



# **ADX Energy Ltd**

ABN 50 009 058 646

**ANNUAL REPORT**

**31 DECEMBER 2021**

# ADX ENERGY LTD

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**ADX ENERGY LTD**  
**CORPORATE DIRECTORY**

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**Directors**

Ian Tchacos (Executive Chairman)  
Paul Fink (Technical Director / CEO)  
Andrew Childs (Non-Executive Director)  
Edouard Etienvre (Non-Executive Director)

**Company Secretaries**

Peter Ironside  
Amanda Sparks

**Registered and Principal Office**

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**Solicitors**

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**Bankers**

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**Stock Exchange Listing**

Australian Securities Exchange Ltd  
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Perth Western Australia 6000  
ASX Code: ADX

**Auditors**

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

**ADX ENERGY LTD**  
**CHAIRMAN'S REPORT**

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Dear Shareholders,

The year ended 31 December 2021 has been a transformative year for ADX Energy Ltd (ADX or the Company). The Company has consolidated its oil and gas production and exploration position in Austria and initiated the development of synergistic renewable energy projects. Austria will remain the focus of activities for the Company where ADX has made tangible progress towards its strategic ambition of becoming a leading European energy producer as well as a provider of long-term energy solutions for a low carbon society. In Austria, ADX is producing safe, low greenhouse gas emission energy now to the highest environmental standards at its Gaiselberg and Zistersdorf fields in the Vienna Basin (Vienna Basin Fields). The Vienna Basin fields, together with the extensive exploration opportunities adjacent to accessible infrastructure in Upper Austria, are expected to provide the near term cash flow required to expand the Company's hydrocarbon and green energy production opportunities.

The safety of our people and our contractors, as well as the protection of the environment in which we work, is of paramount importance. I am proud to advise that no lost time incidents (LTI) were recorded during the reporting period for safety or environmental causes at ADX's Vienna basin oil and gas fields. COVID-19 pandemic precautions continued to be deployed effectively during 2021 ensuring the safety of our personnel and avoiding operational disruptions.

Operational activities in Romania have been curtailed following the default by Tamaska Oil and Gas Limited (Tamaska) in September 2020 in relation to a farmin obligation to fund a 3D seismic program in the Parta exploration license. During the year ADX continued to assess appraisal and exploration opportunities within its exploration and production licences in the Pannonian basin however it is unlikely that further drilling will be undertaken without the acquisition of additional 3D seismic.

ADX activities in Italy relating to the Nilde Oil Redevelopment Project remained on hold due to the suspension of exploration activities by the Italian Senate to enable government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities. The suspension has been further extended due to the COVID-19 pandemic. At this stage it is unclear when or whether the suspension of exploration activities will be lifted.

The Vienna Basin Fields provided increasing cash flow during the year having benefited from stable production rates and substantially improved oil pricing conditions due to the gradual emergence from the COVID-19 pandemic. Production during 2021 and 2020 averaged 285 barrels of oil equivalent per day. Sales revenue from oil and gas increased substantially from A\$ 5,384,283 in 2020 to A\$ 9,096,981 in 2021 representing a 69% increase. Gas contributed to 10% of revenues in 2021 with an increase of 190% in sales revenue compared to 2020. The average oil price for dated Brent crude in 2021 was US\$ 70.73 per barrel versus US\$ 43.10 per barrel in 2020. The price achieved for gas sales was EUR 65.81 per barrel of oil equivalent versus EUR 15.90 per barrel of oil equivalent in 2020. The increasing oil and gas pricing trends have continued in early 2022 which bodes well for production revenues to support company growth in the coming year.

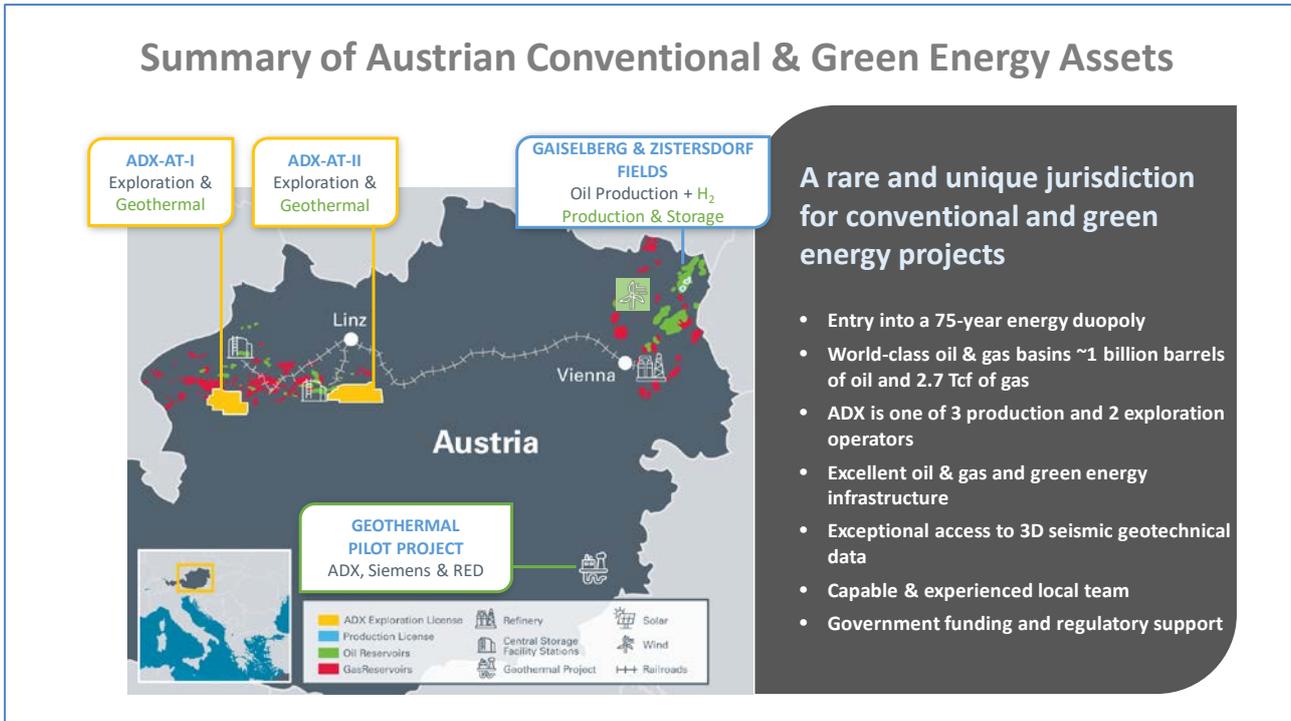
In January 2021 ADX signed concession agreements for exploration, production and gas storage in Upper Austria (Upper Austria AGS) with the Federal Ministry responsible for Mining (BMLRT) on behalf of the Republic of Austria. Finalisation of the Upper Austria AGS followed a comprehensive federal approval process which involved the Finance Ministry. The award of the Upper Austria exploration licenses (ADX-AT-I and ADX-AT-II shown below) demonstrates Austria's continued commitment to domestic energy sector investment. Austria's energy policy is premised on a preference for oil and gas produced in country where strict greenhouse gas emissions and environmental standards can be guaranteed. The Upper Austria AGS licenses have provided a highly prospective drill ready exploration and appraisal portfolio which proximal to infrastructure in a highly productive basin where historically an exploration success rate of 48% has been achieved.

The drilling of the first well in the ADX-AT-II license, Anshof-3, commenced in December 2021. After year end the well was suspended as an oil and gas discovery penetrating a large high relief structure which will provide extensive appraisal and development potential in the area as well as follow up exploration. The Eocene oil zone (which was the primary target) was encountered as predicted, validating the pre-drill structural model as well as confirming the presence of a valid trap and a large high relief structure. A shallow Miocene gas bearing zone was also intersected in the well. Testing of the Eocene oil zone is expected to commence in April 2022 after which the well is expected to be placed on a long-term test which will provide potentially valuable commercial production. Planning of a drilling program has commenced to appraise large Eocene oil zone potential on the flank of the structure where thickening of the reservoir is expected based on 3D seismic mapping and offset wells.

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ADX' ability to secure a prospective license, exploration license and drill its first exploration well within a year is an extraordinary achievement. It is a credit to our team on the ground in Austria as well as the Austrian licensing authorities. ADX can now look forward to the ongoing appraisal and development of the Anshof discovery with a view to the development of the Company's second production operation in Austria in the near future.



**A map summarising ADX' conventional and renewable energy projects including Vienna Basin Fields, ADX-AT-I and ADX-AT-II exploration licenses as well as renewable energy projects in the feasibility phase**

Austria provides a unique opportunity for ADX to expand its oil and gas activities as well as redeploy its assets and people for renewable energy projects. The ability to transition to a low carbon economy is made possible in Austria due to the excellent availability of extensive oil and gas and renewable energy infrastructure in close proximity to our oil and gas reservoirs which could be used for low carbon technologies such as hydrogen storage, geothermal power generation and carbon storage.

Austria's excellent physical attributes are complimented by government policy that recognises the need for hydrocarbons in the immediate future as well as the requirement for stable renewable energy in the longer term. To enable this transition there is extensive financial support in the form of subsidies and low-cost loans in Austria as well as the European Union (EU).

In January 2021 ADX initiated the feasibility of the Vienna Basin Green Hydrogen Production and Storage Project (Vienna Basin H<sub>2</sub> Project) announcing a co-operation agreement with highly reputed and experienced hydrogen experts Horváth & Partners (Horvath) to evaluate the generation of hydrogen utilising nearby renewable power and the deployment of reservoirs at the Vienna Basin Fields for green hydrogen storage. ADX has progressed the business case for green hydrogen storage in the Vienna basin signing a memorandum of agreement in September 2021 with major wind power producer, Windkraft Simonsfeld AG (WKS) for the potential supply of green power to generate green hydrogen from an abundant supply of fresh water which can be stored in the Vienna Basin Fields. WKS and ADX have been in ongoing discussions regarding the supply of green power and the feasibility of Vienna Basin H<sub>2</sub> Project utilising the Vienna Basin Fields. In addition to the sourcing of green power for the project, ADX has commenced identifying and undertaking discussions with potential green hydrogen purchasers.

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It is intended that Vienna Basin H<sub>2</sub> Project will be developed in two phases commencing with a pilot phase using an electrolyser with a capacity of 2.5 MW and the subsequent scale up of the project with 30-50 MW electrolyser capacity through the increasing availability of green power and by capturing rapidly developing green hydrogen markets.

ADX advanced its geothermal project aspirations in July 2021 by finalising a letter of intent with Siemens Energy and RED Drilling & Services GmbH (RED) to build and operate a well test site (Geothermal Pilot Project) in Austria to evaluate a potentially transformational geothermal to power technology. In September 2021 ADX announced the execution of definitive agreements with Siemens Energy and RED. Under these agreements ADX is the responsible party for all licensing and subsurface execution aspects of the project, including engineering, geological analysis, operational planning and implementation.

The Geothermal Pilot Project is intended to provide the proof of concept of this alternative geothermal energy conversion technology including substantially improved efficiencies in electricity generation compared to conventional geothermal systems. Participation in the project is expected to provide ADX with increased knowledge, experience and credibility to develop and deploy suitable geothermal power generation technologies on a large scale in ADX' operated Austrian licenses as well as other Central European jurisdictions where ADX has identified geothermal power generation opportunities.

The rapid development of our ADX asset base in Austria has been enabled by the establishment of a local operational and technical team in Vienna, Austria. Our management team has been well placed to oversee production operations and exploration activities as well as our green project initiatives in Austria. Of critical importance are the long-term relationships with contractors, regulatory authorities and the ongoing collaborative relationship with RAG Exploration & Production GmbH (RAG E&P); the previous owner of the Vienna Basin Fields.

Your Company is well placed to continue to build our conventional and renewable business enabling the transformation of ADX in to a leading European energy producer as well as a provider of long-term energy solutions for a low carbon society.

During the coming year our Shareholders can expect the following important milestones in ADX' development:

- the testing of the Anshof-3 discovery well and the expected completion of the well for long term commercial production;
- additional appraisal drilling of the Anshof discovery from the existing three well slot location which is expected to add to ADX reserves and production growth;
- further farmout activities focussed on drilling a high impact exploration well in Upper Austria;
- expansion of the Company's exploration license areas in Upper Austria to include further oil and gas exploration and appraisal potential as well as already identified geothermal project opportunities;
- progressing the Vienna Basin H<sub>2</sub> Project to the financial investment stage and the establishment of a special purpose company for renewable project investment; and
- progressing the Geothermal Pilot Project with Siemens and RED as well as potential geothermal projects within our Upper Austria exploration acreage position.

On behalf of the Board of ADX, I would like to thank our Shareholders for their ongoing support. We look forward to reporting on the Company's activities as we continue to transform ADX into a material European onshore producer and renewable energy project developer.



IAN TCHACOS  
Executive Chairman

# ADX ENERGY LTD

## OPERATIONS REPORT

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### OPERATIONS REVIEW

#### **Activities Overview**

During the year ended 31 December 2021, ADX has concentrated its activities on production, exploration and renewable energy projects in Austria where ADX Board believes the Company can most effectively increase hydrocarbon production and reserves while transforming its asset base to low carbon energy production through complimentary investment in green hydrogen production and storage as well as geothermal heating or power generation.

At the Vienna Basin Fields, ADX has been able to maintain stable production levels with no decline. With an increasing oil price, the production from these fields has been central to the ongoing development of the Company's asset base utilising its Austrian based technical and operations team to maintain and develop the business. Of particular importance no safety or environmental LTI were recorded during the year at the Vienna Basin Fields. COVID-19 pandemic precautions initiated in 2020 were continued in 2021 ensuring the safety of our personnel and avoiding disruption to operations.

Within a year of signing of concession agreements in January 2021 for the Upper Austria AGS, ADX has been able to commence drilling operations on the Anshof-3 well (ANS-3) which has resulted in an oil and gas discovery. The earlier agreement of an infrastructure access agreement to nearby oil and gas infrastructure at attractive tariffs will enable to ADX to achieve rapid and cost effective development of ANS-3. In parallel with the rapid implementation of ADX' exploration strategy, ADX has continued to mature its portfolio of 3D seismic defined prospects for future drilling and potential funding via farmout.

During the year ADX undertook commercial and technical project definition activities studies in relation to redeployment of depleted reservoirs at Gaiselberg and Zistersdorf for the storage of green hydrogen to be produced using green electricity from nearby windfarms. ADX signed a memorandum of agreement with a major local provider of green energy to potentially supply green power to the Vienna Basin H<sub>2</sub> Project in September 2021. ADX also commenced discussions with potential purchasers of green hydrogen with a view to commercialising the first phase of the project in 2022.

On the 28<sup>th</sup> of September 2021, ADX announced that it had finalised commercial arrangements and secured a well site for the implementation of a geothermal pilot project in cooperation with Siemens Energy and RED. Engineering, planning and procurement work commenced during October 2021. The geothermal pilot project is intended to provide the proof of concept of an alternative geothermal energy conversion technology including improved efficiencies in generating electricity compared to conventional geothermal systems. Participation in the project provides a unique opportunity for ADX to enhance its knowledge, capability and experience in anticipation of participation in commercial scale geothermal power generation projects in Austria and Central Europe.

In Romania, the Company has focussed on side-track and infill potential within the Iecea Mare production license, which is fully covered with reprocessed 3D seismic. A number of very low risk oil and gas infill and side-track opportunities were identified within the license area. ADX has also commenced investigating geothermal opportunities within its Parta Exploration and Iecea Mare licenses. This energy source is expected to receive increasing investment funding in Romania from the EU.

#### **Asset Activities Summary**

##### ***Gaiselberg and Zistersdorf Production Assets, Vienna Basin - Onshore Austria***

*ADX is operator and holds a 100% interest in the production licenses*

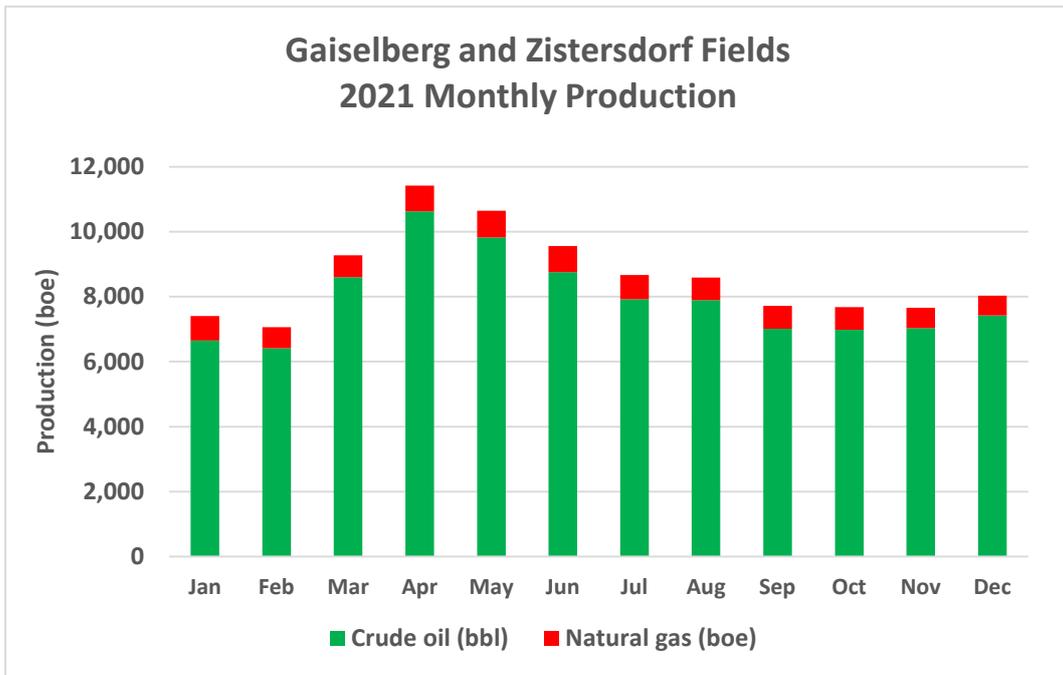
##### *Production and Revenues*

Production operations at the Vienna Basin Fields have maintained stable production rates averaging approximately 284 barrels of oil equivalent per day (BOEPD). The fields experienced no production decline between in 2020 and 2021 however revenues increased substantially from A\$ 5,384,283 in 2020 to A\$ 9,096,981 in 2021 as a result of increasing oil and gas pricing.

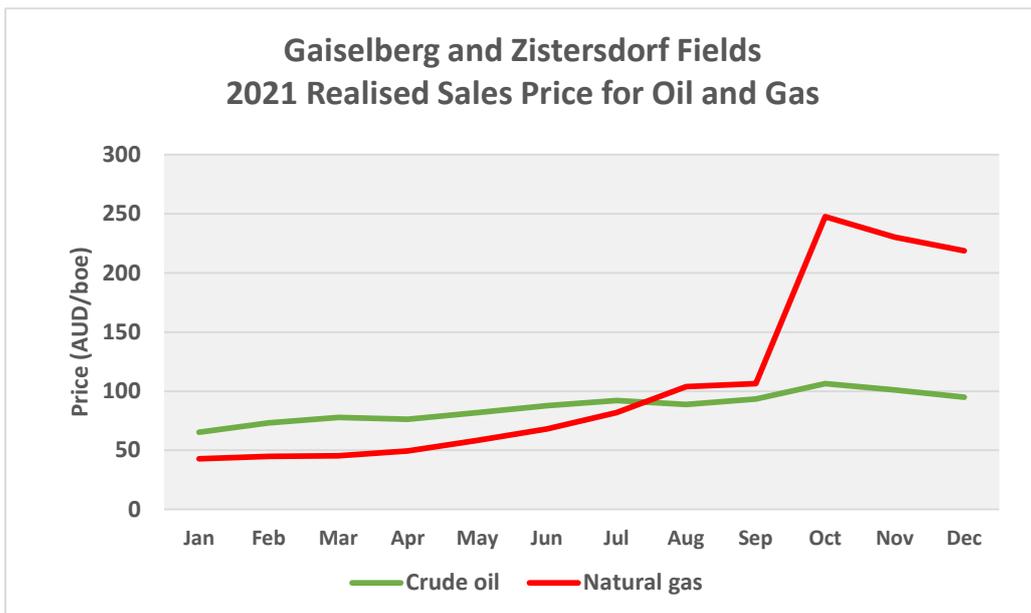
Average oil pricing during 2021 for dated Brent crude was US\$ 70.73 per barrel versus US\$ 43.10 per barrel in 2020. Average gas price for sales on an oil equivalent basis was EUR 65.81 per barrel versus EUR 15.90 per barrel in 2020.

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Monthly oil and gas production shown below on an oil equivalent basis peaked in April 2021 at the conclusion of a well workover program to maximise well up time as well as the incremental oil production from behind pipe potential accessed by the perforation of a previously not produced zone in an existing well. It should be noted that workover operations are conducted on annual basis for well maintenance and access to behind pipe potential from existing wells when production from existing producing zones becomes depleted. This is normal practice for maximising recovery from multi-layer reservoirs such as ADX' Vienna Basin Fields.



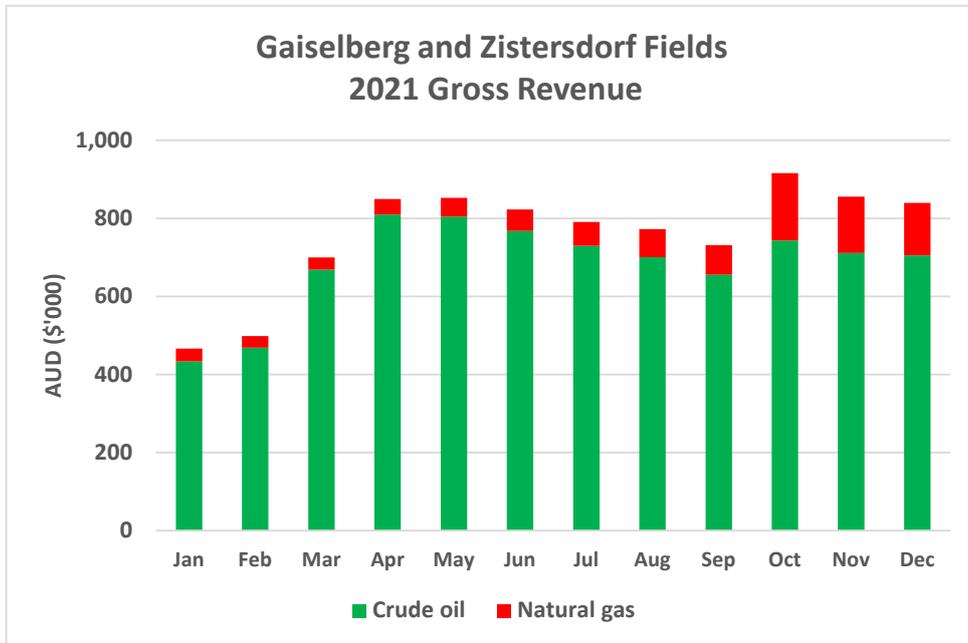
The realised sales price for oil and gas shown below shows the steadily increasing oil price during 2021. During the same period the realised gas prices have increased in excess of a factor of five. These pricing trends were established prior to the conflict in Ukraine due to shortages in European gas supplies as a result of increased economic activity as COVID-19 restrictions were lifted.



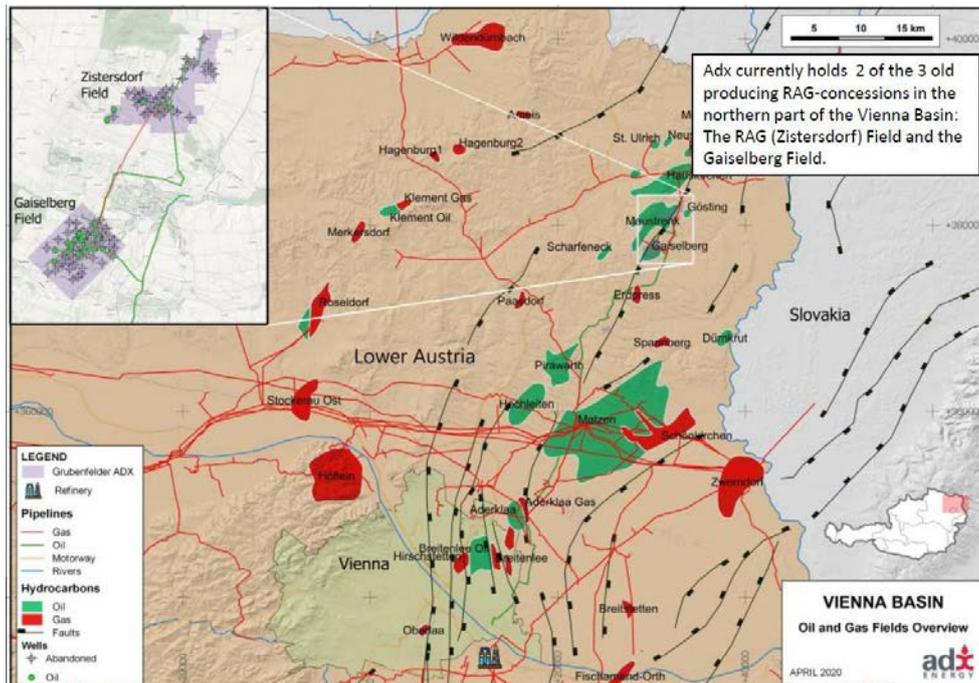
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The combination of stable oil and gas production and increasing commodity prices has resulted in increasing monthly revenue. As shown below, sales revenues increased during the last quarter

despite reduced oil production due to the substantial increase in gas pricing. A work over program commenced in December 2021 to reinstate production from a number of wells and access further behind pipe potential.



The Vienna Basin Fields are located approximately 70kms from Vienna. The map below shows their proximity to Vienna where oil production is delivered by pipeline for processing under a long term sales contract with the OMV. Crude oil is sold at an 8% discount to Brent crude oil prices. Gas is sold directly into the local gas network achieving Central European Gas (CEGH) pricing.



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ADX has continued to focus on increasing the profitability of the Vienna Basin Fields production business with increasing commodity price by maintaining high levels of production uptime. The ability to execute planned well maintenance during work over operations as well as a number of facilities enhancements and maintenance programs has enabled ADX to maintain field production rates without depletion.



**The RED workover rig W-102 which has been utilised for workovers in ADX' Vienna Basin Oil fields**

*Safety and Environment*

Safety and environment are key performance targets for ADX personnel. During 2021 no LTI's were recorded from safety or environmental causes at the Vienna Basin Fields. Managing potential health issues and operational disruptions due to COVID-19 pandemic was an ongoing issue in 2021. In order to ensure operational continuity and the safety of its personnel, ADX maintained its COVID-19 pandemic precautions including subdivision of field operations into two separated shifts to ensure continued operations, maintenance work and workover work. All workspaces were set up to allow individual personal isolation. As a result of the precautions taken, there was no interruption to production, well work or facility enhancement projects.

*Reserves reporting for Gaiselberg and Zistersdorf fields*

A competent person's report was undertaken by independent consultants RISC Advisory Pty Ltd (RISC) (RISC CPR) at the Vienna Basin Fields. RISC was engaged to audit the Vienna Basin Fields developed Reserves held by the ADX Energy Ltd Group (ADX) in which ADX holds a 100% operated interest. The results of the CPR were announced on the ASX on 4 November 2021.

The effective date of the RISC CPR is 1 July 2021. The developed Reserves have been classified as producing and non-producing. The developed producing Reserves comprise oil and gas quantities from existing producing wells and non-producing developed Reserves are from behind pipe reservoirs in existing wells which will become producing reserves once these wells have been perforated to access and produce intersected oil and gas.

A comparison of the RISC CPR assessment to the previous CPR assessment with an effective date of 31 December 2019, reported on 5 November 2020, is shown in the table below. The equivalent previously reported reserves adjusted to 1 July 2021 are calculated by deducting production from 31 December 2019 to 1 July 2021. A positive variance of 215% and 154% respectively is estimated for the 1P and 2P developed reserves categories between the new RISC CPR reserves and the ADX previously reported CPR on 5 November 2020. The RISC CPR net present values ("NPV") are shown for future field cash flows for the corresponding reserves cases. All Reserves are based on PRMS Reserves classifications refer below.

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**Table Showing RISC CPR versus Previous CPR Reserves Comparison for ADX Vienna Basin Fields**

	1P Developed Producing and Non-Producing Reserves (BOE)	2P Developed Producing and Non-Producing Reserves (BOE)	3P Developed Producing and Non-Producing Reserves (BOE)
Reserves @ 31/12/2019 (Previous CPR)	540,000	890,000	1,510,000
LESS Production (18 months)	162,000	162,000	162,000
Previous reported reserves @ 1 July 2021	378,000	728,000	1,348,000
<b>RISC CPR reserves @ 1 July 2021</b>	<b>1,190,000</b>	<b>1,850,000</b>	
<i>Reserves increase</i>	<i>215%</i>	<i>154%</i>	
<b>RISC CPR NPV<sub>8</sub> (million)</b>	<b>EUR 5.7</b>	<b>EUR 15.9</b>	

Notes:

1. ADX holds a 100% working interest in the fields
2. The notional reference point for reserves is the permit boundary or export line inlet.
3. Deterministic evaluation methods have been used.
4. Associate gas resources includes inerts sold with the gas.
5. There is no fuel & flare consumption for the Fields.
6. BOE means barrels of oil equivalent including solution gas
7. Conversion factors are 1.124 m<sup>3</sup>/tonne oil, 165.4 sm<sup>3</sup> gas per boe and a gas Higher Heating Value of 40.7 MJ/sm<sup>3</sup>
8. Oil price forecast of US\$65/bbl (€55/bbl) flat from 2021 onwards.
9. Gas pricing forecast - summer price forecast is €0.14/m<sup>3</sup> and the winter price is €0.16/m<sup>3</sup>
10. Corporate income tax rate in Austria of 25% has been applied.
11. A currency conversion of 1.18 Euro per US\$ is used

Refer to the Reserves Report for further information in relation to Reserves Classifications used in above table and the scope of the RISC CPR.

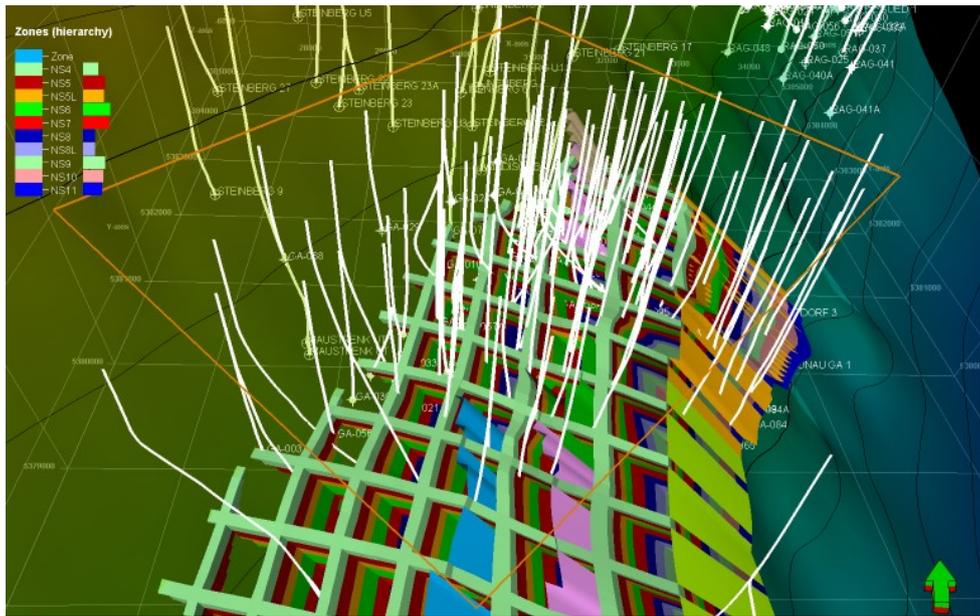
*Field depletion studies*

The Vienna Basin Fields consist of approximately 50 multi stacked sandstone hydrocarbon bearing reservoirs. The oil bearing intervals have largely been developed from the bottom up. The main drive mechanism is edge water supplemented with water injection. ADX have identified at least 32 recompletions of the existing wells to further develop the additional zones in existing wells.

The Gaiselberg field structural model is shown below highlighting the main Neogene Sarmatian age oil producing reservoir sandstone units. The reservoirs are bounded by the regional scale Steinberg fault at the base, and there are intra field faults modelled, both of which are shown. The field is well appraised with a large number of production wells drilled and production performance data since 1938. The Gaiselberg field production license outline is shown in orange. Some of the ADX Zistersdorf field "RAG" wells can be seen to the north of the field model.

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**The Gaiselberg field structural model highlighting the main Neogene Sarmatian age oil producing reservoir sandstone units**

ADX simulation model estimates consist of developed producing resources and developed non-producing resources from well re-completions to shallower zones. The majority of re-completions will occur within the next 10 years, however, the last re-completion is scheduled for 2042. Re-completing wells to access shallower zones would not be done before production from the current zone has declined. This explains the extended re-completion timing in the Vienna Basin Fields.

***Vienna Basin Green Hydrogen Production and Storage Project***

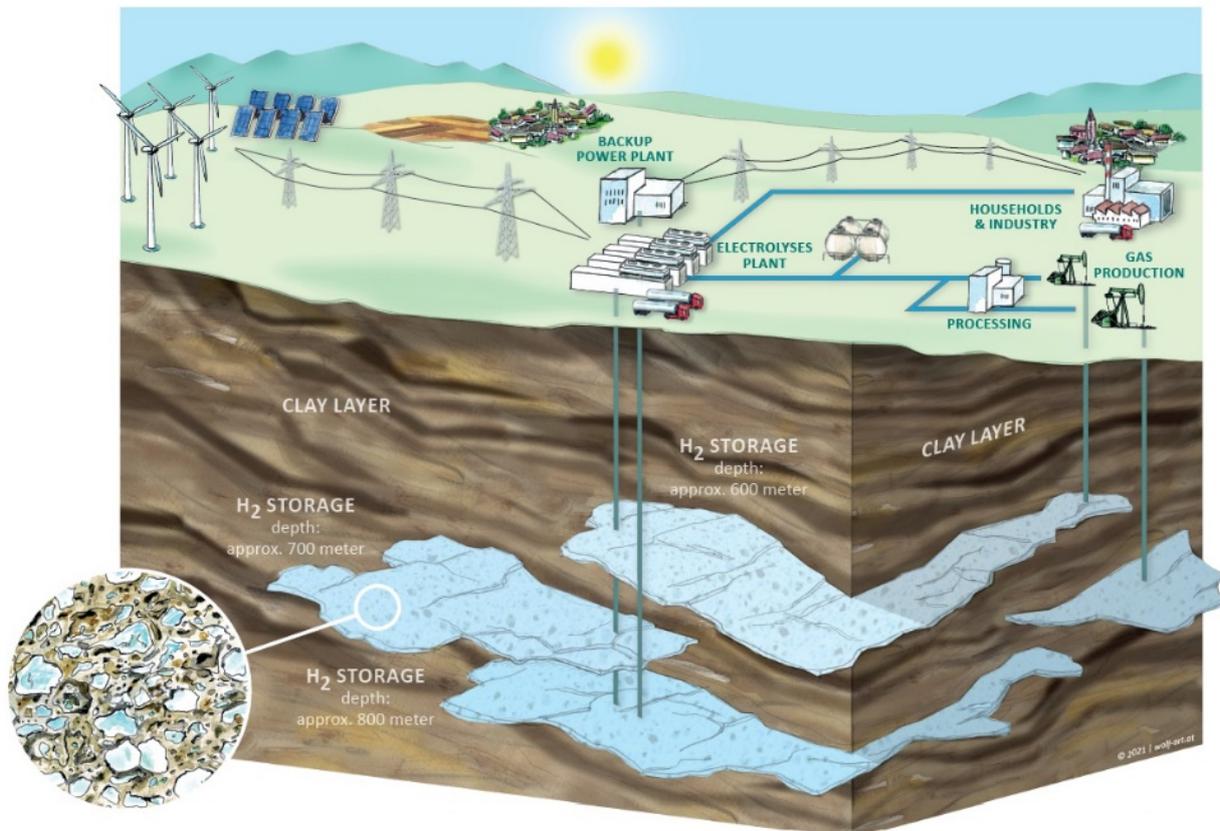
ADX is well positioned to potentially redeploy already identified depleted reservoirs in the Vienna Basin Fields for green hydrogen storage. The Vienna Basin Fields are very suitable for green hydrogen production and storage due to their close proximity to Austria's largest renewable electricity sources that can be used for electrolysis utilising increasingly efficient electrolyser technology to produce green hydrogen.

***Reservoir storage***

The Vienna Basin Fields have high-quality reservoirs at suitable depth which have proven their safe storage properties for millions of years as gas reservoirs, as well as excellent gas export infrastructure that can be used to bring green hydrogen to market.

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**Schematic showing the potential use of available green power from wind parks which are proximal to the Vienna Basin Fields to generate and store hydrogen**

A number of Pannonian age high quality reservoirs have been identified which have historically contained methane. The reservoirs are ideally suited for the safe storage of green hydrogen. It is estimated that a single reservoir could hold on average around 60 GWh of energy in the form of hydrogen. This is the energy equivalent of powering approximately 20,000 households in Austria for an entire year. The business case for underground energy storage is enhanced by the ever-increasing capacity of intermittent wind and solar energy. In Austria alone a six-fold increase from currently 3.8 GW in wind and solar energy is necessary to meet the minimum EU renewable energy targets by 2030. The largest wind and solar power generation capacity in Austria, Slovakia and Czech Republic is located close to the Vienna Basin Fields.

The availability of low-cost, safe reservoir storage is key because it allows intermittent green power to be converted to hydrogen and stored. Stored hydrogen can then be sold at appropriate rates to suit hydrogen market demand or pipeline capacity. The Vienna Basin Fields are already connected to the local pipeline network into which ADX currently supplies natural gas production. The local pipeline network, since 1 July 2021, has been designated by the Austrian regulatory authorities to receive up to 10% hydrogen by volume. There is a clear commitment from the EU to further increase the proportion of hydrogen in existing natural gas pipeline networks and in some countries, such as The Netherlands, dedicated hydrogen pipelines are being built or have already been completed.

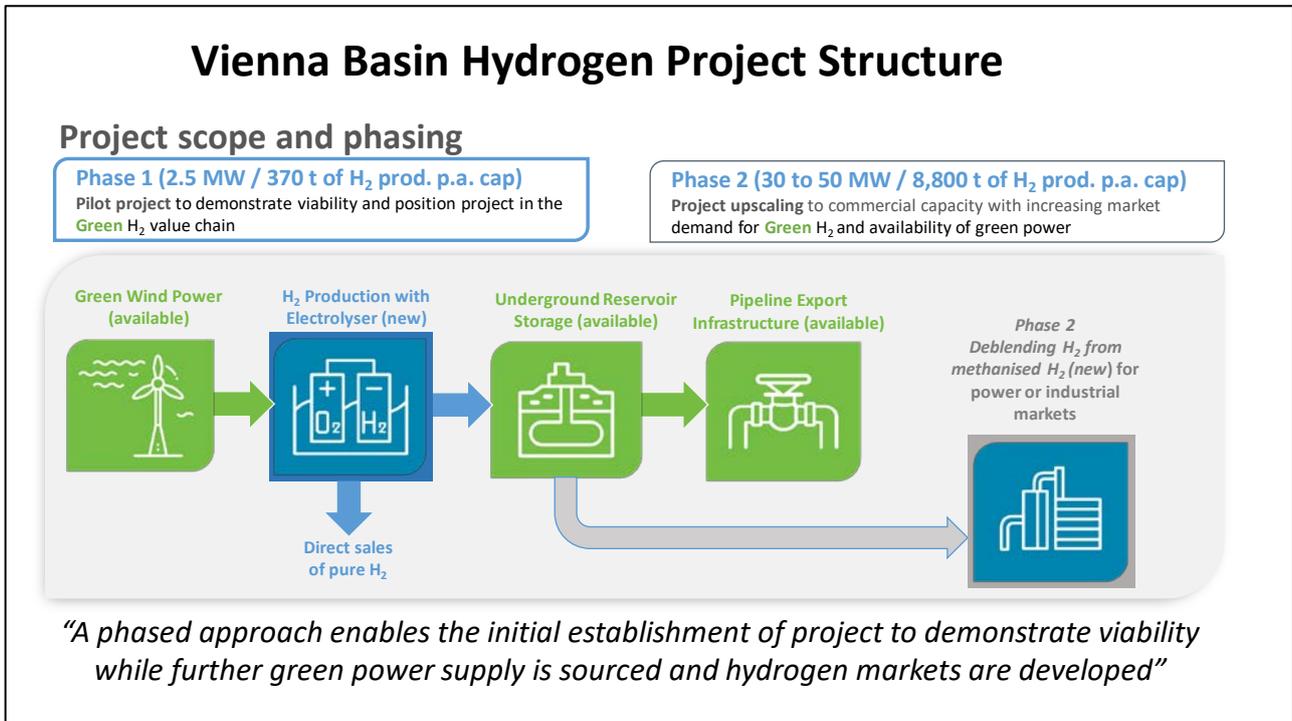
The Vienna Basin H<sub>2</sub> Project has the following positive and unique attributes:

1. Availability of green power and water for green hydrogen production at our fields;
2. ADX owned land and facilities for the installation of off the shelf electrolyser equipment;
3. The ability to store large quantities of hydrogen economically in depleted Vienna Basin Field reservoirs;
4. The availability of an existing local pipeline network where ADX can deliver hydrogen for use by the local industry and the community (green energy transformation) ; and
5. Proximity to the city of Vienna where there are substantial high value market development opportunities.

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*Project structure and phasing*

The abovementioned set of circumstances means that ADX has everything it needs to immediately pursue a hydrogen pilot project (Phase 1) focusing on the delivery of green hydrogen to the local community via the existing gas network, mobility and industrial users. Phase 1 is expected to be based on a 2.5 MW electrolyser capable of supplying approximately 370 tonnes of green hydrogen per annum.



With Phase 1 in place, ADX can then credibly build the scale of the project to provide green hydrogen for regional fuel switching including power generation and transportation. The upscaled project is expected to be based on an electrolyser capacity of approximately 30 to 50 MW.

In addition to the positive physical attributes for the Vienna Basin H<sub>2</sub> Project, ADX is very well placed in Austria where there is government support for substantial growth in green power production which is needed for green hydrogen production. The mandated Austrian government policy is to increase renewable power by factor of 6 by 2030. In addition, there is strong financial support for hydrogen projects, including subsidies and favourable funding terms, for renewable projects within the EU.

*Project Commercialisation*

On 20 January 2021 ADX announced a cooperation agreement with Horváth, an advisory group with extensive hydrogen project commercialisation experience. The objective of the agreement was to support the establishment of a viable hydrogen business enabling ADX to become a provider of large-scale green hydrogen production and underground storage as well as providing introductions to established renewable energy industry participants.

During 2021 ADX continued commercial and technical project definition activities, focussing on sourcing a green power provider for the production of green hydrogen as well as potential purchasers of green hydrogen. ADX is currently focussed on the implementation of Phase I of the Vienna Basin H<sub>2</sub> Project with a view to the subsequent scale up of the project when additional green power and green hydrogen markets become available in the middle of this decade.

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**A WKS operated wind park close to ADX Vienna Basin fields**

On the 5<sup>th</sup> of October 2021, ADX announced it had signed a memorandum of agreement (MOA) with WKS for the supply of green electricity and the joint development of the Vienna Basin H<sub>2</sub> Project. Discussions between WKS and ADX are ongoing in relation to green power supply and project formation. The parties intend to invest in the project and collaborate to secure dedicated financial incentives from the Austrian Government and the EU to provide funding for the Project.

WKS is a major Austrian based European wind power producer operating 91 wind power plants, is forecast to generate approximately 640 million kilowatt hours per year (equivalent to the power demand of 160,000 Austrian households). WKS operates and builds wind power plants near the Vienna Basin Fields.

In addition to the value development potential of Vienna Basin H<sub>2</sub> Project the ability to potentially utilise the Vienna Basin Fields for renewable energy production and storage can add significant value to the fields through shared operations and the likely deferment of abandonment liability later in field life.

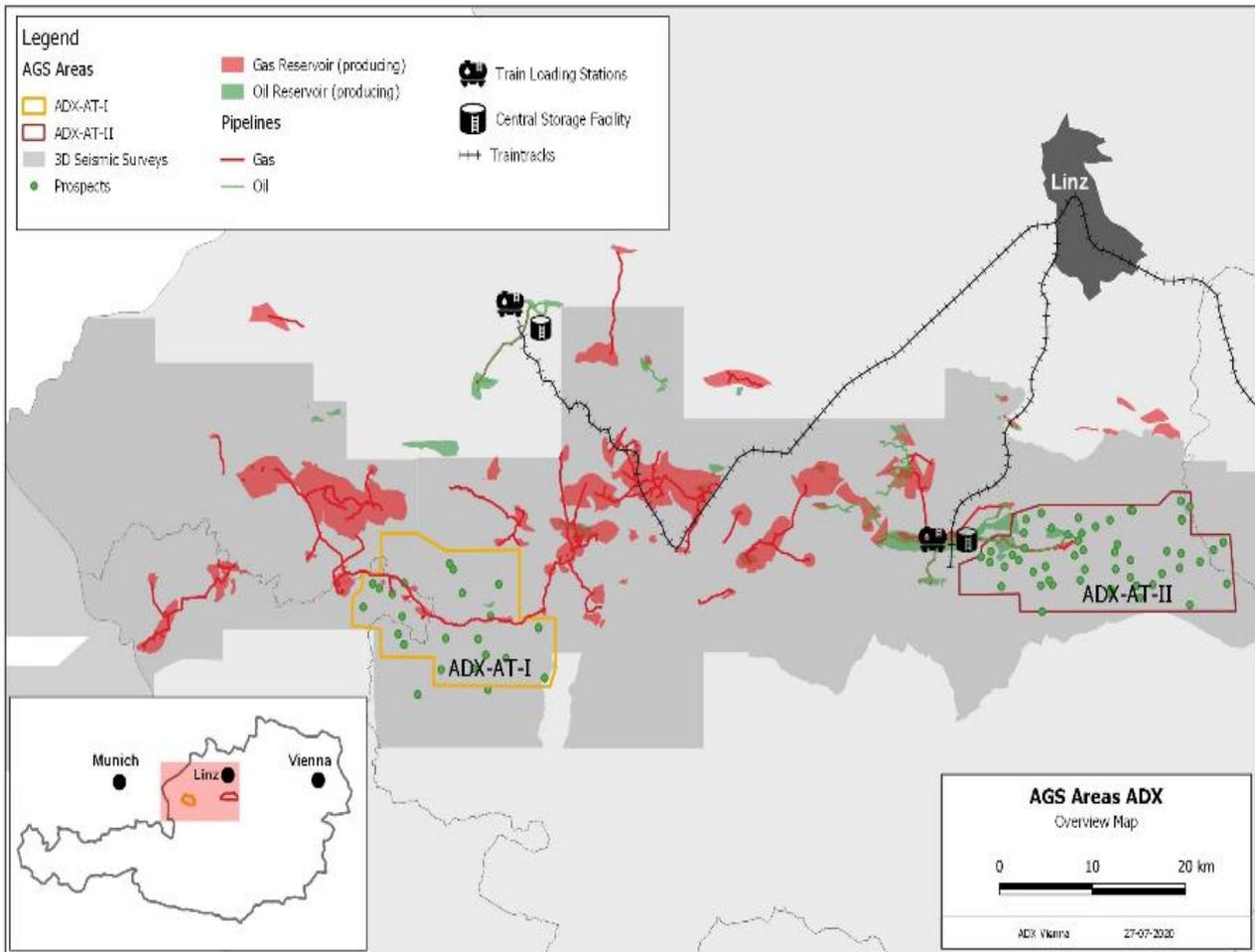
***Upper Austria Exploration Licenses, Molasse Basin - Onshore Austria***

*ADX is operator and holds a 100% interest in the exploration licenses ADX-AT-I and ADX-AT-II.*

ADX signed concession agreements for the Upper Austria AGS on the 8<sup>th</sup> of January 2021 with the BMLRT on behalf of the Republic of Austria. In addition to the Upper Austria AGS, ADX finalised an infrastructure access agreement with RAG E&P which enables access to nearby RAG E&P owned oil and gas infrastructure at attractive tariffs.

Access to a high-quality 3D seismic and well data in Upper Austria with a replacement value of EUR 90 million resulting from a data trade agreement with RAG executed in July 2019, has enabled ADX to high grade an area of 450 km<sup>2</sup> that includes 10 “drill ready” exploration prospects and 5 appraisal drilling opportunities.

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**Map showing ADX Upper Austria AGS licenses (ADX-AT-I & ADX-AT-II) proximal to the RAG E&P oil and gas production area of the Molasse Basin East of Munich**

The Upper Austria AGS prospect portfolio is summarised below. The portfolio includes multiple play types with outstanding resource upside potential and access to infrastructure on agreed terms which enables rapid development on attractive terms. Several prospects have a geothermal play option, providing further upside potential and an increased probability of commercial success.

On 30 March 2021 ADX announced an upgraded technical assessment for 10 “drill ready” exploration prospects volumes within the ADX-AT-I and ADX-AT-II licences to 58 million barrels of oil equivalent (MMBOE) combined best technical case prospective resources. <sup>Note 2</sup>

Activities during the year focused on prospect maturation and peer reviews, preparation of a data base for farmout discussions and the drilling the Anshof prospect targeting 6.6 million barrels (MMBBL) of best technical recoverable resources (crude oil) “ASX Reporting Date 30/3/2021”.

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PROSPECT NAME	fluid	Map Name	Best Technical Recoverable [mmboe]	well TD [m TVD]	Exploration Well Cost [MM Euro]
<b>Σ HIGH IMPACT EXPLORATION</b>					
<b>OHO</b>	<b>gas (oil)</b>	<b>OHO</b>	<b>20,4</b>	<b>4 365</b>	<b>6,6</b>
ZELL AM MOOS	gas (oil)	ZAM	14,6	5 400	7,3
<b>Σ TREND EXPLORATION</b>					
LICHTENBERG	gas	LIC	2,7	3 010	3,6
IRRS DORF	gas	IRR	3,0	2 950	2,9
TERNBERG	oil	TER	3,2	2 890	5,0
WOLFSGRUB	oil	WOL	2,2	3 150	5,1
PERGERN	oil	PER	2,5	1 790	2,2
<b>ANSHOF</b>	<b>oil</b>	<b>ANS</b>	<b>6,6</b>	<b>2 250</b>	<b>1,8</b>
ARD (LP gas only)	gas	ARD-BR	2,2	2 700	2,1
SIERNING IMB	gas	SIE	1,0	1 100	1,4
<b>Σ APPRAISAL / SIDE TRACK</b>					
STEYR 3 (APPR)	gas	STE	0,5	1 270	1,5
BAD HALL - LIND (appr.)	oil	LIN	0,8	2 150	1,8
BAD HALL - STEIN (appr.)	oil	SGB	0,8	2 200	1,8
BRUNN (sidetrack)	gas	ARD-BR	0,8	2 100	1,2
KLE 1A (Sidetrack)	oil	KLE	0,6	2 260	1,3
<b>TOTAL EXPLORATION [mmboe]</b>			<b>58</b>		
<b>TOTAL [mmboe]</b>			<b>62</b>		

The above table summarises the current prospect portfolio including the two prospects which have been high graded for drilling (Anshof and OHO) highlighted in red (ASX Reporting Date 30/3/2021)

Note 1:

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

Note 2:

The prospective resource estimates in this release are classified and reported in accordance with the PRMS – SPE Guidelines for the exploration licenses ADX-AT-I and ADX-AT-II, in the Molasse Basin, Austria. Refer to the end of this release for an explanation of prospective resource classifications used and the Basis on which the prospective resources were estimated. Prospective Resources are those estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further explorations appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

*Anshof and OHO Prospect Independent Resources Review*

ADX announced the results of an independent resources review of the Anshof and OHO prospects in the ADX-AT-II and ADX-AT-I exploration licenses in Upper Austria on 10 November 2021. The independent review was conducted by RISC opining on ADX resources assessments and risking for the prospects. RISC reviewed the prospective resource and risk assessment for the Anshof and OHO Prospects and found them to be reasonable. A summary of RISC’s findings are shown in the table below.

RISC assessed that the mean un-risked Prospective Resource\* for the Anshof prospect is 6.6 million barrels of oil equivalent (“MMBOE”) (including the primary Eocene target only) and the probability of success is 43%. RISC has also assessed that the mean un-risked Prospective Resource\* for the OHO prospect is 17.0 MMBOE for the oil case and 20.4 MMBOE for the gas case with a probability of success is 24%.

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**Table 1: OHO Prospective Resource and Geological Risk Assessment**

(ADX 100% Equity Interest)

Unrisked Prospective Resource <sup>1</sup>	P(90) <sup>2</sup> (MMBOE)	P(50) <sup>3</sup> (MMBOE)	P(10) <sup>4</sup> (MMBOE)	Mean <sup>5</sup> (MMBOE) <sup>6</sup>	Probability of Success
Oil Case	3.50	11.90	36.40	17.00	24%
Gas Case	5.90	16.10	39.40	20.40	24%

**Table 1a: Anshof Prospective Resource and Geological Risk Assessment**

(ADX 100% Equity Interest)

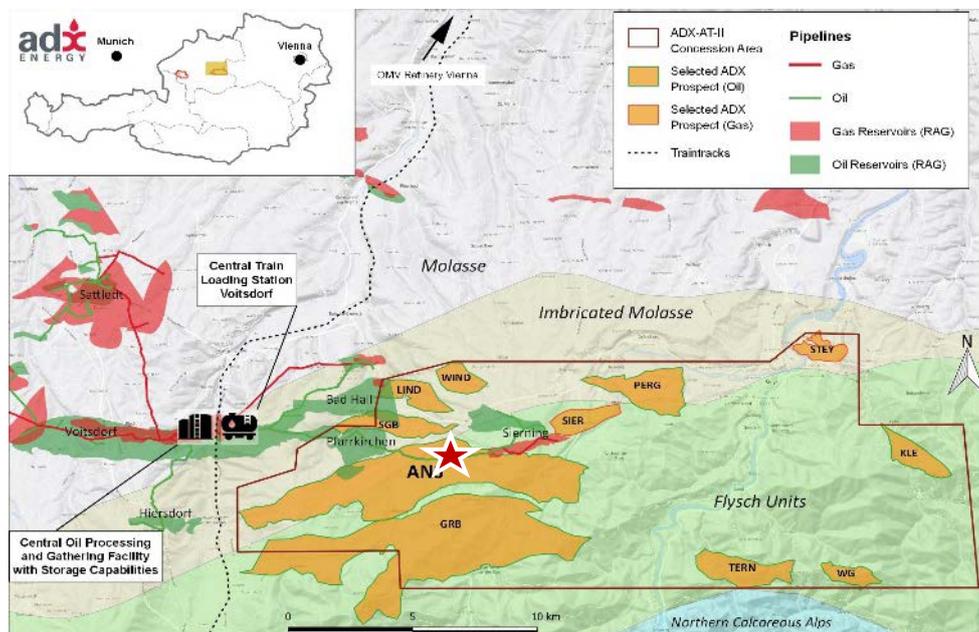
Unrisked Prospective Resource <sup>1</sup>	P(90) <sup>2</sup> (MMBOE)	P(50) <sup>3</sup> (MMBOE)	P(10) <sup>4</sup> (MMBOE)	Mean <sup>5</sup> (MMBOE) <sup>6</sup>	Probability of Success
Oil Case	0.50	3.30	16.20	6.60	43%

Notes to Table 1 and 1a;

1. \*Prospective Resources are those estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further explorations appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
2. At least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
3. At least a 50% probability that the quantities actually recovered will equal or exceed the estimate.
4. At least a 10% probability that the quantities actually recovered will equal or exceed the estimate.
5. The arithmetic average of the probability distribution.
6. BOE means barrels of oil equivalent.

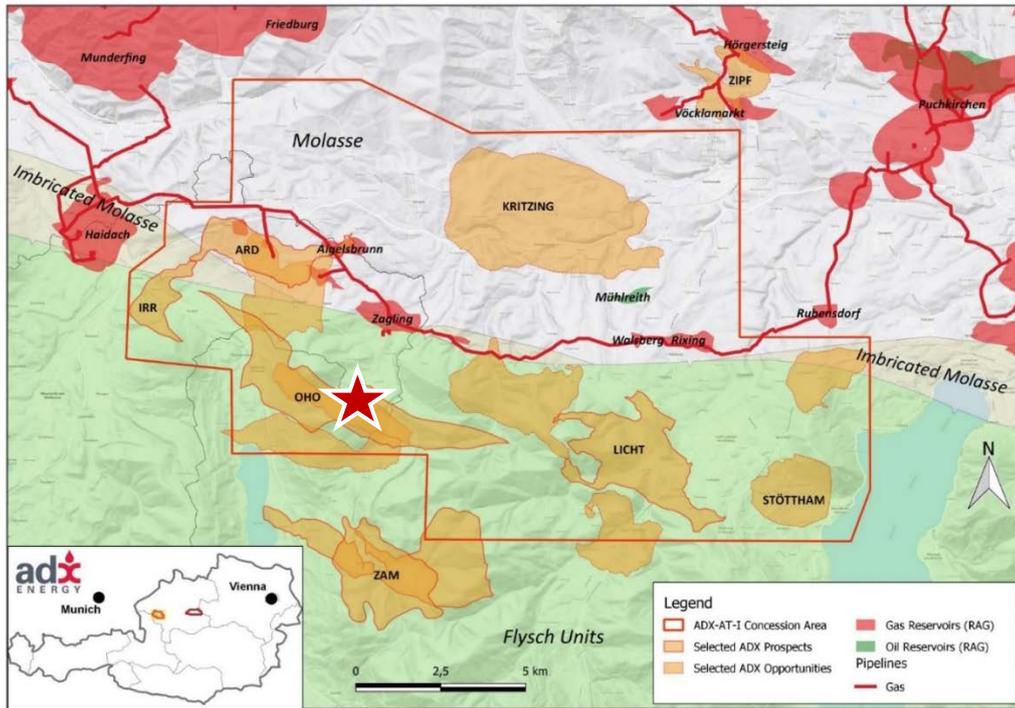
RISC was not provided with an assessment of the deeper Cenomanian secondary objective for Anshof.

RISC has reviewed the resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System 2018 (PRMS). RISC's methodology was to review the evaluation, probabilistic resource evaluation and geologic risking carried out by ADX.



**ADX-AT-II License: Anshof (ANS- star symbol) prospect for which drilling was undertaken in December 2021/January 2022. Follow up prospects are shown in yellow together with producing fields, pipeline network and processing facilities**

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**ADX-AT-I License: OHO (red star symbol) prospect for which a drill site already exists. Follow up prospects are shown in yellow together with producing fields and pipeline network**

*Anshof Farmin by Xstate Resources Limited*

On 22 November 2021 ADX announced a farmout to ASX listed Xstate Resources Limited (Xstate) to fund 40% of the Anshof-3 well costs to earn a 20% participating interest in the Anshof Prospect Area. By the time of conclusion of drilling the Anshof-3 well in January 2022 Xstate had funded 40% of the Anshof well up to a cap at EUR 1,800,000 (EUR 720,000 net to Xstate) and paid 20% of well costs thereafter to earn a 20% equity interest in the Anshof Prospect Area. Xstate may elect to fund 40% of a second well on the Anshof Prospect or the Anshof Farmin Area to earn a 20% interest in the Anshof Farmin Area within the ADX-AT-II exploration license. Refer to ADX-AT-II map on the previous page.

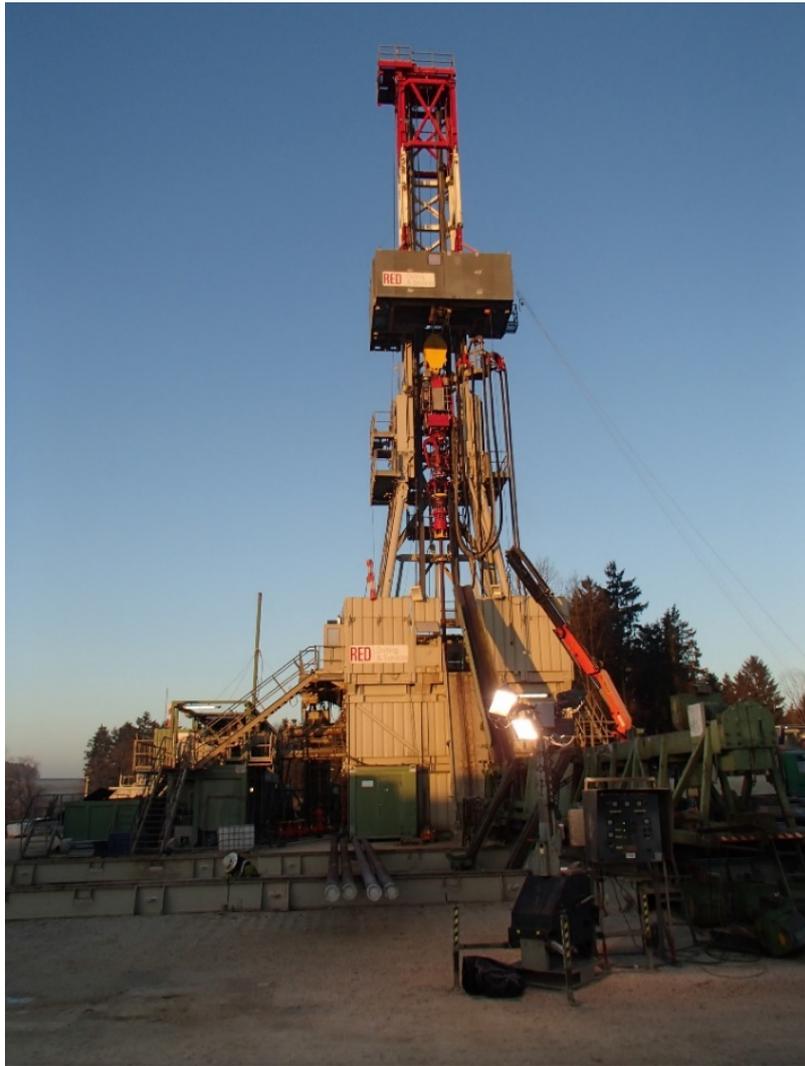
**Summary of Anshof- 3 discovery results**

The Anshof-3 well was spudded at 00.30 hours on the 18<sup>th</sup> of December 2021. The Anshof-3 well is located in the ADX-AT-II license in Upper Austria. The Anshof well site has provision for up to 3 drilling slots (the well name Anshof-3 is due to the fact that the physical surface location number 3 was the first that was approved by all necessary authorities to allow spudding of the well). Well operations were concluded following the running and cementing of 7 inch casing to a total depth (TD) of 2499m. The RED E-200 rig was released on 15 January 2022. The well has been suspended in preparation for completion with production tubing utilising a workover rig prior to testing and potential long-term production.

The Anshof-3 well intersected 3 hydrocarbon bearing zones of interest in a large, high relief structure providing very significant appraisal and development potential in an onshore setting adjacent to readily available gathering, production and export infrastructure. The Anshof-3 well is expected to yield a second production asset in Austria for ADX during 2022.

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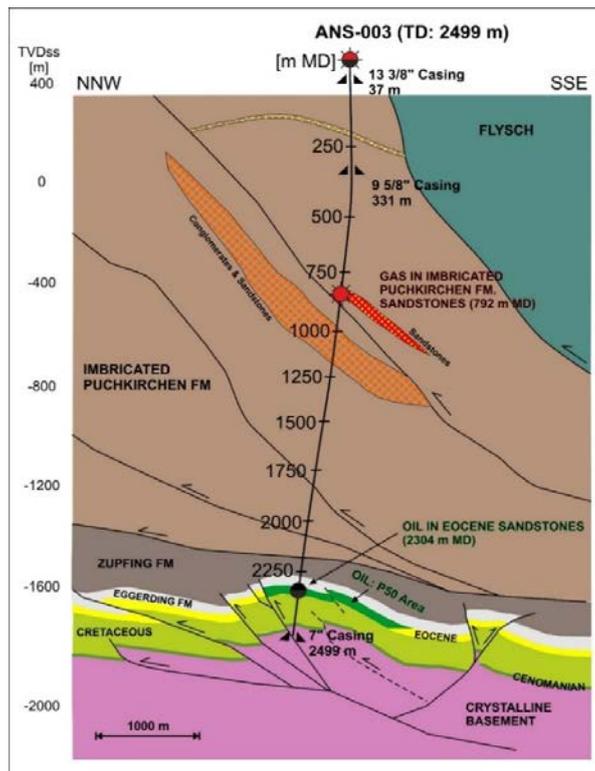
**Running casing using the RED E-200 rig at the Anshof-3 drill site**

The well was open hole logged with an extensive suite of logs acquiring a comprehensive dataset enabling detailed quantification of reservoir parameters. Petrophysical analysis from drilling data as well as logs from top to bottom in the well can be summarised as follows:

1. Approximately 20m gross gas reservoir zone at around 800m of measured depth (MD) within the overthrust Miocene aged imbricates in a finely laminated deep water turbidites clastic section which has an estimated 14m of gas pay. The finely laminated thin bedded nature of gas sands was further evidenced by FMI logs. It is expected that these sands will contribute significantly to gas flow rates over an anticipated 20m perforation interval.
2. An Eocene reservoir section starting around 2302m MD with oil shows across a 6m zone of which between 2.5 to 4m are expected to be productive net pay. This is comparable with nearby production wells.
3. The Cretaceous (Cenomanian) section has been interpreted to contain about 11m of reservoir section with oil saturation in line with the oil shows seen while drilling the well. Porosity logs (density, neutron and sonic) together with FMI data and cuttings data suggest that this zone at the Anshof-3 drilling location is unlikely to achieve economic oil flow rates and will not be tested. However, it is encouraging that oil presence was proven. Reservoir quality is known to be variable for this section and better reservoir quality may be encountered elsewhere on the large Anshof structure.

The testing of the Anshof-3 well will be undertaken during the second quarter of 2022. The deeper Eocene oil reservoirs will be tested first and the shallower Miocene sandstone gas zone will be tested subsequently.

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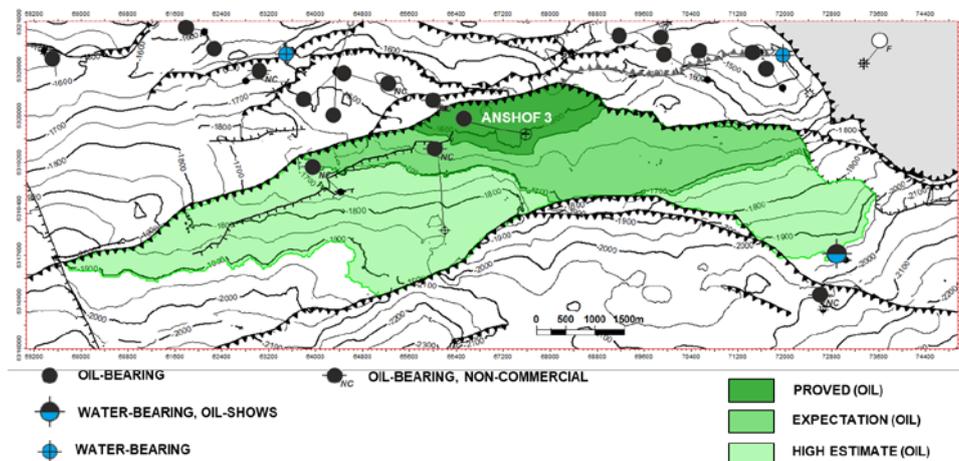


**Geological Cross Section schematic along the Anshof-3 well path, highlighting the two hydrocarbon zones which will be tested. The oil zone will be tested first**

*Eocene oil reservoir testing and development strategy*

Based on well results to date, ADX believes the previously announced pre-drill most likely Eocene oil resources estimates do not warrant revision. The current understanding of the Eocene resources is considered to be in line with ADX reported resources and that independently assessed by RISC predrill for the following reasons:

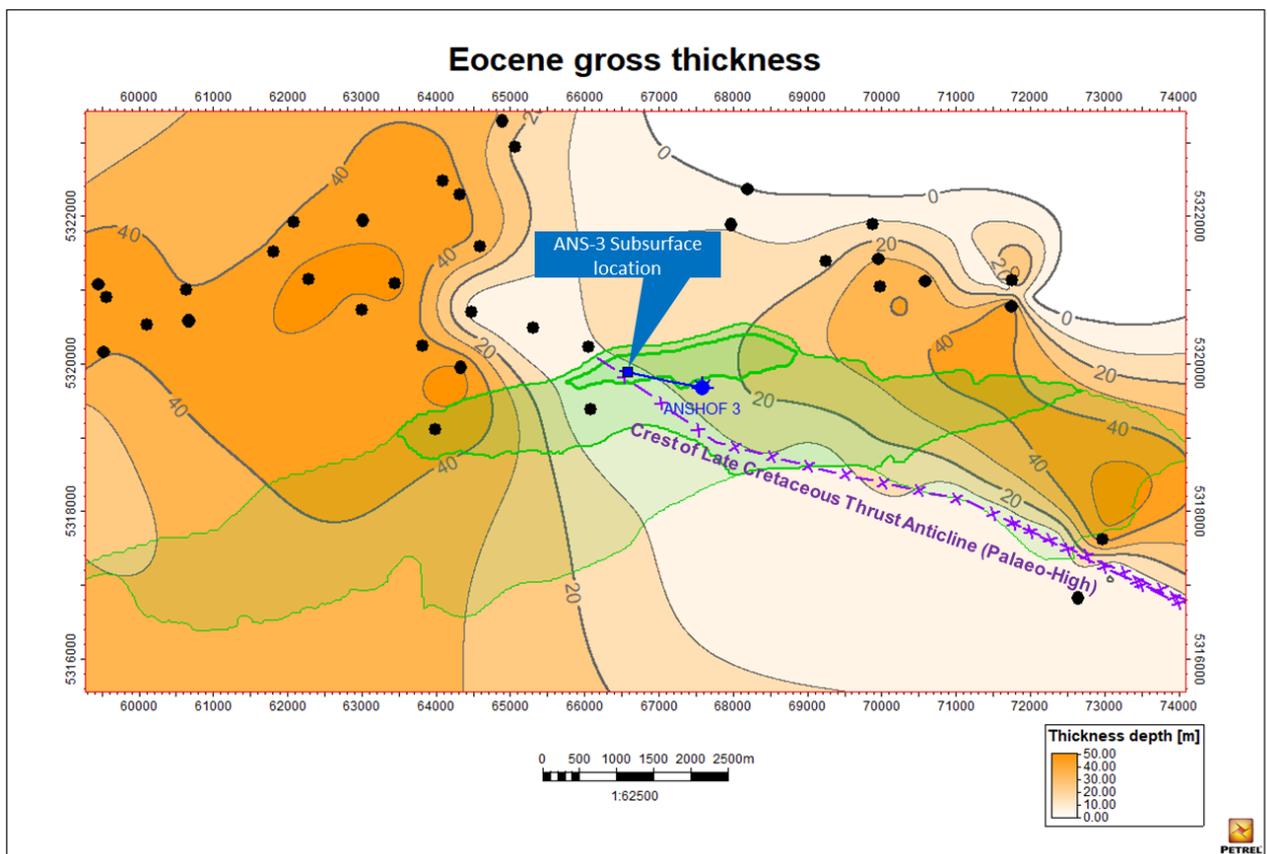
1. The Anshof-3 exploration well intersected the Top Eocene oil zone as predicted by the 3D seismic pre-drill interpretation, approximately 4m higher than prognosed making the potential oil column slightly larger by an equivalent amount. This excellent result validates the predrill structural model and confirms the presence of a large structure. A major contribution to the oil resource calculation stems from the structural configuration of the oil pool gross rock volume (GRV), which remains largely unchanged.



**Top oil (Eocene sandstone) post drill depth map (meters TVDSS), incorporating all well results available. The dark green shaded area shows minimum case (P90), light green area showing the maximum case (P10)**

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2. The presence of reservoir was the main geological risk prior to drilling which has now been mitigated by the intersection of a 6m gross oil column in the Anshof-3 well with at least 2.5m to 4m being high quality reservoir net pay. No free water or an oil water contact was intersected in the well. This result is within the predrill prediction expectation supported by RISC in its independent resource assessment. Future field appraisal and development wells will focus on drilling locations with the potential for optimal reservoir thickness in contrast to the Anshof-3 well which targeted the crest of the structure to prove the presence of a valid trap and a large, high relief structure. The figure below shows the Anshof structure outline in green with an overlay of expected Eocene gross reservoir thickness based on 3D seismic, nearby well data as well as latest Anshof-3 well results. The map indicates areas to the East of the Anshof-3 well where a much thicker Eocene reservoir section can be expected. With the structural risk eliminated by the Anshof-3 well results, these areas can be specifically targeted for high productivity development wells. In addition to the optimal Eocene potential, it is likely that areas away from the Late Cretaceous paleo high as mapped on 3D seismic (see below) may also contain better quality and potentially more productive Cenomanian oil reservoir sections as has been the case in other nearby oil fields in the area.



**Eocene reservoir gross thickness map, with the Anshof structure outline shown in transparent green**

Subject to the Eocene sandstone producing at commercial rates during testing, the Anshof-3 well will be placed on long term test production by trucking oil a short distance to a nearby oil loading facility where it can be loaded for rail transportation to the OMV refinery in Vienna. Upon establishment of a multi well facility and production license, a pipeline tie-in has already approved by the Austrian regulators.

*Miocene gas reservoir testing and development strategy*

The Miocene gas reservoir has been intersected at a depth of around 800m (MD) within the overthrust imbricates of the Miocene aged finely laminated deep water turbidites clastic section (Refer to geological cross section above). The estimated total 14m of gas pay is expected to flow at commercial rates based on offset wells in a similar geological setting. ADX is planning to test the gas zone following testing of the deeper Eocene oil zone.

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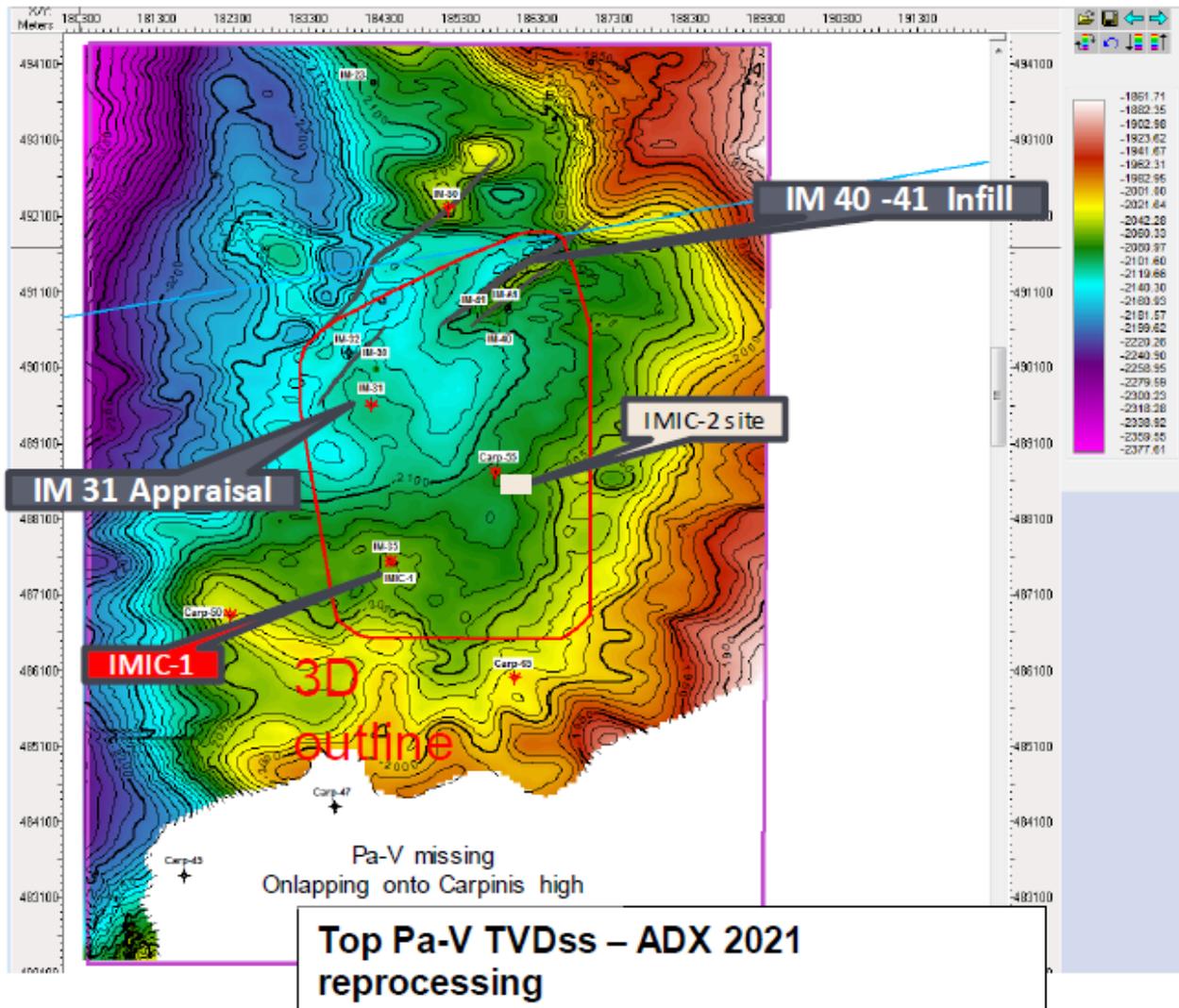
*Upper Austria Acreage Expansion*

During the reporting period ADX has undertaken a review of the prospectivity of surrounding areas to its existing ADX-AT-I and ADX-AT-II exploration licenses in Upper Austria. The Austrian licensing legislation allows the extension of existing license positions providing prior commitments have been met by the licensee. ADX is in consultation with Austrian Licensing Authorities to expand its acreage position to access further exploration potential, brown field opportunities and geothermal potential. ADX expects a response from the Austrian licensing authorities during the first half of 2022.

**lecea Mare Production License and Parta Exploration License - Onshore Romania**

ADX holds a 49.2% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via its' wholly owned subsidiary, ADX Energy Panonia srl, holds a 100% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Sole Risk Project) and a 100% interest in the lecea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube.

During the year ADX has focussed on an integrated study of the lecea Mare Production License considering the well results of its IMIC-1 gas discovery and the newly reprocessed 3D seismic which has resulted in significant improvements in data quality. As a result of this work, ADX has identified a number of low risk and relatively low cost sidetrack and drilling opportunities. The opportunities are shown in the map below and summarized in the following table.



**Depth Map of so called sandstone reservoir "PA V" which is a significant oil and gas bearing reservoir of Pliocene age in the lecea Mara and Parta licenses**

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		MMBOE IN PLACE			MMBOE RECOVERABLE		
Prospect	Reservoir	Min	Best	Max	Min	Best	Max
IM 40 CREST ca. 2070 m TVDS (without Pa VI Exp.)	Pa-IVa	0,16	0,41	0,77	0,05	0,14	0,26
	Pa-IVb	0,18	0,49	0,94	0,06	0,16	0,31
	Pa-V	0,49	0,95	1,54	0,15	0,31	0,51
<b>TOTAL IM 40 CREST</b>	<b>Pa Iva,b, PA V</b>	<b>0,83</b>	<b>1,85</b>	<b>3,25</b>	<b>0,26</b>	<b>0,61</b>	<b>1,08</b>
		MMBOE IN PLACE			MMBOE RECOVERABLE		
Prospect	Reservoir	Min	Best	Max	Min	Best	Max
IM 41 NORTH ca. 2120 m TVDS	Pa-IVa	0,13	0,38	0,75	0,04	0,13	0,25
	Pa-IVb	0,14	0,55	1,16	0,05	0,18	0,39
	Pa-V	0,56	1,16	1,96	0,17	0,37	0,62
<b>TOTAL IM 41 NORTH</b>	<b>Pa Iva,b, PA V</b>	<b>0,83</b>	<b>2,09</b>	<b>3,87</b>	<b>0,26</b>	<b>0,68</b>	<b>1,26</b>
<b>TOTAL IM 40 - 41 - AREA</b>		<b>1,66</b>	<b>3,94</b>	<b>7,12</b>	<b>0,52</b>	<b>1,29</b>	<b>2,34</b>

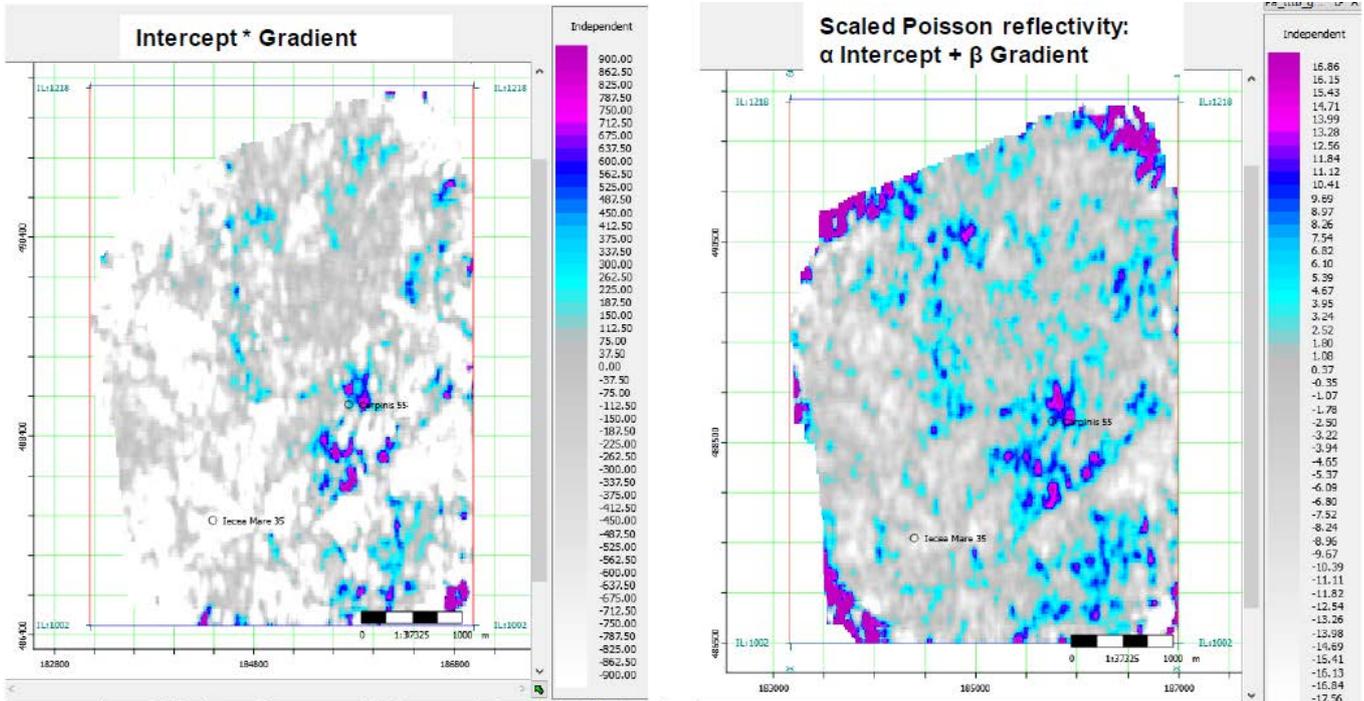
Table showing prospective resources estimates for the side-track and infill opportunities on the IM-40 structures

		MMBOE IN PLACE			MMBOE RECOVERABLE		
Prospect	Reservoir	Min	Best	Max	Min	Best	Max
IM 31B (ca. 2100 m TVDS) (without Badenian Exp.)	Pa-IVa	0,42	0,64	0,91	0,14	0,22	0,32
	Pa-IVb	0,39	0,68	1,05	0,13	0,24	0,37
	Pa-V	0,26	0,47	0,74	0,08	0,16	0,25
<b>TOTAL 31 B</b>	<b>Pa Iva,b, PA V</b>	<b>1,07</b>	<b>1,79</b>	<b>2,7</b>	<b>0,35</b>	<b>0,62</b>	<b>0,94</b>
		MMBOE IN PLACE			MMBOE RECOVERABLE		
Prospect	Reservoir	Min	Best	Max	Min	Best	Max
IM 32 NORTH (ca. 2125 m TVDS TD)	Pa-IVa	0,23	0,55	0,99	0,08	0,19	0,34
	Pa-IVb	0,21	0,36	0,55	0,073	0,13	0,19
	Pa-V	0,34	0,7	1,17	0,11	0,24	0,4
<b>TOTAL 32 NORTH</b>	<b>Pa Iva,b, PA V</b>	<b>0,78</b>	<b>1,61</b>	<b>2,71</b>	<b>0,263</b>	<b>0,56</b>	<b>0,93</b>
<b>TOTAL IM 31 &amp; 32 N</b>		<b>1,85</b>	<b>3,4</b>	<b>5,41</b>	<b>0,613</b>	<b>1,18</b>	<b>1,87</b>

Table showing prospective resources estimates for the side track and infill opportunities on the IM-31 structures

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In addition to the infill and sidetrack opportunities within the IM 31 and IM 40 oil field areas, 3D Amplitude-variation-with-offset (AVO) work has further confirmed the validity of the shallow gas target (PA III) at the IMIC-2 well site and provided further derisking.



**AVO attribute maps at Pa III gas reservoir level over entire Iacea Mare 3D area, showing that only the area around the ADX IMIC-2 well site south of well Carpinis 55 is likely to be gas bearing. This further de-risks the shallow gas play at the IMIC-2 site, which is within the Parta Exploration license**

Further work was undertaken on the IMIC-1 discovery at Pa IV level pointing towards an up dip appraisal location to the south. This area, however, requires new 3D seismic coverage to be considered as a mature drilling location. Despite the encouraging long-term pressure build up observed at IMIC-1, no further drilling work is considered unless new 3D seismic data set is acquired. Due to the default of Tamaska in relation to a farmin obligation to fund a 3D seismic program in the Parta exploration license, no further activity has yet been undertaken.

**Parta license exploration**

Operational activities in the Parta License were curtailed following the default by Tamaska in September 2020 in relation to a farmin obligation to fund a 3D seismic program in the Parta exploration license. During the year ADX continued to assess appraisal and exploration opportunities such as the IMIC-2 AVO work (detailed above), which further de-risked the shallow PA III gas play. It is however unlikely that further exploration drilling will be undertaken prior to the acquisition of additional 3D seismic data.

**Nilde Oil Field Redevelopment d 363C.R.-AX PERMIT - Offshore Italy**

*ADX is operator and holds 100% interest in the d 363C.R.-AX Exploration Permit*

*ADX has commenced a process with the Italian Designated Authority to convert the exclusively awarded application to a ratified license. This process was commenced after the award by the Ministry of Industry.*

No further activities have been undertaken since ADX was advised on the 4th of February 2019 that the Italian Parliament passed legislation to suspend exploration activities in all permits that have been approved or are in the process of being approved for a period of up to 18 months to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities. Due to the COVID-19 pandemic the suspension of exploration activities has been extended until further notice. At this stage it is unclear when the suspension of exploration activities will be lifted.

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**RESERVES REPORT**

**RESERVES REPORT - Gaiselberg and Zistersdorf Production Assets, Vienna Basin - Onshore Austria**

ADX purchased the Gaiselberg and Zistersdorf oil and gas fields in the Vienna basin, Austria in December 2019 from RAG E&P. The fields have been continuously producing since that time.

Since purchase of the fields, two Competent Person's Reports (CPR) have been undertaken by independent consultants engaged by ADX to undertake an audit for the developed reserves at the Vienna Basin Fields. The first CPR had an effective date of 31 December 2019 and the most recent CPR undertaken by RISC has an effective date of 1 July 2021. The results of the RISC CPR were announced on the ASX on 4 November 2021.

The developed reserves have been classified as producing and non-producing. The developed producing reserves comprise oil and gas quantities from existing producing wells and non-producing developed Reserves are from behind pipe reservoirs in existing wells which will become producing reserves once these wells have been perforated to access and produce intersected oil and gas.

A summary of the Austrian licence interests held by ADX is summarised below.

<b>ADXs Licence Interests, Vienna Basin, Austria</b>			
Block	Working Interest	Licence Expiry	Field(s)
Zistersdorf Field	100%	NA	Zistersdorf
Gaiselberg Field	100%	NA	Gaiselberg

Note: Both licence areas are covered by an Austrian mining law by which production rights are granted indefinitely.

A comparison of the RISC CPR assessment to the previous CPR assessment with an effective date of 31 December 2019, reported on 5 November 2020 is shown in the table below. The equivalent previously reported Reserves adjusted to 1 July 2021 are calculated by deducting production from 31 December 2019 to 1 July 2021. A positive variance of 215% and 154% respectively was estimated for the 1P and 2P developed reserves categories between the new RISC CPR reserves and the ADX previously reported CPR on 5 November 2020. The RISC CPR net present values (NPV) are shown for future Field cash flows for the corresponding reserves cases. All Reserves are based on PRMS Reserves classifications.

**Table Showing RISC CPR versus Previous CPR Reserves Comparison for ADX Vienna Basin Fields**

	1P Developed Producing and Non-Producing Reserves (BOE)	2P Developed Producing and Non-Producing Reserves (BOE)	3P Developed Producing and Non-Producing Reserves (BOE)
Reserves @ 31/12/2019 (Previous CPR)	540,000	890,000	1,510,000
LESS Production (18 months)	162,000	162,000	162,000
Previous reported reserves @ 1 July 2021	378,000	728,000	1,348,000
<b>RISC CPR reserves @ 1 July 2021</b>	<b>1,190,000</b>	<b>1,850,000</b>	
<i>Reserves increase</i>	<i>215%</i>	<i>154%</i>	
<b>RISC CPR NPV<sub>8</sub> (million)</b>	<b>EUR 5.7</b>	<b>EUR 15.9</b>	

Notes:

1. ADX holds a 100% working interest in the fields
2. The notional reference point for reserves is the permit boundary or export line inlet.
3. Deterministic evaluation methods have been used.
4. Associate gas resources includes inerts sold with the gas.
5. There is no fuel & flare consumption for the Fields.
6. BOE means barrels of oil equivalent including solution gas
7. Conversion factors are 1.124 m<sup>3</sup>/tonne oil, 165.4 sm<sup>3</sup> gas per boe and a gas Higher Heating Value of 40.7 MJ/sm<sup>3</sup>
8. Oil price forecast of US\$65/bbl (€55/bbl) flat from 2021 onwards.
9. Gas pricing forecast - summer price forecast is €0.14/m<sup>3</sup> and the winter price is €0.16/m<sup>3</sup>
10. Corporate income tax rate in Austria of 25% has been applied.
11. A currency conversion of 1.18 Euro per US\$ is used

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**RESERVES REPORT**

*Scope of RISC CPR*

RISC conducted an independent audit of ADX' field evaluations, including production forecasts, cost estimates and project economics. Production from existing wells is classified as Developed Producing. Production from planned recompletion of the existing wells to new intervals is classified as Developed Non-Producing.

The CPR provides an independent audit of the reserve and resource evaluation conducted by ADX including:

- 1P and 2P developed producing reserves;
- 1P and 2P developed non-producing reserves from upward recompletion of wells;
- 2C contingent resources if applicable; and
- Project economics and NPV.

RISC has also provided an assessment in relation to the validity ADX simulation case forecasts shown below.

*Comparison of RISC CPR results and ADX Reservoir Simulation Model*

ADX provided RISC with their full field geological and history matched dynamic models for the Neogene Sarmatian reservoirs in the Gaiselberg and Zistersdorf oil fields. This included the production history to end April 2021, the forecast schedule of workovers and activities, and forecasts for the smaller Gaiselberg and Zistersdorf reservoirs.

The RISC CPR is based on a review of new work undertaken by ADX in 2021 as follows:

- both historical and ongoing field and well production data;
- a reprocessed 3D data seismic dataset, revised petrophysics and the extensive field well data base incorporated into a 3D geological model for the field;
- a history matched reservoir simulation model; and
- the utilisation of a reservoir simulation model to forecast future production and reserves estimates (ADX Simulation Model).

The Table below shows a breakdown of producing versus producing and non-producing reserves as well as a comparison. Non-producing or behind pipe reserves comprise approximately 50% of the reserves and represent a significant value driver for Field cash flow and economics.

**Table below shows a breakdown of RISC CPR and ADX Simulation Model Results**

	1P Reserves (RISC)	2P Reserves (RISC)	ADX Simulation Model Results <sup>(Note 1)</sup>
Developed producing (BOE)	440,000	960,000	1,760,000
Developed non-producing (BOE)	750,000	900,000	1,460,000
<b>Total Developed (BOE)</b>	<b>1,190,000</b>	<b>1,850,000</b>	<b>3,220,000</b>
<i>Economic Life (Producing / Producing + non-producing)</i>	<i>2028/2039</i>	<i>2036/2041</i>	<i>2049/2055</i>
<b>NPV <sub>8</sub> (Euro million) <sup>Note 2</sup></b>	<b>5.70</b>	<b>15.90</b>	<b>25.90</b>

Note 1: RISC consider the ADX simulation model is fit for purpose and useful for quantifying recompletion opportunities. RISC consider the simulation forecast to be a high case unless validated by further performance and an intermediate case is used as 2P.

Note 2: NPV shown are post tax and based on an oil price of US\$ 65 per barrel flat from 2021 onwards. NPV shown are discounted at 8% real (approximately 10% nominal). NPV shown does not necessarily equate to fair market value.

**ADX ENERGY LTD**  
**RESERVES REPORT**

*2021 Oil and Gas Production*

The following table shows oil and gas production from the Gaiselberg and Zistersdorf fields during the entire 2021 Calendar and the production for the last 6 months since the RISC CPR effective date of 1 July 2021.

**Table below shows oil and gas production for full year 2021 and second half of 2021**

	Full Year	July 1 to December 31
Oil Production (BOE)	95,163	44,280
Gas Production (BOE)	8,604	4,090
<b>Total Production (BOE)</b>	<b>103,767</b>	<b>48,370</b>

*2021 Year End Reserves Reconciliation.*

The following table summarise ADX's unaudited estimates of developed Reserves as of 31 December 2021, based on the RISC CPR audited developed Reserves as of 1 July 2021 less production from the Gaiselberg and Zistersdorf fields during the intervening 6 month period.

**ADX's unaudited developed Reserves as of 31 December 2021**

	1P Reserves (RISC)	2P Reserves (RISC)
Developed producing (BOE)	440,000	960,000
Developed non-producing (BOE)	750,000	900,000
<b>Total Developed (BOE) @ 1 July 2021</b>	<b>1,190,000</b>	<b>1,850,000</b>
Production - 1 July to 31 December 2021	48,370	48,370
<b>Total Developed (BOE) @ 31 December 2021</b>	<b>1,141,630</b>	<b>1,801,630</b>

**Notes**

1. Reserves are based on the working interest share of the field gross Reserves and are prior to deduction of any royalties.
2. Developed Producing Reserves comprise production from existing producing wells.
3. Developed Non-Producing Reserves comprise production from future completions of behind pipe reservoirs.
4. Totals may not sum arithmetically due to rounding.
5. The term Barrels of Oil Equivalent (BOE) allows for a single value to represent the sum of all the hydrocarbon products that are forecast as resources. Gas quantities are converted to an oil equivalent based on a conversion factor that is recommended to be based on a nominal heating content or calorific value equivalent to a barrel of oil.

*Reporting Standards*

Reserves and resources are reported in accordance with the definitions of reserves, contingent resources and prospective resources and guidelines set out in the Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG), Society of Petrophysicists and Well Log Analysts (SPWLA) and European Association of Geoscientists and Engineers (EAGE), revised June 2018.

**ADX ENERGY LTD**  
**RESERVES REPORT**

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PRMS Reserves Classifications Used

**1P** Denotes low estimate of Reserves (i.e., Proved Reserves). Equal to P1.

**2P** Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.

**3P** Denotes high estimate of Reserves. The sum of Proved plus Probable plus Possible Reserves.

1. **Developed Reserves** are quantities expected to be recovered from existing wells and facilities.
  - a. *Developed Producing Reserves* are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
  - b. *Developed Non-Producing Reserves* include shut-in and behind-pipe reserves with minor costs to access.
2. **Undeveloped Reserves** are quantities expected to be recovered through future significant investments.

A. **Proved Reserves** are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

B. **Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

C. **Possible Reserves** are those additional Reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves that are located outside of the 2P area (not upside quantities to the 2P scenario) may exist only when the commercial and technical maturity criteria have been met (that incorporate the possible development scope). Standalone Possible Reserves must reference a commercial 2P project.

**Persons compiling information about Hydrocarbons.** Pursuant to the requirements of the ASX Listing Rule 5.31, the unaudited technical and reserves information contained in this report has been prepared under the supervision of Mr Paul Fink. Mr Fink is Technical Director of ADX Energy Limited, is a qualified geophysicist with 23 years of technical, commercial and management experience in exploration for, appraisal and development of oil and gas resources. Mr. Fink has consented to the inclusion of this information in the form and context in which it appears. Mr. Fink is a member of the EAGE (European Association of Geoscientists & Engineers) and FIDIC (Federation of Consulting Engineers).

RISC has conducted an independent audit of the developed Reserves and consented to the inclusion of information specified as RISC audited values in this report.

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

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Your Directors present their report for the year ended 31 December 2021.

**DIRECTORS**

The names and particulars of the Directors of the Company in office during the year and up to the date of this report were as follows. Directors were in office for the entire year unless otherwise stated.

**Ian Tchacos**

**B.Eng (Mech.)**

*Executive Chairman (Appointed 2 March 2010)*

Mr Tchacos was appointed as Non Executive Chairman of ADX on 2 March 2010 and appointed as Executive Chairman on 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: 3D Oil Limited (current).*

**Paul Fink**

**MSc (Geophysics)**

*Executive Director (Appointed 25 February 2008)*

Mr Fink has over 30 years of petroleum exploration and production industry experience in technical and management positions. He is a graduate from the Mining University of Leoben, Austria and started his career as a seismic data 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 Paul started his own petroleum consultancy working on projects in Romania and as Vice President for Focus Energy, leading their highly successful exploration and development campaign in Western India. Paul was a key team member for the resulting highly successful IPO on the London Stock Exchange (Indus Gas) which led to a market capitalisation of over GBP 1.5 MM, partly due to 3<sup>rd</sup> party reserves audits managed by Paul.

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

**Andrew Childs**

**BSc (Geology and Zoology)**

*Non-Executive Director (Appointed 11 November 2009)*

Mr Childs graduated from the University of Otago, New Zealand in 1980 with a Bachelor of Science in Geology and Zoology. Having started his professional career as an Exploration Geologist in the Eastern Goldfields of Western Australia, Mr Childs moved to petroleum geology and geophysics with Perth based Ranger Oil Australia (later renamed Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director. Mr Childs is Chairman of Sacgasco Limited and Managing Director of Petroleum Ventures Pty Ltd.

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

**Edouard Etienvre**

**MSc (Management)**

*Non-Executive Director (Appointed 7 January 2020)*

Mr Etienvre is an energy and natural resources executive and entrepreneur with over 15 years of experience in the oil and gas, mining, shipping and offshore facilities sectors initially with banks including sell-side equity research and reserve-based lending. More recently his experience has included positions with private and public E&P companies, ship owners and offshore facilities owners, mining companies and a mid-size trading group managing investments in companies active in the oil and gas sector. Mr Etienvre has extensive commercial, business development, risk assessment, management and project management experience and expertise including deal sourcing, transaction structuring, commercial negotiations and financing including debt, equity, off-take finance, vendor finance and reverse take-overs with TSX-V and LSE listed companies.

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

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

**COMPANY SECRETARIES**

**Peter Ironside B.Com, CA**

*Appointed 8 March 1995*

Mr Ironside has a Bachelor of Commerce Degree and is a Chartered Accountant and business consultant with over 40 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 E79 Gold Mines Limited and Stavely Minerals Limited.

**Amanda Sparks B.Bus, CA, F.Fin**

*Appointed 6 October 2015*

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

**MEETINGS OF DIRECTORS**

During the year, 1 meeting of directors was held. The number of meetings attended by each director during the year is as follows:

Name of Director	Meeting Held	Meetings Attended	Circular Board Resolutions
I Tchacos	1	1	20
P Fink	1	1	20
A Childs	1	1	20
E Etienvre	1	1	20

**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.

	I Tchacos	P Fink	A Childs	E Etienvre
<b>Shares</b>				
Ordinary fully paid shares	<b>80,022,999</b>	<b>93,879,962</b>	<b>25,388,524</b>	<b>10,750,260</b>
<b>Options</b>				
Unlisted Options, Ex Price \$Nil, Expiry 31/10/2023	3,954,545	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/1/2024	4,106,250	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 26/6/2024	6,000,000	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/7/2024	6,078,125	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/10/2024	5,116,071	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/1/2025	7,250,000	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/5/2025	3,145,833	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/7/2025	2,456,250	-	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/10/2025	3,294,642	3,026,785	-	-
Unlisted Options, Ex Price \$Nil, Expiry 31/1/2026	1,857,954	943,525	-	-
<b>Total Options</b>	<b>43,259,670</b>	<b>3,970,310</b>	-	-

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

**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 year as follows:

ADX Energy Ltd	-	parent entity
AuDAX Energy Srl	-	100% owned Italian controlled entity
Bull Petroleum Pty Ltd	-	100% owned Australian controlled entity (dormant)
Terra Energy Limited	-	100% owned UK controlled entity
ADX VIE GmbH	-	Terra Energy Limited owns 100% of this Austrian controlled entity
Danube Petroleum Limited	-	49.18% owned UK controlled entity
ADX Energy Panonia Srl	-	Danube Petroleum Limited owns 100% of this Romanian controlled entity
Kathari Energia Limited	-	100% owned UK controlled entity

Subsequent to year end, Kathari Energia Limited incorporated a new Austrian subsidiary, Kathari Energia GmbH.

**Principal Activity**

The principal activities of the Group during the year were oil and gas production, appraisal and exploration.

**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 2021	Consolidated 31 December 2020
	\$	\$
Cash and cash equivalents held at year end	5,938,517	2,144,469
Net profit/(loss) for the year after tax	(4,346,264)	(4,486,676)
Non-controlling interest in loss for the year	(174,666)	(206,611)
Included in loss for the year:		
Operating revenue	9,637,007	6,833,016
Cost of sales – operating costs	(5,705,718)	(5,035,455)
Cost of sales – depreciation/amortisation	(2,828,081)	(3,004,005)
Exploration expensed	(2,455,477)	(1,231,427)
Basic profit/(loss) per share from continuing operations	(0.16) cents	(0.25) cents
Net cash (used in) operating activities	(2,253,107)	(1,451,154)
Net cash (used in) investing activities	174,011	(3,777,049)
Net cash from financing activities	5,971,827	2,302,214)

During the year:

- Exploration expenditure was \$2,455,477. This was expenditure primarily for Austria \$1,532,778, new ventures \$773,913 and Romania \$148,786.

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

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Production from ADX's Zistersdorf and Gaiselberg Fields in Austria was as follows:

	31 December 2021	31 December 2020
Crude Oil Sold (Barrels)	95,163	92,487
Gas Sold (Boe)	8,604	11,717
Total Oil Equivalent (Boe)	103,767	104,204
Average Production Rate (Boepd)	284	285

#### *Share Purchase Plan*

On 29 January 2021, the Share Purchase Plan (SPP) closed significantly oversubscribed, with the Company receiving applications totalling approximately A\$ 3.6 million, well in excess of the targeted amount of A\$ 1 million. In recognition of the strong show of support by shareholders for the Company's recently announced growth initiatives, the ADX Board has resolved to use its discretion to accept oversubscriptions and increase the size of the SPP to approximately A\$ 3.0 million and to issue 500,000,951 shares.

Under the SPP, each Eligible Shareholder was entitled to subscribe for up to A\$ 30,000 of new fully paid ordinary shares in the Company at the issue price of A\$ 0.006 per share, subject to scale back. The SPP forms part of the capital raising as announced on 15 December 2020, which also comprised a Placement to institutional and sophisticated investors raising A\$ 1.3 million at A\$ 0.006 per share.

In addition, one (1) free attaching unlisted option was offered for every two (2) shares issued under the SPP ("SPP Options"). The exercise price of the SPP Options is A\$ 0.008 with an expiry date of 15 June 2021. The offer of SPP Options was made separately under a prospectus (Prospectus). The issue of the SPP Options under the Prospectus was approved by Shareholders at a General Meeting held on Friday 19 February 2021.

Funds raised by the Placement and the SPP are being used to supplement ADX's cash requirements for the Company's key projects as well as growth opportunities in Austria and for working capital purposes. The Austrian growth opportunities include the payment of a bank guarantee to the Austrian Mining Authority for the recently announced Molasse basin exploration and appraisal licenses in Upper Austria as well as well work overs on its producing Gaiselberg and Zistersdorf fields in the Vienna basin. Funds were secured during the quarter for this bank guarantee.

#### *Placement Raising A\$ 2.8 million*

On 8 December 2021, ADX advised it had successfully raised \$ 2.8 million from a placement of 284,700,000 shares at a price of \$ 0.01 per share to sophisticated, institutional and professional investors (the Placement). One (1) free attaching unlisted option was issued for every two (2) Placement Shares. The exercise price of the Placement Options is \$ 0.015 with an expiry date of 30 June 2022.

Funds raised by the Placement will be used to supplement ADX' cash requirements for the Company's ongoing exploration activities including testing the successful Anshof-3 well, feasibility work relating to the Vienna Basin green hydrogen (H<sub>2</sub>) production and storage project, the Geothermal Pilot Project in collaboration with Siemens Energy and RED as well as license fees for the extension of ADX' exploration licences in Upper Austria.

#### *Exercise of Options*

During the year, 167,605,653 shares were issued upon exercise of unlisted options (\$0.008/share, expiring 15 June 2021). Proceeds from the exercise of these options was \$1,340,847.

#### **DIVIDENDS**

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

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

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**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.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

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

**FUTURE DEVELOPMENTS**

The Company intends to continue its production operations in Austria and continue its' exploration and development 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:

	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Unlisted Options	67,500,020	1.0 cents	26/05/2022
Unlisted Options	146,737,500	1.5 cents	30/06/2022
Unlisted Options	3,954,545	Nil cents	31/10/2023
Unlisted Options	67,500,020	1.5 cents	26/11/2023
Unlisted Options	4,106,250	Nil cents	31/01/2024
Unlisted Options	6,000,000	Nil cents	26/06/2024
Unlisted Options	6,078,125	Nil cents	31/07/2024
Unlisted Options	5,116,071	Nil cents	31/10/2024
Unlisted Options	7,250,000	Nil cents	31/01/2025
Unlisted Options	3,145,833	Nil cents	31/05/2025
Unlisted Options	2,456,250	Nil cents	31/07/2025
Unlisted Options	6,321,427	Nil cents	31/10/2025
Unlisted Options	2,801,479	Nil cents	31/01/2026
Total Options	<u>328,967,520</u>		

No optionholder 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.

**PERFORMANCE RIGHTS**

	<b>Number</b>
Unlisted Performance Rights	<u>46,086,012</u>

In September 2021, ADX issued 46,086,012 performance rights to its employees in Austria. Performance criteria have been attached to these rights for the period to 31 December 2021. The quantum of shares that will be issued will be determined in quarter one of 2022 after the Board has reviewed the Performance Targets on each employee's score card and determined the percentage of each target met.

**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**

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**REMUNERATION REPORT (AUDITED)**

The Directors present the 2021 Remuneration Report, outlining key aspects of ADX' remuneration policy and framework, together with remuneration awarded this year.

The report is structured as follows:

- A. Key management personnel (KMP) covered in this report
- B. Remuneration policy, link to performance and elements of remuneration
- C. Contractual arrangements of KMP remuneration
- D. Remuneration awarded
- E. Equity holdings and movement during the year
- F. Other transactions with key management personnel
- G. Use of remuneration consultants
- H. Voting of shareholders at last year's annual general meeting

**A. KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT**

For the purposes of this report key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise).

**Key Management Personnel during the Year**

**Directors**

Ian Tchacos	-	Executive Chairman
Paul Fink	-	Executive Director
Andrew Childs	-	Non-Executive Director
Edouard Etienvre	-	Non-Executive Director

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

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

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

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Transparency; and
- Capital management.

**Remuneration Philosophy**

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

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

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

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

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

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

**Remuneration Committee**

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered efficient for ADX. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and payments are provided to shareholders in the annual report and on the web. The Board has adopted the following policies for Directors' and executives' remuneration.

**Non-Executive directors' remuneration**

Non-executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-executive Directors' remuneration may include an incentive portion consisting of options or similar instruments, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with ASX listing rules.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-executive Directors when undertaking the annual review process. Fees for Non-Executive directors are not linked to the performance of the Group.

**Executive Director Remuneration**

In determining the level and make-up of Executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is compared with the external market by reviewing industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

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

Executives remuneration is currently a fixed consulting fee based on a daily rate for actual days worked.

Long term incentives granted to Executives are delivered in the form of options. The option incentives granted are aimed to motivate Executives to pursue the long term growth and success of the Company within an appropriate control framework and demonstrate a clear relationship between key Executive performance and remuneration. Director options are granted at the discretion of the Board and approved by shareholders. Performance hurdles are not attached to vesting periods; however the Board may determine appropriate vesting periods to provide rewards over a period of time to key management personnel. During the year there were no performance related payments made.

***C. CONTRACTUAL ARRANGEMENTS OF KMP REMUNERATION***

On appointment to the board, all Non-Executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director. Non-Executive Directors are paid a fee of \$ 33,000 per annum, inclusive of any superannuation if applicable. In accordance with the Company's Directors' Share Plan (Salary Sacrifice), part may be paid in cash, and part in shares.

**ADX ENERGY LTD**

**DIRECTORS' REPORT**

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

<b>Name</b>	<b>Term of agreement</b>	<b>Base annual remuneration inclusive of superannuation at 31/12/21</b>	<b>Termination benefit</b>
I Tchacos – Executive Chairman – Technical Consultancy	Term of 2 years commencing 1 July 2020	Technical consulting - \$1,500 per day (cash)	2 months (up to \$18,000)
I Tchacos – Executive Chairman – Corporate Consultancy	Ongoing	Corporate consulting - \$500/month (cash) plus options subject to Board and Shareholder approval for additional work at a value of \$1,500 per day  In addition, I Tchacos receives Directors fees of \$25,000 pa. 80% paid in cash, 20% paid in equity (subject to Shareholder approval)	2 months (up to \$18,000)
P Fink – Executive Director – Consultancy with ADX Energy Ltd	Term of 2 years commencing 1 July 2020	Retainer of \$500 per month (cash) plus consulting at \$1,500 per day (50% cash and 50% equity (options), subject to shareholder approval)  In addition, P Fink receives Directors fees of \$25,000 pa. 80% paid in cash, 20% paid in equity (subject to Shareholder approval)	2 months (up to \$18,000)
P Fink – Executive Director – Consultancy with ADX VIE GmbH	No written agreement	Consulting at EUR 900 per day	None
E Etienvre – Non-Executive Director – Consultancy with ADX Energy Ltd	Term of 2 years commencing 1 July 2020	Consulting at \$1,500 per day (50% cash and 50% equity (shares), subject to shareholder approval)  In addition, E Etienvre receives non-executive Directors fees of \$33,000 pa. 61% paid in cash, 39% paid in equity (subject to Shareholder approval). E Etienvre also receives Director fees from 49% owned subsidiary, Danube Petroleum Limited of GBP 12,000 per annum	1 month (up to \$7,500)

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

**D. REMUNERATION OF KEY MANAGEMENT PERSONNEL**

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

2021	Cash salary, directors fees and consulting fees, including accruals* \$	Post Employment	Share Based	Share Based	Total \$
		Superannuation \$	Shares (in lieu of cash fees) <sup>(1)</sup> \$	Options (in lieu of cash consulting fees) <sup>(1)</sup> \$	
<b>Directors</b>					
I Tchacos	290,372	2,754	3,750	75,938	372,814
P Fink	318,297	-	3,750	63,328	385,375
A Childs	30,069	2,931	-	-	33,000
E Etienvre	82,518	-	36,094	-	118,612
<b>TOTAL 2021</b>	<b>721,256</b>	<b>5,685</b>	<b>43,594</b>	<b>139,266</b>	<b>909,801</b>

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

\* Includes accruals of fees paid subsequent to year end via equity.

2020	Cash salary, directors fees and consulting fees, including accruals* \$	Post Employment	Share Based	Share Based	Share Based	Total \$
		Superannuation \$	Shares (in lieu of cash fees) <sup>(1)</sup> \$	Options (in lieu of cash consulting fees) <sup>(1)</sup> \$	Options (sign-on) <sup>(3)</sup> \$	
<b>Directors</b>						
I Tchacos	255,301	2,665	3,750	114,281	-	375,997
P Fink	297,417	-	3,750	89,775	-	390,942
A Childs	30,137	2,863	-	-	-	33,000
E Etienvre <sup>(2)</sup>	82,082	-	9,505	-	14,688	106,275
R Brown <sup>(2)</sup>	330	55	250	-	-	635
P Haydn-Slater <sup>(2)</sup>	16,948	-	-	-	-	16,948
<b>TOTAL 2020</b>	<b>682,215</b>	<b>5,583</b>	<b>17,255</b>	<b>204,056</b>	<b>14,688</b>	<b>923,797</b>

<sup>(2)</sup> Edouard Etienvre was appointed 7 January 2020. Robert Brown resigned 7 January 2020, and Philip Haydn-Slater resigned 7 April 2020.

<sup>(3)</sup> Other Options. These represent the amount expended for options granted and vested in the 2020 year.

There were no performance related payments made during the year. Performance hurdles are not attached to remuneration options.

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

**Share-based Compensation**

**Shares:**

The Company's Directors' Share Plan (Salary Sacrifice), allows for shares to be issued on a quarterly basis according to the Directors' fees owing to each of the Directors at that time, at an issue price of no less than the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of the corresponding calendar quarter in which the Directors' fees were incurred. The shares are issued after Shareholder approval.

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

<b>Date Issued</b>	<b>Number of Shares</b>	<b>Value based on 90 Day VWAP \$</b>	<b>In lieu of part remuneration for the quarter ended</b>
16/02/2021	958,332	5,750	31/12/2020
1/06/2021	3,710,937	22,266	2020 Year (E Etienvre)
1/06/2021	1,771,699	15,945	31/03/2021
4/08/2021	1,310,935	13,109	30/06/2021
23/11/2021	2,077,005	14,539	30/09/2021
	9,828,908	71,609	
<b>Issued Subsequent to Year End</b>			
8/02/2022	902,728	9,930	31/12/2021
Not yet issued	112,184	1,234	31/12/2021

Summarised as:

<b>Director</b>	<b>2021 Number of Shares</b>	<b>2021 \$</b>
Ian Tchacos	650,790	5,000
Paul Fink	650,790	5,000
Andrew Childs	-	-
Edouard Etienvre	8,527,328	61,609
Issued during the year	9,828,908	71,609

**Options:**

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

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

<b>Date Issued</b>	<b>Number of Options</b>	<b>Value based on 90 Day VWAP \$</b>	<b>In lieu of part remuneration for the quarter ended</b>
16/02/2021	9,882,811	59,297	31/12/2020
1/06/2021	5,302,085	47,719	31/03/2021
4/08/2021	4,729,688	47,297	30/06/2021
23/11/2021	6,321,427	44,250	30/09/2021
	26,236,011	198,563	
<b>Issued Subsequent to Year End</b>			
8/02/2022	2,801,479	30,816	31/12/2021
Not yet issued	543,691	5,981	31/12/2021

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

Summarised as:

<b>Director</b>	<b>2021</b> <b>Number of Options</b>	<b>2021</b> <b>\$</b>
Ian Tchacos	16,146,725	119,438
Paul Fink	10,089,286	79,125
	<u>26,236,011</u>	<u>198,563</u>

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

**Shares issued to Key Management Personnel on exercise of compensation options**

During the year to 31 December 2021, 26,369,420 compensation options exercised by Directors or other Key Management Personnel (2020: 32,405,165). A summary of options exercised by Directors is as follows:

	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Ian Tchacos</b>			
Unlisted Options	6,000,000	Nil cents	31/05/2023
<b>Paul Fink</b>			
Unlisted Options	6,578,571	Nil cents	26/06/2024
Unlisted Options	3,373,438	Nil cents	31/07/2024
Unlisted Options	3,354,910	Nil cents	31/10/2024
Unlisted Options	2,632,811	Nil cents	31/01/2025
Unlisted Options	2,156,252	Nil cents	31/05/2025
Unlisted Options	2,273,438	Nil cents	31/07/2025
<b>Total exercised</b>	<u><b>26,369,420</b></u>		

**E. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR**

**(a) Shareholdings of Key Management Personnel**

<b>Year ended 31 Dec 2020</b>	<b>Balance at beginning of the year</b>	<b>Options exercised</b>	<b>Granted as remuneration</b>	<b>Share Purchase Plan</b>	<b>On-market Trades (purchases)</b>	<b>On-market Trades (sales)</b>	<b>Balance at end of the year</b>
I Tchacos	60,095,625	6,000,000	650,790	2,000,000	-	-	68,746,415
P Fink	70,802,209	20,369,420	650,790	2,000,000	-	-	93,822,419
A Childs	25,388,524	-	-	-	-	-	25,388,524
E Etienvre	1,435,290	-	8,527,328	-	-	-	9,962,618
	<u>157,721,648</u>	<u>26,369,420</u>	<u>9,828,908</u>	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u><b>197,919,976</b></u>

**(b) Option holdings of Key Management Personnel**

<b>Year ended 31 Dec 2020</b>	<b>Balance at beginning of the year</b>	<b>Granted as remuneration</b>	<b>Share Purchase Plan - Options</b>	<b>Options exercised</b>	<b>Options expired</b>	<b>Balance at end of the year</b>	<b>Not exercisable</b>	<b>Exercisable</b>
I Tchacos	42,474,032	16,146,725	1,000,000	(6,000,000)	(1,000,000)	52,620,757	-	52,620,757
P Fink	13,306,919	10,089,286	1,000,000	(20,369,420)	(1,000,000)	3,026,785	-	3,026,785
A Childs	-	-	-	-	-	-	-	-
E Etienvre	5,000,000	-	-	-	(5,000,000)	-	-	-
	<u>60,780,951</u>	<u>26,236,011</u>	<u>2,000,000</u>	<u>(26,369,420)</u>	<u>(7,000,000)</u>	<u><b>55,647,542</b></u>	<u>-</u>	<u>55,647,542</u>

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

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**F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL**

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

**G. USE OF REMUNERATION CONSULTANTS**

No remuneration consultants were engaged by ADX during the year.

**H. VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING**

The Company received more than 98.9% of "yes" votes on its Remuneration Report for the 2020 year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**END OF THE AUDITED REMUNERATION REPORT**

**SUBSEQUENT EVENTS**

Equity Issues in Lieu of Remuneration

Subsequent to year end, on 8 February 2022, ADX issued the following shares and options. These amounts were accrued in the 31 December 2021 financial statements:

- a. 902,728 shares issued pursuant to ADX' Directors' Share Plan, approved by Shareholders on 28 May 2021. The shares were issued to directors in consideration of remuneration elected to be paid via shares for the quarter ended 31 December 2021 (\$9,930).
- b. 4,063,751 shares issued to ADX's Company Secretaries and consultants in consideration of remuneration elected to be paid via shares for the quarter ended 31 December 2021 (\$42,847).
- c. 2,801,479 Options granted to Directors Ian Tchacos and Paul Fink, as approved by Shareholders on 28 May 2021. The options were granted in consideration of consultancy fees remuneration elected to be paid via options for the quarter ended 31 December 2021 (value \$30,816). The options have a nil exercise price and expire on 31 October 2025.

Additional Hedging

In January 2022, ADX executed further hedging transactions with Britannic Trading Limited (trading entity of BP) ("BTL") for a zero collar contract with a pricing floor at USD 73.00 per barrel (put option strike price) and a cap at USD 82.60 per barrel (call option strike price). The contracted volumes represent approximately 35% of the 1P production between 1 January 2022 and 31 March 2022 then 60% of the 1P production for April 2022 from its Gaiselberg and Zistersdorf fields in the Vienna basin. The total volume of oil production covered by the zero collar contract is 11,210 barrels during the 4-month period of hedging from January to April 2022 inclusive (the Hedge Period). With the new zero cost collar contract, ADX will receive for these 11,210 barrels a Brent price of no less than USD 73.00 per barrel and up to USD 82.60 per barrel based on the average Brent price for each month over the Hedge Period.

Exercise of Unlisted Options

On 8 February 2022, Director Ian Tchacos exercised 11,219,041 unlisted options with a nil exercise price.

Russia-Ukraine Conflict

The impact of the Russia-Ukraine conflict, which commenced on 20 February 2022, is restricting global supply of oil and gas, thereby contributing to increased upward pressure on oil and gas price volatility. The situation is ongoing and dependent upon a resolution to the conflict and the associated trade embargoes that are continuing to emerge.

COVID-19

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential future impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

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There are no other matters or circumstances that have arisen since 31 December 2021 that have or may significantly affect the operations, results, or state of affairs of the Group in future 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***

**Auditor's independence - section 307C**

The Auditor's Independence Declaration is included on page 42 of this report.

**Non-Audit Services**

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

Signed in accordance with a resolution of the Directors.



Ian Tchacos  
Executive Chairman

Dated this 31<sup>st</sup> day of March 2022



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

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001**

As lead auditor of the audit of ADX Energy Ltd for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ADX Energy Ltd and the entities it controlled during the year.

**Rothsay Auditing**

A handwritten signature in black ink, appearing to read 'Donovan Odendaal', written over a light blue horizontal line.

**Donovan Odendaal**  
**Partner**  
**31 March 2022**

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

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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 2021 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 year ended 31 December 2021.

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



Ian Tchacos  
Executive Chairman

Dated this 31<sup>st</sup> day of March 2022

**ADX ENERGY LTD**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Consolidated	
		Year ended 31 Dec 2021	Year ended 31 Dec 2020
		\$	\$
Operating revenue	2	9,637,007	6,833,016
Cost of sales	2	(8,533,799)	(8,039,460)
<b>Gross profit</b>		<b>1,103,208</b>	<b>(1,206,444)</b>
Other income		78,248	454
<b>Other Expenses:</b>			
Administration, staff and corporate expenses, net of recoveries from exploration projects	2	(3,283,744)	(2,902,152)
Exploration expensed		(2,455,477)	(1,231,427)
Finance costs	2	(272,374)	(286,051)
Loss on windup of subsidiary		-	(51,885)
Reversal of provision for abandonment - Tunisia	13	-	258,184
Loss on disposal of plant and equipment		(8,652)	(26,602)
<b>Profit/(loss) before income tax</b>		<b>(4,838,791)</b>	<b>(5,445,923)</b>
Income tax benefit/(expense)	4	492,527	959,247
<b>Profit/(loss) after income tax</b>		<b>(4,346,264)</b>	<b>(4,486,676)</b>
Profit/(loss) is attributable to:			
Owners of ADX Energy Ltd		(4,171,598)	(4,280,065)
Non-Controlling Interest	16	(174,666)	(206,611)
		<b>(4,346,264)</b>	<b>(4,486,676)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(433,977)	139,113
Hedge accounting	17	143,081	(250,470)
Income tax relating to items of other comprehensive income/(loss)		-	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>(290,896)</b>	<b>(111,357)</b>
<b>Total comprehensive profit/(loss) for the year</b>		<b>(4,637,160)</b>	<b>(4,598,033)</b>
Total comprehensive loss is attributable to:			
Owners of ADX Energy Ltd		(4,278,568)	(4,375,599)
Non-Controlling Interest		(358,592)	(222,434)
		<b>(4,637,160)</b>	<b>(4,598,033)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b>		<b>Cents Per Share</b>	<b>Cents Per Share</b>
Basic earnings/(loss) per share	5	(0.16)	(0.25)

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

**ADX ENERGY LTD**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2021

		<b>Consolidated</b>	
		<b>31 December</b>	<b>31 December</b>
		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	5,938,517	2,144,469
Other receivables	7	2,820,819	1,619,229
Inventories	8	1,086,842	999,446
<b>Total Current Assets</b>		<b>9,846,178</b>	<b>4,763,144</b>
<b>Non-Current Assets</b>			
Other receivables	7	830,976	190,914
Oil and gas properties	9	23,866,044	23,952,807
Right of Use Assets	10	356,545	484,880
Deferred tax assets	4	1,237,277	1,404,728
<b>Total Non-Current Assets</b>		<b>26,290,842</b>	<b>26,033,329</b>
<b>Total Assets</b>		<b>36,137,020</b>	<b>30,796,473</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	4,885,542	1,948,686
Borrowings	12	3,212,532	902,654
Lease liabilities – right of use assets	10	129,700	121,870
Provisions	13	312,203	294,585
<b>Total Current Liabilities</b>		<b>8,539,977</b>	<b>3,267,795</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	4	-	556,141
Borrowings	12	1,175,064	3,945,489
Lease liabilities – right of use assets	10	273,607	364,524
Provisions	13	14,463,215	13,969,628
<b>Total Non-Current Liabilities</b>		<b>15,911,886</b>	<b>18,835,782</b>
<b>Total Liabilities</b>		<b>24,451,863</b>	<b>22,103,577</b>
<b>Net Assets</b>		<b>11,685,157</b>	<b>8,692,896</b>
<b>Equity</b>			
Issued capital	14	81,435,632	74,334,593
Reserves	15	3,675,722	6,419,852
Accumulated losses		(81,904,875)	(80,898,819)
Capital and reserves attributable to owners of ADX Energy Ltd		3,206,479	(144,374)
Non-controlling interests	16	8,478,678	8,837,270
<b>Total Equity</b>		<b>11,685,157</b>	<b>8,692,896</b>

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

**ADX ENERGY LTD**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non- controlling Interest	Total Equity \$
<b>At 1 January 2020</b>	<b>71,889,435</b>	<b>6,189,581</b>	<b>(76,618,754)</b>	<b>9,059,704</b>	<b>10,519,966</b>
Loss for the year	-	-	(4,280,065)	(206,611)	(4,486,676)
Other comprehensive income/(loss)	-	(95,534)	-	(15,823)	(111,357)
<b>Total comprehensive loss for the year, net of tax</b>	<b>-</b>	<b>(95,534)</b>	<b>(4,280,065)</b>	<b>(222,434)</b>	<b>(4,598,033)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	2,570,927	-	-	-	2,570,927
Cost of issue of share capital	(125,769)	-	-	-	(125,769)
Share based payments	-	325,805	-	-	325,805
	2,445,158	325,805	-	-	2,770,963
<b>As at 31 December 2020</b>	<b>74,334,593</b>	<b>6,419,852</b>	<b>(80,898,819)</b>	<b>8,837,270</b>	<b>8,692,896</b>
<b>At 1 January 2021</b>	<b>74,334,593</b>	<b>6,419,852</b>	<b>(80,898,819)</b>	<b>8,837,270</b>	<b>8,692,896</b>
Loss for the year	-	-	(4,171,598)	(174,666)	(4,346,264)
Other comprehensive income/(loss)	-	(106,970)	-	(183,926)	(290,896)
<b>Total comprehensive loss for the year, net of tax</b>	<b>-</b>	<b>(106,970)</b>	<b>(4,171,598)</b>	<b>(358,592)</b>	<b>(4,637,160)</b>
Transfer of reserves to accumulated losses	-	(3,165,542)	3,165,542	-	-
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	7,466,376	-	-	-	7,466,376
Cost of issue of share capital	(365,337)	-	-	-	(365,337)
Share based payments	-	528,382	-	-	528,382
	7,101,039	528,382	-	-	7,629,421
<b>As at 31 December 2021</b>	<b>81,435,632</b>	<b>3,675,722</b>	<b>(81,904,875)</b>	<b>8,478,678</b>	<b>11,685,157</b>

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

**ADX ENERGY LTD**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

		<b>Consolidated</b>	
		<b>Year ended</b>	<b>Year ended</b>
		<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
<b>Note</b>		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
	Receipts in the ordinary course of activities	10,131,820	7,657,058
	Payments to suppliers and employees, including for exploration expensed	(12,350,509)	(9,035,377)
	Government subsidies	171,688	195,050
	Interest received	258	454
	Interest paid	(206,364)	(268,339)
	<b>Net cash flows used in operating activities</b>	<u>6(i) (2,253,107)</u>	<u>(1,451,154)</u>
<b>Cash flows from investing activities</b>			
	Payments for oil and gas properties	(679,887)	(1,531,228)
	Government subsidies for oil and gas properties	14,808	-
	Payments for exploration appraisal/development	(146,079)	(2,447,818)
	Receipts from exploration partners and operations	985,169	-
	Refund – Austrian final acquisition price	-	201,997
	<b>Net cash flows used in investing activities</b>	<u>174,011</u>	<u>(3,777,049)</u>
<b>Cash flows from financing activities</b>			
	Proceeds from issue of shares and options	7,448,364	1,330,000
	Payment of share issue costs	(522,848)	(107,361)
	Loan notes repaid	(875,000)	-
	Convertible loan note repayments	-	(50,000)
	Bank loans	462,036	1,320,489
	Cash secured for bank loans	-	(190,914)
	Cash secured for permits	(540,725)	-
	<b>Net cash flows from financing activities</b>	<u>5,971,827</u>	<u>2,302,214</u>
	<b>Net increase in cash and cash equivalents held</b>	3,892,735	(2,925,989)
	Net foreign exchange differences	(98,687)	116,699
	Add opening cash and cash equivalents brought forward	2,144,469	4,953,759
	<b>Closing cash and cash equivalents at the end of the year</b>	<u>6 5,938,517</u>	<u>2,144,469</u>

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (i) 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. ADX Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

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 Australian Dollars. ADX has identified Australian dollars as its functional currency on the basis that all fundraising is in Australian dollars, and loans to subsidiary companies are made from Australian dollars.

ADX's subsidiaries have the following functional currencies:

AuDAX Energy Srl – EUR  
Bull Petroleum Pty Ltd – AUD  
Terra Energy Limited – GBP  
ADX VIE GmbH – EUR  
Danube Petroleum Limited – GBP  
ADX Energy Panonia Srl – EUR  
Kathari Energia Limited – GBP

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 a producer in Austria, the Group expects to generate cash flows, however with a focus on exploration and development in other parts of Europe, the Group may need additional cashflows to finance these activities. As a consequence, the ability of the Company to continue as a going concern may require additional 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.

##### (ii) Statement of Compliance

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

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

##### (iii) 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 2021.

###### **New and amended standards adopted by the Group**

There were no material new or amended standards implemented that had a material impact on the financial statements during the year.

##### (iv) Significant Accounting Estimates and Judgements

###### ***Significant accounting judgements***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

###### ***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:

###### ***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 is determined using the value of the services, or a Black-Scholes model.

###### ***Coronavirus (COVID-19) Pandemic***

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. Currently there is no significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

###### ***Commitments - Exploration***

The Group has certain minimum exploration commitments to maintain its right of tenure of its permits. These commitments require estimates of the cost to perform exploration work required under these permits.

###### ***Deferred Appraisal Costs***

The Group capitalises acquisition expenditure and appraisal costs relating to its permits where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since exploration activities in such areas have not yet concluded.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

##### (v) 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.

##### (vi) 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.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

##### (vii) Foreign currency translation

The presentation currency of the Group is Australian Dollars. The functional currency of ADX Energy Ltd is Australian Dollars. ADX's subsidiaries have the following functional currencies:

Danube Petroleum Limited – GBP	AuDAX Energy Srl – EUR
Bull Petroleum Pty Ltd – AUD	ADX VIE GmbH – EUR
Terra Energy Limited – GBP	ADX Energy Panonia Srl – EUR
Kathari Energia Limited – GBP	

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the rate of exchange ruling at the balance sheet date.

As at the reporting date the assets and liabilities of the subsidiaries are translated into the presentation currency of ADX Energy Ltd at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

##### (viii) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods & Services Tax (GST) except:

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

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

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

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 2 –INCOME AND EXPENSES**

**Revenue**

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period. Revenue from the sale of oil and gas is recognised and measured in the accounting period in which the goods and/or services are provided based on the amount of the transaction price allocated to the performance obligations. The performance obligation is the supply of oil and gas over the contractual term; the units of supply represent a series of distinct goods that are substantially the same with the same pattern of transfer to the customer. The performance obligation is considered to be satisfied as the customer receives the supply through the pipeline, based on the units delivered. Hence revenue is recognised over time.

**Exploration, evaluation and appraisal 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/appraisal and development expenditure is capitalised to the Statement of Financial Position as oil and gas properties. Evaluation/appraisal is deemed to be activities undertaken following a discovery from the beginning of appraisal and pre-feasibility studies 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.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	\$	\$
<b>OPERATING REVENUE</b>		
Oil sales	8,201,903	5,076,159
Gas sales	895,078	308,124
Hedging gains/(losses), net	(1,256,513)	567,317
Government subsidies	1,237,155	195,050
Other operating revenue (including reimbursements)	559,384	686,366
	9,637,007	6,833,016
<b>COST OF GOODS SOLD</b>		
Operating costs	5,705,718	5,035,455
Depreciation	2,622,626	2,786,536
Amortisation of asset retirement obligation assets	205,455	217,469
	8,533,799	8,039,460

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

		<b>Consolidated</b>	
	<b>Note</b>	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
		<b>\$</b>	<b>\$</b>
<b>NOTE 2 – INCOME AND EXPENSES - continued</b>			
<b>OTHER EXPENSES – Administration and corporate expenses:</b>			
Share based payments – in lieu of cash remuneration		358,971	412,921
Share based payments – in lieu of other services		18,114	70,000
Share based payments – performance rights for employees		322,602	-
Share based payments – other		-	14,688
	3(a)	699,687	497,609
Less: prior period accrued share based payments		(111,681)	(115,994)
Add: accrued share based payments issued/to be issued after period end		90,808	111,681
Net foreign exchange losses/(gains)		14,724	16,680
Operating lease rental expense		47,257	69,743
Depreciation – right of use assets		120,066	121,220
Other administration, personnel and corporate expenses		3,733,158	3,621,198
		4,594,019	4,322,137
Less: project cost recoveries		(1,310,275)	(1,419,985)
		3,283,744	2,902,152
<b>OTHER EXPENSES – Finance costs:</b>			
Interest expense		202,049	213,278
Accretion		68,647	70,207
Right of use assets – interest		1,678	2,566
		272,374	286,051

**NOTE 3 – EQUITY-BASED PAYMENTS**

*Equity settled transactions:*

The Group provides benefits to executive directors, employees and consultants of the Group in the form of share-based payments, whereby those individuals render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with these individuals is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined either using a Black-Scholes model, or in the case of consulting by directors, the number of options granted will be determined by dividing the Directors' consulting fees that the Company has agreed to pay to the Related Parties via equity using a deemed price based 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' consulting fees were incurred. 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.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 3 – EQUITY-BASED PAYMENTS – continued**

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the grant date fair value of the award;
- (ii) the extent to which the vesting period has expired; and
- (iii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest taking into account such factors as the likelihood of non-market performance conditions being met.

This opinion is formed based on the best available information at reporting date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If an equity-settled award is forfeited, any expense previously recognised for the award is reversed. However, if a new award is substituted for a cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

**(a) Value of equity based payments in the financial statements**

		<b>Consolidated</b>	
	<b>Note</b>	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
		\$	\$
Expensed against issued capital:			
Share-based payments – Options in lieu of capital raising costs	3(b)(iv)	7,217	18,409
Expensed in the profit and loss:			
Share-based payments – Options to Directors on appointment		-	14,688
Share-based payments – Employee Performance Rights	3(b)(vi)	322,602	-
Shares and Options issued in lieu of fees:			
Share-based payments – Shares Issued to Directors	3(b)(i)	71,609	34,505
Share-based payments – Options Issued to Directors	3(b)(ii)	198,563	291,994
Share-based payments – Shares Issued to Co Secs and consultants	3(b)(iii)	88,799	86,422
Share-based payments – Shares Issued for other services	3(b)(v)	18,114	70,000
		699,687	497,609

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 3 – EQUITY-BASED PAYMENTS – continued**

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

(i) Shares pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 28 May 2021 as follows:

Date Issued	Number of Shares	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
16/02/2021	958,332	5,750	31/12/2020
1/06/2021	3,710,937	22,266	30/6/2020 to 31/12/2020
1/06/2021	1,771,699	15,945	31/03/2021
4/08/2021	1,310,935	13,109	30/06/2021
23/11/2021	2,077,005	14,539	30/09/2021
	<b>9,828,908</b>	<b>71,609</b>	
<b>Issued Subsequent to Year End</b>			
8/02/2022	902,728	9,930	31/12/2021
Not yet issued	112,184	1,234	31/12/2021

Summarised as:

Director	2021 Number of Shares	2021 Remuneration waived \$	2020 Number of Shares	2020 Remuneration waived \$
Ian Tchacos	650,790	5,000	690,475	5,000
Paul Fink	650,790	5,000	690,475	5,000
Andrew Childs	-	-	325,000	3,250
Edouard Etienvre	8,527,328	61,609	1,435,290	9,505
Rob Brown	-	-	360,714	3,500
Philip Haydn-Slater	-	-	825,000	8,250
Issued during the year	<b>9,828,908</b>	<b>71,609</b>	<b>4,326,954</b>	<b>34,505</b>

(ii) Options pursuant to ADXs' Performance Rights and Option Plan, approved by Shareholders on 28 May 2021 as follows:

Date Issued	Number of Options	Value based on 90 Day VWAP \$	In lieu of part remuneration for the quarter ended
16/02/2021	9,882,811	59,297	31/12/2020
1/06/2021	5,302,085	47,719	31/03/2021
4/08/2021	4,729,688	47,297	30/06/2021
23/11/2021	6,321,427	44,250	30/09/2021
	<b>26,236,011</b>	<b>198,563</b>	
<b>Issued Subsequent to Year End</b>			
8/02/2022	2,801,479	30,816	31/12/2021
Not yet issued	543,691	5,981	31/12/2021

Summarised as:

Director	2021 Number of Options	2021 Remuneration waived \$	2020 Number of Options	2020 Remuneration waived \$
Ian Tchacos	16,146,725	119,438	21,300,446	155,344
Paul Fink	10,089,286	79,125	17,994,419	136,650
	<b>26,236,011</b>	<b>198,563</b>	<b>39,294,865</b>	<b>291,994</b>

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 3 – EQUITY-BASED PAYMENTS – continued**

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

(iii) Shares to consultants and company secretaries in lieu of remuneration:

Date Issued	Number of Shares	\$	In lieu of part remuneration for the quarter ended
16/02/2021	4,388,536	24,368	31/12/2020
1/06/2021	3,328,074	28,281	31/03/2021
4/08/2021	2,942,557	23,616	30/06/2021
23/11/2021	1,942,634	12,534	30/09/2021
	12,601,801	<b>88,799</b>	
<b>Issued Subsequent to Year End</b>			
8/02/2022	4,063,751	42,847	31/12/2021

(iv) On 14 December 2021, ADX granted 4,387,500 options to the lead manager of ADX’s Placement in accordance with the Lead Managers Mandate. Value \$7,217. These options have an exercise price of 1.5 cents and expire 30 June 2022.

(v) During the year, ADX issued 2,530,620 shares (\$18,114) in consideration for investor relation services.

(vi) On 10 September 2021, ADX granted 46,086,012 performance rights to employees in Vienna, Austria. These rights have various performance hurdles for the year ended 31 December 2021. Subsequent to year end, the performance hurdles will be reviewed and the final quantum to vest will be determined. These rights were valued at \$322,602 (based on the share price of \$0.007 at the date of grating the rights).

**(c) Weighted average exercise price**

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

	12 Months to 31 December 2021 Number	12 Months to 31 December 2021 WAEP \$	12 Months to 31 December 2020 Number	12 Months to 31 December 2020 WAEP \$
Outstanding at the beginning of year	68,680,951	0.0019	48,891,251	Nil
Granted during the year	26,236,011	Nil	39,294,865	Nil
Granted during the year	4,387,500	0.015	5,000,000	0.013
Granted during the year	-	-	7,900,000	0.008
Lapsed during the year	(5,000,000)	0.013	-	-
Lapsed during the year	(2,500,000)	0.008	-	-
Exercised during the year	(26,369,420)	Nil	(32,405,165)	Nil
Exercised during the year	(5,400,000)	0.008	-	-
Outstanding at the end of the year	<u>60,035,042</u>	<u>0.001</u>	<u>68,680,951</u>	<u>0.0019</u>
Exercisable at year end	60,035,042	0.001	68,680,951	0.0019

The weighted average share price for options exercised during the year was \$0.0014 (2020: nil).

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### NOTE 3 – EQUITY-BASED PAYMENTS – continued

##### (d) Weighted average fair value

The weighted average fair value of equity-based payment options granted during the year was \$0.0067 (2020: \$0.0062).

##### (e) Range of exercise price

The range of exercise price for options granted as share based payments outstanding at the end of the year was \$nil to \$0.015 (2020: \$nil to \$0.013).

##### (f) Weighted average remaining contractual life

The weighted average remaining contractual life of share based payment options that were outstanding as at the end of the year was 2.31 years (2020: 2.83 years).

#### NOTE 4 - INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

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

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

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 4 - INCOME TAX EXPENSE - continued**

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.

	<b>Consolidated</b>	
	<b>Year Ended</b>	<b>Year Ended</b>
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>

**(a) Income Tax Expense**

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

Profit/(loss) for year before tax	(4,838,791)	(5,445,923)
Prima facie income tax (benefit) @ 30%	(1,451,637)	(1,633,777)
Tax effect of non-deductible items	124,286	206,112
Tax rate differential	103,952	196,481
Translation differences	46,937	21,865
Deferred tax assets not brought to account	683,935	250,072
Income tax expense/(benefit) attributable to operating result	(492,527)	(959,247)

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

Tax losses	14,666,090	13,992,715
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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) Deferred tax assets and liabilities:**

Deferred tax assets:

Temporary differences - Asset retirement obligations	281,092	313,859
Temporary differences - Tax losses	1,309,604	861,489
Temporary differences - Other	109,821	229,380
Less: Offset Deferred Tax Liabilities		
Temporary differences - Oil and gas properties	(374,176)	-
Temporary differences - Other	(89,064)	-
	1,237,277	1,404,728

Deferred tax liabilities:

Temporary differences - Oil and gas properties	-	434,890
Temporary differences - Other	-	121,251
	-	556,141

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 4 - INCOME TAX EXPENSE - continued**

**(d) Franking Credits**

The franking account balance at year end was \$nil (2020: \$nil).

**(e) Tax Consolidation Legislation**

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

**NOTE 5 - EARNINGS PER SHARE**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share attributable to members of ADX Energy Ltd	(0.16)	(0.25)
	<b>\$</b>	<b>\$</b>
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
- basic earnings per share	(4,171,598)	(4,280,065)
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	2,553,707,139	1,710,039,752

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.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 6 - CASH AND CASH EQUIVALENTS**

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

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

	Consolidated	
	Year Ended	Year Ended
	31 Dec 2021	31 Dec 2020
	\$	\$
Cash at bank and on hand	5,938,517	2,144,469

Cash includes \$0.43 million held by 49.18% owned subsidiary Danube Petroleum Limited.

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

Loss after income tax	(4,346,264)	(4,486,676)
Non-Cash Items:		
Depreciation and amortisation	2,948,147	3,125,225
Loss on sale of plant and equipment	8,652	26,602
Foreign exchange losses/(gains)	14,724	16,680
Share-based payments expensed	699,687	497,610
Accretion	68,647	70,207
Change in assets and liabilities:		
(Increase)/decrease in receivables	(1,074,543)	1,048,557
(Increase)/decrease in inventories	(97,918)	(205,226)
(Increase)/decrease in deferred tax assets	167,451	(1,067,654)
Increase/(decrease) in payables	(151,641)	(327,885)
Increase/(decrease) in income tax payable	-	(64,339)
Increase/(decrease) in lease liabilities	(83,086)	(119,706)
Increase/(decrease) borrowings	(27,655)	27,655
Increase/(decrease) in deferred tax liabilities	(639,388)	170,939
Increase/(decrease) in provisions	260,080	(163,143)
Net cash flows used in operating activities	(2,253,107)	(1,451,154)

**(ii) Non-Cash Financing and Investing Activities**

- Fees paid to the lead manager of the placement included share options valued at \$7,217 (refer note 14).

There were no other non-cash financing or investing activities during the year (2020: none). Non-cash operating activities, consisting of shares and options granted in lieu of remuneration are disclosed in note 3.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 7 – OTHER RECEIVABLES**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables (including VAT) within 12 months.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	\$	\$
<b>Current</b>		
Trade and other debtors	1,190,387	560,518
GST/VAT refundable	63,635	789,214
Prepayments	239,904	65,898
Cash secured for credit cards	20,000	-
Other, primarily foreign government subsidies receivable	1,306,893	203,599
<b>Total current receivables</b>	<b>2,820,819</b>	<b>1,619,229</b>

Information about the impairment of trade and other receivables, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 23. Receivables do not contain past due or impaired assets as at 31 December 2021 (2020: none).

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	\$	\$
<b>Non-Current</b>		
Cash secured for bank loans and licences	830,976	190,914

EUR 120,000 (AUD 187,178) is held as security for bank loans – refer note 12. The remaining EUR 412,739 (AUD 643,798) is secured for the Group's AGS licences in Austria.

**NOTE 8 – INVENTORIES**

Inventories include hydrocarbon stocks, consumable supplies and maintenance and drilling spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	\$	\$
Drilling inventories	761,640	772,163
Oil and gas inventories	21,412	20,964
Materials and consumables	303,790	206,319
<b>Total current inventories</b>	<b>1,086,842</b>	<b>999,446</b>

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 9 – OIL AND GAS PROPERTIES**

Oil and gas properties are stated at cost less accumulated depreciation and impairment charges. Oil and gas properties include the costs to acquire, construct, install or complete production and infrastructure facilities such as pipelines, capitalised borrowing costs, development wells and the estimated cost of dismantling and restoration. Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

Oil and gas properties and other plant and equipment are depreciated to their estimated residual values at rates based on their expected useful lives with a maximum period of 100 months. All items of oil and gas properties are depreciated using the straight-line method over their useful life capped at 100 months. The majority of the Oil and Gas equipment is depreciated over 8.3 years.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	\$	\$
<b>Austria</b>		
Buildings	331,264	381,308
Undeveloped land	176,351	190,835
Field office fixtures and equipment	333,519	391,087
Plant and machinery	4,460,030	5,392,632
Wells	6,527,211	8,078,874
Retirement obligation assets	1,446,983	1,685,278
Construction in progress	2,473,884	69,647
Rights and other intangible assets	31,501	15,631
<b>Romania</b>		
Appraisal costs	8,085,301	7,747,515
	23,866,044	23,952,807
<i>Reconciliation of the carrying amount of oil and gas assets:</i>		
Buildings – opening balance	381,308	312,912
Additions	-	102,282
Depreciation	(37,383)	(39,252)
Translation differences	(12,661)	5,366
	331,264	381,308
Undeveloped Land – opening balance	190,835	-
Additions	-	180,317
Translation differences	(14,484)	10,518
	176,351	190,835

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 9 – OIL AND GAS PROPERTIES - continued</b>		
Field office fixtures and equipment – opening balance	391,087	283,372
Additions	27,576	153,249
Depreciation	(68,625)	(55,329)
Translation differences	(16,519)	9,795
	333,519	391,087
Plant and machinery – opening balance	5,392,632	5,229,189
Additions	16,599	789,490
Transferred from Construction in Progress	-	291,754
Transferred from Wells	-	1,785
Disposals	(8,470)	-
Depreciation	(826,452)	(944,156)
Translation differences	(114,279)	24,570
	4,460,030	5,392,632
Wells – opening balance	8,078,874	9,490,449
Additions	259,458	189,120
Transferred from Construction in Progress	-	142,815
Transferred to Plant and Machinery	-	(1,785)
Depreciation	(1,680,247)	(1,747,108)
Translation differences	(130,874)	5,383
	6,527,211	8,078,874
Retirement obligation assets (Austria) – opening balance	1,685,278	1,873,795
Additions	-	56,313
Disposals	-	(28,239)
Amortisation	(205,455)	(217,455)
Translation differences	(32,840)	864
	1,446,983	1,685,278
Construction in progress – opening balance	69,647	444,092
Additions	2,434,687	56,053
Transferred to Plant and machinery	-	(291,754)
Transferred to Wells	-	(142,815)
Translation differences	(30,450)	4,071
	2,473,884	69,647

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	\$	\$
<b>NOTE 9 – OIL AND GAS PROPERTIES - continued</b>		
Rights and other intangible assets – opening balance	15,631	-
Additions	26,430	16,351
Depreciation	(10,098)	(679)
Translation differences	(462)	(41)
	31,501	15,631
	31,501	15,631
Appraisal costs – Romania – opening balance	7,747,515	5,372,435
Additions	179,251	2,269,396
Additions – rehabilitation and restoration provision	538,138	-
Translation differences	(379,603)	105,684
	8,085,301	7,747,515
	8,085,301	7,747,515

**NOTE 10 – RIGHT OF USE ASSETS**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-to-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (ie: those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 10 – RIGHT OF USE ASSETS - continued**

	Consolidated	
	Year Ended 31 Dec 2021	Year Ended 31 Dec 2020
	\$	\$
<b>Non-Current Assets</b>		
Right of use assets - properties	356,545	484,880
<b>Lease Liabilities</b>		
Current	129,700	121,870
Non-Current	273,607	364,524
	403,307	486,394

**NOTE 11 – 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 year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

	Consolidated	
	Year Ended 31 Dec 2021	Year Ended 31 Dec 2020
	\$	\$
<b>Current</b>		
Trade creditors and accruals	4,766,865	1,595,757
Accrued interest payable	12,945	17,260
Hedging liabilities (mark to market)	105,732	335,669
	4,885,542	1,948,686

The Group's exposure to interest rate risk is discussed in Note 23.

**NOTE 12 – BORROWINGS**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. The carrying amount of borrowings approximates their fair value.

Loan Notes

In November 2019, 35 loan notes of \$100,000 each totalling A\$ 3.5 million were issued. Interest is paid quarterly at 6% per annum.

Principal repayments are as follows:

- \$1.75 million is repaid semi annually with 4 equal payments over 2 years commencing from 26 May 2021 and ending on 26 November 2022. To 31 December 2021, \$875,000 has been repaid; and
- \$1.75 million is repayable on 26 November 2022.

Upon receiving Shareholder approval at a General Meeting held on 19 February 2021, the Company cancelled existing options previously issued in relation to the Loan Notes (having been granted a waiver of ASX Listing Rule 6.23.3) and granted to the Loan Note holders 2 equal tranches of 67,500,020 options each, one tranche with an exercise price of A\$ 0.01 maturing on 26 May 2022 and the other tranche with an exercise price A\$ 0.015 maturing on 26 November 2023 respectively.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### NOTE 12 – BORROWINGS - continued

##### Bank Loans

As announced on 5 August 2020, ADX's Austrian subsidiary, ADX VIE GmbH, secured banking facilities totalling EUR 1,130,000 from Volksbank and guaranteed by the Austria Wirtschafts ("Economy") Service (the Innovation and Start Up Financing bank of the Austrian state) (AWS), split between two loan facilities:

- EUR 500,000 (AUD 779,910): interest-free until 31 July 2022, at which point interest will be charged at Euribor plus 0.75%, with the rate to be at least 0%; and
  - EUR 630,000 (AUD 982,686): incurring interest at 1% per annum on the drawn down value.
- The Collateral for the loan facilities is EUR 120,000 (AUD 187,178) (held in an ADX VIE bank account with Volksbank).
  - The loan is repayable between 30 June 2022 and 31 December 2024.
  - Loan covenants restrict dividends and profit distributions but do not prevent payment of intercompany recharges or loans. A negative pledge relating to other debt is limited to taking up further debt at a subsidiary level and does not restrict servicing of existing debt.

As at the date of this report, these loans have been fully drawn down.

	<b>Consolidated</b>	
	<b>Year Ended 31 Dec 2021</b>	<b>Year Ended 31 Dec 2020</b>
	\$	\$
<b>Current</b>		
Loan notes – interest bearing	2,625,000	875,000
Bank loans – interest bearing	327,562	-
Bank loans – non-interest bearing	259,970	-
Insurance funding – interest bearing	-	27,654
	<b>3,212,532</b>	<b>902,654</b>
<b>Non-Current</b>		
Loan notes – interest bearing	-	2,625,000
Bank loans – interest bearing	655,124	525,014
Bank loans – non-interest bearing	519,940	795,475
	<b>1,175,064</b>	<b>3,945,489</b>

The Group's exposure to liquidity and interest rate risk is discussed in Note 23.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 13 – PROVISIONS**

Obligations associated with exploration, development and production assets are recognised when the Group has a present obligation, the future sacrifice of the economic benefits is probable, and the provision can be measured reliably. The determination of the provision requires significant judgement in terms of the best estimate of the costs of performing the work required, the timing of the cash flows and the appropriate discount rate. A change in any, or a combination of, the key assumptions used to determine the provision could have a material impact on the carrying value of the provision.

On an ongoing basis, the restoration will be remeasured in line with the changes in the time value of money (recognised as an expense and an increase in the provision), and additional disturbances recognised as additions to the provision.

*Key Estimates and Judgements*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). Asset retirement obligation costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its asset retirement obligations provision at each reporting date. The ultimate asset retirement obligations costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expense can also change. Therefore, significant estimates and assumptions are made in determining the provision for asset retirement obligations. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future asset retirement obligations costs required.

	<b>Consolidated</b>	
	<b>31 December 2021 \$</b>	<b>31 December 2020 \$</b>
<b>Current</b>		
Provision for employee entitlements	312,203	294,585
	14,463,215	13,969,628
<b>Non-Current</b>		
Provision for employee entitlements	15,231	-
Provision for asset retirement obligations (ARO) – production assets	13,909,846	13,969,628
Provision for rehabilitation and restoration – Romania	538,138	-
	14,463,215	13,969,628
Provision for asset retirement obligations (non-current) – opening balance	13,969,628	13,810,164
Additions	227,409	81,451
Accretion	68,647	70,207
Translation differences	(355,838)	7,806
	13,909,846	13,969,628

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	\$	\$
<b>NOTE 14 – ISSUED CAPITAL</b>		
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.		
<b>(a) Issued Capital</b>		
Ordinary shares fully paid	81,435,632	74,334,593
<b>(b) Movements in Ordinary Share Capital</b>		
<b>Number of</b>		<b>2020</b>
<b>Shares</b>	<b>Summary of Movements</b>	<b>\$</b>
	<b>Note</b>	
1,525,312,281	Opening balance 1 January 2020	71,889,435
4,326,954	Issue of shares to Directors	34,505
13,172,118	Issue of shares to consultants and co secretaries	86,422
221,250,004	Placement at \$0.006	1,327,500
11,666,666	Issue of shares in lieu of services	70,000
32,405,165	Exercise of Unlisted Options	-
166,666	Exercise of Listed Options	2,500
149,999,995	Conversion of convertible notes	1,050,000
	Costs of share issues – cash	(125,769)
1,958,299,849	Closing Balance at 31 December 2020	74,334,593
<b>Number of</b>		<b>2021</b>
<b>Shares</b>	<b>Summary of Movements</b>	<b>\$</b>
1,958,299,849	Opening balance 1 January 2021	74,334,593
500,000,951	Issue of Shares under Share Purchase Plan	14(b)(i) 3,000,006
9,828,908	Issue of shares to Directors	3(b)(i) 71,609
12,601,801	Issue of shares to Co Secs and Consultants	3(b)(iii) 88,799
1,500,000	Shares issued to advisor (non-cash)	8,839
1,030,620	Shares issued to advisor (non-cash)	9,276
12,500,000	Shares issued to advisor (cash) at \$0.008	100,000
167,605,653	Exercise of Unlisted Options at \$0.008	14(c) 1,340,848
26,369,420	Exercise of Unlisted Options at Nil	14(c)(ii) -
284,700,000	Placement at \$0.01	14(b)(ii) 2,847,000
	Costs of share issues – cash	(358,121)
	Costs of share issues – non-cash	(7,217)
2,974,437,202	Closing Balance as at 31 December 2021	81,435,632

- (i) On 29 January 2021, ADX issued 500,000,951 shares under a share purchase plan (SPP) raising a total \$3,000,006 before costs. For every two shares subscribed for under the SPP, ADX granted one free attaching unlisted Option (exercisable at \$0.008 each on or before 15 June 2021).
- (ii) On 8 December 2021, ADX issued 284,700,000 shares under a placement raising a total \$2,847,000 before costs. For every two shares subscribed for under the placement, ADX granted one free attaching unlisted Option (exercisable at \$0.01 each on or before 30 June 2022).

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 14 – ISSUED CAPITAL - continued**

**(c) Options on issue at year end**

	<b>Note</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Unlisted Options	14(c)(vi)	67,500,020	\$ 0.01	26/05/2022
Unlisted Options		6,354,086	\$ nil	31/05/2022
Unlisted Options	14(c)(v)	146,737,500	\$ 0.015	30/06/2022
Unlisted Options		4,864,955	\$ nil	31/05/2023
Unlisted Options		3,954,545	\$ nil	31/10/2023
Unlisted Options	14(c)(vi)	67,500,020	\$ 0.015	26/11/2023
Unlisted Options		4,106,250	\$ nil	31/01/2024
Unlisted Options		6,000,000	\$ nil	26/06/2024
Unlisted Options		6,078,125	\$ nil	31/07/2024
Unlisted Options		5,116,071	\$ nil	31/10/2024
Unlisted Options		7,250,000	\$ nil	31/01/2025
Unlisted Options		3,145,833	\$ nil	31/05/2025
Unlisted Options		2,456,250	\$ nil	31/07/2025
Unlisted Options		6,321,427	\$ nil	31/10/2025
<b>Total Options</b>		<b>337,385,082</b>		

During the year:

- (i) 26,236,011 unlisted options were granted in lieu of remuneration to Directors Ian Tchacos and Paul Fink. Refer note 3(b)(ii).
- (ii) 26,369,420 unlisted options were exercised by Directors (exercise price was nil as these were previously granted in lieu of remuneration).
- (iii) 250,000,473 unlisted options were issued for every two shares subscribed for in the January 2021 share purchase plan. During the year, 102,302,516 of these options were exercised at \$0.008, and the remaining 147,697,957 lapsed.
- (iv) 65,303,137 unlisted options from the prior year placement were exercised at \$0.008 in addition to the 102,302,516 options exercised at \$0.008 as noted above. The remaining 59,055,201 options lapsed.
- (v) 142,350,000 unlisted options were issued for every two shares subscribed for in the December 2021 placement, together with 4,387,500 options granted to the lead manager as part of the brokerage fees.
- (vi) Upon receiving Shareholder approval at a General Meeting held on 19 February 2021, the Company cancelled existing options previously issued in relation to the Loan Notes (having been granted a waiver of ASX Listing Rule 6.23.3) and granted to the Loan Note holders 2 equal tranches of 67,500,020 options each, one tranche with an exercise price of A\$ 0.01 maturing on 26 May 2022 and the other tranche with an exercise price A\$ 0.015 maturing on 26 November 2023 respectively.
- (vii) 5,000,000 unlisted options with an exercise price of \$0.013, and 135,000,005 unlisted options with an exercise price of \$0.018 lapsed during the year.

**(d) Performance Rights on issue at year end**

	<b>Number</b>
Unlisted Performance Rights	<b>46,086,012</b>

In September 2021, ADX issued 46,086,012 performance rights to its employees in Austria. Performance criteria has been attached to these rights for the period to 31 December 2021. The quantum of shares that will be issued will be determined in quarter one of 2022 after the Board has reviewed the Performance Targets on each employee's score card and determined the percentage of each target met.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 14 – ISSUED CAPITAL - continued**

**(e) 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.

**(f) 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.

	<b>Consolidated</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 15 - RESERVES</b>		
Share-based payments reserve	5,489,429	4,961,047
Foreign currency translation reserve	(1,706,318)	(1,456,267)
Hedging reserve – refer note 17	(107,389)	(250,470)
Option premium reserve (a)	-	2,915,542
Asset revaluation reserve (a)	-	250,000
	<b>3,675,722</b>	<b>6,419,852</b>

(a) The Option Premium Reserve and Asset Revaluation Reserve were transferred to Accumulated Losses during the year.

**Share-based payments reserve**

Balance at the beginning of the year	4,961,047	4,635,242
Share-based payments (options granted)	528,382	325,805
Balance at the end of the year	<b>5,489,429</b>	<b>4,961,047</b>

*Nature and purpose of the reserve:*

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

**Foreign currency translation reserve**

Balance at the beginning of the year	(1,456,267)	(1,611,204)
Currency translation differences	(250,051)	154,937
Balance at the end of the year	<b>(1,706,318)</b>	<b>(1,456,267)</b>

*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 2021

**NOTE 16 – NON-CONTROLLING INTERESTS**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Non-Controlling Interests	8,478,678	8,837,270

*Movement during the year:*

Balance at the beginning of the year	8,837,270	9,059,704
Capital invested by non-controlling interests in subsidiary	-	-
Share of loss for the period	(174,666)	(206,611)
Share of other comprehensive loss	(183,926)	(15,823)
Balance at the end of the year	<u>8,478,678</u>	<u>8,837,270</u>

Non-controlling interests represent Reabold Resources Plc (LSE AIM:RBD) (Reabold) interest held in the Danube group. The Danube Group consists of Danube Petroleum Limited (registered in England and Wales) and its wholly owned Romanian subsidiary, ADX Energy Panonia Srl.

As at 31 December 2021, Reabold holds a 50.82% interest in Danube (2020: 50.82%). ADX Energy Ltd continues to consolidate the Danube Group as it has control via day-to-day management, accounting and two out of three directors on the board of Danube Petroleum Limited are directors of ADX Energy Ltd.

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

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Summarised Statement of Financial Position</b>		
Current assets	1,079,396	1,885,168
Current liabilities	(26,613)	(322,253)
Current net assets	<u>1,052,783</u>	<u>1,562,915</u>
Non-current assets	14,505,560	14,701,065
Non-current liabilities	-	-
Non-current net assets	<u>14,505,560</u>	<u>14,701,065</u>
Net Assets	<u>15,558,343</u>	<u>16,263,980</u>
<b>Summarised Statement of Comprehensive Income</b>		
Revenue	-	-
Loss for the period	(343,696)	(406,557)
Other comprehensive income/(loss)	(361,915)	(31,134)
Total comprehensive loss	<u>(705,611)</u>	<u>(437,691)</u>
Loss allocated to Non-Controlling Interests	<u>(174,666)</u>	<u>(206,611)</u>
Other comprehensive loss allocated to Non-Controlling Interests	<u>(183,926)</u>	<u>(15,823)</u>

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 16 – NON-CONTROLLING INTERESTS - continued**

	Consolidated	
	31 December 2021 \$	31 December 2020 \$
<b>Summarised Statement of Cash Flows</b>		
Cashflows from/(used in) operating activities (including VAT paid)	93,147	(290,568)
Cashflows from/(used in) investing activities	(179,346)	(2,442,252)
Cashflows from financing activities	-	94,587
Net foreign exchange differences	(11,914)	(181,974)
Net increase/(decrease) in cash and cash equivalents	(98,113)	(2,820,207)

**NOTE 17 – DERIVATIVE FINANCIAL INSTRUMENTS**

The Group's accounting policy for cash flow hedges are as follows:

Cash flow hedges are a derivative or financial instrument designated to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.

- Recognition date: At the date the instrument is designated as a hedging instrument.
- Measurement: Measured at fair value. The fair value of oil derivative contracts is determined by estimating the difference between the relevant market prices and the contract price, for the volumes of the derivative contracts.
- Changes in fair value: Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income and accumulated in equity in the hedging reserve to the extent that the hedge is effective. Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement within other income or other expenses. Amounts accumulated in equity are transferred to the income statement or the statement of financial position, for a non-financial asset, at the same time as the hedged item is recognised. When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the underlying forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Hedge effectiveness is determined at the inception of the hedge relationship, and through regular prospective assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

*Hedging reserves*

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. The group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 17 – DERIVATIVE FINANCIAL INSTRUMENTS - continued**

	<b>Consolidated</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
	\$	\$
<b>Hedging Reserve (included in Reserves - note 14)</b>		
Balance brought forward	250,470	-
Change in value of hedging instruments recognised in Other Comprehensive Income for the period	(190,775)	333,716
Less: Deferred tax adjustments	47,694	(83,246)
Movement for the year	(143,081)	250,470
Balance at the end of the year	107,389	250,470

As at 31 December 2021, the following derivative financial instruments are in place:

- Fixed price swaps for 9,170 barrels of oil at a fixed Brent crude oil price for January 2022 to March 2022 at USD 71.85 per barrel.

Subsequent to year end, in early January 2022, ADX executed the following additional derivative financial instruments:

- Zero cost collar contracts for 11,210 barrels for January 2022 to April 2022 with a Brent crude oil price floor at USD 73.00 per barrel and a cap at USD 82.60 per barrel.

In total, ADX Energy Ltd has derivative financial instruments in place on behalf of subsidiary ADX VIE GmbH, for approximately 80% of its forecast proven (1P) production for the period between 1 January 2022 and 31 March 2022, and approximately 60% of its forecast proven (1P) production for the month of April 2022.

<b>NOTE 18 – PARENT ENTITY INFORMATION</b>	<b>Company</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
	\$	\$
<b>Statement of Financial Position information</b>		
Current assets	4,554,541	1,614,042
Non-current assets	1,636,776	1,605,631
Current liabilities	(3,156,611)	(1,251,366)
Non-current liabilities	(15,231)	(2,625,000)
Net Assets	3,009,475	(656,693)
Issued capital	81,435,632	74,334,593
Reserves	5,368,137	8,126,590
Accumulated losses	(83,794,294)	(83,117,876)
	3,009,475	(656,693)
<b>Profit and loss information</b>		
Profit/(loss) for the year	(3,841,961)	(4,348,719)
Comprehensive profit/(loss) for the year	(3,841,961)	(4,348,719)

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 18 – PARENT ENTITY INFORMATION – continued**

**Commitments and contingencies**

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

**Subsidiaries**

Name of Controlled Entity	Class of Share	Place of Incorporation	% Held by Parent Entity	
			31 December 2021	31 December 2020
AuDAX Energy Srl	Ordinary	Italy	100%	100%
Bull Petroleum Pty Ltd	Ordinary	Australia	100%	100%
Terra Energy Limited	Ordinary	UK	100%	100%
ADX VIE GmbH	Ordinary	Austria	Held 100% by Terra Energy Limited	Held 100% by Terra Energy Limited
Danube Petroleum Limited	Ordinary	UK	49.18%	49.18%
ADX Energy Panonia Srl	Ordinary	Romania	Held 100% by Danube Petroleum Limited	Held 100% by Danube Petroleum Limited
Kathari Energia Limited	Ordinary	UK	100%	-

Kathari Energia Limited was incorporated during the year.

Refer to note 16, non-controlling interests, for details on Danube Petroleum Limited Group.

Consolidated	
31 December 2021	31 December 2020
\$	\$

**NOTE 19 – COMMITMENTS AND CONTINGENCIES**

**(a) Operating leases (non-cancellable):**

Within one year	-	16,952
Later than one year, not later than five years	-	-
Balance at the end of the year	-	<u>16,952</u>

No operating leases are in place at year end.

**(b) Commitments and Contingencies for Oil and Gas Properties**

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.

**Parta Exploration License and Iecea Mare Production License - Western Romania**

*Ownership of Parta Exploration License and Iecea Mare Production License.*

ADX holds a 49.2% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via its' wholly owned subsidiary, ADX Energy Panonia srl, holds a 100% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Sole Risk Project) and a 100% interest in the Iecea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### NOTE 19 – COMMITMENTS AND CONTINGENCIES - continued

##### **Parta Exploration License**

In December 2012, the Romanian Government ratified the concession agreement for ADX's EX 10 Parta license ("Parta Permit"). The committed work program agreed in June 2019 for the Parta Permit requires the acquisition of 60 km of 2D and 100 km<sup>2</sup> of 3D seismic and the drilling of two exploration wells. Total commitments are estimated at A\$5.4 million (EUR 3.5 million) for a 2 year period commencing 21 June 2019 following an extension agreed with NAMR, which subsequently has been extended for another 18 months until 3 December 2022, amongst others also based on the recognition of Tamsaka's payment default by the Romanian authorities.

ADX Energy Panonia SRL is the Romanian license holder in accordance with the concession agreement for exploration phase 1. The total concession agreement duration is 20 years with a possible 15 years extension. After phase 1 which is due to expire on 3 December 2022, ADX has the option to immediately enter phase 2, by assuming further commitments or apply for another extension which will however require a government ratified approval.

ADX Energy Panonia SRL ("ADX Panonia") share of this commitment is 100% following the non-performance of a farmin commitment by Parta Energy Pty Ltd ("Parta Energy") (being a wholly owned subsidiary of ASX listed Tamaska Oil and Gas Limited ("Tamaska")) to fund 100 km<sup>2</sup> of 3D seismic at an estimated cost of A\$ 2.5 million which was contracted to be funded by Tamaska.

Prior to June 2019, approximately 100 km of 2D (surface) and 50 km<sup>2</sup> of 3D (surface area) seismic had been acquired in the license. The current license validity is until 3 December 2022. In order to maintain good standing for the license, ADX Panonia has committed to an additional 60 km of 2D seismic and approximately 100 km<sup>2</sup> of 3D seismic.

While all landowner, local authority and environmental permits had been obtained for the approx. 100 km<sup>2</sup> survey, the survey had to be cancelled because the 3D funding farminee Parta Energy had informed ADX on extremely short notice that it would not proceed with the farmin transaction. This came as a surprise to ADX and its Hungarian seismic contractor who had already mobilised to Romania for the survey on good faith (refer to ASX announcement dated 8 September 2020).

ADX has subsequently settled costs incurred with the seismic contractor and remains in discussion for a deferred survey start. Extensions of landowner and authority permits are under negotiations and the Romanian Mining Authority NAMR was advised that due to unforeseen events including COVID-19 Pandemic related delays and the completely unexpected default of Tamaska, an additional extension should be justified. This extension of exploration phase 1 under the 20 year concession agreement was subsequently granted until 3 December 2022 by NAMR.

##### *Tamaska Farmin Agreement Payment Default*

As a result of the default in September 2020 by Tamaska relation to a farmin obligation pursuant to a farmin agreement between ADX Energy Panonia Srl, Danube and Parta Energy ("Farmin Agreement"), ADX was unable to mobilise a 3D exploration seismic crew to undertake seismic in the Parta license. ADX on behalf of Danube demobilised the seismic contractor and compensated them for pre mobilisation costs.

ADX prepared all supporting evidence and a writ of summons with a reputed Perth-based law firm to pursue on behalf of Danube what ADX was advised was a fair claim of damages caused by Tamaska's default but has not yet submitted the claim.

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

In 2018, ADX acquired a 100% equity interest in the Iecea Mare Production license "License". ADX has committed to pay a 5% royalty for production from wells located within License. The current production license is valid until November 2034 and extensions are possible. The license does not carry any commitments, but an annual work-program will have to be agreed with the Romanian government (via NAMR, the National Agency for Mineral Resources), which then becomes a commitment. ADX estimates the annual cost for such activities may be approximately \$50,000 per annum.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### NOTE 19 – COMMITMENTS AND CONTINGENCIES - continued

##### **Data User Agreement –Austria**

In December 2019, ADX entered into a Data User Agreement (DUA) with RAG Austria AG (RAG) for access to RAG Exploration Data (including 3650 km<sup>2</sup> of modern 3D seismic) in the Molasse Basin, in Upper Austria. Under the DUA, ADX has exclusive access to 3D and 2D seismic and geological data from RAG for its exploration, production and gas storage licenses (“AGS Licenses”) ratified on the 1<sup>st</sup> January 2021 with the Federal Ministry responsible for Mining (“BMLRT”) on behalf of the Republic of Austria as an event subsequent to year end. ADX has agreed to pay RAG EUR 40,755 per annum for exclusive rights to the data set covering the 450 km<sup>2</sup> AGS license areas for up to 5 years.

##### **Upper Austria Exploration (AGS) Licenses – Austria**

ADX executed concession agreements for exploration, production and gas storage in Upper Austria (Upper Austria AGS) on the 8<sup>th</sup> of January 2021 between ADX and Federal Ministry responsible for Mining (“BMLRT”) on behalf of the Republic of Austria. Following the execution of agreements, a payment of a EUR 330,000 was made in lieu of a bank guarantee to cover federal exploration license fees.

The total term for the Upper Austria AGS is 16 years without any relinquishment and the first 4 year firm period commencing 1<sup>st</sup> January 2021. ADX has entered a 2 well drilling commitment, however the minimum financial obligation to keep the licenses in good standing is EUR 2.2 million for the first period. ADX commenced the drilling of the Anshof-3 well in December 2021. The cost of drilling and running casing in the well exceeds the minimum financial commitment for the first 4 year period.

##### **Anshof Prospect in Upper Austria - Farmin**

In November 2021, ADX signed a farm-in agreement with Xstate Resources Limited (“Xstate”) to partially fund the drilling of the Anshof prospect in ADX-AT-II exploration license in Upper Austria (“Farmin HOA”). Under the terms of the Farmin HOA, Xstate will fund 40% of the Anshof well drilling expenditure up to a cap EUR 1,800,000 million (EUR 720,000) to earn a 20% equity interest in the Anshof Prospect Area. Xstate may elect to fund 40% of a second well on Anshof or the Anshof Farmin Area to earn a 20% interest in the entire Anshof Farmin Area (Second Well Funding).

Subject to an election to participate in the Anshof Prospect Area following the conclusion of drilling the Anshof exploration well, Xstate has up to 3 months to elect to participate in the entire Anshof Farmin Area by making a commitment to the Second Well Funding. Upon earning a participating interest in the Anshof Prospect and the Anshof Prospect Area, ADX and Xstate have agreed to enter into a production sharing contract (PSC) and a joint operating agreement (JOA) which will cover the conduct of ongoing operations and sharing of production. The PSC and JOA principles are included in the Farmin HOA.

Upon completion of the farmin obligations by Xstate including Second Well Funding, Xstate will hold a 20% participating interest in the Anshof Prospect Area as well as the Anshof Farmin Area. ADX will retain an 80% interest in the Anshof Prospect Area as well as the Anshof Farmin Area. ADX will also retain a 100% interest in the remainder of the ADX-AT-II exploration license and the entire ADX-AT-I exploration license.

##### **OHO Farm-in Option**

Subject to satisfying its Anshof farmin obligations, Xstate has an option for up to two months after the drilling of Anshof to farm-in to ADX OHO prospect in ADX-AT-I license to earn between a 15% to 25% participating interest in the OHO Farmin Area by spending twice the nominated participating interest share of the costs of drilling one exploration well in the OHO Farmin Area up to maximum expenditure of €6,600,000.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### NOTE 19 – COMMITMENTS AND CONTINGENCIES - continued

##### Kerkouane Permit - Tunisia

ADX, via its previous wholly owned subsidiary Alpine Oil & Gas Pty Ltd (AOG), held a 100% interest and was the contractor of the Kerkouane exploration permit offshore Tunisia. The Kerkouane permit contained the Dougga gas condensate discovery. Discussions between AOG, ETAP and the DGE were ongoing in relation to the potential extension of Kerkouane PSC which would provide the time required to appraise the Dougga discovery. Such a renewal was subject to the drilling and testing of the Dougga Sud well.

In April 2019, the Company on behalf of AOG, engaged with the then highly experienced Chairman of ETAP with the view to securing fiscal relaxation for the Dougga project. Early discussions focussed on a more collaborative basis between ADX and ETAP with view to attracting capital for the project were promising. Regrettably the resignation of the then Chairman of ETAP during the second quarter of 2019 resulted in the potential for further constructive discussions in relation to a potential fiscal concession unlikely. As a result, ADX ability to securing a funding partner for Dougga was substantially curtailed.

Previously, in October 2017, ADX on behalf of AOG secured an option to utilise the Noble Services International Limited (Noble) Globetrotter II drilling rig to undertake the drilling and testing of the Dougga Sud – 1 appraisal well. The option expired in June 2019 due to the extension of previous drilling options by other oil and gas operators in the Black sea and the decision by Noble to demobilise the rig from the Mediterranean region to the Gulf of Mexico.

Given the water depth at Dougga of 330 metres it was unlikely that an alternate rig options would be available for the foreseeable future. That being the case AOG advised ETAP in relation to deferment of work program obligations due to circumstances outside AOG's control. Furthermore, AOG informed the Designated Authority that the non availability of the drilling rig, owned by Noble, is a force majeure event. The designated Authority has in turn contested AOG's declaration of force majeure and was not prepared to enter into discussions on the matter with AOG local management.

As a result, ADX determined that AOG would be forced to forfeit the permit unless it contested the legal basis for forfeiture due to force majeure with the Designated Authority. Such a legal process was subject to cost and risk in jurisdiction where AOG was experiencing increasing difficulties in engagement with local Authorities. On that basis the Board of ADX took the necessary steps to cease operations, to close the local office in Tunis and deregister AOG after the payment of all outstanding liabilities in relation the Tunis office and local contractors. The deregistration process for AOG was completed in December 2020 and no further liabilities are likely.

##### Lambouka 1 Well -Tunisia

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 700 meters. ETAP has requested the visual inspection of the well to confirm there is no gas leakage. This work was intended to be accomplished utilising a ROV (remote operated vehicle) deployed from a supply vessel during future well operations at an expected cost of between US\$ 50,000 to US\$ 100,000. Given the forfeiture of the permit and the wind up of AOG this potential liability is not considered likely.

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### NOTE 19 – COMMITMENTS AND CONTINGENCIES - continued

##### Other contingencies

##### Id363 C.R.-AX license - Italy

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

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

ADX was advised on the 4th of February 2019 that the Italian senate passed legislation to suspend exploration activities in all permits that have been approved or are in the process of being approved for a period of up to 18 months (to approximately August 2020) to enable the government authorities to evaluate the suitability of exploration areas for sustainable hydrocarbon exploration and production activities. The Italian Senate further advised that suspension will be extended to the first quarter of 2021. Due to the COVID-19 Pandemic the suspension of exploration activities have been further extended. At this stage it is unclear when or whether the suspension of exploration activities will be lifted.

#### NOTE 20 – KEY MANAGEMENT PERSONNEL DISCLOSURES

##### (a) Compensation of Key Management Personnel

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
Short-term employment benefits	721,256	682,215
Post-employment benefits	5,685	5,583
Share-based payment	182,860	235,999
	<u>909,801</u>	<u>923,797</u>

##### (b) Other transactions and balances with Key Management Personnel

Mr Andrew Childs is the owner of Resource Recruitment. ADX Energy Ltd has no formal office rental agreement with Resource Recruitment to rent office premises in Subiaco, and pays rent on a month by month basis at normal commercial rates. Rental paid for the year (excluding GST) ended 31 December 2021 totalled \$31,200 (2020: \$31,200).

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
<b>NOTE 21 - AUDITORS' REMUNERATION</b>		
Amount paid or due and payable to the auditor for:		
Auditing the financial statements, including audit review - current year audits	53,609	55,000
Other services	-	-
Total remuneration of auditors	<u>53,609</u>	<u>55,000</u>

#### NOTE 22 – SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the work undertaken; and
- Geographic 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.

#### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the geographical region. Discrete financial information about each of these operating businesses is reported to the Board. The reportable segments are based on aggregated operating segments determined by the similarity of economic environment, as these are the sources of the Group's major risks and have the most effect on the rates of return.

#### Reportable Operating Segments Identified

For management purposes, the Group has organised its operating segments into three reportable segments as follows:

- Sicily Channel Offshore Exploration and Evaluation Segment: This segment includes assets and activities that are associated with oil and gas exploration offshore Italy and Tunisia.
- Romania Exploration and Appraisal/Development Segment: This segment includes assets and activities that are associated with oil and gas exploration, appraisal and development in that region, and include the costs if the parent entity, Danube Petroleum Limited.
- Austria Production Segment: This segment includes assets and activities that are associated with oil and gas production in that region.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**NOTE 22 – SEGMENT INFORMATION - continued**

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 2021

NOTE 22 – SEGMENT INFORMATION - continued

Operating Segments	Sicily Channel \$	Romania \$	Austria (Production) \$	Total Operations \$
<b>Year ended 31 December 2021</b>				
Revenue and income			9,637,007	9,637,007
<b>Total segment revenue</b>				<b>9,637,007</b>
<b>Result</b>				
Segment result	(31,172)	(383,940)	(1,525,775)	(1,940,887)
<b>Reconciliation of segment profit after tax to net profit after tax:</b>				
Unallocated revenue and income				138,636
Foreign currency gains/(losses)				(14,723)
Unallocated expenditure				(2,529,290)
<b>Net profit/(loss) after tax</b>				<b>(4,346,264)</b>
<b>Depreciation and amortisation included in segment result</b>	-	-	2,948,147	<b>2,948,147</b>
<b>Assets</b>				
Segment assets	1,330	9,169,543	21,165,397	30,336,270
<b>Reconciliation of segment assets:</b>				
Unallocated cash				4,473,706
Other				1,327,043
<b>Total assets</b>				<b>36,137,019</b>
<b>Liabilities</b>				
Segment liabilities	(5,147)	(564,751)	(20,710,122)	(21,280,020)
<b>Reconciliation of segment liabilities:</b>				
Unallocated liabilities				(3,171,843)
<b>Total liabilities</b>				<b>(24,451,863)</b>
<b>Capital expenditure for the year</b>				
Segment capital expenditure – oil and gas assets	-	179,251	2,764,750	2,944,001
<b>Reconciliation of capital expenditure:</b>				
Unallocated additions				-
<b>Total capital expenditure</b>				<b>2,944,001</b>

ADX ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 22 – SEGMENT INFORMATION - continued

Operating Segments	Sicily Channel \$	Romania \$	Austria (Production) \$	Total Operations \$
<b>Year ended 31 December 2020</b>				
Revenue and income	-	-	6,833,016	6,833,016
<b>Total segment revenue</b>				<b>6,833,016</b>
<b>Result</b>				
Segment result	(52,373)	(458,138)	(2,976,509)	(3,487,020)
<b>Reconciliation of segment profit after tax to net profit after tax:</b>				
Unallocated revenue and income				26,148
Foreign currency gains/(losses)				(16,680)
Unallocated expenditure				(1,009,124)
<b>Net profit/(loss) after tax</b>				<b>(4,486,676)</b>
<b>Depreciation and amortisation included in segment result</b>				
	-	-	3,125,225	<b>3,125,225</b>
<b>Assets</b>				
Segment assets	516	9,611,753	17,932,780	27,752,014
<b>Reconciliation of segment assets:</b>				
Unallocated cash				1,561,591
Other				1,482,869
<b>Total assets</b>				<b>30,796,473</b>
<b>Liabilities</b>				
Segment liabilities	(18,634)	(301,323)	(17,932,779)	(18,252,736)
<b>Reconciliation of segment liabilities:</b>				
Unallocated liabilities				(3,850,841)
<b>Total liabilities</b>				<b>(22,103,577)</b>
<b>Capital expenditure for the year</b>				
Segment capital expenditure – oil and gas assets	-	2,269,396	2,150,778	4,420,174
<b>Reconciliation of capital expenditure:</b>				
Unallocated additions				-
<b>Total capital expenditure</b>				<b>4,420,174</b>

## ADX ENERGY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### NOTE 23 – FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk (commodity, currency and interest rate risks), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. ADX's Board of Directors ('Board') is responsible for approving ADX's policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal controls. Risk management is carried out by the senior executives under these policies which have been approved by the Board. Management identifies, evaluates and, if necessary, hedges financial risks.

#### Commodity price risk

During the year the Group continued generating revenue from its Zistersdorf and Gaiselberg fields in Austria. With this oil and gas production and sales, the group is exposed to the Brent Benchmark crude oil price and European gas price fluctuations. Exposure to oil and gas price risk is measured by monitoring the Group's forecast financial position and cash flows with various assumptions. This analysis is regularly performed. Commodity prices' hedging may be undertaken where the Board of Directors determines that a hedging strategy is appropriate to mitigate potential periods of adverse movements in commodity prices and protect forward cash flows to meet commitments. This will be balanced against the desire to expose shareholders to oil price upside and the reliability of production forecasts.

As at 31 December 2021, the following derivative financial instruments were in place:

- Fixed price swaps for 9,170 barrels of oil at a fixed Brent crude oil price for January 2022 to March 2022 at USD 71.85 per barrel.

Subsequent to year end, in early January 2022, ADX executed the following additional derivative financial instruments:

- Zero cost collar contracts for 11,210 barrels for January 2022 to April 2022 with a Brent crude oil price floor at USD 73.00 per barrel and a cap at USD 82.60 per barrel.

In total, ADX Energy Ltd has derivative financial instruments in place on behalf of subsidiary ADX VIE GmbH, for approximately 80% of its forecast proven (1P) production for the period between 1 January 2022 and 31 March 2022, and approximately 60% of its forecast proven (1P) production for the month of April 2022.

Refer to note 17 for further information on derivatives.

The hedging program is designed to provide certainty of cash flows during a period of expected ongoing volatility.

#### Currency risk

The Group's source currency for the majority of costs is in EUR. Operating revenue is invoiced in EUR but is indexed to Dated Brent price (USD). Currency risk arises where the value of a financial instrument or monetary item fluctuates due to changes in foreign currency exchange rates. The exposure to currency risk is measured using sensitivity analysis and cash flow forecasting.

The Board has formed the view that in the ordinary course of business it would not be beneficial for the Group to purchase forward contracts or other derivative financial instruments to hedge any currency risk. Currency risk for operating revenue is hedged via hedging of the commodity as necessary (see section 'Commodity price risk').

During the year the company undertook capital raising activities via the issue of new shares on the ASX. These capital raisings are priced and received in AUD. Over the time period of a capital raising there is some short-term exposure to movements in the AUD to EUR exchange rates as part of the funds are used in Europe. At 31 December 2021, management has assessed that the entity's exposure to foreign exchange movements is immaterial due to revenues and costs primarily in EUR and therefore no further analysis is provided. 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 EUR and AUD, to meet current operational commitments.

**ADX ENERGY LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

**Interest rate risk**

At balance date the Group's exposure to market risk for changes in interest rates relates primarily to the Company's borrowings. 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.

Given the very low interest rates for variable borrowings, the interest rate risk is considered immaterial.

	<b>31 December 2021</b>	<b>31 December 2020</b>
	\$	\$
Borrowings - fixed rate	2,625,000	3,527,654
Borrowings - variable	982,686	525,014
Borrowings - variable (currently non-interest bearing)	779,910	795,475
<b>Total</b>	4,387,596	4,848,143

**Liquidity risk**

Liquidity risk is the risk that Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows with scenario analysis. As at reporting date the Group had sufficient cash reserves to meet its current requirements.

The contractual maturity analysis of payables as at year end are:

	<b>Total</b>	<b>Less than 1 Year</b>	<b>Between 1-5 Years</b>
	\$	\$	\$
<b>31 December 2021</b>			
Trade and other payables	4,885,542	4,885,542	-
Borrowings	4,387,596	3,212,532	1,175,064
<b>Total</b>	9,273,138	8,098,074	1,175,064
<b>31 December 2020</b>			
Trade and other payables	1,948,686	1,948,686	-
Borrowings	4,848,143	902,654	3,945,489
<b>Total</b>	6,796,829	2,851,340	3,945,489

**Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group 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 Group has only one customer for operating revenue being a significant company in Austria. Revenue is received monthly and hence the credit risk deemed very low.

The Group 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 2021

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#### NOTE 24 - SUBSEQUENT EVENTS

##### Equity Issues in Lieu of Remuneration

Subsequent to year end, on 8 February 2022, ADX issued the following shares and options. These amounts were accrued in the 31 December 2021 financial statements:

- a. 902,728 shares issued pursuant to ADXs' Directors' Share Plan, approved by Shareholders on 28 May 2021. The shares were issued to directors in consideration of remuneration elected to be paid via shares for the quarter ended 31 December 2021 (\$9,930).
- b. 4,063,751 shares issued to ADX's Company Secretaries and consultants in consideration of remuneration elected to be paid via shares for the quarter ended 31 December 2021 (\$42,847).
- c. 2,801,479 Options granted to Directors Ian Tchacos and Paul Fink, as approved by Shareholders on 28 May 2021. The options were granted in consideration of consultancy fees remuneration elected to be paid via options for the quarter ended 31 December 2021 (value \$30,816). The options have a nil exercise price and expire on 31 October 2025.

##### Additional Hedging

In January 2022, ADX executed further hedging transactions with Britannic Trading Limited (trading entity of BP) ("BTL") for a zero collar contract with a pricing floor at USD 73.00 per barrel (put option strike price) and a cap at USD 82.60 per barrel (call option strike price). The contracted volumes represent approximately 35% of the 1P production between 1 January 2022 and 31 March 2022 then 60% of the 1P production for April 2022 from its Gaiselberg and Zistersdorf fields in the Vienna basin. The total volume of oil production covered by the zero collar contract is 11,210 barrels during the 4-month period of hedging from January to April 2022 inclusive (the Hedge Period). With the new zero cost collar contract, ADX will receive for these 11,210 barrels a Brent price of no less than USD 73.00 per barrel and up to USD 82.60 per barrel based on the average Brent price for each month over the Hedge Period.

##### Exercise of Unlisted Options

On 8 February 2022, Director Ian Tchacos exercised 11,219,041 unlisted options with a nil exercise price.

##### Russia-Ukraine Conflict

The impact of the Russia-Ukraine conflict, which commenced on 20 February 2022, is restricting global supply of oil and gas, thereby contributing to increased upward pressure on oil and gas price volatility. The situation is ongoing and dependent upon a resolution to the conflict and the associated trade embargoes that are continuing to emerge.

##### COVID-19

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential future impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There are no other matters or circumstances that have arisen since 31 December 2021 that have or may significantly affect the operations, results, or state of affairs of the Group in future years.



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**INDEPENDENT AUDITOR'S 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 controlled entities (“the Group”) which comprises the consolidated statement of financial position as at 31 December 2021, 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 2021 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 (Including Independence Standards)* (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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ADX ENERGY LTD (continued)

<b>Key Audit Matter - Revenue</b>	<b>How our Audit Addressed the Key Audit Matter</b>
<p>The Group generated revenue of \$9,637,007 predominantly from the sale of gas and oil in Austria.</p> <p>We do not consider revenue to be at a high risk of significant misstatement, however due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an impact on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures over the existence of the Group's revenue included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Documenting and assessing the processes and controls in place to record revenue transactions;</li> <li>• Testing a sample of revenue transactions and receipts to determine they were recorded correctly.</li> <li>• We reviewed the compliance of the accounting treatment of the revenue recognition with <i>AASB 15 Revenue</i>.</li> </ul> <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>
<b>Key Audit Matter - Borrowings</b>	<b>How our Audit Addressed the Key Audit Matter</b>
<p>Borrowings remain at material level in the current financial year.</p> <p>We do not consider borrowings to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an impact on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures over the audit of the borrowing balances included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We assessed the reasonable accuracy of the interest calculation on the amounts borrowed;</li> <li>• We reviewed loan agreements for any potential covenants or securities over borrowed funds; and</li> <li>• We reviewed the accuracy of the allocation between current and non-current portions of the borrowings.</li> </ul> <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>
<b>Key Audit Matter - Share-based Payments</b>	<b>How our Audit Addressed the Key Audit Matter</b>
<p>The Group recorded a significant number of share-based payments in the current year.</p> <p>We do not consider share-based payments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an impact on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures over the audit of share-based payments included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We reconciled share-based payment balances to equity and reserve balances;</li> <li>• We reviewed the valuation of the share-based payments; and</li> <li>• We reviewed the compliance of accounting treatment of the share-based payments with <i>AASB 2 Share-based Payments</i>.</li> </ul> <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ADX ENERGY LTD (continued)**

<b><i>Key Audit Matter - Asset retirement obligations</i></b>	<b><i>How our Audit Addressed the Key Audit Matter</i></b>
<p>The Group has a significant asset retirement obligation provision for the Austrian and Romanian oil and gas properties.</p> <p>We do not consider the asset retirement obligation to be at a high risk of significant misstatement, however it is subject to a significant level of judgement. Due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an impact on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures over the audit of the asset retirement obligation provision included but were not limited to the following:</p> <ul style="list-style-type: none"><li>• We reviewed managements estimate, the useful lives and valuation of the assets forming part of the retirement obligation;</li><li>• We had discussions with management as to the regulatory compliance surrounding the retirement obligation; and</li><li>• We reviewed the compliance of accounting treatment of the asset retirement obligation with <i>AASB 137 Provisions, Contingent Liabilities and Contingent Assets</i>.</li></ul> <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>

***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 2021, 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.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### ADX ENERGY LTD (continued)

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

#### ***Auditor's Responsibility for the Audit of the Financial Report***

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/Home.aspx](http://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 2021.

In our opinion the remuneration report of ADX Energy Ltd for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ADX ENERGY LTD (continued)

***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

Dated 31 March 2022

Donovan Odendaal  
Partner

## ADX ENERGY LTD

### ADDITIONAL SHAREHOLDER INFORMATION

Information as at 28 March 2022

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

Name	Number of Shares Disclosed in Substantial Holder Notice
None	

#### b) Shareholder Distribution Schedule

Size of Holding	Number of Shareholders	Number of Ordinary Shares	Percentage of Issued Capital
1 - 1,000	186	86,049	0.00
1,001 - 5,000	471	1,489,485	0.05
5,001 - 10,000	364	2,962,533	0.10
10,001 - 100,000	1,335	71,094,374	2.38
100,001 and over	1,619	2,914,990,281	97.47
Total Shareholders	3,975	2,990,622,722	100
Number of shareholders holding less than a marketable parcel	1,875		

#### Voting Rights

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

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

There are no voting rights for Optionholders or Performance Rights.

#### c) Securities Subject to Escrow:

There are no securities subject to escrow.

**ADX ENERGY LTD**

**ADDITIONAL SHAREHOLDER INFORMATION**

**d) Twenty largest shareholders:**

Name	Number of Ordinary Shares	% of Issued Capital
1. BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	263,259,663	8.80
2. JETOSEA PTY LTD	107,453,117	3.59
3. MR PAUL FINK	93,879,962	3.14
4. SURFIT CAPITAL PTY LTD	50,000,000	1.67
5. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	46,038,963	1.54
6. EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	40,000,000	1.34
7. CITICORP NOMINEES PTY LIMITED	38,849,603	1.30
8. EONIA PTY LTD	36,320,884	1.21
9. IRONSIDE PTY LTD <IRONSIDE SUPER FUND A/C>	35,152,220	1.18
10. MR FARIS SALIM CASSIM	35,000,000	1.17
11. MR BRIAN THOMAS CLAYTON + MRS JANET CLAYTON	33,333,333	1.11
12. WARROORAH PTY LTD <TCHACOS FUND A/C>	30,664,160	1.03
13. BOND STREET CUSTODIANS LIMITED <PACORK - D00089 A/C>	26,150,355	0.87
14. GILLARD SUPERANNUATION PTY LIMITED <GILLARD SUPER FUND A/C>	25,000,000	0.84
15. BRAZELL PTY LTD <A & M SUPER FUND A/C>	23,839,500	0.80
16. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,353,923	0.78
17. GAVERSTONE HOLDINGS PTY LTD	23,250,000	0.78
18. NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	21,549,545	0.72
19. MRS AMANDA GRACE SPARKS	21,461,868	0.72
20. MR PETER LIGONIS	21,115,528	0.71
	<u>995,672,624</u>	<u>33.30</u>
Remaining Holders Balance	<u>1,994,950,098</u>	
Shares on issue	<u>2,990,622,722</u>	

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

	Number	Exercise Price	Expiry Date	Holders of >20%
Unlisted Options	67,500,020	1.0 cents	26/05/2022	(i)
Unlisted Options	146,737,500	1.5 cents	30/06/2022	No holder with > 20%
Unlisted Options	3,954,545	Nil cents	31/10/2023	Mr Ian Tchacos (100%)
Unlisted Options	67,500,020	1.5 cents	26/11/2023	(i)
Unlisted Options	4,106,250	Nil cents	31/01/2024	Mr Ian Tchacos (100%)
Unlisted Options	6,000,000	Nil cents	26/06/2024	Mr Ian Tchacos (100%)
Unlisted Options	6,078,125	Nil cents	31/07/2024	Mr Ian Tchacos (100%)
Unlisted Options	5,116,071	Nil cents	31/10/2024	Mr Ian Tchacos (100%)
Unlisted Options	7,250,000	Nil cents	31/01/2025	Mr Ian Tchacos (100%)
Unlisted Options	3,145,833	Nil cents	31/05/2025	Mr Ian Tchacos (100%)
Unlisted Options	2,456,250	Nil cents	31/07/2025	Mr Ian Tchacos (100%)
Unlisted Options	6,321,427	Nil cents	31/10/2025	(ii)
Unlisted Options	2,801,479	Nil cents	31/01/2026	(iii)
Total Options	<u>328,967,520</u>			

**ADX ENERGY LTD**

**ADDITIONAL SHAREHOLDER INFORMATION**

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(i) Holders of more than 20%

<b>Name</b>	<b>#</b>	<b>%</b>
Jetosea Pty Ltd	57,857,160	85.71
Others (each holding less than 20%)	9,642,860	14.29
<b>Unlisted options expiring 26/5/2022</b>	<b>67,500,020</b>	<b>100</b>

<b>Name</b>	<b>#</b>	<b>%</b>
Jetosea Pty Ltd	57,857,160	85.71
Others (each holding less than 20%)	9,642,860	14.29
<b>Unlisted options expiring 26/11/2023</b>	<b>67,500,020</b>	<b>100</b>

(ii) Holders of more than 20%

<b>Name</b>	<b>#</b>	<b>%</b>
<i>Directors:</i>		
Paul Fink	3,294,642	52.12
Ian Tchacos	3,026,785	47.88
<b>Unlisted options expiring 31/10/2025</b>	<b>6,321,427</b>	<b>100</b>

(iii) Holders of more than 20%

<b>Name</b>	<b>#</b>	<b>%</b>
<i>Directors:</i>		
Paul Fink	1,857,954	66.32
Ian Tchacos	943,525	33.68
<b>Unlisted options expiring 31/1/2026</b>	<b>2,801,479</b>	<b>100</b>

**f) Unlisted Performance Rights (Issued under ADX's Employee Incentive Plan):**

	<b>Number</b>	<b>Number of Holders</b>
Unlisted Performance Rights	46,086,012	13

**ADX ENERGY LTD**  
**TENEMENT SCHEDULE**

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Permit	% held
Onshore Austria, Zistersdorf and Gaiselberg Production License	100%
Upper Austria AGS Licenses <sup>1</sup>	100%
Onshore Romania, Parta <sup>2</sup>	100%
Onshore Romania, Iecea Mare Production Licence <sup>2</sup>	100%
Offshore Italy, d363C.R-.AX <sup>3</sup>	100%

**Note 1:** Concession agreements for exploration, production and gas storage in Upper Austria (Upper Austria AGS). ADX announced a farmout to ASX listed Xstate Resources Limited to earn a 20% participating interest in the Anshof Prospect Area. Xstate may elect to fund 40% of a second well on the Anshof Prospect or the Anshof Farmin Area to earn a 20% interest in the Anshof Farmin Area within the ADX-AT-II exploration license. ADX will retain a 100% interest in the remainder of the ADX-AT-II exploration license and the entire ADX-AT-I exploration license. Refer to ASX release dated 22 November 2021.

**Note 2:** ADX holds a 49.2% shareholding in Danube Petroleum Limited (Danube). The remaining shareholding in Danube is held by Reabold Resources Plc. Danube via ADX Energy Panonia holds a 100% interest in the Parta Exploration license (including a 100% interest in the Parta Appraisal Sole Risk Project) and a 100% interest in the Iecea Mare Production license. ADX is the operator of the permit pursuant to a Services Agreement with Danube.

**Note 3:** 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.