

# SINTANA ENERGY INC (TSX:SEI.V)

Share price: C\$0.45

Target: C\$1.25

January 26, 2024

## Second light oil discovery at PEL83

- Galp Energia has announced a second discovery of light oil in deeper and high quality reservoir sands at the Mopane-1X exploration well on PEL83.
- This follows the light oil discovery in shallower sands announced earlier this month.
- On completion of operations, the rig will move to drill Mopane-2X. This is an appraisal well that might also test different targets.
- A DST is then expected to be carried out at Mopane-1X.
- Pending further details on the size of the discoveries, we have increased our chance of development from 40% to 50%.
- We are increasing our target price from C\$1.15 per share to C\$1.25 per share.

## Busy programme on the Shell's block (south of PEL83)

Shell operates PEL 39 that is located just south of PEL83. While Shell has announced the release of its drilling rig in June 2024, the company is reported to be planning on drilling an appraisal of the Jonker discover and at least one more exploration well by then. Once the rig is released, Shell is reported to be embarking on an extensive 3D seismic campaign covering 10,400 km<sup>2</sup>. This is significant because the area represents 80% of the block (12,299 km<sup>2</sup>) and highlights the bullish view of Shell with regards to the prospectivity of the block. At PEL87, Woodside spent ~US\$40 mm for a 5,000 km<sup>2</sup> 3D seismic programme. Assuming a pro rata price for the 3D seismic would suggest that Shell is committing a further ~US\$80 mm to seismic on PEL 83.

## Value build-up

We continue to value the unrisks value of Sintana's interests in each block in the Orange basin in line with the farm-out terms secured by Impact for PEL56. This reflects our view that the farminee (TotalEnergies) would value the interests it is acquiring in PEL56 higher than the value of the provided carry plus cash payment. Our unrisks value of each of Sintana's 4.9% interest in PEL90 and PEL83 is ~US\$250 mm or C\$0.86/sh and of Sintana's 7.3% interest in PEL87 is US\$365 mm or C\$1.26/sh. Assuming 50% chance of commerciality for PEL83 suggest a ReNAV of US\$125 mm (C\$0.43 per share) for Sintana's interest in the block. Overall our ReNAV for Sintana is C\$1.25 per share.

Rating & target	Old	New	
Target	C\$1.15	C\$1.25	
Yield		0%	
Implied total return		178%	
Share data	2022	2023e	2024e
Shares dil., mm	270	386	386
Mkt cap (FD), US\$m	\$23	\$130	\$139
EV, US\$mm	\$17	\$126	\$136
Financial data	2022	2023e	2024e
CFO, US\$mm	(\$6)	(\$2)	(\$1)
Net capex, US\$mm	\$1	\$0	\$0
Net debt, US\$mm	(\$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	\$0.45	\$0.45
EV/DACF	n.a.	n.a.	n.a.
Net asset value			
CNAV, C\$/shr			\$0.08
RENAV, C\$/shr			\$1.25
Unrisks NAV, C\$/shr			\$3.39
P/CNAV			5.9x
P/RENAV			0.4x
P/Unrisks 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
<b>Commodity Prices</b>							
Brent	US\$/bbl	\$99.60	\$82.10	\$85.52	\$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	0.800	0.800	0.800	0.800
<b>Production</b>							
Oil & Gas	boe/d	0	0	0	0	0	0
<b>Financials</b>							
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	<sup>a</sup> 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
<b>Leverage</b>							
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.
<b>Capital Structure</b>							
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	\$130	\$139	\$139	\$139	\$139
Enterprise Value	US\$mm	\$17	\$126	\$136	\$137	\$138	\$139
<b>Dividends &amp; Sustainability</b>							
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%
<b>Performance</b>							
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.	<sup>b</sup> %	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.	<sup>b</sup> %	14001%	-93%	-45%	-21%	-1%	-1%
ROCE	%	-2%	-18%	-7%	-7%	-6%	-6%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	C\$/shr	\$0.08					
RENAV (Atax) - diluted	C\$/shr	\$1.25					
Unrisked NAV (Atax) - diluted	C\$/shr	\$3.39					
P/CNAV	x	5.9x					
P/RENAV	x	0.4x					
P/Unrisked NAV	x	0.1x					
<b>Valuation</b>		<b>2022.0x</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Share Price, YE/Current	C\$/shr	\$0.11	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45
P/CF	x	-1.4x	-59.4x	-113.7x	-142.1x	-142.1x	-142.1x
EV/DACF	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Target EV/DACF	x	81.4x	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 26-Jan-24

**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			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	6%
<b>Total Core NAV</b>			<b>22</b>	<b>22</b>	<b>0.08</b>	<b>0.08</b>	<b>6%</b>
PEL 90 (Namibia Offshore)	n.a.	33%	250	82	0.29	0.86	23%
PEL 83 (Namibia Offshore)	150.0	50%	250	125	0.43	0.86	35%
PEL 87 (Namibia Offshore)	167.9	33%	364	76	0.26	1.26	21%
PEL 82 (Namibia Offshore)			4	4	0.02	0.02	1%
PEL 103 (Namibia Onshore)			0	0	0.00	0.00	0%
VMM 37 (Colombia)		50%	90	50	0.17	0.35	14%
<b>Total Risked Exploration</b>			<b>958</b>	<b>338</b>	<b>1.17</b>	<b>3.35</b>	<b>94%</b>
<b>Total</b>			<b>980</b>	<b>360</b>	<b>1.25</b>	<b>3.39</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>3.39</b>		
<b>P/Core NAV</b>				<b>588%</b>			
<b>P/NAV</b>				<b>36%</b>			
<b>P/Unrisked NAV</b>				<b>13%</b>			

Source: Auctus Advisors, Company Reports

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