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ADX ENERGY LTD (ASX:ADX) Small Company, Big Plans

29th November 2018

COMPANY REPORT - KEY POINTS

- ADX Energy has three potential company-transforming assets, in the appraisal and pre-development phase in Italy, Romania & Tunisia. All appear technically and economically feasible and are third party verified. ADX faces financial constraints and a key objective this year was to secure funds for drilling and in recent months has done so in respect of Romania & Italy. If imminent farm-out in Tunisia is successful, then ADX will have a three well drilling program in 2019, which should materially support its development plans, and catalyze the share price.
- Key Points:
 - Contingent resource of 163 MMboe across the asset base.
 - Two well appraisal program in Romania.
 - Secured farm-in partner for Nilde oil re-development offshore Italy, which should help secure tenure.
 - Appraisal drilling offshore Tunisia, farm-out underway.
- ADX's assets are at various stages of maturity
 - Appraisal onshore Romania has attracted funds from a UK E&P Reabold Resource and will initiate drilling in 2019. Valuation outcomes are meaningful to ADX, scale-able and offer the promise of rapid cash returns.

- Committed drilling offshore Tunisia at Dugga is appraisal of a discovered resource, and if successful could trigger a large gas project. This is a complex project and farm-out ahead of drilling is pivotal.
- Development: The Nilde project offshore Italy is a known field and offers the greatest absolute upside but tenure is not certain. If the license is ratified by Italian authorities, it would be a major catalyst for ADX.
- Our valuation is based on planned drilling activity in Romania & Tunisia. There is substantial upside if Italy is ratified, to ~32 cps.
- The equity market is pricing ADX's resources too cheaply. Maybe the nature of the asset base and challenges of the past 4 years have underwhelmed investors. Farm-out success to bring capital and industry endorsement of ADX's work, and drilling activity should underpin value and provide market catalysts in 2019.

We rate ADX Energy Ltd as a BUY.

BREAKAWAY COMMENTS

ADX is a small company and the success YTD in financing strategies needs to be seen in context with the company's modest balance sheet and market capitalisation. 2019 drilling activity and possible Tunisia farm-out provide catalysts. Our valuation ranges from 9c which attributes Tunisian & Romanian drilling in 2019. There is substantial additional upside if tenure in Italy can be secured.

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COMPANY INFORMATION

ASX Code:	ADX
Share Price:	A\$0.012
MCAP:	A\$13.6m
Cash & RCO Investment (*)	
(*) At September 30, 2018	A\$3m
Total Debt:	A\$0m
EV:	A\$10.6m



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