ADX Energy Limited (ASX: ADX)

Sector: Energy - Oil & Gas Explorers **12 mth Price Target: *$0.077/share*** *(up from $0.059share)*

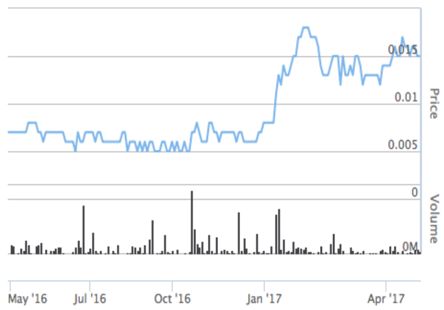
Nilde's high flow rates + innovation = leveraged upside for investors

COMPANY STATISTICS

Share Price	$0.013
12 Month Range	$0.019-$0.005
Market Capitalisation	$12.1m
Enterprise Value	$11.6m
Issued Shares	929.0m
Options	57.3
Cash as @ *31 Mar'17*	$0.495m
Debt	Nil
Valuation	$0.091/share
Risked NPV$/share	*(ex-entitlement basis)*
12 mth Price target	**$0.077/share**
Risked – NPV A$/share	*(Formerly $0.059)*
Major Shareholders[1]	
Board & Management	7.5%
Top 20	51.7%
Directors	
Ian Tchacos	Exec. Chairman
Paul Fink	CEO, Technic Dir.
Andrew Childs	Non-Exec. Director
Rob Brown	Non-Exec. Director
Amanda Sparks & Peter Ironside	Joint Co. Secretaries

[1] – *Source: ADX Annual Report & 1 May 17 Prospectus*

SHARE PRICE PERFORMANCE



Source: ASX

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Note - QA Capital is Lead Manager for the current rights issue

Please refer to the last page for important disclosures of corporate involvement and other disclaimers

A rare re-development with strong farm-out potential

ADX ENERGY Ltd (ASX: *ADX*) is an ASX listed oil & gas explorer with 211-mil bbl oil equiv. of 2C oil & gas resources. Its twin focus is on redeveloping its *100% owned* Nilde oil field (offshore Italian Licence D363CR-AX), in a shallow section of the Sicily Channel and farmout & appraisal of Dougga, a gas/condensate field.

ADX has spent a year rigorously re-evaluating Nilde, a previously producing 1980's field and in March 2017 announced updated Contingent Resource of 32.8mmbbl (2C), up 16% from a year earlier estimate. **An innovative and low capital cost development** concept is also being co-developed with Singapore-based Calm Oceans that boosts project returns *and* reduce risks.

Nilde field's high productivity 15,000 – 25,000 bbl/day potential provides ADX shareholders huge cashflow and share price upside leverage to a robust, low cost development with a breakeven below US$30/bbl price.

Our valuation is conservatively based on the updated 1C Resource of 21.7mmbbl, revised up 20% from a year ago.

Nilde is significantly under-appreciated by the market. *The field's re-development scoping study to us is a low operating/capital costs of ~US$17 & $4/bbl respectively. A low tax take of ~$11/bbl leaves an US$18/bbl cash margin at US$50/bbl oil price on the life-of-field 1C reserves and a Field NPV of ~A$260m. This expands to a US$21/bbl margin and A$467m NPV on the larger 2C resource case.*

ADX now moves to the farmout stage*. We believe its high quality data re-evaluation reduces field performance risks and commitment of Mono Column Platform provider reduces upfront capital. Combined with big value upside it should enable ADX to attract farminees to drill appraisal /production well to finalise a full-field development plan and licencing. A farm-out sets a 3rd party value that we anticipate will be in excess of ADX's capitalisation and is a key short/medium term value catalyst.*

A non-renounceable 1:5 issue at $0.013/share to raise A$2.42m was announced on the 1st May. *This is set at a 13.3% discount to the previous day's closing price. $1.8m is earmarked to progress development studies of Nilde oil in Italy and Dougga gas/condensate in Tunisia.*

We see a Nilde farmout and value-adding milestones in Tunisia *as achievable over the next 6-9 months, while the capital raising strenthens ADX's farmout prospects.*

Section A: ADX controls over 200mmbbl of resources and strategic acreage – *yet is cheaply priced at below A$0.07/boe*

Italian Licence D363 CR-AX – 100% equity

The offshore Licence D363 CR-AX in shallow waters hosts four oil discoveries and four undrilled additional leads.

*The **Nilde oilfield produced a cumulative 20.5mmbbl** of light oil (39° API) between 1980-89 via four wells, **peaking at 12,100bopd**, with most production originating from a single vertical well (Nilde-2).*

This indicates impressive per well performance profiles, substantial oil in place and production from a mix of fractures and rock matrix in a carbonate reservoir.

Nilde's highly fractured carbonate reservoir – boosts production performance. Carbonates also feature in the Kerouane permit

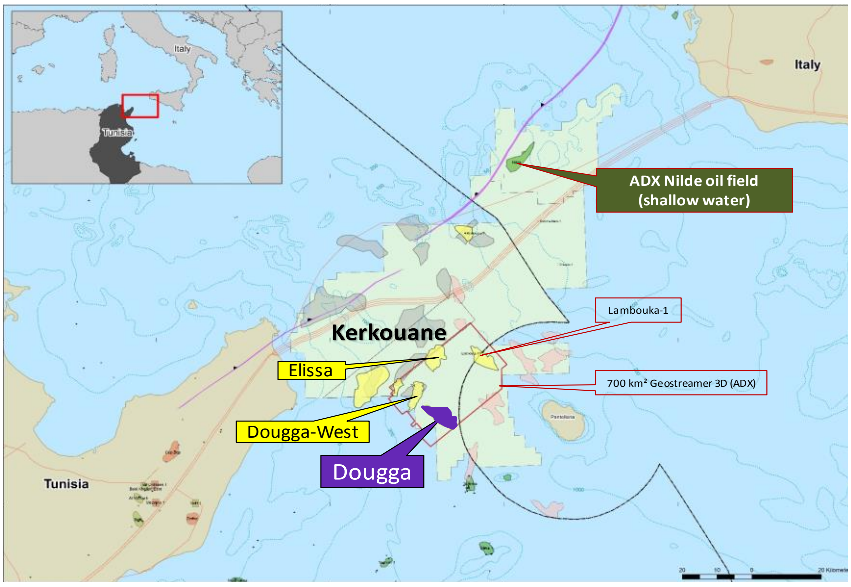
Source: ADX

In this report we have presented a detailed review and valuation of the Nilde oil project with a 21.7mmbbl (1C) or 32.8mmbbl (2C) oil field. See from page 4.

ADX's 5,000km^2 acreage position in the Sicily Channel

ADX has a built a large contiguous acreage position that have oil & gas/condensate discoveries spanning Italian & Tunisian waters.

*At the most likely (probability 50%) 2C resource of 211mmboe is being priced at just $0.07 per barrel of oil equivalent (boe) valued at the current capital-raising price. **ADX is likely to be re-rated on any farmout and resource development progress.***



Source: ADX Annual Report 2016

ADX's Sicily Channel Resources – *211 mmboe 2C at $0.07/boe*

ADX Energy - announced recoverable resources

Contingent Recoverable Resource		1C	2C	3C
Nilde & Nilde bis: oil	mmbbl	21.7	32.8	49.8
Norma & Nalia: oil	mmbbl	2.2	5.6	15.6
Nilde Block: Total	mmbbl	23.9	38.4	65.4
Dougga: Sales Gas	bcf	264	517	804
Dougga: Cond. & LPG	mmbbl	47	91	142
Dougga: Total	mmboe	88.4	172.7	268.3
Total	mmboe	112.3	211.1	333.7
Bbls equiv. per ADX share		0.10	0.19	0.30
Market capitalisation	A$/boe	$0.13	$0.07	$0.04
at issue price	*$0.013*			
No. shares Pre-issue	920	Post-issue	1,115	

Source: ADX Annual Report 2016

Kerkouane permit – 100% owned – Offshore Tunisia

*ADX obtained from the General Department of Energy for Tunisia an extension of the Kerkouane offshore permit until H2'2017 and has refocussed activities on to the appraisal and development of the **Dougga gas condensate field** – with an independently assessed most likely **(2C) Contingent Resource of 173 mmbo**e, of which 91 mmbbls are condensate and LPG.*

Dougga Project – *its option value alone is double ADX's share market capitalisation*

Dougga's 173mmboe 2C resource could be worth to ADX up A$295m after assuming a 50% farmout

Even if risked by 95% to an "option" value of 10% post-farmout – Dougga is worth $0.026/share

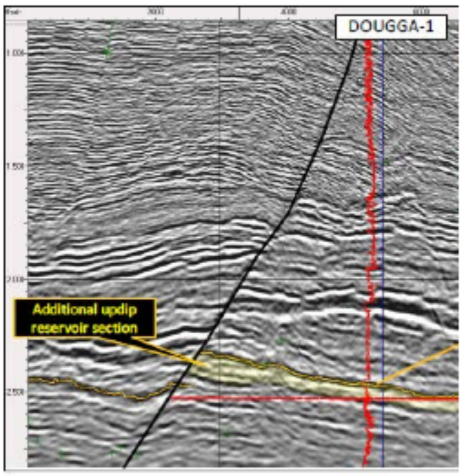
Dougga alone justifies a 100% lift in ADX share price

Dougga's potential value to shareholders is exceptionally large. Using Dougga's 2C resource of 172.7mmboe and assuming ADX's farms-out of 50% the block to initiate required appraisal drilling – our un-risked valuation A$3.42/boe for a remaining 50% is A$295m or about $0.265/share.

Risking this value by a 90% (harsh for an already discovered field), to a mere "option" value of 10% of valuation results in an A$29.5m valuation or $0.026/share. This calculation excludes the up-dip resource potential (see below) that could add 25 to 50% to value.

Dougga's attractions grow – *with development optimisation & resource upside*

The Dougga field's updip exploration upside can add 53bscf of gas 25mm bbls liquids



Source: ADX MarQ17 report

*Utilising 3D seismic data, ADX's has identified within the Dougga field around 300 metres of up-dip potential from the discovery Dougga-1 well that could add **prospective (best technical) resource of 25 mmbbls of liquids and 530 BCF of sales gas**, resulting in a total recoverable resource of over 250 mmboe (2C + Best prospective).*

Gas development appeal is rising

Dougga's appeal lies in its high liquids content and access to high value gas markets in Europe via the Transmed pipeline connecting Tunisia to Italy. A new dynamic is that a gas-short Tunisian domestic gas market is also growing at 4% pa.

ADX has sought to enhance the commercial viability and ability for ADX to obtain farm-out support to drill an appraisal well by:

Dougga is increasingly attractive as Tunisia's gas demand grows and as it seeks import replacement

ADX's technical works seeks to add value via studying more cost and capital effective development solutions

A better work plan, economics and fiscal regime boosts chances of a farm-out or sale of this asset

Material exploration upside

Announcement of an appraisal well farmout package is likely to re-rate ADX significantly

- ***Engaging TechnipFMC** to undertake a development concept study for the Dougga Gas Condensate discovery to seek lower capital and operating costs (by early SepQ'17).*
- ***Dougga's low capex solutions** – Located 45 km from the shore in 330 meters of water; a likely low cost development option is a subsea tie-back to an onshore processing gas plant to process and separate gas, condensate and LPG's.*
- ***Better fiscal terms** – Presenting a new development plan may enable Tunisian authorities to change work programs and fiscal burdens. These actions can generate national benefits as this project could be developed far sooner than otherwise.*
- ***Exploration upside** – The planned appraisal well targets the apex of the Dougga structure, 300 meters up-dip of the discovery well. Here ADX expect to encounter a significantly enhanced fracture network that would likely deliver highly commercial flow rates and lower project risk. This is analogous to the offshore **Miskar** gas condensate field and the onshore **Sidi El Kilani** oil field. Both fields produce at commercial rates from the same reservoir as the Dougga discovery well.*
- ***Farm-out** – once ADX concludes its value-adding development scoping plans & discussions with Tunisian authorities it will seek a farmout to fund an appraisal well.*

We expect a farmout to lead a significant re-rating of ADX's shares.

Section B: Nilde Oil Project – *now bigger and more cost efficient*

ADX's strategy re-focus brings initial success – *a robust project candidate*

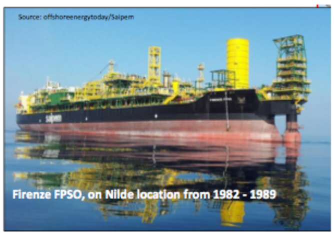
A Board and business plan re-structure is complete

In 2016 ADX implemented a management and strategy re-structure that accommodates a lower oil price environment. A restructured ADX Board extended its technical capability through important contractor and consultant relationships, streamlining accounting and administrative functions, reduced fixed overheads plus incentivised the core ADX team through share-based remuneration.

Low oil price drove a re-focus on best resources and innovation to attract scarce development funds

ADX re-focussed its activities upon near term cash flow assets such as appraisal and development projects of Nilde oil field re-activation program. It also maintained but minimised spending on longer term, higher risk pure exploration in Tunisia and prioritised appraisal assets like the Dougga gas/condensate fields.

Former production facility at Nilde oil field

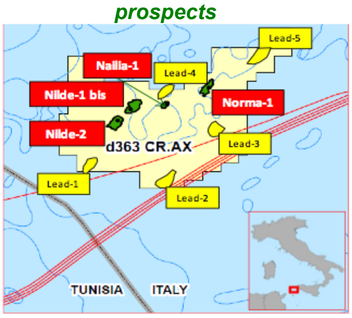


Source: ADX releases

Through 2016, ADX successfully raised modest amounts of funds to expand and add value to its over 200mmboe 2C Contingent Resource base. Investors backing these initiatives have already seen share good share price appreciation. This came following ADX's purchase and re-working of seismic, geological data and historical production data for the Nilde field. By early 2017 ADX completed and integrated the following:

- Geotechnical studies and reservoir modelling based upon full set of available seismic, drilling and core analysis, production data as well as go-forward simulations;
- Advanced a field development concept work that reduced capital cost and development time frames.

Nilde area - discovered fields & prospects



The results of ADX's technical work raised initial expected remaining 2C oil resource potential by over 15%, increased project viability by lowering expected total costs and established the asset as a likely to be robustly commercial.

Nilde Project 2C Resource – *expanded the by 15%*

ADX's 2016 work has culminated in a double-digit rise in Contingent Resources recoverable.

Excluding ADX's Tunisian resources the market is attaching only modest value to the Nilde Resource.

2C resource priced at only A$0.44/bbl verus our estimate of $15.11/bbl Project NPV

ADX Energy - announced recoverable resources

Contingent Recoverable Resource		1C	2C	3C
Nilde & Nilde bis: oil				
Post review est.	**mmbbl**	**21.7**	**32.8**	**49.8**
Senergy Feb 2016 est.	*mmbbl*	*18.0*	*28.4*	*38.8*
ADX review's increase	*mmbbl*	*3.7*	*4.4*	*11.0*
	% change	*20%*	*15%*	*28%*
QA Capital est. NPV	A$/bbl	$13.16	$15.11	
Market capitalisation	A$/bbl	$0.67	$0.44	$0.29
Bbls equiv. per ADX share		0.02	0.03	0.04
at issue price	*$0.013*			
No. shares Pre-issue	920	Post-issue	1,115	

Source ADX announcements 2017 & 2016

At the $0.013/share capital raising price 1C and 2C resource is being priced at only A$0.67/bbl and A$0.44/bbl. This compares to our calculated A$13 and A$15/bbl NPV un-risked project value.

COPL – ADX's strategic partner is a game changer for Nilde

Key relationship with Calm Oceans – where innovation and commitment to provide leased equipment drives further Nilde project value upside

ADX has entered a strategic contractor relationship with Calm Oceans Pte Ltd (COPL). This Singapore-based engineering and fabrication company has developed innovative and yet proven technology that ADX believe is ideally suited to Nilde. In Dec'16 the two groups entered a memorandum of understanding to jointly progress a Nilde development to combine a well-defined oil resource with an engineering contractor with a strong project delivery record.

COPL brings low cost and lower risk solutions

Two major innovative production facility components

COPL's self-installing mono column platform (MCP) solution is potential enabler for the re-development of Nilde that delivers superior technical outcomes and reduces costs relative to more expensive semi-submersible rigs for development drilling using of technically sophisticated sub-sea well-completions tied back to floating production units. ADX at present envisages a ~60% cost saving by using a combination of jack-up and/or platform drilling and dry well-heads.

These are technically less complicated and less costly than the previous development of the field

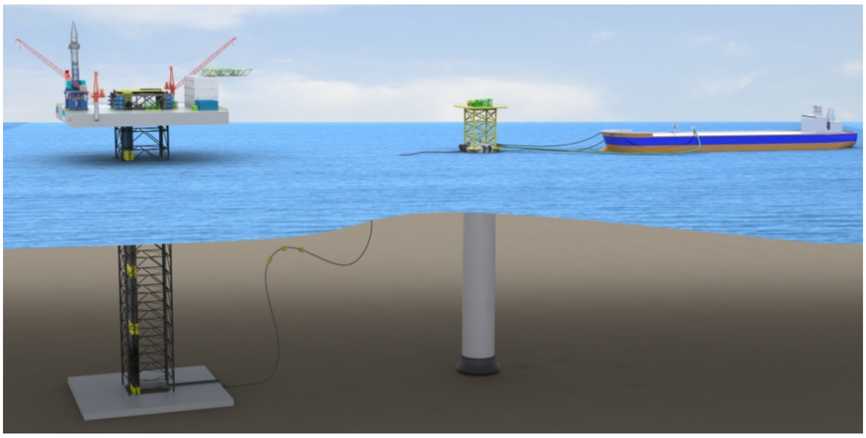
The MCP is a self-installing, gravity-based platform, *that has already been constructed* and that can quickly be commissioned once ADX's appraisal well finalises development plans and an Italian regulator's production licence is granted.

The MCP facility enables installation of land-rig to drill 2 or 3 development wells plus a water disposal well at a faction of the cost of semi-submersible rig costs.

MCP will be coupled with an **RPSO** – a **gravity based mooring, storage and offloading system,** that is a COPL proprietary design, will also be constructed. Umbilicals are to link the MCP with the RSPO to store Nilde's separated high-quality oil for loading shuttle oil tankers to Mediterranean-based and other refiners.

Ample deck space allows for large volume processing of crude, separation of gas and water from dry well-heads.

On-deck water and gas re-injection pumps can also easily operated and safely maintained.



Source: ADX Energy 29 April 2017 announcement

Expansion potetential:

The MCP solution adds flexibility to drill more wells or tie back near-by accumulations.

There is an option for the leased facility to be bought out-right at the end of a minimum leasing period.

We see three major benefits of the MOU and COPL relationship:

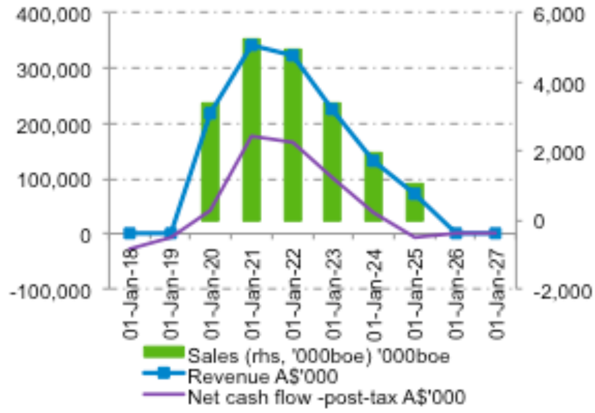
- The ability to lease the MCP at competitive rates minimises up-front project capital cost and speeds up field development
- COPL's confidence to commit its already constructed facility provides a 3rd party endorsement to the Nilde project
- The owner of COPL – Mr Brian Chang, brings an extensive track record in successful development engineering, fabrication and installation of petroleum facilities.

We see that the combination of ADX geotechnical experience with COPL's facilities engineering capability significantly progress the Nilde project both technically and financially. In parallel ADX will use these plans to accelerate work on regulatory approvals.

Section C: Nilde Oil Project Economics – *and our valuation*

Highly desirable project features – *doubles our former base case valuation*

Full field Development of 1C Case



Source: QA Capital estimates, ADX announcements

Short lead-time sees production by 2020 and high productivity means quick paybacks.

Nilde has a number of attributes which make it an excellent candidate for re-development, these are:

- The potential of a substantial unproduced resource of 22 to as much as 50 mmbbl;
- Proven high productivity reservoir, backed up by historical production and ADX's intensive data integration;
- Shallow reservoir depths of 1500m TVDSS and 90 metre water depths and in a relatively benign sea environment;
- High quality light crude of 39 API gravity;
- Excellent reservoir productivity with production in excess 5,000bopd per well;
- Low expected capital costs per barrel; and
- Highly competitive fiscal terms with production taxes set at around 4% of oil value plus a company tax regime.

Base Case Evaluation – *produces 20million barrels at maximum of 15,000bopd*

D363CR.AX - Sicily Channel ADX Energy Ltd	Nilde project Equity	Current 100%	
Output & peak earnings			
Total produced	mmboe	20.0	
No. of wells, Field life	*No. & Yrs*	*3.0*	*5.75*
Maximum output	boe/day	14,881	
Peak annual sales	'000boe	5,264	
Peak annual revenue	US$mil	256.0	
Peak annual EBITDA	US$mil	185.6	
Peak EBITDA Margin	US$/boe	*$35.25*	
Project Capital Costs			
Exploration & Appraisal	US$mil	22.4	
Capex - incl. abandonment	US$mil	62.2	
Farmin Paid & (Received)	US$mil	0.0	
Total Project Capex Costs	US$mil	84.6	
Capex/Peak EBITDA multiple	*times*	*0.5*	
Commodity price assumptions		*Commodity*	*Received*
Oil price rec'd - wgt'd av. to 2020	*US$/boe*	*$50.00*	*$48.25*
AUDUSD rec'd - wgt'd av. to 202C	*US$/AUD$1*	*$0.750*	*$0.750*
Carbon cost - wgt'd av. to 2020	*US$/boe*		*$0.220*
Royalty rate % & exemption	*%, '000bbl*	4.0%	*20.0*
Company tax rate	*%*	31.4%	
Cost inflation; Oil price inflation	%pa	1.8%	1.3%
Valuation - (ungeared returns)			
After-Tax NPV; *Disc.rate*	US$mil	197.4	197.4
11.00%	*US$/boe*	*$9.87*	*$9.87*
After-Tax NPV; *IRR%*	**A$mil**		**263.2**
92.70%	***A$/boe***		***$13.16***
After-Tax NPV; *est post-placemen*	***A$/share***		***$0.236***
Current shares; *est post raising*	mil.		*1114.8*

Source: QA Capital estimates, ADX announcements

Our Base Case, analysis envisages three angled production wells to drain 20mmbbl using recently costed leased MMCP & RSPO facilities at peak 15,000 bopd.

In our Nov2016 report we formerly we had two wells draining 16.4mmbbl using a leased FPSO development capable of producing 12,000bopd at peak.

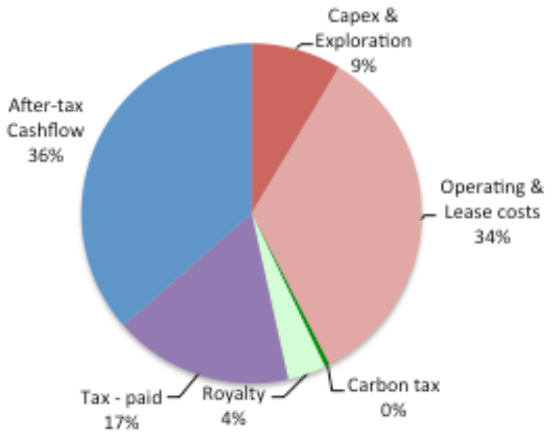
- **Our Base Case uses unchanged spot AUD/USD $0.75 and spot oil price of US$50.00 flat to 2020** then rising at 2/3rd the inflation rate of 2%pa. **Discount rate is 11%pa** *(also unchanged)*
- **Total capital and exploration cost** over the life-of-field of US$84.6m versus US$127m formerly. This is equivalent to US$4.23/bbl versus our former estimate of US$7.75/bbl.
- **Annual US$60m cash operating cost US$11/boe initially including leases;** this is higher than our former +US$4/bbl at peak output.

Our updated Nilde Project Base Case NPV valuation un-risked is US$197m or US$9.87/bbl NPV. This is up by US$102m and NPV of $5.80/bbl

The key positive difference comes from lower capital cost, higher production rate and total oil recovered.

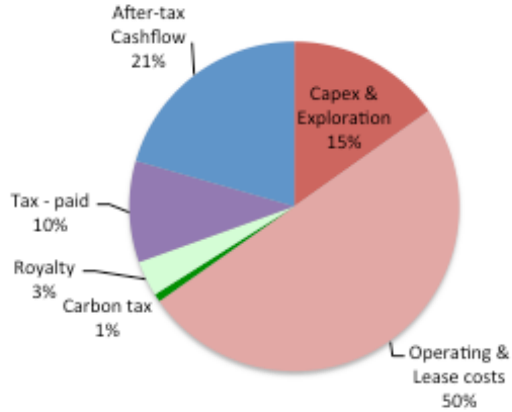
Nilde is a robust project – *even at low oil prices*

Base Case – US$50/bbl and 20 mmbbl
Life of project revenue split
Strong after tax cashflow margins of US$18/bbl and ***NPV US$197m*** *(includes abandonment costs)*



Source: QA Capital estimates, ADX announcements

Low oil price – US$30/bbl and 19 mmbbl
Life of project revenue split
Robust project with after tax cashflow margins of US$6.30/bbl and ***NPV $56m***



Source: QA Capital estimates, ADX announcements

Upside Case of US$50/bbl & 31 mmbbl produced – *generates huge NPV upside*

After tax cashflow margins rise to US$21/bbl and NPV US$351m

D363CR.AX - Sicily Channel ADX Energy Ltd	Nilde project Equity	Current 100%	
Output & peak earnings			
Total produced	mmboe	31.0	
No. of wells, Field life	*No. & Yrs*	*3.0*	*7.25*
Maximum output	boe/day	19,645	
Peak annual sales	'000boe	6,949	
Peak annual revenue	US$mil	338.0	
Peak annual EBITDA	US$mil	260.5	
Peak EBITDA Margin	US$/boe	*$37.48*	
Project Capital Costs			
Exploration & Appraisal	US$mil	22.4	
Capex - incl. abandonment	US$mil	63.1	
Farmin Paid & (Received)	US$mil	0.0	
Total Project Capex Costs	US$mil	85.4	
Capex/Peak EBITDA multiple	*times*	*0.3*	
Valuation - (ungeared returns)			
After-Tax NPV; *Disc.rate*	US$mil	350.7	350.6
11.00%	*US$/boe*	*$11.33*	*$11.33*
After-Tax NPV; *IRR%*	**A$mil**		**467.5**
117.90%	***A$/boe***		***$15.11***
After-Tax NPV; ***est post-placemen***	***A$/share***		***$0.419***
Current shares; *est post raising*	mil.		*1114.8*

Source: QA Capital estimates, ADX announcements

In March 2016, ADX provided updated 1C, 2C and 3C Contingent recoverable Resources and also initial scoping costing for capital and operating costs for a range of production rates.

We have conservatively based our ADX valuation on the 90% liklihood outcome of 1C resource of 21.7mmbbl and maximum of 15,000bopd operation.

However using the higher 32.8mmbbl 2C Contingent recoverable Resource *(probability 50% i.e. the most likely outcome)* results in a 78% leap in project NPV.

In part this is due to greater fixed cost coverage, higher maximum production rate of 20,000bopd accelerating cashflows. *See output profile below:*

2C Resouce Scenario gives ADX big upside leverage

The 2C production scenario difference over our C1 base base:

- ***Recovered resource to 31.0mmbbl** – up 55% on Base Case*
- ***6.9mmbbl pa peak oil output** – up 24% on Base*
- ***Peak EBITDA US$261m** – up 41% on Base Case*
- ***NPV US$351m** – up 78% on Base Case*

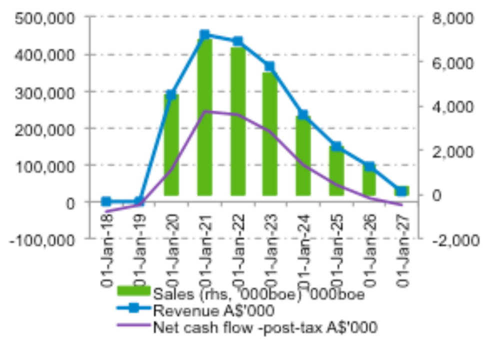


Chart source: QA Capital estimates, ADX announcements

Section D: ADX Energy Limited – *our valuation, target price & investment risks*

Our ADX Nilde valuation – is based upon the following methodology:

- We use the **Base Case of 21.7mmbbl C1 Resources and US$50/bbl and AUDUSD 0.75** (detailed assumptions set out in Section C) to derive an NPV valuation for 100% of the project.

  This generates an **un-risked valuation of A$263m or $0.24/share**
- We then assume 50% of the project value is "expended" on obtaining support to drill the appraisal well and attempts to take account of future capital raising dilution.
- Finally we "risk" the remaining notional equity by a further 50% for possible variations associated with the early stage of this project – i.e. prior to appraisal well, finalised development plan & costing and pre-production licence award.

  This **"risked" valuation** generates 25% (Confidence level) of the un-risked value and sees our assessment of the **Nilde Project to ADX of A$66m or $0.059/share**.

Other Assets Valuations

- **We recognise Nilde's 2C Contingent Resource** that adds 11mmboe upside and further risk this down to a 12.5% Confidence level. This adds $13.7m or $0.012/share to the valuation.
- **Dougga valuation** is discussed in detail in this report's Section A. Applying an "option" value to the un-risked A$311m valuation, we arrive at a "risked" value of $29.5m or $0.026/share.
- ADX has 50% of a venture in onshore western Romania close to existing oil & gas production and infrastructure. It is seeking to complete its landholder access program to gather modern seismic to high grade drilling sites prior to seeking farmout. We apply a nominal value of $0.8m.
- ADX is likely to sell its minority stake in Riedel Resources that we value at its market price.
- An estimate of go-forward non-project corporate costs is deducted.
- Net cash position is estimated at end-Jun'17 that takes into account ADX's cash position of A$0.495m reported as of 31 Mar'17 and likely JunQ spending of at least $0.43m plus extra costs

*Note **our ex-entitlement valuation** assumes a $2.4m capital raising increases the shares on issue from 929.02m to 1,114.82m shares and uses the post-raising number for the per share calculations.*

ADX Risked Valuation of $0.091/share, but has upside as projects are progressed

Shares out	929.0	Equity share	Resource	Net Product	Confidence Level	Risked Value	Risked	Value	Unrisked	Unrisked
Dil.shares	1114.8	%	mmboe	mmboe	%	A$/boe	A$m	A$ps	A$m	A$ps
Nilde project		100%	53	20	25%	$3.29	65.8	$0.059	263.2	$0.24
Total Projects Valuation			53	20	25%	$3.29	65.8	$0.059	263.2	$0.24
Exploration & other assets			Risked Target mmboe							
Nilde oil upside		100%	11	8	13%	$1.64	13.7	$0.012	109.9	$0.10
Tunisia Dougga Gas/cond		100%	173	86	10%	$0.34	29.5	$0.026	295.3	$0.26
Romania - Parta gas		50%	4	1	3%	$1.02	0.8	$0.001	33.9	$0.03
Riedel Res & Other Assets		11%			100%		0.7	$0.001	0.7	$0.00
Corporate Costs					100%		-10.6	-$0.010	-10.6	-$0.01
Net Cash		1.6			100%		1.6	$0.001	1.6	$0.00
Total Valuation							**101.6**	**$0.091**	**694.0**	**$0.62**
Disc. Rate	*11.0%*									

Source: ADX releases, QA Capital estimates

Price target – sees 12 month: $0.077/share – *(up from $0.059/share in Nov'16)*

Our $101m valuation and Target price value of $86m exceeds the current A$12m market capitalisation.

As assets are de-risked market value should rise.

Nilde C1 resource provides us $0.059/share of our ex-entitlement $0.077/sh target price.

To derive our 12 month price target we feel confident in using our risked value of $0.059/share for Nilde C1 resource that we believe can initiate a commercial project under a wide set of circumstances. Investors and farminees are likely to credit this level of resource in the near term.

To that amount we add the "option" value of Dougga at $0.026/share and the net cash less corporate costs of minus $0.008/share.

In total our **ADX 12mth target price is $0.077/share**, an $86.3m mkt cap.

An appraisal well drilled in about a year's time could switch our core valuation focus and the market to the much higher value C2 resource and significantly boost our ADX valuation and target price.

Multiple catalysts – *to move ADX price towards our 12 month share price target*

- **Jun'17** – **Completion of capital raising** to fund appraisal well and design activities. Introduction of broader shareholding and more liquid trading could assist in re-rating ADX.
- **Jun'17 – ADX opens data room** for potential farminees – while a quick result is not assured, firm offers from the industry may start to raise 3rd party values well above the Market's current low valuation of ADX. ADX's capital raising assists its negotiating position.
- **Jun'17 – Potential for an update of Dougga resources** based on recently announced geological and reservoir engineering studies.
- **Jun'17 –** TechnipFMC's **Dougga Gas Condensate development concept study delivery**. Expected to provide reduced and more credible project costs. This outcome would appreciably boost Dougga's farmout potential and assist ADX in its licence renewal.
- **Jul'17 –** Clarity over expected Dougga license renewal terms and commencement of Dougga farmout incorporating revised Dougga resources and cost data.
- **SepQ'17 – We would expect a Nilde farmout**. Firmer plans and cost estimates for Nilde appraisal drilling as well as progress on regulatory approvals can reduce the unknowns and boost attractiveness of the Nilde Project to potential farminees.
- **Oct'17 to Mar'18 – Further engagement** and more accurate project costing with and from contracting companies to design a fit-for-purpose and cost effective Nilde development solution with possible vendor financed solutions.
- **Oct'17 to Mar'18 – Potential farmout and drilling of a Dougga appraisal well.**
- **Apr'18-Jul'18** – Appraisal well drilling, suspension as a future producer and data compilation to finalise Nilde development plan.
- **Jul'18 to Oct'18** – Submit a field "Development Plan" to Italian Authorities.

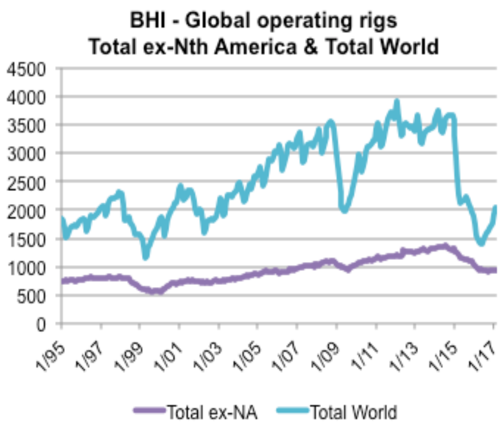
Oil price recovery is required – *to counter the emerging project drought*

Our view is that oil prices below US$55/bbl are unsustainably cheap, as outside North America, drilling has yet to recover – *see purple line in chart below left*. A by-product of reduced activity is the depletion of available good-quality new projects. This boosts both Nilde's and Dougga's development appeal to existing petroleum groups seeking to replace or grow production following corporates significant growth-capex cutbacks of recent years.

Private Equity firms are an emerging force in the petroleum industry and are seeking to develop high-IRR fields. In our view this broadens ADX's farmout and funding options. Perhaps they, like QA Capital, believe that oil's price underperformance compared to other major commodities is an opportunity to invest? We observe that recent spot oil prices below $50/bbl are trading ~40% below the average oil price received since 2012 – *see purple bar in chart below right*.

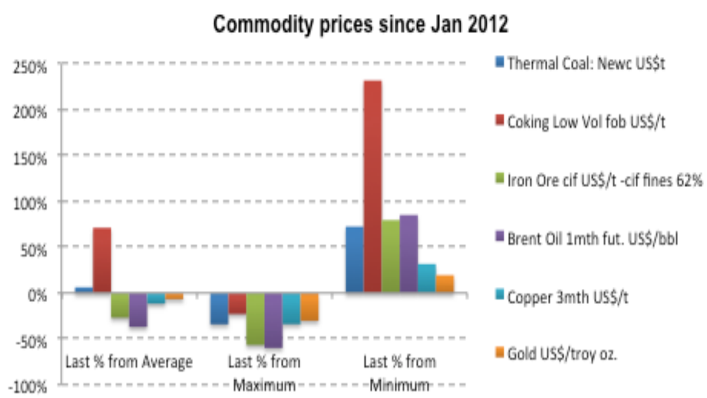
Solid global oil (and gas) demand growth and rising well-depletion rates mean that in the absence of higher prices to stimulate output outside the US, the world will become overly reliant upon the geo-politically challenged OPEC's ability to expand output.

International drilling yet to recover
Nilde is a rare development asset



Source: Baker Hughes Monthly International rigs

***Oil prices are 39% below average prices since 2012** and has underperformed other commodities – we see oil as having significant upside towards US$65-75/bbl*



Source: Bloomberg, Factset, RBA and World Bank

Section E: Investment Risks – *ADX is for risk tolerant investors*

ADX faces numerous risks characteristic of an early stage resource developer with modest financial resources

Key risks for ADX include the material failure in evaluation and appraisal programs, lower commodity prices and inability to obtain sufficient project equity and debt finance.

Specifically, if ADX fails to obtain farm-outs for Nilde and Dougga blocks to further expensive phase drilling and development – its ability to retain longer-term tenure in both blocks is at risk.

The addition specific risks means that ADX should appeal only to risk tolerant investors

Delays in obtaining drilling/development permits for Nilde can also impact market performance. A failure to obtain changes in the work program for the Dougga block to drop need for extra 3D seismic in favour of more direct development activities could see ADX lose its tenure over this asset. Changes in government regulation, contractors' costs levels and global oil and gas markets can impact on project economics and investor sentiment.

Asset tenure risk is being addressed by Management's active consultation with host governments

We believe that management will actively seek to manage these risks. Some of the options they have include:

- Active and advanced consultations with Tunisian authorities have improved chances of the required Dougga work program change and licence renewal being achieved. Italian Govt engagement also continues;
- Extra working capital raised in the current issue plus potential to sell its Riedel Resources holding and re-prioritising expenditures allows ADX to at least in part cope with delays or cost increases;
- ADX is actively investigating a range of alternatives to effectively raise capital including contractors for drilling or from private equity sources.

Management has shown it is adept at re-orietate priorities and other measures to ameliorate risks

Appendix: ADX Energy Limited – *Details and Timetable of the Offer*

Please note that this presents an outline only - refer to the ADX Prospectus for details.

ADX ENERGY Ltd ACN 009 058 646 (ASX: ADX) announced on the 1st May 2017 a non-renounceable entitlement issue of one (1) Share for every five (5) Shares held by those Shareholders registered at the Record Date at an **issue price of $0.013 per Share to raise up to $2,415,445** (based on the number of Shares on issue as at the date of the Prospectus as released on the 1st May).

Assuming all entitlements are accepted or if all shortfall shares are placed following completion of both the Offer and the Placement ADX **will have issued approximately 185,803,488 New Shares**, resulting in total fully paid ordinary shares on issue of approximately 1,114,820,924.

Eligible Shareholders who wish to subscribe for Shares above their Entitlement are invited to apply for additional Shares under the Shortfall Offer by completing the appropriate section on their Entitlement and Acceptance Form. *For conditions and please refer to the Prospectus*.

Note that as at the date of this Prospectus the Company has 57,312,121 Options (exercisable at $0.02/share) on issue all of which may be exercised prior to the Record Date in order to participate in the Offer.

Funds raised from the Offer will enable ADX to continue the following work programmes across its asset base;

- **Nilde appraisal well design and planning**, field development planning, ongoing reservoir engineering studies and discussions with the Italian Regulatory Authorities in relation to appraisal drilling and the Nilde Oil Re-Development Project offshore Italy;
- **Dougga Geological modelling**, reservoir production modelling, the conclusion of concept studies by TechnipFMC, well planning and engineering for the drilling and testing of a well up dip of the Dougga 1 discovery well offshore Tunisia and discussions with the Tunisian Regulatory Authorities in relation to license renewal;
- **3D Seismic programming in the ADX operated Parta Permit** onshore Romania;
- **Farmout and financing discussions** in relation to the Nilde and Dougga projects.

Proceeds of the Offer	Full Subscription ($)
Exploration and Appraisal expenditure	
• Rig Negotiations, Logistics and Drilling Planning (Dougga Area Well)	350,000
• Appraisal Well Drilling and Completion Design (Nilde)	200,000
• Appraisal Well Planning and Regulatory Approvals (Nilde)	150,000
• Geophysical and Geological Studies (Dougga and Parta)	150,000
• Production Simulation and Resources Assessments	250,000
• Project Feasibility Studies (Dougga)	300,000
• Development Planning (Nilde)	400,000
Total	1,800,000
Expenses of the Offer	90,000
Working capital & Administrative/Corporate	525,445
Total	**2,415,445**

Rights Issue Timetable

Lodgement of Prospectus with the ASIC Lodgement of Prospectus & Appendix 3B with ASX	1-May-17
Notice sent to Option holders	1-May-17
Notice sent to Share holders	3-May-17
Ex date	9-May-17
Record Date for determining Entitlements	10-May-17
Prospectus despatched to Shareholders & Company announces despatch has been completed	12-May-17
Last day to give notice to extend the Closing Date	18-May-17
Closing Date*	23-May-17
Shares quoted on a deferred settlement basis	24-May-17
ASX notified of under subscriptions	26-May-17
Despatch of holding statements	30-May-17
Quotation of Shares issued under the Offer*	31-May-17

** The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. The date the Shares are to commence trading on ASX may vary.*

SPECIAL DISCLOSURE

ADX Energy has appointed QA Capital Lead Manager for the 1:5 non-renounceable rights issue announced on the 1st May 2017.

QA Capital has a financial interest in the ADX capital raising that includes a capital raising fee plus additional fees and grant of up to 5.0 million options (31 Dec 2018 expiry at $0.03/share strike price) on placing shortfall stock from the issue.

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