

Sintana Energy Inc (TSX:SEI.V)

September 19, 2023

Current price: C\$0.28

Target: C\$0.90

Initiating Coverage: Sintana Energy Inc

Sintana Energy is a ~C\$75 mm market cap TSX listed explorer that provides unique exposure to the Orange Basin, offshore Namibia, one of the world's hottest exploration spots. Sintana holds interests in 3 blocks adjacent to or on trend with the >11 bnbbl discoveries made by Shell and TotalEnergies in 2022-2023. ~US\$1 bn has been spent in the basin in just 2.5 years and the Majors are rushing to acquire licences. Woodside and Chevron have entered into two of Sintana's blocks over the last 12 months, fast tracking 3D seismic and well planning. Exploration drilling is about to start on Sintana's blocks, with at least 4 wells expected from 4Q23 to 4Q24. Each well is a potential company-maker. **Sintana's indirect interests are carried by its partners for all these operations**, which maximizes the value of the interests. ***Our C\$0.90/sh target price reflects our ReNAV. It implies >3x the current s/p.***

Very high impact drilling. Carried interests.

Sintana holds an effective 4.9% interest in block PEL 83, located just north of Shell's >5 bnbbl discoveries. Shell plans to drill up to 7 additional wells over the coming 18 months. Galp, the operator of PEL 83, will drill 2 exploration wells in 4Q23. Sintana is carried all the way through to production. Block PEL 90 (Sintana: 4.9%), operated by Chevron, is located just to the north of Total's >5 bnbbl Venus discoveries where a further two exploration wells are planned for 2H23. Chevron spent ~US\$30 mm in 3D seismic and is expected to drill one well in 2024. Sintana is carried for this programme. On PEL 87 (Sintana: 7.3%), Woodside funded a ~US\$40 mm 3D seismic over a giant fan structure and is expected to exercise an option to acquire 56% in the Block by YE23 and drill one well in 2024. Sintana is carried to development.

Value build-up

Sintana holds indirect interests in its Namibian blocks and does not have direct access to the resource estimates for PEL 83 and PEL 90. Pancontinental, which holds a direct interest in PEL 87, has reported 245 mmbbl to 7.8 bn bbl prospective resources in the Saturn Super Fan. The resource potential of each block must be very significant to justify a country entry for each of Chevron and Woodside. Sintana's current share price broadly reflects the value of initial carries on each block pre-3D seismic. Since the 3D seismic has now been shot, the value has already increased significantly. The latest financing of Impact Oil & Gas implies a value of ~US\$790 mm for the 20% stake in the Venus discovery. The valuation is conservative because Impact is not carried and its cost of capital is high. Applying this value, corrected for Sintana's relative % stake in each licence, 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 business assuming 33% chance of success is 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			221%
Share data	2022	2023e	2024e
Shares dil., mm	270	386	386
Mkt cap (FD), US\$m	\$23	\$81	\$87
EV, US\$m	\$17	\$77	\$84
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	\$0.28	\$0.28
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			3.7x
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	^a 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	\$81	\$87	\$87	\$87	\$87
Enterprise Value	US\$mm	\$17	\$77	\$84	\$85	\$85	\$86
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.	^b %	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.	^b %	14124%	-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	3.7x					
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	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28
P/CF	x	-1.4x	-37.0x	-70.7x	-88.4x	-88.4x	-88.4x
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

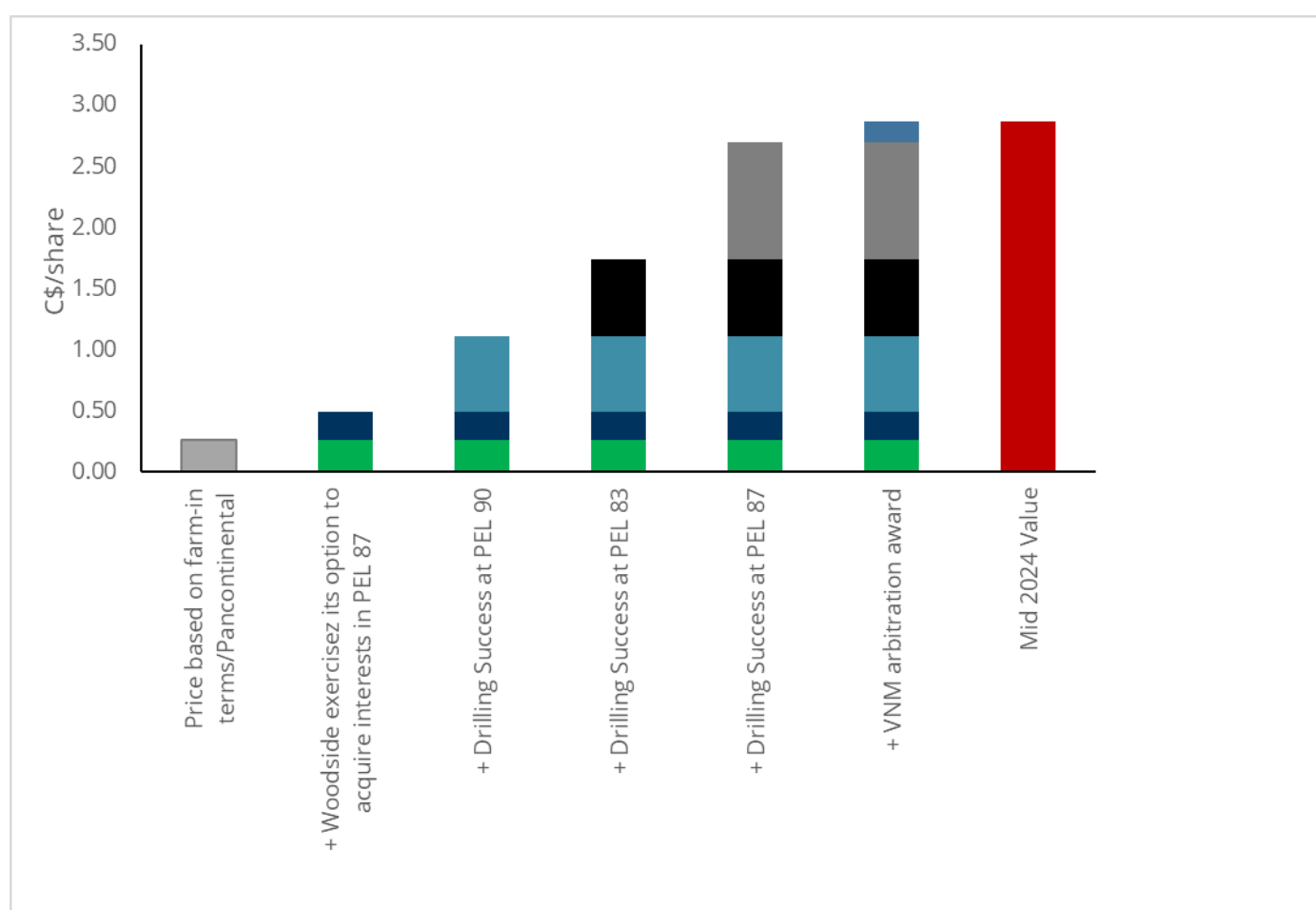
**Futures strip as of 18-Sep-23

Equity story and value build-up

The Sintana equity story is about value creation through drilling. The current share price is near the implied value of the farm-in transactions for PEL 90, PEL 87 and PEL 83 (pre 3D seismic), the readthrough valuation based on Global Petroleum’s market cap and financial items (C\$0.27 per share).

A drilling success at PEL 90 in early 2024 or PEL 83 in 4Q23 would add ~C\$0.63 per share **for each well**. A drilling success at PEL 87 in 2024 could add ~C\$0.95 per share. A US\$50 mm award against ExxonMobil for Colombia would add a further C\$0.17 per share.

Figure 2: Value build-up



Source: Auctus

Exposure to one of the world's hottest new basins

From Colombia to Namibia

In the early 2000s, Sintana Energy was focused on Colombia. Under the stewardship of a management team led by Douglas Manner, the previous COO of Kosmos Energy, the company acquired 8 blocks in the Middle Magdalena Valley. The acquisition of the VMM 37 block that would become the key asset of Sintana over the coming years was completed in 2011. In 2012, ExxonMobil acquired 70% of the block in return for US\$10 mm in cash and a carry on a ~US\$150 mm work programme to appraise and develop the unconventional potential of VMM 37.

The initial US\$60 mm 14,345 ft vertical well drilled in 2014 was very successful and ExxonMobil applied for a permit to complete. After a multi-year public consultation process which resulted in the approval of a 20 well national pilot programme, Exxon and together with Ecopetrol received initial approval to begin planning for 2 wells including one on VMM-37. This would have been the first multistage programme in Colombia. Although the pilot was approved by the Duque administration, the environment permit (for fracking) was not issued. When the Petro administration came to power in 2022, the licence was suspended. Ecopetrol exited the JV and ExxonMobil announced the termination of the JV agreement with Sintana in May 2023 without completing the work programme.

In 2018, Charlestown Energy, an investment vehicle of Charlestown Capital which is a family office located in New York, became a large shareholder of Sintana, and Robert Bose from Charlestown joined the board. Charlestown was looking to invest in high impact exploration opportunities with a major partner offering execution capabilities and a financial carry to limit the risk of dilution. In the context of the growing difficulties in Colombia and collapse of Sintana's share price, Sintana had to diversify its asset portfolio. Charlestown already had invested in vehicles with exploration assets in deep offshore Latin America and Africa and was looking for similar assets for Sintana.

In June 2021, Sintana met with Knowledge Katti, one of the founders of UNX Energy. From the late 2000s, UNX had assembled a portfolio of exploration licences offshore Namibia and was sold to HRT for ~US\$800 mm in 2011. HRT found first oil in Namibia as result of a 3 well campaign, however none of the wells resulted in commercial discoveries. Katti had remained confident about the potential of Namibia and established a company to acquire new licences and raise capital in the future. In October 2021, Sintana agreed to acquire 49% of InterOil (the vehicle owned by Knowledge Katti) for US\$4 mm in cash and 34 mm shares in Sintana. Katti remains a large shareholder of Sintana that now holds indirect interests in four offshore licences and one onshore licence in Namibia.

Namibia 2.0: from “graveyard” to “most desired postcode”

The timing of the transaction was excellent. The fortunes of explorers in Namibia were about to change for the better. A new drilling programme, that would prove to be extremely successful, started a few months later on two blocks just to the south of Sintana’s licences.

Although Namibia is underexplored, the country was, at the time, not a new target for exploration. The Kudu gas field had been discovered in 1974 but not developed and the failure of a multi well/multi operator exploration drilling programme in the 2010s had dampened the appetite of most industry participants for further exploration in this area. There had however also been some positive developments and a combination of factors led two very large companies to look again at Namibia.

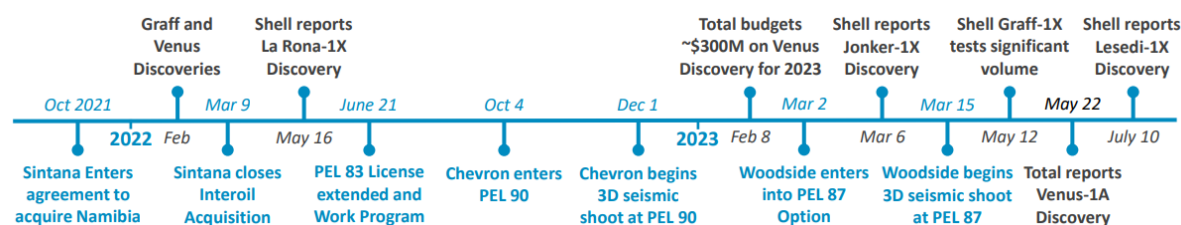
- **A new geological model suggested that the Orange Basin could be oil prone in ultra deep water:** With the discovery of gas at the Kudu field in the Orange basin some years before, there was a general presumption that if anything was to be discovered, it would probably be gas. Furthermore, the deeper water was not seen as prospective as sediments would be lying on cold ocean crust and in ultra-deep water. As a result, the industry had not been looking at this area of the basin and most of the 2010-2018 drilling took place to the north of the Orange basin. Impact Oil & Gas, which acquired its interests in PEL 56 in 2014 in partnership with Namcor, took a different view – that the Orange River would have carried masses of sediment outboard of the continental shelf and that this area of the basin could be oil prone due to the overburden of sediment further from the continent potentially moving the area from the gas to the oil window. 2D and 3D seismic were subsequently acquired and the Venus prospect identified. It highlighted a counter regional trapping configuration, suggesting a potentially very large hydrocarbon prospect.
- **Renewed interest for the Southern cone of Africa:** From 2013 and 2014, large companies such as Anadarko, TotalEnergies, ExxonMobil and Shell began to acquire exploration acreage around the coast of South Africa (Atlantic Ocean and Indian Ocean). Shell and Total also looked at blocks in the south of Namibia, over the border from South Africa. Total (and subsequently Qatar Energy) farmed-into Impact Oil and Gas’s PEL 56 and Shell acquired Signet that owned 75% WI in what is today PEL 39 for over US\$55 mm. In 2019, Total made the Brulpadda offshore gas and condensate giant discovery in the south east of South Africa, which improved further the attractiveness of the area.
- **Exploration success in Guyana in 2015 and in Brazil deep water improved the understanding of the geology:** The very large discoveries in Brazil and Guyana by Super Majors led them to look for oil on the African side of the

Atlantic Margin. This had already been successful in Angola, just to the north of Namibia.

- **Capability to operate in ultra deep water:** Shell and Total had developed in Brazil capabilities to develop fields in ultra deep waters. This reduced the risk of operating in Namibia.

In February 2022, just five months after Sintana announced the acquisition of its interests in Namibia, TotalEnergies, Qatar Energy and Impact Oil & Gas encountered the giant Venus discovery on PEL 56, a basin floor fan giant play rumoured to be the largest oil discovery in Africa while Shell and Qatar Energy announced the discovery of the giant Graff discovery, a deep water channel/fan. This was followed by three further discoveries by Shell on the same block.

Figure 3. Recent history in the Orange basin

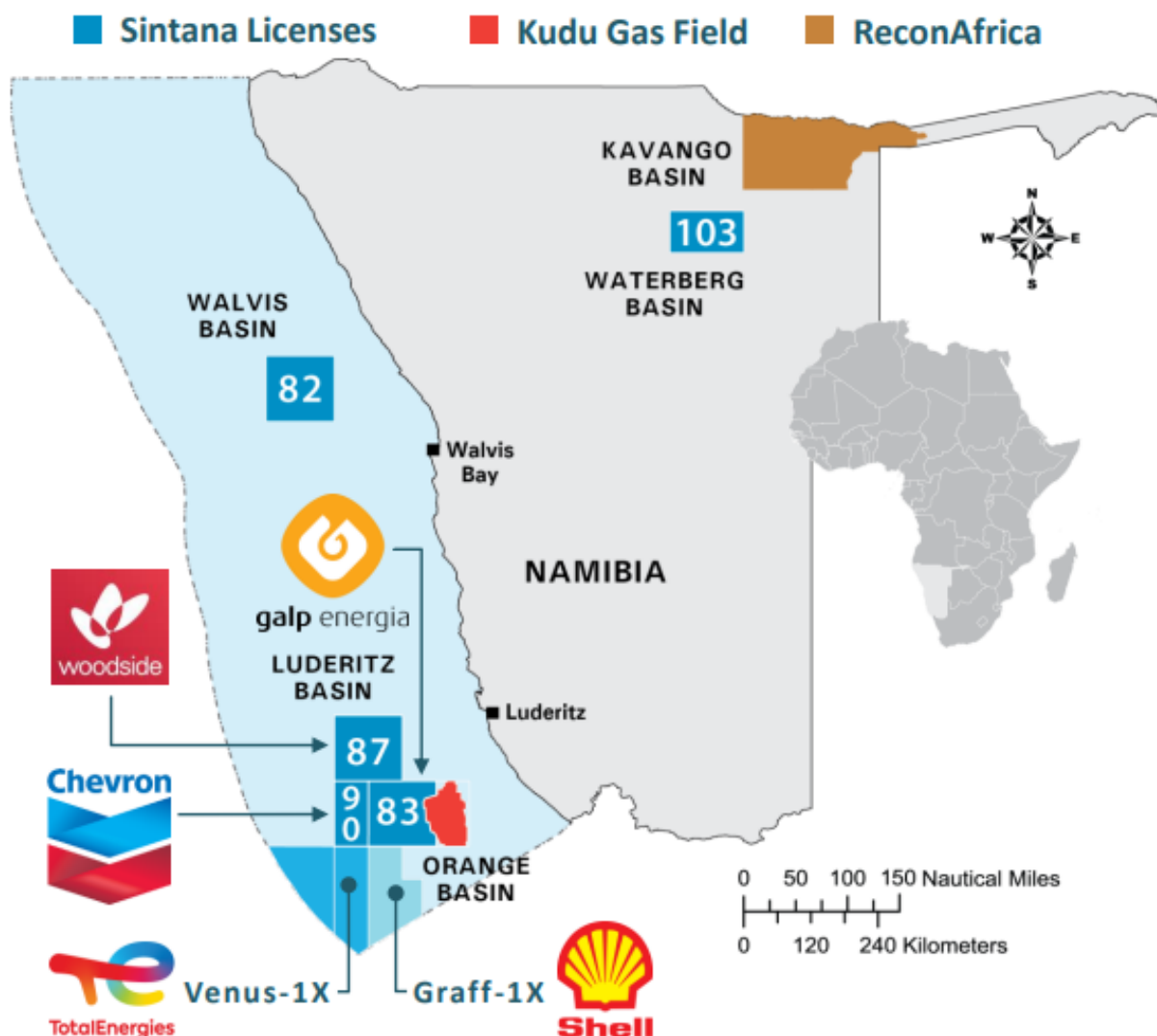


Source: Company

Sintana currently holds indirect interests in five assets, including three licences in the Orange Basin, two being adjacent to TotalEnergies' Venus discovery and Shell's multiple discoveries:

- 4.9% effective interest in PEL 83 (Orange Basin), just north of PEL 39 (Shell) with Galp as operator and drilling expected to commence imminently,
- 4.9% effective interest in PEL 90 (Orange Basin), just north of PEL 90 (Total) with Chevron as operator,
- 7.3% effective interest in PEL 87 (Orange Basin), immediately north of PEL 83 and PEL 90 with Woodside expected to become operator before YE23,
- 4.9% effective interest in PEL 82 (Walvis Basin),
- 15% effective interest in PEL 103 (onshore Namibia)

Figure 4. Sintana's assets in Namibia



Source: Company

Figure 5. Sintana's Licenses Overview

Properties	Country	Nature of licence	Water depth (m)	Operator	Interest	Expiry Date	Gross Area Acres
PEL 83	Namibia (Orange Basin)	Exploration	250-2,500	Galp	4.9%	up tp 2026	9,890
PEL 87	Namibia (Orange Basin)	Exploration	420-3,200	Woodside*	7.3%	Up to 2028	10,947
PEL 90	Namibia (Orange Basin)	Exploration	2,300-3,100	Chevron	4.9%	Up to 2029	5,433
PEL 82	Namibia (Walvis Basin)	Exploration	260-2,460	Maravilla	4.9%	Up to 2025	11,464
PEL 103	Namibia Onshore	Exploration	n.a.	Apprentice Investment	13.5%	n.a.	4,860
VMM 37	Colombia	Exploration	n.a.	n.a.	n.a.	2024*	43,158

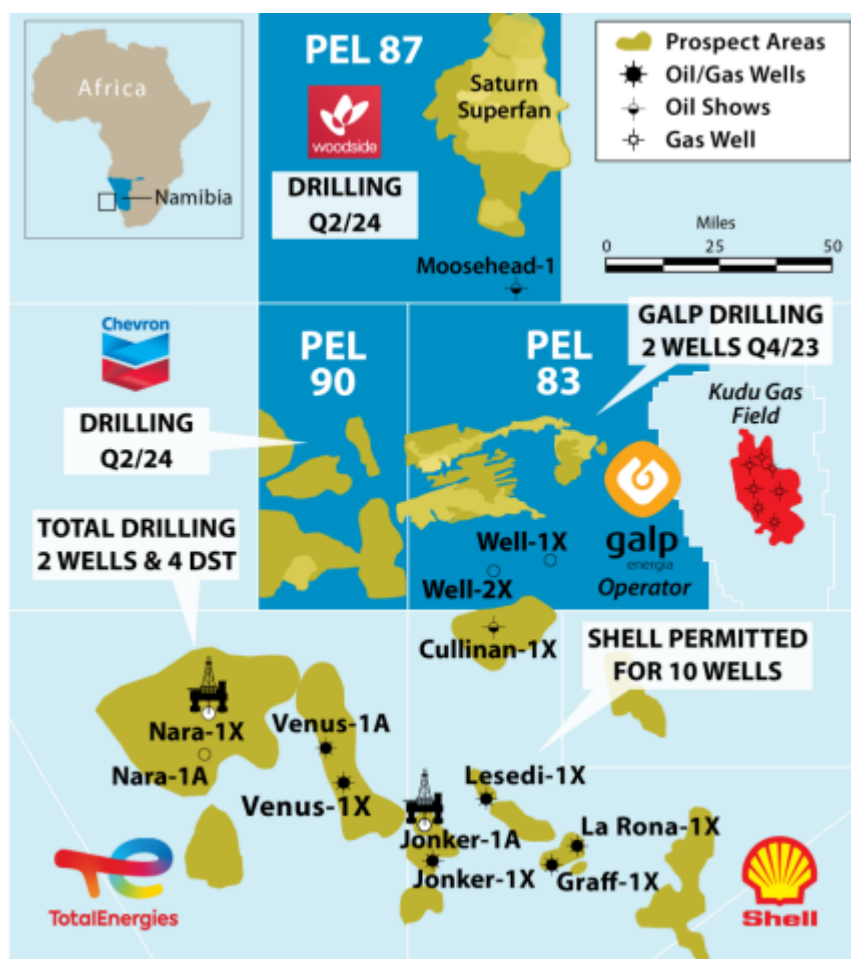
* on exercising the option to acquire 56% interests in the licence

Source: Company

Source: Company

Sintana's Namibian Assets

Figure 6. Sintana's Assets in the Orange Basin



Source: Company

PEL 83: Adjacent to Shell multi bn discoveries and operated by Galp

Sintana holds an indirect 4.9% interest in PEL 83 through its indirect 49% stake in Custos that holds a 10% WI in the block. The operator is Galp that holds an 80% WI. Custos and Galp acquired their interests in PEL 83 in 2016. Custos, and by extension **Sintana is carried through to production.**

PEL 83 is located in the Orange Basin, just to the north of Shell-operated PEL 39 where Namcor has reported that at least ~5.5 bn bbl oil in place have been encountered at the Graff-1X, La Rona-1X (appraisal of Graff-1X), Jonker-1X and Lesedi-1X wells since early 2022, achieving 80% drilling success (the recent Cullinan-1X was reported to be uncommercial). 8.7 tcf of gas in place were also reported to have been encountered.

Shell's PEL 39 is located in ~2,000 m of water with total well depths of 5,400-6,200 m. The discoveries are located ~270 km from the coast. Water depths at Sintana's PEL 83 are expected to be shallower at 250-2,550 m.

The flow rate achieved at Graft-1X has been reported to be "extraordinary", although the exact flow rate has not been publicly reported. Shell has contracted a rig for up to a further 7 wells.

Wells drilled on PEL 39 took 1-3 months. Oil was encountered in multiple intervals and multiple plays. The Graff discovery consists of at least two reservoirs in Upper Cretaceous sandstones including the Santonian. The Jonker discovery is reported to have also discovered hydrocarbons in deeper Lower Cretaceous Sands. These deeper sands are the same sands where Total has made the giant Venus discovery in the neighboring PEL56 block.

The Kudu gas discovery (operator: BW Energy) is located to the east of Sintana's PEL 83. BW is reportedly planning to drill 6-8 additional production wells in support of an onshore power project. While the play at Kudu is different from Graff, Jonker and Lesedi, the presence of hydrocarbons derisks further the prospects mapped on PEL 83.

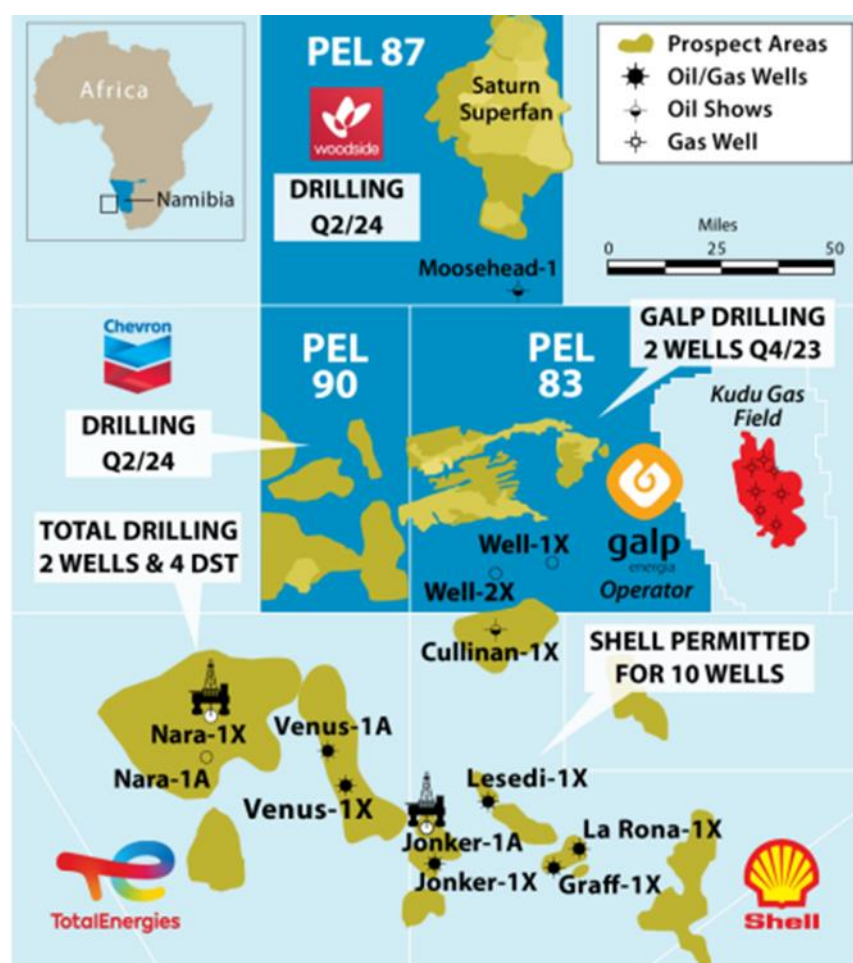
Multiple prospects have already been mapped on PEL 83 from 3,000 km² 3D seismic shot in 2019. Galp, the operator of PEL 83, has already signed a US\$50 mm contract with a drilling rig provider for two wells and potential drill stem tests on the block starting in 4Q23. Assuming 50% of the well cost is associated with the rig contract would suggest a total drilling cost of ~US\$100 mm for two wells or ~US\$50 mm per well.

Figure 7. PEL 83 and PEL 39 newsflow

Properties	Newsflow	Timing
PEL 83 (Sintana)	2 well programme	Commencing 4Q23
PEL 39 (Shell)	7 well programme	Ongoing

Source: Galp

Figure 8. PEL 83 seismic area and leads



Source: Company

PEL 90: Adjacent to Total multi bn bbl discoveries and operated by Chevron

Sintana holds an effective 4.9% interest in PEL 90 through its indirect 49% stake in Trago Energy that holds a 10% WI in the block. The operator is Chevron that farmed into the block (October 2022) to acquire an 80% WI in return for **carrying the other licence participants through a 3D programme and one exploration well.** Trago Energy acquired its interest in PEL 90 in 2018.

PEL 90 is located in the Orange Basin, immediately north of the Total-operated PEL 56 where Namcor has reported that at least ~5.1 bn bbl oil in place (2 bn bbl recoverable) have been encountered at the Venus discovery since early 2022.

Total's PEL 56 is located in ~3,000 m of water with total well depth of 6,300 m. The discoveries are located ~290 km from the coast. Water depth at Sintana's PEL 90 is expected to be 2,300-3,300 m.

Total's Venus-1X well encountered 84 m of net oil pay in Lower Cretaceous sandstones. Press reports highlighted that the well had intersected as much as 250 m of pay with the reservoir covering ~600 km². The Venus-1A appraisal well was drilled 13 km away during the summer of 2013 and encountered a "very large column of oil". Total will now test the Venus wells and drill the Nara-1X exploration well 30 km from Venus-1X. The result of the first well test has not been disclosed but Total indicated that the initial results are promising. In case of success, this will be followed by the Nara-1A appraisal well. Further tests are planned for the wells drilled in the current programme. The Nara prospect is reported to be potentially larger than Venus.

Wells drilled on PEL 56 took ~3 months. Total allocated ~50% of its FY23 global exploration budget of US\$300 mm to Namibia. Grossing-up for Total's 40% WI would imply ~US\$375 mm gross spending on PEL-56. Including Venus-1A, Nara-1X and Nara-1A (assuming they are all drilled in 2023) suggests ~US\$125 mm per well.

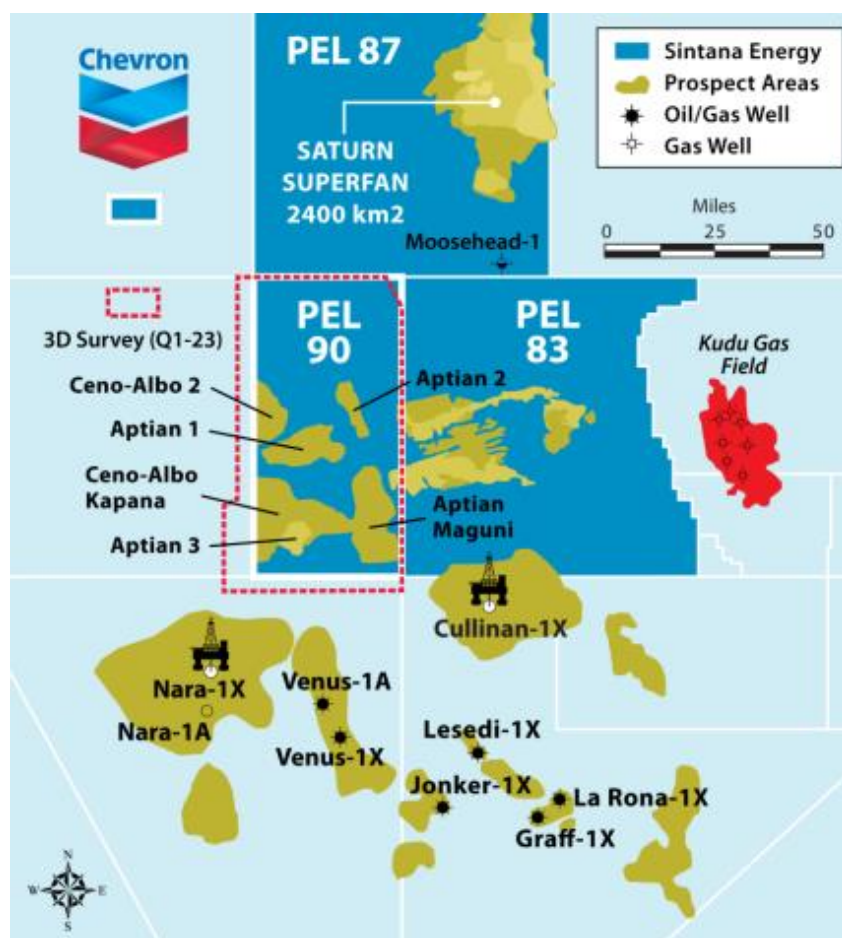
In the short time since Chevron acquired its interests in PEL 90, it has already completed a ~US\$30 mm initial 6,520 km² 3D seismic shot with processing and interpretation is underway. Drilling of the first exploration well is expected in 2024.

Figure 9. PEL 90 and PEL 56 newsflow

Companies	Newsflow	Timing
PEL 90 (Sintana)	Drilling of a first exploration well by Chevron	2024
PEL 56 (Total)	2+ well programme	Ongoing

Source: Company

Figure 10. PEL 90 seismic area and leads



Source: Company

PEL 87: Woodside paying for ~US\$40 mm 3D seismic programme in return for an option to acquire 56% WI.

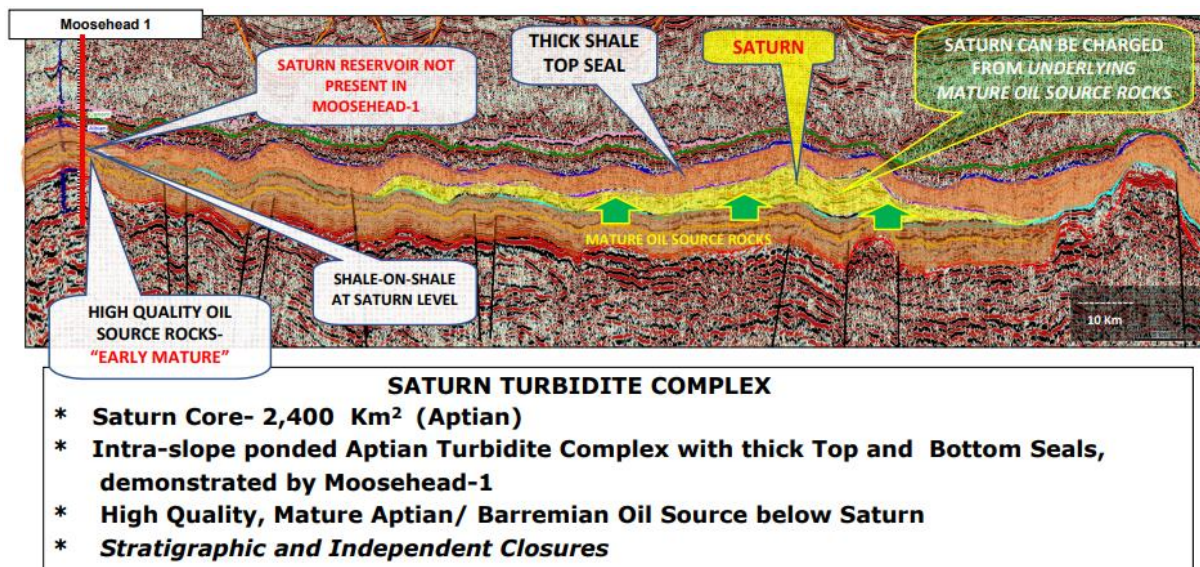
Sintana holds an effective 7.3% interest in PEL 87 through its 49% stake in Custos Energy that holds 15% WI in the block. The operator is currently Pancontinental Energy with 75% WI. However, Woodside has entered into an option to acquire 56% WI in the licence from Pancontinental in return for funding a minimum of 5,000 km² of 3D seismic (US\$35 mm cost) on behalf of the partners and paying Pancontinental US\$1.5 mm in cash. If the option is exercised, Woodside will fund 100% of the cost of a first exploration well and pay US\$2.5 mm to Pancontinental. If it is decided to drill a second exploration well, it will be funded by Woodside in return for an additional 10% WI (from Pancontinental).

Custos is carried by Pancontinental for its share of costs until a production licence is awarded. **In effect, this means that Sintana is carried until FID.**

Pancontinental has mapped the very large Saturn turbidite complex with 2.8 bn bbl gross prospective recoverable resources (mean) on PEL 87 that is on-trend to the recent major oil discoveries on PEL 39 (Shell) and PEL 56 (Total). Pancontinental has indicated that the

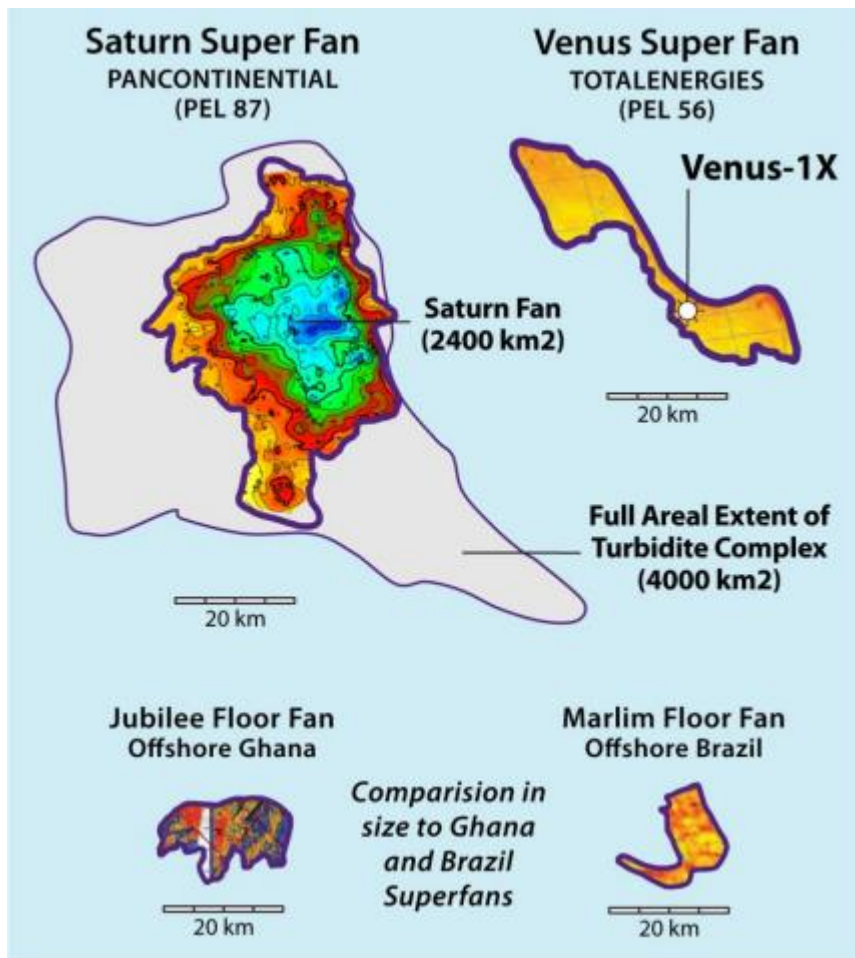
Saturn turbidite fan is similar to Total's Venus discovery. It is at the same stratigraphic level (Early Aptian), has the same source rocks, and the same bottom and top seals. The Saturn turbidite complex has also a positive AVO response on seismic (as for Venus). The core area of the complex covers 2,400 km² (with a full areal extent of the complex of 4,000 km²) and is estimated to be ~280 m thick. By comparison, this is larger than Total's Venus super fan expected to hold at least 5.1 bnbbl oil in place (2 bn bbl recoverable). The Saturn fan lies immediately on top of oil-mature and rich oil shales that were drilled by the Moosehead-1 well in 2013. The Kabeljou-1 well also drilled in 2013 confirmed a very good quality Aptian source rock.

Figure 11. The Saturn complex



Source: Pancontinental

Figure 12. Saturn Fan compared to other Fans

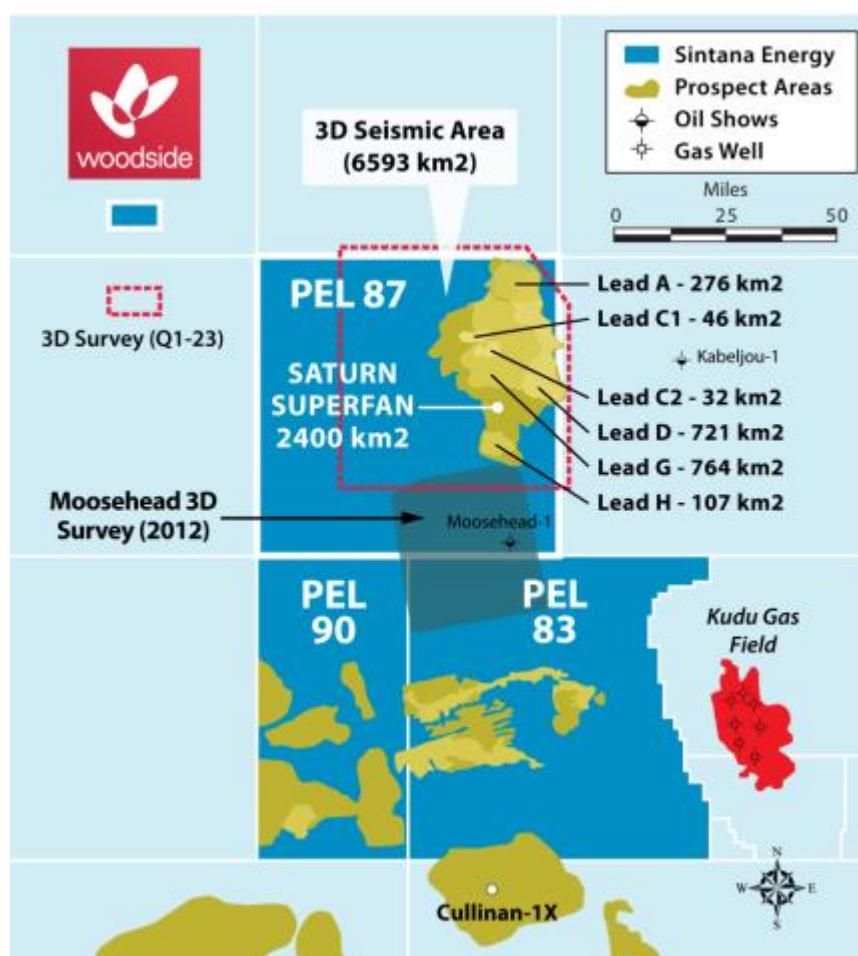


Source: Company

On 2D seismic, the Saturn fan was interpreted to contain a number of individual leads, while it is itself mapped to be enveloped in sealing shale with the potential to be one vast, single oil trap.

Sintana's PEL 87 is located in the Orange Basin in ~400-3,150 m of water depth. The Saturn complex is estimated to be located in ~1,000 m water depth with the reservoir ~3,500 m below the mud line. This would suggest lower drilling cost compared to Venus (Total).

Figure 13. PEL 87 seismic area and leads



Source: Company

Figure 14. PEL 87 estimated prospective resources

Lead name	Prospective resources (mmbbl)			
	P90	P50	Pmean	P10
Lead A	39	152	224	549
Lead C1	24	73	102	213
Lead D	57	345	829	2,026
Lead G	75	349	603	1,433
Lead H	6	40	95	234
Saturn as a single oil trap	245	1,329	2,830	7,820

Source: Pancontinental

Only six weeks elapsed between Woodside entering into the option to farm-in to PEL 87 in early March 2023 and the 3D seismic survey being shot (completion announced on 18 April). The final 3D seismic survey area of 6,593 km² exceeded the initial area (5,000 km²) and covers the core, and peripheral areas of the Saturn Turbidite Complex (STC). Fast-

tracked processed results are expected imminently. Woodside has 180 days to exercise its farm-in option and a first exploration well could be drilled in early 2024.

Figure 15. PEL 87 newsflow

Properties	Newsflow	Timing
PEL 87	Farm-in and drilling decision by Woodside	4Q23
	1st exploration well	2024

Source: Company

PEL 82: Exposure to the Walvis Basin

Sintana holds an effective 4.9% carried interest in PEL 82 (blocks 2112B/2212A) through its 49% stake in Custos Energy. The operator is Maravilla. The block is located offshore in the Walvis Basin area known as the North West Shelf. 70% of the block is covered by 3D seismic and the Wingat-1 well drilled in 2023 encountered light oil and confirmed the presence of the Barremian-Aptian oil-prone source rock. We do not anticipate much high impact activity to occur in the near term in the area.

Onshore assets

Sintana has two onshore assets.

In the Middle Magdalena Basin in Colombia, Sintana was awarded 100% WI in Block VMM-37 (43,158 acres) in 2011 to pursue unconventional opportunities. In 2012, ExxonMobil farmed into the block to acquire 70% WI. In return ExxonMobil paid US\$10 mm in cash to Sintana and was required to carry the company on a work programme of US\$150 mm. The Middle Magdalena Basin has produced ~2 bn bbl over the last century. Only the conventional Tertiary section has been systematically produced. In 2015, ExxonMobil drilled the US\$60 mm Manati Blanco-1 vertical well to a depth of 14,345 feet and confirmed approximately 2,600 feet of gross pay in the La Luna unconventional formation (similar to the Eagle Ford formation in Texas). Following the well result, ExxonMobil applied for a completion permit. A 20-location pilot programme was approved by the administration of the time with a JV with Ecopetrol. The environment permit was never approved, the project was blocked by the current administration in Colombia and Ecopetrol exited the JV. The licence has been suspended.

In May 2023, ExxonMobil announced its intension to withdraw from the project. In July, Sintana filed an arbitration claim against ExxonMobil to recover contractual obligations due from ExxonMobil should it exit the licence. A settlement is possible that would potentially unlock a large payment to Sintana.

Onshore Namibia, Sintana holds a carried interest in the PEL 103 licence in the Waterberg Basin in the North-East corner of Namibia. The Waterberg Basin has similarities with ReconAfrica's Kavango Basin acreage as confirmed in its first stratigraphic test well (6-2).

ReconAfrica's discovery confirmed an active petroleum system with porous and permeable sediments containing marine hydrocarbons. PEL 103 is located ~55 km to the south west of ReconAfrica's licence and contains Permian sediments that are expected to hold similar hydrocarbons.

Valuation and financials

Financials

At the end of June, Sintana held C4.6 mm and no debt. The company is carried for expenditures on all its assets through various phases of exploration and development.

Valuation

Given the limited amount of information on the Company's assets and the early stage nature of their exploration, it is difficult to derive a fundamental valuation. We are therefore focusing on implied values from farm-in transactions, the market cap of partners and the recent equity transaction at Impact Oil & Gas that holds 20% of PEL 56 (Venus discovery).

Implied value from farm-in transactions in Namibia

Given the amount of carry Sintana has on its blocks, the implied value from the farm-in transactions based on the expected initial programmes only is a very conservative method of valuation. For instance, Sintana is carried to production at PEL 83 and to development at PEL 87. This implies minimal dilution in case of a discovery, which maximizes the value of the interests. In addition, the farm-in transactions were executed pre 3D seismic. They are therefore not capturing the added value of the 3D seismic. With the 3D seismic now available and preparation for drilling progressing, **the value of the blocks has already significantly increased.**

At PEL 90, Chevron has paid US\$30 mm in 3D seismic plus the cost of one well in return for 80% in the block. We estimate the cost of a well at the adjacent PEL 56 at US\$125 mm (see section on PEL 90). This suggests that Chevron values its 80% WI at not less than US\$155 mm. This equates to US\$7.6 mm for Sintana's 4.9% interest. However, a buyer of Sintana would acquire the 4.9% interest in the asset that Chevron values at US\$7.6 mm plus the carry that Chevron is paying on behalf of Sintana. The carry is worth US\$155 mm x 4.9% for a total valuation of US\$17 mm.

At PEL 83, Galp (80% WI) is carrying Sintana to production. So far the 3D seismic has been shot and Galp is embarking on a two well programme. We estimate the two well cost at ~US\$100 mm (see section on Block 83). Adding ~US\$30 mm of 3D seismic leads to an initial total capital lay out of US\$130 mm. Applying the same methodology as for PEL 90 leads to an implied valuation of Sintana's 4.9% interest of US\$14 mm.

Woodside recently entered into an option agreement to acquire 56% WI in PEL 87. The cost of the option is US\$40 mm with the exercise price consisting of drilling one well. Sintana is carried to development which will consist of more than one well. If the option is exercised and assuming US\$50 mm for the first well would lead to US\$17 mm valuation for Sintana's 7.3% interest just based on the seismic cost plus drilling of one well.

Peers valuation in Namibia

There are two important peers in the area: Impact Oil & Gas that owns 20% WI in PEL 56 (Venus) and Pancontinental Energy that owns 19-20% of PEL 87. Impact represents the success case with the Venus discovery while Pancontinental provides a direct read through for the valuation of Sintana's interest in PEL 87. It is however important to note that Impact is not carried by Total and that Woodside's carry of Pancontinental ceases after the first exploration well (there is an option for Pancontinental to sell a further 10% in the block in return for being carried on a second well). Both these companies are therefore subject to important potential dilution at both these assets. This is not the case for Sintana. Also note that Impact is a private company and its cost of capital is likely to be higher than for a publicly listed company such as Sintana.

Impact raised US\$95 mm of new equity privately in 2023 through an open offer of 5-open offer shares for 39 existing shares to fund further drilling at PEL 56. This valued the company at US\$741 mm pre money ($\text{US\$95 mm} \times 39 / 5$) and US\$836 mm post money (recall that Sintana is carried on its programme and does not need to contribute to the cost of the wells). Deducting the value of the 36% of Africa Energy (C\$125 mm market cap) held by Impact leads to an implied value of ~US\$800 mm for the 20% WI in PEL 56. Assuming each block is similar (Total's PEL 56 and Shell's PEL 39 have so far encountered similar volumes and Sintana's blocks must offer an extremely large prospectivity to justify Woodside and Chevron to enter a new country), would lead to an unrisks value of ~US\$685 mm for Sintana's interest in PEL 90 (US\$197 mm), PEL 83 (US\$197 mm) and PEL 87 (US\$293 mm). This equates to C\$2.38 per share. Note that Shell and Total's drilling programmes have achieved >85% chance of success so far. Assuming 1/3rd chance of success on Sintana's three blocks yields a total value of ~US\$230 mm (C\$0.80 per share).

The 33% chance of success is also probably conservative. Using a binomial probability approach, and assuming only three wells, each with a probability of success of 20% the probability of one successful outcome is 38%.

We also note the press reports that Impact Oil & Gas is looking to sell its interest in PEL 56. The reported indicated price was ~US\$1.7 bn. The readthrough value for Sintana's Namibian assets would suggest a total unrisks value of US\$1.5 bn for Sintana's assets in Namibia (PEL 90: ~US\$415 mm, PEL 83: ~US\$415 mm and PEL 87: ~US\$620 mm) or ~US\$500 mm risks (1/3rd chance of success).

The readthrough value of Pancontinental market cap for Sintana's 7.3% interest in PEL 87 is US\$20 mm.

Our ReNAV of ~C\$0.94 per share is based on the following:

- For PEL 90 and PEL 83: Given the confirmed near term drilling programme, we have used the readthrough value from Impact's equity raise risked at 33%.
- For PEL 87: Pending confirmation of the drilling programme by Woodside, we have used the average of the readthrough valuations based on (a) Pancontinental's market cap and (b) Impact's equity raise risked at 1/3rd.
- For PEL 82 in the Walvis Basin, we have used the readthrough value of Global Petroleum market cap. Global's main asset is a 78% WI in PEL 94 with 5,798 acre (gross). Sintana's interest in PEL 82 is only 4.9% but the 70% of the block is already covered by 3D seismic (some shot as recently as 2018) while the 3D seismic has still to be shot on PEL 94 (this is a commitment).
- For Colombia: the probability of the company recovering US\$50 mm (our assumption based on a US\$90 mm residual gross programme to be funded by ExxonMobil) from the litigation with ExxonMobil.
- We then add YE23e net cash, the value of the options and warrants (currently in the money) and deduct 2 years of G&A.
- We are using the fully diluted share count.

Figure 16. Valuing Namibia offshore

	Farm-in Transaction		Pancontinental Read Through		Unrisked Read Through Impact O&G		1/3 Risked Read Through Impact O&G		Retained valuation for Namibia	
	US\$ mm	C\$/sh	US\$ mm	C\$/sh	US\$ mm	C\$/sh	US\$ mm	C\$/sh	US\$ mm	C\$/sh
PEL 90 (Namibia Offshore)	17	0.06	13	0.05	197	0.68	66	0.23	66	0.23
PEL 83 (Namibia Offshore)	14	0.05	13	0.05	197	0.68	66	0.23	66	0.23
PEL 87 (Namibia Offshore)	17	0.06	32	0.11	293	1.01	98	0.34	65	0.22
PEL 82 (Namibia Offshore)			4	0.02					4	0.02
Total	48	0.17	63	0.22	686	2.38	229	0.79	200	0.69

Source: Auctus

We have not ascribed value to Namibia onshore or PEL 103. This is very conservative given that ReconAfrica has a market cap of over US\$200 mm.

Our unrisked NAV is ~C\$2.78 per share.

Figure 17. 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)	n.a.	33%	197	65	0.22	0.68	24%
PEL 87 (Namibia Offshore)	175.5	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				392%			
P/NAV				32%			
P/Unrisked NAV				11%			

Source: Auctus Advisors, Company Reports

Risk analysis

We have identified the following key areas of risk:

1. Geological risks. Sintana's assets in Namibia are still in the early stages of exploration.
2. Commercial risks. Woodside might decide not to exercise its option to farm-into Block 87, which would have a negative impact on its value.
3. Execution risks. The Namibian wells are in deep water and the operating conditions are challenging. This might have negative impact on costs and timing. The fact that Sintana is carried on its assets to development or even production reduces the risk of dilution even if drilling costs increase.

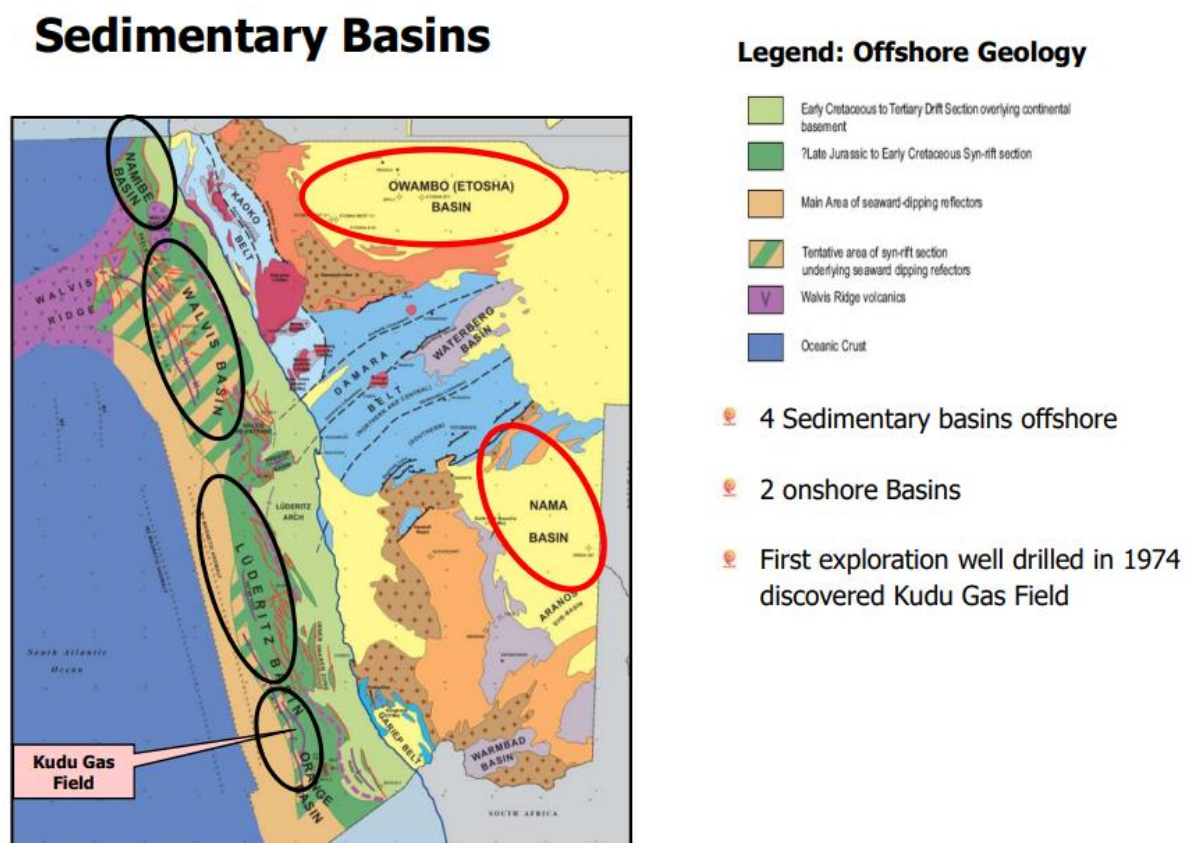
Appendix 1: Namibia offshore

Namibia is under-explored with less than 20 offshore wells drilled along a coastline of some 1,300 km.

Offshore Namibia is part of the plate tectonic “conjugate” of offshore Brazil, where world-scale oil and gas discoveries have been made in recent years and it lies on the West African continental margin adjacent to Angola, where there have also been many major oil discoveries. Offshore Namibia is an extension of the West African continental margin.

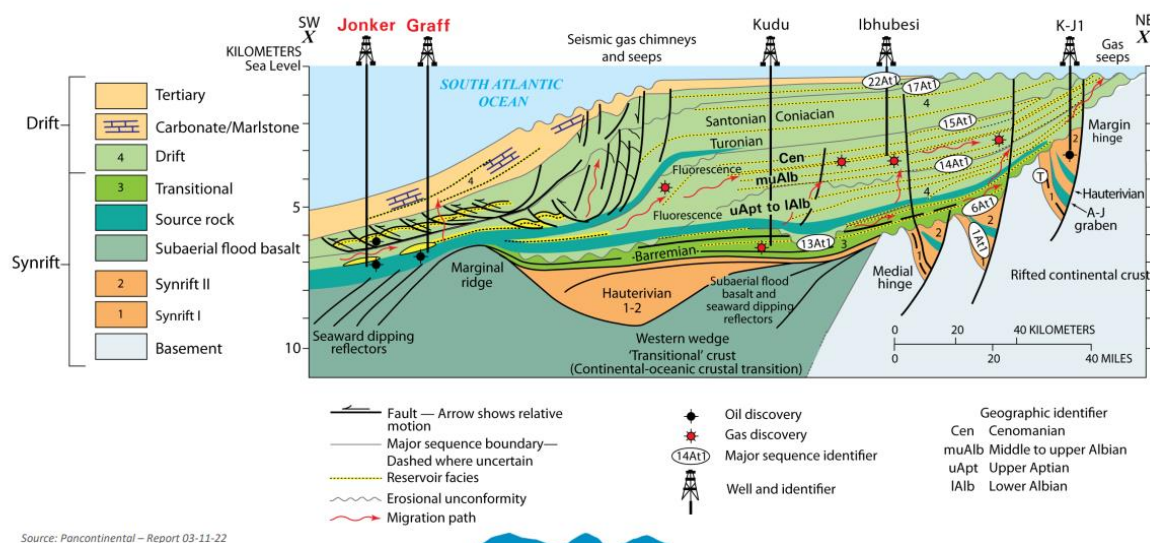
There are six Sedimentary Basins in Namibia. Only the Orange Basin has so far yielded any large discoveries.

Figure 18. Sedimentary Basins



Source: Namcor

Figure 19. Namibian offshore geological setting



The Kudu gas field discovered in 1974 (eight wells drilled) has 1.4 tcf of proven reserves and is being developed by BW Energy.

There are three potential source rocks: (1) the Turonovian-Cenomanian, (2) the Apto-Albian (source rocks for the recent large discoveries in the Orange Basin) and (3) the Neocomian, syn-rift.

During the 2010-2014s, drilling campaigns were undertaken by multiple international companies including Chariot, Eco Atlantic, Repsol, Tower, Tullow and mostly HRT. While some of the wells encountered oil and gave a better understanding of the geology, none made a material discovery.

The northern basins are largely dominated by carbonates while the southern basins consist of sands.

Namibia adopted an open licensing system in 1999, through which the country can accept onshore and offshore bids at any time. The fiscal terms are very attractive with 5% royalty, petroleum income tax of 35% with first tier additional profit tax of 25%. NAMCOR, the State company, often holds 10% WI in the offshore licences awarded to international companies.

Appendix 2: Senior Management & Board of Directors

Keith Spickelmier: Executive Chairman

Mr. Spickelmier is the Co-founder/Executive Chairman of Sintana Energy Inc., Co-founder of Blockmetrix LLC, a Bitcoin mining company and Co-founder/Chairman of Discovery Energy Corp. exploring in the Cooper Basin, South Australia. He was the co-founder of Mallard Cablevision, and a Founder and the Chairman of Westside Energy Corporation which was sold in June 2008 for approx. \$200 million in enterprise value. Mr. Spickelmier was also the co-founder of JK Acquisition, a special purpose acquisition company which traded on the American Stock exchange in 2006 with an \$80 million offering. Mr. Spickelmier was the co-founder of Northbrook which is now Sintana Energy Inc. He holds a B.A. from the University of Nebraska at Kearney and a J.D. from the University of Houston. He practiced law from 1986 to 2000.

Douglas Manner: Chief Executive Officer

Mr. Manner is a Founding Partner of Northbrook Energy LLC., prior to which he acted as Chief Executive Officer and Director of Westside, Senior Vice President and Chief Operating Officer of Kosmos Energy, LLC. (a private energy company exploring for oil and gas in the offshore regions of West Africa), and as President and Chief Operating Officer of White Stone Energy, a Houston based oil and gas advisory firm. He is the Former COO of Gulf Canada Resources, managing operations in 20 countries with 150,000 boe/d and the Former CEO of Bellwether Resources, (South America exploration) Mr. Manner previously held senior executive positions with Ryder Scott Petroleum Engineers and Amoco Production Company. Mr. Manner has served on the boards of directors for Gulf Midstream Services, ROC Oil Blizzard Energy, Rio Vista Energy, Resolute Energy, Cordero Energy, Zenas Energy, Petrovera Energy Company, Westside Energy and Irvine Oil & Gas. Mr. Manner holds a Bachelor's of Science degree in mechanical engineering from Rice University and is a professional engineer certified by the Texas Board of Professional Engineers and the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He is a member of the Society of Petroleum Engineers and a previous member of the Petroleum Society of Canada.

Robert Bose: President

Mr. Bose is a principal at Charlestown Capital Advisors, a private investment firm founded in 2005 that is located in New York City. At Charlestown, Mr. Bose is the Managing Member of Charlestown Energy Partners, a private investment vehicle which focuses on public and private equity investments in energy and commodities. Prior to joining Charlestown, Mr. Bose spent 17 years in the Global Investment Banking Group at the Bank of Nova Scotia, ultimately as Managing Director and Head of Power & Utilities Group which provided M&A and capital markets coverage in the energy and power sectors. Mr. Bose has an Honors Degree in Economics from Queen's University in Kingston, Ontario and is a CFA Charterholder.

Carmelo Marrelli: Chief Financial Officer

Mr. Marrelli is the principal of Marrelli Support Services Inc., a firm that has delivered accounting and regulatory compliance services to listed companies on the Toronto Stock Exchange and the TSX Venture Exchange for over twenty years. In addition, Mr. Marrelli beneficially controls DSA Corporate Services Inc., a firm providing corporate secretarial and regulatory filing services, as well as Marrelli Trust Company Limited, a provincially regulated trust company headquartered in Vancouver, British Columbia with a co-agent located in Toronto, Ontario (Marrelli Transfer Services Corp.). Marrelli Trust Company Limited offers a full range of transfer agent services for both private and exchange-listed companies. Carmelo is a Chartered Professional Accountant (CPA, CA, CGA), and a member of the Institute of Chartered Secretaries and Administrators, a professional body that certifies corporate secretaries. He has a Bachelor of Commerce degree from the University of Toronto.

David Cherry: Chief Operating Officer

Mr. Cherry is President and co-founder of PETROVEN, Inc., a privately held crude oil and natural gas exploration and development company. Previously, Mr. Cherry served as Vice President of American Public Energy Company which was an American Stock Exchange listed company, where he supervised and directed all land activity within the company and supervised private placement programs. Mr. Cherry also previously served as a Landman with Phillips Coal Company and Phillips Petroleum Company.

Bruno Maruzzo: Independent Director

Mr. Maruzzo has been the President (principal) of TechnoVenture Inc., a Toronto based business consulting company, since May 2007. He has also served on the audit committees of Pinetree Capital Ltd., Critical Outcome Technologies Inc., Hamilton Thorne Limited (formerly Calotto Capital Inc.) and Diagnos Inc. Mr. Maruzzo has over 20 years of experience working with small to medium size technology companies as well as venture capital investing in technology oriented companies. He holds a BSc in Electrical Engineering from the University of Waterloo, a MASc in Biomedical Engineering from the University of Toronto and an MBA from the University of Toronto.

Dean Gendron: Independent Director

Mr. Gendron is the founder, President and Chief Executive Officer of RedaN Capital Incorporated, a company that provides mergers, acquisitions and corporate finance advisory services. He was a Regional Manager of Solantus Inc. from October 2014 until January 2018. He was also President and Chief Executive Officer of DDP Therapeutics, an early stage drug development company. Mr. Gendron was a founder and a Director of KCC Capital Corporation through May 2014, a TSXV listed capital pool company. He is currently a member of the TSXV Ontario Advisory Committee and a past member of the TSXV National Advisory Committee. Mr. Gendron received his Bachelor of Business Administration degree from the University of Ottawa.

Knowledge Katti: Independent Director

Mr. Katti resides in Namibia and is a pioneer in the Namibian oil and gas industry with extensive experience in its crude oil and natural gas industries. He is the Chairman of Custos Energy and served as the founder and Chief Executive Officer of Kunene Energy (Pty) Ltd., and Intaka Namibia. He previously served as a director and founding shareholder of UNX Energy Corp. and was business development manager of Brazilian oil and gas company HRT. He is responsible for attracting investment of more than US\$400 million into Namibia over his career and has been instrumental in the transactions that led to the entry of Shell, Total, Chevron, Woodside, Exxon and Murphy OMV into Namibia. Mr. Katti is additionally the founder and shareholder of the Kombat Mine, a producing copper mine in Namibia. His philanthropic endeavors include sponsoring over 100 students in university.

Mr. Katti brings extensive knowledge of the Namibian oil and gas industry and familiarity with its local business culture and practices to other members of the Board of Directors and management. He holds a Bachelor of Commerce in Accounting/Economics and Auditing from the University of Namibia.

Appendix 3: Capital structure and main shareholders

There are 269.8 mm shares in issue, 92.9 mm warrants with exercise prices of C\$0.15-0.25 per share (88.5 mm warrants have an exercise price of C\$0.25 per share). There are also 22.6 mm options with exercise prices of C\$0.10-0.165 per share and 4.4 mm RSUs. Insiders hold ~12% of the shares, Charlestown owns 13% and Grsisham (Knowledge Katti) has 12%.

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The research analyst who prepared this research report was Stephane Foucaud, a partner of Auctus.

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