

## AMADEUS ENERGY LTD

### TNT Engineering Acquisition Provides Value Uplift

Amadeus Energy Limited ("Amadeus", "AMU", "Company") has completed its planned acquisition of TNT Engineering ("TNT") for US\$5.5m. The acquisition gives AMU operational control over most of its producing assets, located onshore in the USA, where it typically holds a majority interest. In order to facilitate the transaction, Amadeus also acquired an additional equity interest in the assets for US\$8.3m, which it may then choose to on sell in the broader market now that the exclusive and confidential offer period has expired.

Amadeus estimates that operational cost savings of US\$2.5m per annum should result from the acquisition of TNT. This will provide an immediate benefit to the bottom line but will also boost reserves as more oil can be economically produced economically with lower operating costs. AMU is aiming to accelerate development and appraisal at its producing fields with the goal of increasing both reserves and production and we expect that a 15% uplift in both is achievable within 12 months.

### Valuation Impact, Price Target Increased to 57cps

We have modelled the uplift from the cost savings and increased reserves associated with the TNT acquisition and calculate an increase in value of the assets of A\$22m, which implies a 400% return on investment. We estimate that an additional 0.5 million barrels of proved reserves can be booked due to the lower operating costs. If the Company can deliver a 15% increase in production and reserves over the next 12 months, through a more aggressive development and appraisal program, then the uplift in value is in the order of A\$50m.

The additional equity purchased is also value accretive, by our calculation, with over 100 barrels per day of net oil production added and 0.6 million barrels of proved reserves. This represents A\$14m in value for the A\$9m purchase price and brings production levels to ~1350 bopd and 4 mmcf/d.

As a result of both transactions, our valuation has increased from 73cps to 79cps and our share price target has increased from 55cps to 59cps.

### Acquisition Background

TNT and AMU were founded at the same time, with TNT providing operational experience in the USA that Amadeus lacked. This relationship proved successful and the two companies have significantly grown reserves, production and profits over the last 5 years. Approximately 18 months ago, AMU recognised that taking over operatorship provided an opportunity for significant value-add, through reduction of operating costs (being the margin that TNT charged for its services) and potential uplift in reserves and production through a more aggressive approach to development and appraisal. The Company has worked towards this goal over the last 18 months, with several significant appointments including a President of its USA subsidiary (who has over 30 years of operational experience, including at the cornerstone asset, White Eagle) and a reservoir engineer (previously at XTO Energy).

### Comparatively Cheap, Performance Should Re-Rate

AMU continues to trade at a discount to its peers on an Enterprise Value to 2P reserves basis, with peers trading at an average of ~A\$20 per barrel and Amadeus trading at less than A\$10 per barrel. Recent increases in production and prices should result in strong operational results, which in turn should lead to a re-rating of the stock by the market. We rate AMU as a BUY.

Share Price:	\$0.250
12mth Price Target:	\$0.59

**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)  
Mitchell Wells (COO)

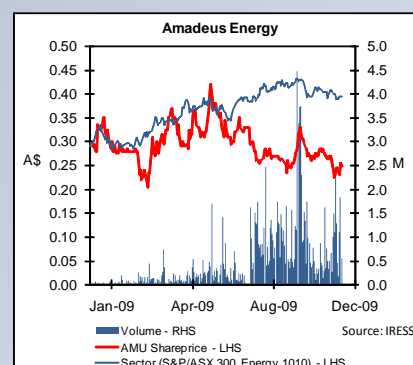
**Top Shareholders:**  
WYLLIE GROUP PTY LTD (11.0%)  
SPINIFEX / G TOWNER (5.9%)

**Company Address:**  
Level 11, 225 St. George's Tce  
Perth, WA, 6000

<b>Valuation:</b>	\$0.79
<b>Issued Capital:</b>	304.0m
- fully diluted	304.0m
<b>Market Cap:</b>	\$76.0m
- fully diluted	\$76.0m
<b>Debt ( est 31 Dec '09):</b>	-\$52.2m
<b>Cash ( est 31 Dec '09):</b>	\$6.0m

	FY08a	FY09a	FY10e
Prodn (mmboe)	0.745	0.725	0.720
Op Cash Flw	\$30.2m	\$29.6m	\$30.1m
Free Cash Flw	\$9.4m	\$6.3m	\$13.6m
NPAT (A\$m)	-\$1.3m	\$7.1m	\$8.8m
EPS (\$, bas)	-0.6x	3.6x	2.9x
P/E (basic)*	-38.8x	7.0x	8.6x
EV / EBITDA	2.8x	4.2x	3.9x
DPS (\$)	-	-	-
Franking	100%	100%	100%
Dividend Yield	0.0%	0.0%	0.0%
N.D. / equity	94%	74%	44%
Chg in Cash	16.2	-16.9	30.2
- per share			
Net Cash End	\$19.2m	\$2.2m	\$35.8m
2P Reserve (mmboe)		12.40	
EV / 2P Reserve (\$/boe)		\$9.86	

Source: Hartleys Research



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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		December 2009					
AMU						\$0.25		BUY					
Key Market Information						Company Information							
<b>Share Price</b>						<b>Directors</b>							
Market Capitalisation \$76m						Mr Robert Norman Scott Level 11, 225 St. George's Tce							
52 Week High-Low \$0.45-\$0.21						Mr Geoffrey F Tow ner Perth, WA, 6000							
Issued Capital 304.0m						Mr Craig Coleman Tel: +61 8 9226 0222							
Issued Capital (fully diluted inc. ITM options) 304.0m						Mr Stephen Thomas Pearce Fax: +61 8 9226 0333							
Options 8.5m@\$A0.86						Mr Alexander Beard Web: http://w w w .amadeusenergy.com/							
Hedging 0.56mboe@\$A82						Mr Peter Lehle							
Yearly Turnover/Volume \$27.2m/90.2m shares													
Liquidity Measure (Yearly Turnover/Issued Capital) 40%													
<b>Valuation</b>						<b>Top 10 Shareholders (as at 30/08/08)</b>							
Discounted Cashflow @10% Real \$0.79						m shares %							
12 Mth Price Target \$0.59						Shares (m) %							
Financial Performance						Reserves as at 30/6/2009							
Unit	FY2008A	FY2009A	FY2010E	FY2011E	FY2012E	Unit	Liquids (m m bbl)	Gas (bcf)	Total (m m boe)				
Net Revenue	A\$m	67.7	54.4	45.0	52.3	1P	6.10	6.20	7.10				
Opex*	A\$m	(24.1)	(25.5)	(13.9)	(14.2)	2P	10.50	11.30	12.40				
EBITDA from Ops	A\$m	43.6	28.9	31.1	38.2	3P	12.80	35.10	18.70				
Exploration Expense	A\$m	-	(24.0)	(7.2)	(7.2)								
Depreciation/Amort	A\$m	(9.8)	(14.0)	(11.7)	(12.0)								
EBIT	A\$m	33.9	(9.1)	12.2	19.0								
Net Interest	A\$m	(7.4)	(6.6)	(4.1)	(2.1)								
Hedging Adj	A\$m	(32.0)	34.9	-	-								
Pre-Tax Profit	A\$m	(5.5)	19.2	8.8	18.4								
Tax Expense	A\$m	4.2	(12.2)	-	(0.9)								
Reported Profit	A\$m	(1.3)	7.1	8.8	17.5								
*includes overheads and other expenses						<b>Production Summary</b>							
Financial Position	Unit	FY2008A	FY2009A	FY2010E	FY2011E	FY2012E	Unit	FY2008A	FY2009A	FY2010E	FY2011E	FY2012E	
Cash	A\$m	19.2	2.2	35.8	25.0	46.9	*Attributable						
Other Current Assets	A\$m	18.0	7.8	8.2	8.8	10.5	Liquids	m m bbl	0.47	0.46	0.46	0.46	
Total Current Assets	A\$m	37.2	10.0	44.0	33.8	57.4	Gas	bcf	1.64	1.60	1.54	1.53	
Property, Plant & Equip.	A\$m	147.4	172.6	165.4	158.0	149.4	Total	boe	0.75	0.72	0.72	0.71	
Exploration & Dev.	A\$m	-	3.4	8.2	13.0	16.6	Daily Production	boe/d	2,042	1,985	1,971	1,955	
Investments/other	A\$m	4.1	3.4	3.4	3.4	3.4							
Tot Non-Curr. Assets	A\$m	151.6	179.5	177.0	174.4	169.5	<b>Price Assumptions</b>						
Total Assets	A\$m	188.7	189.5	221.0	208.3	226.9	Unit	CY2008	CY2009	CY2010	CY2011	CY2012	
Short Term Borrowings	A\$m	0.4	13.7	13.7	13.7	13.7	Gas Price	US\$/mcf	8.07	3.75	6.00	6.50	7.00
Other	A\$m	25.2	3.7	3.7	3.7	3.7	Liquids Price	US\$/bbl	99.59	61.38	75.00	85.00	85.00
Total Curr. Liabilities	A\$m	25.7	17.4	17.4	17.4	17.4	Exchange Rate	A\$/US\$	0.85	0.80	0.90	0.85	0.75
Long Term Borrowings	A\$m	71.3	56.5	45.5	8.5	-	<b>Hedging</b>						
Other	A\$m	15.4	20.8	22.0	25.8	29.0	Unit	FY2008A	FY2009A	FY2010E	FY2011E	FY2012E	
Total Non-Curr. Liabil.	A\$m	86.7	77.4	67.6	34.3	29.0	Total Forw ard Sales - Oil	m m bbl	0.48	0.43	0.26	0.11	0.04
Total Liabilities	A\$m	112.3	94.8	85.0	51.8	46.4	Forw ard Oil Price	US\$/bbl	85.3	84.8	75.2	68.0	70.0
Net Assets	A\$m	76.4	94.7	136.0	156.5	180.5	Total Forw ard Sales - Gas	bcf	-	-	0.14	0.24	0.10
<b>Cashflow</b>						<b>Sensitivity Analysis</b>							
Unit	FY2008A	FY2009A	FY2010E	FY2011E	FY2012E	Valuation (\$/s)	NPAT	EPS (¢)	CFPS (¢)				
Operating Cashflow	A\$m	37.4	30.1	35.2	43.0	52.5	Base Case	0.79	8.8	2.9	9.9		
Income Tax Paid	A\$m	-	(0.5)	(1.0)	(2.8)	(8.1)	Oil Price +10%	0.88	12.7	4.2	10.9		
Interest & Other	A\$m	(7.2)	-	(4.1)	(2.1)	0.0	Oil Price -10%	0.70	5.0	1.6	8.8		
Operating Activities	A\$m	30.2	29.6	30.1	38.1	44.5	Exchange Rate +10%	0.71	5.6	1.8	9.1		
Property, Plant & Equip.	A\$m	(8.2)	(11.8)	(4.5)	(4.6)	(5.0)	Exchange Rate -10%	0.88	12.8	4.2	10.9		
Exploration/Development	A\$m	(23.1)	(11.5)	(12.0)	(12.0)	(9.0)	Spot (US\$73 oil, US\$5.50 gas, 0.90FX)	0.57	9.0	3.0	10.6		
Investments	A\$m	0.5	-	-	-	-	*N.B. NPAT, EPS, CFPS forecasts are for FY2010						
Proceeds From Sale	A\$m	9.9	-	-	-	-	<b>Share Price Valuation (NAV)</b>						
Investment Activities	A\$m	(20.8)	(23.3)	(16.5)	(16.6)	(14.0)	\$m	\$/share					
Repay / Draw Debt	A\$m	(8.0)	(11.1)	(11.0)	(37.0)	(8.5)	US Assets @ 10%	256.7	0.84				
Equity	A\$m	14.8	(12.1)	27.6	4.2	0.8	Exploration	56.8	0.19				
Financing Activities	A\$m	6.8	(23.2)	16.6	(32.8)	(7.7)	Cash	6.0	0.02				
Net Cashflow	A\$m	16.2	(16.9)	30.2	(11.3)	22.8	Debt	(52.2)	(0.17)				
<b>Ratio Analysis</b>						<b>Share Price Valuation (NAV)</b>							
Unit	FY2008A	FY2009A	FY2010E	FY2011E	FY2012E	Unit	FY2008A	FY2009A	FY2010E	FY2011E	FY2012E		
Cashflow Per Share	A¢	15.3	14.9	9.9	12.4	14.4	Corp Admin	(34.3)	(0.11)				
Cashflow Multiple	X	1.6	1.7	2.5	2.0	1.7	Options	6.7	0.02				
Earnings Per Share	A¢	(0.6)	3.6	2.9	5.7	8.5	Total	239.6	0.79				
Price to Earnings Ratio	X	(38.8)	7.0	8.6	4.4	2.9	10% real discount rate used for DCF (~13.3% nominal)						
Gearing	%	41%	42%	15%	na	na							
Interest Cover	X	4.1	4.5	7.4	18.4	na							
Return on Equity	%	na	7%	6%	11%	15%							
Analyst: Phone: +61 8 9268 2826						Last Updated: 23/12/2009							
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)			
<b>Oil &amp; Gas</b>							
1. Woodside Petroleum Ltd	WPL	47.18	32,958	35,855	Buy		Major
2. Eastern Star Gas Ltd	ESG	0.770	629	550	Buy		Producer / Explorer
3. Carnarvon Petroleum Ltd	CVN	0.495	339	310	Buy		Producer / Explorer
4. Nexus Energy Ltd	NXS	0.315	296	477	Speculative Buy		Developer / Explorer
5. Tap Oil Ltd	TAP	1.06	165	117	Buy		Producer / Explorer
6. Cooper Energy Ltd	COE	0.485	142	46	Buy		Producer / Explorer
7. Red Fork Energy Ltd	RFE	0.875	120	92	Buy		Explorer / Producer
8. Strike Oil Ltd	STX	0.270	89	78	Buy		Explorer / Producer
9. Amadeus Energy Ltd	AMU	0.240	71	103	Buy		Producer / Explorer
10. First Australian Resources Ltd	FAR	0.065	42	22	Speculative Buy		Explorer / Producer
11. Oilex Ltd	OEX	0.180	40	20	Speculative Buy		Explorer / Producer
12. European Gas Ltd	EPG	0.165	33	97	Speculative Buy		Producer / Explorer
13. Sun Resources NL	SUR	0.068	23	14	Speculative Buy		Explorer / Producer
14. Adelphi Energy Ltd	ADI	0.125	18	11	Speculative Buy		Junior
Sub-Total			34,964	37,792			
<b>Resources</b>							
1. Riversdale Mining Limited	RIV	6.46	1,217	949	Speculative Buy		Coal
2. Western Areas NL	WSA	5.05	904	1,083	No Rating		Nickel
3. Atlas Iron Limited	AGO	1.80	801	621	Buy		Iron Ore
4. Medusa Mining Limited	MML	3.85	649	617	No Rating		Gold
5. Dominion Mining Limited	DOM	3.58	368	417	Speculative Buy		Gold
6. Gold One International Limited	GDO	0.315	226	141	Buy		Gold
7. Jabiru Metals Limited	JML	0.405	221	202	Buy		Zinc-Copper
8. Silver Lake Resources	SLR	1.05	186	165	Speculative Buy		Gold
9. Intrepid Mines Limited	IAU	0.320	137	90	Speculative Buy		Gold
10. Magma Metals Limited	MMB	0.670	109	89	Speculative Buy		PGM-Cu-Ni
11. Peninsula Minerals Ltd	PEN	0.042	57	43	Speculative Buy		Uranium Developer / Explorer
12. Emmerson Resources Limited	ERM	0.270	55	42	Speculative Buy		Junior Explorer
13. Shaw River Resources Limited	SRR	0.220	43	37	Speculative Buy		Junior Explorer
14. Orion Gold NL	ORN	0.058	43	40	Speculative Buy		Gold
15. YTC Resources Limited	YTC	0.240	37	24	Buy		Junior Explorer
16. Ausquest Limited	AQD	0.130	30	3	Speculative Buy		Junior Explorer
17. Impact Minerals Limited	IPT	0.250	23	19	Speculative Buy		Junior Explorer
18. Ferrum Crescent Limited	WRL	0.125	20	19	Speculative Buy		Iron Ore
19. Southern Gold Limited	SAU	0.135	19	16	Speculative Buy		Junior Explorer
20. Hazelwood Resources Ltd	HAZ	0.175	18	16	Speculative Buy		Junior Explorer
Sub-Total			5,084	4,562			
<b>Industrials</b>							
1. West Australia News Hdgs Ltd	WAN	7.71	1,661	1,978	Buy		Media
2. Monadelphous Group Limited	MND	13.750	1,167	1,037	Neutral		Mining Services
3. Clough Limited	CLO	0.940	628	674	No Rating		Oil & Gas Services
4. Mermaid Marine Australia Ltd	MRM	3.17	578	630	Buy		Oil & Gas Services
5. NRW Holdings Ltd	NWH	1.920	482	523	Buy		Mining & Civil Construction
6. Ausdrill Limited	ASL	2.10	440	661	Buy		Mining Services (Drilling & Capital Goods)
7. Austal Limited	ASB	2.21	416	321	Speculative Buy		Mining & Civil Construction
8. Macmahon Holdings Limited	MAH	0.565	415	416	Speculative Buy		Mining & Civil Construction
9. Fleetwood Corporation	FWD	7.54	390	401	Neutral		Consumer & Mining Services
10. Neptune Marine Ltd	NMS	0.555	250	225	Buy		Oil & Gas Services
11. Cash Converters Limited	CCV	0.680	248	199	Buy		Retail & Consumer Finance
12. Southern Cross Electrical	SXE	1.56	187	164	Buy		Mining & Civil Construction
13. Decmill Group Limited	DCG	1.31	154	136	Buy		Mining & Civil Construction
14. RCR Tomlinson Ltd	RCR	1.060	140	188	Buy		Mining & Industrial Services
15. Index Ltd	IMD	0.720	140	162	Buy		Oil & Gas / Mining Drilling
16. Lycopodium Limited	LYL	3.150	119	116	Neutral		Mining & Industrial Services
17. VDM Group Limited	VMG	0.460	96	131	Buy		Mining & Civil Construction
18. Nomad Building Solutions Ltd	NOD	0.625	85	111	Neutral		Residential & Mining Services
19. Swick Mining Services Ltd	SWK	0.505	77	131	Buy		Mining Services (Drilling)
20. Logicams Limited	LCM	0.950	45	47	No Rating		Resource Services
Sub-Total			7,716	8,250			
GRAND TOTAL			47,765	50,604			

Source: IRESS, Hartleys Research. \* 18 Dec 2009

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## 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

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Hartleys has completed a capital raising in the past 12 months for Amadeus for which it received fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to Amadeus Energy for which it has continues to receive fees.

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