

# ADX Energy Ltd (ASX: ADX)

September 17, 2024

Share price: A\$0.11

Target: A\$0.75

## Production boost at Anshof in October

- The ANS-2A sidetrack well has encountered a 6.5 m net vertical oil column in high quality Eocene-aged sandstone reservoir.
- The reservoir quality encountered at ANS-2A is consistent with ANS-2 (porosity and permeability ~20% higher than at ANS-3). The oil-water contact was encountered very close to the top of the water wet reservoir encountered at ANS-2. Pressure data recovered from ANS-2A and the producing ANS-3 well confirms a continuous oil pool. These are two important positives.
- This is partially offset by the top of the structure being lower than expected, resulting in the net oil reservoir intersection at ANS-2A being “only” ~3 times that of ANS-3. The bull case was for ~12 m net pay, representing ~6x the net pay at ANS-3.
- The well will be tied into the adjacent Anshof permanent production facility after well completion operations expected to start early in October. Production performance will be important for assessing the impact of ANS-2A on reserves. The company is also planning to remap the field in the next 2-3 months to determine an optimal location for the next appraisal / development well. Incremental appraisal drilling will be required.
- ANS-2A is expected to be in commercial production at Anshof by the the end of October, adding 200-300 bbl/d (gross) to existing (110 bbl/d) production from ANS-3. The additional production would allow the company to have consistent positive operating cashflow. We are now assuming that ANS-1 will be drilled in 2H25 rather than 1H25.
- Pending the result of the ANS-2A well test and further visibility on the reserves at Anshof, we re-iterate our target price of A\$0.75/sh in line with our ReNAV. Our target price represents 7.5x the current share price.

## Upcoming newsflow

In addition to testing ANS-2A, the LICHT-1 prospect will be drilled in October (unrisked NAV of ~A\$0.04 per share). The Welchau-1 well is due to be tested during the winter period from October 2024 to March 2025. (unrisked NAV of ~A\$1.10 per share). An updated resources estimate reflecting the recent drilling result is expected before the beginning of the well test.

## Valuation

The current share price broadly reflects our valuation for the company based on its 2P reserves only (~A\$0.10 per share). Our ReNAV is A\$0.73 per share. We are not carrying any value for Italy yet where the company holds ~19-66 mmbbl contingent resources and 40-201 mmboe prospective resources.

Rating & target	Old	New	
Target	A\$ 0.750	n.c.	
Yield		0%	
Implied total return		582%	
Share data	2023	2024e	2025e
Shares dil., mm	502	695	695
Mkt cap, US\$mm	\$37	\$51	\$52
EV, US\$mm	\$33	\$46	\$49
Financial Data	2023	2024e	2025e
Gas, mcmcf/d	0.2	0.1	0.1
Liquids, bbl/d	263	230	500
Total boe/d (6:1)	289	250	524
CFO, US\$mm	(\$2)	(\$1)	\$3
Net capex, US\$mm	(\$0)	\$8	\$4
Net debt, US\$mm	(\$4)	(\$5)	(\$3)
CFPS dil., US\$/shr	(\$0.00)	(\$0.00)	\$0.00
EPS dil., US\$/shr	(\$0.00)	(\$0.01)	(\$0.01)
Valuation	2023	2024e	2025e
Share price,	A\$ 0.110	A\$ 0.110	A\$ 0.110
A\$/shr			
EV/DACF	n.a.	-55.0x	11.3x
EV per boe/d (US\$)	\$113,625	\$184,322	\$93,186
Net asset value			
CNAV, A\$/shr			A\$ 0.100
RENAV, A\$/shr			A\$ 0.734
Unrisked NAV, A\$/shr			A\$ 3.815
P/CNAV			1.1x
P/RENAV			0.1x
P/ENAV			0.0x
<i>All figures in US\$ unless otherwise noted</i>			
A\$/US\$:	0.67		

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**Figure 1. Financial & operating information**

<b>ADX Energy Ltd (ADX AU)</b>								
<b>Financial &amp; Operating Information</b>		<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>	<b>2028e</b>
<b>Commodity Prices</b>								
Brent	US\$/bbl	\$100.92	\$82.46	\$81.74	\$74.97	\$70.00	\$70.00	\$70.00
Austria Gas price	US\$/mcf	\$37.75	\$17.95	\$11.72	\$10.96	\$10.02	\$9.92	\$9.92
USD/CAD	US\$/C\$	\$0.75	\$0.74	\$0.72	\$0.75	\$0.75	\$0.75	\$0.75
A\$/US\$	A\$/US\$	\$0.69	\$0.67	\$0.67	\$0.68	\$0.72	\$0.72	\$0.72
<b>Production</b>								
Oil and Liquids	bbl/d	190	263	230	500	906	1,400	1,400
Natural Gas	mmcf/d	0.3	0.2	0.1	0.1	0.1	0.1	0.1
Total (6 mcf = 1 boe)	boe/d	238	289	250	524	929	1,421	1,421
% Oil and Liquids	%	80%	91%	92%	96%	97%	99%	99%
<b>Netbacks</b>								
Realized Price	US\$/boe	\$119.65	\$83.56	\$80.42	\$69.64	\$66.04	\$66.20	\$66.20
Royalties	US\$/boe	\$0.00	\$4.73	\$3.92	\$7.23	\$9.09	\$10.11	\$10.11
Production & Transport Costs	US\$/boe	\$85.69	\$81.04	\$88.38	\$48.73	\$38.36	\$34.87	\$34.87
Operating Netback	US\$/boe	\$29.10	(\$2.21)	(\$11.89)	\$13.67	\$18.59	\$21.22	\$21.22
Taxes	US\$/boe	\$3.22	-\$2.47	-\$3.03	-\$0.26	\$1.81	\$3.45	\$3.77
Cash Flow Netback	US\$/boe	\$11.80	(\$8.94)	(\$12.69)	\$15.30	\$19.03	\$21.99	\$21.66
Government Take	%	3%	3%	1%	10%	17%	20%	21%
<b>Financials</b>								
Cash Flow (CFO)	US\$mm	\$3	(\$2)	(\$1)	\$3	\$6	\$11	\$11
CFPS - diluted	US\$/shr	\$0.00	(\$0.00)	(\$0.00)	\$0.00	\$0.01	\$0.02	\$0.02
EBITDAX	US\$mm	\$2	\$1	(\$1)	\$3	\$7	\$13	\$13
E&D Capex	US\$mm	\$4	\$5	\$15	\$4	\$6	\$3	\$1
A&D Capex, Net	US\$mm	(\$1)	(\$5)	(\$7)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$3	(\$0)	\$8	\$4	\$6	\$3	\$1
Total Net Capex/CFO	x	1.3x	0.2x	-12.5x	1.6x	1.0x	0.3x	0.1x
<b>Leverage</b>								
Net Debt	US\$mm	(\$2)	(\$4)	(\$5)	(\$3)	(\$3)	(\$12)	(\$21)
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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Capital Structure</b>								
Basic Shares o/s @ YE	mm	3513	428	567	567	567	567	567
Diluted Shares o/s @ YE	mm	3911	502	695	695	695	695	695
Market Capitalization	US\$mm	\$19	\$37	\$51	\$52	\$55	\$55	\$55
Enterprise Value	US\$mm	\$17	\$33	\$46	\$49	\$52	\$44	\$34
<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	(\$2)	(\$7)	(\$15)	(\$2)	(\$0)	\$8	\$10
Cash Use/CFO	%	133%	16%	-1252%	158%	102%	29%	11%
<b>Performance</b>								
Prod. Per Shr Growth (Y/Y) - dil	%	-32%	76%	294%	88%	77%	n.a.	n.a.
PPS Growth (Y/Y) DDA - dil.	%	-32%	79%	366%	84%	69%	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	-243%	-177%	-68%	-555%	125%	78%	-1%
CFPS Growth (Y/Y) DDA - dil.	%	-215%	-214%	71%	-501%	114%	n.a.	-100%
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\$ 0.100						
RENAV (Atax) - diluted	A\$/shr	A\$ 0.734						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 3.815						
P/CNAV	x	1.1x						
P/RENAV	x	0.1x						
P/Unrisked NAV	x	0.0x						
<b>Valuation</b>								
Share Price, YE/Current	A\$/shr	A\$ 0.007	A\$ 0.110	A\$ 0.110	A\$ 0.110	A\$ 0.110	A\$ 0.110	A\$ 0.110
P/CF	x	18.4x	-201.7x	-35.8x	16.1x	7.7x	4.4x	4.4x
EV/DACF	x	4.8x	n.a.	-55.0x	11.3x	5.8x	2.8x	2.2x
Target EV/DACF	x	131.8x	-13.8x	-15.9x	6.9x	3.5x	1.5x	0.9x
EV per boe/d	US\$/boe/d	\$72,605	\$113,625	\$184,322	\$93,186	\$55,542	\$30,652	\$23,697
Proved Plus Probable	mmboe	5	5	4	4	4	3	3
EV per 2P boe	US\$/boe	\$3.69	\$7.17	\$10.27	\$11.34	\$13.02	\$12.64	\$11.50
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 17-Sep-24

**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 (YE24)		5	0.011		5	0.011	1%
G&A		-15	-0.033		-15	-0.033	-5%
Options and Warrants Exercised		13	0.028		13	0.028	4%
<b>Austria</b>							
Zistersdorf 2P Reserves	2	10	0.022	100%	10	0.022	3%
Anshof 2P Reserves	3	36	0.077	95%	34	0.074	10%
<b>Total Core NAV</b>		<b>48</b>	<b>0.104</b>		<b>47</b>	<b>0.100</b>	<b>14%</b>
<b>Austria</b>							
Welchau Prospect	101	521	1.122	50%	260	0.561	76%
Anshof 3P Reserves upside	5.9	70	0.151	35%	25	0.053	7%
Oil prospect (farm-out)	2	25	0.053	45%	11		0%
LICHT Gas prospect (farm-out)	2	21	0.045	45%	9	0.020	3%
Remaining prospects	73	855	1.842	30%	256		0%
H2 30 MW CH4 Equivalent		12	0.025				0%
Additional value - H2 30 MW H2 Market (US\$4/kg)		42	0.090				0%
<b>Romania</b>							
Iecea Mare	2	7	0.015	60%	4		0%
<b>Italy</b>							
d363C.R.-AX oil contingent resources	155	171	0.367	25%	43		0%
<b>Total Risked Appraisal &amp; Exploration</b>		<b>1,722</b>	<b>3.710</b>		<b>609</b>	<b>0.634</b>	<b>86%</b>
<b>Total NAV</b>		<b>1,770.66</b>	<b>3.815</b>		<b>655</b>	<b>0.734</b>	<b>100%</b>
<b>Unrisked NAV</b>						<b>3.815</b>	
<b>P/Core NAV</b>					<b>109.7%</b>		
<b>P/NAV</b>					<b>15.0%</b>		
<b>P/Unrisked NAV</b>					<b>2.9%</b>		

Source: Auctus, Company Disclosures

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