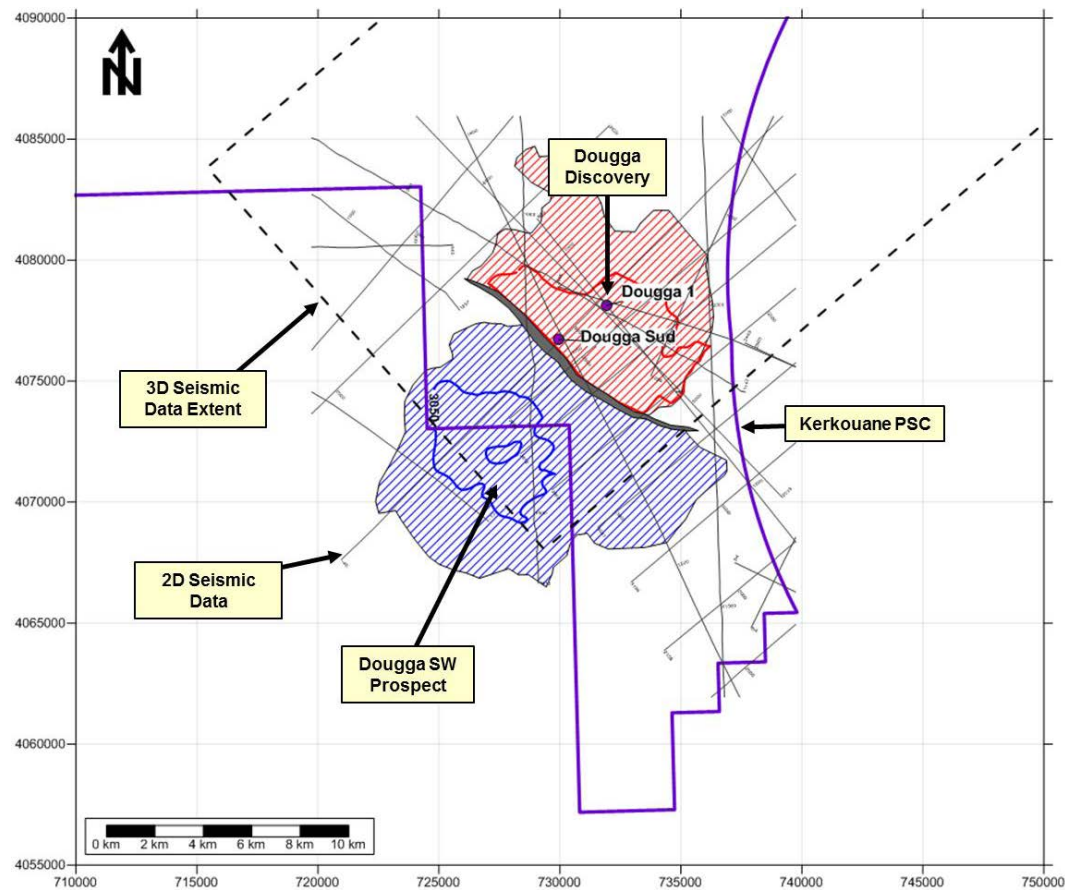
By the end of 2017 ADX completed a large number of subsurface, development and commercial studies, including a comprehensive TechnipFMC development feasibility study, ADX engaged in 2018 with ERC Equipoise Pte Ltd (ERCE) to critically review the work undertaken and issue an independent assessment report.

On the 16th of July 2018, ADX announced the assessment of the Contingent Resources at Dougga as well as the Prospective Resources of the Dougga South West prospect determined in the Independent Evaluation Report by ERC Equipoise Pte Ltd (ERCE). In addition to the Dougga resource assessments previously announced, ERCE has assessed that chance of the development of Dougga to be 70%. ERCE had assessed the most likely resources as follows:

- 405 Bscf Sales Gas and 63 MMBBL Liquids (totalling **122 MMBOE**) Unrisked 2C Contingent Resources for the Dougga Discovery, and
- 728 Bscf and 35 MMBBL Liquids (totalling **161 MMBOE**) Unrisked Best Estimate Prospective Resources for the Dougga SW Prospect with 41% in Permit.

Note: Prospective Resources are those estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further explorations appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The map below shows the position of Dougga and Dougga SW within the Kerkouane permit:



The ERCE Unrisked Contingent Resource estimates represent a 41% to 100% increase over the last independent review conducted by TRACS in 2011 (Table below) resulting largely from improved reservoir property modelling and characterization work completed by ADX in 2017.

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OPERATIONS REPORT

Dougga Contingent Resources <small>Note 2,3,4</small>		1C	2C	3C
ERCE (2018) Estimates				
Sales Gas <small>Note 5</small>	Bscf	238	405	772
Condensate and LPG	MMbbl	34	63	120
Total Oil Equivalent	MMBOE	69	122	227
TRACS (2011) Estimates				
	MMBOE - Total	49	75	113
ERCE Variance to TRACS		+41%	+63%	+100%
ADX Internal (Current)				
	MMBOE - Total	98	162	273
ERCE Variance to ADX Internal		-30%	-25%	-20%
<p><i>Where</i> “Bscf” means thousands of millions of standard cubic feet “MMbbl” means millions of barrels “MMBOE” means millions of barrels of oil equivalent – where gas is converted to barrels on an energy equivalent basis “1C” means Low Estimate Contingent Resources “2C” means Best Estimate Contingent Resources “3C” means High Estimate Contingent Resources</p> <p>Notes 2. All Resources quoted are at ADX 100% equity interest in the Kerkouane Permit. 3. Contingent Resources are those quantities of petroleum estimated, as at 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. 1C, 2C, 3C Estimates: in a probabilistic resource size distribution these are the estimates that have a respectively 90% (P90), 50% (P50) and 10% (P10) probability that the quantities actually recovered will be exceeded 4. The total Contingent Resources estimates presented in the table above are unrisks and have not been adjusted for the chance that the Contingent Resources will be developed and will reach commercial producing status 5. The gas resources estimates presented are pipeline quality sales gas accounting for shrinkage, fuel and flare or inerts.</p>				

Onshore Western Romania, Parta Concession (Operator, 50% equity interest) and Parta Appraisal Project (67% shareholding in Danube)

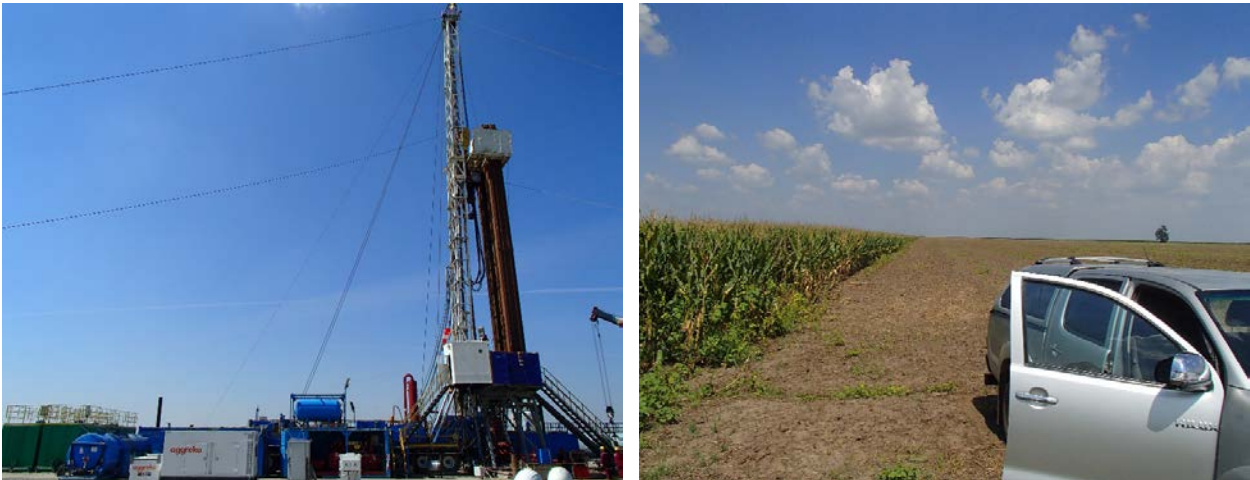
As described above, a SPV was formed with Reabold Resources Plc to at drill two appraisal wells in 2019 (IMIC-1 and IMIC-2, respectively) . ADX is operator and holds a 67% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via its’ Romanian subsidiary, ADX Panonia, holds a 50% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Sole Risk Project) and a 100% interest in the Iecea Mare Production license.

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.

All governmental approvals for the drilling of IMIC-1 and IMIC-2 were obtained in 2018 and ADX continued to obtain permits at a local level, such as environmental permits and construction permits for the rig sites. A tender process for a number of services was completed and several contracts such as rig contract, long lead items (casing, tubing, well head) and services (logging) were also successfully completed.

ADX ENERGY LTD
OPERATIONS REPORT

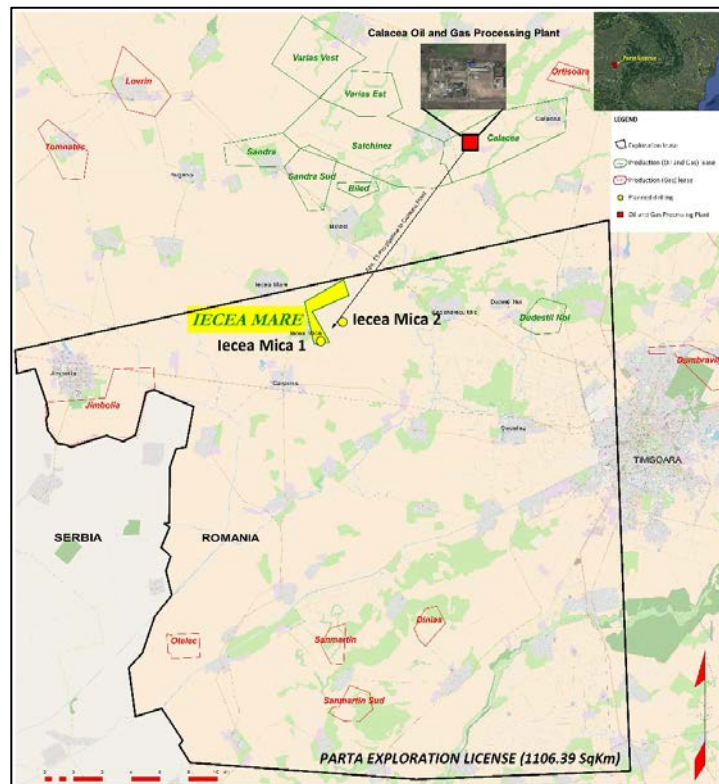
The image below shows the Tacrom rig which will be used for the drilling campaign, as well as the drilling site.



Background on the appraisal wells:

The two appraisal wells are located in the Parta Exploration license and the recently acquired Iecea Mare production license. The IM-1 and IM-2 wells will target multiple pay zones including established appraisal potential from historic wells drilled in the 1980's that were tested but never produced as well as exploration potential defined on 3 D seismic.

The wells will be tested to determine flow rates and completed for production. It is intended that wells, if successful, will be tied in to the nearby Calacea Gas Plant in late 2019. Access is available to the gas plan (12 km approx.) shown by the red square in the northern part of the map below.

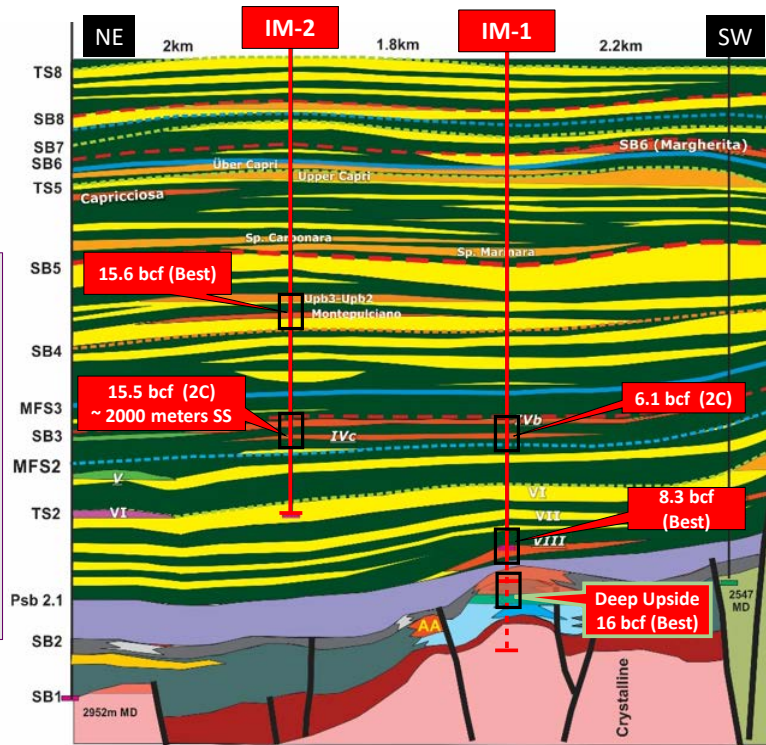


The following geological cross section and maps illustrate the main appraisal and exploration objectives for the IM-1 and IM-2 wells as well as the time depth curves for each Parta Appraisal well.

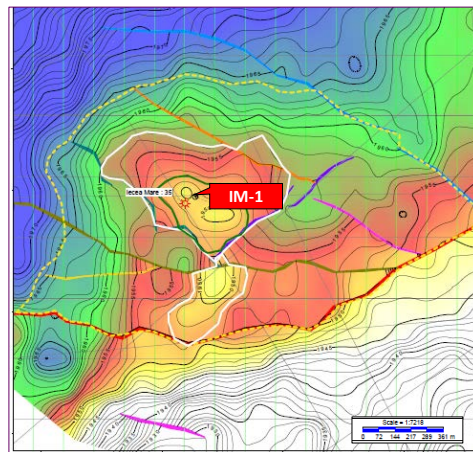
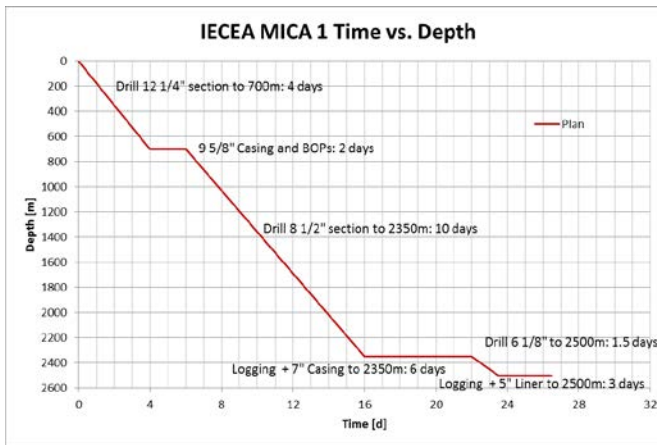
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OPERATIONS REPORT

Stratigraphic Cross section through Planned wells IM -1 and IM-2.

The label inserts show 2C (contingent) and best technical (prospective) resources as per the ERCE Independent Evaluation Report, with the IM-1 exception of the deeper (2500 meters) Miocene upside prospective resource potential of 16 bscf (Best case). Note that there is an fields to the north intersecting analogous gas reservoirs that also has a deeper oil leg.

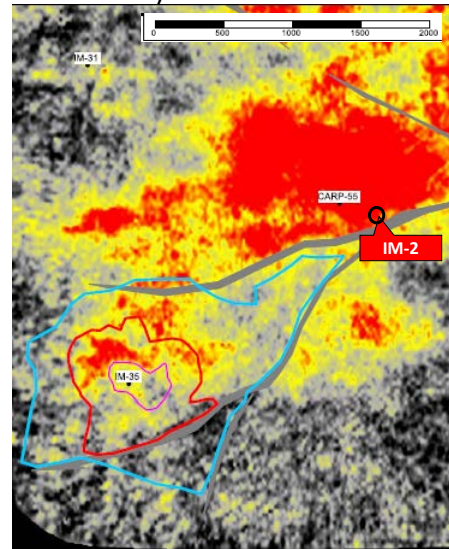
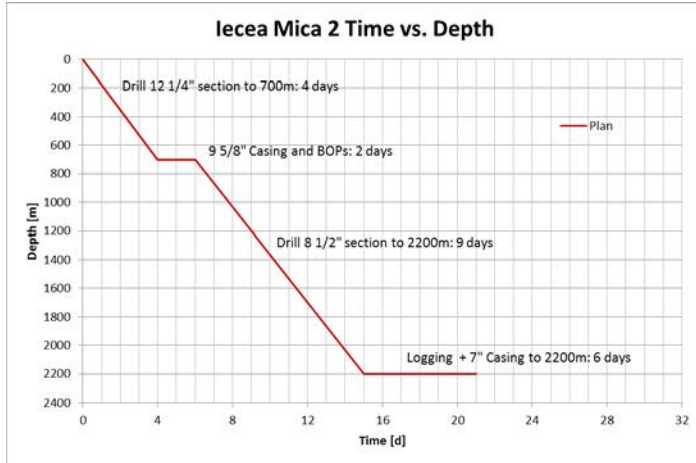


IM-1 Depth Structure Map and Drill Time Curve
(mapped on tested PaIVb reservoir, 6.1 bscf 2C resources)



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OPERATIONS REPORT

IM-2: Reservoir Amplitude Map and Drill Time Curve
(mapped on historically tested PaIVc reservoir 15.1 bscf 2C resources)



In June 2018 an independent evaluation of the Parta Appraisal Program in Romania was completed by ERC Equipoise Pte Ltd (ERCE).

The Contingent Resources and Prospective Resources Estimates for the appraisal program are as summarised in the table below at 100% working interest (source: ERCE Independent Evaluation Report and ADX ASX announcement 11/7/2018)

Recoverable Hydrocarbon Volumes			ERCE Estimates		
Prospect	Target Reservoir	PRMS Category	P90 (bscf)	P50 (bscf)	P10 (bscf)
IM-1	Pa IV	Contingent ¹	2.0	6.1	16
IM-1	Pa VI	Prospective ²	2.4	4.4	7.3
IM-1	Pa VIII inf.	Prospective	2.7	8.3	21.3
IM-2	PsB4.3	Prospective	5.4	15.6	39.1
IM-2	Pa IV	Contingent	4.8	15.5	43
Total Program		Contingent	6.8	21.6	59.0
Total Program		Prospective	10.5	28.3	67.7

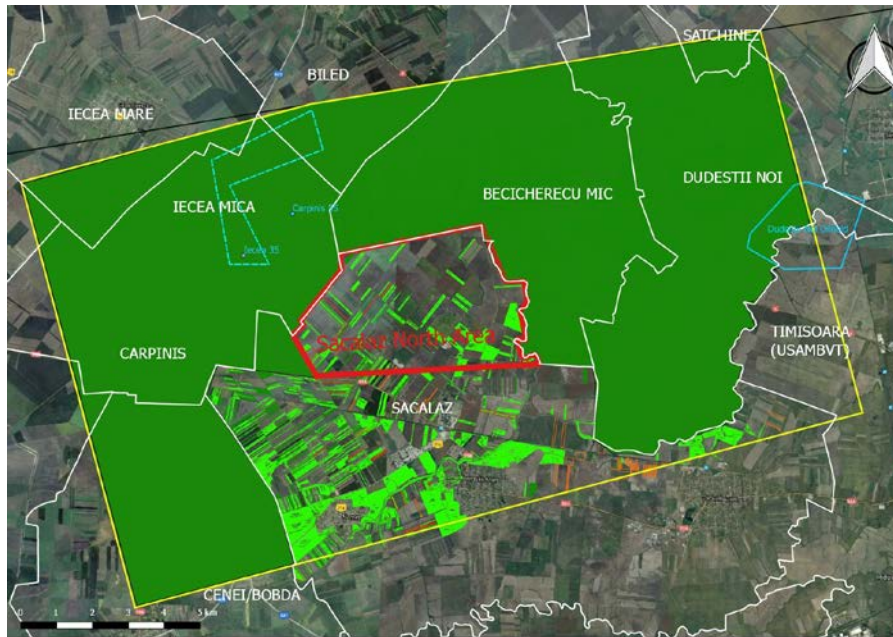
Notes regarding resources table:

- Contingent Resources are those quantities of petroleum estimated, as at 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. 1C, 2C, 3C Estimates: in a probabilistic resource size distribution these are the estimates that have a respectively 90% (P90), 50% (P50) and 10% (P10) probability that the quantities actually recovered will be exceeded.
- Prospective Resources are those estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further explorations appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
- The total Contingent Resources presented in the table above are unrisks and have not been adjusted for the chance that the Contingent Resources will be developed and will reach commercial producing status. Totals are by arithmetic summation as recommended under PRMS guidelines. This results in a conservative 1C total and optimistic 3C total.
- The total Prospective Resources estimates presented in the table above are unrisks and have not been adjusted for the chance of discovery and chance of development. Totals are by arithmetic summation as recommended under PRMS guidelines. This results in a conservative low case total and optimistic high case total.

ADX ENERGY LTD
OPERATIONS REPORT

In addition to the efforts on seeking successfully finds for the drilling campaign ADX also engaged in discussions with NAMR for a further license extension with positive engagement in December 2018.

Finally, the Parta permit is still completely unexplored by modern technology, and hence the efforts to permit 3D seismic continued with good success during the year. The map below shows an approx. 200 sqkm area in green colours which is ready for 3D acquisition, subject to funding.



2019 Operations Outlook

The below tables show the substantial resource potential of the ADX portfolio of discovered resources. 2019 will be a year where ADX will continue its efforts to deliver these resources either through drilling (Romania) or recognition through government ratification (Italy) or farmout and/or funding (Tunisia).

OFFSHORE ITALY: Nilde Resource Base	
2C Contingent Resource¹:	Nilde : 32.8 MMBBL remaining Norma : 3.9 MMBBL Naila : 1.7MMBBL Permit Total : 38.4 MMBBL
Prospective Resource¹:	90 MMBBL (best case estimate)

Italy: Refer to ASX announcements 17/2/2016 & 29/3/2018 (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)

Tunisia: Refer to ASX announcements 16/7/2018 (contingent) and 31/10/2012 (prospective).

ADX ENERGY LTD
OPERATIONS REPORT

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

Romania: Refer to ASX announcement 11/7/2018 (contingent and prospective).

Therefore the main operational targets for 2019 are summarized briefly below as follows:

- Complete permitting, rig tendering, drilling and testing of at least one appraisal opportunity in the Romanian onshore Parta license. A tentative schedule is shown below



- Following the marketing success of Nilde (SDP farmout) ensure that the full value of the asset is finally reflected by government ratification and commencement of development drilling preparations.
- Increase shareholder value further by successfully marketing the appraisal and development opportunities especially in the case of Tunisia and transform Romania into a cash flow delivering asset.
- 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

ADX ENERGY LTD
DIRECTORS' REPORT

Your Directors present their report for the year ended 31 December 2018.

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 (both current).

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

Other directorships of listed companies in the last three years: Sacgasco Limited (current) 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, West Africa and Australia. He has been responsible for highly successful operations, projects and developments and has proven experience of delivering against challenging capital, schedule and operating metrics with Amoco, Schlumberger, Lasmo, Cairn and Tullow. Rob is an adjunct lecturer in process design and safety, a WA SPE Board Member and a regulatory specialist.

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

ADX ENERGY LTD
DIRECTORS' REPORT

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 (until 2 August 2018). Phillip is also a Non-Executive Director of RA International Group plc and the Non-Executive Chairman of RiverFort Global Opportunities plc, both AIM listed companies.

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

Amanda Sparks B.Bus, CA, F.Fin

Appointed 6 October 2015

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

MEETINGS OF DIRECTORS

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

Name of Director	Meeting Held	Meetings Attended
I Tchacos	3	3
P Fink	3	3
A Childs	3	3
R Brown	3	2
P Haydn-Slater	3	3

ADX ENERGY LTD
DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

Name of Director	Number of Shares	Number of Unlisted Options Exercisable at Nil Expiry 31/5/2022	Number of Unlisted Options Exercisable at 1.9 cents Expiry 31/5/2019
I Tchacos	42,967,113	6,354,086	-
P Fink	33,663,360	3,415,961	-
A Childs	22,209,940	-	-
R Brown	5,523,861	-	-
P Haydn-Slater	10,556,788	-	4,000,000

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
Bull Petroleum Pty Ltd	- 100% owned Australian controlled entity
Danube Petroleum Limited	- 66.7% owned UK controlled entity
ADX Energy Panonia Srl	- Danube Petroleum Limited owns 100% of this Romanian controlled entity

Principal Activity

The principal activities of the Group during the year were oil and gas 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.

ADX ENERGY LTD
DIRECTORS' REPORT

Summary of Financial Position, Asset Transactions and Corporate Activities

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

	Consolidated 31 December 2018	Consolidated 31 December 2017
	\$	\$
Cash and cash equivalents held at year end	3,299,229	1,840,247
Net profit/(loss) for the year after tax	(2,457,662)	(2,169,334)
Non-controlling interest in loss for the year	(75,027)	-
Included in loss for the year:		
Exploration expensed	(1,234,003)	(1,857,322)
Gain/(loss) on fair value - investment	-	54,819
Gain on disposal of investment	-	905,474
Basic profit/(loss) per share from continuing operations	(0.21) cents	(0.21) cents
Net cash (used in) operating activities	(2,720,866)	(1,938,573)
Net cash from/(used in) investing activities	(58,641)	1,160,305
Net cash from financing activities	4,088,032	1,893,746

During the year:

- Exploration expenditure was \$1,234,003. This was primarily expenditure on the Parta Joint Operation in Romania, the Romanian sole risk project, the Nilde redevelopment project offshore Italy and activities on the Kerkouane permit offshore Tunisia.
- Danube Petroleum Limited (Danube), a majority owned subsidiary of ADX Energy Ltd, issued 1,879,699 shares during the year to Reabold Resources Plc (LSE AIM:RBD) (Reabold) for Reabold to raise GBP 1,879,699. These funds are being used to fund Romanian operations. As at 31 December 2018, Danube is held 66.67% by ADX Energy Ltd.

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	4,000,000	1.9 cents	31/5/2019
Unlisted Options	5,000,000	3 cents	31/12/2019
Unlisted Options	25,000,000	2 cents	31/12/2019
Unlisted Options	9,770,047	Nil cents	31/5/2022

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.

ADX ENERGY LTD
DIRECTORS' REPORT

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 2018 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

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.

ADX ENERGY LTD
DIRECTORS' REPORT

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

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

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

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

Remuneration Committee

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered efficient for ADX. The Board has taken a view that the full Board will hold special meetings or 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 2018 there were no performance related payments made.

ADX ENERGY LTD
DIRECTORS' REPORT

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. 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 31/12/18	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.	<p>\$1,500 per day (after 4 days, rate is reduced to 50% cash and 50% equity, subject to shareholder approval)</p> <p>In addition, I Tchacos receives Directors fees of \$25,000 pa. 80% paid in cash, 20% paid in equity (subject to Shareholder approval)</p>	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.	<p>\$1,500 per day (after 8 days, rate is reduced to 50% cash and 50% equity, subject to shareholder approval)</p> <p>In addition, P Fink receives Directors fees of \$25,000 pa. 80% paid in cash, 20% paid in equity (subject to Shareholder approval)</p>	1 month @ 8 days per month

ADX ENERGY LTD
DIRECTORS' REPORT

D. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

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

2017						
Directors						
I Tchacos	257,298	1,952	131,468	-	115,624	506,342
P Fink	226,500	-	74,900	-	77,083	378,483
A Childs	21,515	1,735	18,250	-	30,833	72,333
R Brown	94,753	-	34,007	-	30,833	159,593
P Haydn-Slater ⁽³⁾	13,750	-	-	-	-	13,750
TOTAL 2017	613,816	3,687	258,625	-	254,373	1,130,501

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

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

⁽³⁾ Philip Haydn-Slater was appointed on 21 July 2017.

D. REMUNERATION OF 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.

ADX ENERGY LTD
DIRECTORS' REPORT

2018	Number of Shares Issued	Issue Date	Value per Share \$	Part Remuneration for Quarter Ended
Directors				
I Tchacos	2,778,845	2/03/2018	0.013	December 2017
P Fink	1,301,923	2/03/2018	0.013	December 2017
A Childs	250,000	2/03/2018	0.013	December 2017
I Tchacos	96,153	11/06/2018	0.013	March 2018
P Fink	96,153	11/06/2018	0.013	March 2018
A Childs	250,000	11/06/2018	0.013	March 2018
R Brown	2,355,849	11/06/2018	0.013/0.014	March 2018
P Haydn-Slater	1,731,788	11/06/2018	0.013/0.014	March 2018
I Tchacos	125,000	14/08/2018	0.01	June 2018
P Fink	125,000	14/08/2018	0.01	June 2018
A Childs	325,000	14/08/2018	0.01	June 2018
R Brown	325,000	14/08/2018	0.01	June 2018
P Haydn-Slater	825,000	14/08/2018	0.01	June 2018
TOTAL	10,585,711			

Shares for part remuneration for the quarters ended 30 September 2018 and 31 December 2018 have not yet been issued.

Options:

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

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

2018	Number of Options Issued	Issue Date	Value of Remuneration \$	Part Remuneration for Quarter Ended	Exercise Price	Expiry Date
Directors						
I Tchacos	2,725,961	11/06/2018	35,437	March 2018	Nil	31/5/2022
P Fink	1,863,461	11/06/2018	24,225	March 2018	Nil	31/5/2022
I Tchacos	3,628,125	14/08/2018	36,281	June 2018	Nil	31/5/2022
P Fink	1,552,500	14/08/2018	15,525	June 2018	Nil	31/5/2022
TOTAL	9,770,047					

ADX ENERGY LTD
DIRECTORS' REPORT

Options for part consulting remuneration for the quarters ended 30 September 2018 and 31 December 2018 have not yet been issued.

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

Shares issued to Key Management Personnel on exercise of compensation options

During the year to 31 December 2018, there were no compensation options exercised by Directors or other Key Management Personnel (2017: nil).

E. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR

(a) Option holdings of Key Management Personnel

Year ended 31 Dec 2018	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	6,354,086	-	15,000,000	6,354,086	-	6,354,086
P Fink	10,000,000	3,415,961	-	10,000,000	3,415,961	-	3,415,961
A Childs	4,000,000	-	-	4,000,000	-	-	-
R Brown	4,000,000	-	-	4,000,000	-	-	-
P Haydn-Slater	-	4,000,000	-	-	4,000,000	-	4,000,000
	33,000,000	13,770,047	-	33,000,000	13,770,047	-	13,770,047

(b) Shareholdings of Key Management Personnel

Year ended 31 Dec 2018	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	39,967,115	-	2,999,998	-	-	42,967,113
P Fink	32,140,284	-	1,523,076	-	-	33,663,360
A Childs	21,384,940	-	825,000	-	-	22,209,940
R Brown	2,843,012	-	2,680,849	-	-	5,523,861
P Haydn-Slater	8,000,000	-	2,556,788	-	-	10,556,788
	104,335,351	-	10,585,711	-	-	114,921,062

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 92% of "yes" votes on its Remuneration Report for the 2017 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

ADX ENERGY LTD
DIRECTORS' REPORT

SUBSEQUENT EVENTS

Subsequent to year end, RAG Austria AG ('RAG'), ADX's joint venture partner in the Parta permit, Romania, has withdrawn from the Permit effective 31 March 2019. Following the date of withdrawal by RAG from the Parta Permit, ADX Energy Panonia SRL will hold a 100% interest in the Parta Permit and assume all previous rights and obligations of RAG.

As previously announced in February 2019, the Italian Senate has passed a Bill to suspend exploration activities in permits that have been approved or are in the process of being approved for a period of up to 18 months (to approximately August 2020) to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities. Accordingly ADX's d363 licence will not be converted to an exploration licence until later in 2020.

There are no other matters or circumstances that have arisen since 31 December 2018 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 2018 financial statements; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan FCA (Lead auditor)
Rothsay Auditing"

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 2019

ADX ENERGY LTD
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 2018 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 2018.

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



Ian Tchacos
Executive Chairman

Dated this 29th day of March 2019

ADX ENERGY LTD

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

		Consolidated	
		Year ended 31 Dec 2018	Year ended 31 Dec 2017
		\$	\$
Revenue and Income	Note		
Interest revenue		2,169	4,303
Other income	2	-	905,474
		<u>2,169</u>	<u>909,777</u>
Expenses			
Administration, staff and corporate expenses, net of recoveries from exploration projects	2	1,225,828	1,255,231
Exploration expensed		1,234,003	1,857,322
Loss/(gain) on fair value of investments		-	(54,819)
Total expenses		<u>2,459,831</u>	<u>3,057,733</u>
Loss before income tax		(2,457,662)	(2,147,956)
Income tax expense	4	-	21,378
Loss after income tax		(2,457,662)	(2,169,334)
Loss is attributable to:			
Owners of ADX Energy Ltd		(2,382,635)	(2,169,334)
Non-Controlling Interest		(75,027)	-
		<u>(2,457,662)</u>	<u>(2,169,334)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		22,620	(95,586)
Income tax relating to items of other comprehensive income/(loss)		-	-
Other comprehensive income/(loss) for the year, net of tax		<u>22,620</u>	<u>(95,586)</u>
Total comprehensive profit/(loss) for the year		(2,435,042)	(2,264,920)
Total comprehensive loss is attributable to:			
Owners of ADX Energy Ltd		(2,355,434)	(2,264,920)
Non-Controlling Interest		(79,608)	-
		<u>(2,435,042)</u>	<u>(2,264,920)</u>
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	5	<u>(0.21)</u>	<u>(0.21)</u>

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Consolidated	
		31 December 2018	31 December 2017
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	3,299,229	1,840,247
Other receivables	7	684,405	164,814
Total Current Assets		3,983,634	2,005,061
Non-Current Assets			
Property, plant and equipment		-	178
Total Non-Current Assets		-	178
Total Assets		3,983,634	2,005,239
LIABILITIES			
Current Liabilities			
Trade and other payables	8	444,576	675,711
Total Current Liabilities		444,576	675,711
Non-Current Liabilities			
Provisions	9	283,844	256,186
Total Current Liabilities		283,844	256,186
Total Liabilities		728,420	931,897
Net Assets		3,255,214	1,073,342
Equity			
Issued capital	10	69,070,587	68,083,114
Reserves	11	6,404,365	6,246,647
Accumulated losses		(75,639,054)	(73,256,419)
Capital and reserves attributable to owners of ADX Energy Ltd		(164,102)	1,073,342
Non-controlling interests	12	3,419,316	-
Total Equity		3,255,214	1,073,342

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non- controlling Interest	Total Equity \$
At 1 January 2018	68,083,114	6,246,647	(73,256,419)	-	1,073,342
Loss for the year	-	-	(2,382,635)	(75,027)	(2,457,662)
Other comprehensive income/(loss)	-	27,201	-	(4,581)	22,620
Total comprehensive loss for the year, net of tax	-	27,201	(2,382,635)	(79,608)	(2,435,042)
Transactions with owners in their capacity as owners:					
Issue of share capital	1,058,758	-	-	3,498,924	4,557,682
Cost of issue of share capital	(71,285)	-	-	-	(71,285)
Share based payments	-	130,517	-	-	130,517
	987,473	130,517	-	3,498,924	4,616,914
As at 31 December 2018	69,070,587	6,404,365	(75,639,054)	3,419,316	3,255,214
At 1 January 2017	65,859,376	5,959,450	(71,087,085)	-	731,741
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

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

		Consolidated	
		Year ended 31 Dec 2018	Year ended 31 Dec 2017
Note		\$	\$
Cash flows from operating activities			
	Receipts in the ordinary course of activities	104,237	99,445
	Payments to suppliers and employees, including for exploration expensed	(2,827,272)	(2,065,943)
	Interest received	2,169	4,303
	Income tax paid	-	(21,378)
	Net cash flows used in operating activities	6(i) (2,720,866)	(1,983,573)
Cash flows from investing activities			
	Payments for exploration permit acquired	(74,641)	-
	Payments for investments	-	(133,825)
	Proceeds from sale of investments	-	1,313,130
	Payments made on behalf of joint operation partners and operations	(279,000)	(386,000)
	Receipts from exploration partners and operations	295,000	367,000
	Net cash flows from/(used in) investing activities	(58,641)	1,160,305
Cash flows from financing activities			
	Proceeds from issue of shares and options	750,000	2,024,945
	Payment of share issue costs	(60,892)	(131,199)
	Proceeds from issue of shares in subsidiary	3,398,924	-
	Net cash flows from financing activities	4,088,032	1,893,746
	Net increase/(decrease) in cash and cash equivalents held	1,308,525	1,070,478
	Net foreign exchange differences	150,457	35,617
	Add opening cash and cash equivalents brought forward	1,840,247	734,152
	Closing cash and cash equivalents at the end of the year	6 3,299,229	1,840,247

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period for which the Group has adopted

- AASB 15 Revenue from Contracts with Customers; and
- AASB 9 Financial Instruments.

The new accounting policies are disclosed below. There is no impact on the Company for the year ended 31 December 2018.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Adoption of new and revised standards - continued

AASB 15 Revenue from contracts with Customers

AASB 15 Revenue from contracts with Customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group on 1 January 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The Group has considered AASB 15 and determined that there is no impact on the Group's financial statements as the Group is not generating sales revenue at this stage.

The Group's new revenue accounting policy is detailed below:

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 January 2018 did not give rise to any transitional adjustments. The new accounting policies are set out below.

Classification and measurement:

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Impairment:

From 1 July 2018 the group will assess on a forward looking basis any expected credit losses (ECLs) associated with any debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

New and amended standards not yet adopted by the Group

AASB 16 Leases

AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. The Group has not yet determined the impact on the group accounts, however it is possible that rental of office premises and miscellaneous items such as photocopier hire will require ADX to recognise lease liabilities and right-of-use assets on its' statement of financial position. This standard is not applicable until the financial year commencing 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(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.

(iii) *Provision for Restoration*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(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.

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

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

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(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.

(h) Other taxes

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

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

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

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

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	
	Year Ended	Year Ended
	31 Dec 2018	31 Dec 2017
Note	\$	\$
INCOME		
Other income comprises:		
Gain on disposal of other financial assets	8	905,474
	-	<u>905,474</u>
EXPENSES		
Administration and corporate expenses include:		
Share based payments – in lieu of cash remuneration	370,227	358,577
Share based payments – other	58,656	354,197
3(a)	<u>428,883</u>	<u>712,774</u>
Less: prior period accrued share based payments	(139,675)	(60,859)
Add: accrued share based payments issued/to be issued after period end	155,651	139,675
Net foreign exchange losses/(gains)	120,686	(124,268)
Operating lease rental expense	50,658	40,150
Other administration and corporate expenses, net of recoveries	2,010,816	565,158
	<u>2,631,478</u>	<u>2,566,954</u>
Less: project cost recoveries	(1,405,650)	(1,311,723)
	<u>1,225,828</u>	<u>1,255,231</u>

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Year Ended
	31 Dec 2018	31 Dec 2017
	\$	\$
Expensed against issued capital:		
Share-based payments – Options - note (b)(v)	10,392	28,586
Expensed in the profit and loss:		
Share-based payments – Options to Directors - note (b)(iv)	8,656	254,373
Share-based payments – Options to others	-	22,741
Share-based payments – Options to Co Secretaries and staff	-	77,083
Shares and Options issued in lieu of fees:		
Share-based payments – Shares Issued to Directors (b)(i)	133,315	258,625
Share-based payments – Options Issued to Directors (b)(ii)	111,468	-
Share-based payments – Shares Issued to Co Secs and consultants (b)(iii)	125,443	99,952
Share-based payments – Shares Issued to consultant for advisory (b)(vi)	50,000	-
	428,882	712,774

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 25 May 2018 as follows:

Date Issued	Number of Shares	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
2/3/2018	4,330,768	56,300	31/12/2017
11/6/2018	4,529,943	59,765	31/3/2018 and earlier periods
14/8/2018	1,725,000	17,250	30/6/2018
	10,585,711	133,315	

Summarised as:

Director	2018	2018	2017	2017
	Number of Shares	Remuneration waived \$	Number of Shares	Remuneration waived \$
Ian Tchacos	2,999,998	38,625	11,102,673	131,468
Paul Fink	1,523,076	19,425	6,667,856	74,900
Andrew Childs	825,000	9,750	1,660,715	18,250
Rob Brown	2,680,849	34,290	2,724,732	34,007
Philip Haydn-Slater	2,556,788	31,225	-	-
	10,585,711	133,315	22,155,976	258,625

(ii) Options pursuant to ADXs' Performance Rights and Option Plan, approved by Shareholders on 25 May 2018 as follows:

Date Issued	Number of Options	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
11/6/2018	4,589,422	59,662	31/3/2018
14/8/2018	5,180,625	51,806	30/6/2018
	9,770,047	111,468	

Summarised as:

Director	2018	2018	2017	2017
	Number of Options	Remuneration waived \$	Number of Options	Remuneration waived \$
Ian Tchacos	6,354,086	71,718	-	-
Paul Fink	3,415,961	39,750	-	-
	9,770,047	111,468	-	-

(iii) 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
2/3/2018	3,624,054	45,641	31/12/2017
11/6/2018	4,477,737	47,814	31/3/2018
14/8/2018	3,272,019	31,988	30/6/2018
	11,373,810	125,443	

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 3 – EQUITY-BASED PAYMENTS – continued

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

(iv) On 11 June 2018, ADX granted:

a. 4,000,000 unlisted options to Director Philip Haydn-Slater as approved by Shareholders on 25 May 2018. The options have an exercise price of 1.9 cents and expire 31 May 2019.

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	11/6/2018	Expected volatility (%)	92.68
Option exercise price (\$)	0.019	Risk-free interest rate (%)	2.02
Expected life of options (years)	0.97	Underlying share price (\$)	0.011
Dividend yield (%)	-	Value of Option (\$)	0.0022

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

(v) On 10 December 2018, ADX granted 5,000,000 options to the lead manager of ADX's Placement in accordance with the Lead Managers Mandate. Value \$10,392. These options have an exercise price of 3 cents and expire 31 December 2019.

(vi) On 16 March 2018, ADX issued 4,380,018 shares (\$50,000) to a consultant in lieu of advisory services. The shares were escrowed for the lesser of twelve months from the date of issue or an approved transaction being secured.

(c) Weighted average fair value

The weighted average fair value of equity-based payment options granted during the year was \$0.0087 (2017: \$0.0072).

(d) Range of exercise price

The range of exercise price for options granted as share based payments outstanding at the end of the year was \$nil to \$0.03 (2017: \$0.019 to \$0.03).

(e) Weighted average remaining contractual life

The weighted average remaining contractual life of share based payment options that were outstanding as at the end of the year was 2.13 years (2017: 0.92 years).

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 3 – EQUITY-BASED PAYMENTS – continued

(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 2018 Number	12 Months to 31 December 2018 WAEP \$	12 Months to 31 December 2017 Number	12 Months to 31 December 2017 WAEP \$
Outstanding at the beginning of year	48,000,000	0.021	5,000,000	0.02
Granted during the year	4,000,000	0.019	43,000,000	0.019
Granted during the year	9,770,047	Nil	5,000,000	0.03
Granted during the year	5,000,000	0.03	5,000,000	0.03
Cancelled during the year	-		(5,000,000)	
Lapsed during the year	(48,000,000)		(5,000,000)	
Outstanding at the end of the year	<u>18,770,047</u>	<u>0.012</u>	<u>48,000,000</u>	<u>0.021</u>
Exercisable at year end	18,770,047	0.012	48,000,000	0.021

The weighted average share price for options exercised during the year was nil (2017: 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.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 4 - INCOME TAX EXPENSE - continued

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.

Consolidated	
Year Ended	Year Ended
31 Dec 2018	31 Dec 2017
\$	\$

(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	(2,457,662)	(2,147,956)
Prima facie income tax (benefit) @ 30% (2017: 27.5%)	(737,299)	(590,688)
Tax effect of non-deductible items	50,858	116,824
Deferred tax assets not brought to account	686,441	495,242
Income tax attributable to operating result	-	21,378

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

Tax losses	13,171,310	12,145,833
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These deferred tax assets have not been brought to account as it is not probable that tax profits will be available against which deductible temporary differences can be utilised.

(c) Franking Credits

The franking account balance at year end was \$nil (2017: \$nil).

(d) Tax Consolidation Legislation

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

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018	Year Ended 31 Dec 2017
	Cents	Cents
Basic earnings/(loss) per share attributable to members of ADX Energy Ltd	(0.21)	(0.21)
	\$	\$
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
- basic earnings per share	(2,382,635)	(2,169,334)
	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,127,950,879	1,020,560,745

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 2018	Year Ended 31 Dec 2017
	\$	\$
Cash at bank and on hand	3,299,229	1,840,247

Cash includes \$2.25 million held by 66.7% owned subsidiary Danube Petroleum Limited.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 6 - CASH AND CASH EQUIVALENTS – continued

	Consolidated	
	Year Ended	Year Ended
	31 Dec 2018	31 Dec 2017
	\$	\$
(i) Reconciliation of loss for the period to net cash flows used in operating activities		
Profit/(loss) after income tax	(2,457,662)	(2,169,334)
Non-Cash Items:		
Acquisition costs of permit expensed	74,641	-
Loss/(gain) on disposal of investment	-	(905,474)
Foreign exchange losses/(gains)	120,686	(124,268)
Share-based payments expensed	428,883	712,774
Loss/(gain) on fair value – other financial assets	-	(54,819)
Change in assets and liabilities:		
(Increase)/decrease in receivables	(603,369)	35,688
Increase/(decrease) in payables	(284,045)	265,674
Increase/(decrease) in provisions	-	256,186
Net cash flows used in operating activities	(2,720,866)	(1,983,573)

(ii) Non-Cash Financing and Investing Activities

2018

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

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).

NOTE 7 – OTHER RECEIVABLES

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables 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	Year Ended
	31 Dec 2018	31 Dec 2017
	\$	\$
Current		
Share of cash held by joint operations	11,725	34,650
GST/VAT refundable	138,229	52,561
Receivables from joint operations	-	67,776
Prepayments	534,451	9,827
Total current receivables	684,405	164,814

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 2018 (2017: none).

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 8 – 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	Year Ended
	31 Dec 2018	31 Dec 2017
	\$	\$
Current		
Trade creditors and accruals	444,576	675,711

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

NOTE 9 – 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	31 December
	2018	2017
	\$	\$
Current		
Provision for restoration	283,844	256,186

The movement in provision for restoration relates to translation differences.

NOTE 10 – 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	69,070,587	68,083,114
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ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 10 – ISSUED CAPITAL - continued

(b) Movements in Ordinary Share Capital

Number of Shares	Summary of Movements	Year Ended 31 December 2017 \$
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)
<u>1,106,631,376</u>	Closing Balance at 31 December 2017	<u>68,083,114</u>

Number of Shares	Summary of Movements	Year Ended 31 December 2018 \$
1,106,631,376	Opening balance 1 January 2018	68,083,114
10,585,711	Issue of shares to Directors (note 3(b)(i))	133,315
11,373,810	Issue of shares to consultants and co secretaries (note 3(b)(ii))	125,443
4,380,018	Issue of shares to consultant advisor	50,000
75,000,000	Placement (note i)	750,000
	Costs of share issues – cash	(60,893)
	Costs of share issues – non-cash options (note 3(b)(iv))	(10,392)
<u>1,207,970,915</u>	Closing Balance at 31 December 2018	<u>69,070,587</u>

- (i) On 10 December 2018, ADX issued 75,000,000 shares raising a total \$750,000 before costs. For every three shares subscribed for under the placement, ADX granted one free attaching unlisted Option (exercisable at \$0.02 each on or before 31 December 2019).

(c) Options on issue at 31 December 2018

	Number	Exercise Price	Expiry Date
Unlisted Options	4,000,000	1.9 cents	31 May 2019
Unlisted Options	25,000,000	2 cents	31 December 2019
Unlisted Options	5,000,000	3 cents	31 December 2019
Unlisted Options	9,770,047	Nil	31 May 2022

During the year:

- (i) 4,000,000 unlisted options were granted as remuneration share-based payments to Director Philip Haydn-Slater. Refer note 3(b)(iv).
- (ii) 9,770,047 unlisted options were granted as in lieu of remuneration to Directors Ian Tchacos and Paul Fink. Refer note 3(b)(ii).
- (iii) 25,000,000 unlisted options were issued for every three shares subscribed for in the December 2018 placement. Refer note 10(b)(i).
- (iv) 5,000,000 unlisted options were granted to others. Refer note 3(b)(v). (2017: 10,000,000);
- (v) No unlisted options were cancelled (2017: 5,000,000);
- (vi) 48,000,000 unlisted options lapsed (2017: 5,000,000);
- (vii) No unlisted options were exercised (2017: nil).

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 10 – 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 2018 \$	31 December 2017 \$
NOTE 11 - RESERVES		
Share-based payments reserve	4,289,664	4,159,147
Foreign currency translation reserve	(1,050,841)	(1,078,042)
Option premium reserve	2,915,542	2,915,542
Asset revaluation reserve	250,000	250,000
	<u>6,404,365</u>	<u>6,246,647</u>

Share-based payments reserve

Balance at the beginning of the year	4,159,147	3,776,364
Share-based payments (options granted)	130,517	382,783
Balance at the end of the year	<u>4,289,664</u>	<u>4,159,147</u>

Nature and purpose of the reserve:

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

Foreign currency translation reserve

Balance at the beginning of the year	(1,078,042)	(982,456)
Currency translation differences	27,201	(95,586)
Balance at the end of the year	<u>(1,050,841)</u>	<u>(1,078,042)</u>

Nature and purpose of the reserve:

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

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 11 – RESERVES - continued

Nature and purpose of the other reserves:

(i) *Option premium reserve*

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

(ii) *Asset revaluation reserve*

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

NOTE 12 – NON-CONTROLLING INTERESTS

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Non-Controlling Interests	3,419,316	-

On 27 October 2017, ADX Energy Ltd incorporated Danube Petroleum Limited (Danube), a UK company, as a wholly owned subsidiary.

On 4 December 2017, ADX announced it had signed an agreement with Reabold Resources Plc (LSE AIM:RBD) (Reabold) for Reabold to invest US\$ 2 million in Danube, which represented a 29% shareholding in Danube.

Reabold subscribed to a total of 1,503,759 shares in Danube in two tranches:

- 375,940 new shares at 1 GBP per share (approx. A\$738k) on 27 March 2018; and
- 1,127,819 at 1 GBP per share (approx. A\$2.01 million) on 19 September 2018.

On 23 March 2018, Danube issued 3,759,399 shares to ADX Energy Ltd in consideration for the acquisition of 100% of ADX Energy Ltd's subsidiary, ADX Energy Panonia SRL.

On 6 December 2018, Reabold subscribed for an additional tranche of 375,940 shares in Danube for cash of GBP 375,940 (approx. A\$681k).

As at 31 December 2018, Reabold holds a 33.3% interest in Danube.

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

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Summarised Statement of Financial Position		
Current assets	2,972,500	-
Current liabilities	(13,584)	-
Current net assets	2,958,916	-
Non-current assets	7,632,017	-
Non-current liabilities	-	-
Non-current net assets	7,632,017	-
Net Assets	10,590,933	-

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 12 – NON-CONTROLLING INTERESTS - continued

	31 December 2018	31 December 2017
	\$	\$
Summarised Statement of Comprehensive Income		
Revenue	-	-
Loss for the period	(276,724)	-
Other comprehensive income	(16,896)	-
Total comprehensive loss	(239,620)	-
Loss allocated to Non-Controlling Interests	(75,027)	-
 Summarised Statement of Cash Flows		
Cashflows from operating activities	(1,171,160)	-
Cashflows from investing activities	(20,992)	-
Cashflows from financing activities	3,480,152	-
Net foreign exchange differences	28,662	-
Net increase/(decrease) in cash and cash equivalents	2,269,695	-

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 2018	31 December 2017
Romania –Parta Block	Exploration	50%	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.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 14 – PARENT ENTITY INFORMATION	Company	
	31 December 2018	31 December 2017
	\$	\$
Statement of Financial Position information		
Current assets	1,074,906	1,928,670
Non-current assets	-	178
Current liabilities	(411,609)	(344,715)
Non-current liabilities	-	-
Net Assets	663,297	1,584,133
Issued capital	69,070,587	68,083,114
Reserves	10,434,351	10,206,442
Accumulated losses	(78,841,641)	(76,705,423)
	663,297	1,584,133
Profit and loss information		
Profit/(loss) for the year	(2,136,218)	(1,539,971)
Comprehensive profit/(loss) for the year	(2,038,826)	(1,583,341)

Commitments and contingencies

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

Subsidiaries

Name of Controlled Entity	Class of Share	Place of Incorporation	% Held by Parent Entity	
			31 December 2018	31 December 2017
Alpine Oil & Gas Pty Ltd	Ordinary	Australia	100%	100%
AuDAX Energy Srl	Ordinary	Italy	100%	100%
Bull Petroleum Pty Ltd	Ordinary	Australia	100%	100%
Danube Petroleum Limited	Ordinary	UK	66.7%	100%
ADX Energy Panonia Srl	Ordinary	Romania	Held 100% by Danube Petroleum Limited effective 23/3/18 – refer note 12	100%

Refer to note 12, non-controlling interests, for details on Danube Petroleum Limited.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Consolidated	
31 December	31 December
2018	2017
\$	\$

NOTE 15 – COMMITMENTS AND CONTINGENCIES

(a) Operating leases (non-cancellable):

Within one year	17,628	23,036
Later than one year, not later than five years	3,380	-
Within one year	21,008	23,036

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

(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 Energy Panonia SRL ("ADX Panonia") share of this commitment was 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 Panonia and RAG have committed to an additional 60 km of 2D seismic and approximately 100 km² of 3D seismic.

Subsequent to year end, RAG Austria AG has withdrawn from the Permit effective 31 March 2019. Following the date of withdrawal by RAG from the Parta Permit ADX Panonia will hold a 100% interest in the Parta Permit and assume all previous rights and obligations of RAG.

ADX has two options to retain the exploration license beyond 21 June 2019. It can either elect to go into phase two of the three phase exploration term or it can apply for an extension of the current term. Electing to go into phase 2 would be a default process but incur further work program commitments as per the concession agreement. Therefore ADX will seek a further extension of up to three years of the current term with the Romanian authorities.

Romania – Iecea Mare License

On 8 June 2018, ADX announced that its Romanian subsidiary, ADX Energy Panonia SRL ("ADX Panonia") executed a Sales and Purchase Agreement ("SPA") to purchase 100% equity interest in the Iecea Mare Production license "License" from the Romanian production company Amromco Energy SRL (subject to Romanian government approval). Under the terms of the SPA, ADX Panonia will pay Euro 30,000 and a 5% royalty for production from wells located within License. Euro 10,000 was paid in June 2018, with the balance paid upon transfer Oct 2018. The current production license is valid until November 2034 and extensions are possible. The license does not carry any commitments but an annual work-program will have to be agreed with the Romanian government (via NAMR. The National Agency for Mineral Resources). ADX estimates the annual cost for such activities may be approximately \$50,000.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 15 – COMMITMENTS AND CONTINGENCIES – continued

(c) Other Commitments

Danube Petroleum Limited

ADX has an obligation, under the Subscription Agreement dated 1 December 2017 between ADX Energy Ltd and Reabold Resources Plc (Reabold) to procure an additional investment into Danube Petroleum.

1. Under the terms of the Subscription Agreement ADX has committed to either invest directly or source investment from a third party for £375,940 on the same terms as Reabold's investments prior to 15 March 2019 (@£1.00 per share). In the event that ADX does not complete (or procure a third party to complete) the ADX Investment by 15 March 2019, ADX agrees to grant Reabold the right to subscribe to the shares at an issue price of £0.80 per Danube share. The option by Reabold must be exercised within 10 working days. As at 31 December 2018, ADX did not complete this investment, or procure a third party to complete, and Reabold had not yet elected to subscribe for additional shares.
2. ADX has agreed to grant to Reabold an option for Reabold to subscribe to a further 375,940 Danube shares at an issue price of £1.00 per share at any time prior to 15 March 2019. Reabold did not exercise this option.

In addition to the above ADX and Reabold have agreed to grant the following options to subscribe for shares in Danube in order to provide funding for the second Parta Appraisal Well ("Second Parta Well Funding");

- Reabold may subscribe for a further 1,627,604 Danube shares at an issue price of £1.20 per share for a total subscription price of £1,953,125 by electing to subscribe to shares within 6 weeks of receipt well logging data from the final logging run on the First Parta Appraisal Well.
- ADX may subscribe for a further 651,042 Danube shares at an issue price of £1.20 per share for a total subscription price of £781,250 by electing to subscribe to shares within 6 weeks of receipt of well logging data from the final logging run on the First Parta Well.
- Reabold and ADX may exercise their respective options to acquire shares up to an equivalent value for Reabold (£1,953,125) and ADX (£781,250) at any time prior to the spudding of the First Parta Well at a subscription price of £1.00 per Danube share rather than £1.20 per Danube share.

(d) Other contingencies

Italy - d363 C.R.-AX license

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

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

As previously announced, the Italian Senate has passed a Bill to suspend exploration activities in permits that have been approved or are in the process of being approved for a period of up to 18 months (to approximately August 2020) to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities. Accordingly ADX's d363 licence will not be converted to an exploration licence until later in 2020.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 15 – COMMITMENTS AND CONTINGENCIES – continued

(e) Other contingencies - continued

In order to minimize any possible future actions from environmental groups ADX has volunteered to a license area reduction to a total of 400 sqkm of remaining area. This area contains oil discoveries made today and also the main prospects mapped by ADX. It does however not contain areas which have possible seabed carbonate build up areas.

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. ADX has engaged upon request with UNMIG for a relinquishment of the license. Due to its proximity to Pantelleria Island and in conjunction with new restrictions for E&P activities in marine park areas and coastal zones (12 mile zone limit) the license cannot be activated for operations.

(f) 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 2018	31 December 2017
	\$	\$
Short-term employment benefits	654,211	613,816
Post-employment benefits	6,463	3,687
Share-based payment	147,752	512,998
	808,426	1,130,501

(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 2019 at normal commercial rates. Rental paid for the year ended 31 December 2018 totalled \$31,200 (2017: \$27,600).
- (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 2018 totalled \$12,000 (2017: \$7,000).
- (iii) Mr Philip Haydn-Slater, through an entity controlled by Mr Haydn-Slater, provides office premises in London at normal commercial rates to ADX's subsidiary, Danube Petroleum Limited. The rental is provided on a casual monthly basis. Rental paid for the year ended 31 December 2018 totalled \$4,820 (2017: \$Nil).

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
NOTE 17 - AUDITORS' REMUNERATION		
Amount received or due and receivable by the auditor for:		
Auditing the financial statements, including audit review - current year audits	42,000	29,500
Other services	-	-
Total remuneration of auditors	42,000	29,500

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.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 18 – SEGMENT INFORMATION - continued

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

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 18 – SEGMENT INFORMATION - continued

Operating Segments	Tunisia	Romania	Italy	Total Operations
	\$	\$	\$	\$
Year ended 31 December 2017				
Revenue and income	-	-	-	-
Total segment revenue				<u>-</u>
Result				
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 expenditure				(1,319,314)
Income tax expense				(21,378)
Net profit/(loss) after tax				<u>(2,169,334)</u>
Assets				
Segment assets	27,983	90,049	4,985	123,017
Reconciliation of segment assets:				
Unallocated cash				1,756,561
Other financial assets at fair value				125,661
Other				<u>2,005,239</u>
Total assets				
Liabilities				
Segment liabilities	(513,353)	(50,903)	(22,925)	(587,181)
Reconciliation of segment liabilities:				
Unallocated liabilities				(344,716)
				<u>(931,897)</u>
Total liabilities				
Capital expenditure				
Segment capital expenditure – plant and equipment	-	-	-	-
Total Segment capital expenditure	-	-	-	-
Reconciliation of capital expenditure:				
Unallocated additions				-
				<u>-</u>
Total capital expenditure	-	-	-	-

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018	31 December 2017
	\$	\$
<i>Financial Assets:</i>		
Cash and cash equivalents – interest bearing	520,944	1,082,839
Trade and other receivables – interest bearing	-	-
Net exposure	520,944	1,082,839

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.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 \$	31 December 2017 \$
<i>Financial Assets:</i>		
Cash and cash equivalents - non USD	3,226,540	1,575,932
Trade and other receivables – current – non USD	684,169	47,877
<i>Financial Liabilities:</i>		
Trade and other payables – current – non USD	(426,871)	(323,141)
Net exposure	<u>3,483,838</u>	<u>1,300,668</u>

Sensitivity

At 31 December 2018, if exchange rates had increased by 10% or decreased by 10% from the year end rates with all other variables held constant, post tax profit and equity for the Group would have been \$298,383 lower / \$364,694 higher.

The 10% sensitivity is based on reasonably possible changes, over a financial year, for the Australian dollar to the US dollar, Euro and GBP.

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 and evaluation phase.

Fair value

The Group has no assets and liabilities which are measured at fair value.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 20 - SUBSEQUENT EVENTS

Subsequent to year end, RAG Austria AG ('RAG'), ADX's joint venture partner in the Parta permit, Romania, has withdrawn from the Permit effective 31 March 2019. Following the date of withdrawal by RAG from the Parta Permit, ADX Energy Panonia SRL will hold a 100% interest in the Parta Permit and assume all previous rights and obligations of RAG.

As previously announced in February 2019, the Italian Senate has passed a Bill to suspend exploration activities in permits that have been approved or are in the process of being approved for a period of up to 18 months (to approximately August 2020) to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities. Accordingly ADX's d363 licence will not be converted to an exploration licence until later in 2020.

There are no other matters or circumstances that have arisen since 31 December 2018 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial years.



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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 2018, 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 2018 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 83% 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, 6 and 19 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 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility for the Audit of the Financial Report

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



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

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 2018.

In our opinion the remuneration report of ADX Energy Ltd for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Rothsay Auditing

**Graham Swan FCA
Partner**

Dated 29 March 2019

ADX ENERGY LTD

ADDITIONAL SHAREHOLDER INFORMATION

Information as at 22 March 2019

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	186	85,481	0.01
1,001 - 5,000	486	1,543,691	0.13
5,001 - 10,000	399	3,253,333	0.27
10,001 - 100,000	905	36,179,698	3.00
100,001 and over	501	1,166,908,712	96.59
Total Shareholders	2,477	1,207,970,915	100
Number of shareholders holding less than a marketable parcel	1,880		

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

There are no voting rights for Optionholders.

c) Securities Subject to Escrow:

There are no securities currently subject to an escrow.

ADX ENERGY LTD

ADDITIONAL SHAREHOLDER INFORMATION

d) Twenty largest shareholders:

Name	Number of Ordinary Shares	% of Issued Capital
1. J P MORGAN NOMINEES AUSTRALIA LIMITED	146,617,648	12.14
2. JETOSEA PTY LTD	141,130,283	11.68
3. WILLOW SCENT LIMITED	54,749,090	4.53
4. MR PAUL FINK	33,663,360	2.79
5. CITICORP NOMINEES PTY LIMITED	31,873,848	2.64
6. SARGON CT PTY LTD <HENROTH PTY LIMITED>	25,200,000	2.09
7. IRONSIDE PTY LTD <IRONSIDE SUPER FUND A/C>	23,458,017	1.94
8. BRAZELL PTY LTD <A & M SUPER FUND A/C>	21,179,341	1.75
9. KENLOW (1982) PTY LTD <SUPER FUND A/C>	20,250,000	1.68
10. MR TIMOTHY FRANCIS CLIVE MCDONNELL	16,888,888	1.40
11. FIVECUTS PTY LTD <ELLIMATTA SUPER FUND A/C>	15,800,000	1.31
12. PAKASOLUTO PTY LIMITED <BARKL FAMILY SUPER FUND A/C>	14,249,678	1.18
13. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,128,813	1.17
14. MR ALAN GEORGE BROOKS + MRS PHILIPPA CLAIRE BROOKS <A G & P C BROOKS S/FUND A/C>	14,000,000	1.16
15. BRISQUE PTY LTD <L&M SHEEHY FAMILY A/C>	13,750,000	1.14
16. WARROORAH PTY LTD <TCHACOS FUND A/C>	12,733,732	1.05
17. EONIA PTY LTD	12,095,370	1.00
18. BFT ONE PTY LTD	11,999,922	0.99
19. GREAT EASTERN HOLDINGS PTY LTD <NAMBUNG UNIT A/C>	11,000,000	0.91
20. MR VICTOR MIASI + MR JOSEPH MIASI <VICTOR MIASI SUPER A/C>	11,000,000	0.91
	<u>645,767,990</u>	<u>53.46</u>
Remaining Holders Balance	<u>562,202,925</u>	
Shares on issue	<u>1,207,970,915</u>	

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

Name	Expire 31/5/2019 1.9 cents	Expire 31/12/2019 2 cents	Expire 31/12/2019 3 cents	Expire 31/5/2022 Nil cents
<i>Directors:</i>				
Ian Tchacos (Eonia Pty Ltd)				6,354,086
Paul Fink				3,415,961
Philip Haydn-Slater	4,000,000			
<i>Others:</i>				
Jetosea Pty Ltd		6,666,667		
Others (each holding less than 20%)		18,333,333		
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	
	<u>4,000,000</u>	<u>25,000,000</u>	<u>5,000,000</u>	<u>9,770,047</u>

ADX ENERGY LTD
TENEMENT SCHEDULE

Oil AND GAS ASSETS
Europe and North Africa

Project	Permit	ADX Group Interest (%)	Operator
Offshore Tunisia, Kerkouane	Kerkouane	100%	ADX
Offshore Italy, Pantelleria	G.R15.PU	100%	ADX
Offshore Italy, Nilde – awarded application ^{Note 1}	d363 C.R.-.AX	100%	ADX
Onshore Romania – Parta ^{Note 2}	EX-10 PARTA	100%	ADX
Onshore Romania – Iecea Mare Production Licence ^{Note 2}	Iecea Mare	100%	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 late 2020.

Note 2: ADX holds a 66.7% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via ADX Panonia holds a 50% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Sole Risk Project) and a 100% interest in the Iecea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube.