



ADX ENERGY LTD
ACN 009 058 646

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one (1) Share for every five (5) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.013 per Share to raise up to \$2,415,445 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

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

Company Secretaries

Mr Peter Ironside
Ms Amanda Sparks

Share Registry*

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
PERTH WA 6000

Telephone: 1300 850 505
Facsimile: +61 3 9473 2500

Auditor

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WEST PERTH WA 6005

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Solicitors

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Lawyers and Consultants
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16 Milligan Street
PERTH WA 6000

Lead Manager

QA Capital Pty Limited
Level 15
9 Castlereagh Street
SYDNEY NSW 2000

Telephone: + 61 2 9231 3689

Email: tbonello@qacapital.com.au
Website: www.qacapital.com.au

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	1-May-17
Lodgement of Prospectus & Appendix 3B with ASX	1-May-17
Notice sent to Optionholders	1-May-17
Notice sent to Shareholders	3-May-17
Ex date	9-May-17
Record Date for determining Entitlements	10-May-17
Prospectus despatched to Shareholders & Company announces despatch has been completed	12-May-17
Last day to give notice to extend the Closing Date	18-May-17
Closing Date*	23-May-17
Shares quoted on a deferred settlement basis	24-May-17
ASX notified of under subscriptions	26-May-17
Despatch of holding statements	30-May-17
Quotation of Shares issued under the Offer*	31-May-17

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 1 May 2017 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted via the Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

3.2 Capital Management

As part of its ongoing capital management program, the Company is considering a potential sale of all unmarketable parcels of Shares, that is, parcels of Shares worth less than \$500 in accordance with the procedure set out in the Company's constitution and in accordance with the ASX Listing Rules. Should the Company decide to proceed with the sale of unmarketable parcels, further details will be announced by the Company in accordance with the ASX Listing Rules.

The Company notes that this Offer and the accompanying Shortfall Offer provide Shareholders with an opportunity to increase their holdings to amounts greater than those deemed unmarketable without paying any brokerage. Additionally, specific priority will be given to holders of unmarketable parcels in the Shortfall Offer. For further details on the Shortfall Offer please refer to Section 4.9.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) Share for every five (5) Shares held by Shareholders registered at the Record Date at an issue price of \$0.013 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, (and assuming no existing Options are exercised prior to the Record Date) a maximum of 185,803,488 Shares will be issued pursuant to this Offer to raise up to \$2,415,445.

As at the date of this Prospectus the Company has 57,312,121 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.2 Minimum subscription

There is no minimum subscription.

4.3 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form, unless you intend to apply for additional Shares under the Shortfall Offer (refer to Sections 4.3(b) and 4.9 for further information), in which case the additional Shares applied for will be deemed to be an application for Shares under the Shortfall Offer.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Entitlement and Acceptance Form (form not required if payment made by BPAY®); and
 - (ii) make your payment by BPAY® or attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; and
- (b) if you wish to apply for **additional** shares after accepting your full Entitlement in accordance with 4.3(a), then:

- (i) fill in the number of additional Shares you wish to apply for in the space provided on the Entitlement and Acceptance Form (form not required if payment made by BPAY®); and
 - (ii) make your payment by BPAY® or attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies; or
- (c) if you only wish to accept **part** of your Entitlement:
- (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form (form not required if payment made by BPAY®); and
 - (ii) make your payment by BPAY® or attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

4.4 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "ADX Energy Ltd" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 3:00 pm (WST) on the Closing Date.

4.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 3:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.6 Lead Manager

The Lead Manager to the Offer is QA Capital Pty Limited (**QA Capital**). The terms and conditions of QA Capital's engagement as Lead Manager are set out in Section 8.4.

4.7 Underwriting

The Offer is not underwritten.

4.8 Dilution as a result of the Offer

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 16.67% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders (assuming no Options have been exercised and the Offer is fully subscribed) is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer if not taken up
Shareholder 1	100,000,000	10.76%	20,000,000	100,000,000	8.97%
Shareholder 2	50,000,000	5.38%	10,000,000	50,000,000	4.49%
Shareholder 3	20,000,000	2.15%	4,000,000	20,000,000	1.79%
Shareholder 4	10,000,000	1.08%	2,000,000	10,000,000	0.90%
Shareholder 5	5,000,000	0.54%	1,000,000	5,000,000	0.45%

Notes:

1. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall is not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage. Percentages post-Offer have been calculated on the basis of there being 1,114,820,924 Shares on issue on completion of the Offer. Refer to Section 5.4 for further details of the Company's capital structure.

4.9 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.013 being the price at which Shares have been offered under the Offer.

Eligible Shareholders who wish to subscribe for Shares above their Entitlement are invited to apply for additional Shares under the Shortfall Offer by completing the appropriate section on their Entitlement and Acceptance Form or by making payment for such Shares using BPAY® (refer to Section 4.3(b) above).

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions. The Directors, in conjunction with the Lead Manager, reserve the right to issue Shortfall Shares at their absolute discretion, subject to the ASX Listing Rules and any restrictions under applicable law within 3 months after the close of the Offer.

As such there is no guarantee that any Shortfall Shares applied for will be issued to Eligible Shareholders.

However, the Directors confirm that Shortfall Shares will be issued in priority to existing Shareholders who hold an unmarketable parcel of Shares at the Record Date and who apply for Shares in excess of their Entitlement to the extent required for those Shareholders to hold a marketable parcel (**Priority Shortfall Offer**).

The ASX Listing Rules define an unmarketable parcel to include a parcel of shares with a market value of less than \$500. As at 31 December 2016, being the date of the latest Annual Report, there are 1,705 shareholders holding an unmarketable parcel of Shares.

Where the number of Shares subscribed for under the Priority Shortfall Offer exceeds the number of Shortfall Shares available, those Shareholders will be scaled back on a pro rata basis.

For the purpose of the Priority Shortfall Offer, a marketable parcel is deemed to be 38,462 Shares (\$500 at \$0.013, rounded up).

Given that the Company is considering an unmarketable parcel sale as set out in Section 3.2, the Board is of the view that this is a fair method to allocate the Shortfall.

No Shortfall Shares will be issued to result in any person acquiring a voting power in the Company in excess of 20%. If the number of Shortfall Shares issued is less than the number applied for, surplus application monies will be refunded in full as soon as practicable after the closing date of the Shortfall Offer. Interest will not be paid on application monies refunded.

4.10 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

4.11 Issue

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer may be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act.

The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

4.12 Overseas shareholders

This Prospectus is only intended to be distributed and made available to existing Shareholders of the Company and is personal to each Shareholder to whom it has been delivered. This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia, New Zealand or British Virgin Islands.

New Zealand

The Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

British Virgin Islands

The Shares may not be offered in the British Virgin Islands unless the Company or any person offering the Shares on its behalf is licensed to carry on business in the British Virgin Islands. The Company is not licensed to carry on business in the British Virgin Islands. The Shares may be offered to British Virgin Island business companies from outside the British Virgin Islands without restriction.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia, New Zealand or the British Virgin Islands without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.13 Enquiries

Any questions concerning the Offer should be directed to Amanda Sparks, Company Secretary, on +61 8 9381 4266.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$2,415,445. The funds raised from the Offer are planned to be used over the next 12 to 18 months in accordance with the table set out below:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Exploration and Appraisal expenditure • Rig Negotiations, Logistics and Drilling Planning (Dougga Area Well) • Appraisal Well Drilling and Completion Design (Nilde) • Appraisal Well Planning and Regulatory Approvals (Nilde) • Geophysical and Geological Studies (Dougga and Parta) • Production Simulation and Resources Assessments • Project Feasibility Studies (Dougga) • Development Planning (Nilde) Total	350,000 200,000 150,000 150,000 250,000 300,000 <u>400,000</u> 1,800,000	 74.52%
2.	Expenses of the Offer	90,000	3.73%
3.	Working capital & Administrative/Corporate	525,445	21.75%
	Total	2,415,445	100%

Notes:

1. Refer to Section 8.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

On completion of the Offer the Board believes the Company will have sufficient working capital to achieve the above objectives. However, to the extent the Offer is not fully subscribed, the Company will make appropriate scale backs to the above allocation of funds and will apply the funds that are raised firstly, towards the expenses of the Offer, and then towards each other item, on a pro rata basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$2,415,445 (before deducting the estimated \$90,000 of expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 929,017,436 as at the date of this Prospectus to 1,114,820,924 Shares following the completion of the Offer.

5.3 Pro-forma consolidated balance sheet

The audited balance sheet as at 31 December 2016 and the unaudited pro-forma balance sheet as at 31 December 2016 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	AUDITED (Consolidated) 31 December 2016	PROFORMA (Consolidated) 31 December 2016
CURRENT ASSETS		
Cash	734,152	3,059,597
Receivables	152,683	152,683
Investments	266,874	266,874
TOTAL CURRENT ASSETS	1,153,709	3,479,154
NON-CURRENT ASSETS		
Property, plant and equipment	281	281
TOTAL NON-CURRENT ASSETS	281	281
TOTAL ASSETS	1,153,990	3,479,435
CURRENT LIABILITIES		
Trade and other payables	422,249	422,249
TOTAL CURRENT LIABILITIES	422,249	422,249
TOTAL LIABILITIES	422,249	422,249
NET ASSETS	731,741	3,057,186

	AUDITED (Consolidated) 31 December 2016	PROFORMA (Consolidated) 31 December 2016
EQUITY		
Issued capital	65,859,376	68,184,821
Reserves	5,959,450	5,959,450
Accumulated losses	(71,087,085)	(71,087,085)
TOTAL EQUITY	731,741	3,057,186

Note: In the period between 31 December 2016 to 31 March 2017, ADX cash expenditure amounted to \$238,809 for normal operations (refer to ASX Announcement on 28 April 2017 'Quarterly Cashflow Report – March 2017'). Cash as at 31 March 2017 was \$495,343. This expenditure has not been reflected in the pro-forma above. The effect would be a reduction in cash and a corresponding increase in accumulated losses.

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue ¹	929,017,436
Shares offered pursuant to the Offer	185,803,488
Total Shares on issue after completion of the Offer³	1,114,820,924

Options

	Number
Options currently on issue ² Unquoted exercisable at \$0.02 on or before 30 November 2017	57,312,121
Options to be issued to Lead Manager upon the successful completion of the placement of all Shortfall Shares Unquoted exercisable at \$0.03 on or before 31 December 2018 ⁴	5,000,000
Total Options on issue after completion of the Offer	62,312,121

Notes:

- Subject to shareholder approval at the Company's Annual General Meeting to be held on 31 May 2017 (**Annual General Meeting**), an aggregate amount of \$324,500 worth of Shares will be issued to the Directors over the next 12 months in satisfaction of Directors' fees subsequent to the issue of this Prospectus comprising: \$180,000 worth of Shares to Mr Ian Tchacos, \$92,500 worth of Shares to Mr Paul Fink, \$20,000 worth of Shares to Mr Andrew Childs and \$32,000 worth of Shares to Mr Robert Brown (or their nominees). The number of Shares to be issued will be calculated based on a deemed issue price of no less than the volume weighted average sales 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.

2. Subject to shareholder approval at the Company's Annual General Meeting, a total of 33,000,000 Options will be issued to the Directors subsequent to the issue of this Prospectus comprising: 15,000,000 Options to Mr Ian Tchacos, 10,000,000 Options to Mr Paul Fink, 4,000,000 Options to Mr Andrew Childs and 4,000,000 Options to Mr Robert Brown (or their nominees).
3. The Company is also considering a potential sale of all unmarketable parcels of Shares, that is, parcels of Shares worth less than \$500 in accordance with the procedure set out in the Company's constitution and in accordance with the ASX Listing Rules and the Corporations Act. Further details of any proposed sale will be announced by the Company within the coming weeks.
4. Full terms set out in Section 6.2 of this Prospectus.

Assuming that all Shortfall Shares are placed successfully, the capital structure on a fully diluted basis as at the date of this Prospectus would be 986,329,557 Shares and on completion of the Offer (assuming all Entitlements are accepted) would be 1,177,133,045 Shares.

5.5 Details of substantial holders

Based on information provided by the Company's Share Registry as at 1 May 2017, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Jetosea Pty Ltd	69,549,301	7.49%

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

6.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or 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 person present who is a Shareholder or a proxy, attorney or representative of a Shareholder 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 each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and

may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Shares contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

6.2 Lead Manager Options

The terms and conditions of the Options to be issued to the Lead Manager upon the successful completion of the placement of all Shortfall Shares (for further details refer to Section 8.4) are as follows:

(a) **Exercise Price**

The Options are exercisable at a price of \$0.03 each at any time from the date of grant up to 12.00am on 31 December 2018.

(b) **Entitlement**

Each Option entitles the holder to subscribe for one fully paid ordinary share in the Company.

(c) **Lapsing of Options**

Notwithstanding paragraphs (a) and (b), if:

- (i) a takeover bid within the meaning of the Act is made for the Shares and the bidder becomes entitled to compulsorily acquire all of the Shares, any Options not exercised by the end of the bid period shall lapse; or
- (ii) a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to ADX the effect of which may be that a person will have a relevant interest in at least 90% of the Shares, any Options not exercised during the period which is 7 days of the court order shall lapse.

(d) **Exercise part of Options**

The holder may exercise any part of the Options without prejudice to the holder's ability to subsequently exercise any remaining Options.

(e) **Shares issued on exercise**

All Shares issued upon exercise of the Options will rank equally in all respects with the then issued Shares, and ADX will, within 7 days, apply for official quotation by the ASX of all Shares issued upon the exercise of the Options.

(f) **Participation in new issues**

There are no participating rights or entitlements conferred on the Options and the holder will not be entitled to participate with respect to the Options in new issues offered to shareholders of ADX during their currency without exercising the Options. However, ADX will ensure that for the purposes of determining entitlements to any such issue, the relevant record date will be at least seven Business Days after the relevant issue is announced and the holder is notified at that time. This will give the holder the opportunity to exercise the Options prior to the date for determining entitlements and to participate in any such issue as a shareholder.

(g) **Reorganisation of capital**

In the event of any reorganisation of capital of ADX prior to the expiry date for exercise of the Options, the number of Options to which the holder is entitled or the exercise price of the Options or both shall be changed to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of reorganisation.

(h) **Option Holder Statement**

The number of Options held will appear on an option holder statement which will be accompanied by a Notice of Exercise of Options that is to be completed when exercising Options.

(i) **Notice of Exercise**

The Options are exercised by completing the Notice of Exercise of Options form and forwarding it to ADX with the exercise price payable to ADX. ADX shall within seven days after the receipt of such Notice, issue Shares in respect of the Options exercised and dispatch a shareholder statement to the holder.

(j) **Transferability**

The Options are freely transferable.

7. RISK FACTORS

7.1 Introduction

- (a) The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.
- (b) There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.
- (c) The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) **Permit renewals and applications**

ITALY

The Company holds two offshore exploration licenses offshore Italy, the Pantelleria permit G.R15.PU & d 363 C.R-.AX permit, respectively.

d 363 C.R-.AX permit, Offshore Italy

The Company holds a 100% interest in the d 363 C.R-.AX prospecting license which contains the potential Nilde Oil Re Development Project. The Company has made 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. The submissions relate to the Company's operating, technical and financial capability. If the prospecting license is ratified to an exploration license the Company will assume the commitment to purchase and reprocess 300 Km of 2D seismic and drill one exploration well within 5 years. Subject to the ratification of the license the Company intends to complete the purchase of 2D seismic and undertake seismic reprocessing. The Company also intends to make immediate applications to UNMIG to drill an appraisal well on the Nilde field in lieu of its exploration commitment and prepare an application for a development and production license. The Company requires ratification of the prospecting license to enable it to commence drilling activities and then subsequently the potential exploitation of the Nilde Oil Redevelopment project.

The Company intends to introduce financial or industry partners to the Nilde project to fund future appraisal drilling before the project is sufficiently well defined for development. Inability to secure such funding will delay or prevent the further definition of the Nilde project.

Pantelleria Permit G.R15.PU Offshore Italy

The Company holds a 100% interest in the Pantelleria exploration license offshore Italy which contains significant parts of the Lambouka-1 discovery well drilled by the Company in its adjoining Kerkouane license in Tunisia.

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

The Company has no current plans to undertake exploration activities within the Pantelleria licenses and the license is currently under suspension with no technical work commitment.

TUNISIA

The Company holds a 100% interest in and operates one offshore exploration license offshore Tunisia, the Kerkouane exploration permit. The Direction Générale de l'Energie, Directorate-General for Energy (DGE) which is a sub-department of the Ministry of Energy, Mines and Renewable Energy is responsible to develop, coordinate and implement the national energy policy as well as generate energy action plans and energy management programs.

Exploration and production activities are governed under the Tunisian Hydrocarbon Law. The key elements of the law include the framework for production sharing contracts. The Minister in charge of Hydrocarbons grants licences to the oil and gas companies. Two types of contracts

are awarded in Tunisia; Production Sharing Contracts (PSC) and Joint Venture Contracts. The exploration for hydrocarbons may be undertaken by virtue of a prospecting authorisation, a prospecting permit and/or an exploration permit. The Company's Kerkouane permit is governed by a PSC.

The state owned oil company L'Entreprise Tunisienne d'Activités Pétrolières (ETAP) is responsible for the management of oil and gas exploration and production activities on behalf of the State. ETAP participates in exploitation concessions at a rate which it decides on its own, within the limits of the maximum rate agreed upon in the Special Convention. ETAP is the de facto license holder, whereas ADX through its wholly owned Tunisian subsidiary Alpine Oil & Gas is the contractor under the PSC terms and definitions.

In addition to regulatory risk companies operating in Tunisia are exposed to political risk as demonstrated during the Arab Spring. More recently a number of terrorist attacks have demonstrated the ongoing security risk in Tunisia.

Kerkouane Permit, Offshore Tunisia

The Company via its wholly owned subsidiary Alpine Oil & Gas (AOG) holds a 100% interest and is the Contractor of Kerkouane Exploration permit offshore Tunisia. The Kerkouane permit contains the Dougga gas condensate discovery. The Kerkouane Exploration Permit is currently in an extended validity period for the 1st renewal awarded by the Decree of the Minister of Energy, Mines and Renewable Energy dated 18 November 2016. The extension period expires on the 7th of August 2017 and the possibility for a second renewal period exists in accordance with PSC terms.

Since extension of the permit the Company has focussed geological and development concept studies with a view to the appraisal of the Dougga gas condensate discovery. Undertaking the appraisal of Dougga requires the variation of the current production sharing contract (PSC) work program which includes the commitment to undertake 500 km² of 3D seismic and the drilling of one exploration well. The Company is in discussions with its partner ETAP and the DGE in relation to the variation of the work program to a the drilling of a well up dip from the Dougga 1 discovery (Dougga South) and the productivity testing of the Dougga South well but not acquire 3D seismic since Dougga is already covered with high resolution 3D seismic acquired by the Company. While the variation was agreed at Joint Operating Committee Meeting between ETAP and AOG on the 9th of March 2017 it is yet to be formally confirmed by the Ministry. The variation to the work program will be submitted to the DGE who will in turn present it to the Ministry's Hydrocarbon Consultative Committee.

Discussions between AOG, ETAP and the DGE are ongoing in relation to the potential renewal of the Kerkouane PSC for a further three years which would provide the time required to appraise the Dougga discovery. Based on discussions with ETAP and the DGE such a renewal will be subject to the drilling and testing of the Dougga South Well.

The Company holds 100% of the permit, given its limited financial resources the Company intends to introduce a farminee to provide the funding for part or all of the drilling and testing Dougga South Well.

The Company's ability to retain title is subject to the confirmation of the variation of the renewal period work program, the renewal of the permit and the drilling and testing of the Dougga South well.

The drilling of Dougga South relies on the Company's ability to fund the well via a farmout. Inability to secure a license renewal or funding for an appraisal well may result in the Company's inability to maintain title over the Kerkouane permit and Dougga.

Conditional commitments relating a transaction with a previous partner

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.

Lambouka Abandonment

The Lambouka 1 well was abandoned in a manner that ensured isolation of subsurface hydrocarbon bearing reservoirs to avoid the potential for leakage. The well was abandoned from a well safety, and integrity perspective fulfilling all Tunisian, UKOAAA and also Norwegian abandonment requirements. The surface casing on the well was not cut down to the mud line to enable the potential future re-entry to the well. The Company believes that existence of casing above the mud line does not represent a maritime threat or a threat to fishing given the depth of approximately 700m. ETAP has requested the visual inspection of the well to confirm there is no gas leakage. This work can be accomplished utilising a ROV (remote operated vehicle) deployed from a supply vessel. The Company believes this work can be accomplished at a cost of between US\$ 50,000 to US\$ 100,000. The timing of this liability is uncertain however Company has stated to ETAP that it intends to undertake this work in conjunction with a future drilling program on Dougga. ROV surveys immediately post abandonment of the well have shown that rapid sedimentation of the seafloor has already covered the remaining surface casing.

ROMANIA

The Company holds an interest in and operates one exploration license onshore Romania, the EX 10 Parta license. The National Agency for Mineral Resources ("NAMR") is the regulatory authority in Romania managing petroleum resources on behalf of the state. Permitting and environmental regulations have historically been subject to change and, therefore, one cannot predict with certainty the future costs or other future impacts of licensing and environmental regulations on future operations.

Parta Permit, Onshore Romania

The Company holds a 50% interest and operates the EX 10 Parta license ("Parta permit") exploration license onshore Romania. The remaining 50% equity is held by RAG (Rohöl Aufsuchungs AG), an Austrian based E&P company with a large gas storage business and oil and gas production and exploration activities in Austria, Hungary, Germany and Romania. In December 2012, the Romanian Government ratified the

concession agreement for the Parta permit. The committed work program for the Parta Permit requires the acquisition of 160 km of 2D and 150 sqkm of 3D seismic as well as the drilling of two exploration wells. The Company has already acquired approximately 100 km of 2D Seismic and approximately 50 sqkm of 3D seismic. In order to complete the exploration program a 30 month extension of the exploration was signed with NAMR on 4 June 2015. The government ratified the extension application on 22 December 2016. As a result of the ratification the current license validity has been extended to 21 June 2019.

The Company has considerable time to complete its exploration commitments however extensive delays may not be acceptable to its joint venture partner RAG. The Company does not currently have the financial resources to fully fund its share of the Parta work program. In order to undertake the seismic and drilling program the Company will either need to secure funds via future equity capital raisings or by introducing financial or industry partners to the Parta license to fund future exploration expenditures. Inability to secure such funding will delay or prevent exploration of the Parta permit.

7.3 Industry specific

As in any business, activities in the Company and its controlled entities are subject to numerous risk factors which may impact on the Company's future performance and as such, an investment in the Company is not risk-free. Some of these risks can be mitigated with the use of appropriate strategies, actions, systems and safeguards, however, many are largely outside of the Company's control.

While not exhaustive, the following is a summary of the matters that the Directors believe represent the more material risk factors to be considered whilst evaluating the Company's business and the risks of increasing your investment in the Company. Additional risks and uncertainties may also become important factors that adversely affect the Company's operating and financial performance or position.

Before making an investment decision, potential investors should carefully consider their own personal circumstances, consider consulting their professional advisers and examine this Prospectus in its entirety (including the risk factors described below).

The Company operates in the oil and gas sector which, by its nature, is subject to risks which may not generally be associated with other sectors.

(a) Exploration and Development Risk

Oil and gas exploration and development involves significant risk and there is no assurance that exploration within the Company's current portfolio, or any other projects that may be acquired in the future, will result in a hydrocarbon discovery. Even if an apparently viable hydrocarbon deposit is discovered or identified there can be no guarantee that the discovery will be sufficiently productive to justify commercial development or assure a profit on the investment.

The ultimate success and continuous profitability of exploration and development activities of the Company is influenced by many factors, such as access to capital, costs, regulatory conditions, community

sentiments towards oil & gas activities, actual hydrocarbons and formations encountered by wells, flow consistency and reliability as well as access to appropriately skilled personnel and other risks such as those outlined in this section.

(b) **Hydrocarbon Product Price and Volatility**

The demand for, and price of, oil and natural gas is dependent on a variety of external factors, including local and global supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

Oil and gas prices lie wholly outside of the Company's control, have fluctuated wildly in recent years and may continue to fluctuate. If the price of hydrocarbons should drop significantly and remain depressed it may have a material adverse effect on the Company's business, financial condition and operational results.

The marketability of hydrocarbons can also be affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted.

(c) **Hydrocarbon Reserve and Resource Estimates**

Hydrocarbon reserve and resource estimates are subjective expressions of judgment based on geological, technical, contractual and economic information and supported by knowledge, experience and industry practice. While industry recommendations such as the international PRMS (Petroleum Resource Management System) are applied it is not an exact calculation and estimates that were valid interpretations of available data when made may prove inaccurate and/or change significantly when new information becomes available. Should the Company encounter oil and/or gas deposits or formations different from those predicted by the interpretation of past drilling, sampling and similar examinations, then estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations. Where appropriate, the Company will seek to have any such estimates verified or produced by an independent party with sufficient expertise in their chosen field.

(d) **Drilling Risks**

The Company's drilling operations may be curtailed, delayed or cancelled due to several factors including weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and specialist service providers as well as compliance with governmental requirements. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressure, temperatures and/or other factors are inherent in drilling and operating wells and may be encountered by the Company.

(e) **Operating Risks**

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, weather conditions, industrial disputes, unexpected equipment shortages or cost increases, mechanical failure or breakdown, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gases. The occurrence of any of these risks could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations or claims against the Company resulting from damages especially where such risks are not covered or not fully covered by its insurances.

(f) **Venture Parties and Contractors**

Oil and Gas ventures are typically operated under Joint Operating Agreements (JOAs), which include provisions that require certain decisions to be voted upon by each participant. A decision will be approved under the JOA when the operator has received sufficient positive votes; the approval threshold for which varies with each JOA and for different activity types within a particular JOA.

The Company is unable to fully control the decisions and activities of its joint venture partners and as a result there exists a risk that the Company may have the value of its interest in such properties reduced by votes or actions undertaken by other venture participants. The Company cannot guarantee that joint ventures will be operated or managed in accordance with the Company's preferred direction or strategy or guarantee that joint ventures will be operated in accordance with work program commitments in respect of the relevant projects. This may result in projects being delayed, losing value, being forfeited or fines imposed on the joint venture parties.

Further, the Directors are unable to predict the risk of financial failure, non-compliance with obligations or default by a participant in any venture to which the Company is, or may become, a party.

(g) **Environmental and Other Regulatory Requirements and Approvals**

Before exploration and production activity can commence on any property, the Company must obtain environmental and other regulatory approvals and there is no assurance that such approvals will be obtained or granted in a timely manner. Delays in the regulatory process and granting of environmental and other necessary approvals could hinder the Company's ability to pursue operational activities which in some cases could materially impact the outcome.

The Company's operations will be subject to environmental laws, including but not limited to, those governing the management of waste, the protection of water and air quality, the discharge of materials into the environment, and the preservation of natural resources which may impact and influence the Company's operations. If the Company fails to comply with environmental laws regarding the discharge of oil, gas, or other materials into the air, soil or water it may be subject to liabilities to the government and third parties, including civil and criminal

penalties. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. The Company may from time to time in the future agree to indemnify sellers or lessors of producing properties against some liabilities for environmental claims associated with these properties.

(h) **Land Tenure**

Exploration and Petroleum Licences held by the Company are subject to the approval of the relevant government bodies. Government regulatory authorities generally require the licence holder(s) to undertake certain obligations, including work program commitments, and failure to meet those obligations could result in forfeiture. Exploration licences may also be subject to partial or full relinquishment after certain tenure periods outlined in the licence agreements if no alternative licence arrangements (e.g. production licence after declaration of commerciality) are applied for and approved. In an event of forfeiture or relinquishment, the Company's overall land position would be reduced.

(i) **Reliance on Key Personnel**

The Company's success depends to a significant extent upon its key management personnel, as well as other technical and management personnel including contractors, sub-contractors and consultants. The loss of the services of any of these personnel or the insolvency or other managerial failure by any of the contractors, sub-contractors or other service providers used by the Company could have an adverse effect.

(j) **Competition**

The industry in which the Company is involved is subject to global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

7.4 General risks

(a) **Funding of Commitments**

The funds raised pursuant to the Offer will provide the funding to meet various planned expenditures associated with the Company's oil and gas portfolio, general working capital and new venture projects. If the Company does not raise sufficient funds pursuant to the Offer the Company may not be in a position to adequately fund these planned activities.

(b) **Potential for dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase by 185,803,488 Shares to

1,114,820,924 Shares. This means that each Share will represent a lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

(c) **Additional Requirements for Funding**

The funds raised under the Offer are considered to be sufficient to meet the immediate needs of the Company, but will be insufficient to execute Company's longer-term plans and strategies. In particular, the Company has several highly attractive development and exploration projects within its portfolio and additional funding will be required to fund these projects. Additionally, expenditures may arise that have not been taken into account in the preparation of this Prospectus and although the Company is not currently aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

Additional funding may be sourced from one or a combination of equity, debt, industry farm-in, or other financing methods as determined on a case by case basis when those funds are needed. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its strategy, plans or operations.

(d) **Foreign Exchange Risk**

The Company is headquartered in Australia, its licences are located in Italy, Tunisia and Romania and drilling costs and other major components and services in the oil and gas industry are often denominated in United States dollars regardless of their location. As a result, revenues, cash flows, expenses, capital expenditure and commitments may be denominated in Australian dollars, United States dollars, the Euro, the Tunisian dinar or the Romanian Lei.

The Company's share price and its consolidated accounts are currently denominated in Australian dollars which results in the Company being exposed to the fluctuations and volatility of these currencies' exchange rates upon translation or repatriation to Australian dollars.

(e) **Sovereign Risk**

The Company is listed on the Australian Stock Exchange with key projects located in Italy, Tunisia and Romania. Possible sovereign risks include, without limitation, changes in relevant legislation or government policy, changes to royalty arrangements, changes to taxation rates and concessions and changes in the ability to enforce legal rights. Further, no assurance can be given regarding the future stability in any country in which the Company has, or may have, an interest. Any of these factors may, in the future, adversely affect the financial performance of the Company.

(f) **Insurance**

The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company. The

Company will, where possible and economically practicable, endeavour to mitigate some project and business risks by procuring relevant insurance cover considered to be appropriate for the Company's needs. However, such insurance cover may not always be available, economically justifiable, fully cover a particular claim or the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. Additionally, while the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers, there will remain the risk that an insurer defaults in payment of a legitimate claim by the Company under an insurance policy.

(g) **General Economic and Equity Market Conditions**

Economic and equity market conditions in Australia and globally are beyond the control of the Company and its Directors and may adversely affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand, industrial disruption, investor sentiment and the global security situation may have an impact on share price and/or financial performance.

7.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus". In general terms a "transaction specific prospectus" is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in

relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
26/04/2017	Notice of Annual General Meeting and Proxy Form
28/04/2017	Quarterly Activities Report – March 2017
28/04/2017	Quarterly Cashflow Report – March 2017
01/05/2017	Rights Issue to Raise \$2.4 Million

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website at www.adx-energy.com.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective most recent date of those sales were:

Highest	\$0.017	12 April 2017
Lowest	\$0.012	28 March 2017
Last	\$0.015	28 April 2017

8.4 Material contracts – Lead Manager mandate

On 26 April 2017, the Company entered into a mandate with QA Capital Pty Limited, pursuant to which QA Capital has been engaged to act as lead manager to the Offer being undertaken by the Company.

In consideration for QA Capital acting as lead manager, the Company has agreed to pay QA Capital, in respect of the Offer:

- (a) **(Capital Raising Fee):** a capital raising fee of \$20,000 plus 5% of the total amount of funds raised from the placement of any Shortfall Shares under the Offer by QA Capital; and
- (b) **(Options):** the grant of 5,000,000 unlisted Options on the terms and conditions set out in Section 0 upon the successful completion of the placement of all Shortfall Shares.

No fee is payable to QA Capital in respect of Shareholders who are also clients of QA Capital who subscribe for shares prior to the Closing Date.

Either the Company or QA Capital may terminate the mandate at any time, with or without cause, by giving written notice to the other party.

8.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement Shares	\$
Ian Tchacos	26,907,122 ²	-	5,381,425 Shares	\$69,959
Paul Fink	23,423,451	-	4,684,691 Shares	\$60,900
Andrew Childs	18,241,512 ¹	-	3,648,303 Shares	\$47,428
Robert Brown	591,399	-	118,280 Shares	\$1,538

Notes:

1. Comprising 14,641,512 Shares held directly by Mr Childs and 3,600,000 Shares held indirectly through the A&M Superfund A/C – Brazell Pty Ltd.
2. Comprising 5,532,731 Shares held directly by Mr Tchacos, 14,527,516 Shares held indirectly through Warroorah Pty Ltd <Tchacos Fund A/C> and 6,846,875 Shares held indirectly through Eonia Pty Ltd.
3. As set out in Section 5.4 above, subject to shareholder approval at the Company's Annual General Meeting, an aggregate amount of \$324,500 worth of Shares will be issued to the Directors subsequent to the issue of this Prospectus over the next 12 months comprising: \$180,000 worth of Shares to Mr Ian Tchacos, \$92,500 worth of Shares to Mr Paul Fink, \$20,000 worth of Shares to Mr Andrew Childs and \$32,000 worth of Shares to Mr Robert Brown (or their nominees).
4. Subject to shareholder approval at the Company's Annual General Meeting, a total of 33,000,000 Options will be issued to the Directors subsequent to the issue of this Prospectus comprising: 15,000,000 Options to Mr Ian Tchacos, 10,000,000 Options to Mr Paul Fink,

4,000,000 Options to Mr Andrew Childs and 4,000,000 Options to Mr Robert Brown (or their nominees).

The Board recommends all Shareholders take up their Entitlements.

Each of the Directors have advised that they intend to take up a minimum portion of their respective Entitlements as set out in the table below:

Director	Entitlement Shares	% of Entitlement	\$
Ian Tchacos	5,381,425	100%	\$69,959
Paul Fink	4,684,691	100%	\$60,900
Andrew Childs	2,188,981	60%	\$28,457
Robert Brown	118,280	100%	\$1,538

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$150,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration* paid to both executive and non-executive directors.

Director	Proposed Year Ending 31 December 2017	Actual Year Ended 31 December 2016	Actual Year Ended 31 December 2015
Ian Tchacos	\$273,687	\$320,036	\$63,029
Paul Fink	\$295,900	\$270,200	\$190,152
Andrew Childs	\$40,000	\$46,667	\$33,773
Robert Brown ¹	\$58,000	\$8,694	-

* Annual Remuneration includes salary, superannuation and share based payments but excludes annual leave provisions. Remuneration includes shares issued in lieu of cash salary and fees.

1. Robert Brown was appointed as director on 17 October 2016.

8.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$10,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid cash fees totalling \$3,369 (excluding GST and disbursements) for legal services provided to the Company.

QA Capital has acted as the Lead Manager to the Company in relation to the Offer. The fees payable to the Company for these services are set out above at Section 8.4 of this Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, QA Capital has been paid cash fees totalling \$93,174 (excluding GST and disbursements) for advisory and brokerage services provided to the Company.

Rothsay Auditors are the auditors of the Company. During the past 24 months they have been paid cash fees totalling \$49,000 (excluding GST and disbursements) for their services as auditors to the Company.

8.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus,

Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section;

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC; and

QA Capital has given its written consent to being named as the Lead Manager to the Company in this Prospectus. QA Capital has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Rothsay Auditors has given its written consent to being named as the auditor of the Company in this Prospectus and the inclusion of the 31 December 2016 audited balance sheet of the Company as extracted from the Company's 31 December 2016 Annual Financial Report in Section 5.3.

8.8 Expenses of the offer

The total expenses of the Offer are estimated to be approximately \$90,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,350
ASX fees	9,257
Lead Manager Fee *	50,000
Legal fees	10,000
Printing and distribution	15,500
Miscellaneous	2,893
Total	<u>90,000</u>

* Estimate assuming 50% Shortfall and QA Capital place 50% of that Shortfall Offer.

8.9 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9381 4266 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.adx-energy.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic

Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.12 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Mr Andrew Childs

**Director
For and on behalf of
ADX Energy Ltd**

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means ADX Energy Ltd (ACN 009 058 646).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Lead Manager or **QA Capital** means QA Capital Pty Limited.

Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.9 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

WST means Western Standard Time as observed in Perth, Western Australia.