

# ADX Energy Ltd (ASX: ADX)

May 17, 2022

Share price: A\$0.008

Target: A\$0.060

## Adding very high impact gas exploration in Austria

- The ADX-AT-1 and ADX-AT-II licence areas have been expanded from 450 km<sup>2</sup> to an area now encompassing 1,022 km<sup>2</sup> at a minimal cost. The additional licence areas will be valid for up to 16 years without any relinquishment foreseen. The associated work programme can be covered by the drilling of one well.
- The portfolio expansion includes the Welchau 750 bcf prospective resources gas prospect that is potentially connected to a gas discovery at the Molin-1 well down dip to a potential new drilling location considered by ADX.
- The Molin-1 was drilled by OMV in 1989 targeting a much deeper oil play but the well also tested pipeline quality gas from a number of tests in the same prognosed reservoir as the Welchau prospect.
- The prospect is located at depth of ~2,000 m and within tie-in distance to the national gas pipeline network. A new well is only expected to cost only ~US\$3 mm.
- The addition of this large gas prospect within the context of the gas crisis in Europe could change the profile of the company. With a potentially much more material asset base, the company could attract more attention from both investors and corporate counterparties. Pending further details on the opportunities associated with the new portfolio and the timing of activities, we maintain our target price of A\$0.060/sh.

### Additional opportunities identified on the licence area expansion

There are three other new opportunities on the new licence area. Piberbach is an oil field rejuvenation opportunity with additional low risk exploration potential (the reservoirs are located at 1,000 m depth). The ZAM 15 mmboe prospect is a follow-up to ADX's existing OHO prospect with ~20 mmboe gross prospective resources. The Gmunden multi energy resource prospect includes shallow, quick to monetise gas targets together with a deeper geothermal target assessed to have between 15 and 20 MW renewable energy potential.

### Valuation

Pending further details on the new opportunities, we have not changed our ReNAV of A\$0.056/sh (our target price is set close to this level). Our Core NAV stands at A\$0.016/sh (~2x the current share price). We currently value the volume that has been discovered so far at Anshof at A\$0.006 per share. Appraisal success in the area where the sands thicken could add a further A\$0.020/sh (unrisked). Even assuming just US\$2/boe and 25% chance of success at Welchau would lead to a ReNAV of ~US\$160 mm or ~A\$0.06/sh.

Rating & target	Old	New
Target	A\$ 0.060	n.c.
Yield		0%
Implied total return		650%

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	\$18

Financial Data	2020	2021e	2022e
Gas, mmcf/d	0.2	0.1	0.3
Liquids, bbl/d	270	261	267
Total boe/d (6:1)	297	283	314

CFO, US\$mm	(\$1)	(\$2)	\$6
Net capex, US\$mn	\$3	(\$0)	\$3
Net debt, US\$mm	\$2	(\$1)	(\$4)

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	1.9x
EV per boe/d (US\$)	\$40,831	\$92,665	\$56,455

Net asset value	
CNAV, A\$/shr	A\$ 0.016
RENAV, A\$/shr	A\$ 0.057
Unrisked NAV, A\$/shr	A\$ 0.643

P/CNAV	0.5x
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>2020</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	\$33.00	\$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	267	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	314	344	344	332	332
% Oil and Liquids	%	91%	92%	85%	91%	91%	90%	90%
<b>Netbacks</b>								
Realized Price	US\$/boe	\$43.36	\$67.80	\$111.14	\$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	\$52.00	\$44.25	\$44.25	\$45.89	\$45.89
Operating Netback	US\$/boe	(\$3.12)	\$3.33	\$55.44	\$50.40	\$41.70	\$22.49	\$18.70
Taxes	US\$/boe	-\$6.55	\$0.00	-\$7.71	\$8.36	\$8.13	\$4.97	\$4.40
Cash Flow Netback	US\$/boe	(\$13.84)	(\$11.25)	\$53.93	\$40.67	\$32.20	\$16.10	\$12.87
Government Take	%	-15%	0%	-7%	9%	9%	7%	7%
<b>Financials</b>								
Cash Flow (CFO)	US\$mm	(\$1)	(\$2)	\$6	\$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	\$6	\$6	\$5	\$3	\$2
E&D Capex	US\$mm	\$3	\$1	\$4	\$0	\$0	\$0	\$0
A&D Capex, Net	US\$mm	(\$0)	(\$1)	(\$1)	\$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	0.6x	0.1x	0.1x	0.2x	0.3x
<b>Leverage</b>								
Net Debt	US\$mm	\$2	(\$1)	(\$4)	(\$8)	(\$12)	(\$13)	(\$14)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	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	\$18	\$13	\$10	\$8	\$7
<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)	\$2	\$5	\$3	\$1	\$1
Cash Use/CFO	%	-260%	7%	56%	9%	11%	23%	30%
<b>Performance</b>								
Prod. Per Shr Growth (Y/Y) - dil	%	-87%	-44%	-8%	8%	0%	-4%	0%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	-91%	-55%	-543%	-19%	-21%	-52%	-20%
CFPS Growth (Y/Y) DDA - dil.	%	-125%	22%	-347%	20%	23%	-34%	1%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	A\$/shr	A\$ 0.016						
RENAV (Atax) - diluted	A\$/shr	A\$ 0.057						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.643						
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	A\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008
P/CF	x	-7.1x	-26.2x	4.7x	5.8x	7.4x	15.3x	19.1x
EV/DACF	x	-10.7x	-8.3x	1.9x	1.4x	0.9x	3.1x	3.4x
Target EV/DACF	x	-48.6x	-99.5x	18.2x	21.1x	25.7x	54.5x	67.8x
EV per boe/d	US\$/boe/d	\$40,831	\$92,665	\$56,455	\$38,240	\$28,099	\$24,932	\$21,905
EV per 2P boe	US\$/boe	\$13.59	\$13.82	\$13.82	\$9.92	\$7.92	\$6.30	\$5.39
EV per 2P boe, with FDC	US\$/boe	n.a.	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 16-May-22

**Figure 2. NAV Table**

	WI Reserves / Resources (mmboe)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh A\$/Share	GCoS (%)	EMV (US\$ mm)	A\$/Share	% Total
Net Cash (YE22)		4	0.001		4	0.001	2%
G&A		-11	-0.004		-11	-0.004	-7%
<b>Austria</b>							
Zistersdorf 2P	2	24	0.009	100%	24	0.009	16%
Zistersdorf Infill and low risk appraisal	1	12	0.005	70%	8	0.003	6%
Upper Austria Anshof Derisked Resources	2	23	0.008	75%	17	0.006	11%
<b>Total Core NAV</b>		<b>52</b>	<b>0.019</b>		<b>42</b>	<b>0.016</b>	<b>28%</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	19%
Upper Austria Oho	10	142	0.053	15%	21	0.016	29%
Upper Austria Anshof (still to be appraised)	4	52	0.020	60%	30	0.011	20%
Remaining prospects	31	436	0.163	30%	0	0.000	0%
H2 30 MW CH4 Equivalent	0	60	0.022	0%	0	0.000	0%
Additional value - H2 30 MW H2 Market (US\$4/kg)	0	-6	-0.002	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>72%</b>
<b>Total NAV</b>		<b>867.17</b>	<b>0.323</b>		<b>130</b>	<b>0.057</b>	<b>100%</b>
<b>Unrisked NAV</b>						<b>0.643</b>	
<b>P/Core NAV</b>					<b>44.2%</b>		
<b>P/NAV</b>					<b>12.3%</b>		
<b>P/Unrisked NAV</b>					<b>1.1%</b>		

Source: Auctus, Company Disclosures

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