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ANNUAL FINANCIAL REPORT
YEAR ENDED 30 JUNE 2010

Contents

CORPORATE DIRECTORY

Directors

Ian Tchacos (Non-Executive Chairman)
Wolfgang Zimmer (Managing Director)
Paul Fink (Technical Director)
Andrew Childs (Non-Executive Director)

Company Secretary
Peter Ironside

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Bankers
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Stock Exchange Listing
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Perth Western Australia 6000
ASX Code: ADX

Auditors
Rothsay Chartered Accountants
96 Parry St
Perth Western Australia 6000

This statement outlines the main corporate governance practices that were in place for the financial year. These corporate governance practices comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

BOARD OF DIRECTORS

The Board operates in accordance with the broad principles set out in its charter, which is available from the corporate governance information section of the Company website at www.adxenergy.com.au.

ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. This includes setting the strategic directions for the company, establishing goals for management and monitoring the achievement of these goals.

A summary of the key responsibilities of the Board include:

1. **Strategy** - Providing strategic guidance to the Group, including contributing to the development of and approving the corporate strategy;
2. **Financial performance** - Approving budgets, monitoring management and financial performance;
3. **Financial reporting and audits** - Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the external auditors;
4. **Leadership selection and performance** - Appointment, performance assessment and removal of the Managing Director. Ratifying the appointment and/or removal of other senior management, including the Company Secretary and other Board members;
5. **Remuneration** - Management of the remuneration and reward systems and structures for Executive management and staff;
6. **Risk management** - Ensuring that appropriate risk management systems and internal controls are in place; and
7. **Relationships with the exchanges, regulators and continuous disclosure** - Ensuring that the capital markets are kept informed of all relevant and material matters and ensuring effective communications with shareholders.

The Board has delegated to management responsibility for:

- Strategies - Assisting in developing and implementing corporate strategies and making recommendations where necessary;
- Leadership selection and performance - Appointing management where applicable and setting terms of appointment and evaluating performance;
- Budgets - Developing the annual budget and managing day-to-day operations within budget;
- Risk Management - Maintaining risk management frameworks; and
- Communication - Keeping the Board and market informed of material events.

COMPOSITION OF THE BOARD

The names, skills, experiences and period of office of the Directors of the Company in office at the date of this Statement are set out in the Director's Report.

The composition of the Board is determined using the following principles:

- Persons nominated as Non-executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.

- The Chairperson should ideally be independent, but in any case be Non-executive and be elected by the Board based on his/her suitability for the position.
- The roles of Chairperson and Managing Director should not be held by the same individual.
- All Non-executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company.
- The Company considers that the Board should have at least three Directors (minimum required under the Company's Constitution) and strives to have a majority of independent Directors but acknowledges that this may not be possible at all times due to the size of the Company. Currently the Board has four Directors, with Mr Ian Tchacos and Mr Andrew Childs as independent. The number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making.

The Board has accepted the following definition of an independent Director:

"An independent Director is a Director who is not a member of management (a Non-executive Director) and who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an Executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another group member;
- is not a significant consultant, supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company."

ADX considers a significant consultant, supplier or customer to be material if the total of their annual invoices amounts to more than 5% of the Company's total expenditure in that category.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right of access to all relevant Company information and to the Company's Executives and, subject to prior consultation with the Chairperson, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

NOMINATION COMMITTEE / APPOINTMENT OF NEW DIRECTORS

Because of the size of the Company and the size of the Board, the Directors do not believe it is appropriate to establish a separate Nomination Committee. 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 selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the web.

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

TERM OF OFFICE

Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting, one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

PERFORMANCE OF DIRECTORS AND MANAGING DIRECTOR

The performance of all Directors, the Board as a whole and the Managing Director is reviewed annually.

The Board meets once a year with the specific purpose of conducting a review of its composition and performance. This review includes:

- Determining the appropriate balance of skills and experience required to suit the Company's current and future strategies;
- Comparing the requirements above against the skills and experience of current Directors and Executives;
- Assessing the independence of each Director;
- Measuring the contribution and performance of each Director;
- Assessing any education requirements or opportunities; and
- Recommending any changes to Board procedures, Committees or the Board composition.

A review was undertaken during the year ended 30 June 2010.

PERFORMANCE OF SENIOR EXECUTIVES

The Board meets at least annually to review the performance of senior Executives, considerations include the following:

- The performance of the senior Executive in supplying the Board with information in a form, timeframe and quality that enables the Board to effectively discharge its duties;
- Feedback from other senior Executives; and
- Any particular concerns regarding the senior Executive.

There were no senior executives (other than executive directors) during the year, so no review was held.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Directors related entity transactions with the Company and Group are set out in the related parties note in the financial statements.

REMUNERATION

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

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

- Provide competitive rewards to attract high calibre Executives;
- Link Executive rewards to shareholder value; and
- Establish appropriate performance hurdles in relation to variable Executive remuneration.

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period is included in the remuneration report, which is contained within the Report of the Directors.

There are no schemes for retirement benefits for Non-executive Directors, other than superannuation.

BOARD 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 remuneration report in the Directors Report and on the web.

RISK OVERSIGHT AND MANAGEMENT

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

A summary of the risks recognised by the Board can be found in the corporate governance information section of the Company website at www.adxenergy.com.au.

Considerable importance is placed on maintaining a strong control environment. The Board actively promotes a culture of quality and integrity.

Control procedures cover management accounting, financial reporting, compliance and other risk management issues.

The Board encourages management accountability for the Company's financial reports by ensuring ongoing financial reporting during the year to the Board. Annually, the Company Secretary (who is responsible for preparing the financial reports) and the Managing Director are required to state in writing to the Board that in all material respects:

Declaration required under s295A of the Corporations Act 2001 -

- the financial records of the Group for the financial year have been properly maintained;
- the financial statements and notes comply with the accounting standards;
- the financial statements and notes for the financial year give a true and fair view; and
- any other matters that are prescribed by the Corporations Act regulations as they relate to the financial statements and notes for the financial year are satisfied.

Additional declaration required as part of corporate governance -

- the risk management and internal compliance and control systems in relation to financial risks are sound, appropriate and operating efficiently and effectively.

These declarations were received for the June 2010 financial year.

AUDIT COMMITTEE

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate audit committee is not considered appropriate for ADX. In addition to management's accountability, the Board assures integrity of the financial statements by:

(a) reviewing the Company's statutory financial statements to ensure the reliability of the financial information presented and compliance with current laws, relevant regulations and accounting standards;

(b) monitoring compliance of the accounting records and procedures, in conjunction with the Company's auditor, on matters overseen by the Australian Securities and Investments Commission, Australian Stock Exchange Limited ("ASX") and Australian Taxation Office;

(c) ensuring that management reporting procedures, and the system of internal control, are of a sufficient standard to provide timely, accurate and relevant information as a sound basis for management of the Group's business;

(d) reviewing audit reports and management letters to ensure prompt action is taken by the Company's management; and

(e) when required, nominating the external auditor and at least annually reviewing the external auditor in terms of their independence and performance in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged.

CODE OF CONDUCT

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

The Code of Conduct embraces the values of:

- Integrity
- Excellence
- Commercial Discipline

The Board encourages all stakeholders to report unlawful/unethical behaviour and actively promotes ethical behaviour and protection for those who report potential violations in good faith.

TRADING IN ADX SECURITIES BY DIRECTORS, OFFICERS AND EMPLOYEES

The Board has adopted a specific policy in relation to Directors and officers, employees and other potential insiders buying and selling shares.

Directors, officers, consultants, management and other employees are prohibited from trading in the Company's shares, options and other securities in the following circumstances:

- if they are in possession of price-sensitive information; and
- speculative trading for a short term gain.

The Code and the Company's trading policy are discussed with each new employee as part of their induction training.

The Code requires employees who are aware of unethical practices within the Company or breaches of the Company's trading policy to report these to the Company Secretary, Managing Director or Chairperson. This can be done anonymously.

The Directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

MARKET DISCLOSURE POLICIES

The Board has a Market Disclosure Policy to ensure the compliance of the Company with the various laws and ASX Listing Rule obligations in relation to disclosure of information to the market. The Managing Director is responsible for ensuring that all employees are familiar with and comply with the policy.

ADX is committed to:

(a) ensuring that shareholders and the market are provided with timely and balanced information about its activities;

(b) complying with the general and continuous disclosure principles contained in the Australian Stock Exchange Limited ("ASX") Listing Rules and the Corporations Act 2001; and

(c) ensuring that all market participants have equal opportunities to receive externally available information issued by ADX.

COMMUNICATION WITH SHAREHOLDERS

The Company places significant importance on effective communication with shareholders.

Information is communicated to shareholders through the distribution of the annual and half yearly financial reports, quarterly reports on activities, announcements through the Australian Stock Exchange and the media, on the Company's web site and through the Chairman's address at the annual general meeting.

In addition, news announcements and other information are sent by email to all persons who have requested their name to be added to the email list. If requested, the Company will provide general information by email, facsimile or post.

The Company will, wherever practicable, take advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

COMPANY WEBSITE

ADX has made available details of all its corporate governance principles, which can be found in the corporate governance information section of the Company website at www.adxenergy.com.au.

Your Directors present their report for the year ended 30 June 2010.

DIRECTORS

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

Ian Tchacos

Non Executive Chairman (Appointed 2 March 2010)

Mr Tchacos is a Petroleum Engineer with over 25 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.

In his last appointment 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: Nexus Energy Limited (until 21/12/2009) and Australian Oil Company Limited (current).

Wolfgang Zimmer
PhD - Geology and Petrology
Executive Managing Director (Appointed 10 December 2007)
Dr Wolfgang Zimmer has over 30 years experience in the oil and gas Industry. He received a Ph.D from the University of Vienna in Geology and Petrology. His career began with Mobil Oil in Austria where he worked in Europe and the USA in the oil and gas E&P industry. In 1991 he joined OMV, the Austrian oil company, and fulfilled a variety of senior management roles for the next 15 years. He established OMV's Exploration and Production business in Australia and New Zealand and was its Managing Director for five years. Dr Zimmer has significant experience in North Africa having been the director of OMV's onshore and offshore production operations in Tunisia. In 2006 he joined of Grove Energy, a Canadian and UK listed oil and gas explorer. As CEO he successfully merged Grove with another exploration company in 2007.
Other directorships of listed companies in the last three years: Nil

Paul Fink
MSc (Geophysics)
Executive Technical Director (Appointed 25 February 2008)
Mr Paul Fink is based in Vienna and has over 20 years of petroleum exploration and production industry experience in technical and management positions. Mr Fink is a graduate from the Mining University of Leoben, Austria. He started his career as a processing geophysicist and then worked predominantly on international exploration and development projects and assignments in Austria, Libya, Bulgaria, UK, Australia and finally in Pakistan as Exploration and Reservoir Manager for OMV. In 2005 he started his own petroleum consultancy business, which also allowed him to work on projects in Romania. Most recently he was working as the acting Vice President (Exploration) for Focus Energy, leading their highly successful exploration campaign in India, which included two discoveries, reserves certification, field development planning and successful petroleum licence bidding.
Other directorships of listed companies in the last three years: Nil

Andrew Childs
Non Executive Director (Appointed 11 November 2009)
Mr Childs is currently Chairman of Australian Oil Company Limited, Non Executive Director of Jupiter Energy Limited and Non Executive Director of ADX Energy Ltd. He also sits on the Boards of a number of unlisted private and public companies including AIM listed Stratic Energy Corporation. Andrew 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, Andrew 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. Andrew is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists.

Other directorships of listed companies in the last three years: Cougar Metals Limited (until 15/8/08); Australian Oil Company Limited and Jupiter Energy Limited (current).

Gary Roper
Chairman (Appointed 10 December 2007 – Resigned 2 March 2010)
Managing Director (until 10 December 2007)
Director since 1985
Mr Roper has extensive administrative experience in both government and commerce, principally in the areas of tenement management and co-ordination of exploration staff and programmes. He was a founding Director of AuDAX Resources Ltd and was Managing Director from 1987 to 2007.
Other directorships of listed companies in the last three years: Nil

COMPANY SECRETARY

Peter Ironside B.Com, CA
Mr Ironside is a chartered accountant and business consultant with over 20 years experience in the exploration and mining industry. He has been a director and/or company secretary of several ASX listed companies. Mr Ironside is a director of Ironside Pty Ltd, a corporate services company. Mr Ironside brings a significant level of accounting, compliance and corporate governance experience to the Board, together with support in the areas of corporate initiatives and capital raisings. Mr Ironside has been a director of listed companies, Integra Mining Limited, since 21 December 2000, and Atticus Resources Limited since 5 April 2007.

MEETINGS OF DIRECTORS

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

	Meetings Held [1]	Meetings Attended
I Tchacos	2	2
W Zimmer	6	6
P Fink	6	5
A Childs	4	4
G Roper	4	4

[1] Number of meetings held during term of office.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

Name of Director	Number of Shares	Number of Options
I Tchacos	3,191,667	6,395,834
W Zimmer	8,154,321	9,400,000
P Fink	1,600,000	5,800,000
A Childs	10,609,869	6,568,194

CORPORATE INFORMATION

Corporate Structure

On 10 June 2010, AuDAX Resources Ltd changed its name to ADX Energy Ltd.

ADX Energy Ltd is a limited liability company that is incorporated and domiciled in Australia. ADX Energy Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

ADX Energy Ltd	-	parent entity
AuDAX Minerals Pty Ltd	-	100% owned Australian controlled entity
Alpine Oil & Gas Pty Ltd	-	100% owned Australian controlled entity
AuDAX Energy GmbH	-	100% owned Austrian controlled entity
AuDAX Energy Srl	-	100% owned Italian controlled entity

Principal Activity

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

Financial summary

The net loss of the Group for the year, after provision for income tax, amounted to $2,141,000 (2009: $3,116,000).

The net loss includes an exploration writedown of $472,000 (2009: $1,001,000) relating to exploration costs for the Cooper Basin project and other mining tenements.

During the year, ADX has invested in the acquisitions of the following oil and gas permits:

- In September 2009, ADX placed the payment of a letter of credit to the Tunisian government in the amount of US$1,500,000 (A$1,755,000) as a bond for the Kerkouane permit; and
- In October 2009, ADX completed the acquisition of the Chorbane permit in Tunisia with a final payment of US$1,204,778 (A$1,303,000).

Summary of financial position

ADX's cash reserves at 30 June 2010 were $2,271,000 (2009: $942,000). During the year, equity was injected into the Company with the following issues of shares:

- In August 2009 ADX issued 25,160,000 shares at an issue price of 10 cents per share raising gross proceeds of $2,516,000
- In October 2009 ADX issued 28,571,428 shares at an issue price of 10.5 cents per share raising gross proceeds of $3,000,000
- In June 2010 ADX issued 48,205,065 shares under a rights issue at an issue price of 15 cents per share and granted 24,102,665 free listed options with an exercise price of 25 cents on or before 31 March 2011. Gross proceeds raised were $7,231,000.

Proceeds from the various capital raisings were used to fund the permit acquisition for Chorbane, the Kerkouane bond provided to the Tunisian government, 3D seismic exploration in the Sicily Channel, costs for the preparation of drilling the Lambouka project, and for general working capital purposes.

OPERATIONS REVIEW

TUNISIA AND ITALY

Appraisal Assets

Dougga Gas Condensate Discovery
Operator: ADX Energy Ltd
Interest: 60% interest in the Kerkouane license which contains Dougga

The Dougga gas field was discovered in 1981 by Shell at a time when gas was of little value and at a water depth that was near the technical limit for oil and gas development.

The discovery well intersected and tested gas in the late Cretaceous Abiod and Allam formations. Dougga contains liquids rich gas (approximately 70 bbls/mmscf) but also contains considerable levels of CO_2 (approximately 30%).

Dougga is located in 328 metres of water approximately 45kms East of Cap Bon in the Sicily channel. The discovery is well positioned in terms of access to domestic and export infrastructure, proximity to landfall for onshore gas processing, and demand for gas at internationally attractive pricing. The liquids rich nature of Dougga gas enhances the commercial potential of any gas development.

In late 2009, ADX commissioned TRACS International Consultancy Limited (TRACS) to undertake an independent resource evaluation of the Dougga gas discovery and its potential for commercial development. The study indicated Dougga is potentially a significant resource with a recoverable mean of approximately 74 MMboe. Furthermore, based on a conceptual development plan and cost estimate, TRACS analysis indicated a potentially commercial project at a P(50) resource level.

ADX and its partners intend to undertake a pre-feasibility review of Dougga incorporating the results from the recently acquired Kerkouane-Pantelleria 640 km^2 3D survey which covers the structure, revised cost estimates and alternative development options. Subject to a positive outcome from the pre-feasibility review, it is planned that an appraisal well is drilled on Dougga during 2011 with a view to establishing the commerciality of this potentially significant resource.

Exploration Assets

Kerkouane and Pantelleria Licenses
Operator: ADX Energy Ltd
Interest: 30% interest in the Lambouka Prospect Area; 60% interest in the remaining license area

The permits are contiguous across the Tunisian-Italian border with a total area of 4,504 km^2 (Kerkouane – 3847 km^2; G.R15.PU (Pantelleria) 657 km^2)

The Kerkouane-Pantelleria permits were the main focus of ADX's technical and operational efforts during the past financial year. This culminated in the finalisation of drilling preparations for the Lambouka-1 prospect after funding was secured through a number of farm-outs to incoming joint venture partners.

Technical work focused on the planning and acquisition of a 640 km^2 3D seismic survey over the Lambouka-Dougga prospect areas. The 3D seismic further substantiated the resource potential of the Lambouka prospect and was used to finalise the location for the well. The pre-drill unrisked P(50) prospective resource estimate for Lambouka was 270 million barrels of oil equivalent with an upside of 640 million barrels for the Tertiary and Cretaceous targets. The 3D survey area was planned to provide additional definition of the Dougga field, other Kerkouane and Pantelleria prospects and identify further drilling targets.

The Kerkouane-Pantelleria 640 km^2 3D survey was acquired utilizing the new PGS Geostreamer technology that could provide optimal data quality for both shallow and deep targets. The survey was completed under budget and ahead of schedule. Processing and interpretation of the fast track 3D cube over the Lambouka prospect confirmed the structural integrity of the prospect and resulted in the selection of a more favourable structural position for the Lambouka-1 well. Data quality is excellent and enhances the ability to interpret the large but complex structures present in the ADX licenses in a manner which has not been possible to date. More specifically the data will allow a more robust evaluation of the Dougga appraisal project in terms of resources estimation, appraisal well location and reservoir quality prediction, as well as other identified and close by follow up prospects.

The drilling preparations consisted of meeting and securing all necessary permits, government requirements and contracting a deep water drilling vessel to meet the third quarter 2010 planned spud date of the Lambouka-1 exploration well. The Atwood Southern Cross semi-submersible drilling vessel was contracted to drill the well. The rig was mobilized from Tenerife Spain on 17 June and arrived at the Lambouka-1 well location on 2 July and commenced preparations for drilling the well.

ADX chose to deploy a very conservative well design in order to maximise safety and well integrity, preserve reservoir productivity and ensure optimal well control.

The Lambouka prospect was farmed-out to minimise financial exposure and minimise risk. The divestment of a promoted working interest (WI) in the Kerkouane-Pantelleria permits provided funding for the drilling of the well while retaining substantial interest in the prospect. Farm-out agreements for the Lambouka prospect area which comprises an area of 155 km^2 have been signed with Gulfsands Petroleum Plc to earn a 30% WI, Carnavale Resources Ltd to earn a 20% WI, Xstate Resources Ltd to earn a 10% WI and PharmAust Ltd to earn a 10% WI, resulting in a retained ADX interest in the Lambouka prospect area of 30%. Gulfsands Petroleum Plc and Xstate Resources Ltd have also signed agreements that cover the entire Kerkouane-Pantelleria permits and have 30% and 10% WI respectively. ADX has retained a 60% WI in the Kerkouane-Pantelleria permits.

The period 2010 to 2011 will see a surge in exploration and appraisal activity. The first ever deepwater offshore well in Tunisia will be operated by ADX to test the Lambouka prospect. The high quality Geostreamer 3D seismic will be used to generate a new prospect inventory and to further define the potential and resource estimate of the Dougga gas condensate field. The 3D will also be highly beneficial in selecting an optimum appraisal well location for the Dougga project.

Chorbane License
Operator: ADX Energy Ltd
Interest: 50% interest

ADX is the operator of the 2,438 km^2 Chorbane permit which is located in central Tunisia. The area has excellent infrastructure that may allow any discovery to be tied into existing facilities with minimal effort, time and expense. The first exploration well is planned to be drilled on a large tilted horst block, the 'Sidi Daher prospect' in late 2010.

The onshore Chorbane permit Production Sharing Contract and Convention, which officially awarded a 100% interest in the permit to Alpine Oil & Gas Pty Ltd (a wholly owned subsidiary of ADX Energy Ltd), was signed on 18 September 2009.

Technical work on the first prospect to be drilled, the Sidi Daher prospect, has identified a Direct Hydrocarbon Indicator in the Eocene age Metlaoui Formation strata that significantly enhanced the expectation of success and upgraded the prospect to a ready to drill status. The multi-target prospect has estimated prospective resources of 175 billion cubic feet of recoverable gas at the Metlaoui level and 44 million of oil for the Abiod Formation. Additional targets also exist including the Douleb and Bireno Members of the Aleg Formation that produce oil and gas in the Guebiba field immediately east of the permit. Current efforts are focused on finalising the location, securing the necessary approvals, permits, services and equipment to drill in late 2010.

As in the Kerkouane-Pantelleria licenses, ADX has secured industry funding and mitigated its financial exposure while retaining a material 50% interest in the permit by securing two farm-outs on a promoted basis. Gulfsands Petroleum Plc and Xstate Resources Ltd have farmed-in on a promoted basis to earn a 40% and 10% working interest, respectively.

The Chorbane permit has additional prospects and leads in both the shallow Upper Cretaceous and Tertiary age section as well as deeper leads of Jurassic age, both of which are the focus of ongoing technical work. Although a number of prospects are covered by excellent modern 2D seismic, some highly prospective parts of the Chorbane license will require further seismic acquisition to properly evaluate their full potential.

Looking forward, the main focus of activity for the second half of 2010 is to prepare for the drilling of the Sidi Daher prospect which is planned for late 2010. Simultaneously other prospects will be matured into a drill ready status during 2010 and 2011, so that drilling can resume soon after the Sidi Daher well.

ROMANIA

Exploration Assets

Romania AMI and Parta Exploration License
Operator: ADX Energy Ltd
Interest: 60% interest

ADX continued its evaluation efforts in Romania with a focus on the Pannonian Basin area which was announced for relinquishment and subsequently offered as part of the acreage on offer in the Romanian 10th National Bidding Round with bids due on 19 May 2010. This culminated in the award of the 1,221 km^2 Parta exploration license which is close to the producing Algyo field (approximately 2.6 Tcf gas and 225 mmbls oil production to date) in Hungary.

The 10th Bidding Round Pannonian Basin acreage consisted of 12 blocks covering an area of approximately 12,000 km^2. ADX conducted an in-depth prospectivity evaluation on its previously compiled comprehensive database, which resulted in the identification of approximately 90 prospects and leads. ADX as operator on behalf of its AMI partners (area of mutual interest), *Caspian Oil & Gas* and *Sibinga Petroleum* submitted bids for four blocks on 19 May 2010. The Pannonian basin has both oil and gas production from mostly relatively shallow Tertiary sandstones and is in large parts still under explored. ADX directors have successfully explored this basin in other European countries and are attracted to Romania by the combination of relatively low cost exploration, a proven hydrocarbon system and unexplored areas with good resource upside potential.

In addition to the 10th Bidding Round works, a regional study identified several areas of interest which were not currently leased. ADX applied for and was awarded by *NAMR* eight (8) non-exclusive Prospecting Licenses. Detailed technical work is ongoing to quantify the oil and gas potential and rank the areas for future bidding rounds.

ADX continues to evaluate potential farm-in and acquisition opportunities as part of the strategy to successfully bid for and acquire prospective exploration and development acreage within Romania and other European community countries.

In June 2010, ADX was certified by *NAMR* as an oil and gas operator in Romania.

AUSTRALIA

Exploration Assets

Pel 182 – South Australia – Cooper Basin
Operator: ADX Energy Ltd
Interest: 49.9% interest

PEL 182 is an under explored block in the Cooper Basin on trend with oil and gas discoveries.

ADX undertook a thorough evaluation of the permit to assess the remaining potential and risk value potential of the permit. Based on this evaluation and the strategic intention to focus ADX's exploration and production activities in the Mediterranean and Central Europe, the Board made the decision to sell the asset.

Subsequent to the evaluation and before a planned work program was implemented, two offers for ADX's operated interest were received. The offers were evaluated and culminated in the execution of a Sales and Purchase Agreement with Victoria Petroleum. The transaction was concluded after the 2010 financial year reporting date and funds were be received following the satisfaction of the conditions precedent to the sale.

Western Australia
Gold and Base Metal Assets

ADX holds a significant gold and base metals position in prospective areas in the Archaean and Proterozoic in Western Australia. The company has a mixed brownfields and greenfields portfolio with a focus on four core projects including the Marymia, Millrose, Mt Webb and Cheritons Projects.

The projects comprise an existing JORC compliant resource, numerous drill ready Ni, Au and Cu-Au targets, as well as a number of quality conceptual targets.

The areas are considered to have excellent potential for hosting economic copper, gold, nickel or base metals mineralisation. The core projects are augmented with a number of further prospects including existing JV projects, prospective royalty positions and free carried interest agreements.

During the second half of 2010, the company consolidated its tenement interests into a single wholly owned subsidiary, whilst reviewing opportunities to generate value for shareholders from these assets and attract sufficient capital to unlock their potential. The Company continues to progress matters pertaining to legal and technical due diligence of its assets. ADX is also steadily building the organisational and management capability required to pursue an initial public offering . The Company's goal is to retain a significant interest in the new minerals entity and attract the necessary capital to develop this highly promising portfolio.

The asset potential and planned activities for the Company's gold and mineral assets are summarised as follows:

- *Marymia*

  The Marymia Project area is located approximately 180km northeast of Meekatharra in the Peak Hill district of Western Australia and lies within the Marymia Dome. The Marymia Project area is comprised of two large contiguous exploration licences which overlie most of the Baumgarten Greenstone Belt.

  E52/2394 (Granted) and E52/2395 (Application) occupy a total area of approximately 431km^2. Exploration drilling has outlined sporadic gold mineralisation hosted in a granophyric dolerite sill. There is potential for 'blind' primary gold mineralisation beneath over-thrust granite in the project area. The tenements lie along strike adjacent to the prospective Jenkin Fault which is fast becoming a major emerging multi commodity province.

  The region hosts Sandfire Resource's recently discovered DeGrussa – Conductor 1 deposit (7.13Mt at 5.2% Cu and 1.9g/t Au), Sipa Resource's Thaduna Copper project adjacent to Lodestar's Ned's Creek tenements. Significant investor interest and a massive regional exploration effort are underway/planned for all, which have identified a number of bedrock conductors and anomalies through recent VTEM Surveys. These are considered attractive targets for sediment hosted stratabound copper mineralisation or structurally implaced variants. The Capricorn Orogen, exhibits a range of styles of copper occurrences and deposits, suggestive of a regional copper mineralising event or events. Proximity to basin margins/transcrustal scale faults, such as the Jenkin Fault zone and secondary faults that facilitate movement of metamorphic or mineralising fluids is thought to be important in the development of economic mineralisation.

  The under-explored Degrussa discovery VMS indicates the province needs a modern focus.

- *Millrose*

The Millrose Project area is located within the Yandal/Millrose Greenstone Belt, in the Murchison region of the north-eastern Goldfields of Western Australia. It is situated approximately 80km north-east of Wiluna. The Millrose Project comprises E53/1304 and E53/1305, which have a combined area of 120km^2. Only sufficient detailed drilling has been completed to date to enable a preliminary assessment of the resource potential of the northern portion of the Old Camp Bore prospect. This is known as Millrose South. An indicated resource of 3.661Mt @ 2.13g/t for 251,000 oz Au was outlined in 1999, notwithstanding that no additional field-work has been conducted since 2005.

Further exploration and resource drilling is needed in the Millrose Project area in order to clarify the structural control and assess the continuity of the high-grade shoots within the primary ore zone beneath the proposed open cut. The company believes there is excellent potential to more than double the present inferred resource along a further 2km strike to the South East and at a depth given the potential for plunging ore zones. Development options for this project which form part of the ongoing evaluation include; high grade underground, toll treatment (Apex Wiluna, Newmont Jundee), central plant concept or heap leach.

The Millrose Project area represents a major drill-ready target which can readily be upgraded to a mineable reserve by additional RC and Diamond Drilling. The plunging ore shoots already defined are open at depth and along strike could have the potential to support a high grade underground mining operation.

- *Mount Webb*

The Mt Webb Project area is located in the Lake Mackay region in Western Australia, close to the Western Australian and Northern Territory border. These isolated and under explored tenements (in proximity to some notable recent success and increasing levels of regional exploration, for example Aurora, BHP, Meteoric, Ashburton, Toro) are approximately 1,300km east of Wiluna. The project area comprises four tenements, namely E80/4165 (granted), E80/4166 (granted), E80/4167 (granted) and E80/4429 (application) which have a combined area of 568km^2 in the prospective West Arunta region of Western Australia. Exploration access agreements with indigenous groups completed for 3 out of 4 tenements with final access agreement currently being negotiated. Each of the 'hot' granites within these leases will be evaluated for its gold and copper potential. The area is considered prospective for structurally controlled Cu-Au mineralisation analogous to Tanami and also Iron Oxide Copper Gold Mineralisation analogous to Ernest Henry, Olympic Dam and Prominent Hill.

The Western Aruntas comprises a complex suite of Palaeoproterozoic to early Mesoproterozoic aged rocks which overlaps important global Proterozoic mineralisation epochs. The area of interest overlies a number major long lived crustal scale terrain boundaries and structures such as the Central Australian Suture and major structures identified in magnetic and gravity data Extensive magmatic intrusions. Relatively recent work by AGSO has returned an age of 1,640-Ma for the fractionated I-type intrusion and has also identified extensive magmatic alteration (sodic-calsic and sericitic) and brecciation. The Mt Webb granite and its comagmatic felsic volcanics in the Pollock Hill Formation has many similarities to other Australian Proterozoic regions where hydrothermal Cu-Au deposits have been linked to magmatic sources, for example 1,640 Ma intrusives - Williams Batholith - Eastern Succession Mt Isa, Qld and Hiltaba Suite - Gawler Craton, S.A.

- *Cheriton's East*

The Cheriton's East gold prospect is located 48km south-east of Marvel Loch in the Eastern Goldfields of Western Australia. It is approximately 2km south of the Redwing Deposit (St Barbara 90%/ADX 10% free carried) which has an estimated inferred resource of 1.4Mt@2.4g/t for 108,000oz Au. Exploration Licence 77/1223 (application) covers a total area of 58.33km^2 and overlies the southern strike extension of the Redwing gold mineralisation. The tenement has minimal outcrop and has only been partly explored previously. The potential of the area to host deep, possibly low to medium grade gold and/or nickel mineralisation is recognised but has never been fully evaluated.

Gold was first discovered in the Parker Range region in 1889, when the first Gold Mining Lease GML 25 was registered in the Parker Range Mining Centre. Previous exploration on the area of interest has been limited and has focused mainly on the search for nickel and gold. The Exploration Licence Application is located towards the southern extremity of the Parker Range and lies South East of the Redwing Mine and the Cheriton's Find Bore. The tenement overlies the structurally complex granite-greenstone package that flanks the northern and western perimeter and includes the north-westerly elongated 'ovoid shaped' gneissic Parker Dome of the Southern Cross Greenstone Belt.

The Southern Cross-Marvel Loch region exhibits zones of near surface gold depletion related to oxidation of the profile. In the past, some leases in the Parker Range area have only undergone shallow RAB drilling, which failed to penetrate beyond the depletion zone. As a consequence large areas of prospective ground within the belt have been dropped prematurely without having been tested at depth.

This under-explored tenement is a prime target for the discovery of significant low to medium grade gold mineralisation, as a strike extension of the auriferous quartz veins which were test drilled at Redwing which is approximately 2km north of Exploration Licence 77/1223.

Western Australia
Gold and Base Metal Assets

ADX holds a significant gold and base metals position in prospective areas in the Archaean and Proterozoic in Western Australia. The company has a mixed brownfields and greenfields portfolio with a focus on four core projects - this includes the Marymia, Millrose, Mt Webb, and Cheritons Projects. These projects comprise an existing JORC compliant resource, numerous drill ready Ni, Au and Cu-Au targets as well as a number of quality conceptual targets. All these areas are considered to have excellent potential for hosting either economic copper, gold, nickel, or base metals mineralisation. These core projects are augmented with a number of further prospects including existing JV projects, prospective royalty positions and free carried interest agreements.

During the second half of 2010 the company began consolidating its tenement interests into a single wholly owned subsidiary, whilst reviewing opportunities to generate value for shareholders from these assets and attract sufficient capital to unlock their potential. The Company continues to progress matters pertaining to legal and technical due diligence of its assets. ADX is also steadily building the organisational and management capability required to pursue either an initial public offering or vend the assets in to an existing company. The Company's goal is to retain a significant interest in the new minerals entity and attract the necessary capital to develop this highly promising portfolio.

The asset potential and planned activities for the Company's gold and mineral assets are summarised as follows;

- *Marymia*

  The Marymia Project Area is located approximately 180km northeast of Meekatharra in the Peak Hill district of Western Australia and lies within the Marymia Dome. The Marymia Project Area is comprised of two large contiguous exploration licences which overlie most of the Baumgarten Greenstone Belt. E52/2394 (Granted) and E52/2395 (Application) occupy a total area of approximately 431km^2. Exploration drilling has outlined sporadic gold mineralisation hosted in a granophyric dolerite sill. There is potential for 'blind', primary gold mineralisation beneath over-thrust granite in the project area. The tenements lie along strike upon the prospective Jenkin Fault which is fast becoming a major emerging multi commodity province.

  The region hosts Sandfire Resource's recently discovered DeGrussa – Conductor 1 deposit (7.13Mt at 5.2% Cu and 1.9g/t Au), Sipa Resource's Thaduna Copper project adjacent to Lodestar's Ned's Creek tenements. Significant investor interest and a massive regional exploration effort is underway/planned all of which have identified a number of bedrock conductors and anomalies through recent VTEM Surveys. These are considered attractive targets for sediment hosted stratabound copper mineralisation or structurally implaced variants. The Capricorn Orogen exhibits a range of styles of copper occurrences and deposits, suggestive of a regional copper mineralising event or events. Proximity to basin margins/transcrustal scale faults, such as the Jenkin Fault zone and secondary faults that facilitate movement of metamorphic or mineralising fluids is thought to be important in the development of economic mineralisation.

The underexplored Degrussa discovery VMS indicates the province needs a modern focus.

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Further exploration and resource drilling is needed in the Millrose Project Area in order to clarify the structural control and assess the continuity of the high-grade shoots within the primary ore zone beneath the proposed open cut. The company believes there is excellent potential to more than double the present inferred resource along a further 2km strike to the South east and at depth given the potential for high underground on plunging shoots. Development options for this project which form part of the ongoing evaluation include high grade underground, toll treatment (Apex Wiluna, Newmont Jundee), central plant concept, or heap leach.

The Millrose Project Area represents a major drill-ready target which can readily be upgraded to a mineable reserve by additional RC and Diamond Drilling. The plunging ore shoots already defined are open at depth and along strike could have the potential to support a high grade underground mining operation.

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The Mt Webb Project Area is located in the Lake Mackay region in Western Australia, close to the WA-NT border. These isolated and underexplored tenements (proximal to some notable recent success and increasing levels of regional exploration e.g. Aurora, BHP, Meteoric, Ashburton, Toro) are approximately 1,300km east of Wiluna. The project area is comprised of four tenements, namely E80/4165 (granted), E80/4166 (granted), E80/4167 (granted) and E80/4429 (application) which have a combined area of 568km^2 in the prospective West Arunta region of WA Exploration access agreements with indigenous groups completed for 3 out of 4 tenements with final access agreements currently being negotiated. Each of the "hot" granites within these leases will be evaluated for its gold and copper potential. The area is considered prospective for structurally controlled Cu-Au mineralisation analogous to Tanami and also Iron Oxide Copper Gold Mineralisation analogous to Ernest Henry, Olympic Dam and Prominent Hill.

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- *Cheriton's East*

The Cheriton's East gold prospect is located 48km south-east of Marvel Loch in the Eastern Goldfields of Western Australia. It is approximately 2km south of the Redwing Deposit (St Barbara 90%/ADX 10% free carried) which has an estimated inferred resource of 1.4Mt @ 2.4g/t for 108,000 oz Au. ELA 77/1223 covers a total area of 58.33km^2 and overlies the southern strike extension of the Redwing gold mineralisation. The tenement has minimal outcrop and has only been partly explored previously. The potential of the area to host deep, possibly low to medium grade gold and/or nickel mineralisation is recognised but has never been fully evaluated.

Gold was first discovered in the Parker Range region in 1889 when the first Gold Mining Lease, GML 25, was registered in the Parker Range Mining Centre. Previous exploration on the area of interest has been limited and has focused mainly on the search for nickel and gold. The ELA is located towards the southern extremity of the Parker Range and lies SE of the Redwing Mine and the Cheriton's Find Bore. The tenement overlies the structurally complex granite-greenstone package that flanks the northern and western perimeter and includes the northwesterly elongated 'ovoid shaped' gneissic Parker Dome of the Southern Cross Greenstone Belt.

The Southern Cross-Marvel Loch region exhibits zones of near surface gold depletion related to oxidation of the profile. In the past, some leases in the Parker Range area have only undergone shallow RAB drilling, which failed to penetrate beyond the depletion zone. As a consequence large areas of prospective ground within the belt have been dropped prematurely without having been tested at depth.

This under-explored tenement is a prime target for the discovery of significant low to medium grade gold mineralisation, as a strike extension of the auriferous quartz veins that were test drilled at Redwing which is approximately 2km north of E77/1223.

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

FUTURE DEVELOPMENTS

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

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. ADX Energy Ltd and its subsidiary Alpine Oil & Gas Pty Ltd in their activities in Tunisia, in line with Tunisian Environmental Regulator Specifications, local authorities and the 'Agence Nationale de Protection de l'Environment" (A.N.P.E) have fully adopted a 'Zero Discharge" policy that incorporates the controlled and managed treatment and disposal of all drilling activity effluent, including but not limited to food and packaging, drilling fluids, drilled cuttings, cementing and contaminated waters.

No environmental breaches have been notified by any governmental agency as at the date of this report.

REMUNERATION REPORT (AUDITED)

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

For the purposes of this report key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the parent company, and includes five Executives (if applicable) in the parent group receiving the highest remuneration.

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

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.

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

Remuneration Philosophy

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

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

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

Remuneration structure

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

Non-Executive directors' remuneration

Objective

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

Structure

Non-executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with ASX listing rules. The option incentive portion is targeted to add to shareholder value by having a strike price considerably greater than the market price at the time of granting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-executive Directors when undertaking the annual review process.

Executive Director Remuneration

Objective

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

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

Structure

In determining the level and make-up of Executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

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

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

Fixed Remuneration - Structure
The fixed remuneration is a base salary or monthly consulting fee.

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

Variable Pay — Long Term Incentives – Structure
Long term incentives granted to Executives are delivered in the form of options. The option incentives granted are aimed to motivate Executives to pursue the long term growth and success of the Company within an appropriate control framework and demonstrate a clear relationship between key Executive performance and remuneration. Director options are granted at the discretion of the Board and approved by shareholders. Other key management employees may be granted options under ADX's employee incentive scheme. Performance hurdles are not attached to vesting periods, however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

During 2010 there were no performance related payments made.

B. SERVICE AGREEMENTS

On appointment to the board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

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

Name	Term of agreement	Base salary including superannuation	Termination benefit
I Tchacos – Chairman – Directors Fee	Commencing 2 March 2010 and continues whilst a director	$50,000	None
I Tchacos – Chairman - Consultancy	Term of 1 year commencing 2 May 2010	$1,500 per day	*
W Zimmer – Managing Director – Directors Fee	Commencing 1 May 2010 and continues whilst a director	$44,000	None
W Zimmer – Managing Director – Consultancy	Term of 3 years commencing 1 February 2010	$295,000	*
P Fink – Technical Director - Consultancy	Term of 36 months commencing 1 January 2008	$250,000	*
P Fink – Technical Director – Director Fee	Commencing 9 September 2010 and continues whilst a director	$30,000	None
A Childs – Non-executive Director	Commencing 1 May 2010 and continues whilst a director	$40,000	None
P Ironside – Company Secretary	Ongoing	$36,000	None

* Termination benefits are payable on early termination as follows:

Event	Notice period	Payment in lieu of notice
Termination for serious misconduct	None	None
Employee initiated termination	3 months	3 months
Termination due to specified events	1 month	1 Month
ADX initiated termination – I Tchacos	3 months plus 3 months payable	6 months
ADX initiated termination – W Zimmer	3 months plus 9 months payable	12 months
ADX initiated termination – P Fink	3 months	3 months

C. DETAILS OF REMUNERATION

Directors

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

Ian Tchacos	-	Chairman. Appointed 2 March 2010
Wolfgang Zimmer	-	Managing Director
Paul Fink	-	Technical Director
Andrew Childs	-	Non-Executive Director. Appointed 11 November 2009
Gary Roper	-	Chairman. Resigned 2 March 2010

Other Key Management Personnel (employees and consultants)

Peter Ironside	-	Company Secretary

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Directors.

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:

		Primary Benefits		Post Employment		Share Based			
	Year	Cash salary and consulting fees $	Motor vehicle $	Super-annuation $	Other $	Shares $	Options [(1)] $	Total $	Remuneration consisting of options during the year %
Directors									
I Tchacos [(2)]	**2010**	**29,916**	**-**	**1,376**	**-**	-	**13,760**	**45,052**	**30.5%**
	2009	-	-	-	-	**-**	-	-	-
W Zimmer	**2010**	**302,344**	-	-	-	-	**78,260**	**380,604**	**20.6%**
	2009	295,070	-	-	-	-	139,500	434,570	32.1%
P Fink	**2010**	**250,000**	-	-	-	-	**53,406**	**303,406**	**17.6%**
	2009	250,106	-	-	-	-	97,650	347,756	28.1%
A Childs [(3)]	**2010**	**24,587**	-	**2,213**	-	-	**53,406**	**80,206**	**66.6%**
	2009	-	-	-	-	-	-	-	-
G Roper [(4)]	**2010**	**40,000**	**4,087**	-	**3,336**	-	-	**47,423**	-
	2009	95,000	22,884	5,850	4,469	-	32,250	160,453	20.1%
G Evans [(5)]	**2010**	**-**	**-**	-	**-**	-	-	**-**	-
	2009	15,000	-	-	-	-	-	15,000	-

Other Key Management Personnel									
P Ironside	**2010**	**9,600**	-	-	-	**51,218**	**78,797**	**139,615**	**56.4%**
	2009	18,000	-	-	-	18,000	3,367	39,367	8.6%

(1) Share based payments – options represent the amount expensed in the period for options granted in the current year and/or in prior years.
(2) Appointed 2 March 2010.
(3) Appointed 11 November 2009. Options include amounts for options granted prior to becoming a director, but expensed during the year over the vesting period.
(4) Resigned 2 March 2010.
(5) Resigned 14 October 2008.

There were no performance related payments made during the year. Performance hurdles are not attached to remuneration options, however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

D. SHARE-BASED COMPENSATION

The following options were granted as equity compensation benefits to Directors and Executives during the year. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at various exercise prices with various expiry dates.

Terms and Conditions of Each Grant

2010	**Number of Granted Options for Year that Vested During Year**	**Granted Number**	**Grant Date**	**Value per Option at Grant Date $**	**Exercise Price $**	**First Exercise Date**	**Last Exercise Date**
Directors							
I Tchacos	-	6,000,000	10/06/2010	0.1032	0.25	01/05/2012	31/12/2012
W Zimmer	-	6,000,000	10/06/2010	0.1032	0.25	01/05/2012	31/12/2012
P Fink	-	3,600,000	10/06/2010	0.1032	0.25	01/05/2012	31/12/2012
A Childs	-	3,600,000	10/06/2010	0.1032	0.25	01/05/2012	31/12/2012
Other Key Management Personnel							
P Ironside	-	-	-	-	-	-	-
TOTAL	-	19,200,000					

2009

Directors

Nil granted

Other Key Management Personnel

P Ironside	-	750,000	22/06/09	0.064	0.20	30/06/10	01/07/11
P Ironside	-	500,000	22/06/09	0.074	0.25	30/06/11	01/07/12
P Ironside	-	500,000	22/06/09	0.083	0.30	30/06/12	01/07/13
TOTAL	-	1,750,000					

The Black-Scholes Option Pricing Model was used to value the options issued as share-based payments. Refer to note 23 'Share based payments' in the notes to the financial statements for variables used in the models.

No key management personnel options lapsed or were forfeited during the year (2009: 3,500,000 options were forfeited).

Shares issued to Key Management Personnel on exercise of compensation options

During 2010, there were no compensation options exercised by Directors or other Key Management Personnel (2009: nil).

End of Remuneration Report.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

SHARES UNDER OPTION

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

	Number	Issue Price of Shares	Exercise Date
Unlisted Options	1,250,000	15 cents	On or before 31/12/2010
Unlisted Options	525,000	35 cents	Between 13/05/2010 and 13/05/2011
Unlisted Options	525,000	40 cents	Between 13/05/2011 and 13/05/2012
Unlisted Options	3,600,000	35 cents	Between 22/04/2010 and 21/04/2011
Unlisted Options	3,600,000	40 cents	Between 22/04/2011 and 21/04/2012
Unlisted Options	2,250,000	20 cents	Between 30/06/2010 and 01/07/2011
Unlisted Options	1,500,000	25 cents	Between 30/06/2011 and 01/07/2012
Unlisted Options	1,500,000	30 cents	Between 30/06/2012 and 01/07/2013
Unlisted Options	19,200,000	25 cents	Between 1/05/2012 and 31/12/2012
Unlisted Options	2,750,000	25 cents	Between 1/05/2012 and 31/12/2012
Listed Options	24,102,665	25 cents	On or before 31/03/2011
	60,802,665		

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

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

SUBSEQUENT EVENTS

The following events occurred after the balance sheet date:

1. In June 2010, ADX entered into an agreement to sell its 49.9% interest in Cooper Basin PEL-182 to Victoria Petroleum NL (Vicpet). The total consideration is a cash consideration of $1.1 million and the ADX share of the future plugging and liability for previous wells estimated at $200,000. In July 2010 the sale was completed and the cash consideration was received following satisfaction of the conditions precedent to the sale.

2. On 11 July 2010, the Lambouka-1 well commenced drilling. The drilling rig arrived at location on 2 July 2010. Drilling is ongoing and weekly updates are announced to the ASX.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditors' independence - section 307C

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

"Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2010 annual financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)
Rothsay Chartered Accountants"

The Company's auditors received, or are due to receive, the following amounts for the provision of audit and non-audit services.

	2010
	$
Auditors' remuneration	
- auditing the accounts	34,500

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of ADX Energy Ltd support and adhere to the principles of corporate governance. The Company's Corporate Governance Statement is contained in this annual report.

Signed in accordance with a resolution of Directors.

Wolfgang Zimmer
Managing Director

Dated this 30th day of September 2010

DIRECTORS' DECLARATION

1. In the opinion of the directors:

   a) The financial statements and notes are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2010 and of their performance for the year then ended; and

      ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

      iii) complying with International Financial Reporting Standards (IFRS) as stated in note 1 of the financial statements; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

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

Wolfgang Zimmer
Managing Director

Dated this 30th day of September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Revenue and Income			
Interest revenue		51	52
Other income	2(a)	11	32
		62	84
Expenses			
Administration and corporate expenses, net of recoveries from exploration projects	2(b)	1,254	624
Exploration expensed	2(b)	944	2,529
Other	2(b)	5	47
Total expenses		2,203	3,200
Loss before income tax		**(2,141)**	**(3,116)**
Income tax expense	3	-	-
Loss after income tax attributable to members of ADX Energy Ltd		**(2,141)**	**(3,116)**
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		(62)	(149)
Income tax relating to items of other comprehensive income/(loss)		-	-
Other comprehensive income/(loss) for the period, net of tax		(62)	(149)
Total comprehensive income/(loss) for the period		**(2,203)**	**(3,265)**
		Cents Per Share	**Cents Per Share**
Basic loss per share	4	(0.77)	(1.60)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	2009 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,271	942
Trade and other receivables	6	4,253	185
Other financial assets at fair value	7	9	14
Other current assets	8	-	71
		6,533	1,212
Non-current asset classified as held for sale	12	1,096	-
Total Current Assets		7,629	1,212
Non-Current Assets			
Receivables	6	1,220	1,267
Other financial assets	9	29	-
Property, plant and equipment	10	113	120
Deferred exploration expenditure	11	12,826	6,158
Intangible assets	13	-	-
Total Non-Current Assets		14,188	7,545
Total Assets		21,817	8,757
LIABILITIES			
Current Liabilities			
Trade and other payables	14	3,008	371
Provisions	15	21	7
Total Current Liabilities		3,029	378
Non-Current Liabilities			
Provisions	15	-	12
Total Non-Current Liabilities		-	12
Total Liabilities		3,029	390
Net Assets		**18,788**	**8,367**
Equity			
Issued capital	16	53,652	41,494
Reserves	17	4,180	3,776
Accumulated losses		(39,044)	(36,903)
Total Equity		**18,788**	**8,367**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital $'000	Reserves $'000	Accumulated Losses $'000	Total Equity $'000
At 1 July 2008	**37,445**	**3,538**	**(33,787)**	**7,196**
Profit/(loss) for the year	-	-	(3,116)	(3,116)
Other comprehensive income/(loss)	-	(149)	-	(149)
Total comprehensive loss for the period, net of tax	-	(149)	(3,116)	(3,265)
Transactions with owners in their capacity as owners:				
Issue of share capital	4,319	-	-	4,319
Cost of issue of share capital	(270)	-	-	(270)
Share based payments	-	387	-	387
	4,049	387	-	4,436
As at 30 June 2009	**41,494**	**3,776**	**(36,903)**	**8,367**
At 1 July 2009	**41,494**	**3,776**	**(36,903)**	**8,367**
Profit/(loss) for the year	-	-	(2,141)	(2,141)
Other comprehensive income/(loss)	-	(62)	-	(62)
Total comprehensive loss for the period, net of tax	-	(62)	(2,141)	(2,203)
Transactions with owners in their capacity as owners:				
Issue of share capital	13,592	-	-	13,592
Cost of issue of share capital	(1,434)	-	-	(1,434)
Share based payments	-	466	-	466
	12,158	466	-	12,624
As at 30 June 2010	**53,652**	**4,180**	**(39,044)**	**18,788**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
		2010	**2009**
	Note	**$'000**	**$'000**
Cash flows from operating activities			
Receipts in the ordinary course of activities		570	45
Payments to suppliers and employees, including for exploration expensed		(1,413)	(1,753)
Interest received		51	52
Net cash flows used in operating activities	5(i)	(792)	(1,656)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		10	-
Payments for plant and equipment		(47)	(4)
Payments for exploration expenditure capitalised		(8,705)	(2,187)
Payments for bonds		(1,755)	(1,248)
Receipts from exploration refunds		103	122
Payments made on behalf of joint venture partners and ventures		(373)	(815)
Receipts from exploration partners and ventures		1,913	1,013
Payment of partners cash calls to JV bank accounts		(1,100)	-
Payments for rental bond		(21)	-
Net cash flows used in investing activities		(9,975)	(3,119)
Cash flows from financing activities			
Proceeds from issue of shares and options		12,748	4,219
Payment of share issue costs		(607)	(173)
Hire purchase repayments		-	(59)
Net cash flows from financing activities		12,141	3,987
Net increase/(decrease) in cash and cash equivalents held		1,374	(788)
Net foreign exchange differences		(45)	6
Add opening cash and cash equivalents brought forward		942	1,724
Closing cash and cash equivalents carried forward	5	**2,271**	**942**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars, which is the group's presentation currency, and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated. The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars.

(b) Statement of Compliance

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

(c) Adoption of new and revised standards

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Standards not yet effective

The Group has reviewed all of the Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2010. These include the following:

AASB 9 Financial Instruments (effective from 1 January 2013)
AASB 9 Financial Instruments amends the requirements for classification and measurement of financial assets. The standard is not applicable until 1 January 2013, and ADX has not yet made an assessment of the impact of these amendments.

AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process (issued May 2009) – AASB 107 Statement of Cash Flows (effective from 1 January 2010)
Initial adoption of this amendment will have no impact as ADX only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

None of the other standards, amendments or interpretations issued are expected to affect the recognition of amounts in the financial statements.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of ADX Energy Ltd ("Company" or "Parent Entity") and its subsidiaries as at 30 June each year (the Group).

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Basis of consolidation - continued

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.

(e) 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.

(f) Foreign currency translation

Both the functional and presentation currency of ADX Energy Ltd and its Australian operating subsidiaries is Australian Dollars, while for the subsidiaries with operations overseas the functional currency is:

- -Alpine Oil & Gas Pty Ltd, USD
- -AuDAX Energy GmbH, euro
- -AuDAX Energy Srl, euro

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 operating overseas 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 period.

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.

(g) Interest in a jointly controlled operation

Interests in jointly controlled assets are reported in the financial statements by including the consolidated entity's share of assets employed in the Joint Ventures, the share of liabilities incurred in relation to the Joint Ventures and the share of any expenses and revenues in relation to the Joint Ventures in their respective categories.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(h) Significant accounting estimates and judgments

Significant accounting judgments

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.

Exploration assets

The Group's accounting policy for exploration expenditure is set out at Note 1(m). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

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 period are:

(i) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) 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 a Black-Scholes model.

(iii) Commitments - Exploration

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

(i) Cash and cash equivalents

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

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

(j) Trade and other receivables

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

(k) Impairment of financial assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(l) Property, plant and equipment

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

Plant and equipment – 2 to 5 years

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

Disposal

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

(m) Exploration and evaluation expenditure

Costs related to the acquisition of properties that contain resources are allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing. Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

The Directors review the carrying value of each area of interest as at the balance date and any exploration expenditure which no longer satisfies the above policy is written off.

Once an area of interest enters the development phase, all capitalised acquisition, exploration and evaluation expenditures will be transferred to mineral development or oil and gas properties, as appropriate.

(n) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset’s value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(o) Investments and other financial assets

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

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

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss. The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques.

(ii) Loans and receivables

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

(p) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(q) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

(r) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(s) Provisions

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

(t) Employee leave benefits

(i) Wages, salaries and, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave and expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(u) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Revenue recognition

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

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

(w) Share-based payment transactions

Equity settled transactions:

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

When provided, the cost of these equity-settled transactions with these individuals is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of ADX Energy Ltd (market conditions) if applicable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(w) Share-based payment transactions - 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 Group, will ultimately vest taking into account such factors as the likelihood of non-market performance conditions being met.

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

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

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

(x) Income tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, 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 ventures, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(x) Income tax - continued

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

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

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

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

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

(y) Other taxes

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

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

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

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.

(z) 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.

(aa) Segment reporting

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.
However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the Financial Statements.

	Note	Consolidated 2010 $'000	2009 $'000
NOTE 2 – REVENUE AND EXPENSES			
(a) Other Income			
Net gain on sale of property, plant and equipment		10	-
Other		1	32
		11	32
(b) Expenses			
Administration and corporate expenses include:			
Depreciation		37	29
Foreign exchange losses		41	-
Operating lease rental expense		118	104
Share based payments – options	23	421	289
Share based payments – shares	23	51	50
Net expense from movement in provision for employee entitlements		3	(9)
Exploration expenses include:			
Impairment of deferred exploration	11	472	1,001
Amortisation of deferred assets	8	71	85
Share based payments – shares	23	11	50
Other expenses include:			
Impairment of financial assets - shares		5	47

	Consolidated 2010 $'000	2009 $'000

NOTE 3 - INCOME TAX EXPENSE

(a) Income Tax Expense

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

	2010 $'000	2009 $'000
Loss for year	(2,141)	(3,116)
Prima facie income tax (benefit) @ 30%	(642)	(935)
Tax effect of non-deductible items	194	117
Tax differential	-	(2)
Prior year adjustments	88	-
Deferred tax assets not brought to account	360	820
Income tax attributable to operating loss	-	-

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

	2010 $'000	2009 $'000
Tax losses	9,726	9,366
Other Timing Differences	6	6
	9,732	9,372

These deferred tax assets have not been brought to account as it is not probable that tax profits will be available against which deductible temporary differences can be utilised.

(c) Franking Credits

The franking account balance at year end was $nil (2009: $nil).

(d) Tax Consolidation Legislation

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

NOTE 4 - EARNINGS PER SHARE

	Consolidated 2010	2009
	Cents	Cents
Basic loss per share	(0.77)	(1.60)
	$'000	$'000
Net loss used to calculate basic loss per share	(2,141)	(3,116)
	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	277,372,303	194,308,624

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.

	Consolidated 2010 $'000	Consolidated 2009 $'000
NOTE 5 - CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	2,271	942
Short term deposits	-	-
Total cash and cash equivalents	2,271	942

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

	2010 $'000	2009 $'000
Loss after income tax	(2,141)	(3,116)
Non-Cash Items:		
Depreciation	37	29
Share-based payments expensed - options	421	289
Share-based payments expensed - shares	62	100
Diminution in value of shares	5	47
Net gain on sale of property, plant and equipment	(10)	-
Impairment of exploration assets	472	1,001
Amortisation of deferred costs	71	85
Foreign exchange losses	41	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	525	21
(Increase)/decrease in exploration	(197)	(147)
Increase/(decrease) in payables	(81)	44
Increase in provisions	3	(9)
Net cash flows used in operating activities	(792)	(1,656)

(ii) Non-Cash Financing and Investing Activities

During the year, the following non-cash financing and investing activities were undertaken:

- A capital implementation fee of 5 million ADX shares ($600k) was paid to Trafalgar Capital to secure an equity facility (refer note 16(f)).
- A share placement fee of 1.1 million ADX shares ($110k) was paid.
- An underwriting fee of 482,050 ADX shares ($72k) was paid as part consideration for the June 2010 rights issue.

There was no impact on assets or liabilities from these transactions as these fees were offset against share capital.

	Consolidated 2010 $'000	2009 $'000
NOTE 6 – TRADE AND OTHER RECEIVABLES		
Current		
Share of cash held by joint ventures	1,443	53
Cash on deposit - security bonds	1,772	20
GST refundable	39	29
Share of receivables held by joint ventures	770	-
Other	229	83
Total current receivables	4,253	185
Non-Current		
Cash on deposit - security bonds	1,205	1,249
Other	15	18
Total non-current receivables	1,220	1,267

Fair Value and Risk Exposures:

(i) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
(ii) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.
(iii) Details regarding interest rate risk exposure are disclosed in note 26.
(iv) Other receivables generally have repayments between 30 and 90 days.

Receivables do not contain past due or impaired assets as at 30 June 2010 (2009: none).

NOTE 7 - OTHER CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2010	2009
Current		
Listed equity securities held for trading	9	14

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

NOTE 8 - OTHER CURRENT ASSETS

	2010	2009
Deferred expenditure	-	519
Accumulated amortisation	-	(448)
	-	71

The deferred expenditure above related to the acquisition of controlled entity, Alpine Oil & Gas Pty Ltd in 2008 and its interest in a Joint Study and Bidding Agreement ("JSBA") in Romania. This expenditure was amortised over the period of the JSBA to September 2009.

	Consolidated 2010 $'000	2009 $'000
NOTE 9 - OTHER FINANCIAL ASSETS		
Non-Current		
Investment in other entities	29	-

	Consolidated 2010 $'000	2009 $'000
NOTE 10 - PROPERTY, PLANT AND EQUIPMENT		
Motor vehicles- at cost	124	124
Less: Accumulated depreciation	(117)	(114)
	7	10
Plant and equipment - at cost	179	162
Less: Accumulated depreciation	(73)	(52)
	106	110
Total property, plant and equipment	113	120
Reconciliation of property, plant and equipment:		
Motor Vehicle		
Carrying amount at beginning of year	10	12
Depreciation	(3)	(2)
Carrying amount at end of year	7	10
Plant and Equipment		
Carrying amount at beginning of year	110	78
Additions	47	53
Depreciation	(34)	(27)
Currency translation differences	(17)	6
Carrying amount at end of year	106	110

	Consolidated 2010 $'000	2009 $'000
NOTE 11 - DEFERRED EXPLORATION EXPENDITURE		
Deferred exploration costs brought forward	6,158	3,243
Capitalised expenditure incurred during the year	8,065	2,146
Costs transferred from intangible assets	-	1,770
Expenditure written off during the year	(472)	(1,001)
Transfer to assets held for sale (note 12)	(1,096)	-
Currency translation differences	171	-
Deferred exploration costs carried forward	12,826	6,158

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas.

Impairment

Exploration and evaluation expenditure written off during the year relates to the oil and gas permits and mineral tenements. This is due to the low level of current and planned activity to assess the existence of economically recoverable reserves of the tenements.

	Consolidated 2010 $'000	2009 $'000

NOTE 12 – NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

Deferred exploration – Cooper Basin PEL-182	1,096	-

In June 2010, ADX entered into an agreement to sell its 49.9% interest in Cooper Basin PEL-182 to Victoria Petroleum NL (Vicpet). The total consideration is a cash consideration of $1.1 million and the ADX share of the future plugging and liability for previous wells estimated at $200,000. In July 2010 the sale was completed and the cash consideration was received following satisfaction of the conditions precedent to the sale.

NOTE 13 – INTANGIBLE ASSETS

Intangible asset – AMI Tunisia	-	1,770
Transfer to deferred exploration expenditure upon acquisition of permit	-	(1,770)
	-	-

The intangible asset above related to the acquisition of controlled entity, Alpine Oil & Gas Pty Ltd and its interest in oil and gas projects in Tunisia. During the 2009 year, the intangible asset was transferred to deferred exploration as the acquisitions of the permits was finalised.

NOTE 14 – PAYABLES

Trade creditors and accruals	3,008	371

Fair Value and Risk Exposures

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

NOTE 15 – PROVISIONS

Current		
Employee entitlements	21	7
Non-Current		
Employee entitlements	-	12

	Consolidated 2010 $'000	2009 $'000
NOTE 16 – ISSUED CAPITAL		
(a) Issued Capital		
Ordinary shares fully paid	53,652	41,494

(b) Movements in Ordinary Share Capital

Number of Shares	Summary of Movements	Issue Price	$'000
169,567,990	Opening balance at 1 July 2008		37,445
22,222,222	Placement on 8 September 2008	9 cents	2,000
	Costs of placement		(88)
7,391,973	Share placement plan	3.24 cents	240
	Costs of share placement plan		(22)
2,013,982	Shares issued in lieu of services on 9 April 2009	4.98 cents	100
17,600,000	Placement on 16 April 2009	5 cents	880
	Costs of placement		(5)
10,000,000	Placement on 2 June 2009	11 cents	1,100
	Costs of placement		(58)
	Costs of placements – non cash (prior year options granted)		(98)
228,796,167	Closing Balance at 30 June 2009		41,494
228,796,167	Opening balance at 1 July 2009		41,494
512,180	Shares issued in lieu of services on 27 August 2009	10 cents	51
25,160,000	Placement on 27 August 2009	10 cents	2,516
1,100,000	Shares issued as costs of placement	10 cents	-
5,000,000	Shares issued as facility fee to Trafalgar – refer note 16(f)	12 cents	-
90,611	Shares issued in lieu of services on 12 October 2009	12.6 cents	11
28,571,428	Placement on 23 October 2009	10.5 cents	3,000
48,205,065	Rights issue on 8 June 2010	15 cents	7,231
482,050	Shares issued as costs of rights issue	15 cents	-
	Costs of equity raisings during the year		(606)
	Costs of placements – non cash (prior year options granted)		(45)
337,917,501	Closing Balance at 30 June 2010		53,652

NOTE 16 – ISSUED CAPITAL - continued

(c) Options on issue

	Number	Issue Price of Shares	Exercise Date
Unlisted Options	1,250,000	15 cents	On or before 31/12/2010
Unlisted Options	525,000	35 cents	Between 13/05/2010 and 13/05/2011
Unlisted Options	525,000	40 cents	Between 13/05/2011 and 13/05/2012
Unlisted Options	3,600,000	35 cents	Between 22/04/2010 and 21/04/2011
Unlisted Options	3,600,000	40 cents	Between 22/04/2011 and 21/04/2012
Unlisted Options	2,250,000	20 cents	Between 30/06/2010 and 01/07/2011
Unlisted Options	1,500,000	25 cents	Between 30/06/2011 and 01/07/2012
Unlisted Options	1,500,000	30 cents	Between 30/06/2012 and 01/07/2013
Unlisted Options	19,200,000	25 cents	Between 1/05/2012 and 31/12/2012
Listed Options	24,102,665	25 cents	On or before 31/03/2011
	58,052,665		

During the year:

(i) 19,200,000 unlisted options were granted as share-based payments (2009: 5,250,000);
(ii) Nil unlisted options were forfeited (2009: 7,000,000);
(iii) 24,102,665 listed options were granted under a Rights Issue;
(iv) Nil listed options expired (2009: 27,630,047);
(v) 6,500,000 unlisted options expired (2009: 3,000,000); and
(vi) No options were exercised (2009: Nil).

(d) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

(e) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintaining 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.

(f) Equity facility

In October 2009, ADX executed a Committed Equity Facility Agreement to secure an A$20,000,000 facility with Trafalgar Capital Specialised Investment Fund, Luxembourg (Trafalgar). Subject to terms and conditions of the facility, ADX may, at its discretion, issue shares to Trafalgar at any time over the next 30 months. Shares issued to Trafalgar will be priced at 95% of the lowest of the daily volume weighted average price ("VWAP") of the Ordinary Shares on ASX as quoted by Bloomberg during the prior five consecutive trading day period. ADX issued 5,000,000 shares at 12 cents each ($600,000) to Trafalgar as the facility fee.

As at 30 June 2010, the equity facility has not been utilised.

	Consolidated 2010 $'000	2009 $'000
NOTE 17 - RESERVES		
Share-based payments reserve	1,218	752
Option premium reserve	2,916	2,916
Asset revaluation reserve	250	250
Foreign currency translation reserve	(204)	(142)
	4,180	3,776

Share-based payments reserve

Balance at the beginning of the year	752	365
Share-based payments	466	387
Balance at the end of the year	1,218	752

Nature and purpose of the reserve:

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

Option premium reserve

Option premium reserve	2,916	2,916

Nature and purpose of the reserve:

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

Asset revaluation reserve

Asset revaluation reserve	250	250

Nature and purpose of the reserve:

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

Foreign currency translation reserve

Balance at the beginning of the year	(142)	7
Currency translation differences	(62)	(149)
Balance at the end of the year	(204)	(142)

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.

NOTE 18 – PARENT ENTITY INFORMATION

	Company 2010 $'000	Company 2009 $'000
Balance sheet information		
Current assets	2,114	943
Non-current assets	16,838	7,589
Current liabilities	(405)	(220)
Non-current liabilities	-	(12)
Net Assets	18,547	8,300
Issued capital	53,652	41,494
Reserves	4,383	3,918
Accumulated losses	(39,488)	(37,112)
	18,547	8,300
Profit and loss information		
Loss for the year	(2,376)	(3,326)
Comprehensive loss for the year	(2,376)	(3,326)

Commitments and contingencies

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

Subsidiaries

Name of Controlled Entity	Class of Share	Place of Incorporation	% Held by Parent Entity 2010	% Held by Parent Entity 2009
Alpine Oil & Gas Pty Ltd	Ordinary	Australia	100%	100%
AuDAX Minerals Pty Ltd	Ordinary	Australia	100%	-
AuDAX Energy GmbH	Ordinary	Austria	100%	100%
AuDAX Energy Srl	Ordinary	Italy	100%	100%

During the year ADX Energy Ltd incorporated a new subsidiary, AuDAX Minerals Pty Ltd.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

	Consolidated 2010 $'000	2009 $'000
(a) Operating leases (non-cancellable):		
Within one year	139	117
More than one year but not later than five years	17	59
	156	176

These non-cancellable operating leases are primarily for office premises.

(b) Exploration commitments - Australia:

In order to maintain current rights of tenure to exploration tenements the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the relevant governments. These expenditure commitments may be varied as a result of renegotiations, relinquishments, farm-outs or sales.

Within one year	300	700
More than one year but not later than five years	998	7,500
	1,298	8,200

(c) Commitments and Contingencies for Tunisia, Italy and Romania

The Kerkouane permit held by ADX had a two year exploration period from 22 February 2008. Acquisition of 400 km 2D seismic and the drilling of one well is required in the two year period. During the year, ADX was granted an extension of this period to 22 February 2011. In September 2009, a letter of credit was provided to the Tunisian Ministry in the amount of US$1.5 million. This bond is to be released one week after commencement of drilling, expected in the first quarter 2010. This bond is included in current receivables in this financial report. Subsequent to year end, on 11 July 2010 the first well was spudded. Refer to subsequent events note.

A US$1 million letter of credit was provided to the Tunisian Ministry for the Chorbane permit in June 2009. This bond is included in non-current receivables in this financial report. ADX was required to drill on the Chorbane permit prior to its expiry of 12 July 2010, however, during the year, ADX was granted an extension to 12 July 2011.

The Pantelleria permit requires ADX to drill or forfeit by the expiration date which is currently suspended until the spud date of the well.

The Romania block awarded to ADX, EX-10 PARTA, is expected to be signed in October 2010. Ratification by the government is expected in March 2011. Once ratified it will require ADX to acquire 100km of 2D, 100km of 3D seismic and to drill two wells seismic in the first exploration period.

Summary of commitments at year end for Tunisia, Italy and Romania:

Within one year	2,336	6,300
More than one year but not later than five years	-	7,700
	2,336	14,000

(d) Conditional commitments to previous partner

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

NOTE 19 – COMMITMENTS AND CONTINGENCIES – continued

(e) Contingencies

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest in Australia. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Company.

NOTE 20 - INTEREST IN JOINT VENTURES

(a) Joint Venture Details

Joint Venture	Note	Principal Activities	ADX Group % Interest 2010	ADX Group % Interest 2009
Kerkouane, Lambouka – Tunisia	a	Exploration	30%	100%
Kerkouane, remainder – Tunisia	a	Exploration	60%	100%
Chorbane – Tunisia	a	Exploration	50%	100%
Pantelleria – Italy	b	Exploration	100%	100%
Romania – JSBA		Exploration	60%	-
Romania – AMI - completed 30/09/09		Exploration	-%	33.3%
Cooper Basin PEL 182 Joint Venture	c	Exploration	49.9%	49.9%
Dulcie Joint Venture		Exploration	20%	20%
Cheritons Find JV – Free Carried Interest		Exploration	10%	10%
Navigator Bronzewing JV		Exploration	80%	-
Gindalbie JV		Exploration	-	30%

The Joint Ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit. The joint ventures, excluding Kerkouane, Chorbane and Cooper Basin, do not hold any assets and accordingly the Company's share of exploration evaluation and development expenditure is accounted for in accordance with the policy set out in note 1.

Notes:

a) ADX retains 100% until farm in obligations are met by other parties.
b) Two parties have the option to acquire an interest in this permit. As at 30 June this option has not been elected.
c) Sold subsequent to year end. Refer to note 12.

(b) Assets utilised in Joint Ventures

The following amounts represent the group's interest in assets employed in Joint Ventures for Kerkouane, Chorbane and Cooper Basin (2009: Cooper Basin). The amounts are included in the consolidated financial statements under their respective categories as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Current assets	2,073	57
Current liabilities	(1,000)	(24)
Net Assets	1,073	33
Profit and loss information		
Loss for the year	-	-

NOTE 21 – KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of Key Management Personnel

	Consolidated 2010 $	Consolidated 2009 $
Short-term employment benefits	660,534	696,060
Post-employment benefits	6,925	10,319
Share-based payment	328,847	290,767
	996,306	997,146

(b) Option holdings of Key Management Personnel

2010	Balance at beginning of the year	Granted as remuneration	Options acquired under Rights Issue	Options exercised	Options expired or forfeited	Change due to appointment/ (resignation)	Balance at end of the year	Not exercisable	Exercisable
Directors									
I Tchacos	-	6,000,000	395,834	-	-	-	6,395,834	6,000,000	395,834
W Zimmer	5,000,000	6,000,000	400,000	-	(2,000,000)	-	9,400,000	1,500,000	7,900,000
P Fink	3,500,000	3,600,000	100,000	-	(1,400,000)	-	5,800,000	4,650,000	1,150,000
A Childs	-	3,600,000	868,194	-	(1,400,000)	3,500,000	6,568,194	4,650,000	1,918,194
G Roper	1,000,000	-	-	-	-	(1,000,000)	-	-	-
Other KMP									
P Ironside	2,500,000	-	784,177	-	-	-	3,284,177	1,000,000	2,284,177
	12,000,000	19,200,000	2,548,205	-	(4,800,000)	2,500,000	31,448,205	17,800,000	13,648,205

2009	Balance at beginning of the year	Granted as remuneration	Options acquired under Rights Issue	Options exercised	Options expired or forfeited	Change due to appointment/ (resignation)	Balance at end of the year	Not exercisable	Exercisable
Directors									
G Roper	2,453,342	-	-	-	(1,453,342)	-	1,000,000	-	1,000,000
W Zimmer	5,000,000	-	-	-	-	-	5,000,000	3,000,000	2,000,000
P Fink	3,500,000	-	-	-	-	-	3,500,000	2,100,000	1,400,000
G Evans	3,500,000	-	-	-	(3,500,000)	-	-	-	-
Other KMP									
P Ironside	1,745,192	1,750,000	-	-	(995,192)	-	2,500,000	1,750,000	750,000
	16,198,534	1,750,000	-	-	(5,948,534)	-	12,000,000	6,850,000	5,150,000

NOTE 21 – KEY MANAGEMENT PERSONNEL DISCLOSURES – continued

(c) Shareholdings of Key Management Personnel

	Balance at beginning of the year	Options exercised	Granted as remuneration	Net change other	Change due to appointment / (resignation)	Balance at end of the year
2010						
Directors						
I Tchacos	-	-	-	1,391,667	1,750,000	3,141,667
W Zimmer	7,942,655	-	-	211,666	-	8,154,321
P Fink	1,900,000	-	-	200,000	-	2,100,000
A Childs	-	-	-	2,134,388	8,252,326	10,386,714
G Roper	8,692,232	-	-	(88,500)	(8,603,732)	-
Other KMP						
P Ironside	3,955,126	-	512,180	1,216,169	-	5,683,475
	22,490,013	-	512,180	5,065,390	1,398,594	29,466,177
2009						
Directors						
G Roper	8,628,732	-	-	63,500	-	8,692,232
W Zimmer	7,788,334	-	-	154,321	-	7,942,655
P Fink	1,900,000	-	-	-	-	1,900,000
G Evans	125,988	-	-	-	(125,988)	-
Other KMP						
P Ironside	1,585,192	-	361,446	2,008,488	-	3,955,126
	20,028,246	-	361,446	2,226,309	(125,988)	22,490,013

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

(d) Other transactions and balances with Key Management Personnel

2010

Mr Andrew Childs was a director of Bombora Energy Limited. During the year, ADX entered into agreements with Bombora as follows:

- Bombora to earn 10% interest in the Lambouka project, Kerkouane, by paying 10% of well and other costs;
- Bombora to earn 10% interest in the remainder of Kerkouane by paying 15% of seismic costs (capped at US$780,000 for Bombora share);
- Bombora has an option to increase its interest by another 10% in Kerkouane after drilling a well in the Kerkouane remainder area by paying 15% of well cost of the next well in Kerkouane;
- Bombora to have an option to acquire 10% of Pantelleria permit prior to 30/6/2011; and
- Bombora to earn 10% interest in the Chorbane project by paying 20% of well costs (capped at US$1,000,000 for Bombora share).

To 30 June 2010, Bombora has paid A$3.1 million as joint venture contributions for the above projects and is still contributing to earn its interests in the projects.

The Directors consider these transactions to be based on arms length pricing.

NOTE 21 – KEY MANAGEMENT PERSONNEL DISCLOSURES – continued

(d) Other transactions and balances with Key Management Personnel - continued

Mr Ian Tchacos and Mr Andrew Childs are both directors of Australian Oil Company Limited (AOC). AOC is a joint venture participant in the Cooper Basin PEL-182 JV of which ADX is operator and holds 49.9%. There have been no transactions other than normal cash calls made by ADX as operator.

2009
There were no other transactions with Key Management Personnel during the year.

NOTE 22 – OTHER RELATED PARTY TRANSACTIONS

Parent entity and subsidiaries
The ultimate parent entity within the Group is ADX Energy Ltd. Interests in subsidiaries are set out in Note 18.

Key management personnel
Disclosures relating to key management personnel are set out in Note 21.

Transactions with related parties
The only transaction between the parent entity and its wholly owned subsidiaries was the provision of loan funds during the financial year.

NOTE 23 – SHARE-BASED PAYMENTS

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

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Expensed in the profit and loss:		
Share-based payments - options	421	289
Share-based payments - shares	62	100
	483	389
Included in equity :		
Share-based payments - options	45	98

NOTE 23 – SHARE-BASED PAYMENTS - continued

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

The following share-based payments were made during the year:

2010

Granted to Directors on 10 June 2010 (approved by shareholders on 3 June 2010):

- 19,200,000 options expiring 31 December 2012, exercisable at 25 cents each, vesting 1 May 2012.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Grant date	**10/06/2010**
Option exercise price ($)	0.25
Expected life of options (years)	2.56
Dividend yield (%)	-
Expected volatility (%)	125
Risk-free interest rate (%)	5.28
Underlying share price ($)	0.17
Value of Option ($)	0.1032

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

During the year, 602,791 shares ($62,635) were issued in lieu of payments for consulting fees. The fair value was based on the market value for those services.

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

2009

Granted to an employee, consultant and the Company Secretary on 22 June 2009:

- 2,250,000 options expiring 1 July 2011, exercisable at 20 cents each, vesting 12 months after issue; and
- 1,500,000 options expiring 1 July 2012, exercisable at 25 cents each, vesting 24 months after issue; and
- 1,500,000 options expiring 1 July 2013, exercisable at 30 cents each, vesting 36 months after issue.

Grant date	**22/6/09**	**22/6/09**	**22/6/09**
Option exercise price ($)	0.20	0.25	0.30
Expected life of options (years)	2	3	4
Dividend yield (%)	-	-	-
Expected volatility (%)	100	100	100
Risk-free interest rate (%)	5.75	5.75	6.50
Underlying share price ($)	0.14	0.14	0.14
Value of Option ($)	0.0644	0.0743	0.0834

In April 2009, 2,013,982 shares ($100,296) were issued in lieu of payments for salaries and consulting fees. The fair value was based on the market value for those services.

NOTE 23 – SHARE BASED PAYMENTS - continued

(c) Weighted average fair value

The weighted average weighted average fair value of share based payment options granted during the year was $0.1032 (2009: $0.0743).

(d) Weighted average exercise price

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

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Outstanding at the beginning of year	21,250,000	0.306	26,500,000	0.308
Granted during the year	19,200,000	0.250	5,250,000	0.243
Forfeited during the year	-	-	(7,000,000)	0.345
Exercised during the year	-	-	-	-
Expired during the year	(6,500,000)	0.300	(3,500,000)	0.149
Outstanding at the end of the year	33,950,000	0.276	21,250,000	0.306
Exercisable at year end	7,625,000	0.273	7,750,000	0.276

The weighted average share price for options exercised during the year was nil (2009: nil).

(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 $0.15 to $0.40 (2009: $0.15 to $0.40).

(f) Weighted average remaining contractual life

The weighted average remaining contractual life of share based payment options that were outstanding as at 30 June 2010 was 2.03 years (2009: 1.86 years).

NOTE 24 - AUDITORS' REMUNERATION

	Consolidated 2010 $	2009 $
Amount received or due and receivable by the auditor for:		
Auditing the financial statements, including audit review - current year audits	34,500	30,500
Other services - taxation services	-	5,000
Total remuneration of auditors	34,500	35,500

NOTE 25 – SEGMENT INFORMATION

Identification of reportable segments

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

The operating segments are identified by management based on the exploration type. Discrete financial information about each of these operating businesses is reported to the Board on at least a quarterly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of activity type and phase of operations, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Reportable Operating Segments Identified

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

- Minerals Exploration and Evaluation Segment: This segment includes assets and activities that are associated with mineral exploration.

- Oil and Gas Exploration and Evaluation Segment: This segment includes assets and activities that are associated with oil and gas exploration.

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

NOTE 25 – SEGMENT INFORMATION - continued

Operating Segments	**Minerals**	**Oil and Gas**	**Total Operations**
	$'000	**$'000**	**$'000**
2010			
Revenue	-	-	-
Total segment revenue			**-**
Result			
Segment result	(12)	(489)	(501)
Amortisation and depreciation	-	(105)	(105)
Impairment of deferred exploration	(86)	(386)	(472)
Total Segment result	(98)	(980)	(1,078)
Reconciliation of segment loss after tax to net loss after tax:			
Unallocated revenue and income			62
Foreign currency losses			(41)
Unallocated depreciation			(3)
Unallocated expenditure			(1,081)
Net loss after tax			**(2,141)**
Assets			
Segment assets	1,213	18,708	19,921
Reconciliation of segment assets:			
Cash held by parent			1,802
Other			94
Total assets			**21,817**
Liabilities			
Segment liabilities	97	2,666	2,763
Reconciliation of segment liabilities:			
Unallocated liabilities			266
Total liabilities			**3,029**
Capital expenditure			
Segment capital expenditure – deferred exploration	55	8,010	8,065
Segment capital expenditure – plant and equipment	-	44	44
Total Segment capital expenditure	55	8,054	8,109
Reconciliation of capital expenditure:			
Unallocated additions			3
Total capital expenditure			**8,112**

NOTE 25 – SEGMENT INFORMATION - continued

Operating Segments	Minerals $'000	Oil and Gas $'000	Total Operations $'000
2009			
Revenue	-	-	-
Total segment revenue			**-**
Result			
Segment result	-	(1,276)	(1,276)
Amortisation and depreciation	-	(111)	(111)
Impairment of deferred exploration	(633)	(368)	(1,001)
Total Segment result	(633)	(1,755)	(2,388)
Reconciliation of segment loss after tax to net loss after tax			
Unallocated revenue and income			54
Foreign currency gains			-
Unallocated depreciation			(3)
Unallocated expenditure			(779)
Net loss after tax			**(3,116)**
Assets			
Segment assets	1,079	6,778	7,857
Reconciliation of segment assets:			
Cash held by parent			801
Other			99
Total assets			**8,757**
Liabilities			
Segment liabilities	19	228	247
Reconciliation of segment liabilities:			
Unallocated liabilities			143
Total liabilities			**390**
Capital expenditure			
Segment capital expenditure – deferred exploration	108	2,038	2,146
Segment capital expenditure – plant and equipment	-	53	53
Total Segment capital expenditure	108	2,091	2,199
Reconciliation of capital expenditure:			
Unallocated additions			-
Total capital expenditure			**2,199**

NOTE 26 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors, security bonds and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken, except for share investments which are considered immaterial.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and foreign currency risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

Interest rate risk
At balance date the Group's exposure to market risk for changes in interest rates relates primarily to the Company's cash and bonds. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Financial Assets:		
Cash and cash equivalents	1,980	941
Trade and other receivables	1,483	73
Receivables – non current	1,168	1,249
Net exposure	4,631	2,263

Sensitivity
At 30 June 2010, if interest rates had increased by 1.5% from the year end variable rates with all other variables held constant, post tax profit and equity for the Group would have been $69,000 higher (2009: changes of 0.5% $11,000 higher/$11,000 lower).

The 1.5% (2009: 0.5%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical RBA movements over the last year.

Liquidity risk
The Group has no significant exposure to liquidity risk as there is effectively no debt. The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Credit risk
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

Significant cash deposits are with institutions with a minimum credit rating of AA (or equivalent) as determined by a reputable credit rating agency e.g. Standard & Poor. The US$1 million letter of credit and the US$1.5 million letter of credit are both with state owned Societe Tunisienne de Banque, which has a credit rating of B+ (Long-term) and B (Short-term), and the Financial Strength rating at B-., which is considered stable.

The Company does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

NOTE 26 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Foreign currency risk
As a result of oil and gas exploration operations in Europe being denominated in USD and Euro, the Group's balance sheet can be affected by movements in the USD/A$ and Euro/A$ exchange rates. The Company does not hedge this exposure.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in Euros and USD, to meet current operational commitments.

At 30 June 2010, the Group had the following exposures to foreign currencies that are not designated in cash flow hedges:

	Consolidated	
	2010 $'000	**2009 $'000**
Financial Assets:		
Cash and cash equivalents	470	171
Trade and other receivables - current	1,975	54
Receivables – non-current	1,183	1,250
Financial Liabilities:		
Trade and other payables	1,637	158
Net exposure	1,991	1,317

Sensitivity
At 30 June 2010, if exchange rates had increased by 10% or decreased by 10% from the year end rates with all other variables held constant, post tax profit and equity for the Group would have been $181,000 lower / $221,000 higher (2009: changes of 5% $172,000 lower/$232,000 higher).

The 10% (2009: 5%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the Australian dollar to the US dollar and Euro, for the preceding year.

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

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

Fair value
As at 1 July 2010, ADX has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

• Level 1 – the fair value is calculated using quoted prices in active markets

• Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

• Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data

NOTE 26 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Fair value – continued

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

	Year ended 30 June 2010				**Year ended 30 June 2009**			
	Quoted Market Price (Level 1) $'000	Valuation with Observable Market Data (Level 2) $'000	Valuation with no Observable Market Data (Level 3) $'000	Total $'000	Quoted Market Price (Level 1) $'000	Valuation with Observable Market Data (Level 2) $'000	Valuation with no Observable Market Data (Level 3) $'000	Total $'000
Consolidated								
Other current financial assets at fair value	9	-	-	9	14	-	-	14

Financial instruments that use valuation techniques with only observable market inputs represent forward commodity contracts not traded on a recognised exchange.

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

NOTE 27 - SUBSEQUENT EVENTS

The following events occurred after the balance sheet date:

1. In June 2010, ADX entered into an agreement to sell its 49.9% interest in Cooper Basin PEL-182 to Victoria Petroleum NL (VicPet). The total consideration is a cash consideration of $1.1 million and the ADX share of the future plugging and liability for previous wells estimated at $200,000. In July 2010 the sale was completed and the cash consideration was received following satisfaction of the conditions precedent to the sale.

2. On 11 July 2010, the Lambouka-1 well commenced drilling. The drilling rig arrived at location on 2 July 2010. Drilling is ongoing and weekly updates are announced to the ASX.

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ADX ENERGY LTD

Report on the financial report

We have audited the accompanying financial report of ADX Energy Ltd (the Company") which comprises the balance sheet as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flow state for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

In our opinion the financial report of ADX Energy Ltd is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2010. 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.

Audit opinion

In our opinion the remuneration report of ADX Energy Ltd for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan
Partner

Dated 30 September 2010