

NG Energy International Corp. (GASX-V)

Q2 Results In-line; Watching For Approvals

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Event: GASX released its Q2/21 results that were limited as the company remains pre-production. The net loss for the quarter was as forecast at -US\$0.9MM. The most pertinent result is the company's level of net debt, which stood at US\$1.9 million at the end of the quarter. That is a change Q/Q from US\$3.4 million of net cash as GASX had US\$4 million of capex related mainly to the Istanbul-1 re-entry and testing.

The next steps for GASX relates to moving forward with activity on its Maria Conchita and Sinu-9 Blocks, which have both experienced delays from Covid restrictions and social unrest.

At its Maria Conchita Block, the environmental approvals and completion of the facilities and pipeline construction should come by the end of Q3/21, which will allow the Aruchara-1 and Istanbul-1 wells to commence production. This would be a major milestone for GASX. We continue to expect production from this 80% WI block to begin in early Q4/21 at 15-20 mmcf/d gross.

GASX is also waiting for environmental approvals at its high impact Sinu-9 Block, which we expect to be received soon. Once that box is checked, GASX can begin its exploration drilling. Each of the four wells in the initial drilling phase at Sinu-9 has the potential for 15-30 mmcf/d gross (72% WI).

Conclusion & Recommendation: We maintain our \$2.80 target price as we await news on both the Maria Conchita and Sinu-9 Blocks. We maintain our Buy rating.

Q2/21 Results

BUY (unch)	\$2.80 (unch)
Recent price	\$1.00
12-month Target Price	\$2.80
Potential Return	180%
52 Week Price Range	\$0.61 - \$1.88
FYE	Dec 31

Assumptions	2019A	2020A	2021E	2022E
Brent (US\$/bbl)	\$64.45	\$43.04	\$67.63	\$70.00
HHUB (US\$/mcf)	\$2.55	\$2.13	\$3.01	\$2.90
US\$/CDN\$	\$0.75	\$0.75	\$0.80	\$0.80

Production	2019A	2020A	2021E	2022E
Crude oil & Liquids (bbl/d)	31	-	-	-
Natural Gas (mmcf/d)	-	-	2.8	61.2
Total Production (boe/d)	31	-	462	10,200

Financial (US\$MM, except Per Share item)	2019A	2020A	2021E	2022E
FFO	(\$3.9)	(\$1.3)	(\$2.2)	\$52.5
CAPEX	\$1.4	\$4.5	\$31.1	\$60.0
YE Net Debt	\$0.7	\$2.8	\$28.7	\$33.6
Net Debt/CF	-0.2x	-2.1x	-13.1x	0.6x
FFOPS - Fully Diluted	(\$0.32)	(\$0.03)	(\$0.02)	\$0.45
EPS - Fully Diluted	\$0.09	(\$0.49)	(\$0.04)	\$0.10

Valuation	2019A	2020A	2021E	2022E
P/CF	-	-	-47.6x	2.2x
EV/DACF	-	-	-169.5x	2.3x
EV/BOEPD	-	-	\$292,170	\$13,711

Stock Data	2019A	2020A	2021E	2022E
Shares Outstanding, Basic (MM)	-	-	-	106.3
Shares Outstanding, Diluted (MM)	-	-	-	139.3
Insider Holdings, Basic	-	-	-	34%
Market Capitalization (MM)	-	-	-	\$106.3
Enterprise value (MM)	-	-	-	\$108.6

About the Company
NG Energy is engaged in natural gas acquisition, exploration and production in Colombia. Head office is in Bogota, Colombia.



Risks

- **Commodity Price Fluctuations** – The company has direct exposure to Colombian natural gas prices. Downward movements in this commodity can adversely affect the financial performance of the company. To offset this risk, the company may enter into derivative risk management contracts to manage its exposure to commodity price fluctuations.
- **Financing** – Exploring and developing for hydrocarbons may require a combination of debt and equity capital. We do not forecast additional equity; however, our models incorporate fluctuations in net debt. There is no certainty that the company can raise equity capital or that its bank lines will remain static or increase.
- **Foreign exchange & Interest Rates** – Any movement in either of these rates has the potential to adversely affect the company's financial performance.
- **Cost Overruns** – Unexpected drilling, completion and/or operational cost overruns can mitigate the operational and financial performance of the company.
- **Country risk** – A change in government may lead to policies or laws that are detrimental to the industry or company, which may impact results. As Colombia is a democratically-elected government that ranks within the top-100 on the 2019 Corruption Perceptions Index, this risk is muted.
- **Weather and Seasonal Factors** – Extreme weather conditions may influence results.
- **Change in Fiscal Regime** – A change in the royalty or tax rates as they relate to oil and gas production may adversely affect cash flows.
- **Well Performance** – The company may have a higher than normal amount of risk associated with its wells or plays due to the early-stage nature of its asset base. Lower production volumes, higher decline rates and/or dry holes can adversely affect the results of the company, particularly from a potential negative reserve revision perspective. Past performance may not be indicative of future execution.

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As at July 31, 2021	#Stocks	Distribution
BUY	70	74.5%
Speculative Buy	20	21.3%
Hold	2	2.1%
Sell	0	0.0%
Under Review	1	1.1%
Tender	1	1.1%
Total	94	100%

BUY Total 12-month return expected to be > 15%
 Speculative Buy Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
 Hold Total 12-month return is expected to be between 0% and 15%
 Sell Total 12-month return is expected to be negative
 Under Review
 Tender Clients are advised to tender their shares to a takeover bid or similar offer

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