



ADX Energy Ltd

ABN 50 009 058 646

ANNUAL REPORT

31 DECEMBER 2016

ADX ENERGY LTD

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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)

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ADX ENERGY LTD
CHAIRMAN'S REPORT

Dear Shareholders

The prevailing low oil price has resulted in major changes to the behaviours of oil and gas operating companies, service companies and providers of capital to the industry.

There are clear winners and losers. Low-cost production and developments in attractive fiscal jurisdictions benefit most, as do projects in niche gas markets where strong pricing and demand prevail, while high cost projects languish. The lack of discretionary capital has resulted in diminished Exploration activity and ceasing in many jurisdictions.

As a result of the diminished number of potentially commercial projects there is more competition for participation or provision of services. Service companies have become more efficient, price competitive and willing to consider new approaches such as vendor finance, the contribution of services in exchange for project equity or a revenue stream to secure opportunities for deployment of their equipment and services.

Funding for developments is coming increasingly from private equity, financial investors or oil traders since many oil companies which invested at high oil prices do not have the discretionary capital for new investment.

These conditions require a different approach for the successful development and funding of new projects. Companies with 'high confidence resources' that can be developed at low cost, without the baggage of debt or low margin assets have a clear advantage.

With the above in mind your Company undertook a major management and strategy transformation at the beginning of 2016. Your Board believes the revised strategy and operating philosophy has resulted in a transformation which is appropriate in the prevailing oil price environment and plays to our strengths. The key pillars of our strategy are a focus on profitable, near term cash flow assets such as appraisal and development projects; maintaining but minimising spend on longer term, higher risk exploration assets as well as seeking to increase organisational efficiency and reducing fixed overhead.

Strategy

During the past year I am pleased to report we have restructured the ADX Board in line with our asset focus, extending our capability through important contractor and consultant relationships, streamlining and centralising our accounting and administrative functions, reducing fixed overheads and incentivised the core ADX team through share based remuneration. As a result we have reduced our corporate burn rate while developing an extensive talent pool for our projects via the Boards extensive industry network.

Critical to our recent success has been the ability to secure equity funding for ADX in relatively difficult market conditions. This has enabled the Company to focus on adding value to the Company's large oil and gas resource base of approximately 200 Million Barrels of Oil Equivalent (2C) Contingent Resources. This is detailed in the Operations Report within this Annual Report for the Nilde Oil Re-development Project offshore Italy (Nilde) and the Dougga gas condensate discovery offshore Tunisia (Dougga). ADX holds a 100% equity interest and operates both assets.

In line with our stated strategy of concentrating on low cost, low risk appraisal and development projects the majority of the Company's funds raised have been deployed on resource and concept definition on Nilde and to a lesser extent on Dougga.

Nilde Oil Re-Development Project

Nilde has a number of attributes which make it an excellent candidate for re-development, these are:

- the potential of a substantial unproduced resource;
- proven reservoir quality;
- historical production;
- shallow reservoir depths (1500 m TVDSS) and water depth (90 meters);
- high quality light crude (39 API gravity);
- excellent reservoir productivity;
- Low expected capital costs per barrel; and
- excellent fiscal terms.

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These attributes were expected to yield a highly profitable redevelopment project which is de-risked by the availability of historical production data and potentially economic at low oil prices (down to US\$30/bbl).

During the last 12 months ADX has purchased seismic, geological data and historical production data for Nilde which has enabled the completion of geotechnical studies, reservoir modelling and development concept work. The results of the abovementioned data purchases and studies has exceeded our initial expectations in terms of remaining resource potential, increased our confidence in the viability of the project and established the economic potential of the asset.

In addition to the subsurface evaluation work ADX has developed an important contractor relationship with Calm Oceans Pte Ltd (COPL), a very capable engineering and fabrication company which has developed some innovative application of proven technology ideally suited to Nilde. COPL's self-install mono column platform (MCP) solution is potential enabler for the re-development of Nilde through the delivery an optimal technical and commercial solution. The ability to lease the MCP at competitive rates minimises the project capital cost and enables the drilling of wells from the platform rather than utilising much more expensive floating or jack up drilling rigs for development.

With the above work completed, the Company expects to be in a very strong position by the end of the first half of 2017 to commence unlocking value from the Nilde asset by securing a partial sale or farm-in to the Nilde project enabling the commencement of appraisal and development planning.

In December 2016 we announced a memorandum of understanding between ADX and COPL to jointly progress a development plan with Nilde. The intention is to bring together a well-defined commercial oil and gas resource with a highly competent engineering contractor that have a track record for delivering projects. This enables the Company to commercialise an asset such as Nilde in an innovative and cost effective manner. Such collaboration between the resource owner and the facilities provider in an aligned manner provides the opportunity for both parties to benefit from the current low cost environment through shared success.

This collaborative approach also enables ADX to deliver projects reliably without a large work force and provides the option of securing financial partners for its projects rather than relying on other operating oil and gas companies to farm-in to and take control of its projects.

Dougga Appraisal Project

With Nilde on a positive trajectory towards appraisal and development the Company has commenced further technical work on the Dougga gas condensate appraisal opportunity. It must be said that Dougga is an asset that should have been progressed after ADX acquired 3D seismic and clearly demonstrated its potential. Dougga is potentially a very valuable resource given the high liquids content and the strong demand for gas in Tunisia. Gas utilisation is growing at approximately 4% per annum and Tunisia is now importing approximately 50% of its requirements. Alternative high value gas markets exist in Europe which are also accessible via the Transmed pipeline connecting Tunisia to Italy. ADX has previously reported that Dougga contains an independently assessed most likely (2C) Contingent Resource of 517 BCF of Sales Gas and 91 mmbbls of liquids (condensate and LPG) as detailed in the following operations report.

ADX believes that a compelling technical and commercial case can be established for the development of Dougga given its proximity to shore and the availability of new engineering technologies which can significantly reduce development costs. By mid 2017 we intend to be in a position to attract funding for a Dougga appraisal well designed to demonstrate commercial flow rates and potentially add to the gas and liquids resources based on the substantial up dip potential defined on the ADX acquired 3D seismic.

Romanian Exploration and Appraisal Opportunities

The third leg to ADX current asset base is our onshore Parta permit in the Pannonia basin of Romania. ADX holds a 50% equity interest and is the Operator of this large onshore permit. The permit has proven prospectivity for oil and gas including some appraisal opportunities, has shallow drill depths, excellent access to infrastructure and very attractive fiscal terms. The missing element has been modern 2D or 3D seismic which has proven very effective in surrounding areas. ADX has been able to acquire 2D seismic which has generated a number of prospects but 3D seismic acquisition has not been possible in the past due to landowner access issues.

In January 2017 ADX announced the extension of the permit allowing the joint venture up to June 2019 to complete its exploration work program. While there has been a hiatus in operational activities since 2015 excellent progress has been

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made in securing land access through a process of community support and systematic legal proceedings. ADX is now able to plan exploration activities in this highly prospective, low cost permit without access constraints. We look forward to progressing this exciting low risk exploration asset in the future in line with our corporate priorities.

New Ventures

In addition to exploration operations in Romania, ADX has identified, through its local network, a number of potential production opportunities which are becoming available in Romania. ADX believes Romania can provide the opportunity to acquire high value production and reserves upside at a modest acquisition price given the current oil price environment. We intend to concentrate on assets that are not material enough for larger companies but could provide meaningful cash flow and further production gains in a rising oil price through work overs and low risk development drilling. ADX is well placed on the ground in Romania with local contactor and designated authority relationships.

In conclusion I am pleased to report that the Company has made tangible progress in defining a potentially transformational redevelopment project at Nilde. Nilde is a project capable of providing exceptional returns at relatively low oil price. This value potential of Nilde is expected to be translated into a carried appraisal and development program or cash from a partial sell down. The next value development challenge is the appraisal of the large gas condensate resource potential at Dougga. I look forward to reporting our progress on Nilde and Dougga during the coming year.

The success of ADX will be determined by our ability to add value to a large undervalued resource base by working constructively with our local in country representatives, leveraging the skills of our geotechnical and engineering consulting groups, positive engagement with local authorities, aligning with capable engineering and fabrication companies and most importantly maintaining the understanding and support of our growing investor base.

Our challenges are significant but the rewards are exceptional, I am truly excited about the year ahead.



IAN TCHACOS
Chairman

ADX ENERGY LTD
OPERATIONS REPORT

Administrative Efficiency and Capability Enhancement

Key productivity and efficiency achievements are as follows:

- Revised salaries for executives based on cash and shares to reduce cash burn and alignment with shareholders
- Centralised administrative and accounting function from Austria and Tunisia to Australia
- Maintained capability in Tunisia expanded capability in Italy and Romania
- Expanded geotechnical and reservoir engineering capabilities through important contractor and consultant relationships
- Developed collaborative relationship with a highly experienced engineering and fabrication company to enable the development of Nilde

Delivery on Asset Strategy

Following the Company's focus shift to lower risk appraisal and development assets announced in late 2015 we have delivered the following progress across the asset base.

- In offshore Italy in license d363 C.R.-.AX (ADX 100% equity interest and Operator), we have completed the contingent resources review of the abandoned **Nilde oil field**, together with the surrounding discoveries. We were also able to retrieve all field data from various sources and after updating the 3D reservoir model completed a reservoir simulation with detailed well by well production forecasts for optimizing the development scheme. Another significant event on progressing the Nilde asset appraisal and development was the MOU (memorandum of understanding) with Calm Oceans Pte Ltd (COPL). COPL has developed and constructed a self-installing Mono Column Platform (MCP) and is designing a gravity based mooring, storage and offloading system (RPSO) which may be ideal for the redevelopment of the Nilde Field. The combination of excellent fiscal terms and a low cost development scheme will allow to safely develop Nilde also at oil prices below 50\$/ barrel.
- While the Tunisian offshore permit Kerkouane (ADX 100% equity interest and Operator) still offers excellent exposure to a number of large 3D acquired exploration targets the technical and commercial focus during the year was on progressing an efficient and low cost development scheme for the **Dougga gas condensate field** which contains third party verified 2C resources of 173 mmbo and an additional (updip) prospective best technical resource of 47 mmboe. The best technical case liquid resources are estimated to be 116 mmboe. In order to be able to focus on the appraisal and possible subsequent development of this large gas condensate resource ADX was granted an extension by The General Department of Energy for Tunisia.
- In the ADX operated onshore **Romania Parta exploration permit** (ADX 50% equity interest and Operator) we were able to permit large parts of the license for a 3D seismic survey planned for 2017. This was achieved without a seismic contractor but done more efficiently and at lower cost with a local team of ADX lawyers and contractors. We believe that the 3D seismic will be instrumental for unlocking the outstanding potential of a proven oil & gas province which to date has not been explored or appraised with modern technology. It will also help a potential future farm down process.
- Within our core focus area Mediterranean Sea, Italy and Eastern and Central Europe we also have pursued several new ventures opportunities that could provide value creation through short term production or appraisal. While we have not been successful in 2016 to secure such a new asset we remain committed to pursuing low risk production assets in line with the Company's strategy.

ASSETS

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

The d363 C.R.-.AX license located 54 km offshore Sicily was obtained to secure the continuation of the prolific foothill belt play fairway which ADX holds in Tunisia (Kerkouane permit) into Italy. The permit expanded an attractive appraisal and exploration portfolio in addition to and on trend with the Kerkouane license in a jurisdiction with significantly better fiscal terms than Tunisia. The combination of fiscal terms and shallower water provides the potential for smaller discoveries to be commercialised in a low oil price environment.

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During the initial study and interpretation of available geological and geophysical data it soon became clear that the most attractive investment opportunity was not to be found through the initially planned exploration activities but the redevelopment of a prematurely abandoned oil field and several nearby satellite oil discoveries which were all successfully flow tested (i.e. Nilde-Bis, Norma, Naila). The shallow water Nilde oil field was prematurely abandoned due to the inability to produce wells after water influx and a contemporaneous oil price collapse in 1989. At that time ENI (previously AGIP) abandoned the field after it had just peaked at around 12,100 bopd from two wells after seven years of self-lifting oil production and a cumulative recovery of 20.5 mmbbl predominantly from a single vertical well. The three subsequent oil discoveries were tested but never developed despite a combination of shallow water depths (slightly less than 100 meters), shallow oil reservoir depths (1,500 meters) and very high productivity reservoirs (9,000 bopd long term production from a single vertical well) due to a very depressed oil price regime and ENI's further internationalisation away from Italy in the early nineties.

Following the completion of volumetric in house resource estimations by ADX of Nilde Area remaining resources Senergy completed an independent third party resource assessment early in 2016. Senergy (GB) Limited, is an independent consulting company and a member of the Lloyd's Register Group of companies with an extensive track history of independent resource assessments for London Stock Exchange listed companies. The results were announced on the ASX on the 17th February 2016 with the following results for the existing discoveries as per Table 1 below.

Gross Contingent¹ Resources Volumes (MMstb)			
	1C² Estimate	2C² Estimate	3C² Estimate
Nilde Field	8.7	13.1	17.8
Nilde- Bis Discovery	9.3	15.3	21.0
Norma Discovery	1.2	3.9	12.9
Naila Discovery	1.0	1.7	2.7
Total³	20.2	34.0	54.4

Table 1 Permit d363 C.R-AX Gross Contingent Resources, Senergy CPR, February 2016

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.

Totals are by arithmetic summation as recommended under PRMS guidelines. This results in a conservative low case total and optimistic high case total.

Note that exploration prospects in the permit were not assessed at this time by Senergy.

These highly encouraging results led to the decision to purchase all available seismic, core, log and past production from (mainly) ENI and undertake a detailed estimate of resources based on a detailed geological model incorporating all available data and a history matched reservoir simulation model. This reservoir simulation modelling and production forecasting work undertaken for the Nilde oil field and the Nilde Bis discovery respectively, is the culmination of 12 months of data acquisition and geotechnical studies. Specifically, these results build on the 3D static model and the OIIP (oil initially in place) estimates referred to by ADX in the ASX announcement 'Nilde Oil Field Re Development Update' dated 25th October 2016 where a range of 3D geological models were developed. Importantly, part of the subsequent work program of history matching these geological models by reservoir simulation has enabled some of the uncertainties in these geological models to be eliminated and ADX believes the original oil in place (OIIP) range for the field now lies between 176 and 237 million barrels (including OIIP from both matrix and fractures).

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This phase of reservoir simulation work has consisted of the following three key steps:

1. History matching of past production data against production predicted by the geological model derived by ADX for the period of field production between 1979 and 1989 ensuring that the geological model incorporating all available data generates reliable forecast results.
2. The modelling of reservoir recharging from the time the field was abandoned in 1989 to now.
3. Dynamic forward modelling of future oil, gas and water production on a well by well basis based on ADX's development scenarios.

The work program that has been completed is summarised in figure 1 below which has resulted in a (most likely) 2C Contingent Resource of 33 mmbo. Table 2 further below summarizes the probabilistically derived Contingent Resources

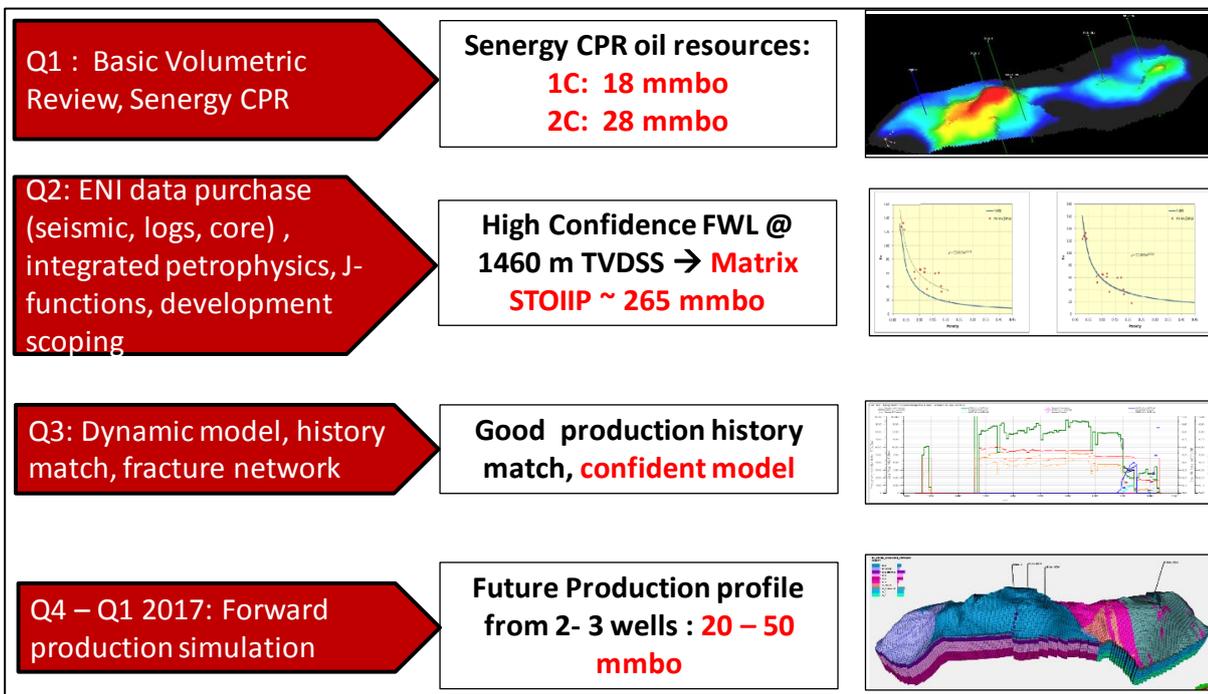


Figure 1 – Nilde Reservoir Simulation Work Program

Gross Contingent¹ Oil Resource Volumes (MMstb)			
	1C ² Estimate	2C ² Estimate	3C ² Estimate
Nilde & Nilde Bis	21,7	32,8	49,8

Table 2 – REVISED Nilde Contingent Resources

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. Totals are by arithmetic summation as recommended under PRMS guidelines. This results in a conservative low case total and optimistic high case total.

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The revised resource estimates derived from production forecasting compare favourably with and provide a significantly more technically robust prediction of future recoveries than the earlier stage Senergy Competent Persons Report announced in February 2016 (refer Table 1). This is due to the utilisation of a much more comprehensive database, additional detail in the models and a set of history matched reservoir production predictions. A notable difference is the estimated 3C resource (upside) case, where the new data (i.e. core data) and reservoir simulation model suggests the possibility for a relatively larger undrained deeper oil pool which could result in up to 50 mmbbl of remaining recoverable oil resources. (As per table 1 above, the upside case for Nilde & Nilde Bis as per the previous volumetric method was 17.8+21 = 38.8 mmbbl)

In contrast to the relatively crude volumetric method of resource estimation used earlier, the dynamic reservoir simulation forecasting method not only provides a total recoverable oil resource volume, but also a well by well production profile prediction with daily oil, gas and water production volumes. These production forecasts also provide an important tool for development design optimisation.

Table 3 below summarizes a number of selected production profile forecasts which provide the input for the contingent resource distribution shown in table 2. An important feature of the table is the forecast oil production plateau rates per well. In most cases, the likelihood of high oil rates results in 80% of the entire forecast oil resource being produced within the first four to five years of production which significantly enhances the economic potential of the Nilde development project.

Selected History Matched Model	Slanted/horizontal well No	Plateau daily Oil Rate [bopd]	Spontaneous imbibition ¹	OWC ² [mss]	OIIP ³ matrix [mmbbl]	OIIP ³ fractures [mmbbl]	Remaining produceable oil [mmbbl]
Non Compartmentalized	3	13,500	30%	1,610	171.3	4.6	32.7
Non Compartmentalized	3	19,500	40%	1,610	171.3	7.9	44.3
Fault Seal	4	20,000	30%	1,600	173.5	14.2	19.0
Fault Seal	3	16,500	40%	1,600	173.5	14.2	23.0
Fault Seal	3	25,000	40%	1,610	217.9	19.1	33.5

Table 3. Selected Production Forecasts from History Matched Simulation

Notes: *Spontaneous Imbibition is a measure of the oil displacement by water within the reservoir due to capillary pressure*² *OWC means oil water contact or the lowest point of oil moveable oil in a reservoir and*³ *OIIP Matrix and OIIP fractures refers to the original oil in place in reservoir matrix and reservoir fractures respectively.*

This reservoir simulation modelling and production forecasting work provides ADX with the most credible estimate of the range of future resources from the Nilde field from the data available. The work described above places ADX in a position to further progress field re development concept studies, a revised economic assessment of the field and progress discussions with potential investors or farminees during 2017.

In December 2016, ADX announced that it has executed a binding memorandum of understanding with Calm Oceans Pte Ltd (**COPL**) setting out a program for collaboration during the Development Planning phase to jointly progress the Nilde Redevelopment Project. COPL has developed and constructed a self-installing Mono Column Platform (MCP) and is designing a gravity based mooring, storage and offloading system (RPSO) suitable for the redevelopment of the Nilde Field. The MCP is capable of supporting a suitable drilling rig, production processing equipment, water and gas reinjection facilities as well as accommodation facilities.

COPL intends to supply the MCP and RPSO to ADX on an agreed lease dry boat charter basis. COPL will also assist ADX to secure additional topside facilities (production and drilling) at competitive rates from third parties or purchase equipment on an open book basis and lease them to ADX at an agreed lease rate based on an agreed rate of return.

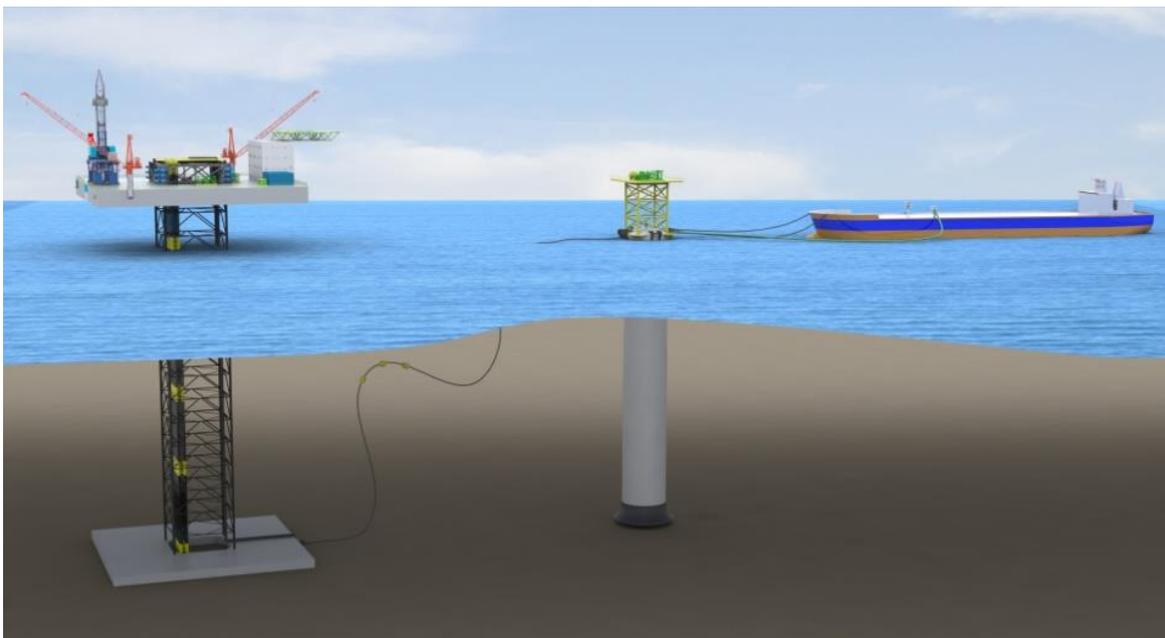
The RPSO is expected to provide an optimal storage and offloading solution in terms of installation costs, manning costs and lease rates compared to a ship based floating storage offloading (FSO) system. If however the RPSO can't meet required cost, regulatory standards or schedule requirements the parties will consider a third party FSO solution.

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The MCP includes an accommodation module and is designed to incorporate third party production facilities (production processing, power, pumping, compression, vent, utility and control systems) which are expected to compete favourably on lease rates, operating costs and capital costs with other Mobile Production Unit (MOPU) solutions or a Floating Production Storage Facility (FPSO) solution.

The MCP option provides the ability to drill and immediately produce minimising the time between capital expenditures and revenue. The economics of the system are further enhanced by the self-install nature of the system which does not require the pre installation of expensive mooring systems, subsea well heads and subsea trees, subsea control systems and high pressure flexible flow lines. The major economic driver is a reduction in drilling costs and completion costs of approximately 60% compared to subsea options. This is partly due to the reduced drilling spread rate, the simplicity of dry wellheads at surface which do not require subsea control and tie back systems.

COPL has already incurred significant engineering costs undertaking project definition work as well as endeavouring to procure third party services on the best potential terms for the benefit of the project. The incorporation of the innovative and cost effective mono column concept is expected to deliver technical, economic, environmental and operational benefits for the re development Nilde thereby and enhancing the projects ability to secure funding. This type of collaborative / aligned arrangement is what is required to deliver low cost projects, take advantage of synergies and access equipment on attractive terms



The MCP and RPSO option schematic – incorporating production, storage and drilling capability with dry well heads.
Source: Calm Oceans Pte. Ltd, Mono Column Platform and storage technologies are proprietary, patented and patent pending.

ADX is well placed to progress Nilde with a substantial resource base and a feasible, cost effective development scheme that can likely deliver an economic project even at sub US\$ 40 per barrel oil pricing. ADX will deploy its resources in 2017 to obtain an approval by the Italian government for a field development plan and progress discussions with potential investors or farminees to secure financing for the first appraisal and development wells on the Nilde and Nilde Bis oil fields.

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

In July 2016 the DGE of Tunisia (General Department of Energy for Tunisia) has approved the extension of the Kerkouane offshore permit.

ADX has refocused on the appraisal and development of the Dougga gas condensate field in 2016 after the extension of the permit was approved. The field is covered with high resolution 3D seismic and contains an independently assessed most likely (2C) Contingent Resource of 173 mmboe, of which 91 mmbbls are liquids (condensate and LPG).

Further 3D seismic based reservoir evaluation has identified an additional prospective (best technical) resource of 25 mmbbls of liquids and 53 bscf of sales gas, resulting in a total recoverable resource of 220 mmboe (2C + Best – prospective).

Given that Dougga is a large potentially valuable offshore resource the main areas where commerciality can be enhanced are capital cost reduction, maximising reservoir productivity and improvement fiscal terms. Since a possible relaxation of fiscal terms can only be discussed with the Tunisian authorities once a field development plan is presented for approval, ADX has further focused its activities on proven, cutting edge, development concepts with the potential to reduce capital costs and operating costs. The goal is to demonstrate a highly attractive investment opportunity which is commercial even for the low case (1C) resource outcome. Since Dougga is located only 45 km from the shore in 330 meters of water (Figure 2), a low cost subsea tie back to an onshore gas plant where gas can be processed for sale and condensate and LPG's can be extracted is likely to be an optimal development concept taking advantage of recent advances in subsea technology.

Of critical importance for the commercialisation of Dougga is high liquids content and the strong demand for gas in Tunisia. Gas utilisation is growing at approximately 4% per annum and Tunisia is now importing approximately 50% of its requirements. Alternative high value gas markets also exist in Europe which are also accessible via the Transmed pipeline connecting Tunisia to Italy. The availability of high value markets for gas, LPG and condensate proximal to land fall is key determinant for commercialising a large gas recourse like Dougga.

Subsurface work during the year has focused on risk mitigation of the Dougga updip appraisal well. ADX is of the opinion that the once commercial well productivity is proven with an appraisal well, an economic development of Dougga gas condensate field is highly likely. The planned appraisal well will target the apex of the Dougga structure, 300 meters updip of the Dougga-1 discovery well. At this location a significantly enhanced fracture network can be expected which would ensure highly commercial flow rates, analogous to the offshore Miskar gas condensate field and the onshore Sidi El Kilani oil field. Both fields are located in Tunisia and produce at commercial rates from the same reservoir as the Dougga discovery well. A similar pattern has been observed from ADX geological studies from the Italian Nilde oil field, where crestal layers of the carbonate reservoir show significantly higher production than downdip flank wells.

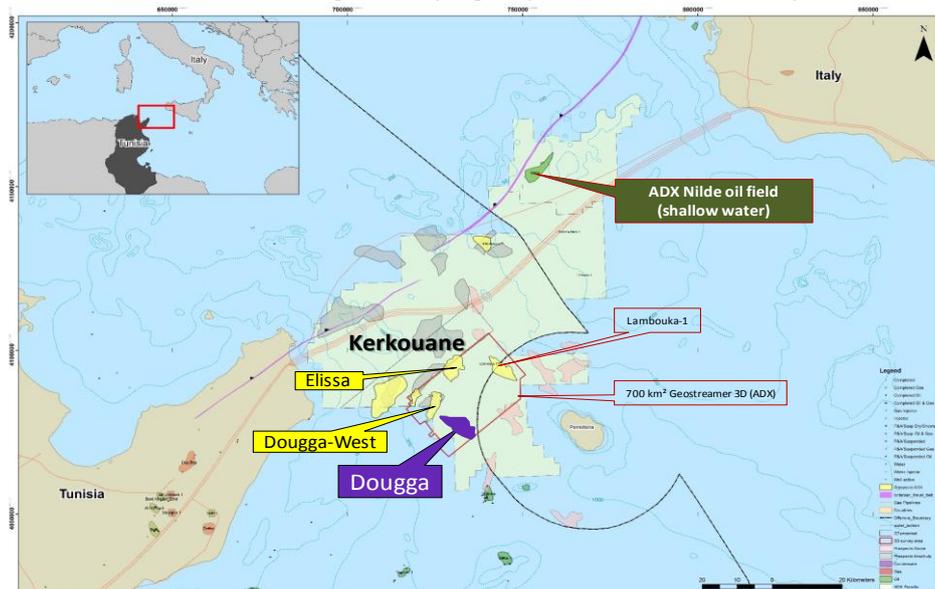


Figure 2 – Offshore Tunisia Kerkouane Permit

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

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

In June 2015, ADX was awarded a 30 month license extension for the Parta Permit by the NAMR (“Agentia Nationala Pentru Resurse Minerale”), but only in January 2017 (subsequent event) received the government ratification. Therefore the activity in 2016 was reduced and mainly focused in gaining land access contracts from landowners to enable further 3D seismic acquisition. This process was completed to a large extent in 2016. The success in permitting has been enabled through a process of local community support as well as legal proceedings in local courts to secure the joint ventures’ access rights under Romanian law. The permitting process will likely be completed by the end of February 2017 which will enable ADX and its partner to commence the planning of ongoing exploration activities without land access constraints.

Since the 30 months extension time started only with the government ratification, ADX and its JV partner RAG Rohöl-Aufsuchungs Aktiengesellschaft have sufficient time left to complete the phase work program by June 2019. The program consists of a 160 km of 2D seismic, 150 square km of 3D seismic and 2 exploration wells. The joint venture has already completed 100 km of 2D seismic and 50 square km of 3D seismic.

2017 Activity Summary Forecast

A summary of the key activities to achieve the Company’s strategic goals are summarised as follows:

- Following the completion of subsurface work in 2016 our objective in offshore Italy is to further progress the Nilde appraisal and development by closely working with our facilities engineering and fabrication partner COPL to progress an optimal development scheme from a technical and development perspective. This also includes close collaboration with drilling rig contractors and FPSO (floating production storage and offloading) vessel contractors to ensure ADX secures the most robust technical and commercial option for the project, thereby ensuring a favourable economic outcome for the project.
- Progress appraisal well licensing and planning as well as the submission of a draft field development plan with Italian authorities.
- Secure appraisal and development funding for the Nilde project via a variety of options including a farm out, a partial equity sale, vendor finance or the contribution of services and assets to the project in exchange for an interest in production. *Note: This model is becoming much more prevalent in the current oil price environment where contractors are seeking to find work for underutilised assets and people.*
- Complete further subsurface studies on well deliverability for the offshore Dougga gas condensate field and undertake a concept selection process for a technically optimal, fit for purpose development solution in order to minimise capital costs and operating costs. It is ADX goal to drill an appraisal well in the crestal part of the field based on ADX acquired high resolution 3D seismic data to demonstrate the commerciality of the resource.
- In onshore Romania we will complete the 3D seismic permitting and plan to acquire 3D seismic with our JV partner RAG. We also strive to secure a farminee to fund the work program of low risk drilling prospects based on the 3D seismic which we expect to deliver a portfolio of low risk, low cost drilling prospects.
- Acquire complimentary, value accretive appraisal and/or production opportunities in Italy, Central & Eastern Europe 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.

Riedel Resources Limited Share Investment

ADX Energy holds 26.7 million shares in ASX listed Western Australian gold and base metal explorer Riedel Resources Limited (ASX:RIE) Riedel is currently well funded with cash resources, low overheads and exploration activities are funded via farmouts. ADX continues to monitor its investment in Riedel with a view to maximizing value for ADX shareholders in the longer term. For further information refer to the Riedel Resources Limited website (<http://www.riedelresources.com.au>).

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DIRECTORS' REPORT

Your Directors present their report for the year ended 31 December 2016.

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

Mr Tchacos was appointed as Non Executive Chairman of ADX on 2 March 2010 and appointed as Executive Chairman on the 28 September 2015. He is a Petroleum Engineer with over 30 years international experience in corporate development and strategy, mergers and acquisitions, petroleum exploration, development and production operations, commercial negotiation, oil and gas marketing and energy finance. He has a proven management track record in a range of international oil company environments. As Managing Director of Nexus Energy he was responsible for this company's development from an onshore micro cap explorer to an ASX top 200 offshore producer and operator.

Other directorships of listed companies in the last three years: Xstate Resources Limited and 3D Oil Limited (current) and Riedel Resources Limited (until 18/1/2016).

Paul Fink

MSc (Geophysics)

Executive Director (Appointed 25 February 2008)

Mr Paul 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 is Chairman of Sacgasco Limited, Managing Director of Petroleum Ventures Pty Ltd and Non-Executive Director of Riedel Resources Limited. He is also Principal of Resource Recruitment and Managing Director of International Recruitment Services Pty Ltd.

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

Rob Brown

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

Non-Executive Director (Appointed 17 October 2016)

Mr Brown is Perth based and has 25 years of petroleum industry experience in technical, managerial and leadership positions. He is a Master in Engineering graduate of Leeds University in Chemical Engineering. Rob has worked in the North Sea, South America, India, North America, SE Asia and Australia. He has been responsible for highly successful operations, projects and developments and has proven experience of delivering against challenging capital, schedule and operating metrics with Amoco, Schlumberger, Lasmo, Cairn and Tullow. Rob has recently co-founded a Perth based oil and gas advisory consultancy.

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

ADX ENERGY LTD
DIRECTORS' REPORT

Wolfgang Zimmer (resigned 26 May 2016)

PhD - Geology and Petrology

Non-Executive Director

Dr Zimmer has 34 years' experience in the oil and gas Industry. His career began with Mobil Oil in Austria where he worked in Europe and the USA. In 1991 he joined OMV in a variety of senior management roles for the next 15 years. He established OMV's E&P business in Australia and New Zealand and was its Managing Director for five years. Dr Zimmer has significant experience in North Africa having been the director of OMV's onshore and offshore production operations in Tunisia. In 2006 he joined Grove Energy, a Canadian and UK listed oil and gas explorer.

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

COMPANY SECRETARIES

Peter Ironside B.Com, CA

Mr Ironside has a Bachelor of Commerce Degree and is a Chartered Accountant and business consultant with over 30 years' experience in the exploration and mining industry. Mr Ironside has a significant level of accounting, financial compliance and corporate governance experience including corporate initiatives and capital raisings. Mr Ironside has been a Director and/or Company Secretary of several ASX listed companies including Integra Mining Limited and Extract Resources Limited (before \$2.18Bn takeover) and is currently a non-executive director of Zamanco Minerals Limited and Stavelly Minerals Limited.

Amanda Sparks B.Bus, CA, F.Fin

Appointed 6 October 2015

Ms Amanda Sparks is a Chartered Accountant with over 27 years of resources related financial experience, both with explorers and producers. Ms Sparks has extensive experience in financial management, corporate governance and compliance for listed companies.

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

Name of Director	Meeting Held Whilst a Director	Meetings Attended
I Tchacos	6	6
P Fink	6	6
A Childs	6	6
R Brown	-	-
W Zimmer	4	-

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

Name of Director	Number of Shares
I Tchacos	26,907,122
P Fink	23,423,451
A Childs	18,241,512
R Brown	591,399

DIVIDENDS

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

ADX ENERGY LTD
DIRECTORS' REPORT

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
ADX Energy GmbH	-	100% owned Austrian controlled entity
AuDAX Energy Srl	-	100% owned Italian controlled entity
ADX Energy Panonia Srl	-	100% owned Romanian controlled entity
Bull Petroleum Pty Ltd	-	100% owned Australian controlled entity

Principal Activity

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

Operations review

Refer to the Operations Review preceding this report.

Summary of Financial Position, Asset Transactions and Corporate Activities

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

	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
Cash and cash equivalents held at year end	734,152	622,021
Net profit/(loss) for the year after tax	(1,913,500)	(1,695,908)
Included in loss for the year:		
Exploration expensed	(949,530)	(1,248,727)
Gain on reversal of equity accounting	-	3,547,785
Loss on fair value - investment	(752)	(3,297,913)
Basic profit/(loss) per share from continuing operations	(0.25) cents	(0.26) cents
Net cash (used in) operating activities	(1,447,335)	(1,789,747)
Net cash (used in) investing activities	39,849	1,671,210
Net cash from financing activities	1,495,757	-

During the year:

- Exploration expenditure was \$949,530. This was primarily expenditure on the Parta Joint Operation in Romania, the Nilde redevelopment project offshore Italy and activities on the Kerkouane permit offshore Tunisia.

ADX ENERGY LTD
DIRECTORS' REPORT

- On 10 May 2016, ADX completed a placement to sophisticated investors of 114,286,000 shares at 0.7 cents per share to raise gross proceeds of \$800,002

- In November and December 2016, a two tranche placement to raise \$802,370 before costs was completed. Investors participating in the first tranche (Tranche 1) acquired an equivalent proportion of shares in the second tranche (Tranche 2) of the placement. Tranche 1 of the placement consisted of 46,014,748 new shares at 0.7 cents per share to raise gross proceeds of \$322,103. Tranche 2 of the placement consisted of 68,609,493 new shares at 0.7 cents per share to raise gross proceeds of \$480,266. Tranche 2 of the placement was conditional upon a shareholder approval obtained at a General Meeting. One free attaching unlisted Option (exercisable at \$0.02 each on or before 30 November 2017) was provided for every two shares subscribed for and issued under the placements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

FUTURE DEVELOPMENTS

The Company intends to continue its exploration programme on its existing permits, and to acquire further suitable permits for exploration and development. Additional comments on likely developments are included in the Operations Report.

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

	Number	Exercise Price	Expiry Date
Unlisted Options	5,000,000	2 cents	28/04/2017
Unlisted Options	57,312,121	2 cents	30/11/2017

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

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

ADX ENERGY LTD
DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

A. INTRODUCTION

This report details the nature and amount of remuneration for each Director and Executive of ADX Energy Ltd. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

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).

For the purposes of this report the term "Executive" includes those key management personnel who are not directors.

Directors

The following persons were Directors of ADX Energy Ltd during the financial year:

Ian Tchacos	-	Executive Chairman
Paul Fink	-	Executive Director
Andrew Childs	-	Non-Executive Director
Rob Brown	-	Non-Executive Director – appointed 17 October 2016
Wolfgang Zimmer	-	Non-Executive Director – resigned 26 May 2016

There were no other persons that fulfilled the role of a key management person.

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.

B. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Remuneration Philosophy

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

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

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

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-Executive directors' remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

ADX ENERGY LTD
DIRECTORS' REPORT

Structure

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 bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with ASX listing rules. The option incentive portion is targeted to add to shareholder value by having a strike price considerably greater than the market price at the time of granting.

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.

Executive Director Remuneration

Objective

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward Executives for company, and individual performance;
- ensure continued availability of experienced and effective management; and
- ensure total remuneration is competitive by market standards.

Structure

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. 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 appropriate. Remuneration is regularly 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 a long term incentive portion as considered appropriate.

Fixed Remuneration - Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of Company and individual performance, and relevant comparative remuneration in the market. As noted above, the Board may engage an external consultant to provide independent advice.

Fixed Remuneration - Structure

The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay — Long Term Incentives - Objective

The objective of long term incentives is to reward Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the Executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Variable Pay — Long Term Incentives – Structure

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. Other key management employees may be granted options under ADX's employee incentive scheme. Performance hurdles are not attached to vesting periods; however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

During 2016 there were no performance related payments made.

ADX ENERGY LTD
DIRECTORS' REPORT

C. SERVICE AGREEMENTS

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.

Remuneration and other terms of employment for the executive directors and the other key management personnel are also formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below.

Name	Term of agreement	Base annual salary inclusive of superannuation at 31/12/16	Termination benefit
I Tchacos – Chairman – Directors Fee	Commencing 2 March 2010 and continues whilst a director	\$50,000. Currently paid 50% cash and 50% equity	None
I Tchacos – Executive Chairman - Consultancy	Term of 1 year commencing 1 October 2015, extended to 1 February 2018	\$1,500 per day (after 4 days, rate is reduced to 50% cash and 50% equity, subject to shareholder approval)	1 month @ 4 days per month per 12 months of service
P Fink – Executive Directors Fee	Commencing 9 September 2010 and continues whilst a director	Currently paid 100% equity	None
P Fink – Executive Director - Consultancy	Term of 1 year commencing 1 October 2015, extended to 1 February 2018	\$1,500 per day (after 8 days, rate is reduced to 50% cash and 50% equity, subject to shareholder approval)	1 month @ 8 days per month per 12 months of service
A Childs – Non-executive Directors Fee	Commencing 1 May 2010 and continues whilst a director	\$40,000. Currently agreed to 50% payment via equity	None
R Brown – Non-executive Directors Fee	Commencing 17 October 2016 and continues whilst a director	\$40,000. Currently agreed to 50% payment via equity	None

ADX ENERGY LTD
DIRECTORS' REPORT

D. DETAILS OF REMUNERATION

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:

2016	Cash salary, directors fees and consulting fees \$	Post Employment	Total Cash \$	Share Based	Total including share based payments \$
		Superannuation \$		Shares \$	
Directors					
I Tchacos	261,674	2,169	263,843	56,193	320,036
P Fink	202,200	-	202,200	68,000	270,200
A Childs	23,265	1,735	25,000	21,667	46,667
R Brown ⁽⁴⁾	8,694	-	8,694	-	8,694
W Zimmer ⁽²⁾	-	-	-	32,850	32,850
TOTAL 2016	495,833	3,904	499,737	178,710	678,447

2015					
Directors					
I Tchacos	59,038	3,991	63,029	-	63,029
P Fink	190,152	-	190,152	-	190,152
A Childs	30,580	3,193	33,773	-	33,773
W Zimmer ⁽²⁾	289,555	-	289,555	-	289,555
Other KMP					
P Ironside ⁽³⁾	30,000	-	30,000	-	30,000
A Sparks ⁽³⁾	9,600	-	9,600	-	9,600
TOTAL 2015	608,925	7,184	616,109	-	616,109

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

⁽²⁾ Wolfgang Zimmer was Managing Director until 25/09/2015, thereafter a Non-Executive Director until he resigned 26 May 2016.

⁽³⁾ Amanda Sparks was appointed Company Secretary on 6/10/2015. Amanda Sparks and Peter Ironside are external providers of company secretarial services and are no longer regarded as a KMP from 1 January 2016.

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

ADX ENERGY LTD
DIRECTORS' REPORT

D. DETAILS OF REMUNERATION - 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.

E. SHARE-BASED COMPENSATION

In September 2015, all Directors agreed to reduce their salaries / fees in order to maximise the availability of cash for the Company's exploration, appraisal and development expenditure. Mr Tchacos and Mr Childs reduced their directors' fees by 50% (annual reduction equivalent to \$25,000 and \$20,000 respectively) and Mr Fink and Dr Zimmer waived their fees in its entirety (annual reduction of \$30,000 and \$40,000 respectively). Dr Zimmer agreed to a reduction in his consultancy fee of \$10,000 per month and Mr Tchacos and Mr Fink also both entered into new consultancy contracts in October 2015 to be paid partly in shares, subject to Shareholder approval.

The Director Shares issue price is calculated on the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of the corresponding calendar quarter in which the Directors' fees were incurred.

The following shares were granted as equity compensation benefits (in lieu of an agreed 50% cash salary reduction) to Directors during the year.

2016	Number of Shares Issued	Issue Date	Value per Share \$	Remuneration for Period
Directors				
I Tchacos	6,593,002	1/8/16	0.006	9/15 to 6/16
I Tchacos	2,229,165	5/12/16	0.006	7/16 to 9/16
P Fink	8,193,571	1/8/16	0.006	9/15 to 6/16
P Fink	2,887,500	5/12/16	0.006	7/16 to 9/16
A Childs	2,761,910	1/8/16	0.006	9/15 to 6/16
A Childs	833,335	5/12/16	0.006	7/16 to 9/16
W Zimmer	5,474,934	24/6/16	0.006	9/15 to 6/16
TOTAL	28,973,417			

2015 – No share-based compensation.

Shares issued to Key Management Personnel on exercise of compensation options

During the year to 31 December 2016, there were no compensation options exercised by Directors or other Key Management Personnel (2015: nil).

ADX ENERGY LTD
DIRECTORS' REPORT

F. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR

(a) Option holdings of Key Management Personnel

Year ended 31 Dec 2016	Balance at beginning of the year	Granted as remuneration	Options exercised	Options expired	No Longer KMP	Balance at end of the year	Not exercisable	Exercisable
Directors								
I Tchacos	2,000,000	-	-	(2,000,000)	-	-	-	-
P Fink	5,000,000	-	-	(5,000,000)	-	-	-	-
A Childs	2,000,000	-	-	(2,000,000)	-	-	-	-
R Brown	-	-	-	-	-	-	-	-
W Zimmer	6,000,000	-	-	(6,000,000)	-	-	-	-
Other KMP								
P Ironside	2,000,000	-	-	-	(2,000,000)	-	-	-
A Sparks	1,000,000	-	-	-	(1,000,000)	-	-	-
	18,000,000	-	-	(15,000,000)	(3,000,000)	-	-	-
Year ended 31 Dec 2015								
Directors								
I Tchacos	2,000,000	-	-	-	-	2,000,000	-	2,000,000
P Fink	5,000,000	-	-	-	-	5,000,000	-	5,000,000
A Childs	2,000,000	-	-	-	-	2,000,000	-	2,000,000
W Zimmer	6,000,000	-	-	-	-	6,000,000	-	6,000,000
Other KMP								
P Ironside	2,000,000	-	-	-	1,000,000	2,000,000	-	2,000,000
A Sparks	-	-	-	-	1,000,000	1,000,000	-	1,000,000
	17,000,000	-	-	-	1,000,000	18,000,000	-	18,000,000

ADX ENERGY LTD
DIRECTORS' REPORT

F. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR

(b) Shareholdings of Key Management Personnel

	Balance at beginning of the year	Options exercised	Granted as remuneration	Net change other	No Longer KMP	Balance at end of the year
Year ended 31 Dec 2016						
Directors						
I Tchacos	10,026,095	-	8,822,167	4,634,754	-	23,783,016
P Fink	8,706,666	-	11,081,071	1,000,000	-	20,787,737
A Childs	13,931,980	-	3,595,245	-	-	17,527,225
R Brown	-	-	-	-	-	-
W Zimmer	8,154,321	-	5,474,934	-	(13,629,255)	-
Other KMP						
P Ironside	7,282,598	-	-	-	(7,282,598)	-
A Sparks	-	-	-	-	-	-
	48,101,660	-	28,973,417	5,634,754	(20,911,853)	61,797,978
Year ended 31 Dec 2015						
Directors						
I Tchacos	5,526,095	-	-	4,500,000	-	10,026,095
P Fink	3,706,666	-	-	5,000,000	-	8,706,666
A Childs	13,931,980	-	-	-	-	13,931,980
W Zimmer	12,089,374	-	-	(3,935,053)	-	8,154,321
Other KMP						
P Ironside	7,282,598	-	-	-	-	7,282,598
A Sparks	-	-	-	-	-	-
	42,536,713	-	-	5,564,947	-	48,101,660

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arms-length.

G. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no other transactions with key management personnel during the year (2015: none).

No loans or advances to/from key management personnel were outstanding at year end.

H. USE OF REMUNERATION CONSULTANTS

No remuneration consultants were engaged by ADX during the year.

End of Remuneration Report.

ADX ENERGY LTD
DIRECTORS' REPORT

SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 31 December 2016 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 2016 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Rolf Garda (Lead auditor)
Rothsay Chartered Accountants"

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

Signed in accordance with a resolution of the Directors.



Ian Tchacos
Executive Chairman

Dated this 31st day of March 2017

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 2016 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 2016.

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



Ian Tchacos
Executive Chairman

Dated this 31st day of March 2017

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		Consolidated	
		Year ended 31 Dec 2016	Year ended 31 Dec 2015
	Note	\$	\$
Revenue and Income			
Interest revenue		1,841	2,535
Other income		-	5,552
		1,841	8,087
Expenses			
Administration and corporate expenses, net of recoveries from exploration projects	2	738,965	698,624
Share-based payments	17	216,490	-
Exploration expensed		949,530	1,248,727
Net loss/(gain) – other financial assets at fair value	2	752	(249,872)
Total expenses		1,905,737	1,697,479
Profit/(loss) before income tax		(1,903,896)	(1,689,392)
Income tax expense	3	9,604	6,516
Profit/(loss) after income tax attributable to members of ADX Energy Ltd		(1,913,500)	(1,695,908)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(14,699)	353,414
Income tax relating to items of other comprehensive income/(loss)		-	-
Other comprehensive income/(loss) for the year, net of tax		(14,699)	343,414
Total comprehensive profit/(loss) for the year		(1,928,199)	(1,342,494)
		Cents Per Share	Cents Per Share
Basic earnings/(loss) per share	4	(0.25)	(0.26)

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Consolidated	
		31 December 2016	31 December 2015
		\$	\$
ASSETS	Note		
Current Assets			
Cash and cash equivalents	5	734,152	622,021
Trade and other receivables	6	152,683	197,012
Other financial assets at fair value	8	266,874	-
Total Current Assets		1,153,709	819,033
Non-Current Assets			
Property, plant and equipment	7	281	46,783
Other financial assets at fair value	8	-	267,647
Total Non-Current Assets		281	314,430
Total Assets		1,153,990	1,133,463
LIABILITIES			
Current Liabilities			
Trade and other payables	9	422,249	185,009
Provisions		-	760
Total Current Liabilities		422,249	185,769
Total Liabilities		422,249	185,769
Net Assets		731,741	947,694
Equity			
Issued capital	10	65,859,376	64,161,036
Reserves	11	5,959,450	5,960,243
Accumulated losses		(71,087,085)	(69,173,585)
Total Equity		731,741	947,694

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
At 1 January 2016	64,161,036	5,960,243	(69,173,585)	947,694
Profit/(loss) for the year	-	-	(1,913,500)	(1,913,500)
Other comprehensive income/(loss)	-	(14,699)	-	(14,699)
Total comprehensive loss for the year, net of tax	-	(14,699)	(1,913,500)	(1,928,199)
Transactions with owners in their capacity as owners:				
Issue of share capital	1,818,861	-	-	1,818,861
Cost of issue of share capital	(120,521)	-	-	(120,521)
Share based payments	-	13,906	-	13,906
	1,698,340	13,906	-	1,712,246
As at 31 December 2016	65,859,376	5,959,450	(71,087,085)	731,741
At 1 January 2015	64,161,036	5,606,829	(67,477,677)	2,290,188
Profit/(loss) for the year	-	-	(1,695,908)	(1,695,908)
Other comprehensive income/(loss)	-	353,414	-	353,414
Total comprehensive loss for the year, net of tax	-	353,414	(1,695,908)	(1,342,494)
Transactions with owners in their capacity as owners:				
Issue of share capital	-	-	-	-
Cost of issue of share capital	-	-	-	-
Share based payments	-	-	-	-
	-	-	-	-
As at 31 December 2015	64,161,036	5,960,243	(69,173,585)	947,694

ADX ENERGY LTD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

		Consolidated	
		Year ended 31 Dec 2016	Year ended 31 Dec 2015
Note		\$	\$
Cash flows from operating activities			
	Receipts in the ordinary course of activities	69,866	86,389
	Payments to suppliers and employees, including for exploration expensed	(1,509,438)	(1,872,155)
	Interest received	1,841	2,535
	Income tax paid	(9,604)	(6,516)
	Net cash flows used in operating activities	5(i) (1,447,335)	(1,789,747)
Cash flows from investing activities			
	Proceeds from sale of plant and equipment	6,849	5,552
	Proceeds from sale of permits/farmouts	-	1,953,313
	Payments for costs of sale of permits/farmouts	-	(260,650)
	Receipts from bonds	-	13,995
	Payments made on behalf of joint operation partners and operations	(428,000)	(1,062,000)
	Receipts from exploration partners and operations	461,000	1,021,000
	Net cash flows used in investing activities	39,849	1,671,210
Cash flows from financing activities			
	Proceeds from issue of shares and options	1,602,372	-
	Payment of share issue costs	(106,615)	-
	Net cash flows from financing activities	1,495,757	-
	Net increase/(decrease) in cash and cash equivalents held	88,271	(118,537)
	Net foreign exchange differences	23,860	33,391
	Add opening cash and cash equivalents brought forward	622,021	707,167
	Closing cash and cash equivalents at the end of the year	5 734,152	622,021

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 US dollars; 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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(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 2016.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 affected any of the amounts recognised in the current year or any prior period and are not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting year. The Group's assessment of the impact of these new standards and interpretations that may have an impact on the Group is set out below:

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets. There is no material impact for ADX. This standard is not applicable until the financial year commencing 1 July 2018.

AASB 16 Leases

AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. ADX has not yet determined the impact on the group accounts. This standard is not applicable until the financial year commencing 1 July 2019.

(d) Significant accounting estimates and judgments

Significant accounting judgments

There are no significant accounting judgments.

Significant accounting estimates and assumptions

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

(i) Share-based payment transactions

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

(ii) Commitments - Exploration

The Group has certain minimum exploration 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.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(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.

(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 ADX Energy GmbH and AuDAX Energy srl whose functional currencies are euros.

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.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(g) Foreign currency translation - continued

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) Interest in a jointly controlled operation

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.

(i) 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.

(j) Trade and other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months. Cash on deposit is not due for settlement until rights of tenure are forfeited or performance obligations are met.

(k) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

(l) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 2 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(m) 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.

(n) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets consisting of shares held in a listed entity are included in the category 'financial assets at fair value through profit or loss'. Gains or losses on investments are recognised in profit or loss. The fair values of quoted investments are based on last trade prices.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(o) 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.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(q) 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.

(r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(s) Share-based payment transactions

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 shares is determined by an appropriate volume-weighted average share price. 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 Group, 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 balance 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.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(t) Income tax

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

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

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

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

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

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

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

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

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

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

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(u) Other taxes

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

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

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.

(v) 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.

(w) Segment reporting

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 2016**

	Note	Consolidated	
		Year Ended 31 Dec 2016 \$	Year Ended 31 Dec 2015 \$
NOTE 2 –EXPENSES			
Administration and corporate expenses include:			
Depreciation		9,601	50,256
Net foreign exchange losses/(gains)		(641)	48,685
Operating lease rental expense		42,315	77,114
Other administration and corporate expenses, net of recoveries		687,690	522,569
		738,965	698,624
Net loss/(gain) – other financial assets:			
Loss/(gain) on reversal of equity accounting		-	(3,547,785)
Loss on fair value – other financial assets	8	752	3,297,913
		752	(249,872)

NOTE 3 - INCOME TAX EXPENSE

(a) Income Tax Expense

The reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:

Profit/(loss) for period	(1,903,896)	(1,689,392)
Prima facie income tax (benefit) @ 30%	(571,169)	(506,818)
Tax effect of non-deductible items	385,948	(108,499)
Deferred tax assets not brought to account	194,825	621,833
Income tax attributable to operating result	9,604	6,516

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

Tax losses	12,697,256	10,460,694
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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 (2015: \$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 2016**

	Consolidated	
	Year Ended 31 Dec 2016	Year Ended 31 Dec 2015
NOTE 4 - EARNINGS PER SHARE		
	Cents	Cents
Basic earnings/(loss) per share	(0.25)	(0.26)
	\$	\$
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
- basic earnings per share	(1,906,544)	(1,695,908)
	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	750,044,578	656,478,273

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 5 - CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	734,152	622,021

(i) Reconciliation of loss for the period to net cash flows used in operating activities		
Profit/(loss) after income tax	(1,913,500)	(1,695,908)
Non-Cash Items:		
Depreciation	9,601	50,256
Loss/(gain) on disposal of plant and equipment	22,346	(5,552)
Foreign exchange losses/(gains)	(641)	48,685
Share-based payments expensed	216,489	-
Loss/(gain) on reversal of equity accounting	-	(3,547,785)
Loss on fair value – other financial assets	752	3,297,913
Change in assets and liabilities:		
(Increase)/decrease in receivables	(13,729)	69,434
Increase/(decrease) in payables	232,107	845
Increase in provisions	(760)	(7,635)
Net cash flows used in operating activities	(1,447,335)	(1,789,747)

(ii) Non-Cash Financing and Investing Activities

On 23 May 2016, ADX granted 5,000,000 unlisted options to a broker in consideration for completion of a placement and ongoing financial advisory services (\$13,906). There were no other non-cash financing and investing activities (2015: none).

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Consolidated	
	31 December	31 December
	2016	2015
	\$	\$
NOTE 6 – TRADE AND OTHER RECEIVABLES		
Current		
Share of cash held by joint operations	67,875	88,241
GST/VAT refundable	34,481	16,968
Receivables from joint operations	32,044	26,913
Prepayments	6,576	57,785
Other	11,707	7,105
Total current receivables	152,683	197,012

Fair Value and Risk Exposures:

- (i) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
- (ii) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.
- (iii) Details regarding interest rate risk exposure are disclosed in note 19.
- (iv) Other receivables generally have repayments between 30 and 90 days.

Receivables do not contain past due or impaired assets as at 31 December 2016 (2015: none).

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Plant and equipment - at cost	203,588	408,964
Less: Accumulated depreciation	(203,307)	(362,181)
Total property, plant and equipment	281	46,783

Reconciliation of property, plant and equipment:

Plant and Equipment

Carrying amount at beginning of year	46,783	67,726
Additions	192	22,524
Disposals	(36,903)	-
Depreciation	(9,601)	(50,256)
Currency translation differences	(190)	6,789
Carrying amount at end of year	281	46,783

Motor Vehicle

Carrying amount at beginning of year	-	10,939
Disposals	-	(7,024)
Depreciation	-	(3,273)
Currency translation differences	-	(642)
Carrying amount at end of year	-	-

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Consolidated	
	31 December	31 December
	2016	2015
	\$	\$
NOTE 8 - OTHER NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Current		
Listed equity securities held – Riedel Resources Limited	266,874	-
Non-current		
Listed equity securities held – Riedel Resources Limited	-	267,647

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

NOTE 9 – TRADE AND OTHER PAYABLES

Current

Trade creditors and accruals	422,249	185,009
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Fair Value and Risk Exposures

- (i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
- (ii) Trade and other payables are unsecured and usually paid within 60 days of recognition.

NOTE 10 – ISSUED CAPITAL

(a) Issued Capital

Ordinary shares fully paid	65,859,376	64,161,036
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(b) Movements in Ordinary Share Capital

		Year Ended 31 December 2016 \$
Number of Shares	Summary of Movements	
656,478,273	Opening balance 1 January 2016	64,161,036
114,286,000	Placement on 10 May 2016 (note i)	800,002
5,474,934	Issue of shares to previous director (note iii)	32,850
23,498,483	Issue of shares directors (note iv)	145,860
5,961,428	Issue of shares to company secretaries (note iv)	37,780
46,014,748	Placement – tranche 1 on 14 November 2016 (note v)	322,103
68,609,493	Placement – tranche 2 on 23 December 2016 (note v)	480,266
	Costs of share issues – cash	(106,615)
	Costs of share issues – non-cash options (note ii)	(13,906)
920,323,359	Closing Balance at 31 December 2016	65,859,376

No movement for the prior year ended 31 December 2015.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 10 – ISSUED CAPITAL - continued

- (i) On 10 May 2016, ADX completed a placement to sophisticated investors of 114,286,000 shares at 0.7 cents per share to raise gross proceeds of \$800,002.
- (ii) On 23 May 2016, ADX granted 5,000,000 options to the lead manager of ADX's May 2016 placement in accordance with the Lead Managers Mandate. Value \$13,906. These options have an exercise price of 2 cents and expire 28 April 2017.
- (iii) On 24 June 2016, ADX issued 5,474,934 shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 26 May 2016. The shares were issued to ex-director Dr Wolfgang Zimmer in consideration of remuneration waived for the period 1 September 2015 until his removal on 26 May 2016. The deemed price was 0.6 cents (total value \$32,850)
- (iv) In addition to the shares issued to Wolfgang Zimmer (iii above), during the year, ADX issued 23,498,483 shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 26 May 2016. The shares were issued to current directors in consideration of remuneration waived for the period 1 September 2015 to 30 September 2016. In addition, 5,961,428 shares were issued to the Company Secretaries in consideration of remuneration waived for the period 1 September 2015 to 30 September 2016.

Director	Number of Shares	Remuneration waived \$
Ian Tchacos	8,822,167	56,193
Paul Fink	11,081,071	68,000
Andrew Childs	3,595,245	21,667
	23,498,483	145,860

- (v) In November and December 2016, a two tranche placement to raise \$802,370 before costs was completed. Investors participating in the first tranche (Tranche 1) acquired an equivalent proportion of shares in the second tranche (Tranche 2) of the placement. Tranche 1 of the placement consisted of 46,014,748 new shares at 0.7 cents per share to raise gross proceeds of \$322,103. Tranche 2 of the placement consisted of 68,609,493 new shares at 0.7 cents per share to raise gross proceeds of \$480,266. Tranche 2 of the placement was conditional upon a shareholder approval obtained at a General Meeting.

One free attaching unlisted Option (exercisable at \$0.02 each on or before 30 November 2017) was provided for every two shares subscribed for and issued under the placements.

(c) Options on issue at 31 December 2016

	Number	Issue Price of Shares	Expiry Date
Unlisted Options	5,000,000	2 cents	28 April 2017
Unlisted Options	57,312,121	2 cents	30 November 2017

During the year:

- (i) No unlisted options were granted as share-based payments (2015: nil);
- (ii) No unlisted options were forfeited (2015: nil);
- (iii) No unlisted options expired (2015: nil); and
- (iv) No unlisted options were exercised (2015: nil).

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 2016	31 December 2015
	\$	\$
NOTE 11 - RESERVES		
Share-based payments reserve	3,776,364	3,762,458
Foreign currency translation reserve	(982,456)	(967,757)
Option premium reserve	2,915,542	2,915,542
Asset revaluation reserve	250,000	250,000
	5,959,450	5,960,243

Share-based payments reserve

Balance at the beginning of the year	3,762,458	3,762,458
Share-based payments expense / (reversal)	13,906	-
Balance at the end of the year	3,776,364	3,762,458

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	(967,757)	(1,321,171)
Currency translation differences	(14,699)	353,414
Balance at the end of the year	(982,456)	(967,757)

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 2016**

	Consolidated	
	31 December	31 December
	2016	2015
	\$	\$

NOTE 11 – RESERVES - continued

Option premium reserve

Option premium reserve	2,915,542	2,915,542
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Nature and purpose of the reserve:

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

Asset revaluation reserve

Asset revaluation reserve	250,000	250,000
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Nature and purpose of the 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 - INTERESTS IN JOINT OPERATIONS

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

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

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 13 – PARENT ENTITY INFORMATION	Company	
	31 December 2016	31 December 2015
	\$	\$
Statement of Financial Position information		
Current assets	1,006,420	610,477
Non-current assets	193	311,568
Current liabilities	(364,274)	(64,022)
Non-current liabilities	-	-
Net Assets	642,339	858,023
Issued capital	65,859,376	64,161,036
Reserves	9,948,415	9,860,266
Accumulated losses	(75,165,452)	(73,163,280)
	642,339	858,023
Profit and loss information		
Profit/(loss) for the year	(2,002,172)	(6,885,356)
Comprehensive profit/(loss) for the year	(1,927,929)	(6,020,083)

Commitments and contingencies

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

Subsidiaries

Name of Controlled Entity	Class of Share	Place of Incorporation	% Held by Parent Entity	
			31 December 2016	31 December 2015
Alpine Oil & Gas Pty Ltd *	Ordinary	Australia	100%	100%
ADX Energy GmbH*	Ordinary	Austria	100%	100%
AuDAX Energy Srl *	Ordinary	Italy	100%	100%
ADX Energy Panonia Srl *	Ordinary	Romania	100%	100%
Bull Petroleum Pty Ltd *	Ordinary	Australia	100%	100%

* Not audited by Rothsay.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Consolidated	
31 December	31 December
2016	2015
\$	\$

NOTE 14 – COMMITMENTS AND CONTINGENCIES

(a) Operating leases (non-cancellable):

Within one year

12,000	27,008
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These non-cancellable operating leases are for office premises.

(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), has received an extension for expenditure commitments until 7 August 2017. The commitment is to undertake 500 km² of 3D seismic and the drilling of one well. ADX holds 100% with farmout processes and discussions on further licence extensions underway. The license is currently in an extension of the first renewal period. The PSC (production sharing contract) provides for a second renewal term of three years.

Romania - Parta

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

(c) Other contingencies

Italy - d363 C.R.-.AX license

ADX holds a 100% interest in the d363 C.R.-.AX prospecting license which contains the Nilde Oil Re Development Project. Subsequent to year end, ADX has completed submissions to the Italian licensing authorities (UFFICIO NAZIONALE MINERARIO PER GLI IDROCARBURI E LE GEORISORSE or UNMIG) in order 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.

(d) Conditional commitments to previous partner

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.

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 15 – KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of Key Management Personnel

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Short-term employment benefits	495,833	608,925
Post-employment benefits	3,904	7,184
Share-based payment	178,710	-
	678,447	616,109

(b) Other transactions and balances with Key Management Personnel

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 2017 at normal commercial rates. Rental paid for the year ended 31 December 2016 totalled \$24,000 (2015: \$18,000).

NOTE 16 - AUDITORS' REMUNERATION

Amount received or due and receivable by the auditor for:

Auditing the financial statements, including audit review - current year audits	28,000	29,000
Other services	-	-
Total remuneration of auditors	28,000	29,000

NOTE 17 – SHARE-BASED PAYMENTS (Recognised as remuneration)

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

Expensed in the profit and loss:

Share-based payments – shares in lieu of fees – directors	178,710	-
Share-based payments – shares in lieu of fees - consultants	37,780	-
	216,490	-

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

2016 Year

On 24 June 2016, ADX issued 5,474,934 shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 26 May 2016. The shares were issued to ex-director Dr Wolfgang Zimmer in consideration of remuneration waived for the period 1 September 2015 until his removal on 26 May 2016. The deemed price was 0.6 cents (total value \$32,850)

In addition to the shares issued to Wolfgang Zimmer (above), during the year, ADX issued 23,498,483 shares (\$145,860) pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 26 May 2016. The shares were issued to current directors in consideration of remuneration waived for the period 1 September 2015 to 30 September 2016. In addition, 5,961,428 shares (\$37,780) were issued to the Company Secretaries in consideration of remuneration waived for the period 1 September 2015 to 30 September 2016.

2015 Year

There were no share based payments in the 2015 year.

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 18 – SEGMENT INFORMATION

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 on at least a quarterly basis.

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 two 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 2016**

NOTE 18 – SEGMENT INFORMATION - continued

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

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 18 – SEGMENT INFORMATION - continued

Operating Segments	Tunisia	Romania	Italy	Total Operations
	\$	\$	\$	\$
Year ended 31 December 2015				
Revenue and income	5,552	-	-	5,552
Total segment revenue				5,552
Result				
Segment result	(474,309)	(602,504)	(228,435)	
Depreciation	(3,339)	-	-	
Total Segment result	(477,648)	(602,504)	(228,435)	(1,308,587)
Reconciliation of segment profit after tax to net profit after tax:				
Unallocated revenue and income				2,536
Foreign currency gains/(losses)				(48,685)
Unallocated depreciation				(46,915)
Unallocated expenditure				(287,741)
Income tax expense				(6,516)
Net profit after tax				(1,695,908)
Assets				
Segment assets	14,080	120,547	3,767	138,394
Reconciliation of segment assets:				
Unallocated cash				577,884
Investment in associate				267,647
Other				149,538
Total assets				1,133,463
Liabilities				
Segment liabilities	(23,987)	(52,948)	(7,718)	(84,653)
Reconciliation of segment liabilities:				
Unallocated liabilities				(101,116)
Total liabilities				(185,769)
Capital expenditure				
Segment capital expenditure – plant and equipment	-	-	-	-
Total Segment capital expenditure	-	-	-	-
Reconciliation of capital expenditure:				
Unallocated additions				22,524
Total capital expenditure				22,524

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 and bonds. 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 2016	31 December 2015
	\$	\$
<i>Financial Assets:</i>		
Cash and cash equivalents – interest bearing	546,137	4,293
Trade and other receivables – interest bearing	-	-
Net exposure	546,137	4,293

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 2016

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 2016 \$	31 December 2015 \$
<i>Financial Assets:</i>		
Cash and cash equivalents - non USD	678,450	139,253
Trade and other receivables – current – non USD	42,008	68,857
<i>Financial Liabilities:</i>		
Trade and other payables – current – non USD	(375,579)	(173,211)
Net exposure	344,879	34,899

Sensitivity

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

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

Commodity price risk

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

Fair value

Disclosure of fair value measurements by level are as follows:

- Level 1 – the fair value is calculated using quoted prices in active markets
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data

ADX ENERGY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 19 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Fair value - continued

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

	Year ended 31 December 2016				Year ended 31 December 2015			
	Quoted Market Price (Level 1)	Valuation with Observable Market Data (Level 2)	Valuation with no Observable Market Data (Level 3)	Total	Quoted Market Price (Level 1)	Valuation with Observable Market Data (Level 2)	Valuation with no Observable Market Data (Level 3)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Consolidated								
Other non-current financial assets at fair value	266,874	-	-	266,874	267,647	-	-	267,647

Transfer Between Categories

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

NOTE 20 - SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 31 December 2016 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial years.

ADX ENERGY LTD

INDEPENDENT AUDIT REPORT



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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 2016, 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 2016 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 and listed investments

The Group's portfolio of cash and listed investments makes up 87% 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 or listed investments to be at a high risk of significant misstatement, or to be subject to a significant



Chartered Accountants

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

ADX ENERGY LTD
INDEPENDENT AUDIT REPORT



level of judgement because they comprise liquid and listed quoted investments. However due to their materiality in the context of the financial statements as a whole, they are 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 portfolio of cash and listed investments included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions and to value the listed investments ;
- Agreeing the valuation of 100% of the listed investments to externally quoted prices; and
- Agreeing 100% of cash and listed investment holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in Notes 1, 5 and 8 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 2016, 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



Chartered Accountants

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

ADX ENERGY LTD
INDEPENDENT AUDIT REPORT



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 2016.

In our opinion the remuneration report of ADX Energy Ltd for the year ended 31 December 2016 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

**Rolf Garda
Partner**

Dated 31st March 2017



Chartered Accountants

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ADX ENERGY LTD

ADDITIONAL SHAREHOLDER INFORMATION

Information as at 29 March 2017

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

Jetosea Pty Ltd holds 68,849,301 shares.

b) Shareholder Distribution Schedule

Size of Holding	Number of Shareholders	Number of Ordinary Shares	Percentage of Issued Capital
1 - 1,000	180	87,634	0.01
1,001 - 5,000	503	1,616,504	0.17
5,001 - 10,000	433	3,549,975	0.38
10,001 - 100,000	984	38,623,196	4.16
100,001 and over	501	885,140,127	95.28
Total Shareholders	2,601	929,017,436	100
Number of shareholders holding less than a marketable parcel	1,705		

(c) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

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

ADX ENERGY LTD

ADDITIONAL SHAREHOLDER INFORMATION

c) Twenty largest shareholders:

Name	Number of Ordinary Shares	% of Issued Capital
1 J P MORGAN NOMINEES AUSTRALIA LIMITED	145,601,929	15.67
2 JETOSEA PTY LTD	68,849,301	7.41
3 WILLOW SCENT LIMITED	45,624,241	4.91
4 MR PAUL FINK	23,423,451	2.52
5 AUST EXECUTOR TRUSTEES LTD <HENROTH PTY LIMITED>	21,000,000	2.26
6 JONNOLA PTY LTD <SCALES UNIT A/C>	19,000,001	2.05
7 PAKASOLUTO PTY LIMITED <BARKL FAMILY SUPER FUND A/C>	19,000,000	2.05
8 MR ALAN GEORGE BROOKS + MRS PHILIPPA CLAIRE BROOKS <A G & P C BROOKS S/FUND A/C>	16,000,000	1.72
9 GREAT EASTERN HOLDINGS PTY LTD <NAMBUNG UNIT A/C>	15,000,000	1.61
10 KENLOW (1982) PTY LTD <SUPER FUND A/C>	12,708,333	1.37
11 MR ANDREW CHILDS	12,649,913	1.36
12 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,001,235	1.29
13 TALEX INVESTMENTS PTY LTD <A F WYLIE SUPER FUND A/C>	9,900,000	1.07
14 WARROORAH PTY LTD <TCHACOS FUND A/C>	9,134,754	0.98
15 MR VICTOR MIASI + MR JOSEPH MIASI <VICTOR MIASI SUPER A/C>	9,000,000	0.97
16 RUNYON PTY LTD <SUPER FUND A/C>	8,763,679	0.94
17 PRESFAN PTY LTD <WAGHORN SUPER FUND A/C>	8,436,000	0.91
18 VASSE GROUP LIMITED	8,154,321	0.88
19 BOND STREET CUSTODIANS LIMITED <PNCORK - D00089 A/C>	8,041,961	0.87
20 FIVECUTS PTY LTD <ELLIMATTA SUPER FUND A/C>	8,000,000	0.86
	<u>480,289,119</u>	<u>51.70</u>
Shares on issue	<u>929,017,436</u>	

ADX ENERGY LTD
TENEMENT SCHEDULE

Oil AND GAS ASSETS
Europe and North Africa

Project	Permit	ADX Group Interest (%)	Operator
Kerkouane – Tunisia	Kerkouane	100%	ADX
Pantelleria – Italy	G.R15.PU	100%	ADX
Nilde – Italy – awarded application ^{Note 1}	d363 C.R.-.AX	100%	ADX
Orlando - Italy	d364 C.R.-.AX	100%	ADX
Romania - Parta	EX-10 PARTA	50%	ADX

Note 1: ADX has commenced a process with the Italian Designated Authority to convert the exclusively awarded application to a ratified licence. This process was commenced after the award by the Ministry of Industry. ADX believes ratification will occur during 2017.