

# SINTANA ENERGY INC (TSX:SEI.V)

October 28, 2024

Share price: C\$1.09

**Target: C\$1.60**

## Drilling on multiple licences in coming months

- Drilling operations have started at the Mopane 1-A appraisal well on PEL 83. This appraisal well is the first of an up to four well programme potentially consisting of two appraisal wells and two exploration wells. While the programme is expected to increase the value of this asset, this comes at no cost to Sintana as they are fully carried by Galp.
- The main purpose of Mopane 1-A is to confirm the continuity of the reservoir characteristics and liquid content at AVO-1. The potential phase 1 development is based on all the associated natural gas being re-injected into the reservoir. The liquid content is therefore critical to estimating the required capex and opex.
- Galp, the operator, estimates that 10 bn boe of in-place hydrocarbons have already been encountered at PEL 83. The Mopane complex is expected to extend beyond the area already defined by the existing wells. There are also multiple additional large prospects.
- Galp has started a process to farm-out a stake in PEL 83. This would provide a readthrough valuation for the Sintana's interest in the asset.
- We value Sintana's interests in the Mopane complex at C\$0.76 per share.
- Chevron is also expected to start drilling at PEL 90 around the end of 2024. Sintana holds an indirect 4.9% WI in PEL 90. Our unrisks NAV for Sintana's interest in PEL 90 is C\$0.85 per share. Sintana is carried for this well.
- We re-iterate our target price of C\$1.60 per share.

## Further drilling in the area

Rhino Resources and Azure Energy (bp/Eni) will also start drilling at PEL 85 around YE24. The block is located to the south east of PEL 83 and a success could have positive implications for the prospectivity of PEL 83 and PEL 79. Total Energies is drilling the Tamboti-1X exploration well in the north east part of PEL 56. The company is targeting ~1 bn boe prospective resources. A success could also have position implications for PEL 90.

## Value build-up

Our unrisks value of Sintana's 4.9% interests in each of PEL 90 and the Mopane complex at PEL 83 is C\$0.85/sh and is C\$1.24/sh for Sintana's 7.3% interest in PEL 87. We have also ascribed a risked value of C\$0.06 per share (C\$0.17 per share unrisks) to the exploration programme at PEL 83. This is assuming one exploration prospect is drilled with prospective resources 20% the size of Mopane and a 1/3 chance of success. We value Sintana's interest in PEL79 at US\$3 mm for the time being. Overall our ReNAV for Sintana is C\$1.59 per share.

Rating & target	Old	New	
Target	C\$1.60	n.c.	
Yield		0%	
Implied total return		47%	
Share data	2022	2023e	2024e
Shares dil., mm	270	395	400
Mkt cap (FD), US\$mm	\$23	\$103	\$325
EV, US\$mm	\$17	\$99	\$304
Financial data	2022	2023e	2024e
CFO, US\$mm	(\$6)	(\$3)	(\$4)
Net capex, US\$mm	\$1	\$0	\$3
Net debt, US\$mm	(\$6)	(\$4)	(\$21)
CFPS dil., US\$/shr	(\$0.06)	(\$0.01)	(\$0.01)
EPS dil., US\$/shr	(\$0.01)	\$0.00	(\$0.00)
Valuation	2022	2023e	2024e
Share price, C\$/shr	\$0.11	\$0.35	\$1.09
EV/DACF	n.a.	n.a.	n.a.
Net asset value			
CNAV, C\$/shr			\$0.78
RENAV, C\$/shr			\$1.59
Unrisked NAV, C\$/shr			\$4.30
P/CNAV			1.4x
P/RENAV			0.7x
P/Unrisked NAV			0.3x

*All figures in US\$ unless otherwise noted*

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**Figure 1. Financial & operating information**

Sintana Energy Inc. (SEIV)		Historical & Auctus Advisors Outlook					
Financial & Operating Information		2022	2023e	2024e	2025e	2026e	2027e
<b>Commodity Prices</b>							
Brent	US\$/bbl	\$99.60	\$82.10	\$83.00	\$74.97	\$70.00	\$70.00
Henry Hub	US\$/mcf	\$6.42	\$3.00	\$4.38	\$5.50	\$5.50	\$5.50
USD / CAD	US\$/C\$	0.770	0.748	0.745	0.760	0.800	0.800
<b>Production</b>							
Oil & Gas	boe/d	0	0	0	0	0	0
<b>Financials</b>							
Cash Flow (CFO)	US\$m	(\$6)	(\$3)	(\$4)	(\$3)	(\$3)	(\$3)
CFPS - diluted	US\$/shr	(\$0.06)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
EBITDAX	a US\$m	(\$5)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)
E&D Capex	US\$m	\$0.00	\$0.17	\$0.00	\$0.00	\$0.00	\$0.00
A&D Capex, Net	US\$m	\$0.86	\$0.00	\$2.67	\$0.00	\$0.00	\$0.00
Total Net Capex	US\$m	\$0.86	\$0.17	\$2.67	\$0.00	\$0.00	\$0.00
Total Net Capex/CFO	x	-0.1x	-0.1x	-0.7x	0.0x	0.0x	0.0x
<b>Leverage</b>							
Net Debt	US\$m	(\$6)	(\$4)	(\$21)	(\$18)	(\$15)	(\$12)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	(\$0)	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Capital Structure</b>							
Basic Shares o/s @ YE	mm	270	282	385	385	385	385
Diluted Shares o/s @ YE	mm	270	395	400	400	400	400
Market Capitalization (fully diluted)	US\$m	\$23	\$103	\$325	\$331	\$349	\$349
Enterprise Value	US\$m	\$17	\$99	\$304	\$314	\$334	\$337
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$m	0	0	0	0	0	0
Dividends	C\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0%	0%	0%	0%	0%	0%
Free Cash Flow	US\$m	(\$7)	(\$3)	(\$6)	(\$3)	(\$3)	(\$3)
Cash Use/CFO	%	-14%	-5%	-71%	0%	0%	0%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
PPS Growth (Y/Y) DDA - dil.	b %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	52771%	-47%	17%	-20%	0%	0%
CFPS Growth (Y/Y) DDA - dil.	b %	13881%	-85%	-6%	-25%	-1%	-1%
ROCE	%	-2%	-38%	-29%	-29%	-22%	-22%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	C\$/shr	\$0.78					
RENAV (Atax) - diluted	C\$/shr	\$1.59					
Unrisked NAV (Atax) - diluted	C\$/shr	\$4.30					
P/CNAV	x	1.4x					
P/RENAV	x	0.7x					
P/Unrisked NAV	x	0.3x					
<b>Valuation</b>		2022.0x	2023e	2024e	2025e	2026e	2027e
Share Price, YE/Current	C\$/shr	\$0.11	\$0.35	\$1.09	\$1.09	\$1.09	\$1.09
P/CF	x	-1.4x	-23.3x	-80.3x	-107.2x	-112.9x	-112.9x
EV/DACF	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Target EV/DACF	x	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 25-Oct-24

**Figure 2. NAV Table**

Asset Valuation	WI Reserves and Resources (bcf)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	C\$/Share (Risky)	C\$/Share (Unrisked)	% Total
Net Cash/Debt YE24			15	15	0.05	0.05	3%
G&A			-9	-9	-0.03	-0.03	-2%
Options and Warrants exercise			2	2	0.01	0.01	0%
PEL 83 - Mopane (Namibia Offshore)	150.0	90%	250	225	0.76	0.85	47%
<b>Total Core NAV</b>			<b>258</b>	<b>233</b>	<b>0.78</b>	<b>0.03</b>	<b>49%</b>
PEL 83 - exploration (Namibia Offshore)	n.a.	35%	50	18	0.06	0.17	4%
PEL 90 (Namibia Offshore)	n.a.	35%	250	87	0.29	0.85	18%
PEL 87 (Namibia Offshore)	167.9	35%	364	80	0.27	1.24	17%
PEL 82 (Namibia Offshore)			250	5	0.02	0.85	1%
PEL 79 (Namibia Offshore)			2	2	0.01	0.00	0%
PEL 103 (Namibia Onshore)			0	0	0.00	0.00	0%
VMM 37 (Colombia)		50%	90	50	0.17	0.34	11%
<b>Total Risked Exploration</b>			<b>1,005</b>	<b>241</b>	<b>0.81</b>	<b>3.27</b>	<b>51%</b>
<b>Total</b>			<b>1,264</b>	<b>474</b>	<b>1.59</b>	<b>4.30</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>4.30</b>		
<b>P/Core NAV</b>				<b>139%</b>			
<b>P/NAV</b>				<b>68%</b>			
<b>P/Unrisked NAV</b>				<b>25%</b>			

Source: Auctus Advisors, Company Reports

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