



February 19, 2020

## Calima secures Tommy Lakes infrastructure with replacement cost estimated at A\$85m

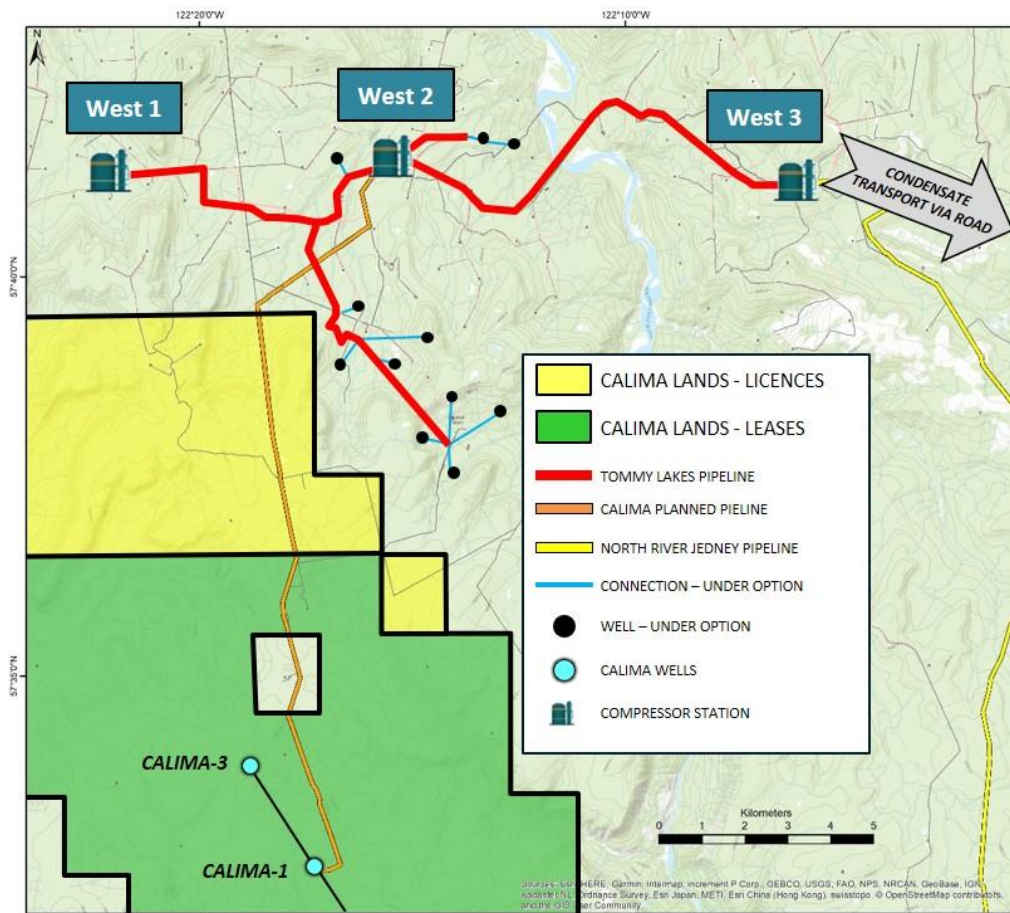
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### Highlights:

- Calima has secured the acquisition of Tommy Lakes infrastructure, which will provide the Company with cost-efficient access to North River Midstream pipeline and Jedney processing facility.
  - This provides Calima with the ability to access regional markets via the major pipeline networks such as NGTL, Alliance and T-North.
  - Infrastructure being acquired includes gathering pipelines, compression facilities and associated facilities capable of transporting up to 50 Mmcf/d of gas and 1,500-2,000 bbls/d of well-head condensate
  - Located 20 km from Calima Lands –approval to build connecting pipeline already secured.
  - Facilities to be placed into suspension until partner or financing finalised - annual holding costs of A\$420,000.
  - Acquisition cost and performance bonds ~A\$825,000.
  - Facilities in excellent condition with a replacement cost estimated at A\$85 million.
  - Enables completion of the Field Development Plan and elevates the Calima Lands to being ready-for-development pending a Final Investment Decision.
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**Calima Energy Limited (ASX:CE1)** (“**Calima**” or the “**Company**”) owns and operates drilling and production rights in British Columbia (“Calima Lands”). The Company is pleased to announce it has entered into an agreement <sup>(1)</sup> to acquire, compression facilities, associated pipelines and infrastructure (“the Facilities”) in the Tommy Lakes Field (Figure 1) which lies immediately to the north of the Calima Lands.

**Alan Stein, Calima’s Managing Director commented:** *“This is a significant strategic acquisition that gives the Company access to markets in a very cost-efficient manner. With gas prices showing consistent increases over the last 6 months development economics are showing steady improvement. With a replacement value of \$85 million the re-use of Tommy Lakes significantly reduces capital cost however, just as importantly, avoids the time involved in permitting and constructing new facilities. The Calima Lands are now ready for development once a funding partner is secured.*”

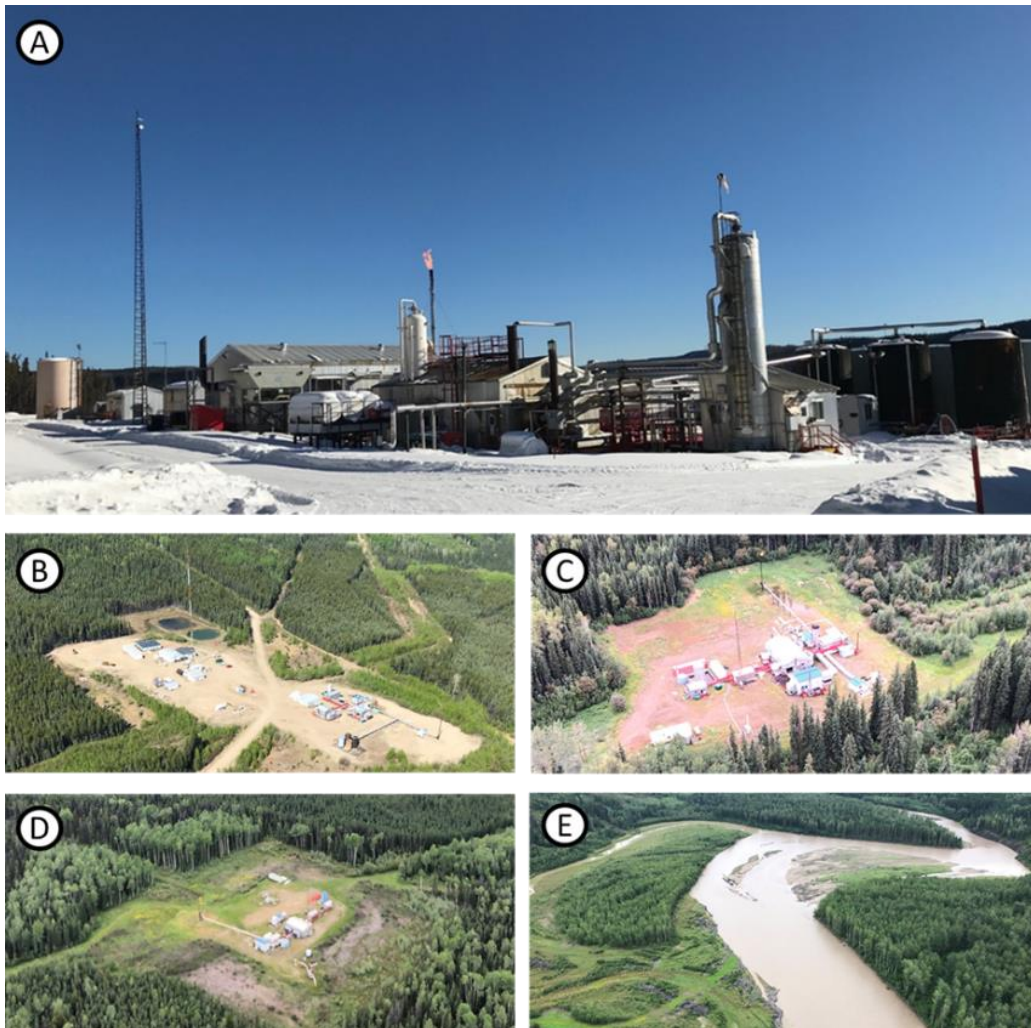


**Figure One** – The Tommy Lakes Infrastructure lies immediately north of the Calima Lands and offers the closest, most cost-effective tie-in to processing facilities and regional pipeline networks. The horizontal wells on Pad A can be connected to the Tommy Lakes field via a proposed 20 km pipeline. Calima is acquiring the pipelines shown in red as well as facilities at the West 1, 2 and 3 locations.

The main components of the Facilities include;

- Compression, processing and associated pipelines capable of transporting up to 50 Mmcf/d of gas and 1,500-2,000 bbls/d of well-head condensate <sup>(2)</sup> to NorthRiver’s Jedney processing facility.
- Field office with a control centre and flexible camp facilities suitable for drilling operations.
- Year-round condensate storage and off-loading facilities.

The Facilities are of strategic value to Calima being the closest (20 km’s) and most cost-effective tie-in point to processing facilities and regional pipeline networks. The Company recently received regulatory approval to construct the pipeline that connects the Company’s suspended wells on Pad A to the Tommy Lakes Facilities (ASX Announcement 19 December 2019).



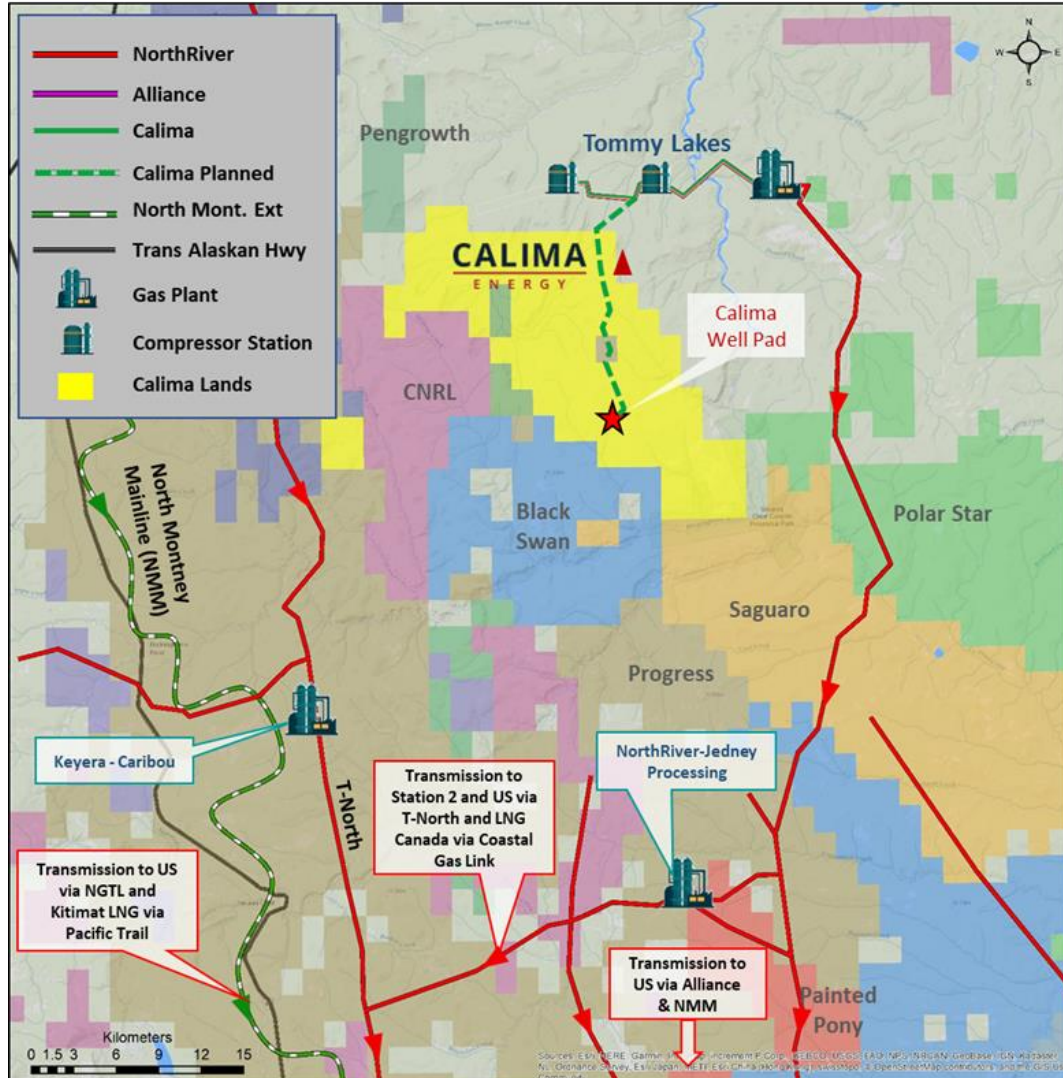
**Figure Two** – Tommy Lakes Field A. Tank storage, liquids handling facility and West 1 compressor, B. Field office, control room and camp facility, C. West 2 Compressor, D. West 1 Compressor, E. Location where the Tommy Lakes pipeline crosses underneath the Sikanni Chief River.

The Tommy Lakes field connects to a raw (wet) gas pipeline that leads directly to the NorthRiver Jedney processing plant which in turn provides immediate access to the major export routes; NGTL/AECO, Alliance and T-North/Station 2 (Figure 3). Importantly, new pipeline investment and capacity growth will allow for gas to be directed towards the Shell/Petronas' LNG Canada Facility via the Canada Coastal Link pipeline and the proposed Woodside/Chevron LNG Facility at Kitimat.

The Facilities are in excellent condition with an estimated replacement value of A\$85 million. The principal consideration to be paid by the Company will be in the region of A\$825,000 which will primarily comprise the cost of shutting down the facilities and the payment of a refundable performance bond to the Oil & Gas Commission of British Columbia ("OGC"). The cost to maintain the Facilities in a shut-down state is estimated to be A\$420,000 p.a. The Company will also be responsible for abandonment and restoration costs of the Facilities at the end of their working life however, to place this in context if



the Facilities were used to produce 50 Mmcf/d for a period of 10 years that would constitute less than 6% of the combined Contingent and Prospective Resources attributed to the Calima Lands effective July 1<sup>st</sup> 2019 (ASX announcement 8 July 2019).



**Figure Three** – The Tommy Lakes pipeline connects to a raw (wet) gas pipeline that leads directly to the NorthRiver Jedney processing plant which in turn provides immediate access to the major export routes; NGTL/AECO, Alliance and T-North/Station 2.

Concurrent with the acquisition of the Facilities, Calima has entered into an option agreement to acquire 11 gas production wells on or before 1 April 2022 in the Tommy Lakes field. These wells provide the Company with the option to use gas as fuel as part of the start-up sequence for the Facilities, if required. If the Company exercises its option to acquire the wells then it will be required to post a further security bond with the OGC and will assume liability for eventual abandonment.



## **Pipeline & Processing Access – NorthRiver Midstream Jedney Facility**

Calima has been in discussions with NorthRiver Midstream to secure the ability to deliver volumes of up to 50 Mmcf/d into their Jedney processing plant. Based on current capacity Jedney can receive up to 25 Mmcf/d from the Calima Lands. Whilst the raw gas line to Jedney can handle well-head condensate, the Company plans to remove most of the condensate at the Tommy Lakes offloading station east of the Sikanni River (~22bbls/Mmcf/d). Additional condensate and other natural gas liquids will then be recovered from subsequent processing at Jedney<sup>(2)</sup>.

## **Field Development Plan & Final Investment Decision**

Completion of this acquisition is the critical component of the Field Development Plan (“FDP”) that will elevate the Calima Lands to being a project ready-for-development.

Calima does not intend to undertake further development work until a Final Investment Decision (“FID”) has been taken. The FID will be subject to securing funding through either the introduction of a joint venture partner and/or project financing facilities being arranged on the back of sustained rising gas prices.

## **Tommy Lakes Field**

The Facilities are currently processing gas and condensate from the Tommy Lakes Field which is owned and operated by Enerplus Corporation (“Enerplus”). Calima is acquiring the Facilities from Enerplus. The Tommy Lakes Field has been producing for more than 20 years using conventional completion techniques from the Dog/Halfway Formation which lies immediately above the Montney.

The Facilities have been maintained in accordance with a high standard integrity management program. Third party due diligence has confirmed that all pipelines and other assets to be acquired are in good working order; are fully compliant with all OGC requirements and can operate efficiently and safely.

## **Approvals for Facilities Hand over**

Calima has been working closely with the OGC to ensure a timely closing of this transaction that will see the necessary licenses and permits being transferred to Calima. The structure of this deal provides benefits to all parties, and especially the BC Government as it ensures that the Calima Lands can be developed on a timely basis with minimal capital expenditures and disturbance to the environment.

For further information visit [www.calimaenergy.com](http://www.calimaenergy.com) or contact:



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Notes (1) Subject to the customary consents and approvals from the regulator. (2) Based on Company drilling results, public domain data and the results of wells drilled on adjacent land the Company's reserve auditors, McDaniels (CE1 ASX release 8 July 2019) estimate that the well-head condensate to gas ratio would be in the range 18-22 bbl per mmcf. This is the condensate that will be transported to the Tommy Lakes Offloading Station east of the Sikanni River. The remaining gas will then be further processed at the North River Midstream Jedney plant, where additional natural gas liquids (NGL's) recovered during processing will be removed and transported via pipeline to a liquid's hub adjacent to the Alaska Highway. The NGL's recovered during processing include additional condensate (C5+) plus lighter fractions such as Propane (C4) and Ethane (C3). According to McDaniel the average liquid to gas ratio for wells in the Calima Lands should therefore be at least 45 bbl/Mmcf with around two thirds of total production being condensate. Management believe the liquid rate was still increasing at the conclusion of testing operations and that with further testing and optimisation the liquid to gas ratio might be considerably improved.

