

SINTANA ENERGY INC (TSX:SEI.V)

October 20, 2023

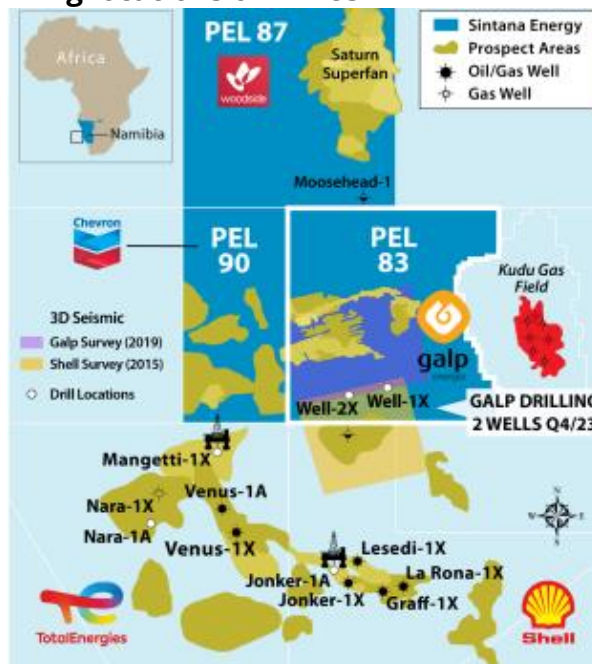
Share price: C\$0.27

Target: C\$0.90

First high impact well to spud mid November

- The Hercules drilling rig is expected to reach Walvis Bay around 4 November and reach the first drilling location at PEL83 (operated by Galp) by mid November.
- On completing the first well the rig will then move to the second drilling location – if results merit, the second location may be drill stem tested.
- The drilling programme is targeting the Mopane complex located at the southern end of PEL83 with an estimated mean oil in place up to 10 bnbbbl.
- Assuming 30% recovery factor, this implies ~150 mmbbl net to Sintana's 4.9% interest in the block.
- In case of success, Sintana is carried all the way through to production.
- We re-iterate our target price of C\$0.90 per share.

Drilling locations on PEL83



Source: Company

Upcoming drilling schedule at other blocks

Drilling at PEL90 with Chevron is expected to start in 2024. 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. Total and Shell are 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. Total and Shell have achieved a >85% success rate on their first 7 wells. Our unrisks NAV for Sintana is C\$2.78/sh.

Rating & target	Old	New	
Target		\$0.90	
Yield		0%	
Implied total return		233%	
Share data	2022	2023e	2024e
Shares dil., mm	270	386	386
Mkt cap (FD), US\$m	\$23	\$78	\$83
EV, US\$m	\$17	\$74	\$81
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	\$0.27	\$0.27
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			3.5x
P/RENAV			0.3x
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	\$78	\$83	\$83	\$83	\$83
Enterprise Value	US\$mm	\$17	\$74	\$81	\$81	\$82	\$83
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.	%	14136%	-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	3.5x					
P/RENAV	x	0.3x					
P/Unrisked NAV	x	0.1x					
Valuation		2022.0x	2023e	2024e	2025e	2026e	2027e
Share Price, YE/Current	C\$/shr	\$0.11	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
P/CF	x	-1.4x	-35.7x	-68.2x	-85.3x	-85.3x	-85.3x
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 19-Oct-23

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (bcf)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	C\$/Share (Risked)	C\$/Share (Unrisked)	% Total
Net Cash/Debt YE23			1	1	0.01	0.01	1%
G&A			-7	-7	-0.10	-0.10	-11%
Warrant exercised			4	4	0.07	6.51	7%
Total Core NAV			-6	-2	-0.03	-0.09	-3%
Topaz LOD-6 only - 5 mmcf/d &	0.3	40%	113	45	0.68	1.70	75%
Topaz LOD-6 only - upside to 10 mmcf/d &	0.3	15%	113	17	0.26	1.70	28%
Tunu (Greenland)	n.a.	0%	0	0	0.00	0.00	0%
Total Risked Exploration			226	62	0.94	3.40	103%
Total			220	60	0.91	3.31	100%
Unrisked NAV					3.31		
P/Core NAV					-824%		
P/NAV					25%		
P/Unrisked NAV					7%		

Source: Auctus Advisors, Company Reports

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