

CRITERIUM ENERGY LTD (TSX-V: CEQ)

August 13, 2024

Share price: C\$0.07

Target: C\$0.35

New drilling expected to start in September

- A drilling rig is scheduled to be mobilize on site in August. The two-well infill program, targeting a previously undrilled section of the MGH Field, is anticipated to commence in early September with the wells expected to come on production in early November at a forecasted combined rate of 300 bbl/d.
- While this is a bit later than we anticipated, we continue to forecast that Criterium will exit 2024 with ~1,250 boe/d production.
- The programme is expected to cost only US\$4.5 mm with payback in less than 6 months.
- Following the strong performance of the first work-over campaign in early 2024, Criterium has launched a second campaign of five new work-overs in late July. To date, two workovers have been completed and early indications are that production levels exceed internal expectations of ~ 30 bbl/d per workover.
- The remaining three workovers are expected to be completed by mid-August.
- Completing the divestment of Bulu for US\$7.75 mm by the end of August remains a key event as this would either allow the company to reduce its debt and/or accelerate its drilling programme.
- Further progress on the onshore gas development is another key area of near term potential value creation.
- We re-iterate our target price of C\$0.35 per share in line with our ReNAV.

Valuation

Our Core NAV and ReNAV are unchanged at respectively C\$0.23 per and C\$0.33 per share.

Rating & target	Old	New	
Target	C\$0.35	n.c.	
Yield		0%	
Implied total return		438%	
Share data	2023	2024e	2025e
Shares dil., mm	69	266	266
Mkt cap, US\$mm	\$7	\$13	\$14
EV, US\$mm	\$3	\$20	\$40
Financial data	2023	2024e	2025e
Gas, mmcf/d	0.0	0.0	0.0
Liquids, bbl/d	0	1,007	1,280
Total boe/d (6:1)	0	1,007	1,280
CFO, US\$mm	(\$3)	\$3	\$4
Net capex, US\$mm	\$1	(\$11)	\$22
Net debt, US\$mm	(\$1)	\$13	\$31
CFPS dil., US\$/shr	(\$0.03)	\$0.03	\$0.05
EPS dil., US\$/shr	(\$0.05)	(\$0.00)	\$0.01
Valuation	2023	2024e	2025e
Share price, C\$/shr	\$0.13	\$0.07	\$0.07
EV/DACF	-1.1x	3.5x	5.1x
EV per boe/d	n.a.	\$20,088	\$31,343
Net asset value			
CNAV, C\$/shr			\$0.23
RENAV, C\$/shr			\$0.33
Unrisked NAV, C\$/shr			\$2.06
P/CNAV			0.3x
P/RENAV			0.2x
P/Unrisked NAV			0.0x

All figures in US\$ unless otherwise noted

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Figure 1. Financial & operating information

Criterion Energy Ltd (CEQ)		Historical & Auctus Advisors Outlook						
Financial & Operating Information		2022	2023	2024e	2025e	2026e	2027e	2028e
Commodity Prices								
Brent	US\$/bbl	\$99.60	\$82.71	\$84.26	\$74.97	\$70.00	\$70.00	\$70.00
Indonesia Gas realisations	US\$/mcf	\$6.50	\$6.50	\$6.50	\$7.00	\$7.00	\$7.00	\$7.00
USD/CAD	US\$/C\$	0.770	0.745	0.775	0.800	0.800	0.800	0.800
Production								
Oil and Liquids	bbl/d	0	0	1,007	1,280	1,815	2,234	2,020
Natural Gas	mmcf/d	0	0	0	0	8	8	8
Total (6 mcf = 1 boe)	boe/d	0	0	1,007	1,280	3,148	3,568	3,353
% Oil and Liquids	%	0%	0%	100%	100%	58%	63%	60%
Netbacks								
Realized Price	US\$/boe	\$0.00	\$0.00	\$84.66	\$76.01	\$58.72	\$60.16	\$59.47
Royalties	US\$/boe	\$0.00	\$0.00	\$22.75	\$18.66	\$10.28	\$11.01	\$10.66
Production Costs	US\$/boe	\$0.00	\$0.00	\$35.24	\$30.55	\$16.66	\$15.88	\$16.25
Operating Netback	US\$/boe	\$0.00	\$0.00	\$26.67	\$26.81	\$31.78	\$33.27	\$32.55
Taxes	US\$/boe	\$0.00	\$0.00	\$4.43	\$5.02	\$6.16	\$6.32	\$5.92
Cash Flow Netback	US\$/boe	\$0.00	\$0.00	\$13.79	\$16.68	\$23.54	\$25.12	\$24.69
Government Take	%	0%	0%	5%	7%	10%	11%	10%
Financials								
Cash Flow (CFO)	US\$mm	(\$1)	(\$3)	\$3	\$4	\$22	\$29	\$27
CFPS - diluted	US\$/shr	(\$0.00)	(\$0.03)	\$0.03	\$0.05	\$0.16	\$0.19	\$0.18
EBITDAX	US\$mm	(\$1)	(\$2)	\$7	\$10	\$34	\$41	\$37
E&D Capex	US\$mm	\$0	\$0	\$4	\$22	\$13	\$8	\$0
A&D Capex, Net	US\$mm	\$0	\$1	(\$15)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$1	(\$11)	\$22	\$13	\$8	\$0
Total Net Capex/CFO	x	0.0x	-0.4x	-3.3x	5.9x	0.6x	0.3x	0.0x
Leverage								
Net Debt	US\$mm	(\$1)	(\$1)	\$13	\$31	\$22	\$1	(\$26)
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.	\$4	\$1	\$1	\$0
Capital Structure								
Basic Shares o/s @ YE	mm	181	38	137	167	167	167	167
Fully Diluted Shares o/s @ YE	mm	334	69	266	266	266	266	266
Market Capitalization	US\$mm	\$11	\$4	\$7	\$9	\$9	\$9	\$9
Market Capitalization (FD)	US\$mm	\$21	\$7	\$13	\$14	\$14	\$14	\$14
Enterprise Value	US\$mm	\$10	\$3	\$20	\$40	\$31	\$10	(\$17)
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%	0.0%
Free Cash Flow	US\$mm	(\$1)	(\$4)	\$14	(\$19)	\$9	\$21	\$27
Cash Use/CFO	%	0%	-42%	-326%	589%	59%	28%	1%
Performance								
Prod. Per Shr Growth (Y/Y) - dil.	%	n.a.	n.a.	n.a.	15%	146%	13%	-6%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	-18%	208%	166%	-228%
CFPS Growth (Y/Y) - dil.	%	n.a.	219%	-227%	17%	492%	29%	-6%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	2102%	-114%	-24%	642%	203%	-229%
Net Asset Value								
CNAV (Atax) - diluted	C\$/shr	\$0.234						
RENAV (Atax) - diluted	C\$/shr	\$0.329						
Unrisked NAV (Atax) - diluted	C\$/shr	\$2.056						
P/CNAV	x	0.3x						
P/RENAV	x	0.2x						
P/Unrisked NAV	x	0.0x						
Valuation								
Share Price, YE/Current	C\$/shr	\$0.08	\$0.13	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07
P/CF	x	0.1x	-3.0x	1.5x	1.1x	0.3x	0.3x	0.3x
EV/DACF	x	-12.5x	-1.1x	3.5x	5.1x	1.1x	0.3x	-0.6x
Target EV/DACF	x	n.a.	-7.1x	22.2x	19.6x	3.3x	2.6x	2.7x
EV per boe/d	US\$/boe/d	n.a.	n.a.	\$20,088	\$31,343	\$9,808	\$2,789	(\$5,047)
EV per 2P boe	US\$/boe	n.a.	0.6	4.8	10.7	11.8	7.6	188.0
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 8-Aug-24

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$m)	EMV (US\$m)	C\$/Share (Risky)	C\$/Share (Unrisked)	% Total
Net Cash/Debt YE24 (after conversion of convertible debt)			-14	-14	-0.065	-0.065	-20%
G&A			-7	-7	-0.032	-0.032	-10%
Options exercise			11	11	0.050	0.050	15%
Tungkal 2P	4.6	100%	39	39	0.181	0.181	55%
Tungkal Gas Aggregation (2C)	3.3	60%	35	21	0.100	0.166	30%
Total Core NAV			64	50	0.234	0.301	71%
Tungkal Enhanced programme (3P)	3.0	40%	25	10	0.047	0.118	14%
Tungkal Oil 2C	3.0	40%	25	10	0.047	0.118	14%
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%	0				0%
West Salawati Prospective Resources (3X and lead 15)	32.0	0%					0%
Total Risked upside			50	20	0.095	0.237	29%
Total			114	70	0.329	2.056	100%
Unrisked NAV					2.06		
P/Core NAV				28%			
P/NAV				20%			
P/Unrisked NAV				3%			

Source: Auctus Advisors, Company Reports

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