

CRITERIUM ENERGY LTD (TSX-V: CEQ)

September 25, 2023

Share price: C\$0.13

Target: C\$0.45

Transactions repriced on more attractive terms

- Criterium has renegotiated the terms of the Mont d'Or (MOPL) acquisition.
- Criterium will now assume only ~US\$25.5 mm of debt rather than ~US\$37 mm previously. A US\$4.8 mm payment to the lenders and the conversion of US\$4.9 mm of debt into equity (US\$2.5 mm on completion of the acquisition plus US\$2.4 mm in 2025) reduce further the existing debt to ~US\$15.8 mm at closing. This is materially lower than the US\$19.7 mm of debt under the previous terms.
- Tourmalet (a subsidiary of Provident Capital Partners, the seller of MOPL) will, as before, be issued US\$1 mm in Criterium shares at closing.
- Criterium is raising new capital of C\$15.3 mm, comprising C\$10 mm of convertible debt plus C\$5.3 mm of new equity. The C\$10 mm convertible plus C\$2.5 mm of the new equity is being issued to a strategic investor.
- The C\$10 mm convertible carries an interest rate of 14.75% per annum and has a duration of 5 years. Criterium can buy back the convertible after two years and holds a right of first refusal on any conversion. The convertible holder will also be issued 62.5 mm warrants at an exercise price C\$0.14/sh. The convertible debt can be converted into equity at C\$0.16/sh.
- The new equity is being issued at a price of C\$0.11/sh including one warrant with an exercise price of C\$0.14/sh for every new share.
- As we incorporate the new terms of the transactions and assume the worst case of a full conversion of the convertible debt into equity, we have changed our target price to C\$0.45/sh near our new ReNAV.

Net debt

The net debt on closing is ~US\$16 mm. On our base case of 1.8 mboe/d production in 2024 and 2.6 mboe/d production in 2025, excluding any step out drilling success or contribution from gas monetization and assuming US\$94/bbl for Brent flat (=current Brent price), we forecast the company would to have net cash greater than its market cap on closing by early 2026. The monetization of the 2C gas resources and some step-out drilling success could take production to 6.5 mboe/d in 2025.

Valuation build-up

We estimate the value of the company based on its development programme at ~C\$0.25/sh. Drilling the 2C contingent oil resources would add ~C\$0.10/sh unrisks while the sanction of the gas aggregation project would add a further ~C\$0.04/sh to ~C\$0.39/sh. Drilling success at the Cerah prospect would add a further C\$0.10 per share. The unrisks value of Bulu stands at C\$0.11 to C\$0.13/sh.

Rating & target	Old	New	
Target	C\$0.55	C\$0.45	
Yield		0%	
Implied total return		246%	
Share data	2022	2023e	2024e
Shares dil., mm	334	361	361
Mkt cap, US\$mm	\$21	\$36	\$38
EV, US\$mm	\$10	\$33	\$28
Financial data	2022	2023e	2024e
Gas, mmcf/d	0.0	0.0	0.0
Liquids, bbl/d	0	302	1,765
Total boe/d (6:1)	0	302	1,765
CFO, US\$mm	(\$1)	\$1	\$19
Net capex, US\$mm	\$0	\$2	\$12
Net debt, US\$mm	(\$1)	\$20	\$14
CFPS dil., US\$/shr	(\$0.00)	\$0.01	\$0.10
EPS dil., US\$/shr	(\$0.00)	(\$0.00)	\$0.09
Valuation	2022	2023e	2024e
Share price, C\$/shr	\$0.08	\$0.13	\$0.13
EV/DACF	-12.5x	25.8x	1.3x
EV per boe/d	n.a.	#####	\$15,687
Net asset value			
CNAV, C\$/shr			\$0.31
RENAV, C\$/shr			\$0.43
Unrisks NAV, C\$/shr			\$0.58
P/CNAV			0.4x
P/RENAV			0.3x
P/Unrisks NAV			0.2x

All figures in US\$ unless otherwise noted

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Figure 1. Financial & operating information

Criterium Energy Ltd (CEQ)		Historical & Auctus Advisors Outlook						
Financial & Operating Information		2021	2022	2023e	2024e	2025e	2026e	2027e
Commodity Prices								
Brent	US\$/bbl	\$67.44	\$99.60	\$84.30	\$92.45	\$73.71	\$70.00	\$70.00
Indonesia Gas realisations	US\$/mcf	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50
USD/CAD	US\$/C\$	0.788	0.770	0.758	0.800	0.800	0.800	0.800
Production								
Oil and Liquids	bbl/d	0	0	302	1,765	2,640	3,102	3,113
Natural Gas	mmcf/d	0	0	0	0	0	0	0
Total (6 mcf = 1 boe)	boe/d	0	0	302	1,765	2,640	3,102	3,113
% Oil and Liquids	%	0%	0%	100%	100%	100%	100%	100%
Netbacks								
Realized Price	US\$/boe	n.a.	\$0.00	\$91.00	\$93.17	\$74.43	\$71.00	\$71.00
Royalties	US\$/boe	n.a.	\$0.00	\$24.68	\$26.91	\$17.98	\$16.51	\$16.51
Production Costs	US\$/boe	n.a.	\$0.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Operating Netback	US\$/boe	n.a.	\$0.00	\$46.32	\$46.27	\$36.45	\$34.49	\$34.49
Taxes	US\$/boe	n.a.	\$0.00	\$10.79	\$10.32	\$7.69	\$6.95	\$6.64
Cash Flow Netback	US\$/boe	n.a.	\$0.00	\$12.34	\$31.97	\$26.10	\$25.28	\$25.60
Government Take	%	0%	0%	12%	11%	10%	10%	9%
Financials								
Cash Flow (CFO)	US\$mm	n.a.	(\$1)	\$1	\$19	\$24	\$29	\$29
CFPS - diluted	US\$/shr	n.a.	(\$0.00)	\$0.01	\$0.10	\$0.12	\$0.14	\$0.13
EBITDAX	US\$mm	n.a.	(\$1)	\$2	\$27	\$33	\$36	\$37
E&D Capex	US\$mm	n.a.	\$0	\$3	\$12	\$10	\$10	\$6
A&D Capex, Net	US\$mm	n.a.	\$0	(\$1)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	n.a.	\$0	\$2	\$12	\$10	\$10	\$6
Total Net Capex/CFO	x	0.0x	0.0x	3.5x	0.6x	0.4x	0.4x	0.2x
Leverage								
Net Debt	US\$mm	n.a.	(\$1)	\$20	\$14	(\$3)	(\$29)	(\$52)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	n.a.	n.a.	\$1	\$1	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	n.a.	181	130	130	151	213	213
Fully Diluted Shares o/s @ YE	mm	n.a.	334	361	361	361	361	361
Market Capitalization	US\$mm	n.a.	\$11	\$13	\$14	\$16	\$22	\$22
Market Capitalization (FD)	US\$mm	n.a.	\$21	\$36	\$38	\$38	\$38	\$38
Enterprise Value	US\$mm	n.a.	\$10	\$33	\$28	\$13	(\$7)	(\$30)
Dividends & Sustainability								
Dividends	US\$mm	0	0	0	0	0	0	0
Dividends	C\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow	US\$mm	n.a.	(\$1)	(\$1)	\$7	\$14	\$19	\$23
Cash Use/CFO	%	n.a.	0%	349%	62%	41%	35%	21%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	n.a.	n.a.	316%	50%	23%	-4%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	499%	179%	-389%	-73%
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	-166%	3585%	25%	17%	2%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	-178%	3682%	134%	-388%	-73%
Net Asset Value								
CNAV (Atax) - diluted	C\$/shr	\$0.314						
RENAV (Atax) - diluted	C\$/shr	\$0.427						
Unrisked NAV (Atax) - diluted	C\$/shr	\$0.583						
P/CNAV	x	0.4x						
P/RENAV	x	0.3x						
P/Unrisked NAV	x	0.2x						
Valuation								
Share Price, YE/Current	C\$/shr	\$0.03	\$0.08	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13
P/CF	x	n.a.	0.1x	11.8x	1.1x	0.9x	0.7x	0.8x
EV/DACF	x	n.a.	-12.5x	25.8x	1.3x	0.5x	-0.3x	-1.0x
Target EV/DACF	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV per boe/d	US\$/boe/d	n.a.	n.a.	\$109,984	\$15,687	\$4,855	(\$2,321)	(\$9,713)
Proved Plus Probable		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV per 2P boe	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV per 2P boe, with FDC	US\$/boe	n.a.	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 21-Sep-23

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	C\$/Share (Risky)	C\$/Share (Unrisked)	% Total
Net Cash/Debt YE23			-20	-20	-0.075	-0.075	-18%
G&A			-6	-6	-0.024	-0.024	-6%
Warrants exercise			15	15	0.056	0.056	13%
Debt Conversion (Westbridge + Seller)			10	10	0.037	0.037	9%
Tungkal 2P	4.60		42	42	0.155	0.155	36%
Tungkla Enhanced programme (3P)	3.00		28	23	0.086	0.101	20%
Tungkal Oil 2C	3.00		28	17	0.060	0.101	14%
Tungkal Gas Aggregation (2C)	3.33		10	5	0.018	0.037	4%
Total Core NAV			106	86	0.314	0.387	74%
Bulu 2C	22.3	75%	30	23	0.083	0.110	19%
Bulu 3C upside	3.8	38%	5	2	0.007	0.019	2%
Tungkal P50 Addition Gas P50	5.7	20%	0				0%
Tungkal P50 Berkas	6.0	20%	0				0%
Tungkal P50 Mengoepeh Subhurst	5.4	20%	0				0%
Tungkal P50 Cerah	6.6	20%	0				0%
Tungkal P50 NW Cerah	2.7	20%	0				0%
West Salawati rehabilitaion upside (Balladewa cluster)	2.0	35%	18	6	0.024	0.067	0%
West Salawati Prospective Resources (3X and lead 15)	32.0	0%					0%
Total Risked Exploration			54	31	0.113	0.196	26%
Total			159	117	0.427	0.583	100%
Unrisked NAV						0.58	
P/Core NAV					41%		
P/NAV					30%		
P/Unrisked NAV					22%		

Source: Auctus Advisors, Company Reports

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