SINTANA ENERGY INC (TSX-V:SEI)

January 16, 2025

Share price: C$0.82
Target: C$1.85

Kapana-1X uncommercial but Chevron expects to continue exploration activities

- The Kapana 1-X well on PEL-90 did not encounter commercial hydrocarbons.
- The rig is likely to be demobilized, but the well's results have increased confidence in the block. Chevron has indicated that it anticipates further exploration in Namibia.
- Sintana was carried for this well, but the company will fund its share of future capex on PEL-90. Assuming drilling costs of US$100-150 mm for a new well, this suggests a net capex exposure of approximately US$5-7 mm per well, net to Sintana's 4.9% share. The company held C$20 mm in cash (with no debt) at the end of September 2024.
- We reiterate our target price of C$1.85 per share, as we have not changed our valuation for PEL-90, where we assume additional wells will be drilled. However, we have deducted the net drilling costs of the next well on the licence that Sintana will have to fund.
- The results of the Mopane-3X exploration well are expected in early February. This is an exploration well that is targetting two large stacked prospects, AVO-10 and AVO-13, in the south east of PEL-83.
- Woodside is expected to make a decision about farming-into PEL -87 in early April. Sintana holds a 7.3% net interest in the licence and is carried to FID.
- The total prize remains unchanged and we view the share price weakness as an opportunity.

Another success at PEL-56 for Total. Reflections on Shell's write down

Media reports indicate that the Tamboti-1X exploration well was successful and encountered hydrocarbons. This has significant potential implications for PEL-90, as Tamboti-1X is located near the southern edge of PEL-90. Shell has announced a write-down of its exploration spending at PEL-39. This raised concerns with some market participants about Mopane, which is located to the north. However, Shell has clarified that the main reason for the write-down was poor reservoir quality. One of the wells drilled by Shell required fracking. This is not the case at Mopane, where the reservoir quality is very good, with a flow test delivering approximately 8 mboe/d, constrained by surface equipment.

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$1.06 per share net of a worst case 32% capital gains tax. Our total unrisked NAV is ~C$4.47 per share. Our ReNAV is C$1.84 per share.

Rating & target		Old	New
Target		C$1.85	n.c.
Yield			0%
Implied total return			123%
Share data	**2022**	**2023e**	**2024e**
Shares dil., mm	270	395	399
Mkt cap (FD), US$m	$23	$103	$247
EV, US$mm	$17	$99	$225
Financial data	**2022**	**2023e**	**2024e**
CFO, US$mm	($6)	($3)	($4)
Net capex, US$mm	$1	$0	$0
Net debt, US$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	$0.83
EV/DACF	n.a.	n.a.	n.a.
Net asset value			
CNAV, C$/shr			$1.06
RENAV, C$/shr			$1.84
Unrisked NAV, C$/shr			$4.47
P/CNAV			0.8x
P/RENAV			0.5x
P/Unrisked NAV			0.2x

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**	**2023**	**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)	($4)	($3)	($6)	($6)
CFPS - diluted	US$/shr	($0.06)	($0.01)	($0.01)	($0.01)	($0.02)	($0.02)
EBITDAX [a]	US$mm	($5)	($4)	($7)	($5)	($8)	($8)
E&D Capex	US$mm	$0.00	$0.17	$0.12	$7.89	$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	$0.12	$7.89	$0.00	$0.00
Total Net Capex/CFO	x	-0.1x	-0.1x	0.0x	-2.3x	0.0x	0.0x
Leverage							
Net Debt	US$mm	($6)	($4)	($21)	($10)	($4)	$0
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	$247	$243	$265	$265
Enterprise Value	US$mm	$17	$99	$225	$234	$261	$265
Dividends & Sustainability							
Dividends	US$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)	($4)	($11)	($6)	($6)
Cash Use/CFO	%	-14%	-5%	-3%	-228%	0%	0%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
PPS Growth (Y/Y) DDA - dil. [b]	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	52771%	-47%	34%	-19%	77%	0%
CFPS Growth (Y/Y) DDA - dil. [b]	%	13908%	-85%	13%	-27%	72%	-2%
ROCE	%	-2%	-38%	-63%	-63%	-33%	-33%
Net Asset Value [c]							
CNAV (Atax) - diluted	C$/shr	$1.06					
RENAV (Atax) - diluted	C$/shr	$1.84					
Unrisked NAV (Atax) - diluted	C$/shr	$4.47					
P/CNAV	x	0.8x					
P/RENAV	x	0.5x					
P/Unrisked NAV	x	0.2x					
Valuation		**2022.0x**	**2023.0x**	**2024e**	**2025e**	**2026e**	**2027e**
Share Price, YE/Current	C$/shr	$0.11	$0.35	$0.83	$0.83	$0.83	$0.83
P/CF	x	-1.4x	-23.3x	-52.3x	-66.8x	-41.2x	-41.2x
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 16-Jan-25

Figure 3. NAV Table

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US$mm)	EMV (US$mm)	C$/Share (Risked)	C$/Share (Unrisked)	% Total
Net Cash/Debt YE25			7	7	0.02	0.02	1%
G&A			-10	-10	-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	57%
Total Core NAV			**345**	**310**	**1.06**	**1.19**	**57%**
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	20%
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**	**43%**
Total			**1,311**	**540**	**1.84**	**4.47**	**100%**
Unrisked NAV					**4.47**		
P/Core NAV				**78%**			
P/NAV				**45%**			
P/Unrisked NAV				**19%**			

Source: Auctus Advisors, Company Reports

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