

# ADX Energy Ltd (ASX: ADX)

November 06, 2024

Share price: A\$0.10

Target: A\$0.70

## Approvals to start well testing at Welchau received. Rig and test equipment mobilized.

- All necessary approvals have been received to commence flow testing operations on the Welchau-1 discovery well for the period from 30 October 2024 until 31 March 2025.
- A workover rig has been mobilised to the Welchau-1 drill site with flow testing due to commence during the second half of November. There are multiple zones to test. The key test objectives being to confirm fluid type, reservoir productivity and likely reserves recovery.
- Welchau-1 is a vertical exploration well that was cased and cemented. We would view a test flow rate in excess of 200 bbl/d from any one formation as a success.
- Fractured carbonate analogs in Canada for example are often developed with horizontal drilling combined with acidization. This allows production from a larger number of fractures to materially increase the flow rate of individual wells. Given the shallow depth of Welchau and relatively modest well costs, the development of the field based on horizontal wells is likely to significantly enhance commerciality.
- We have removed the LICHT prospect from our valuation following the drilling results of last week and we have changed our target price to A\$0.70 per share. Our unrisks NAV for Welchau is A\$1.18 per share (~11x the current share price).

### LICHT-1 well

Last week, ADX reported that the Lichtenberg-1 exploration well (LICHT-1) confirmed the predrill expectations of structure and encountered gas shows. However, it has not encountered reservoirs of sufficient thickness that are likely to be commercial based on drilling data. This part of the basin is relatively underexplored and the well data will allow ADX to calibrate the existing 3D seismic and refine the geological model of the area. This will improve the quality of future prospects. The cost of the well has been almost entirely borne by MND.

### Anshof-2A well

Initial commercial production from the recent successful oil appraisal well is expected in early December after its tie in to the Anshof permanent production facility.

### Valuation

Our ReNAV for ADX is A\$0.71/sh.

| Rating & target              | Old       | New       |           |
|------------------------------|-----------|-----------|-----------|
| Target                       | A\$ 0.750 | A\$ 0.700 |           |
| Yield                        |           | 0%        |           |
| Implied total return         |           | 600%      |           |
| Share data                   | 2023      | 2024e     | 2025e     |
| Shares dil., mm              | 502       | 695       | 695       |
| Mkt cap, US\$mm              | \$34      | \$46      | \$47      |
| EV, US\$mm                   | \$30      | \$40      | \$43      |
| Financial Data               | 2023      | 2024e     | 2025e     |
| Gas, mmmcf/d                 | 0.2       | 0.1       | 0.1       |
| Liquids, bbl/d               | 263       | 215       | 485       |
| Total boe/d (6:1)            | 289       | 236       | 509       |
| CFO, US\$mm                  | (\$2)     | (\$1)     | \$3       |
| Net capex, US\$mr            | (\$0)     | \$5       | \$4       |
| Net debt, US\$mm             | (\$4)     | (\$6)     | (\$5)     |
| 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\$ 0.100 | A\$ 0.100 | A\$ 0.100 |
| A\$/shr                      |           |           |           |
| EV/DACF                      | n.a.      | -20.4x    | 10.3x     |
| EV per boe/d (US\$ \$102,039 | \$169,597 | \$83,884  |           |
| Net asset value              |           |           |           |
| CNAV, A\$/shr                |           |           | A\$ 0.104 |
| RENAV, A\$/shr               |           |           | A\$ 0.711 |
| Unrisks NAV, A\$/shr         |           |           | A\$ 3.830 |
| P/CNAV                       |           |           | 1.0x      |
| P/RENAV                      |           |           | 0.1x      |
| P/ENAV                       |           |           | 0.0x      |

All figures in US\$ unless otherwise noted  
A\$/US\$: 0.67

### Contact details

#### Analyst:

**Stephane Foucaud**

sf@auctusadvisors.co.uk

+44 7854 891249

**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         | 215          | 485          | 876          | 1,400        | 1,341        |
| 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         | 236          | 509          | 900          | 1,421        | 1,362        |
| % Oil and Liquids                            | %          | 80%         | 91%         | 91%          | 95%          | 97%          | 99%          | 98%          |
| <b>Netbacks</b>                              |            |             |             |              |              |              |              |              |
| Realized Price                               | US\$/boe   | \$119.65    | \$83.56     | \$79.27      | \$69.73      | \$66.02      | \$66.20      | \$66.19      |
| Royalties                                    | US\$/boe   | \$0.00      | \$4.73      | \$2.69       | \$7.09       | \$9.00       | \$10.11      | \$10.03      |
| Production & Transport Costs                 | US\$/boe   | \$85.69     | \$81.04     | \$96.28      | \$49.30      | \$38.71      | \$34.87      | \$35.18      |
| Operating Netback                            | US\$/boe   | \$29.10     | (\$2.21)    | (\$19.70)    | \$13.33      | \$18.32      | \$21.22      | \$20.98      |
| Taxes  | US\$/boe   | \$3.22      | -\$2.47     | -\$3.33      | -\$0.77      | \$1.58       | \$3.32       | \$3.67       |
| Cash Flow Netback                            | US\$/boe   | \$11.80     | (\$8.94)    | (\$24.55)    | \$15.23      | \$18.81      | \$22.11      | \$21.37      |
| Government Take                              | %          | 3%          | 3%          | -1%          | 9%           | 16%          | 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         | (\$2)        | \$3          | \$7          | \$13         | \$12         |
| E&D Capex                                    | US\$mm     | \$4         | \$5         | \$15         | \$4          | \$6          | \$3          | \$1          |
| A&D Capex, Net                               | US\$mm     | (\$1)       | (\$5)       | (\$10)       | \$0          | \$0          | \$0          | \$0          |
| Total Net Capex                              | US\$mm     | \$3         | (\$0)       | \$5          | \$4          | \$6          | \$3          | \$1          |
| Total Net Capex/CFO                          | x          | 1.3x        | 0.2x        | -4.1x        | 1.6x         | 1.1x         | 0.3x         | 0.1x         |
| <b>Leverage</b>                              |            |             |             |              |              |              |              |              |
| Net Debt                                     | US\$mm     | (\$2)       | (\$4)       | (\$6)        | (\$5)        | (\$5)        | (\$13)       | (\$22)       |
| 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        | \$34        | \$46         | \$47         | \$50         | \$50         | \$50         |
| Enterprise Value                             | US\$mm     | \$17        | \$30        | \$40         | \$43         | \$45         | \$37         | \$28         |
| <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)       | (\$17)       | (\$2)        | (\$0)        | \$8          | \$9          |
| Cash Use/CFO                                 | %          | 133%        | 16%         | -407%        | 163%         | 107%         | 28%          | 12%          |
| <b>Performance</b>                           |            |             |             |              |              |              |              |              |
| Prod. Per Shr Growth (Y/Y) - dil             | %          | -32%        | 76%         | 272%         | 93%          | 77%          | n.a.         | n.a.         |
| PPS Growth (Y/Y) DDA - dil.                  | %          | -32%        | 80%         | 360%         | 93%          | 65%          | n.a.         | n.a.         |
| CFPS Growth (Y/Y) - dil.                     | %          | -243%       | -177%       | -31%         | -301%        | 123%         | 88%          | -7%          |
| CFPS Growth (Y/Y) DDA - dil.                 | %          | -215%       | -214%       | 292%         | -280%        | 108%         | 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\$ 0.104   |             |              |              |              |              |              |
| RENAV (Atax) - diluted                       | A\$/shr    | A\$ 0.711   |             |              |              |              |              |              |
| Unrisked NAV (Atax) - diluted                | A\$/shr    | A\$ 3.830   |             |              |              |              |              |              |
| P/CNAV                                       | x          | 1.0x        |             |              |              |              |              |              |
| P/RENAV                                      | x          | 0.1x        |             |              |              |              |              |              |
| P/Unrisked NAV                               | x          | 0.0x        |             |              |              |              |              |              |
| <b>Valuation</b>                             |            |             |             |              |              |              |              |              |
| Share Price, YE/Current                      | A\$/shr    | A\$ 0.007   | A\$ 0.100   | A\$ 0.100    | A\$ 0.100    | A\$ 0.100    | A\$ 0.100    | A\$ 0.100    |
| P/CF   | x          | 18.4x       | -183.3x     | -17.8x       | 15.2x        | 7.4x         | 4.0x         | 4.3x         |
| EV/DACF                                      | x          | 4.8x        | n.a.        | -20.4x       | 10.3x        | 5.3x         | 2.3x         | 1.9x         |
| Target EV/DACF                               | x          | 131.8x      | -13.8x      | -8.2x        | 6.8x         | 3.5x         | 1.4x         | 0.9x         |
| EV per boe/d                                 | US\$/boe/d | \$72,605    | \$102,039   | \$169,597    | \$83,884     | \$50,486     | \$26,244     | \$20,572     |
| Proved Plus Probable                         | mmboe      | 5           | 5           | 5            | 4            | 4            | 3            | 3            |
| EV per 2P boe                                | US\$/boe   | \$3.69      | \$6.44      | \$8.90       | \$9.89       | \$11.39      | \$10.76      | \$9.43       |
| 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 28-Oct-24

**Figure 2. NAV Table**

|  | WI Reserves /<br>Resources<br>(mmboe) | Unrisked NAV<br>(US\$ mm) | Unrisked<br>NAV/sh<br>AS/Share | GCoS<br>(%) | EMV<br>(US\$ mm) | AS/Share     | %<br>Total  |
|--|---------------------------------------|---------------------------|--------------------------------|-------------|------------------|--------------|-------------|
| Net Cash (YE24)                                  |                                       | 6                         | 0.014                          |             | 6                | 0.014        | 2%          |
| 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                        | 0.078                          | 95%         | 34               | 0.074        | 10%         |
| <b>Total Core NAV</b>                            |                                       | <b>50</b>                 | <b>0.108</b>                   |             | <b>48</b>        | <b>0.104</b> | <b>15%</b>  |
| <b>Austria</b>                                   |                                       |                           |                                |             |                  |              |             |
| Welchau Prospect                                 | 64                                    | 550                       | 1.185                          | 50%         | 275              | 0.592        | 83%         |
| Anshof 3P Reserves upside                        | 5.9                                   | 70                        | 0.152                          | 10%         | 7                | 0.015        | 2%          |
| Oil prospect (farm-out)                          | 2                                     | 25                        | 0.054                          | 45%         | 11               |              | 0%          |
| Remaining prospects                              | 72                                    | 852                       | 1.835                          | 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>1,728</b>              | <b>3.722</b>                   |             | <b>596</b>       | <b>0.607</b> | <b>85%</b>  |
| <b>Total NAV</b>                                 |                                       | <b>1,777.82</b>           | <b>3.830</b>                   |             | <b>644</b>       | <b>0.711</b> | <b>100%</b> |
| <b>Unrisked NAV</b>                              |                                       |                           |                                |             |                  | <b>3.830</b> |             |
| <b>P/Core NAV</b>                                |                                       |                           |                                |             | <b>110.9%</b>    |              |             |
| <b>P/NAV</b>                                     |                                       |                           |                                |             | <b>16.2%</b>     |              |             |
| <b>P/Unrisked NAV</b>                            |                                       |                           |                                |             | <b>3.0%</b>      |              |             |

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 invitation 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 2024