

# CRITERIUM ENERGY LTD (TSX-V: CEQ)

June 26, 2024

Share price: C\$0.07

Target: C\$0.35

## Results of work-over campaign above expectations. New drilling to start in August

- The work-over programme has delivered a production increase of 180 bbl/d from six wells at a total cost of US\$0.36 mm. This represents an average increase of ~30 bbl/d, which is 50% above management's expectations (20 bbl/d). The overall costs are on budget.
- One of the worked-over wells, MGH-07, is now producing 40 mcf/d of natural gas (no natural gas production previously). The produced gas is used as fuel for power generation, directly reducing diesel consumption by 50%, resulting in an annualized operating cost savings of ~US\$0.25 mm and reducing emissions (0.5ktpa) associated with Criterium's operations at the same time.
- The payback period for five out of the six work-overs is estimated to be only 15-85 days and the aggregate program will have paid back by end of June.
- Production has now increased from 802 bbl/d in 1Q24 (and 870 bbl/d in late May) to ~910 bbl/d with two additional work-overs on stream compared to the end of May.
- A further 6-9 workovers are planned in 2024. The next work-over programme will start in July. Criterium has also identified follow-on workovers targeting gas zones within the field to ensure gas production can support power generation needs, reducing operating costs.
- Drilling operations are expected to start in August with two wells expected to be completed by the end of 3Q24.
- Criterium continues to anticipate the completion of the divestment of Bulu for US\$7.75 mm by the end of August. This would have a very positive impact on the company's balance sheet and its ability to increase production. Including the divestment of Bulu, we forecast YE24 net debt of US\$14 mm, which could be reduced further by paying down the existing debt in return for additional write-down.
- With the divestment of Bulu on track to complete by the end of August, we re-iterate our target price of C\$0.35 per share in line with our ReNAV.

### Re-iterating the FY24 guidance

The company has re-iterated its YE24 production guidance of 1.2-1.3 mbbbl/d with US\$4.8-5.5 mm capex. We forecast 1,250 boe/d production in 4Q24. This would lead to >C\$2 mm operating cashflow (after amortization payments) in 4Q24.

### 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		400%	
Share data	2023	2024e	2025e
Shares dil., mm	69	266	266
Mkt cap, US\$mm	\$7	\$14	\$15
EV, US\$mm	\$3	\$21	\$41
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	(\$10)	\$22
Net debt, US\$mm	(\$1)	\$14	\$32
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	5.2x
EV per boe/d	n.a.	\$20,860	\$32,043
Net asset value			
CNAV, C\$/shr			\$0.23
RENAV, C\$/shr			\$0.33
Unrisked NAV, C\$/shr			\$2.05
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**

Criterium 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	1,007	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%
<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	\$23.39	\$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	\$27.32	\$26.81	\$31.78	\$33.27	\$32.55
Taxes	US\$/boe	\$0.00	\$0.00	\$4.43	\$4.97	\$6.14	\$6.30	\$5.90
Cash Flow Netback	US\$/boe	\$0.00	\$0.00	\$14.44	\$16.73	\$23.56	\$25.14	\$24.71
Government Take	%	0%	0%	5%	7%	10%	10%	10%
<b>Financials</b>								
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	\$5	\$22	\$13	\$8	\$0
A&D Capex, Net	US\$mm	\$0	\$1	(\$15)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$1	(\$10)	\$22	\$13	\$8	\$0
Total Net Capex/CFO	x	0.0x	-0.4x	-2.9x	5.8x	0.6x	0.3x	0.0x
<b>Leverage</b>								
Net Debt	US\$mm	(\$1)	(\$1)	\$14	\$32	\$22	\$1	(\$25)
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
<b>Capital Structure</b>								
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	\$9	\$11	\$11	\$11	\$11
Market Capitalization (FD)	US\$mm	\$21	\$7	\$16	\$17	\$17	\$17	\$17
Enterprise Value	US\$mm	\$10	\$3	\$22	\$42	\$33	\$12	(\$15)
<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)	\$14	(\$18)	\$9	\$21	\$27
Cash Use/CFO	%	0%	-42%	-290%	585%	59%	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.	-16%	205%	147%	-282%
CFPS Growth (Y/Y) - dil.	%	n.a.	219%	-236%	9%	489%	29%	-6%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	2011%	-118%	-28%	630%	181%	-282%
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	C\$/shr	\$0.234						
RENAV (Atax) - diluted	C\$/shr	\$0.328						
Unrisked NAV (Atax) - diluted	C\$/shr	\$2.054						
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	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
P/CF	x	0.1x	-3.0x	1.8x	1.4x	0.4x	0.3x	0.4x
EV/DACF	x	-12.5x	-1.1x	3.7x	5.4x	1.2x	0.4x	-0.5x
Target EV/DACF	x	n.a.	-7.1x	20.7x	19.5x	3.3x	2.6x	2.7x
EV per boe/d	US\$/boe/d	n.a.	n.a.	\$21,916	\$33,084	\$10,509	\$3,400	(\$4,404)
EV per 2P boe	US\$/boe	n.a.	0.6	5.2	11.2	12.6	9.2	164.1
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 3-Jun-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 (after conversion of convertible debt)			-14	-14	-0.066	-0.066	-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	0.182	0.182	55%
Tungkal Gas Aggregation (2C)	3.3	60%	35	21	0.100	0.166	30%
<b>Total Core NAV</b>			<b>64</b>	<b>50</b>	<b>0.234</b>	<b>0.300</b>	<b>71%</b>
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%
<b>Total Risked upside</b>			<b>50</b>	<b>20</b>	<b>0.095</b>	<b>0.237</b>	<b>29%</b>
<b>Total</b>			<b>114</b>	<b>70</b>	<b>0.328</b>	<b>2.054</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>2.05</b>		
<b>P/Core NAV</b>					<b>34%</b>		
<b>P/NAV</b>					<b>24%</b>		
<b>P/Unrisked NAV</b>					<b>4%</b>		

Source: Auctus Advisors, Company Reports

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