

# CRITERIUM ENERGY LTD (TSX-V: CEQ)

May 01, 2024

Share price: C\$0.07

Target: C\$0.30

## On track

- The work-over programme has started with the first two work-overs having added a total of ~40 bbl/d. The third work-over was not completed as damaged equipment was encountered downhole.
- The second tranche of work-overs will start in May. Overall, 12-15 work-overs will be undertaken during 2024, at a pace of 2-3 workovers per month, potentially adding a total of 240-300 boe/d.
- The drilling of new wells is expected to start in 3Q24 at a cost of US\$1.8 mm per new well. 10 infill development and infill drilling locations have been high-graded. Each well could add 75-200 bbl/d with a payback of 4-6 months.
- Importantly, the sale of Bulu continues to make progress. Completing the divestment of this asset would be a rerating event as it would add US\$7.75 mm in cash to Criterium's balance. This is more than the current market cap of the company. This could also allow the company to accelerate the drilling programme. Repaying an additional US\$5.5 mm of debt could also trigger a US\$3.8 mm debt write down.
- Production continues to be expected to reach 1.0-1.5 mboe/d by YE24. In addition, the development of the gas could add a further 1.0-1.5 mboe/d from 2025 or 2026. We reiterate our Target Price of C\$0.30/sh in line with our ReNAV.

## Valuation and cashflow

We continue to attribute a 50% probability to the divestment of Bulu. Completing the transaction would add ~C\$0.05 per share to our ReNAV (including the US\$3.8 mm write-down but excluding the benefits to accelerate the development programme). Our Core NAV is C\$0.22/sh with a ReNAV of C\$0.33/sh. It incorporates a lower share count (minus 5 mm shares as a result of a correction in the number of shares being issued to one of the lenders). Once oil production has reached ~2.2 mbbbl/d (plus 8 mmcf/d of gas) in 2027, we forecast recurrent free cash flow of ~US\$20 mm per year at US\$70/bbl.

Rating & target	Old	New	
Target	C\$0.30	n.c.	
Yield		0%	
Implied total return		329%	
Share data	2023	2024e	2025e
Shares dil., mm	69	273	273
Mkt cap, US\$mm	\$7	\$15	\$15
EV, US\$mm	\$3	\$28	\$47
Financial data	2023	2024e	2025e
Gas, mmcf/d	0.0	0.0	0.0
Liquids, bbl/d	0	1,017	1,280
Total boe/d (6:1)	0	1,017	1,280
CFO, US\$mm	(\$3)	\$4	\$4
Net capex, US\$mm	\$1	\$5	\$22
Net debt, US\$mm	(\$1)	\$21	\$37
CFPS dil., US\$/shr	(\$0.03)	\$0.04	\$0.04
EPS dil., US\$/shr	(\$0.05)	\$0.02	\$0.00
Valuation	2023	2024e	2025e
Share price, C\$/shr	\$0.13	\$0.07	\$0.07
EV/DACF	-1.1x	4.7x	6.1x
EV per boe/d	n.a.	\$28,005	\$36,352
Net asset value			
CNAV, C\$/shr			\$0.22
ReNAV, C\$/shr			\$0.33
Unrisked NAV, C\$/shr			\$2.15
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
<b>Commodity Prices</b>								
Brent	US\$/bbl	\$99.60	\$82.71	\$85.52	\$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
<b>Production</b>								
Oil and Liquids	bbl/d	0	0	1,017	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	1,017	1,280	3,148	3,568	3,353
% Oil and Liquids	%	0%	0%	100%	100%	58%	63%	60%
<b>Netbacks</b>								
Realized Price	US\$/boe	\$0.00	\$0.00	\$85.95	\$76.01	\$58.72	\$60.16	\$59.47
Royalties	US\$/boe	\$0.00	\$0.00	\$23.36	\$18.66	\$10.28	\$11.01	\$10.66
Production Costs	US\$/boe	\$0.00	\$0.00	\$35.61	\$30.55	\$16.66	\$15.88	\$16.25
Operating Netback	US\$/boe	\$0.00	\$0.00	\$26.98	\$26.81	\$31.78	\$33.27	\$32.55
Taxes	US\$/boe	\$0.00	\$0.00	\$6.01	\$4.97	\$6.14	\$6.30	\$5.90
Cash Flow Netback	US\$/boe	\$0.00	\$0.00	\$16.39	\$16.36	\$23.41	\$25.00	\$24.57
Government Take	%	0%	0%	7%	7%	10%	10%	10%
<b>Financials</b>								
Cash Flow (CFO)	US\$mm	(\$1)	(\$3)	\$4	\$4	\$22	\$28	\$27
CFPS - diluted	US\$/shr	(\$0.00)	(\$0.03)	\$0.04	\$0.04	\$0.15	\$0.18	\$0.17
EBITDAX	US\$mm	(\$1)	(\$2)	\$8	\$10	\$34	\$41	\$37
E&D Capex	US\$mm	\$0	\$0	\$5	\$22	\$13	\$8	\$0
A&D Capex, Net	US\$mm	\$0	\$1	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$1	\$5	\$22	\$13	\$8	\$0
Total Net Capex/CFO	x	0.0x	-0.4x	1.1x	6.3x	0.6x	0.3x	0.0x
<b>Leverage</b>								
Net Debt	US\$mm	(\$1)	(\$1)	\$21	\$37	\$29	\$8	(\$18)
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.	\$6	\$2	\$1	\$0
<b>Capital Structure</b>								
Basic Shares o/s @ YE	mm	181	38	134	163	163	163	163
Fully Diluted Shares o/s @ YE	mm	334	69	273	273	273	273	273
Market Capitalization	US\$mm	\$11	\$4	\$7	\$9	\$9	\$9	\$9
Market Capitalization (FD)	US\$mm	\$21	\$7	\$15	\$15	\$15	\$15	\$15
Enterprise Value	US\$mm	\$10	\$3	\$28	\$47	\$38	\$17	(\$9)
<b>Dividends &amp; Sustainability</b>								
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)	(\$1)	(\$19)	\$9	\$20	\$26
Cash Use/CFO	%	0%	-42%	114%	635%	60%	28%	1%
<b>Performance</b>								
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%	201%	140%	-312%
CFPS Growth (Y/Y) - dil.	%	n.a.	219%	-270%	-19%	523%	30%	-6%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	2066%	-119%	-47%	663%	174%	-313%
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	C\$/shr	\$0.216						
RENAV (Atax) - diluted	C\$/shr	\$0.327						
Unrisked NAV (Atax) - diluted	C\$/shr	\$2.153						
P/CNAV	x	0.3x						
P/RENAV	x	0.2x						
P/Unrisked NAV	x	0.0x						
<b>Valuation</b>		<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>	<b>2028e</b>
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	1.4x	1.3x	0.4x	0.3x	0.3x
EV/DACF	x	-12.5x	-1.1x	4.7x	6.1x	1.4x	0.5x	-0.3x
Target EV/DACF	x	n.a.	-6.1x	14.6x	18.6x	3.0x	2.3x	2.4x
EV per boe/d	US\$/boe/d	n.a.	n.a.	\$28,005	\$36,352	\$12,021	\$4,897	(\$2,639)
EV per 2P boe	US\$/boe	n.a.	0.6	6.7	12.4	14.5	13.3	102.3
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 30-Apr-24

**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 YE24			-22	-22	-0.100	-0.100	-31%
G&A			-5	-5	-0.021	-0.021	-7%
Warrants exercise			11	11	0.049	0.049	15%
Debt Conversion (Debt Seller)			3	3	0.015	0.015	5%
Tungkal 2P	4.6	100%	39	39	0.177	0.177	54%
Tungkal Gas Aggregation (2C)	3.3	60%	35	21	0.097	0.162	30%
<b>Total Core NAV</b>			<b>61</b>	<b>47</b>	<b>0.216</b>	<b>0.281</b>	<b>66%</b>
Tungkal Enhanced programme (3P)	3.0	40%	25	10	0.046	0.115	14%
Tungkal Oil 2C	3.0	40%	25	10	0.046	0.115	14%
Bulu Divestment		50%	8	4	0.018	0.037	6%
Tungkal P50 Addition Gas P50	5.7	20%	0				0%
Tungkal P50 Berkas	6.0	20%	0				0%
Tungkal P50 Mengoepoh 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 rehabilitation upside (Balladewa cluster)	2.0	35%	0				0%
West Salawati Prospective Resources (3X and lead 15)	32.0	0%					0%
<b>Total Risked upside</b>			<b>58</b>	<b>24</b>	<b>0.111</b>	<b>0.268</b>	<b>34%</b>
<b>Total</b>			<b>120</b>	<b>71</b>	<b>0.327</b>	<b>2.153</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>2.15</b>		
<b>P/Core NAV</b>				<b>32%</b>			
<b>P/NAV</b>				<b>21%</b>			
<b>P/Unrisked NAV</b>				<b>3%</b>			

Source: Auctus Advisors, Company Reports

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