

AMADEUS ENERGY LTD

Re-rating Imminent on Cheap Reserves

Amadeus Energy Limited ("Amadeus", "AMU", "Company") is currently trading at an Enterprise Value ("EV") to 2P reserve ratio of ~\$10 per barrel of oil equivalent ("boe") versus a peer average of >\$16 per boe. Most oil and gas companies have been re-rated over the past two months with the run-up in oil prices; however, Amadeus has yet to experience a similar appreciation in share price.

Misconceptions

We believe that the following misconceptions have contributed to Amadeus not being re-rated along with its peers:

- Amadeus has an unmanageable debt position – the Company has recently rolled over its senior and subordinated debt on favourable terms (see Debt Refinanced).
- Amadeus has a high exposure to low gas prices onshore in the US – Amadeus' production of ~2,150 barrels of oil equivalent per day is mostly oil by value (>80% at current spot prices) and its 2P reserve of 14.4 million barrels of oil equivalent is 72% oil.

Reasons for Re-Rating

- Most of Amadeus' 2P reserves are comprised of long-lived (+20yrs), high margin onshore oil production in the most attractive and stable fiscal regime in the world (USA). Oil prices have doubled from US\$34 in February to over US\$70 today. The Company's operating costs for FY08 were US\$16 per boe, which means that it remains profitable down to US\$22 per boe.
- The Company has a proven track record of growing reserves, with >300% growth over the last five years. This growth has also translated into >300% growth in revenue and >600% growth in EBITDA.
- Amadeus has also experienced significant exploration success in recent months, in particular at its Longville project, located in Louisiana. The 5 wells drilled to date should increase reserves by the equivalent of one year's production and another 6 wells are possible at this location, which should lead to an additional increase of similar size. The Company has received no share price appreciation for these successes.
- Perception of debt has also changed significantly as commodity prices have increased and credit liquidity has improved. Amadeus has US\$56m in debt, which the Company has decreased by 26% since 2006. Importantly, the Company's debt is underpinned by proven (1P) reserves of 10.4 million barrels of oil equivalent. Amadeus' reserve position is calculated by LaRoche Petroleum Consultants on a conservative basis, which is used by the Company's creditors to determine its borrowing base.

Debt Refinanced

Amadeus has announced that it has refinanced its senior and subordinated debt facilities, which total US\$56.4m, to January 2011 and June 2011, respectively. The Company has also locked in hedges for 30% of production in CY2010 for US\$66/US\$6 for oil and gas production, and 20% of production in CY2011 for US\$70/US\$6.8. We view these as attractive in terms of both volume and price. The Company will also pay down a further US\$9m in debt over the next 12 months, which will leave US\$10-15m for exploration and development.

	11 Jun 2009
Share Price:	\$0.390
12mth Price Target:	\$0.76

Brief Business Description:

Oil producer with long lived assets located onshore USA.

Hartleys Brief Investment Conclusion

Low cost producer with strong track record of increasing production and reserves.

Managing Director & President, USA:

Geoffrey Towner (Managing Director)
Betty Dieter (President, Amadeus USA)

Top Shareholders:

WYLLIE GROUP PTY LTD (12.6%)
SPINIFEX HOLDINGS PTY LTD (4.2%)
J P MORGAN NOM AUS LTD (4.1%)

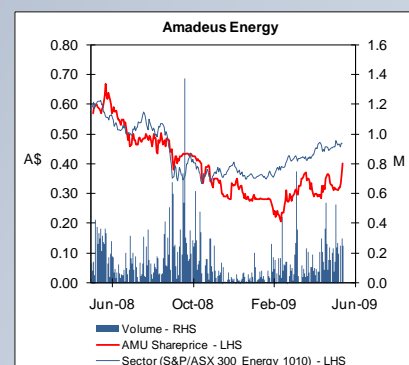
Company Address:

Level 11, 225 St. George's Toe
Perth, WA, 6000

Valuation:			
Issued Capital:			198.0m
- fully diluted			198.0m
Market Cap:			\$77.2m
- fully diluted			\$77.2m
Debt (31 Dec '08):			-\$70.0m
Cash Equiv (31 Dec '08):			\$4.3m
	FY08a	FY09e	FY10e
Prodn (mmboe)	0.745	0.625	0.761
Op Cash Flw	\$30.2m	\$31.7m	\$40.6m
Free Cash Flw	\$9.4m	\$0.0m	\$10.3m
NPAT* (A\$m)	\$33.6m	-\$6.6m	\$18.0m
EPS (\$, bas)*	17.0x	-3.3x	8.9x
P/E (basic)*	2.3x	-12.0x	4.4x
EV / EBITDA	3.3x	22.4x	5.6x
DPS (\$)	-	-	-
Franking	100%	100%	100%
Dividend Yield	0.0%	0.0%	0.0%
N.D. / equity	94%	48%	39%
Chg in Cash	16.2	-10.5	6.0
- per share			
Net Cash End	\$19.2m	\$5.0m	\$14.0m
2P Reserve (mmboe)		14.37	
EV / 2P Reserve (\$/boe)		\$9.95	

*normalised

Source: Hartleys Research



Authors:

Dave Wall
Oil and Gas Analyst
Ph: +61 8 9268 2826
E: david_wall@hartleys.com.au

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Amadeus Energy Limited. See disclosure on back page for details.

SUMMARY MODEL

Amadeus Energy Limited						Share Price	June 2009					
AMU						\$0.39	BUY					
Key Market Information							Directors					
Share Price						\$0.39	Company Information					
Market Capitalisation						\$77m	Level 11, 225 St. George's Tce					
52 Week High-Low						\$0.69-\$0.21	Perth, WA, 6000					
Issued Capital						198.0m	Tel: +61 8 9226 0222					
Issued Capital (fully diluted inc. ITM options)						198.0m	Mr Craig Coleman Fax: +61 8 9226 0333					
Options						10.0m@\$0.98	Mr Stephen Thomas Pearce Web: http://www.amadeusenergy.com/					
Hedging						0.56mmb/boe@A\$82	Honourable Andrew Peacock					
Yearly Turnover/Volume						\$19.5m/40.8m shares	Mr Peter Lehle					
Liquidity Measure (Yearly Turnover/Issued Capital)						20%						
Valuation												
Discounted Cashflow @10% Real						\$0.98						
12 Mth Price Target						\$0.76						
Financial Performance							Top 10 Shareholders (as at 30/08/08)					
	Unit	FY2008A	FY2009E	FY2010E	FY2011E	FY2012E	m shares %					
Net Revenue	A\$m	67.7	55.9	57.0	58.3	63.0	Top 10 Shareholders					
Opex*	A\$m	(24.1)	(49.5)	(31.4)	(23.2)	(15.6)	Shares (m) %					
Secondary Tax Expense	A\$m	-	-	-	-	-	WYLLIE GROUP PTY LTD 25.0 12.6					
Total Costs/Writeoffs	A\$m	(24.1)	(49.5)	(31.4)	(23.2)	(15.6)	SPINIFEX HOLDINGS PTY LTD 8.3 4.2					
EBITDA	A\$m	43.6	6.4	25.6	35.1	47.4	J P MORGAN NOM AUS LTD 8.0 4.1					
Depreciation/Amort	A\$m	(9.8)	(10.6)	(9.3)	(9.4)	(9.8)	MR GF TOWNER 5.1 2.6					
EBIT	A\$m	33.9	(4.3)	16.3	25.7	37.6	CVC LTD 4.9 2.5					
Net Interest	A\$m	(7.2)	(5.1)	(3.4)	(1.9)	0.2	KATOR PTY LTD 4.5 2.3					
Pre-Tax Profit	A\$m	33.2	(9.4)	13.3	24.7	38.4	JAGEN NOMINEES PTY LTD 4.1 2.1					
Tax Expense	A\$m	0.4	1.3	(1.0)	(5.9)	(11.5)	CITICORP NOMINEES PTY LIMITED 3.9 2.0					
NPAT	A\$m	33.6	(6.6)	18.0	22.1	27.9	NATIONAL NOMINEES LIMITED 3.6 1.8					
Abnormal Items	A\$m	(28.9)	-	-	-	-						
Reported Profit	A\$m	4.8	(6.6)	18.0	22.1	27.9						
<i>*Includes overheads, exploration and other expenses</i>							Reserves as at 30/6/2008					
	Unit	FY2008A	FY2009E	FY2010E	FY2011E	FY2012E	Liquids (mmbbl) Gas (bcf) Total (mmb/boe)					
Cash	A\$m	19.2	5.0	14.0	25.0	25.0	1P 7.04 11.48 8.95					
Other Current Assets	A\$m	18.0	15.2	16.4	16.3	17.2	2P 10.40 23.81 14.37					
Total Current Assets	A\$m	37.2	20.2	30.4	41.3	42.2	3P 13.39 39.73 20.01					
Property, Plant & Equip.	A\$m	147.4	199.8	195.8	191.6	187.0						
Exploration & Dev.	A\$m	-	3.2	13.2	18.2	18.2						
Investments/other	A\$m	4.1	7.2	7.2	7.2	7.2						
Tot Non-Curr. Assets	A\$m	151.6	210.2	216.3	217.1	212.4						
Total Assets	A\$m	188.7	230.5	246.7	258.4	254.6						
Short Term Borrowings	A\$m	0.4	-	-	-	-						
Other	A\$m	25.2	1.6	1.6	1.6	1.6						
Total Curr. Liabilities	A\$m	25.7	1.6	1.6	1.6	1.6						
Long Term Borrowings	A\$m	71.3	70.0	64.5	46.9	11.3						
Other	A\$m	15.4	11.7	14.3	17.2	20.0						
Total Non-Curr. Liabil.	A\$m	86.7	81.7	78.8	64.2	31.3						
Total Liabilities	A\$m	112.3	83.2	80.3	65.7	32.8						
Net Assets	A\$m	76.4	147.2	166.4	192.7	221.8						
Cashflow							Production Summary					
	Unit	FY2008A	FY2009E	FY2010E	FY2011E	FY2012E	Unit FY2008A FY2009E FY2010E FY2011E FY2012E					
Operating Cashflow	A\$m	37.4	37.4	46.0	49.8	53.4	*Attributable					
Income Tax Paid	A\$m	-	(0.9)	(2.0)	(6.9)	(13.3)	Liquids mmbbl 0.47 0.48 0.47 0.46 0.46					
Interest & Other	A\$m	(7.2)	(4.8)	(3.4)	(1.9)	0.2	Gas bcf 1.64 0.90 1.73 1.65 1.56					
Operating Activities	A\$m	30.2	31.7	40.6	41.0	40.4	Total boe 0.75 0.63 0.76 0.73 0.72					
Property, Plant & Equip.	A\$m	(8.2)	(8.1)	(5.3)	(5.2)	(5.2)	Daily Production boe/d 2,042 1,714 2,086 2,009 1,980					
Exploration/Development	A\$m	(23.1)	(23.6)	(25.0)	(12.5)	-						
Investments	A\$m	0.5	-	-	-	-						
Proceeds From Sale	A\$m	9.9	-	-	-	-						
Investment Activities	A\$m	(20.8)	(31.8)	(30.3)	(17.7)	(5.2)						
Repay / Draw Debt	A\$m	(8.0)	(13.1)	(5.5)	(17.6)	(35.6)						
Equity	A\$m	14.8	2.6	1.2	4.2	1.2						
Financing Activities	A\$m	6.8	(10.5)	(4.3)	(13.4)	(34.4)						
Net Cashflow	A\$m	16.2	(10.5)	6.0	10.0	0.8						
Ratio Analysis							Price Assumptions					
	Unit	FY2008A	FY2009E	FY2010E	FY2011E	FY2012E	Unit CY2008 CY2009 CY2010 CY2011 CY2012					
Cashflow Per Share	A¢	15.3	15.8	20.1	20.0	19.5	Gas Price US\$/mcf 8.07 5.50 7.00 7.00 7.00					
Cashflow Multiple	X	2.6	2.5	1.9	2.0	2.0	Liquids Price US\$/bbl 99.59 55.71 70.00 80.00 85.00					
Earnings Per Share	A¢	17.0	(3.3)	8.9	10.8	13.5	Exchange Rate A\$/US\$ 0.85 0.73 0.75 0.80 0.75					
Price to Earnings Ratio	X	2.3	(12.0)	4.4	3.6	2.9						
Gearing	%	41%	31%	23%	10%	na						
Interest Cover	X	4.7	na	4.8	13.2	na						
Return on Equity	%	6%	na	11%	11%	13%						
							Hedging					
							Unit FY2008A FY2009E FY2010E FY2011E FY2012E					
							Total Forward Sales - Oil mmbbl 0.48 0.43 0.26 0.11 0.04					
							Forward Oil Price US\$/bbl 85.3 84.8 75.2 68.0 70.0					
							Total Forward Sales - Gas bcf - - 0.26 0.41 0.16					
							Forward Oil Price US\$/mcf - - 6.0 6.4 6.8					
							Sensitivity Analysis					
							Valuation (\$/s) NPAT EPS (¢) CFPS (¢)					
							Base Case 0.98 -6.6 -3.3 15.8					
							Oil Price +-10% 1.10 -5.5 -2.8 16.2					
							Oil Price --10% 0.85 -7.6 -3.8 15.2					
							Exchange Rate +-10% 0.87 -7.5 -3.7 15.3					
							Exchange Rate --10% 1.11 -5.4 -2.7 16.2					
							Spot (US\$70 oil, US\$4.00 gas, 0.8FX) 0.58 -4.2 -2.1 16.6					
							<i>*N.B. NPAT, EPS, CFPS forecasts are for FY2009</i>					
							Share Price Valuation (NAV)					
							\$m \$/share					
							US Assets @ 10% 235.8 1.19					
							Exploration 66.1 0.33					
							Cash 4.3 0.02					
							Debt (70.0) (0.35)					
							Corp Admin (51.2) (0.26)					
							Options 8.5 0.04					
							Total 193.4 0.98					
							10% real discount rate used for DCF (-13.3% nominal)					
Analyst:							Last Updated: 11/06/2009					
Phone: +61 8 9268 2826												
Sources: IRESS, Company Information, Hartleys Research												

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage					Hartleys Research Recommendation		Industry
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)			
Oil & Gas							
1.	Woodside Petroleum Ltd	WPL	42.48	29,675	32,572	Buy	Major
2.	Eastern Star Gas Ltd	ESG	0.785	641	562	Buy	Producer / Explorer
3.	Carnarvon Petroleum Ltd	CVN	0.680	464	398	Buy	Producer / Explorer
4.	Nexus Energy Ltd	NXS	0.380	245	410	Speculative Buy	Developer / Explorer
5.	Tap Oil Ltd	TAP	1.02	159	105	Buy	Producer / Explorer
6.	Cooper Energy Ltd	COE	0.435	127	34	Buy	Producer / Explorer
7.	Strike Oil Ltd	STX	0.220	72	66	Speculative Buy	Explorer / Producer
8.	Amadeus Energy Ltd	AMU	0.330	66	143	Buy	Producer / Explorer
9.	Red Fork Energy Ltd	RFE	0.690	62	54	Buy	Explorer / Producer
10.	First Australian Resources Ltd	FAR	0.077	44	31	Speculative Buy	Explorer / Producer
11.	Oilex Ltd	OEX	0.155	27	12	Speculative Buy	Explorer / Producer
12.	European Gas Ltd	EPG	0.135	27	91	Speculative Buy	Producer / Explorer
13.	Sun Resources NL	SUR	0.073	25	19	Speculative Buy	Explorer / Producer
14.	Adelphi Energy Ltd	ADI	0.068	10	3	Speculative Buy	Junior
Sub-Total			31,645	34,500			
Resources							
1.	Riversdale Mining Limited	RIV	6.34	1,195	869	Speculative Buy	Coal
2.	Western Areas NL	WSA	4.68	787	921	Buy	Nickel
3.	Andean Resource Ltd	AND	1.93	782	753	Speculative Buy	Gold Developer
4.	Dominion Mining Limited	DOM	4.73	487	535	Speculative Buy	Gold
5.	Atlas Iron Limited	AGO	1.51	457	407	Buy	Iron Ore
6.	Medusa Mining Limited	MML	1.95	325	297	Buy	Gold
7.	Gold One International Limited	GDO	0.290	199	119	Buy	Gold
8.	Jabiru Metals Limited	JML	0.275	137	130	Buy	Zinc-Copper
9.	Intrepid Mines Limited	IAU	0.310	133	111	Speculative Buy	Gold
10.	Magma Metals Limited	MMB	0.390	63	43	Speculative Buy	PGM-Cu-Ni
11.	Ausquest Limited	AQD	0.150	34	4	Speculative Buy	Junior Explorer
12.	Emmerson Resources Limited	ERM	0.160	33	21	Speculative Buy	Junior Explorer
13.	Shaw River Resources Limited	SRR	0.165	22	19	Speculative Buy	Junior Explorer
14.	Southern Gold Limited	SAU	0.125	16	14	Speculative Buy	Junior Explorer
15.	Hazelwood Resources Ltd	HAZ	0.140	14	14	Speculative Buy	Junior Explorer
Sub-Total			4,683	4,257			
Industrials							
1.	West Australia News Hdg's Ltd	WAN	4.16	856	1,174	Buy	Media
2.	Monadelphous Group Limited	MND	9.93	831	701	Neutral	Mining Services
3.	Austal Limited	ASB	2.57	483	389	Speculative Buy	Capital Goods
4.	Clough Limited	CLO	0.645	431	477	No Rating	Oil & Gas Services
5.	Fleetwood Corporation	FWD	6.23	314	325	Buy	Consumer & Mining Services
6.	Mermaid Marine Australia Ltd	MRM	1.58	287	339	Buy	Oil & Gas Services
7.	Macmahon Holdings Limited	MAH	0.345	246	278	Speculative Buy	Mining & Civil Construction
8.	NRW Holdings Ltd	NWH	0.900	218	271	Buy	Mining & Civil Construction
9.	Neptune Marine Ltd	NMS	0.560	164	194	Speculative Buy	Marine Services
10.	Ausdrill Limited	ASL	0.885	155	323	Buy	Mining Services
11.	Cash Converters Ltd	CCV	0.435	105	107	Buy	Retail & Consumer Finance
12.	Southern Cross Electrical	SXE	0.800	96	72	Buy	Mining & Civil Construction
13.	Index Ltd	IMD	0.460	86	115	Buy	Oil & Gas / Mining Services
14.	GRD Limited	GRD	0.410	79	113	Buy	Mining & Civil Services
15.	Nomad Building Solutions Ltd	NOD	0.490	66	92	Speculative Buy	Residential & Mining Services
16.	Swick Mining Services Ltd	SWK	0.380	58	112	Speculative Buy	Mining Services
17.	Paladio Group Ltd	PDO	0.480	56	51	Buy	Mining & Civil Construction
18.	RCR Tomlinson Ltd	RCR	0.435	53	106	Speculative Buy	Mining & Industrial Services
19.	Lycopodium Limited	LYL	1.35	51	48	Neutral	Mining & Industrial Services
20.	VDM Group Limited	VMG	0.240	27	111	Speculative Buy	Mining & Civil Construction
Sub-Total			4,662	5,398			
49.	GRAND TOTAL		40,990	44,155			

Source: IRESS, Hartleys Research. * 11 Jun 2009

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research / Senior Industrial Analyst	+61 8 9268 3052
Nikki Ermongkonchai	Industrial Analyst	+61 8 9268 2837
Andrew Muir	Resources Analyst	+61 8 9268 3045
David Wall	Oil and Gas Analyst	+61 8 9268 2826

Corporate Finance

Richard Simpson	Head of Corporate Finance	+61 8 9268 2824
Grey Egerton-Warburton	Lead Director-Corporate Finance	+61 8 9268 2851
Paul Fryer	Director-Corporate Finance	+61 8 9268 2819
Dale Bryan	Assoc Director-Corp Finance	+61 8 9268 2829
Ben Wale	Manager - Corporate Finance	+61 8 9268 3055

Registered Office

Level 6, 141 St Georges Tce
Perth WA 6000
Australia

Postal Address
GPO Box 2777
Perth WA 6001
Australia

Contact Details

Telephone: +61 8 9268 2888
Facsimile: +61 8 9268 2800
Website: www.hartleys.com.au
Email: info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:
`firstname_lastname@hartleys.com.au`

Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Amadeus Energy Limited, for which it has received and continues to receive fees.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Darren Reed	+61 8 9268 3053
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Ian Plowman	+61 8 9268 3054
Margaret Radici	+61 8 9268 3051
Charlie Ransom (CEO)	+61 8 9268 2868
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806