

ADX Energy Ltd (ASX: ADX)

January 17, 2022

Share price: A\$0.009

Target: A\$0.040

Positive logging results at Anshof-3

- Logging results from the Anshof-3 well confirmed 2.5-4 m of productive net pay at the primary Eocene oil target and 14 m of net gas pay at the Miocene sands. The secondary Cenomanian oil zone is not likely to be productive at this location due to low permeability (this is not a surprise).
- The Eocene net reservoir thickness at Anshof-3 location came in at the lower end of predrill expectations (slightly above the P90 case) but thicker Eocene reservoirs are expected to the East of the structure based on offset wells. Importantly, the Eocene oil reservoir section was encountered very close to expectations (5 m above expected depth), which confirms the predrill mapping of a large and high relief structure. As a result, the company believes that the 6.6 mmboe mean case prospective resource estimate (confirmed by RISC) in the Eocene is still intact if there is thickening of the Eocene as seen in offset wells to the East.
- Miocene reservoirs with similar characteristics have resulted in production rates >1 mmcf/d. At current natural gas prices of ~US\$40/mcf, this would represent ~US\$14 mm revenue per year.
- Pending the well test results, we re-iterate our target price of A\$0.040 per share. Our unrisks NAV for the estimated resources from the Eocene formation is A\$0.024/sh.

Well test and production

The well will now be tested. We would view an oil flow rate of 50-80 bbl/d from the thin Eocene sands as a good result. The well test would also provide a better information regarding reservoir continuity, which is important in determining with more precision the reserves potential of the Eocene. The development of the 6.6 mmboe resources would require 8-9 development wells. The Miocene gas could be tested subsequent to testing the Eocene reservoir and put in production with only metering required via RAG's nearby facilities to take advantage of the high current gas prices.

Valuation

The initial results of the Anshof-3 well continue to be directionally very encouraging. We have however left our ReNAV per share of A\$0.010/sh unchanged pending further details on flow rates and resources size. Our unrisks NAV for the Eocene 6.6 mmboe mean prospective resources is A\$0.024/sh. This excludes the potentially valuable Miocene gas for which we currently carry no value. Assuming net backs of US\$30/mcf for the Miocene, US\$4 mm drilling and testing cost (US\$2.4 mm net to ADX's 80% interest) and 25% CT, the undiscounted value of each year of 1 mmcf/d production could be worth ~US\$7 mm net to ADX. This equates to A\$0.006 per share.

Rating & target	Old	New	
Target	A\$ 0.040	n.c.	
Yield		0%	
Implied total return		264%	
Share data	2020	2021e	2022e
Shares dil., mm	2,278	3,723	3,723
Mkt cap, US\$mm	\$19	\$30	\$30
EV, US\$mm	\$21	\$31	\$27
Financial Data	2020	2021e	2022e
Gas, mmcf/d	0.2	0.2	0.1
Liquids, bbl/d	270	271	426
Total boe/d (6:1)	298	296	450
CFO, US\$mm	(\$1)	\$0	\$4
Net capex, US\$mm	\$3	\$3	\$1
Net debt, US\$mm	\$2	\$0	(\$3)
CFPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.00
EPS dil., US\$/shr	(\$0.00)	(\$0.00)	\$0.00
Valuation	2020	2021e	2022e
Share price, A\$/shr	A\$ 0.011	A\$ 0.011	A\$ 0.011
EV/DACF	-13.9x	225.9x	4.3x
EV per boe/d (US\$)	\$69,049	\$103,402	\$60,451
Net asset value			
CNAV, A\$/shr			A\$ 0.005
RENAV, A\$/shr			A\$ 0.038
Unrisks NAV, A\$/shr			A\$ 0.531
P/CNAV			2.4x
P/RENAV			0.3x
P/ENAV			0.0x

All figures in US\$ unless otherwise noted
AS/US\$: 0.74

Contact details

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Figure 1. Financial & operating information

ADX Energy Ltd (ADX AU)

Financial & Operating Information		2020a	2021e	2022e	2023e	2024e	2025e
Commodity Prices							
Brent	US\$/bbl	\$41.23	\$69.35	\$65.00	\$65.00	\$65.00	\$65.00
UK NBP	US\$/mcf	\$5.41	\$5.92	\$6.04	\$6.08	\$6.09	\$6.09
USD/CAD	US\$/C\$	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
A\$/US\$	A\$/US\$	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74
Production							
Oil and Liquids	bbl/d	270	271	426	401	351	300
Natural Gas	mmcf/d	0.2	0.2	0.1	0.2	0.1	0.1
Total (6 mcf = 1 boe)	boe/d	298	296	450	431	372	314
% Oil and Liquids	%	91%	91%	95%	93%	94%	96%
Netbacks							
Realized Price	US\$/boe	\$43.25	\$64.44	\$60.30	\$60.09	\$60.16	\$60.24
Royalties	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production & Transport Costs	US\$/boe	\$46.36	\$41.40	\$32.91	\$34.33	\$39.84	\$47.23
Operating Netback	US\$/boe	(\$3.12)	\$15.61	\$27.67	\$25.76	\$20.32	\$13.00
Taxes	US\$/boe	-\$6.54	\$0.00	\$0.00	\$5.00	\$4.97	\$4.14
Cash Flow Netback	US\$/boe	(\$13.80)	\$6.15	\$27.21	\$18.40	\$12.62	\$5.63
Government Take	%	-15%	0%	0%	8%	8%	7%
Financials							
Cash Flow (CFO)	US\$m	(\$1)	\$0	\$4	\$3	\$2	\$1
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EBITDAX	US\$m	(\$1)	\$2	\$4	\$4	\$2	\$1
E&D Capex	US\$m	\$3	\$3	\$1	\$0	\$0	\$0
A&D Capex, Net	US\$m	(\$0)	(\$0)	\$0	\$0	\$0	\$0
Total Net Capex	US\$m	\$3	\$3	\$1	\$0	\$0	\$0
Total Net Capex/CFO	x	-2.6x	407.6x	0.2x	0.1x	0.1x	0.4x
Leverage							
Net Debt	US\$m	\$2	\$0	(\$3)	(\$6)	(\$7)	(\$7)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	249.6x	0.1x	n.a.	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	1958	2876	2876	2876	2876	2876
Diluted Shares o/s @ YE	mm	2278	3723	3723	3723	3723	3723
Market Capitalization	US\$m	\$19	\$30	\$30	\$30	\$30	\$30
Enterprise Value	US\$m	\$21	\$31	\$27	\$25	\$23	\$23
Dividends & Sustainability							
Dividends	US\$m	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Free Cash Flow	US\$m	(\$4)	(\$3)	\$3	\$3	\$1	\$0
Cash Use/CFO	%	-260%	40764%	20%	9%	15%	44%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	-87%	-42%	26%	-6%	-14%	-16%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	-91%	-126%	457%	-36%	-41%	-62%
CFPS Growth (Y/Y) DDA - dil.	%	-117%	-100%	42960%	-25%	-37%	-65%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Asset Value							
CNAV (Atax) - diluted	A\$/shr	A\$ 0.005					
RENAV (Atax) - diluted	A\$/shr	A\$ 0.038					
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.531					
P/CNAV	x	2.4x					
P/RENAV	x	0.3x					
P/Unrisked NAV	x	0.0x					
Valuation							
Share Price, YE/Current	A\$/shr	A\$ 0.011	A\$ 0.011	A\$ 0.011	A\$ 0.011	A\$ 0.011	A\$ 0.011
P/CF	x	-13.0x	50.1x	9.0x	14.1x	23.9x	63.6x
EV/DACF	x	-13.9x	225.9x	4.3x	5.8x	9.0x	9.0x
Target EV/DACF	x	-32.8x	118.5x	17.6x	26.2x	43.5x	n.a.
EV per boe/d	US\$/boe/d	\$69,049	\$103,402	\$60,451	\$57,121	\$62,608	\$73,264
EV per 2P boe	US\$/boe	\$23.05	\$39.12	\$39.12	\$43.94	\$53.39	\$0.00
EV per 2P boe, with FDC	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

a) EBITDAX = Pre-Int. & Pre-Tax Cash Flow; b) DDA = Debt-and-Dividend-Adjusted

c) CNAV incl. 2P reserves, RENAV incl. 2P reserves + Risked LT inventory upside, ENAV incl. 2P reserves + Unrisked LT inventory upside

Source: Auctus Advisors, Company Disclosures

**Futures strip as of 8-Dec-21

Figure 2. NAV Table

Asset Valuation	WI Reserves / Resources (mboe)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh A\$/Share	GCoS (%)	EMV (US\$ mm)	A\$/Share	% Total
Net Cash (YE21)		-0	-0.000		-0	0.000	0%
G&A		-12	-0.004		-12	-0.004	-12%
Austria							
Zistersdorf 2P	2	20	0.007	100%	20	0.007	19%
Zistersdorf Infill and low risk appraisal	1	8	0.003	70%	5	0.002	5%
Total Core NAV		15	0.005		13	0.005	12%
Austria							
Zistersdorf simulation upside	1	17	0.006	40%	7	0.002	6%
Zisterdorf Flysch Resources	6	70	0.026	30%	21	0.008	20%
Upper Austria Oho	10	124	0.045	15%	19	0.014	36%
Upper Austria Anshof	5	66	0.024	43%	27	0.010	26%
Remaining prospects	27	341	0.124	30%	0	0.000	0%
H2 30 MW CH4 Equivalent	0	10	0.004	0%	0	0.000	0%
Additional value - H2 30 MW H2 Market (US\$4/kg)	0	43	0.016	0%	0	0.000	0%
Romania							
Iecea Mare	2	7	0.003	60%	0	0.000	0%
Italy							
Nilde Contingent Resources	34	23	0.008	10%	0	0.000	0%
Total Risked Appraisal & Exploration		701	0.255		73	0.034	88%
Total NAV		716.18	0.260		86	0.038	100%
Unrisked NAV						0.531	
P/Core NAV					239.4%		
P/NAV					28.7%		
P/Unrisked NAV					2.1%		

Source: Auctus, Company Disclosures

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