

SINTANA ENERGY INC (TSX-V:SEI)

January 06, 2025

Share price: C\$1.06

Target: C\$1.85

Mopane-2A encounters gas condensate in the sweet spot plus a new light oil reservoir

- The Mopane-2A well at PEL-83 found a hydrocarbon column of gas-condensate in AVO-3 with a thin net pay in the reservoir sweet spot. Encountering AVO-3 at Mopane-2A confirms the lateral extent of the reservoir. The thin net pay is in line with the geological model. The presence of condensate in high quality reservoir with minimal CO₂ and no H₂S is another positive.
- The well also discovered a hydrocarbon column of light oil in a smaller high quality reservoir, AVO-4. While AVO-4 had been mapped at Mopane-2A, its presence was unconfirmed. This is a positive outcome. There is minimal CO₂ and no H₂S. The presence of liquids in this reservoir boosts the value of the block for potential farm-in partners.
- The successes at Mopane-1A and Mopane-2A reduce the uncertainty associated with the development. This is important for Galp's ongoing farm-out process. We value Sintana's interest in Mopane at C\$1.08 per share.
- The rig will now drill the Mopane-3X well. This is an exploration well that will target two large stacked prospects, AVO-10 and AVO-13, in the south east of PEL-83. Results are expected in early February.
- Chevron has spud the Kapana-1X exploration well on PEL 90. We estimate the additional unrisks value of the upcoming drilling at PEL 83 (Galp), PEL 90 (Chevron), and PEL 87 at C\$2.80 per share.
- We re-iterate our target price of C\$1.85 per share.

Valuation

We value Sintana's interest in Mopane based on the most recent price paid by Africa Oil for shares in Impact Oil & Gas. We value Sintana on Mopane alone at C\$1.08 per share (C\$1.22 per share unrisks) net of a worst case 32% capital gain tax. Our total unrisks NAV is ~C\$4.54 per share. Our ReNAV is C\$1.87 per share.

| Rating & target | Old | New | |
|-----------------------|----------|----------|----------|
| Target | C\$1.85 | n.c. | |
| Yield | | 0% | |
| Implied total return | | 75% | |
| Share data | 2022 | 2023e | 2024e |
| Shares dil., mm | 270 | 395 | 399 |
| Mkt cap (FD), US\$m | \$23 | \$103 | \$315 |
| EV, US\$m | \$17 | \$99 | \$294 |
| Financial data | 2022 | 2023e | 2024e |
| CFO, US\$m | (\$6) | (\$3) | (\$3) |
| Net capex, US\$m | \$1 | \$0 | \$3 |
| Net debt, US\$m | (\$6) | (\$4) | (\$20) |
| 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 | \$1.06 |
| EV/DACF | n.a. | n.a. | n.a. |
| Net asset value | | | |
| CNAV, C\$/shr | | | \$1.09 |
| RENAV, C\$/shr | | | \$1.87 |
| Unrisked NAV, C\$/shr | | | \$4.55 |
| P/CNAV | | | 1.0x |
| P/RENAV | | | 0.6x |
| P/Unrisked NAV | | | 0.2x |

All figures in US\$ unless otherwise noted

Contact details

Analyst:

Stephane Foucaud

sf@auctusadvisors.co.uk

+44 7854 891249

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 | \$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 | 0.735 | 0.800 | 0.800 |
| Production | | | | | | | |
| Oil & Gas | boe/d | 0 | 0 | 0 | 0 | 0 | 0 |
| Financials | | | | | | | |
| Cash Flow (CFO) | US\$mm | (\$6) | (\$3) | (\$3) | (\$3) | (\$3) | (\$3) |
| CFPS - diluted | US\$/shr | (\$0.06) | (\$0.01) | (\$0.01) | (\$0.01) | (\$0.01) | (\$0.01) |
| EBITDAX | ^a US\$mm | (\$5) | (\$4) | (\$4) | (\$3) | (\$5) | (\$5) |
| E&D Capex | US\$mm | \$0.00 | \$0.17 | \$2.82 | \$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 | \$0.17 | \$2.82 | \$0.00 | \$0.00 | \$0.00 |
| Total Net Capex/CFO | x | -0.1x | -0.1x | -1.0x | 0.0x | 0.0x | 0.0x |
| Leverage | | | | | | | |
| Net Debt | US\$mm | (\$6) | (\$4) | (\$20) | (\$18) | (\$14) | (\$11) |
| 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 | 282 | 374 | 374 | 374 | 374 |
| Diluted Shares o/s @ YE | mm | 270 | 395 | 399 | 399 | 399 | 399 |
| Market Capitalization (fully diluted) | US\$mm | \$23 | \$103 | \$315 | \$311 | \$338 | \$338 |
| Enterprise Value | US\$mm | \$17 | \$99 | \$294 | \$293 | \$324 | \$327 |
| 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) | (\$3) | (\$6) | (\$3) | (\$3) | (\$3) |
| Cash Use/CFO | % | -14% | -5% | -96% | 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% | -47% | -8% | -13% | 33% | 0% |
| CFPS Growth (Y/Y) DDA - dil. | ^b % | 13884% | -85% | -25% | -18% | 31% | -1% |
| ROCE | % | -2% | -38% | -26% | -26% | -24% | -24% |
| Net Asset Value | | | | | | | |
| CNAV (Atax) - diluted | C\$/shr | \$1.09 | | | | | |
| RENAV (Atax) - diluted | C\$/shr | \$1.87 | | | | | |
| Unrisked NAV (Atax) - diluted | C\$/shr | \$4.55 | | | | | |
| P/CNAV | x | 1.0x | | | | | |
| P/RENAV | x | 0.6x | | | | | |
| P/Unrisked NAV | x | 0.2x | | | | | |
| Valuation | | 2022.0x | 2023e | 2024e | 2025e | 2026e | 2027e |
| Share Price, YE/Current | C\$/shr | \$0.11 | \$0.35 | \$1.06 | \$1.06 | \$1.06 | \$1.06 |
| P/CF | x | -1.4x | -23.3x | -97.5x | -115.5x | -94.6x | -94.6x |
| 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 5-Jan-25

Figure 3. 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 YE24 | | | 15 | 15 | 0.05 | 0.05 | 3% |
| G&A | | | -8 | -8 | -0.03 | -0.03 | -2% |
| Options and Warrants exercise | | | 3 | 3 | 0.01 | 0.01 | 1% |
| PEL 83 - Mopane (Namibia Offshore) | 150.0 | 90% | 345 | 310 | 1.06 | 1.19 | 56% |
| Total Core NAV | | | 354 | 320 | 1.09 | 1.22 | 58% |
| PEL 83 - exploration (Namibia Offshore) | n.a. | 35% | 69 | 24 | 0.08 | 0.24 | 4% |
| PEL 90 (Namibia Offshore) | n.a. | 35% | 230 | 80 | 0.27 | 0.79 | 15% |
| PEL 87 (Namibia Offshore) | 167.9 | 35% | 514 | 106 | 0.36 | 1.77 | 19% |
| PEL 82 (Namibia Offshore) | | | 69 | 5 | 0.02 | 0.24 | 1% |
| PEL 79 (Namibia Offshore) | | | 69 | 2 | 0.01 | 0.24 | 0% |
| PEL 103 (Namibia Onshore) | | | 0 | 0 | 0.00 | 0.00 | 0% |
| VMM 37 (Colombia) | | 80% | 16 | 13 | 0.04 | 0.05 | 2% |
| Total Risked Exploration | | | 966 | 230 | 0.78 | 3.33 | 42% |
| Total | | | 1,321 | 550 | 1.87 | 4.55 | 100% |
| Unrisked NAV | | | | | 4.55 | | |
| P/Core NAV | | | | 92% | | | |
| P/NAV | | | | 53% | | | |
| P/Unrisked NAV | | | | 22% | | | |

Source: Auctus Advisors, Company Reports

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

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