

SINTANA ENERGY INC (TSX:SEI.V)

November 27, 2023

Share price: C\$0.34

Target: C\$0.90

Drilling underway at PEL83. Chevron to drill up to 10 wells at PEL90 from 4Q24

- Galp Energia has spudded the Mopane 2X exploration well at PEL83. It has been reported the structure could hold up to 10 bn bbl of oil in place. Assuming 30% recovery factor, this implies ~150 mmbbl net to Sintana's 4.9% interest in the block.
- This is the first well of an extensive drilling schedule for Sintana that will cover three different blocks, all with different partners.
- Chevron has filed an application for an environmental clearance certificate to drill for up to 5 exploration and 5 appraisal wells beginning in 4Q24 at PEL90.
- By then, Total will have also drilled the Mangetti-1X exploration well on PEL56, near the southern edge of Sintana/Chevron's PEL90.
- At US\$125 mm per well, Chevron's programme would suggest up to ~US\$1.2 bn total drilling cost. The value of the licence has to at least justify the drilling cost and a drilling programme of that magnitude would suggest a readthrough value of US\$60 mm for Sintana's 4.9% interests in PEL90.
- This is in addition to the US\$8 mm seismic carry provided by Chevron to Sintana for a total readthrough value of US\$68 mm for Sintana's interests in PEL90, which is above the current market cap of the company.
- Our unrisks NAV for Sintana's interests in PEL83 and PEL90 is C\$0.68 per share (for each licence) based on the readthrough value from the recent equity financing of Impact Oil & Gas on PEL56 (Venus discovery operated by Total).
- We re-iterate our target price of C\$0.90 per share.

PEL87: waiting on Woodside Energy

Woodside is expected to take the decision whether to exercise its option to acquire 56% in PEL87 in early 2024 and drill one well that year. Sintana holds a 7.3% interest in PEL87. Total and Shell are also drilling back-to-back exploration wells at the adjacent PEL56 and PEL39 until YE24.

Value build-up

The readthrough valuation of the last financing of Impact Oil & Gas suggests that drilling success unlocks C\$0.68/sh (~US\$195 mm) in each of Sintana's PEL 83 and PEL 90 and C\$1.00/sh (~US\$290 mm) at PEL 87 for a total of C\$2.38/sh. Our ReNAV for the company continues to be C\$0.94/sh. Our unrisks NAV for Sintana is C\$2.78/sh.

Rating & target	Old	New	
Target		\$0.90	
Yield		0%	
Implied total return		165%	
Share data	2022	2023e	2024e
Shares dil., mm	270	386	386
Mkt cap (FD), US\$m	\$23	\$98	\$105
EV, US\$m	\$17	\$94	\$102
Financial data	2022	2023e	2024e
CFO, US\$m	(\$6)	(\$2)	(\$1)
Net capex, US\$m	\$1	\$0	\$0
Net debt, US\$m	(\$6)	(\$4)	(\$3)
CFPS dil., US\$/shr	(\$0.06)	(\$0.01)	(\$0.00)
EPS dil., US\$/shr	(\$0.01)	\$0.00	(\$0.00)
Valuation	2022	2023e	2024e
Share price, C\$/shr	\$0.11	\$0.34	\$0.34
EV/DACF	n.a.	n.a.	n.a.
Net asset value			
CNAV, C\$/shr			\$0.08
RENAV, C\$/shr			\$0.94
Unrisked NAV, C\$/shr			\$2.78
P/CNAV			4.4x
P/RENAV			0.4x
P/Unrisked NAV			0.1x

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
Commodity Prices							
Brent	US\$/bbl	\$99.60	\$82.10	\$92.45	\$73.71	\$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	0.800	0.800	0.800	0.800
Production							
Oil & Gas	boe/d	0	0	0	0	0	0
Financials							
Cash Flow (CFO)	US\$mm	(\$6)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
CFPS - diluted	US\$/shr	(\$0.06)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
EBITDAX	US\$mm	(\$5)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
E&D Capex	US\$mm	\$0.00	\$0.29	\$0.00	\$0.00	\$0.00	\$0.00
A&D Capex, Net	US\$mm	\$0.86	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Capex	US\$mm	\$0.86	\$0.29	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Capex/CFO	x	-0.1x	-0.2x	0.0x	0.0x	0.0x	0.0x
Leverage							
Net Debt	US\$mm	(\$6)	(\$4)	(\$3)	(\$2)	(\$1)	(\$1)
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.
Capital Structure							
Basic Shares o/s @ YE	mm	270	271	271	271	271	271
Diluted Shares o/s @ YE	mm	270	386	386	386	386	386
Market Capitalization (fully diluted)	US\$mm	\$23	\$98	\$105	\$105	\$105	\$105
Enterprise Value	US\$mm	\$17	\$94	\$102	\$103	\$104	\$105
Dividends & Sustainability							
Dividends	US\$mm	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\$mm	(\$7)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
Cash Use/CFO	%	-14%	-18%	0%	0%	0%	0%
Performance							
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.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	52771%	-74%	-42%	-20%	0%	0%
CFPS Growth (Y/Y) DDA - dil.	%	14066%	-93%	-45%	-21%	-1%	-1%
ROCE	%	-2%	-18%	-7%	-7%	-6%	-6%
Net Asset Value							
CNAV (Atax) - diluted	C\$/shr	\$0.08					
RENAV (Atax) - diluted	C\$/shr	\$0.94					
Unrisked NAV (Atax) - diluted	C\$/shr	\$2.78					
P/CNAV	x	4.4x					
P/RENAV	x	0.4x					
P/Unrisked NAV	x	0.1x					
Valuation		2022.0x	2023e	2024e	2025e	2026e	2027e
Share Price, YE/Current	C\$/shr	\$0.11	\$0.34	\$0.34	\$0.34	\$0.34	\$0.34
P/CF	x	-1.4x	-44.9x	-85.9x	-107.4x	-107.4x	-107.4x
EV/DACF	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Target EV/DACF	x	58.2x	n.a.	n.a.	n.a.	1.7x	0.7x

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 23-Nov-23

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 YE23			3	3	0.01	0.01	1%
G&A			-2	-2	-0.01	-0.01	-1%
Options and Warrants exercise			22	22	0.07	0.07	8%
Total Core NAV			22	22	0.08	0.08	8%
PEL 90 (Namibia Offshore)	n.a.	33%	197	65	0.22	0.68	24%
PEL 83 (Namibia Offshore)	150.0	33%	197	65	0.22	0.68	24%
PEL 87 (Namibia Offshore)	167.9	33%	293	64	0.22	1.01	24%
PEL 82 (Namibia Offshore)			4	4	0.02	0.02	2%
PEL 103 (Namibia Onshore)			0	0	0.00	0.00	0%
VMM 37 (Colombia)		50%	90	50	0.17	0.35	18%
Total Risked Exploration			780	248	0.86	2.38	92%
Total			803	270	0.94	2.78	100%
Unrisked NAV					2.78		
P/Core NAV				444%			
P/NAV				36%			
P/Unrisked NAV				12%			

Source: Auctus Advisors, Company Reports

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