

# ADX Energy Ltd (ASX: ADX)

April 27, 2022

Share price: A\$0.007

Target: A\$0.060

## Flow rate at the top end of expectations at important appraisal well

- The Anshof-3 well flowed ~75 bbl/d of light oil (and no water) on test from the Eocene reservoir. This has positive implications for production, reserves and the upside case.
- The flow rate was at the upper end of expectations (40-80 bbl/d). The well has not been acidized yet which could boost production rate by 15-25% when in production.
- At the conclusion of the current flow testing operations the well will be acidized and completed with a downhole pump in preparation for long term production. Planning has commenced to install an early production testing processing facility for commercial oil sales which will be delivered by truck to a nearby oil terminal prior to securing a production license for the entire Anshof discovery. Until then ADX will be authorized to produce up to 37 mbbbl (~100 bbl/d for a period of one year) from Anshof.
- The overall Anshof Eocene structure has been estimated to hold resources of 6.6 mmboe. The flow rate achieved from the thinner area of the reservoir at the crest of the structure confirms that the development is likely to be commercial and will probably allow ADX to book some reserves surrounding the Anshof-3 well and contingent resources on the the greater Anshof structure (we assume 2 mmboe at this stage pending the results of pressure build-up from the well. This represents ~100% of the ADX's existing 2P reserves). In addition, the chance of success for the rest of the structure where the sands are expected to thicken has improved.
- We have increased our target price for ADX from A\$0.055/sh to A\$0.60/sh.

### What next?

A new independent resources estimate for the Anshof discovery will be published in the next two months. It will also provide an independent valuation of the discovery. ADX will probably also return to develop further and appraise Anshof. Net to ADX, the potential resources at Anshof represents 3x ADX 2P reserves.

### Valuation

We have now moved 2 mmboe gross resources at Anshof (chance of development 75%) into our Core NAV that increases from A\$0.011/sh to A\$0.017/sh (=2.5x the current share price). We have kept the balance of resources (4.6 mmboe gross) in our risked upside. Overall, our ReNAV increases from A\$0.055/sh to A\$0.058/sh. We have set our target price near our new ReNAV.

Rating & target	Old	New	
Target	A\$ 0.040	A\$ 0.055	
Yield		0%	
Implied total return		588%	
Share data	2020	2021e	2022e
Shares dil., mm	2,278	3,723	3,723
Mkt cap, US\$mm	\$10	\$27	\$21
EV, US\$mm	\$12	\$26	\$16
Financial Data	2020	2021e	2022e
Gas, mmcf/d	0.2	0.1	0.3
Liquids, bbl/d	270	261	265
Total boe/d (6:1)	297	283	308
CFO, US\$mm	(\$1)	(\$2)	\$7
Net capex, US\$mn	\$3	(\$0)	\$3
Net debt, US\$mm	\$2	(\$1)	(\$5)
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\$ 0.006	A\$ 0.010	A\$ 0.008
EV/DACF	-10.7x	-8.3x	1.5x
EV per boe/d (US\$)	\$40,831	\$92,665	\$52,577
Net asset value			
CNAV, A\$/shr			A\$ 0.011
RENAV, A\$/shr			A\$ 0.056
Unrisked NAV, A\$/shr			A\$ 0.612
P/CNAV			0.7x
P/RENAV			0.1x
P/ENAV			0.0x

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

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**Figure 1. Financial & operating information**
**ADX Energy Ltd (ADX AU)**

<b>Financial &amp; Operating Information</b>		<b>2020a</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Commodity Prices</b>								
Brent	US\$/bbl	\$41.23	\$69.35	\$102.62	\$100.00	\$92.45	\$73.71	\$70.00
German border Gas price	US\$/mcf	\$7.30	\$12.05	\$35.00	\$18.54	\$13.59	\$11.14	\$9.96
USD/CAD	US\$/C\$	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
A\$/US\$	A\$/US\$	\$0.74	\$0.73	\$0.72	\$0.72	\$0.72	\$0.72	\$0.72
<b>Production</b>								
Oil and Liquids	bb/d	270	261	265	312	312	300	300
Natural Gas	mmcf/d	0.2	0.1	0.3	0.2	0.2	0.2	0.2
Total (6 mcf = 1 boe)	boe/d	297	283	308	344	344	332	332
% Oil and Liquids	%	91%	92%	86%	91%	91%	90%	90%
<b>Netbacks</b>								
Realized Price	US\$/boe	\$43.36	\$67.80	\$111.59	\$94.66	\$85.96	\$68.39	\$64.59
Royalties	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production & Transport Costs	US\$/boe	\$46.49	\$56.71	\$49.47	\$44.25	\$44.25	\$45.89	\$45.89
Operating Netback	US\$/boe	(\$3.12)	\$3.33	\$60.26	\$50.40	\$41.70	\$22.49	\$18.70
Taxes	US\$/boe	-\$6.55	\$0.00	\$0.00	\$8.36	\$8.13	\$4.97	\$4.40
Cash Flow Netback	US\$/boe	(\$13.84)	(\$11.25)	\$61.28	\$40.67	\$32.20	\$16.10	\$12.87
Government Take	%	-15%	0%	0%	9%	9%	7%	7%
<b>Financials</b>								
Cash Flow (CFO)	US\$mm	(\$1)	(\$2)	\$7	\$5	\$4	\$2	\$1
CFPS - diluted	US\$/shr	(\$0.00)	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EBITDAX	US\$mm	(\$1)	\$0	\$7	\$6	\$5	\$3	\$2
E&D Capex	US\$mm	\$3	\$1	\$3	\$0	\$0	\$0	\$0
A&D Capex, Net	US\$mm	(\$0)	(\$1)	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$3	(\$0)	\$3	\$0	\$0	\$0	\$0
Total Net Capex/CFO	x	-2.6x	0.1x	0.4x	0.1x	0.1x	0.2x	0.3x
<b>Leverage</b>								
Net Debt	US\$mm	\$2	(\$1)	(\$5)	(\$10)	(\$13)	(\$15)	(\$16)
Net debt/CFO (Trailing)	x	n.a.						
Entry Net Debt/CFO	x	n.a.	-1.1x	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Capital Structure</b>								
Basic Shares o/s @ YE	mm	1958	2876	2876	2876	2876	2876	2876
Diluted Shares o/s @ YE	mm	2278	3723	3723	3723	3723	3723	3723
Market Capitalization	US\$mm	\$10	\$27	\$21	\$21	\$21	\$21	\$21
Enterprise Value	US\$mm	\$12	\$26	\$16	\$12	\$8	\$7	\$6
<b>Dividends &amp; Sustainability</b>								
Dividends	US\$mm	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$/shr	\$0.00	\$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%	0.00%
Free Cash Flow	US\$mm	(\$4)	(\$2)	\$4	\$5	\$3	\$1	\$1
Cash Use/CFO	%	-260%	7%	38%	9%	11%	23%	30%
<b>Performance</b>								
Prod. Per Shr Growth (Y/Y) - dil	%	-87%	-44%	-10%	10%	0%	-4%	0%
PPS Growth (Y/Y) DDA - dil.	%	n.a.						
CFPS Growth (Y/Y) - dil.	%	-91%	-55%	-594%	-27%	-21%	-52%	-20%
CFPS Growth (Y/Y) DDA - dil.	%	-125%	22%	-410%	20%	45%	-17%	34%
ROCE	%	n.a.						
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	A\$/shr	A\$ 0.017						
RENAV (Atax) - diluted	A\$/shr	A\$ 0.058						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.646						
P/CNAV	x	0.5x						
P/RENAV	x	0.1x						
P/Unrisked NAV	x	0.0x						
<b>Valuation</b>								
Share Price, YE/Current	A\$/shr	A\$ 0.008						
P/CF	x	-7.1x	-26.2x	4.2x	5.8x	7.4x	15.3x	19.1x
EV/DACF	x	-10.7x	-8.3x	1.5x	1.1x	0.5x	2.5x	2.7x
Target EV/DACF	x	-48.6x	-99.5x	16.1x	20.8x	25.4x	54.0x	67.1x
EV per boe/d	US\$/boe/d	\$40,831	\$92,665	\$52,577	\$33,796	\$23,655	\$20,324	\$17,296
EV per 2P boe	US\$/boe	\$13.59	\$13.82	\$13.82	\$9.05	\$6.99	\$5.29	\$4.39
EV per 2P boe, with FDC	US\$/boe	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 26-Apr-22

**Figure 2. NAV Table**

	WI Reserves / Resources (mboe)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh A\$/Share	GCoS (%)	EMV (US\$ mm)	A\$/Share	% Total
Net Cash (YE22)		5	0.002		5	0.002	3%
G&A		-9	-0.003		-9	-0.003	-6%
<b>Austria</b>							
Zistersdorf 2P	2	24	0.009	100%	24	0.009	15%
Zistersdorf Infill and low risk appraisal	1	12	0.005	70%	8	0.003	5%
Upper Austria Anshof Derisked Resources	2	23	0.008	75%	17	0.006	11%
<b>Total Core NAV</b>		<b>55</b>	<b>0.021</b>		<b>46</b>	<b>0.017</b>	<b>30%</b>
<b>Austria</b>							
Zistersdorf simulation upside	1	19	0.007	40%	8	0.003	5%
Zisterdorf Flysch Resources	6	81	0.030	35%	29	0.011	18%
Upper Austria Oho	10	142	0.053	15%	21	0.016	28%
Upper Austria Anshof (still to be	4	52	0.020	60%	30	0.011	19%
Remaining prospects	31	436	0.163	30%	0	0.000	0%
H2 30 MW CH4 Equivalent	0	64	0.024	0%	0	0.000	0%
Additional value - H2 30 MW H2 Market (US\$4/kg)	0	-10	-0.004	0%	0	0.000	0%
<b>Romania</b>							
Iecea Mare	2	7	0.003	60%	0	0.000	0%
<b>Italy</b>							
Nilde Contingent Resources	34	23	0.009	10%	0	0.000	0%
<b>Total Risked Appraisal &amp; Exploration</b>		<b>815</b>	<b>0.304</b>		<b>88</b>	<b>0.041</b>	<b>70%</b>
<b>Total NAV</b>		<b>870.82</b>	<b>0.325</b>		<b>134</b>	<b>0.058</b>	<b>100%</b>
<b>Unrisked NAV</b>						<b>0.646</b>	
<b>P/Core NAV</b>					<b>46.5%</b>		
<b>P/NAV</b>					<b>13.7%</b>		
<b>P/Unrisked NAV</b>					<b>1.2%</b>		

Source: Auctus, Company Disclosures

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