

ADX Energy Ltd (ASX: ADX)

June 26, 2023

Share price: A\$0.007

Target: A\$0.100

Exploration portfolio update in Austria: larger volume, lower risk

- The exploration portfolio in Upper Austria is now estimated to hold 213 mmboe of best technical prospective resources (previously 200 mmboe) in 20 prospects.
- The importance of the upgrade is as much about risk reduction as it is about resources increase. The expansion of the portfolio also provides new opportunities for further farmouts.
- The resource estimate increase reflects (1) an upward revision of the size of certain prospects such as IRR (gas) which is now estimated to hold 38 bcf (previously 18 bcf) given a higher expected net pay, ZAM (100 bcf vs 88 bcf previously) and GRB (9.5 mmboe vs 8.5 mmboe previously) and (2) the addition of three new lower risk gas opportunities (SCHOE, HOCH and GAST) on ADX- AT-I which is new play type in the licence with further follow ups extended.
- The discoveries and low risk appraisal opportunities now represent 18.7 mmboe (5.5 mmboe previously). Given the high permeability of the reservoirs, a gas well at SCHOE, HOCH and GAST could flow ~10 mmcf/d.
- The 3D seismic response on the IRR prospect is similar to an adjacent gas field that has produced ~155 bcf of gas thereby increasing confidence in the prospect.
- The discovery of an oil field at Anshof has derisked the adjacent GRB prospect where an old down dip well had already encountered an oil leg. GRB has been upgraded from “Trend Exploration” to “Discoveries and Appraisal” which given its size is a potential high value opportunity.
- ADX continues to offer a combination of strong underlying value, increasing cashflow and reserves growth with very material exploration upside from an expanded near-term drilling programme. We reiterate our target price of A\$0.100/sh.

Geothermal

The GMU prospect in the Molasse basin combines a geothermal opportunity (18 MW power and heat potential) with multiple overlaying oil and gas targets in Miocene sands estimated to hold 3.9 mmboe. A well in such reservoir could flow up to 45 mmcf/d.

Valuation

Our Core NAV based on the company’s 2P reserves stands at A\$0.016/sh (2.5x the current share price). De-risking the 3P/3C at Anshof would add A\$0.036 per share (~5x the current share price). Our ReNAV stands at A\$0.10 per share. A successful farmout of some of the prospects and projects could highlight their values and provide further funding to accelerate its drilling programme. The Welchau prospect expected to be drilled in 2H23 has an unrisks NAV of A\$0.19 per share.

Rating & target	Old	New
Target	A\$ 0.100	n.c.
Yield		0%
Implied total return		1567%

Share data	2022	2023e	2024e
Shares dil., mm	3,911	3,911	3,911
Mkt cap, US\$m	\$19	\$16	\$17
EV, US\$m	\$17	\$20	\$14

Financial Data	2022	2023e	2024e
Gas, mmcf/d	0.3	0.2	0.3
Liquids, bbl/d	190	388	930
Total boe/d (6:1)	238	422	980

CFO, US\$m	\$3	\$3	\$13
Net capex, US\$mn	\$3	\$9	\$6
Net debt, US\$m	(\$2)	\$4	(\$3)

CFPS dil., US\$/shr	\$0.00	\$0.00	\$0.00
EPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.00

Valuation	2022	2023e	2024e
Share price, A\$/shr	A\$ 0.007	A\$ 0.006	A\$ 0.006
EV/DACF	4.8x	4.3x	0.7x
EV per boe/d (US\$)	\$72,605	\$47,461	\$14,029

Net asset value	
CNAV, A\$/shr	A\$ 0.017
RENAV, A\$/shr	A\$ 0.102
Unrisks NAV, A\$/shr	A\$ 0.631
P/CNAV	0.3x
P/RENAV	0.1x
P/ENAV	0.0x

All figures in US\$ unless otherwise noted
A\$/US\$: 0.69

Contact details

Analyst:
Stephane Foucaud
sf@auctusadvisors.co.uk
+44 7854 891249

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

Financial & Operating Information		2021	2022	2023e	2024e	2025e	2026e	2027e
Commodity Prices								
Brent	US\$/bbl	\$69.35	\$100.92	\$91.32	\$92.45	\$73.71	\$70.00	\$70.00
Austria Gas price	US\$/mcf	\$11.77	\$37.75	\$18.36	\$13.49	\$11.14	\$9.96	\$9.92
USD/CAD	US\$/C\$	\$0.75	\$0.75	\$0.74	\$0.75	\$0.75	\$0.75	\$0.75
A\$/US\$	A\$/US\$	\$0.73	\$0.69	\$0.68	\$0.72	\$0.72	\$0.72	\$0.72
Production								
Oil and Liquids	bb/d	261	190	388	930	1,131	1,250	1,810
Natural Gas	mmcf/d	0.1	0.3	0.2	0.3	0.3	0.3	0.3
Total (6 mcf = 1 boe)	boe/d	283	238	422	980	1,181	1,300	1,856
% Oil and Liquids	%	92%	80%	92%	95%	96%	96%	98%
Netbacks								
Realized Price	US\$/boe	\$67.80	\$119.65	\$84.92	\$83.76	\$69.27	\$66.01	\$66.17
Royalties	US\$/boe	\$0.00	\$0.00	\$6.02	\$11.17	\$9.76	\$9.58	\$10.32
Production & Transport Costs	US\$/boe	\$56.71	\$85.69	\$58.82	\$39.68	\$35.25	\$34.76	\$32.88
Operating Netback	US\$/boe	\$3.33	\$29.10	\$20.08	\$32.91	\$24.25	\$21.67	\$22.97
Taxes	US\$/boe	\$0.00	\$3.22	\$7.90	\$4.78	\$2.36	\$1.83	\$3.84
Cash Flow Netback	US\$/boe	(\$11.25)	\$11.80	\$20.20	\$35.00	\$26.75	\$25.03	\$25.15
Government Take	%	0%	3%	16%	19%	18%	17%	21%
Financials								
Cash Flow (CFO)	US\$mm	(\$2)	\$3	\$3	\$13	\$11	\$12	\$17
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EBITDAX	US\$mm	\$0	\$2	\$5	\$15	\$13	\$13	\$20
E&D Capex	US\$mm	\$1	\$4	\$9	\$6	\$10	\$7	\$1
A&D Capex, Net	US\$mm	(\$1)	(\$1)	(\$0)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	(\$0)	\$3	\$9	\$6	\$10	\$7	\$1
Total Net Capex/CFO	x	0.1x	1.3x	2.8x	0.4x	0.9x	0.6x	0.1x
Leverage								
Net Debt	US\$mm	(\$1)	(\$2)	\$4	(\$3)	(\$5)	(\$10)	(\$25)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	-1.1x	n.a.	n.a.	0.3x	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	2974	3513	3513	3513	3513	3513	3513
Diluted Shares o/s @ YE	mm	3312	3911	3911	3911	3911	3911	3911
Market Capitalization	US\$mm	\$24	\$19	\$16	\$17	\$17	\$17	\$17
Enterprise Value	US\$mm	\$23	\$17	\$20	\$14	\$12	\$7	(\$8)
Dividends & Sustainability								
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	(\$2)	(\$2)	(\$6)	\$7	\$1	\$5	\$16
Cash Use/CFO	%	7%	133%	284%	43%	87%	58%	7%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	-44%	-32%	69%	133%	21%	10%	n.a.
PPS Growth (Y/Y) DDA - dil. ^b	%	-32%	-42%	47%	135%	80%	67%	n.a.
CFPS Growth (Y/Y) - dil.	%	64%	-243%	22%	319%	-11%	3%	44%
CFPS Growth (Y/Y) DDA - dil. ^b	%	17%	-198%	1%	324%	33%	56%	n.a.
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Asset Value ^c								
CNAV (Atax) - diluted	A\$/shr	A\$ 0.017						
RENAV (Atax) - diluted	A\$/shr	A\$ 0.102						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.631						
P/CNAV	x	0.3x						
P/RENAV	x	0.1x						
P/Unrisked NAV	x	0.0x						
Valuation								
Share Price, YE/Current	A\$/shr	A\$ 0.010	A\$ 0.007	A\$ 0.006	A\$ 0.006	A\$ 0.006	A\$ 0.006	A\$ 0.006
P/CF	x	-19.3x	18.4x	5.1x	1.3x	1.5x	1.4x	1.0x
EV/DACF	x	-9.9x	4.8x	4.3x	0.7x	0.8x	0.4x	-0.4x
Target EV/DACF	x	-107.7x	131.8x	41.2x	10.6x	12.0x	11.4x	7.3x
EV per boe/d	US\$/boe/d	\$81,897	\$72,605	\$47,461	\$14,029	\$10,423	\$5,623	(\$4,551)
Proved Plus Probable	mmboe	6	6	6	5	5	4	4
EV per 2P boe	US\$/boe	\$3.97	\$3.00	\$3.57	\$2.62	\$2.55	\$1.68	(\$2.30)
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 29-Apr-23

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 (YE23)		-4	-0.002		-4	-0.002	-2%
G&A		-9	-0.003		-9	-0.003	-3%
Austria							
Zistersdorf 2P	2	11	0.004	100%	11	0.004	4%
Anshof 2P Reserves	4	54	0.020	90%	48	0.018	18%
Total Core NAV		51	0.019		46	0.017	17%
Austria							
Welchau Prospect	80	520	0.195	25%	130	0.049	48%
Anshof P3 Reserves	8	101	0.038	60%	61	0.023	22%
Anshof 3C Resources	9	114	0.043	30%	34	0.013	13%
Oil prospect (farm-out)	2	27	0.010	45%	12		0%
Gas prospect (farm-out)	2	27	0.010	45%	12		0%
Remaining prospects	72	931	0.349	30%	279		0%
H2 30 MW CH4 Equivalent		12	0.004				0%
Additional value - H2 30 MW H2 Market (US\$4/kg)		42	0.016				0%
Romania							
Iecea Mare	2	7	0.003	60%	4		0%
Italy							
d363C.R-.AX gas resources	34	23	0.009	25%	6		0%
Total Risked Appraisal & Exploration		1,804	0.676		539	0.084	83%
Total NAV		1,855.12	0.695		585	0.101	100%
Unrisked NAV						0.695	
P/Core NAV					40.7%		
P/NAV					6.9%		
P/Unrisked NAV					1.0%		

Source: Auctus, Company Disclosures

Copyright and Risk Warnings

ADX Energy Ltd (“ADX” or the “Company”) is a corporate client of Auctus Advisors LLP (“Auctus”).

Auctus receives, and has received in the past 12 months, compensation for providing corporate broking and/or investment banking services to the Company, including the publication and dissemination of marketing material from time to time.

MiFID II Disclosures

This document, being paid for by a corporate issuer, is believed by Auctus to be an ‘acceptable minor non-monetary benefit’ as set out in Article 12 (3) of the Commission Delegated Act C(2016) 2031 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. It is produced solely in support of our corporate broking and corporate finance business. Auctus does not offer a secondary execution service in the UK.

This note is a marketing communication and NOT independent research. As such, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and this note is NOT subject to the prohibition on dealing ahead of the dissemination of investment research.

Author

The research analyst who prepared this research report was Stephane Foucaud, a partner of Auctus.

Not an offer to buy or sell

Under no circumstances is this note to be construed to be an offer to buy or sell or deal in any security and/or derivative instruments. It is not an initiation or an inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000.

Note prepared in good faith and in reliance on publicly available information

Comments made in this note have been arrived at in good faith and are based, at least in part, on current public information that Auctus considers reliable, but which it does not represent to be accurate or complete, and it should not be relied on as such. The information, opinions, forecasts and estimates contained in this document are current as of the date of this document and are subject to change without prior notification. No representation or warranty either actual or implied is made as to the accuracy, precision, completeness or correctness of the statements, opinions and judgements contained in this document.

Auctus’ and related interests

The persons who produced this note may be partners, employees and/or associates of Auctus. Auctus and/or its employees and/or partners and associates may or may not hold shares, warrants, options, other derivative instruments or other financial interests in the Company and reserve the right to acquire, hold or dispose of such positions in the future and without prior notification to the Company or any other person.

Information purposes only

This document is intended to be for background information purposes only and should be treated as such. This note is furnished on the basis and understanding that Auctus is under no responsibility or liability whatsoever in respect thereof, whether to the Company or any other person.

Investment Risk Warning

The value of any potential investment made in relation to companies mentioned in this document may rise or fall and sums realised may be less than those originally invested. Any reference to past performance should not be construed as being a guide to future performance. Investment in small companies, and especially upstream oil & gas companies, carries a high degree of risk and investment in the companies or commodities mentioned in this document may be affected by related currency variations. Changes in the pricing of related currencies and or commodities mentioned in this document may have an adverse effect on the value, price or income of the investment.

Distribution

This document is directed at persons having professional experience in matters relating to investments to whom Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“FPO”) applies, or high net worth organisations to whom Article 49 of the FPO applies. The investment or investment activity to which this communication relates is available only to such persons and other persons to whom this communication may lawfully be made (“relevant persons”) and will be engaged in only with such persons. This Document must not be acted upon or relied upon by persons who are not relevant persons. Without limiting the foregoing, this note may not be distributed to any persons (or groups of persons), to whom such distribution would contravene the UK Financial Services and Markets Act 2000 or would constitute a contravention of the corresponding statute or statutory instrument in any other jurisdiction.

Disclaimer

This note has been forwarded to you solely for information purposes only and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto (“financial instruments”). This note is intended for use by professional and business investors only. This note may not be reproduced without the prior written consent of Auctus.

The information and opinions expressed in this note have been compiled from sources believed to be reliable but, neither Auctus, nor any of its partners, officers, or employees accept liability from any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this note. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company and its subsidiaries. Auctus is not agreeing to nor is it required to update the opinions, forecasts or estimates contained herein.

The value of any securities or financial instruments mentioned in this note can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors. This note does not have regard to the specific instrument objectives, financial situation and the particular needs of any specific person who may receive this note.

Auctus (or its partners, officers or employees) may, to the extent permitted by law, own or have a position in the securities or financial instruments (including derivative instruments or any other rights pertaining thereto) of the Company or any related or other company referred to herein, and may add to or dispose of any such position or may make a market or act as principle

in any transaction in such securities or financial instruments. Partners of Auctus may also be directors of the Company or any other of the companies mentioned in this note. Auctus may, from time to time, provide or solicit investment banking or other financial services to, for or from the Company or any other company referred to herein. Auctus (or its partners, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published.

Further Disclosures for the United Kingdom

This note has been issued by Auctus Advisors LLP, which is authorised and regulated by the Financial Conduct Authority. This note is not for distribution to private customers. This note is not intended for use by, or distribution to, US corporations that do not meet the definition of a major US institutional investor in the United States or for use by any citizen or resident of the United States.

This publication is confidential and may not be reproduced in whole or in part or disclosed to another party, without the prior written consent of Auctus. Securities referred to in this note may not be eligible for sale in those jurisdictions where Auctus is not authorised or permitted by local law to do so. In particular, Auctus does not permit the distribution or redistribution of this note to non-professional investors or other persons to whom disclosure would contravene local securities laws. Auctus expressly disclaims and will not be held responsible in any way, for third parties who affect such redistribution.

© Auctus Advisors LLP All rights reserved 2023