



# **ADX Energy Ltd**

**ABN 50 009 058 646**

**HALF-YEAR FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2018**

**Directors**

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

**Company Secretary**

Amanda Sparks  
Peter Ironside

**Registered and Principal Office**

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**Share Registry**

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172 St George's Terrace  
Perth, Western Australia 6000  
Telephone: +61 8 9323 2000  
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**Solicitors**

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

**Bankers**

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

**Stock Exchange Listing**

Australian Stock Exchange - ASX Code: ADX  
152-158 St Georges Terrace  
Perth, Western Australia 6000

**Auditors**

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

# ADX ENERGY LTD

## DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 30 June 2018.

### DIRECTORS

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

Name	Position
Mr Ian Tchacos	Executive Chairman
Mr Paul Fink	CEO and Executive Director
Mr Andrew Childs	Non-Executive Director
Mr Robert Brown	Non-Executive Director
Mr Philip Haydn-Slater	Non-Executive Director

### REVIEW AND RESULTS OF OPERATIONS

#### Summary of Financial Performance

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

	Consolidated 6 Months to 30 June 2018 \$	Consolidated 6 Months to 30 June 2017 \$
Net profit/(loss) for the half-year after tax attribute to members of the Parent Entity	(1,329,050)	(1,707,300)
Included in loss for the half-year:		
Exploration expensed	(861,979)	(986,924)
Share-based payments expensed	(327,939)	(403,340)
Gain on fair value of financial asset	-	55,310
Basic profit/(loss) per share (cents) from continuing operations	(0.12) cents	(0.18) cents
Net cash (used in) operating activities	(1,111,863)	(843,646)
Net cash from investing activities	13,581	(3,000)
Net cash from financing activities	681,557	1,904,145

During the six month period:

- Exploration expenditure was \$861,979. This was expenditure on all of ADX's projects, being the Parta Joint Operation in Romania, the Parta Sole Risk project in Romania, the Nilde redevelopment project offshore Italy and activities on the Kerkouane permit offshore Tunisia.
- 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 (upon completion) will represent a 29% shareholding in Danube.

Reabold subscription in Danube for a total of 1,503,759 shares comprises two tranches:

- 375,940 new shares at 1 GBP per share (approx. US\$ 500,000). This was completed on 27 March 2018; and
- 1,127,819 at 1 GBP per share (approx. US\$ 1,500,000) upon the issue by ADX (in its capacity as Operator) of an Authorisation for Expenditure (AFE) for the drilling of the first appraisal well. These funds for tranche 2 are held in a solicitors' escrow account until the AFE is issued.

Operations Review

Offshore Italy Pantelleria Permits & d363C.R.-AX permit (Operator, 100% equity interests)

The Nilde Field Redevelopment Project

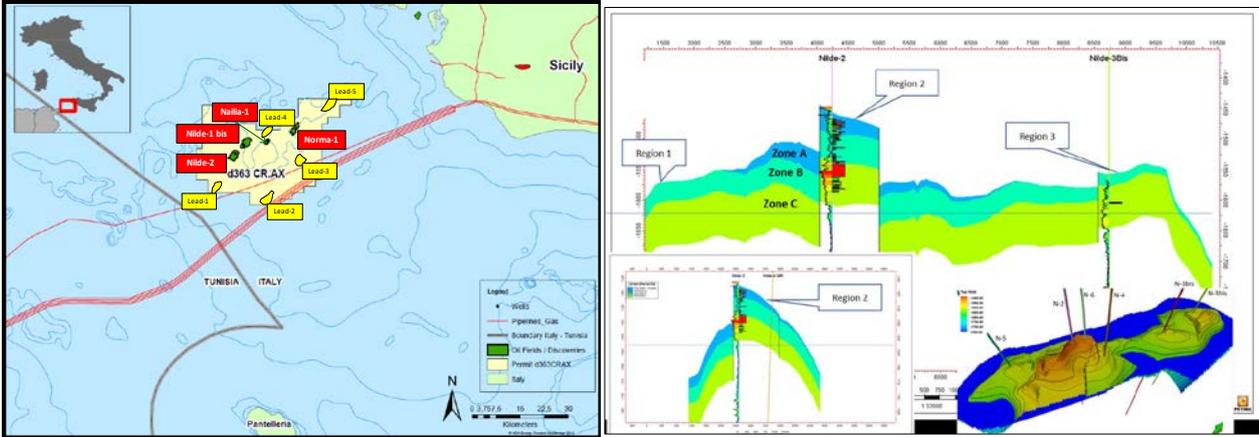


Figure 1 Left: Nilde oil field and oil discoveries location, approximately 54 km west of Sicily, Right: 3D Reservoir Model

During the period the following key events and developments occurred:

1. In January 2018, the Italian Regulatory Authorities (Authority) advised that, in their view, ADX has insufficient financial capability to fulfil its Permit commitments. In the same notification the Authority has advised that ADX has the necessary technical and HSSE capacity in line with the legislation. In February 2018 ADX subsequently filed an objection with updated financial information, increased parent financial and legal arguments supporting ADX's position under the legislation. No subsequent notification or response has been received from the Authority.
2. At the same time ADX continued discussions with potential farminees and project partners (financial and technical) with a view to strengthening the financial support for the project to overcome the final hurdle for license ratification.

Shown in Table 1 below are volumetrically estimated recoverable contingent resources (Lloyd's independent resources review, ASX announcement 17/2/2016) just for the Nilde oil field (excluding tested Naila and Norma oil discoveries). The estimated remaining resources in combination with 3D reservoir simulated initial production rates of 20,000 barrels of oil per day, shallow water and drill depths (1600 meters), low capital costs and excellent fiscal terms yield excellent economics which continue to attract considerable industry interest.

Gross Contingent <sup>1</sup> Oil Resource Volumes (MMstb)			
	1C <sup>2</sup> Estimate	2C <sup>2</sup> Estimate	3C <sup>2</sup> Estimate
<b>Nilde &amp; Nilde Bis</b>	<b>21.7</b>	<b>32.8</b>	<b>49.8</b>

Table 1: Nilde Contingent Resource Volumes (Announced 17/2/2016)

<sup>1</sup> 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.

<sup>2</sup> 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.

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

The 3,080km<sup>2</sup> Kerkouane license contains a number of large exploration prospects and the Dougga gas condensate discovery. The license is contiguous with ADX's Sicily channel licenses as shown below.

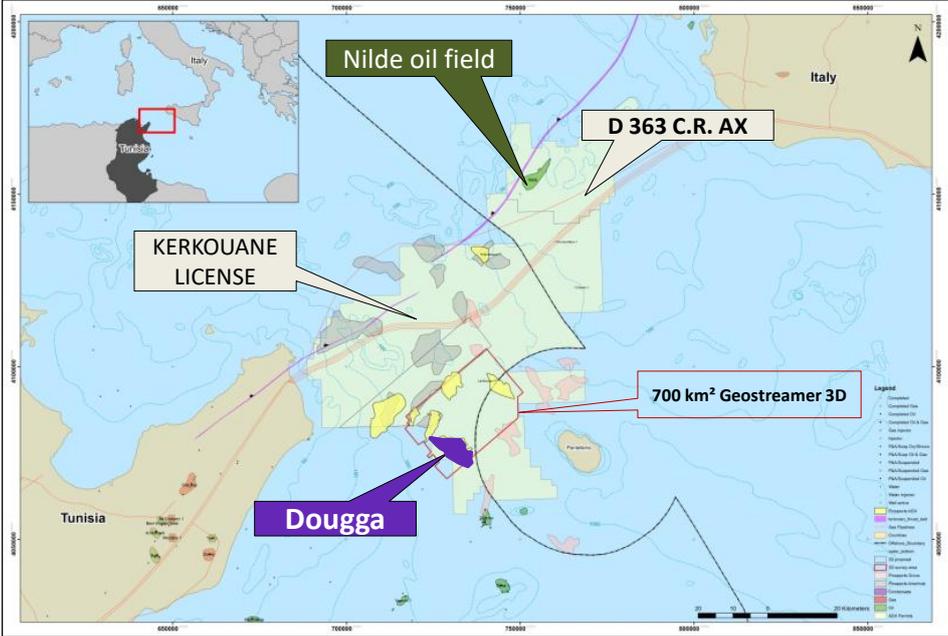


Figure 2: Location map of ADX offshore Sicily Channel acreage.

**Dougga Appraisal and Development**

Dougga is a large gas condensate discovery defined on high resolution 3D Seismic (PGS Geostreamer) with a proven gas column (at Dougga-1) of 200m. On behalf of ADX, during the period ending 30 June 2018, independent resource auditor ERC Equipoise Pte Ltd (ERCE) completed an independent evaluation of the Dougga Gas Condensate discovery (Dougga) and potential extension of Dougga – the Dougga South West exploration prospect (Dougga SW).

The map below shows the relative position of the Dougga discovery, the proposed Dougga-Sud appraisal well location and the Dougga SW prospect.

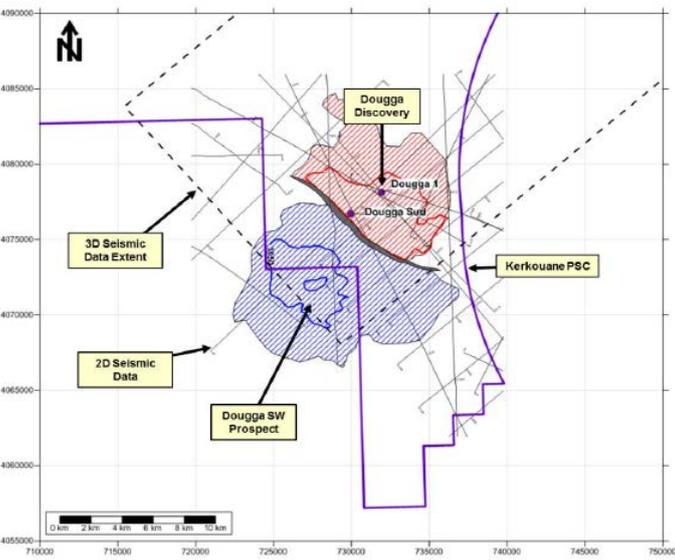


Figure 3: Dougga Gas Condensate Discovery and Dougga SW Prospect.

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As announced on 16/7/2018, the table below summarizes the ERCE contingent resource evaluation results for Dougga compared to the previous independent review undertaken by Tracs in 2011. The difference is a full evaluation of the newly acquired 3D seismic, reservoir property modelling and detailed reservoir engineering modelling resulting in an improved recoverable resource forecast. An important factor to note is that ERCE also recognized and assessed the very large upside potential of 227 mmboe 3C resources.

<b>Dougga Unrisked Contingent Resources</b> <small>Note 4, 5, 6</small>		<b>1C</b>	<b>2C</b>	<b>3C</b>
<b>ERCE (2018) Estimates</b>				
Gas Net of Inerts <small>Note 7</small>	Bscf	238	405	772
Condensate	MMbbl	15	31	64
LPG	MMbbl	19	32	56
<b>Total Oil Equivalent</b> <small>Note 8</small>	<b>MMBOE</b>	<b>69</b>	<b>122</b>	<b>227</b>
<b>TRACS (2011) Estimates</b>				
	<b>MMBOE - Total</b>	<b>49</b>	<b>75</b>	<b>113</b>
<b>ERCE Variance to TRACS</b>		<b>+40%</b>	<b>+63%</b>	<b>+101%</b>
<b>ADX Internal (Current)</b>				
	<b>MMBOE - Total</b>	<b>98</b>	<b>162</b>	<b>273</b>
<b>ERCE Variance to ADX Internal</b>		<b>-30%</b>	<b>-25%</b>	<b>-17%</b>
<i>Where</i>				
<i>"Bscf" means thousands of millions of standard cubic feet</i>				
<i>"MMbbl" means millions of barrels</i>				
<i>"MMBOE" means millions of barrels of oil equivalent – where gas and LPG are converted to barrels of oil equivalent ("boe") using conversion factors of 5800 scf/boe for gas and 1.484 bbl LPG/boe</i>				
<i>"scf" means standard cubic feet of gas measured at 14.7 pounds per square inch and 60 degrees Fahrenheit</i>				
<i>"1C" means Low Estimate Contingent Resources</i>				
<i>"2C" means Best Estimate Contingent Resources</i>				
<i>"3C" means High Estimate Contingent Resources</i>				
<b>Notes</b>				
4. All Resources quoted are at ADX 100% equity interest in the Kerkouane Permit.				
5. 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.				
6. The total Contingent Resources estimates presented in the table above are unrisked and have not been adjusted for the chance that the Contingent Resources will be developed and will reach commercial producing status.				
7. The gas resources estimates presented are gas net of inerts (after deduction for removal of CO2 and gas shrinkage when liquids are removed).				
8. The MMBOE resources and the percentages variances have been calculated by ADX using the oil equivalent conversion factors from the TRACS 2011 report.				

*Table 2: Dougga Gas Condensate Discovery; ERCE Estimated Contingent Resources.*

### **Dougga SW Exploration Prospect Resource Potential: Independent Expert Review**

As shown in the previous maps, the 3D seismic covers a number of proximal exploration prospects which would potentially ensure that any future Dougga production facilities could be used to process additional resources in the area to maintain an optimal plant capacity. The most prominent is the Dougga-SW prospect which in the upside case could share a common spill point with the Dougga main gas condensate field. ERCE has independently assessed that this prospect has a 30% chance of success. The prospective resource assessment by ERCE is shown in the table below. On average about 41% of the estimated prospective resources across the range are in the ADX Kerkouane exploration permit. It should be noted that the majority of the structure is defined on 3D seismic.

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Dougga SW Unrisked Prospective Resources Note 9, 10		Low	Best	High
<b>ERCE (2018) Estimates</b>				
Gas <sup>Note 11</sup>	Bscf	383	762	1550
Condensate	MMbbl	15	37.5	88
<b>Total Oil Equivalent</b> <sup>Note 12</sup>	<b>MMBOE</b>	<b>81</b>	<b>169</b>	<b>355</b>
<b>Within Kerkouane PSC</b>	<b>MMBOE</b>	<b>33</b>	<b>69</b>	<b>145</b>
	<b>% age in Permit</b> <i>Note 13</i>	<b>41%</b>	<b>41%</b>	<b>41%</b>

**Where**

“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 of oil equivalent (“boe”) using a conversion factor of 5800 scf/boe  
 “scf” means standard cubic feet of gas measured at 14.7 pounds per square inch and 60 degrees Fahrenheit

“Low” means a conservative estimate of the quantity that will actually be recovered from the accumulation by the project; there is a 90% probability (P90) that the quantity actually recovered will equal or exceed the best estimate  
 “Best” means a best estimate of the quantity that will actually be recovered from the accumulation by the project; there is a 50% probability (P50) that the quantity actually recovered will equal or exceed the best estimate  
 “High” means an optimistic estimate of the quantity that will actually be recovered from the accumulation by the project; there is a 10% probability (P10) that the quantity actually recovered will equal or exceed the best estimate

**Notes**

- 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 Prospective Resources estimates presented in the table above are unrisked and have not been adjusted for the chance of discovery and chance of development.
- The gas resources estimates presented are gross raw gas and do not account for shrinkage fuel and flare or inerts.
- The MMBOE resources have been calculated by ADX using the oil equivalent conversion factors from the TRACS 2011 report.
- 41% has been used for low, best and high cases for the percentage of volumes within the Permit. This is based on the percentage of gross rock volume within the Permit, which is 38% for the low case and 44% for the high case; 41% the average which has then been used for all cases.

Table 3: Dougga SW Prospect; ERCE Estimated Prospective Resources.

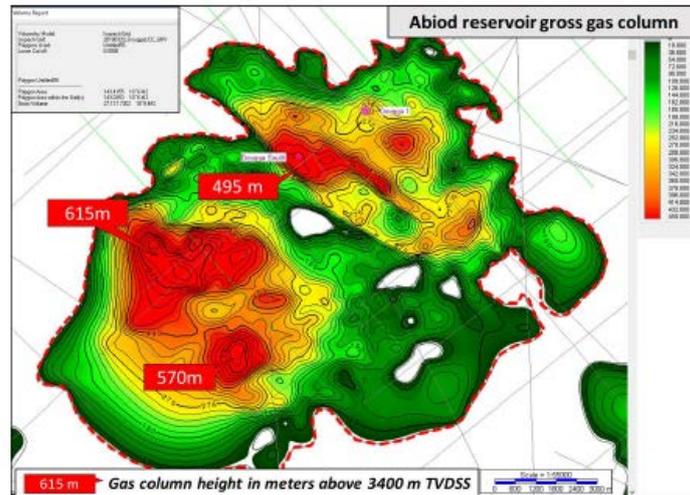


Figure 4: Dougga SW prospect gas column height map (High Estimate)

**Dougga- Development: Engagement with the Tunisian Authorities**

In the event of a successful Dougga-Sud appraisal well, the Dougga gas condensate field has the potential to become a cornerstone asset in the Tunisian gas and LPG production landscape. The charts below show the potential relevance compared to the currently available Tunisian Sales Gas and LPG production.

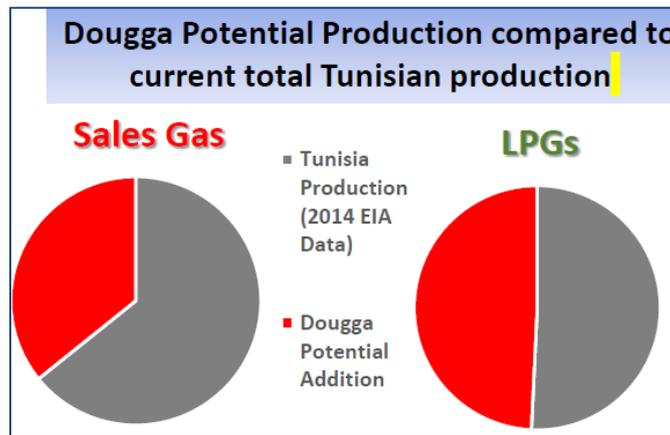


Figure 5: Potential Dougga Impact to Tunisian Sales and LPG Production

The Tunisian authorities together with the World Bank hosted a forum intended to discuss initiatives for the attraction of further international investment in oil and gas exploration and development. ADX was invited on the 20th April 2018 to give a presentation to ETAP representatives and the Tunisian Ministry of Energy to highlight the opportunities to commercialise gas offshore Tunisia and to summarise the potential significance of ADX’s Dougga gas condensate appraisal and development project. Tunisia is seeking to reinvigorate its oil and gas sector and is undertaking reforms to increase investment and has been very supportive of ADX.

**Dougga-Sud Appraisal Well Drilling Planning & Rig Contract**

ADX has secured a drilling contract to drill and test the Dougga-Sud appraisal well during Q2 2019 utilising the Noble Globe Trotter II drilling rig. Drilling has been delayed due to the extension of existing rig commitments in the Black Sea. The delay provides additional time to secure the funding of the well and exercise the drilling option. Well planning, licensing approvals and long lead item contracting preparations have commenced.

**Dougga Farm-Out and Funding Process**

ADX completed a comprehensive subsurface and development feasibility study. Concept design and costs are based on a study undertaken by a TechnipFMC and an expression of interest process to tier 1 and 2 contractors. Since the opening of a comprehensive Virtual Dataroom, an increasing number of parties are evaluating the Dougga development asset, including both typical oil company farminees, providers of finance or industry alliance partners.

The recently completed ERCE report, in combination with the TechnipFMC Concept Study, provides prospective funding partners with independent confirmation of the potential viability of the Dougga Gas Condensate Project by highly respected third parties. This is expected to enable ADX to secure funding for appraisal drilling on the Dougga in Q2 2019.

**Onshore Western Romania, Parta Appraisal Project and Parta Exploration Permit**

*(ADX is Operator and has a 91% shareholding in Danube Petroleum Limited, which, via its’ wholly owned subsidiary ADX Energy Panonia Srl, holds a 50% interest in the Parta Exploration license, a 100% interest in the Parta Appraisal Project and subject to a license transfer, a 100% interest in the recently acquired Iecea Mare Production License)*

**Independent Expert Review (ERCE)**

An independent evaluation of the Parta Appraisal Program in Romania has been completed by ERC Equipoise Pte Ltd (ERCE). The evaluation report covers the areas to be evaluated by the two planned appraisal wells in the Parta Exploration License and the recently acquired Iecea Mare production license as shown below.

**ADX ENERGY LTD**  
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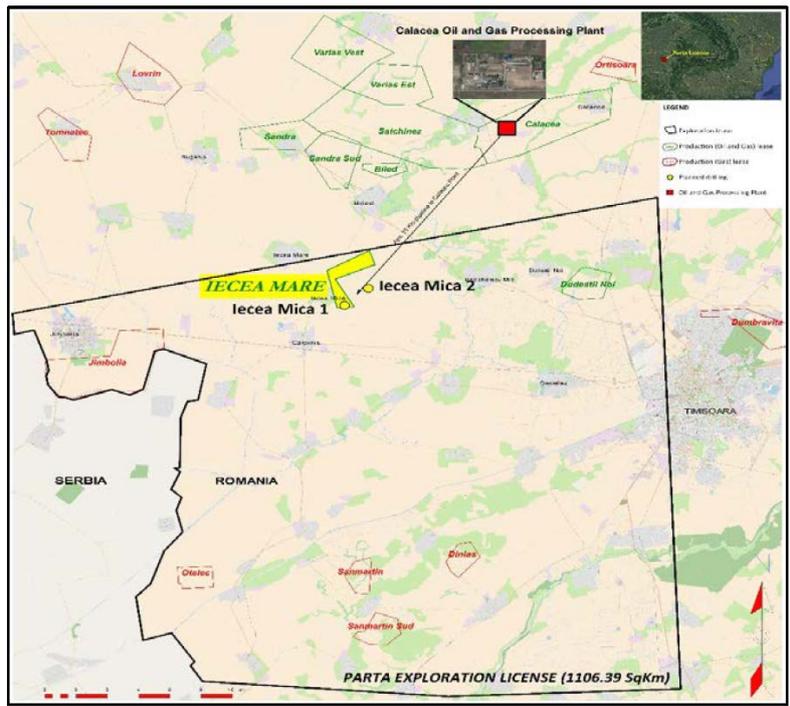


Figure 6: Parta Exploration Licence and Parta Appraisal Program Locations

The report will be used by ADX in support of ongoing financing efforts for the Parta Appraisal Program and a potential Alternative Investment Market (AIM) listing.

ADX Contingent Resources estimates were confirmed by ERCE as well as a significant increase in aggregated resource potential across all unrisked gas Prospective Resources categories for the two well program compared to that previously announced by ADX. A comparison of ERCE and ADX total unrisked resources estimates is shown in the table below (source: ERCE Independent Evaluation Report and ADX ASX announcement 8/8/2017)

<b>Parta Appraisal Program Unrisked Resource Estimate Comparison</b>			
(Bscf Recoverable @ 100% Equity Interest <sup>Note 6</sup> )			
Contingent Resources <sup>(Note 2, 4, 7)</sup>	1C	2C	3C
ERCE (Estimate)	6.8	21.6	59.0
ADX (Estimate)	8.0	21.0	59.0
% age change - ERCE compared to ADX	-15%	3%	0%

Prospective Resources <sup>(Note 3, 5, 7)</sup>	Low	Best	High
ERCE (Estimate)	10.5	28.3	67.7
ADX (Estimate)	7	19	56
% age change - ERCE compared to ADX	50%	49%	21%

**Note 1:** The work has been carried out using international resources and reserves reporting and classification standard adopted by the ASX and the LSE - the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System ("PRMS")

**Note 2:** 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

**Note 3:** 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.

**Note 4:** The total Contingent Resources estimates presented in the table above are unrisked and have not been adjusted for the chance that the Contingent Resources will be developed and will reach commercial producing status

# ADX ENERGY LTD

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**Note 5:** 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

**Note 6:** ADX holds its beneficial interest in the Contingent Resources and Prospective Resources via the special purpose company Danube Petroleum Limited (Danube). ADX currently holds a 91% share holding in Danube. Upon the completion of tranche 2 of the US\$2 million funding transaction with Reabold Resources Plc, ADX will hold a 71% interest in Danube. Danube in turn holds a 100% interest in the Romanian exploration and production license holding company ADX Panonia.

**Note 7:** The gas resources estimates presented are gross raw gas and do not account for shrinkage fuel and flare or inerts.

"Bscf" means thousands of millions of standard cubic feet

"1C" means Low Estimate Contingent Resources

"2C" means Best Estimate Contingent Resources

"3C" means High Estimate Contingent Resources

**Table 4: Parta Appraisal Program; ERCE Estimated Resources**

Economic modelling summarised below for a number of success cases demonstrates the excellent potential profitability for the Iecea Mica – 1 (IM-1) and Iecea Mica – 2 (IM-2) wells:

WELL	IM - 1		IM - 2		IM - 1		IM - 2	
RESOURCE SUCCESS SCENARIO	Appraisal only		Appraisal only		Appraisal + Exploration		Appraisal + Exploration	
<b>Development Assumptions</b>								
Ultimate recovery [Bcf]	6.1		15.5		18.8		31.1	
Depth [m]	2500		2200		2500		2200	
No. of Producing wells	1		2		2		2	
Avg Cost per well [MUSD]	\$	3,100	\$	2,500	\$	2,800	\$	2,500
<b>Capex &amp; Opex Assumptions</b>								
G&G	\$	200	\$	200	\$	200	\$	200
Appraisal Well (Drill, Test & Complete)	\$	3,100	\$	2,500	\$	3,100	\$	2,500
Prod. Wells	\$	-	\$	2,500	\$	2,500	\$	2,500
Prod. Facility	\$	1,500	\$	3,000	\$	1,500	\$	3,000
Field pipeline	\$	1,100	\$	1,100	\$	1,100	\$	1,100
<b>Total Project Capex</b>	\$	<b>5,900</b>	\$	<b>9,300</b>	\$	<b>8,400</b>	\$	<b>8,400</b>
Operating Costs	\$	250	\$	350	\$	350	\$	350
<b>Economic Summary</b>								
IRR	39%		49%		43%		79%	
Post Tax NPV at 10% Dcf [MUSD]	\$	<b>15,869</b>	\$	<b>40,009</b>	\$	<b>43,850</b>	\$	<b>83,888</b>
ROI	3.69		5.48		7.00		10.39	
Avg Net Cash Flow [MUSD]	\$	2,114	\$	5,223	\$	5,797	\$	10,991

Note: Gas Price = US\$ 6.233 / mmBTU; Inflation - 2% per annum; 10 year linear depreciation.

**Table 5: Economic Success-Case Modelling of IM-1 and IM-2 wells**

The combination of strong gas pricing, excellent fiscal terms, low drilling and development cost in combination with the proximal location to a gas processing plant results in excellent economic returns..

### Parta Appraisal Project Funding

During the period, ADX finalised the agreement announced on the 4 December 2017 with Reabold Resources Plc (LSE AIM:RBD) (Reabold) to invest US\$2 million in the recently incorporated Danube Petroleum Limited (Danube) following the recent completion of transfers and conditions precedent. After the tranche 2 payment of funds currently held in escrow are made by Reabold, ADX will hold 71% interest in UK registered Danube. Danube holds a 50% interest in the Parta exploration license ("Parta") and a 100% participating interest in the Parta Appraisal Program (scheduled for commencement in Q4 2018) via ADX Energy Panonia Srl (a wholly owned Romanian Company).

The schematic of Danube Ownership Structure for Parta Assets is shown below.

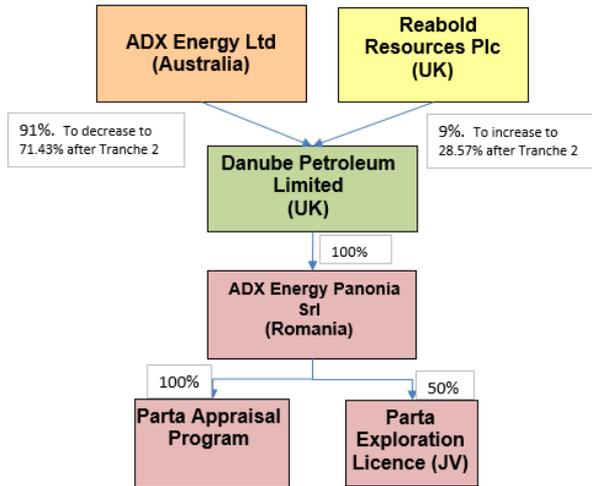


Figure 7: Danube Ownership Structure

**lecea Mare Drilling and Development preparations**

The tender process with several national and international drilling companies for the provision of a 2 well drilling program was competed. Eight companies had initially expressed their interest to tender for the drilling of 2 wells towards the year end 2018. ADX, on behalf of Danube (for ADX Energy Panonia Srl), has now started final negotiations with the successful bidder of the tender process.

Tenders for long lead items (casing, tubing, wellhead equipment and services) have also been sent to a number of manufacturers. Bids and decisions were due for mid Q2 2018 and ADX has already selected a number of companies for final negotiations for casing, tubing and wellheads.

During the period technical work progressed to finalise the drilling locations for the two wells. For the Carpinis prospect area it was possible to design a well path which is vertical and can still meet the objective of testing both the shallow and deep gas reservoir targets. The name of this well will be lecea Mica-2 (IM-2). The figure below shows seismic sections through both targets and the vertical well path, respectively.

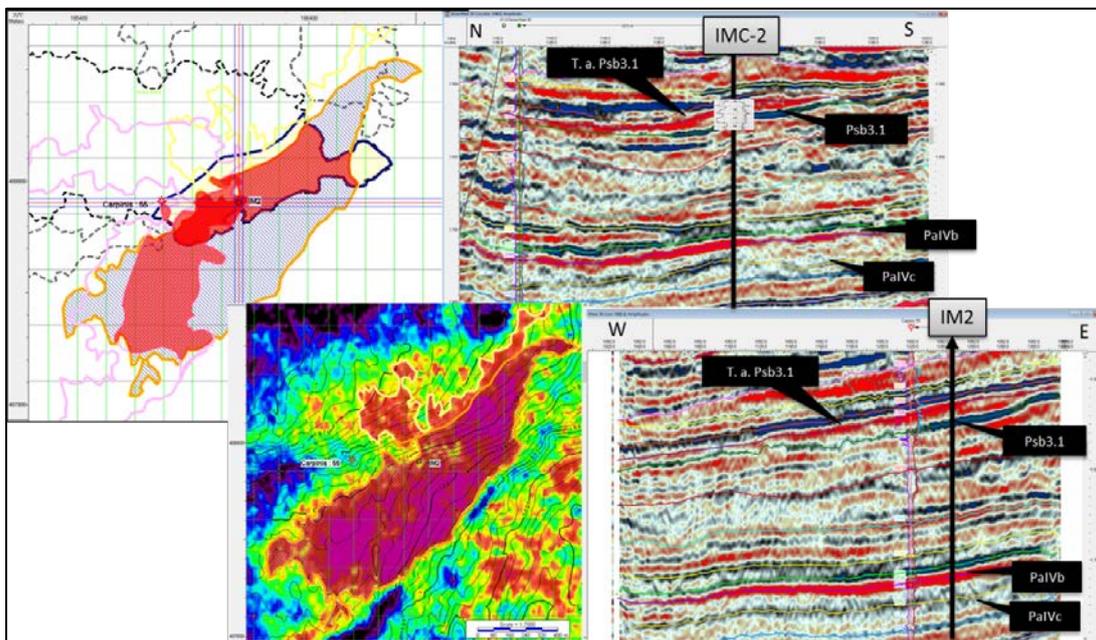


Figure 8: IM-2 Reservoir Targets

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### ***NAMR (National Agency for Mineral Resources) Approvals and Well Planning***

Following the finalization of the drilling locations with respect to surface (landowners, access roads) and subsurface aspects reports were submitted to the National Agency NAMR for approval of the drilling, testing and development program. Approval was obtained. For well Iecea Mica-1 (Iecea-Mare-35 redrill) the drilling and testing approval is subject of an additional NAMR approval of ADX becoming a production license operator in Romania following the transfer of the Iecea Mare production license from Amromco to ADX. This process was well advanced during the period.

### ***Iecea Mare Production License Acquisition***

Through its subsidiary Danube and 100% Romanian owned ADX Energy Panonia SRL ("ADX Panonia") ADX has 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. Under the terms of the SPA, ADX Panonia will pay Euro 30,000 and a 5% royalty for production from wells located within License (of which 10,000 euro has been paid in June 2018).

The acquisition of the Iecea Mare production license enables one of the Parta Appraisal wells ("IM-1") to be drilled from an optimal location within the License area. Upon Appraisal Program success it is possible to locate production facilities within the License area enabling the initiation of potential production operations without the need to secure a production license. The location of the License proximal to the active Calacea gas plant ensures the potential for cost effective and rapid tie in of gas production.

An additional benefit of the Iecea Mare production license is that it provides further development, appraisal and exploration opportunities covered with modern 3D seismic.

### ***Parta License Activities outside the Iecea Mare appraisal area***

During the period, significant interest has emerged from various oil and gas companies and financial entities for both the Parta Appraisal program as well as the Parta exploration license. Several parties showed specific interest in the acquisition of 3D seismic over a large part of the highly prospective Parta license. An area of approximately 250 sqkm has been permitted and can be accessed for 3D seismic acquisition. ADX has also re-activated permit activities in a few remaining southern areas of the 3D area where not every single plot of land has a valid landowner agreement. The fact that ADX has successfully permitted such a large area for 3D seismic acquisition access is viewed by many parties interested to acquire acreage in Romania as a valuable asset.

The map below illustrates this point. The area encompasses around 250 sqkm. Green areas have already valid and signed permits. ADX intends to acquire around 150 sqkm, which is in excess of the remaining obligatory commitment.

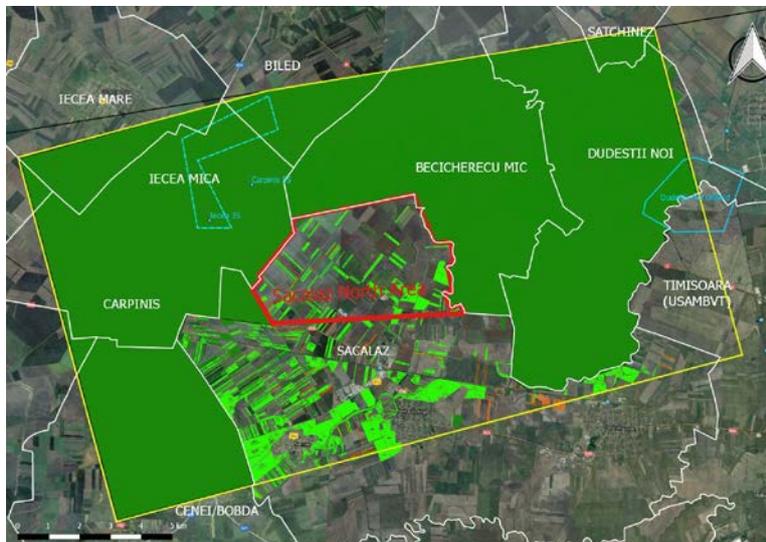


Figure 9: Areas Permitted for Seismic Acquisition

### **New Ventures**

There was no significant new ventures activity during the period.

# ADX ENERGY LTD

## DIRECTORS' REPORT

### TENEMENTS LIST

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

Permit	Percentage held as at 1 January 2018	Percentage held as at 30 June 2018	Percentage acquired
Offshore Tunisia, Kerkouane	100%	100%	-
Offshore Italy, Pantelleria	100%	100%	-
Offshore Italy, d 363 C.R.-AX <sup>1</sup>	100%	100%	-
Offshore Italy, d 364 C.R-AX	100%	-	-
Onshore Romania, Parta <sup>2</sup>	50%	50%	-
Onshore Romania, Iecea Mare Production Licence <sup>3</sup>	-	Note <sup>3</sup>	100%

Table 6: ADX Tenements List

**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.

**Note 2:** ADX holds a 91% shareholding in Danube Petroleum Limited (Danube). Upon the completion of tranche 2 of the recently completed US\$2 million funding transaction with Reabold Resources Plc, ADX will hold a 71% interest in Danube. Danube holds a 50% interest in the Parta Exploration license and a 100% interest in the Parta Appraisal Project. ADX is the operator of the permit pursuant to a Services Agreement with Danube.

**Note 3:** ADX announced the acquisition of Iecea Mare Production License onshore Romania on 8 June 2018. Completion of license transfer is expected during August 2018.

### SUBSEQUENT EVENTS

Subsequent to year end, on 14 August 2018, ADX issued the following shares and options. These amounts were accrued for in the 30 June 2018 financial statements:

- 1,725,000 shares issued pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 25 May 2018. The shares were issued to directors in consideration of remuneration elected to be paid via shares for the quarter ended 30 June 2018 (\$17,250).
- 1,380,000 shares issued to ADX's Company Secretaries in consideration of remuneration elected to be paid via shares for the quarter ended 30 June 2018 (\$13,800).
- 1,892,019 shares issued to consultants in lieu of services elected to be paid via shares for the quarter ended 30 June 2018 (\$18,188).
- 5,180,625 Options granted to Directors Ian Tchacos and Paul Fink, as approved by Shareholders on 25 May 2018. The options were granted in consideration of consultancy fees remuneration elected to be paid via options for the quarter ended 30 June 2018 (value \$51,806). The options have a nil exercise price and expire on 31 May 2022.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

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

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**AUDITOR'S INDEPENDENCE DECLARATION**

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

**"Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

To: The Directors of ADX Energy Ltd

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:

- no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 30 June 2018 financial statements; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan  
Lead Auditor  
Rothsay Chartered Accountants"

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



Ian Tchacos  
Executive Chairman  
PERTH, 10 September 2018



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 www.rothsayresources.com.au

### **Independent Review Report to the Members of ADX Energy Ltd**

#### **The financial report and directors' responsibility**

The half year financial report comprises the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cashflow statement, accompanying notes to the financial statements, and the directors' declaration for ADX Energy Ltd for the half-year ended 30 June 2018.

The Company's directors are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Review approach**

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 30 June 2018 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ADX Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### **Independence**

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

#### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of ADX Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 30 June 2018 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Auditing

Graham Swan FCA  
Partner

Dated 10 September 2018



Chartered Accountants

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

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

1. In the opinion of the directors:
  - a) The financial statements and notes are in accordance with the Corporations Act 2001, including:
    - i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
    - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory reporting requirements; 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 half-year ended 30 June 2018.

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



Ian Tchacos  
Executive Chairman

PERTH, 10 September 2018

**ADX ENERGY LTD**  
**CONSOLIDATED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	Note	Half-year ended 30 June 2018 \$	Half-year ended 30 June 2017 \$
<b>Continuing Operations</b>			
<b>Revenue, Income and Gains</b>			
Interest Revenue		1,972	1,160
Gain on fair value of financial asset		-	55,310
		<u>1,972</u>	<u>56,470</u>
<b>Expenses</b>			
Administration, staff and corporate expenses, net of recoveries from exploration projects	3	473,739	752,367
Exploration expensed		861,979	986,924
		<u>1,335,718</u>	<u>1,739,291</u>
<b>Loss before income tax</b>		<b>(1,333,746)</b>	<b>(1,682,821)</b>
Income tax expense		-	(24,479)
<b>Net loss for the half-year</b>		<b><u>(1,333,746)</u></b>	<b><u>(1,707,300)</u></b>
Loss is attributable to:			
Owners of ADX Energy Ltd		(1,329,050)	(1,707,300)
Non-Controlling Interest	7	(4,696)	-
		<u>(1,333,746)</u>	<u>(1,707,300)</u>
<b>Other Comprehensive Income/(Loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		107,387	(32,241)
Income tax relating to items of other comprehensive income/(loss)		-	-
		<u>107,387</u>	<u>(32,241)</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>107,387</b>	<b>(32,241)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b><u>(1,226,359)</u></b>	<b><u>(1,739,541)</u></b>
Total comprehensive loss is attributable to:			
Owners of ADX Energy Ltd		(1,221,663)	(1,739,541)
Non-Controlling Interest	7	(4,696)	-
		<u>(1,226,359)</u>	<u>(1,739,541)</u>
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b>			
		<b>Cents Per Share</b>	<b>Cents Per Share</b>
Basic loss per share	2	<u>(0.12)</u>	<u>(0.18)</u>

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

**ADX ENERGY LTD**  
**CONSOLIDATED**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2018**

	Note	As at 30 June 2018 \$	As at 31 December 2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,472,524	1,840,247
Trade and other receivables		161,441	164,814
<b>Total Current Assets</b>		<b>1,663,965</b>	<b>2,005,061</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		-	178
<b>Total Non-Current Assets</b>		<b>-</b>	<b>178</b>
<b>Total Assets</b>		<b>1,663,965</b>	<b>2,005,239</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		492,874	675,711
<b>Total Current Liabilities</b>		<b>492,874</b>	<b>675,711</b>
<b>Non-Current Liabilities</b>			
Provisions	5	270,732	256,186
<b>Total Non-Current Liabilities</b>		<b>270,732</b>	<b>256,186</b>
<b>Total Liabilities</b>		<b>763,606</b>	<b>931,897</b>
<b>Net Assets</b>		<b>870,359</b>	<b>1,073,342</b>
<b>EQUITY</b>			
Issued capital	6	68,333,856	68,083,114
Reserves		6,422,352	6,246,647
Accumulated losses		(74,585,469)	(73,256,419)
Capital and reserves attributable to owners of ADX Energy Ltd		170,739	1,073,342
Non-controlling interests	7	699,620	-
<b>Total Equity</b>		<b>870,359</b>	<b>1,073,342</b>

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

**ADX ENERGY LTD**  
**CONSOLIDATED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	Contributed Equity	Reserves	Accumulated Losses	Non- controlling Interests	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 January 2017</b>	<b>65,859,376</b>	<b>5,959,450</b>	<b>(71,087,085)</b>	-	<b>731,741</b>
Loss for the half-year	-	-	(1,707,300)	-	(1,707,300)
Exchange differences on translation of foreign operations	-	(32,241)	-	-	(32,241)
<b>Total comprehensive loss for the period, net of tax</b>	-	(32,241)	(1,707,300)	-	(1,739,541)
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital, net of transaction costs	1,904,145	-	-	-	1,904,145
Share based payments – options - note 8	(28,586)	360,041	-	-	331,455
Share based payments – shares - note 8	60,859	-	-	-	60,859
	1,936,418	360,041	-	-	2,296,459
<b>At 30 June 2017</b>	<b>67,795,794</b>	<b>6,287,250</b>	<b>(72,794,385)</b>	-	<b>1,288,659</b>
<b>At 1 January 2018</b>	<b>68,083,114</b>	<b>6,246,647</b>	<b>(73,256,419)</b>	-	<b>1,073,342</b>
Loss for the half-year	-	-	(1,329,050)	(4,696)	(1,333,746)
Exchange differences on translation of foreign operations	-	107,387	-	-	107,387
<b>Total comprehensive loss for the period, net of tax</b>	-	107,387	(1,329,050)	(4,696)	(1,226,359)
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital, net of transaction costs	-	-	-	704,316	704,316
Share based payments – options - note 8	-	68,318	-	-	68,318
Share based payments – shares - note 8	259,521	-	-	-	259,521
Share issue costs for share based payments	(8,779)	-	-	-	(8,779)
	250,742	68,318	-	704,316	1,023,376
<b>At 30 June 2018</b>	<b>68,333,856</b>	<b>6,422,352</b>	<b>(74,585,469)</b>	<b>699,620</b>	<b>870,359</b>

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

**ADX ENERGY LTD**  
**CONSOLIDATED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2018**

<b>CONSOLIDATED</b>	<b>Half-year ended 30 June 2018 \$</b>	<b>Half-year ended 30 June 2017 \$</b>
<b>Cash Flows from Operating Activities</b>		
Receipts in the ordinary course of activities	72,202	70,508
Payments to suppliers and employees	(1,186,037)	(890,835)
Interest received	1,972	1,160
Income tax paid	-	(24,479)
<b>Net Operating Cash Flows</b>	<b>(1,111,863)</b>	<b>(843,646)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for Project Licence	(16,419)	-
Payments made on behalf of joint venture partners	(113,000)	(208,000)
Repayments from joint ventures	143,000	205,000
<b>Net Investing Cash Flows</b>	<b>13,581</b>	<b>(3,000)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	-	2,024,946
Payment of share issue costs	(8,778)	(120,801)
Proceeds from issue of shares in subsidiary	690,335	-
<b>Net Financing Cash Flows</b>	<b>681,557</b>	<b>1,904,145</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>	<b>(416,725)</b>	<b>1,057,499</b>
Cash and Cash Equivalents at beginning of half-year	1,840,247	734,152
Effect of foreign exchange rates	49,002	36,705
<b>Cash and Cash Equivalents at End of Half-Year</b>	<b>1,472,524</b>	<b>1,828,356</b>

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

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

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

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

This consolidated financial report for the half-year ended 30 June 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

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

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

The half-year financial report should be read in conjunction with the annual financial report for the year ended 31 December 2017 and any public announcements made by ADX Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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

The half year consolidated financial statements comprise the financial statements of ADX Energy Ltd and its subsidiaries ("Group") as at 30 June 2018.

#### **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.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

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

#### Adoption of New or Revised Standards

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

All new and amended Accounting Standards and Interpretations effective from 1 January 2018 have been adopted. None of these amended standards had a material impact on the ADX Group.

The Group has not elected to early adopt any new standards or amendments.

### 2. Earnings Per Share

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

		Consolidated	
	Note	6 Months to 30 June 2018	6 Months to 30 June 2017
		\$	\$
<b>3. Expenses</b>			
Administration and corporate expenses comprise:			
Share based payments – in lieu of cash remuneration	8	319,183	60,859
Share based payments – other	8	8,656	342,481
		327,839	403,340
Less: prior period accrued share based payments		(139,675)	(60,859)
Add: accrued share based payments issued after period end		101,044	181,118
Other administration, staff and corporate expenses		959,628	783,159
Net foreign exchange losses/(gains)		29,425	(72,036)
Depreciation		-	16
		1,278,261	1,234,738
Less: project cost recoveries		(804,522)	(482,371)
		473,739	752,367

### 4. Non-Cash Financing and Investing Activities

There were no non-cash financing or investing activities during the period. Non-cash operating activities, consisting of shares and options granted in lieu of remuneration are disclosed in note 8.

In the prior half-year, on 19 June 2017, ADX granted 5,000,000 options to the lead manager of ADX's Entitlement Issue in accordance with the Lead Managers Mandate. Value \$28,586. These options have an exercise price of 3 cents and expire 31 December 2018.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Consolidated	
	30 June 2018 \$	31 December 2017 \$
<b>5. Provision for Restoration and Rehabilitation</b>		
<i>Non-Current</i>		
Opening balance	256,186	-
Additions	-	256,186
Currency translation differences	14,546	-
Closing balance	270,732	256,186

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 and the timing of the cash flows. 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. Any change in the provision is recorded in the statement of profit or loss.

### 6. Issued Capital

#### (a) Issued Capital

Number of Shares	Summary of Movements	6 Months to 30 June 2018 \$
1,106,631,376	Opening balance 1 January 2018	68,083,114
876,099	Issue of shares to Directors (remuneration for 9/2017 quarter)	12,265
6,289,903	Issue of shares to Directors (remuneration for 12/2017 quarter)	81,769
3,624,054	Issue of shares to Co Secs and Consultants (remuneration for 12/2017 quarter)	45,641
4,380,018	Issue of shares in lieu of advisory fees	50,000
1,694,709	Issue of shares to Directors (remuneration for 3/2018 quarter)	22,031
4,477,737	Issue of shares to Co Secs and Consultants (remuneration for 3/2018 quarter)	47,814
-	Costs of share issues - cash	(8,778)
1,127,973,896	Closing Balance at 30 June 2018	68,333,856

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

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### 6. Issued Capital - continued

#### Details of shares issued during the period:

- (i) On 2 March 2018, ADX issued 4,330,768 shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 31 May 2017. The shares were issued in consideration of remuneration elected to be paid via shares for the quarter ended 31 December 2017. The calculated issue price was 1.3 cents (total value \$56,300).
- (ii) On 2 March 2018, ADX issued 1,061,537 shares to ADX's Company Secretaries in consideration of remuneration elected to be paid via shares for the quarter ended 31 December 2017. The calculated issue price was 1.3 cents (total value \$13,800).
- (iii) On 2 March 2018, ADX issued 2,562,517 shares to Consultants in consideration of remuneration elected to be paid via shares for the quarter ended 31 December 2017 (value \$31,841).
- (iv) On 16 March 2018, ADX issued 4,380,018 shares to a consultant in lieu of consultancy fees (value \$50,000). The shares are subject to a voluntary restriction period being the lesser of twelve months from the date of issue or an approved transaction being secured.
- (v) On 11 June 2018, ADX issued 1,694,709 shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 25 May 2018. The shares were issued in consideration of remuneration elected to be paid via shares for the quarter ended 31 March 2018. The calculated issue price was 1.3 cents (total value \$22,031). In addition, ADX issued 876,099 shares for the quarter ended 30 September 2017 and 1,959,135 shares for the quarter ended 31 December 2017 (value \$12,265 and \$25,469 respectively).
- (vi) On 11 June 2018, ADX issued 1,061,537 shares to ADX's Company Secretaries in consideration of remuneration elected to be paid via shares for the quarter ended 31 March 2018. The calculated issue price was 1.3 cents (total value \$13,800).
- (vii) On 11 June 2018, ADX issued 3,416,200 shares to Consultants in consideration of remuneration elected to be paid via shares for the quarter ended 31 March 2018 (value \$34,014).
- (viii) Subsequent to 30 June 2018, on 14 August 2018, ADX issued the following shares:
  - a. 1,725,000 shares issued pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 25 May 2018. The shares were issued to directors in consideration of remuneration elected to be paid via shares for the quarter ended 30 June 2018 (\$17,250).
  - b. 1,380,000 shares issued to ADX's Company Secretaries in consideration of remuneration elected to be paid via shares for the quarter ended 30 June 2018 (\$13,800).
  - c. 1,892,019 shares issued to consultants in lieu of services elected to be paid via shares for the quarter ended 30 June 2018 (\$18,188).

Because the shares were not issued as at 30 June 2018, these amounts have been accrued as payable in the financial statements for 30 June 2018.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

### 6. Issued Capital - continued

#### (b) Options on issue at 30 June 2018

	Number	Exercise Price	Expiry Date
Unlisted Options	43,000,000	1.9 cents	1 December 2018
Unlisted Options	5,000,000	3 cents	31 December 2018
Unlisted Options	4,000,000	1.9 cents	31 May 2019
Unlisted Options	4,589,422	Nil	31 May 2022

#### Details of options granted during the period:

- (i) On 11 June 2018, ADX granted 4,000,000 Options to Director, Philip Haydn-Slater, as approved by Shareholders on 25 May 2018. The options were granted as a sign-on bonus upon his appointment as a Director (value \$8,656). The options vested on 31 May 2018, with an exercise price of 1.9 cents and expire 31 May 2019.
- (ii) On 11 June 2018, ADX granted 4,589,422 Options to Directors Ian Tchacos and Paul Fink, as approved by Shareholders on 25 May 2018. The options were granted in consideration of consultancy fees remuneration elected to be paid via options for the quarter ended 31 March 2018 (value \$59,663). The options have a nil exercise price and expire on 31 May 2022.
- (iii) Subsequent to 30 June 2018, on 14 August 2018, ADX granted 5,180,625 Options to Directors Ian Tchacos and Paul Fink, as approved by Shareholders on 25 May 2018. The options were granted in consideration of consultancy fees remuneration elected to be paid via options for the quarter ended 30 June 2018 (value \$51,806). The options have a nil exercise price and expire on 31 May 2022.

Because the options were not granted as at 30 June 2018, this amount has been accrued as payable in the financial statements for 30 June 2018.

### 7. Non-controlling Interests

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 (upon completion) will represent a 29% shareholding in Danube.

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

- 375,940 new shares at 1 GBP per share (approx. US\$ 500,000); and
- 1,127,819 at 1 GBP per share (approx. US\$ 1,500,000) upon the issue by ADX (in its capacity as Operator) of an Authorisation for Expenditure (AFE) for the drilling of the first appraisal well. The funds are held in a solicitors' escrow account until the AFE is issued.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

### 7. Non-controlling Interests - continued

Reabold has an option to subscribe to a further 375,940 shares in Danube at 1 GBP per share by 27 September 2018. ADX has an obligation to procure an additional investment in Danube, either directly or via a third party, for 375,940 shares at GBP 1 each by 27 September 2018.

On 27 March 2018, Reabold subscribed for the first tranche of 375,940 shares in Danube for cash of GBP 375,940. This represents a 9% interest in Danube.

Summarised financial information for Danube is as follows. The amounts disclosed are before inter-company eliminations:

	<b>Consolidated</b>	
	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Summarised Statement of Financial Position</b>		
Current assets	469,095	-
Current liabilities	(18,011)	-
Current net assets	451,084	-
Non-current assets	7,244,732	-
Non-current liabilities	-	-
Non-current net assets	7,244,732	-
Net Assets	7,695,816	-
Accumulate Non-Controlling Interests	699,620	-
<b>Summarised Statement of Comprehensive Income</b>		
Revenue	-	-
Loss for the period	(51,658)	-
Other comprehensive income	-	-
Total comprehensive loss	(51,658)	-
Loss allocated to Non-Controlling Interests	(4,696)	-
<b>Summarised Statement of Cash Flows</b>		
Cashflows from operating activities	(4,455)	-
Cashflows from investing activities	(16,419)	-
Cashflows from financing activities	690,335	-
Net increase/(decrease) in cash and cash equivalents	669,461	-

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

### 8. Share Based Payments

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

	Note	Consolidated	
		6 Months to 30 June 2018 \$	6 Months to 30 June 2017 \$
Expensed against issued capital:			
Share-based payments – Options		-	28,586
Expensed in the profit and loss:			
Share-based payments – Shares Issued to Directors in lieu of fees	6(a)	116,065	51,559
Share-based payments – Shares Issued to Co Secs in lieu of fees	6(a)	27,600	9,300
Share-based payments – Shares Issued to Consultants in lieu of fees	6(a)	115,855	-
Share-based payments – Options to Directors in lieu of fees	8(b)	59,663	-
Share-based payments – Options to Directors	8(b)	8,656	254,373
Share-based payments – Options to Co Secretaries and Staff		-	77,083
Foreign exchange translation		-	11,025
		327,839	403,340

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

On 11 June 2018, ADX granted the following options (refer to note 6(b) for more details:

- a. 4,589,422 unlisted options to Directors Ian Tchacos and Paul Fink, approved by Shareholders on 25 May 2018, at a nil exercise price, expiring 31 May 2022. The assessed fair value of each option was based on the remuneration elected to be paid via options, being 1.3 cents per option (total value \$59,663).
- b. 4,000,000 unlisted options to Director Philip Haydn-Slater, approved by Shareholders on 25 May 2018, with an exercise price of 1.9 cents, expiring 31 May 2019 (total value \$8,656). 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
Option exercise price (\$)	0.019
Expected life of options (years)	0.97
Dividend yield (%)	-
Expected volatility (%)	92.68
Risk-free interest rate (%)	2.02
Underlying share price (\$)	0.011
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.

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

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### 9. Related Party Transaction

Mr Andrew Childs is the owner of Resource Recruitment. ADX Energy Ltd has an office rental agreement with Resource Recruitment to rent office premises in Subiaco until 30 June 2018 at normal commercial rates. This rental agreement was extended to 30 June 2019.

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

### 10. Commitments and Contingencies

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

#### Danube Petroleum Limited

ADX has an obligation, under the Subscription Agreement dated 1 December 2017 between ADX Energy Ltd and Reabold Resources Plc to procure an additional investment into Danube Petroleum of at least £375,940 to fund the agreed work program. ADX may, in its discretion, either:

- a. directly subscribe for 375,940 ordinary fully paid shares in Danube Petroleum at an issue price of £1.00 per share during the six month period from the Completion Date of 27 March 2018 (Further ADX Shares); or
- b. procure a third party to subscribe for the Further ADX Shares.

#### 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 payable on completion.

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.

### 11. Subsequent Events

Subsequent to year end, on 14 August 2018, ADX issued the following shares and options. These amounts were accrued for in the 30 June 2018 financial statements:

- a. 1,725,000 shares issued pursuant to ADXs’ Directors’ Share Plan, approved by Shareholders on 25 May 2018. The shares were issued to directors in consideration of remuneration elected to be paid via shares for the quarter ended 30 June 2018 (\$17,250).
- b. 1,380,000 shares issued to ADX’s Company Secretaries in consideration of remuneration elected to be paid via shares for the quarter ended 30 June 2018 (\$13,800).
- c. 1,892,019 shares issued to consultants in lieu of services elected to be paid via shares for the quarter ended 30 June 2018 (\$18,188).

# ADX ENERGY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

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### 11. Subsequent Events - continued

- d. 5,180,625 Options granted to Directors Ian Tchacos and Paul Fink, as approved by Shareholders on 25 May 2018. The options were granted in consideration of consultancy fees remuneration elected to be paid via options for the quarter ended 30 June 2018 (value \$51,806). The options have a nil exercise price and expire on 31 May 2022.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.