Outlook

Edison investment research

23 June 2010

ADX Energy

Year End	Revenue (A$m)	PBT* (A$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/08	1.3	(3.3)	(2.2)	0.0	N/A	N/A
06/09	0.0	(2.7)	(1.4)	0.0	N/A	N/A
06/10e	0.0	(5.1)	(1.6)	0.0	N/A	N/A
06/11e	0.1	(8.7)	(2.8)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: Ready to drill

ADX Energy (formerly AuDAX Resources) has transformed itself over the last two years from a mining company with limited oil and gas interests into an exploration player with all the attributes we look for to optimise the risk/reward balance for shareholders. It has significant exploration geared upside through its exploration and appraisal prospects in Tunisia and Italy. ADX is ready to drill, with the first exploration well expected to commence in July 2010. It has demonstrated through its farm out a) an ability to balance risk and reward effectively and b) a strong sub-surface understanding of its prospects. Our RENAV of A$1.33 is significantly ahead of the current share price and reflects the substantial exploration geared upside.

Good sub-surface understanding

Good sub-surface understanding is critical to identify and reject high risk/low reward prospects that can cripple a company. ADX's management is a proven team of operators, whose reputations gave them entry to the Tunisian and Italian assets. ADX has an established group of geophysicists and geoscientists. This expertise is also reflected in senior management's background. Farm-in partner Gulfsands was attracted to the Tunisian and Italian assets in part due to a seismic hydrocarbon indicator at the primary level within the Chorbane prospect. Through its farm-out partners ADX has access to additional resources and experience, such as the Damascus-based team of Gulfsands.

Minimal capital spend for sizeable upside potential

Through a series of farm-outs, ADX now has an effectively free carried interest of 30% in Lambouka and a 60% interest in the surrounding permit areas, and has secured 100% funding for its first exploration well through its partners for the Chorbane block. This puts investors in a position to play for upside with limited downside.

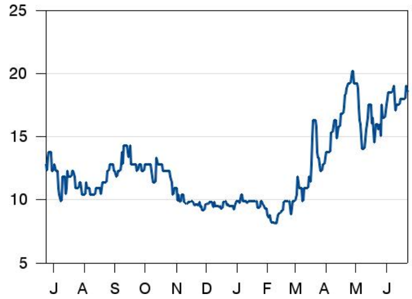
Valuation: High impact exploration play

The upside to the current valuation comes from exploration activity. Our A$1.33 RENAV is based on the ready to drill prospects in Tunisia and offshore Italy. The company has positioned itself to work towards this valuation with the first well due in July 2010 acting as a potential catalyst to transform the valuation.

ADX Energy is a research client of Edison Investment Research Limited

Price	18.5c
Market Cap	A$62m

Share price graph



Share details

Code	ADX
Listing	ASX
Sector	Oil & Gas
Shares in issue	337.4m

Price

52 week	High	Low
	20.2c	8.1c

Balance Sheet as at 30 June 2010e

Debt/Equity (%)	N/A
NAV per share (c)*	2.8
Net cash (A$m)*	9.5

** Estimates after A$7m rights issue.*

Business

ADX Energy (formerly AuDAX Resources) is an oil and gas exploration business listed in Australia with exploration activities in Tunisia, and offshore Italy, Romania and Australia. The group also has mining interests which are in the process of being demerged.

Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

UK	Europe	US	Other
0%	0%	0%	0%

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Investment summary: Ready to drill

Company description: European and North African oil & gas assets

ADX Resources Ltd is an oil & gas and mineral exploration company. It has activities in Romania, Italy and Tunisia and operates all of them. Near-term the company plans to focus on its interests in offshore Italy and Tunisia, having secured funding for its initial appraisal programme. Further, it is looking to consolidate its operations by spinning off its non-core mining interests. The company is being re-named ADX Energy Ltd to reflect its focus on the oil and gas sector.

Strategy: A focused hydrocarbon exploration player

Following a change in key management in 2007 ADX has transformed itself from a mining company with limited oil & gas interests to a fully fledged oil & gas company. The day to day running of ADX is in the hands of Wolfgang Zimmer (CEO) and Paul Fink (technical director), industry veterans who have worked together previously at OMV. Their previous records at OMV for delivering projects on time and on budget have earned them a strong reputation, especially in the Middle East, where reputations are important for making headway in the oil business. This gave them the opportunity in Tunisia and has culminated in the group demerging its mining assets (while retaining a significant stake). The recently announced rights issue should allow management to pursue its strategy of growing its European and North African oil & gas assets. Key points within the strategy to deliver value include:

Short-term (less than one year)

- Drill the Lambouka prospect (expected to start July 2010) offshore Tunisia.
- Drill the Sidi Daher prospect in Chorbane, onshore Tunisia (expected to start Q410).
- Participate in the 10th bidding round in Romania and secure opportunities in underexplored areas with good upside potential relinquished by Petrom and Romgas.

Medium-term (one to two years)

- An appraisal programme for Dougga gas condensate field offshore Tunisia (H211).
- A 3D seismic and exploration well in Romania if successful in the bidding round.

Recent newsflow

- March 2010 – Completion of farm-outs with Gulfsands, Bombora, Pharmaust and Carnavale.
- April 2010 – 3D Geostreamer seismic acquired over a 630 sq km area in the Kerkouane and Pantelleria licence areas, allowing for fast track development.
- May 2010 – A$7m rights issue announced and completed.
- June 2010 – Gulfsands excercises option to increase its working interest from 20% to 30% in the Kerkouane and Pantelleria permits based on 3D seismic results.
- June 2010 – ADX announces sale of its Australian licence for $1.1m.
- June 2010 – Successfully submitted qualified bids for four licences in Romania and received Romanian government approval for E&P operatorship.

Key facts

- Gross P50 resource estimate for Lambouka and Sidi Daher prospect of 343.2mmboe (259.0mmboe for Lambouka, 84.2mmboe for Sidi Daher), net 119.8mmboe.

- Farm in partners: Gulfsands Petroleum, Bombora Energy, Carnavale Resources and PharmAust.
- Net cash of A$9.5m based on A$7.2m rights issue before costs, A$1.1m for the recent Australian licence divestment and A$1.6 cash on balance sheet at 31 December 2009. In addition, ADX has a paid a US$2.5m bond for its Tunisian offshore and onshore blocks; these funds will be released one week after spud.

Valuation: RENAV of A$1.33 reflects high-impact exploration

Our core net asset value (NAV) for ADX's exploration assets is based on cash post rights issue of A$8.4m or 3c. To this can be added A$10m for the mining assets which are being demerged adding a further 3c. The bulk of the valuation upside comes from value creation from successful exploration, reflecting ADX's high impact exploration portfolio.

Within the exploration portfolio, the Italian portion of the Lambouka prospect makes up a significant proportion of the risked-exploration net asset value (RENAV), the oil case accounting for 75c and the gas condensate case adding a further 25c we ascribe to the Tunisian/Italian exploration activities. This reflects both the larger resource estimate and the more attractive fiscal regime in Italy. It is also important to note that for now we have modelled an oil case for the Chorbane prospect. Depending on the outcome, this may change to a gas case scenario. We expect this case to also add value due to good infrastructure for gas.

As additional assets approach a ready to drill phase, we will look to add these to our RENAV. The most likely to be added next is the Dougga appraisal prospect, which is a ready to drill with both 3D seismic and a competent person's report completed. To this we would expect to eventually add the Romanian assets.

Sensitivities: Typical risks associated with investing in E&Ps

An investment in ADX is subject to the normal risks associated with oil exploration.

- The oil price remains a key issue, determining whether projects are viable. Given today's c $80/bbl price, all the assets have sufficient headroom.
- Appraisal risk: Exploration companies have significant upside and downside risk dependent on the outcome of their exploration activities. A successful find can transform the valuation, while a failure can put a strain on cash resource.
- Environmental risk: A company-specific risk for ADX is the stringent environmental regulations it must operate to given some of its assets are in Europe. As a practical consequence, this usually translates into higher costs relative to other parts of the world where standards are more lax.

Financials: Adequately funded post rights issue

At this stage of its development, ADX has minimal revenues and significant exploration related costs. The key concern in the near term for companies at this stage of their development is whether they have adequate resource to fund their exploration activities. At end December 2009 ADX had $1.6m of cash. In Q110 it farmed out significant parts of its exploration portfolio, minimising its own capital outlays for the exploration programme. This together with the fully underwritten rights issue of A$7.2m (before costs) and the $1.1m received from the sale of its Australian licence should be adequate to fund the first stage of its exploration programme.

Company description: Evolving to an oil company

Operations

ADX Energy (ADX) is an Australia-based oil & gas and mineral exploration company. It has four key oil & gas licences across Europe and North Africa, along with mineral interests in Australia. The company's strong asset base in Tunisia and Italy has led to major E&P companies such as Gulfsands taking an interest in the company. Going forward, ADX plans to expand its North African and European oil & gas assets as well as de-merge its mining business to realise additional shareholder value.

ADX 's key oil & gas assets are as follows:

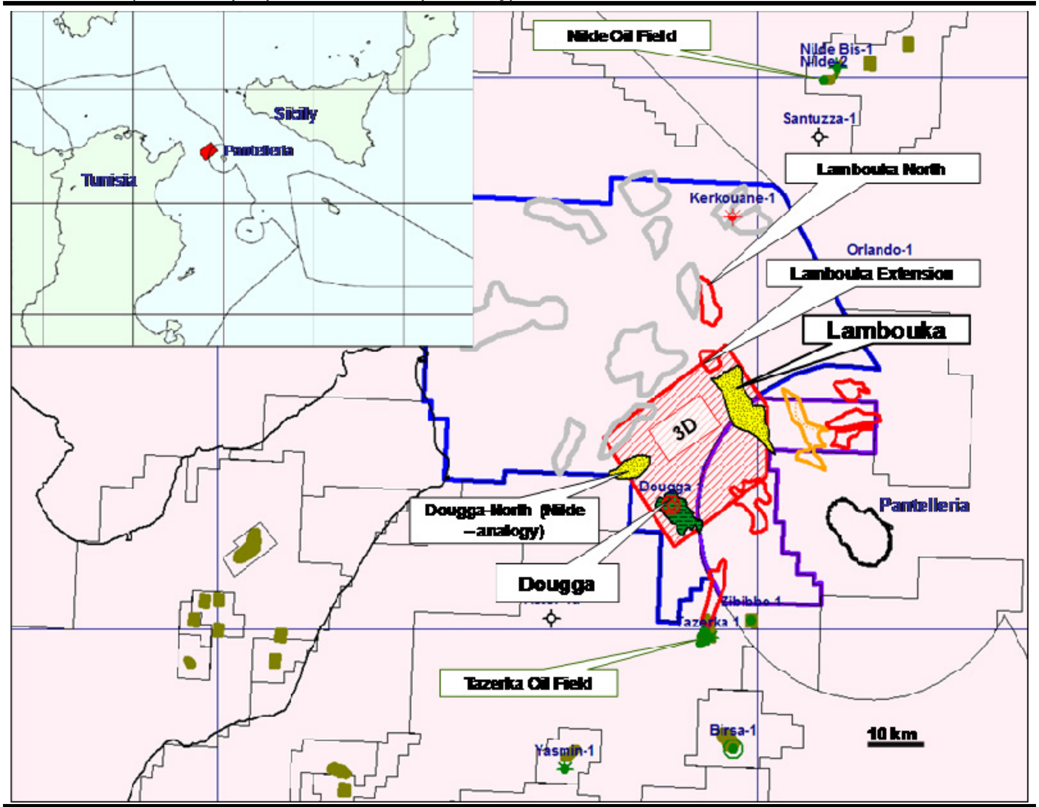
Exhibit 1: Asset summary

Asset	Country	Operator	ADX's interest	Description
G.R15.PU (Pantelleria)	Italy	ADX	30%	Low-risk exploration drilling in a mature area which is part of the proven Pelagian Basin. It contains the Lambouka prospect (previously Sambuca), which is ready for drilling.
Kerkouane	Tunisia	ADX	30%	This is adjacent to the Pantelleria permit and consists of the Lambouka permit and the Dougga gas discovery.
Chorbane (Sidi Daher)	Tunisia	ADX	50%	High impact exploration drilling in an underexplored area, which shows signs of oil & gas shows in wells. Drilling here could result in 55mmbbls of oil and 175bcf of gas from four wells.

Source: ADX Energy/Edison Investment Research

3D seismic data shot over 630 sq km area

Exhibit 2: Map showing 3D seismic (red area) relative to Kerkouane and Pantelleria licence boundaries (blue and purple outlines respectively)



Source: ADX Energy

ADX completed the acquisition of 3D Geostreamer seismic on 1 April 2010 (a week ahead of schedule). This data has already been processed and should allow ADX to fast track any development of its exploration licences.

G.R15.PU (Pantelleria) and Kerkouane

ADX owned 100% of operating interests in the Pantelleria and Kerkouane permits situated in the Gulf of Hammamet offshore Tunisia and Italy (Sicily). These permits, which cover a combined area of 4,504 sq km, are the biggest permits owned by the company and enable access to one of the largest underexplored areas of the proven Pelagian Basin. The permits contain at least four leads in addition to the Lambouka (previously Sambuca) prospect and the Dougga gas condensate discovery. The company has finished 3D seismic acquisition on the Lambouka prospect and, having confirmed the drilling location, is expected to start drilling an exploration well in early July 2010. Consequently, we believe that the Lambouka prospect will be the primary driver for ADX's revenues in the near term.

The Lambouka exploration prospect, present across both Italian and Tunisian waters, is considered one of the largest remaining undrilled structures in the Mediterranean Sea and is estimated to contain prospective resources (P50) amounting to 259mmboe. Due to their presence in stable countries such as Tunisia and Italy and access to extensive infrastructure such as the TRANSMED pipeline, these prospects have generated a lot of interest from well-established oil & gas companies. Consequently, ADX successfully farmed out 70% of its working interest in Lambouka and a 40% interest in the remaining interests, raising sufficient funding for its exploration and appraisal programme scheduled to start in July 2010. The company farmed out the 40% interest in Lambouka to oil companies such as Gulfsands Petroleum (30% interest) and Bombora Energy (10% interest with an option to move to 20%) and the 30% interest to other cash-rich local companies such as Carnavale Resources (20%) and PharmAust (10%). These farm-outs result in ADX having an effectively free carried interest of 30% in Lambouka and a 60% interest in the surrounding permit areas.

The Dougga discovery, which lies in the Kerkouane licence in Tunisia, consists of prospective resources of 420bcf of gas reserves and 29mmbbls of condensate with an upside of 827bcf of gas, 56mmbbls of condensate and 53mmbbls of LPG. ADX plans to start the appraisal programme for the Dougga prospect in the second half of 2011. Dougga is also covered by high quality Geostreamer 3D seismic.

Like the entire permit area, these prospects have been underexplored due to the lack of strong gas markets in the past and emphasis on oil discoveries. Further, the lack of high-quality seismic data coupled with inadequate technologies for condensate stripping made these discoveries uneconomic, despite having a good historical success rate and proven hydrocarbon systems. However, these prospects now have a large commercial viability because of:

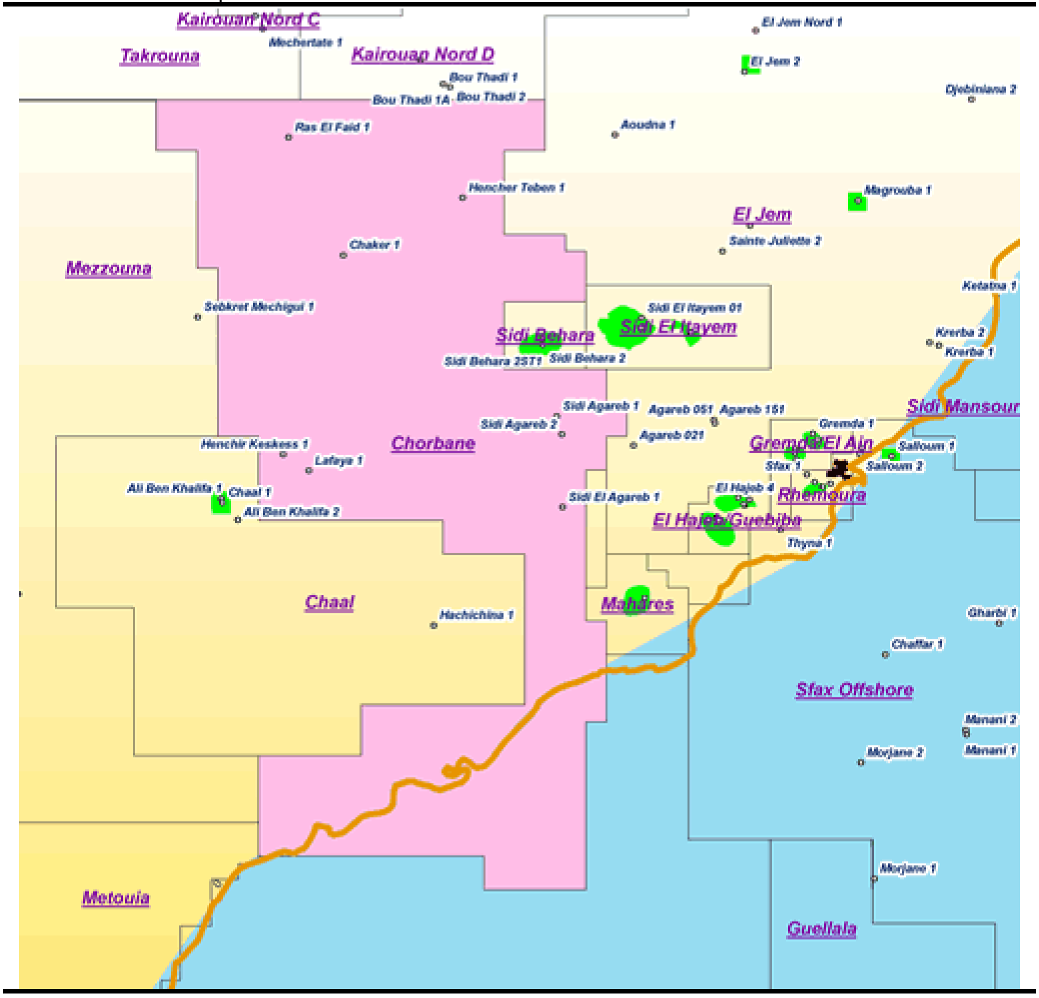
- the availability of high-quality seismic data and established existence of a large tilted horst block across the Tunisian-Italian border;
- the availability of proven carbon dioxide and condensate stripping technologies, which make the Dougga gas condensate discovery economically viable;
- a stable operating environment and attractive fiscal terms in both Italy and Tunisia, which allow offshore fields in the order of 10-20mmboe to be developed economically (this provides the company an excellent risk/reward profile); and
- access to the attractive North African and European gas markets through the TRANSMED pipeline in both Tunisia and Italy.

ADX has finished the acquisition of 3D seismic data for the Lambouka and Dougga prospect and has secured a rig for drilling. We expect drilling on the Lambouka prospect to start in July 2010 and drilling on the Dougga gas condensate discovery in the second half of 2011.

Chorbane, onshore Tunisia

ADX acquired the Chorbane permit in July 2009 by posting a $1m bond with the Tunisian government. The leading Chorbane prospect, Sidi Daher, also part of the Pelagian Basin, consists of 55mmbbls of P50 oil reserves and 175bcf of gas from four planned production wells. ADX previously owned 100% of the 2,428 sq km prospect, but has successfully farmed out 50% to Gulfsands (40% interest secured by paying 80% of the cost of drilling the first exploration well) and Bombora Energy (10% interest secured by paying 20% of the cost of drilling the first exploration well). The company secured 100% funding for its first appraisal well, which is expected to be drilled in Q410.

Exhibit 3: Chorbane permit



Source: ADX Energy

The Chorbane permit consists of a large tilted horst block called the Sidi Daher prospect, which has multiple target zones and a P50 resource potential of 55mmbbls of oil and 175bcf of gas. The prospect's location in Tunisia lends it a relatively stable operating environment with attractive economic terms. The prospect also provides access to the high-demand North African and European markets and gives ADX the opportunity to take advantage of the extensive oil and gas infrastructure present in the area. ADX could become a major gas supplier in Tunisia, which currently has only the offshore Miskar gas field, operated by British Gas, the only significant domestic gas producer.

Romania

ADX owns 60% in areas of mutual interest (AMI) with its partners Sibinga and Caspian Oil & Gas and operates eight prospecting licences. The Petrom & Romgas relinquishment in May 2008 led to large permits being thrown open for bidding in Romania. The company, as a part of the AMI, has participated in the 10th bidding round, successfully submitting bids for four licence blocks in the Pannonian basin (Voivozi, Tria, Biled and Parta), the results of which are expected on 1 July 2010. ADX intends to secure opportunities in other areas in Romania, such as the Transylvanian Basin, which holds several multi-tcf gas fields and has successfully obtained certification from the Romanian authorities as an operator, qualifying ADX to participate in future exploration and production licences in Romania.

Australia

ADX sold its 49.9% interest in PEL 182, a largely underexplored block in the Cooper Basin, which has seen multiple oil & gas discoveries for A$1.1m. The asset was considered too small and allows management to focus its efforts on its North African and European assets.

Strategy: Focus on core oil & gas business

With a change in key management in 2007, ADX changed from being a mining company with limited and non operated oil & gas interests to a full-fledged oil & gas company with international interests and fully operated control of all assets. ADX, in 2008, formulated a strategy of growing its European and Northern African oil & gas assets while leveraging its producing mining interests to take advantage of high commodity prices and secure a steady cash flow. However, in 2009, the company decided to de-merge its mining assets to realise their full shareholder value and concentrate on its core oil & gas business. ADX plans to hold a substantial equity interest in the new entity and raise funds through it to finance the development of its mining interests.

Key management: Significant oil & gas experience evident

ADX has gradually changed its management to carry out its new strategy of concentrating on oil & gas. The company has included in its board veterans from the oil & gas industry who have considerable local business experience to help in successfully realising its strategy of focusing on its European assets.

Ian Tchacos, non-executive chairman of the board: Mr Ian Tchacos has more than 25 years of international experience in technical and strategic management of oil & gas companies. His previous positions include managing director of Nexus Energy, where he was responsible for Nexus's development from an onshore micro-cap explorer to an ASX top 200 offshore producer and operator.

Wolfgang Zimmer PhD, executive managing director: Dr Zimmer has more than 29 years of experience in the oil & gas industry, working in companies such as Mobil Oil, OMV and Grove Energy. He has extensive experience in the European, Australian and North African oil & gas space, having worked in Vienna, Australia, New Zealand and Tunisia. Dr Zimmer, through his extensive experience in working in the European and Australian oil & gas industries is playing an important role in helping ADX fulfil its ambitious strategy.

Paul Fink, executive technical director: Mr Fink has 20 years of technical and management experience in the petroleum exploration and production industry. A graduate from the Mining University of Leoben, Austria, he has worked predominantly on international exploration and development projects and assignments in Austria, Libya, Bulgaria, Romania, the UK, Australia, the US and finally in Pakistan as exploration and reservoir manager for OMV. Prior to joining ADX in 2007, he was working as acting vice president (exploration) for Focus Energy.

Andrew Ross Childs, non-executive director: Mr Andrew Childs is managing director of Petroleum Ventures Pty Ltd, chairman of Australian Oil Company Ltd and non-executive director of Jupiter Energy Ltd, Stratic Energy Corporation, Grove Energy Ltd, Orion Energy Pty Ltd and Bombora Energy Ltd.

Peter Reynold Ironside, company secretary: 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 and is a director of Ironside Pty Ltd, a corporate services company.

Sensitivities: Usual exploration caveats

ADX faces risks that are a result of its capital intensive business, the markets it operates in and the nature of its core business. Some of the risks faced are generic to any company involved in the oil & gas business, while some are specific.

Environmental risk

ADX is operating in Europe, and, accordingly, is subject to the highest environmental standards. This often results in lower returns than if it was operating in other parts of the world. Any environmental incident would be potentially expensive for the company.

Exploration risk

Exploration is inherently uncertain. The company is yet to start an appraisal programme in any of its properties. Its current valuation depends to a large extent on the success of its Lambouka exploration programme. However, the geographical spread of its asset base and presence of most of its prospects near other prolific fields reduces risk. Further, ADX's operations are in Tunisia and Italy, which are both well developed in terms of oil exploration. The governments in these countries also provide support to exploration companies and have very attractive financial terms.

Hydrocarbon prices

The oil & gas business is always sensitive to hydrocarbon prices. With oil and gas prices being volatile last year, they remain material in skewing the risk/reward balance.

Valuation: RENAV of $1.33 reflects exploration upside

As is standard for a growing company with no production, we have grouped all of ADX's assets under risked exploration. In valuing ADX, we considered prospects and fields that are likely to be targeted or appraised in the next 12-18 months.

Based on our interpretation, the big value generators for the company are the Lambouka project and Chorbane prospects in Italy and Tunisia, respectively. We based our valuation on an oil price of $60/bbl and a gas price of $5/mcf, using a 12% discount rate. This valuation is based on the assumption that the recently announced rights issue by the company is fully subscribed, bringing the number of shares to 337.4m.

We valued the Lambouka project using three scenarios based on the possibility that Audax may discover a) oil in the Birsa Sandstones (see Exhibit 4); b) gas in the Aboid carbonates (see Exhibit 5); or c) both (Exhibit 6).

Exhibit 4: ADX's valuation table – oil case

FD shares (million)	337.4									
A$/US$	0.972					Unrisked Reserves/Resources		Netback		
Assets	Country/ Licence	WI %	Hydroc. Fluid	Net capex $m	CoS %	Gross mmboe	Net mmboe	NPV/boe $/boe	EMV $m	Value/sh A$
Exploration/Appraisal										
Lambouka - Italy	Italy	30.0%	Oil	15.0	65%	92.7	27.8	13.7	246.9	0.75
Lambouka - Tunisia	Tunisia	30.0%	Oil	17.4	65%	49.8	14.9	3.3	31.7	0.10
Chorbane	Tunisia	50.0%	Oil	7.5	65%	32.7	16.4	4.4	47.3	0.14
						Total	59.1		Total	0.99
Cash/(Net Debt)									9.3	0.03
G&A									(6.1)	(0.02)
Value of mining assets									10	0.03
RENAV									Total	1.03

Source: Edison Investment Research

In the second scenario, based on the possibility of a gas discovery in the Lambouka prospect, we valued the company at an RENAV of A$0.48 per share, with the Lambouka prospect being valued at A$0.30. This scenario assumes gas sales of c 365bcf, condensate of 58.37mmbbls and LPG of 0.73mm tonnes and is based on a $5/mcf price and a discount rate of 12%.

Exhibit 5: ADX's valuation table – gas case

FD shares (million)	337.4									
A$/US$	0.972					Unrisked Reserves/Resources		Netback		
Assets	Country/ Licence	WI %	Hydroc. Fluid	Net capex $m	CoS %	Gross mmboe	Net mmboe	NPV/boe $/boe	EMV $m	Value/sh A$
Exploration/Appraisal										
Lambouka - Italy	Italy	30.0%	Gas	13.4	65%	73.8	22.2	5.8	83.3	0.25
Lambouka - Tunisia	Tunisia	30.0%	Gas	10.5	65%	47.7	14.3	1.5	13.8	0.04
Chorbane	Tunisia	50.0%	Oil	7.5	65%	32.7	16.4	4.4	47.3	0.14
						Total	52.8		Total	0.44
Cash/(Net Debt)									9.3	0.03
G&A									(6.1)	(0.02)
Value of mining assets									10	0.03
RENAV									Total	0.48

Source: Edison Investment Research

We have also modelled the company on the assumption that it may discover both oil and gas on the Lambouka prospect. This scenario yields a RENAV of A$1.33. It assumes separate capex for the development of both the gas and oil reserves. We assumed capex of $450m to develop the Lambouka oil reserves and $1,235m to develop the Lambouka gas reserves. However, it is worth noting that the company may have a lower capex if it decides to develop both the reserves together which may increase the valuation further.

Exhibit 6: ADX's valuation table

FD shares (million)	337.4									
A$/US$	0.972					Unrisked Reserves/Resources		Netback		
Assets	Country/ Licence	WI %	Hydroc. Fluid	Net capex $m	CoS %	Gross mmboe	Net mmboe	NPV/boe $/boe	EMV $m	Value/sh A$
Exploration/Appraisal										
Lambouka - Italy	Italy	30.0%	Oil	15.0	65%	92.7	27.8	13.7	246.9	0.75
Lambouka - Italy	Italy	30.0%	Gas	13.4	65%	73.8	22.2	5.8	83.3	0.25
Lambouka - Tunisia	Tunisia	30.0%	Oil	17.4	65%	49.8	14.9	3.3	31.7	0.10
Lambouka - Tunisia	Tunisia	30.0%	Gas	10.5	65%	47.7	14.3	1.5	13.8	0.04
Chorbane	Tunisia	50.0%	Oil	7.5	65%	32.7	16.4	4.4	47.3	0.14
						Total	81.3		Total	1.29
Cash/(Net Debt)									9.5	0.03
G&A									(6.1)	(0.02)
Value of mining assets									10	0.03
RENAV									Total	1.33

Source: Edison Investment Research

The valuation also takes into consideration the Chorbane prospect, which is expected to add A$0.14 per share to the valuation. We also factored in the fact that farm-in partners in the projects pay a promoted portion of the capex. However, we have been conservative in our estimates and assume that the company will pay some part of the costs incurred. In the event of farm-in partners bearing the full cost of the appraisal wells, ADX's profitability increases substantially.

Going forward, the Dougga gas discovery also has the potential to transform the company and could achieve production in excess of 74.5mmboe if successful. However, with the company concentrating on the Chorbane and Lambouka prospects, the Dougga gas discovery is not expected to be appraised for at least another year. However, the existing geostreamer 3D seismic will allow fast tracking the development. As more work is carried out, these leads will be upgraded to prospects and a number of potential drilling targets would be identified. At that point, we would include those targets in our valuation on a risked basis.

Exhibit 7: Sensitivity analysis on a range of oil prices and chance of success assumptions

RENAV Oil Price		Discount Rate (%)				
($/bbl)	1.0	10.0%	12.0%	14.0%	16.0%	18.0%
40	40	0.78	0.68	0.59	0.52	0.46
50	50	0.99	0.86	0.75	0.66	0.58
60	60	1.19	1.03	0.90	0.79	0.70
70	70	1.39	1.21	1.06	0.93	0.82
80	80	1.60	1.39	1.21	1.07	0.94
90	90	1.80	1.56	1.37	1.20	1.06
100	100	2.00	1.74	1.52	1.34	1.18

Source: Edison Investment Research

Financials: Adequately financed post rights issue

At 31 December 2009, ADX had A$1.6m in cash, which will be supplemented by the $7.2m raised through the recently announced rights issue and A$1.1m raised from the sale of the Cooper Basin PEL 182. Given that ADX has successfully farmed out nearly 87% of drilling costs for the Lambouka -1 well and 100% of costs for the Chorbane-1 exploration well, we do not expect the company to require a large amount of funds. Based on our estimates of required capital outlays, we forecast net debt to be c A$10.2m at the end of 2011, which is sufficient to cover capital expenditure. The company is not expected to generate any substantial revenue over the next one to two years. However, in the event that the Chorbane permit is successful, the project is expected to generate annual revenues in excess of $40m from 2012.

Exhibit 8: Financials

A$'000s	2007	2008	2009	2010e	2011e
Year end 30 June					
Accounting basis	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	813	1,301	32	44	53
Cost of Sales	0	0	0	(2,290)	(4,750)
Gross Profit	813	1,301	32	(2,245)	(4,696)
EBITDA	(4,557)	(3,368)	(2,749)	(2,862)	(4,018)
Operating Profit (before GW and except.)	(4,609)	(3,420)	(2,778)	(5,186)	(8,809)
Share based payments	0	(280)	(390)	0	0
Operating Profit	(4,609)	(3,700)	(3,167)	(5,186)	(8,809)
Net Interest	49	78	52	50	97
Other	0	(185)	(47)	(52)	(57)
Profit Before Tax (norm)	(4,560)	(3,342)	(2,726)	(5,136)	(8,712)
Profit Before Tax (FRS 3)	(4,560)	(3,808)	(3,162)	(5,188)	(8,769)
Tax	0	0	(0)	0	0
Profit After Tax (norm)	(4,560)	(3,342)	(2,726)	(5,136)	(8,712)
Profit After Tax (FRS 3)	(4,560)	(3,808)	(3,163)	(5,188)	(8,769)
Average Number of Shares Outstanding (m)	120.7	151.8	194.3	314.0	314.0
EPS - normalised (c)	(3.8)	(2.2)	(1.4)	(1.6)	(2.8)
EPS - FRS 3 (c)	(3.8)	(2.4)	(1.6)	(1.7)	(2.8)
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	100.0	100.0	100.0	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET					
Non-Current Assets	2,081	5,104	6,278	8,085	11,695
Intangible Assets	0	1,770	0	0	0
Tangible Assets	84	91	120	122	132
Investments	1,997	3,243	6,158	7,963	11,564
Current Assets	714	2,451	1,212	2,038	1,909
Stocks	0	0	0	0	0
Debtors	100	510	185	110	44
Cash	399	1,724	942	1,869	1,800
Others	215	217	85	59	65
Current Liabilities	(92)	(366)	(371)	(483)	(12,676)
Creditors	(70)	(307)	(371)	(483)	(676)
Short term borrowings	(22)	(59)	0	0	(12,000)
Long Term Liabilities	(75)	(27)	(18)	(18)	(18)
Long term borrowings	(51)	0	0	0	0
Provisions	(24)	(27)	(18)	(18)	(18)
Deferred tax liability	0	0	0	0	0
Other payables	0	0	0	0	0
Net Assets	2,628	7,161	7,100	9,621	909
CASH FLOW					
Operating Cash Flow	(504)	(1,188)	(1,708)	(1,358)	(4,655)
Net Interest	0	75	52	50	97
Others	742	0	0	0	0
Tax	0	0	0	0	0
Capex	(2,424)	(4,039)	(3,119)	(4,496)	(7,505)
Acquisitions/disposals	0	1,318	0	0	0
Financing	1,305	5,209	4,046	6,756	0
Dividends	0	0	0	0	0
Net Cash Flow	(882)	1,375	(728)	952	(12,064)
Opening net debt/(cash)	(1,193)	(325)	(1,665)	(942)	(1,869)
HP finance leases initiated	0	(14)	0	0	0
Exchange rate difference	14	(22)	6	(25)	(6)
Closing net debt/(cash)	(325)	(1,665)	(942)	(1,869)	10,200

Source: ADX Energy accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
N/A	N/A	N/A	Litigation/regulatory	○
			Pensions	○
			Currency	◖
			Stock overhang	○
			Interest rates	○
			Oil/commodity prices	●

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 07-11e	N/A	ROCE 10e	N/A	Gearing 10e	N/A	Address:	
EPS CAGR 09-11e	N/A	Avg ROCE 07-11e	N/A	Interest cover 10e	53.5	Suite 6, Level 2, 11 Ventnor Avenue, PO Box 913 West Perth 6872 Australia	
EBITDA CAGR 07-11e	N/A	ROE 10e	N/A	CA/CL 10e	3.3		
EBITDA CAGR 09-11e	N/A	Gross margin 10e	N/A	Stock turn 10e	0.0	Phone	+61 (0)8 9226 2822
Sales CAGR 07-11e	N/A	Operating margin 10e	N/A	Debtor days 10e	N/A	Fax	+61 (0)8 9226 5333
Sales CAGR 09-11e	N/A	Gr mgn / Op mgn 10e	N/A	Creditor days 10e	N/A	www.audax.com.au	

Principal shareholders	%
Andrew Childs	3.9
Runyon Pty Ltd	3.3
Vasse Group	2.9

Forthcoming announcements/catalysts	Date *
2010 prelims	September 2010
AGM	October 2010
Interim results	March 2011
*Note: * = estimated*	

Management team
Managing Director: Dr Wolfgang Zimmer
Dr Wolfgang Zimmer has 29 years of experience in the oil and gas industry, working in companies such as Mobil Oil, OMV and Grove Energy before coming to ADX. Dr Zimmer has extensive experience in the European, Australian and North African oil and gas space.
Technical Director: Paul Fink
Mr Paul Fink has 20 years of technical and management experience in the petroleum exploration and production industry. He has worked in Austria, Libya, Bulgaria, UK, Australia and finally in Pakistan as exploration and reservoir manager for OMV. Most recently, he was working as acting vice president (exploration) for Focus Energy.
Non-executive Chairman: Ian Tchacos
Mr Ian Tchacos has more than 25 years of international experience in technical and strategic management of oil & gas companies. His previous positions include managing director of Nexus Energy, where he was responsible for this company's development from an onshore micro-cap explorer to an ASX top 200 offshore producer and operator.