

Quarterly Activities Report – 31 March 2021

Calima Energy Limited
ABN: 17 117 227 086

ASX Code: CE1

Directors

Glenn Whiddon (Chairman)
Alan Stein (NED)
Brett Lawrence (NED)

Company Secretary

Mark Freeman

Capital Structure (post completion)

ASX Code	CE1
Share Price	0.7 cent
Shares*	10,271 million
Market Cap	A\$71.8 million
Cash	\$3 Million
Net Debt	\$12 million
Options	
9c exp 25/8/22	10,000,000
12c exp 25/8/22	10,000,000
1c exp 30/4/2024	50,000,000
1c exp 30/4/2026*	354,500,000
Performance S/h*	165,450,000

* includes the issue of 2,460,243,360 shares to Blackspur Shareholders which will occur on or before 10 May 2021

* subject to issue/shareholder approval as required

Contact

Address:
Suite 4, 246-250 Railway Pde
West Leederville WA 6007

PO Box 214, West Perth WA
6872

Email: admin@calimaenergy.com

Telephone: +61 8 6500 3270

Facsimile: +61 8 6500 3275

Web: www.calimaenergy.com

Calima is a free cash flow and growth focussed Canadian Oil and Gas Producer and Explorer.

Calima Energy Limited (**ASX: CE1**) (**Calima** or the **Company**) is pleased to provide shareholders with the following summary of its activities during the March 2021 quarter.

KEY ACTIVITIES AND HIGHLIGHTS

- **Acquisition of 100% of Blackspur** a western Canadian conventional oil-weighted energy producer for C\$21.5 million; comprised C\$16.6 million in Calima shares and a cash payment of C\$4.9 million.
- **Capital Raising of \$38 million Completed:** as announced on 28 April 2021 the Company issued 5,425m shares at 0.7c each to raise \$37.9m (before costs) to complete on the Blackspur acquisition.
- **Top Tier Asset Base:** Blackspur's operations include high quality, producing assets in Alberta Canada with an oil weighted reserve base with breakeven at US\$26/WTI:
 - Net Reserves¹:
5.4 MMboe Proved Developed Producing (PDP)
16.7MMboe Total Proved (1P)
22.5 MMboe Total Proved and Probable (2P)
 - 2020 Q4 average production: ~2,600 boe/d
 - Average 2021 forecast production: ~3,000 boe/d (65% oil)²
 - Estimated Dec 2021 production: ~3,400 boe/d (65% oil)²
 - Low-cost production: US\$26/bbl WTI break-even cost
- **Substantial Growth Upside:** Planned organic growth to over 5,500 boe/d by drilling 24 low risk proven undeveloped (PUD) wells by year end 2022³. In Q3 2018, Blackspur averaged production of 4,400 boe/d and peaked over 5,000 boe/d. Large drilling inventory with greater than 60 booked PUD locations¹ and stable low decline production.

2 Sunburst wells and one re-entry operation adding a horizontal leg into an existing Sunburst producing well were completed in April 21. Stabilised flow results will be advised to the market shortly. During May 2021, a 3 well drilling campaign in the Brooks (Sunburst) area followed by 3 well campaign in the Thorsby (Sparky) area in June/July.
- **Leveraged to Oil & Gas Price Recovery:** The Blackspur low-cost oil producing assets will give the larger Company a recurring cash flow stream and exposure to improving oil prices, while the significant resource base of the Calima Lands in the Montney gives upside to both improving oil and gas prices and LNG development in Canada.
- **Environmental Technology:** Existing investment by Blackspur in regenerative, proprietary H2S removal technology will also position Calima with the ability to lower its CO2 emission rates versus peers and offers a number of positive economic & environmental benefits vs. traditional technology.

¹ Refer to announcement dated 25 February 2021 Appendix one

² This forecasted production is based on current PDP production, plus production additions from drilling 6 Sunburst wells and 3 Sparky wells in 2021 based on ~US\$53.00/bbl WTI, US\$12 WTI/WCS differential, ~C\$2.70/mcf AECO, 1.28 USD/CAD

³ This forecasted production is based on current PDP production, plus 2021 wells above and 2022 year end average of drilling 9 Sunburst and 6 Sparky wells including existing production based on ~US\$50.00/bbl WTI, US\$13 WTI/WCS differential, ~C\$2.40/mcf AECO, 1.28 USD/CAD

Blackspur Acquisition

Calima Energy Limited (ASX:CE1) (“Calima” or the “Company”) is pleased to confirm that it has closed on its acquisition of 100% of the issued share capital of Blackspur Oil Corp. (“Blackspur”), a privately held Canadian company which owns producing oil and natural gas assets in two core areas within Alberta, at Brooks and Thorsby (“the Acquisition”). The issue of 2,460,243,360 shares to Blackspur Shareholders will occur on or before 10 May 2021 in accordance with the Blackspur Plan of Arrangement.

Blackspur’s operations include two high quality assets with 2P reserves of 22.5 MMboe, 1P reserves of 16.7 MMboe and PDP reserves of 5.4 MMboe. Q4 2020 production average of 2,600 boe/d (70% oil).

The successful merger with Blackspur has transformed Calima to a high margin oil & gas producer leveraged to WTI pricing plus exposure to rising natural gas prices via its strategic holdings in the Montney Formation.

Calima forecasts 3,000 boe/d average production rate for CY 2021 which at US\$60 WTI is forecast to deliver ~C\$18 million of adjusted EBITDA⁴ for the 8 months to December 2021. The forecast production exit rate for CY 2022 is 5,500 boe/d.

Recently Blackspur drilled two horizontal oil wells targeting the Sunburst Formation and performed one re-entry operation adding a horizontal leg into an existing horizontal Sunburst producing well. The total cost for the three well program was approximately C\$2.2 million, which was 22% under budget. Stabilised flow results will be advised to the market shortly.

During May 2021, the Company will commence a 3 well drilling campaign in the Brooks (Sunburst) area followed by 3 well campaign in the Thorsby (Sparky) area in June/ July.

Net Reserves ⁵	<ul style="list-style-type: none"> • PDP: 5.4 MMboe – 3.29 MMbbl oil and 12.83 Bcfg • TP (1P): 16.7 MMboe - 11.0 MMbbl oil and 33.95 Bcfg • TPP (2P): 22.5 MMboe - 14.7 MMbbl oil and 47.01 Bcfg
Acquisition Metrics	<ul style="list-style-type: none"> • EV/Production: C\$23,077/boe • PDP: C\$11.06/boe • TP (1P): C\$3.59/boe • TPP (2P): C\$2.66/boe

Over the past 7 years, Blackspur has invested over C\$200 million acquiring and developing its assets while creating inventory and infrastructure to accommodate growth to over 10,000 boe/d.

⁴ EBITDA is adjusted for 2021 expected realised hedging losses of C\$4.6 million for calendar 2021 and C\$3.0 million for May – Dec 2021. EBITDA is based on US\$60 WTI, -US\$12 WCS differential, 1.28 CAD/USD FX rate, \$2.70/GJ AECO, corporate average royalty rates of 17%, and operating costs and G&A assumptions that are based off historical financial performance.

⁵ Refer to announcement dated 25 February 2021 Appendix one

Key Terms of the Acquisition

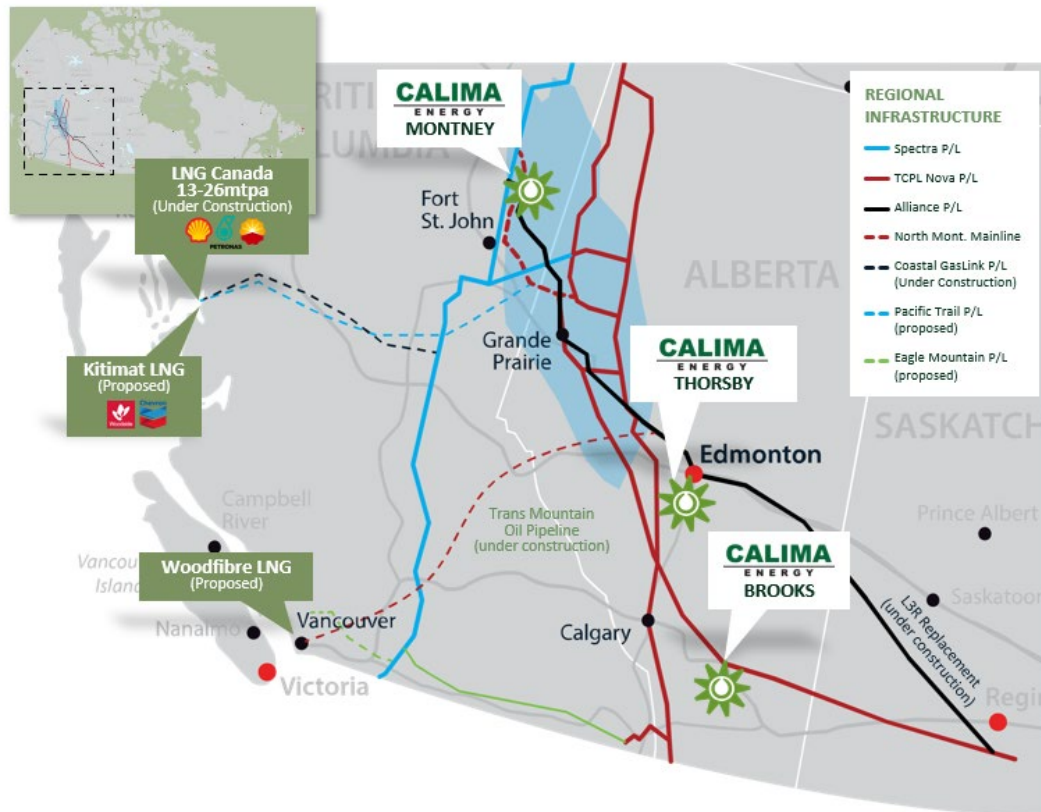
The total consideration paid to Blackspur shareholders was C\$21.5 million, comprised of C\$16.6 million in Calima equity and C\$4.9 million in cash. In addition to Blackspur's credit facilities with National Bank of Canada have been reduced from C\$40 million to C\$13 million on a C\$25 million revolving credit facility; providing an undrawn bank capacity of C\$12 million to achieve strategic goals.

Calima has funded this acquisition via the issue of 5,425,783,115 fully paid ordinary shares under its retail offer pursuant to a prospectus dated 10 February 2021 and institutional placement as confirmed on 26 April 2021 (Capital Raising). The Shares were issued with an issue price of \$0.007 per Share, raising A\$37.9 million dollars (before costs). The post-completion capital structure of the merged Company is set out below:

	Shares	Options	Performance Rights	Timetable
Previous shares on issue	2,221,779,618	20,000,000	19,450,000	27 April
Capital Raising and other share issues	5,589,175,780			28 & 30 April ¹
Broker Options	Nil	50,000,000	Nil	30 April
Plan Performance Rights	Nil	Nil	96,000,000	30 April
Total on issue at the date of this ASX announcement	7,810,955,398	70,000,000	115,450,000	30 April
Merger Consideration Shares (to be issued on or before 10 May 2021)	2,460,243,360	Nil	Nil	10 May
Plan Incentive Securities		354,500,000	50,000,000	4 May ²
Total on issue following merger completion	10,271,198,758	474,500,000	165,450,000	10 May

1. The capital raising shares were issued on 28 April. The other shares relating to the merger were issued on 30 April – see the Appendix 2A of today's date for further details.
2. Several directors are proposed to participate in the incentive plan issue for a total of 56,000,000 Options and 30,000,000 Performance Rights which will only be issued following shareholder approval.

Location of Merged Assets



Overview of Blackspur and its Assets

Blackspur was formed in 2012 and followed through with acquisitions of \$74 million and drilled 59 oil wells funded via a combination of equity and debt. In Q3 2018 Blackspur reached peak production of over 5,000 boe/d.

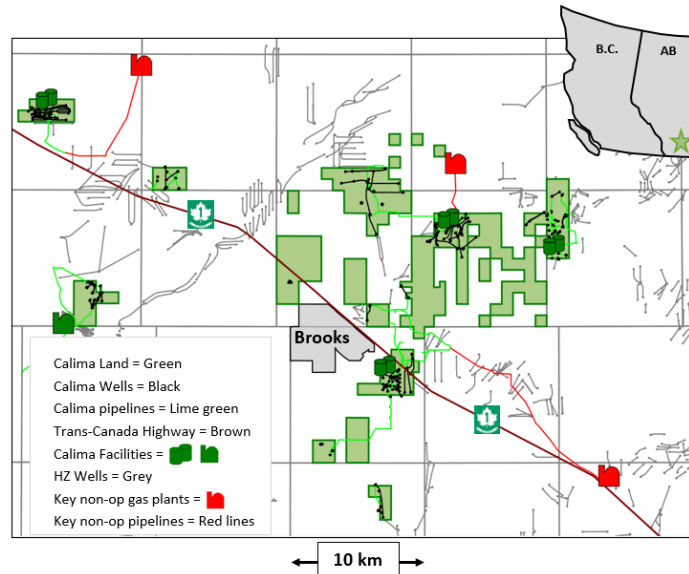
Blackspur has two core production areas in Southern Alberta; Thorsby and Brooks. The Brooks asset produced in Q4 2020 ~1,860 boe/d and Thorsby ~740 boe/d. The combined assets have a liquids ratio of 70% and has a peer leading Liability Management Ratio (LMR) rating of ~4.63 with undiscounted ARO estimated at ~\$14.2 million.

Brooks

Blackspur has established a core position of land (~83 net sections) and significant infrastructure that creates a foundation for growth and expansion with year-round access. The Brooks asset averaged production of a net ~1,860 boe/d in Q4 2020 with a 94% working interest. Blackspur has drilled 48 wells to date.

Brooks production comes from the Sunburst and Glauconitic formations.

The Sunburst Formation can be developed at low cost (<C\$1m per well) delivering economic rates of return. Blackspur's existing infrastructure can process up to 7,000 bbl/d oil.



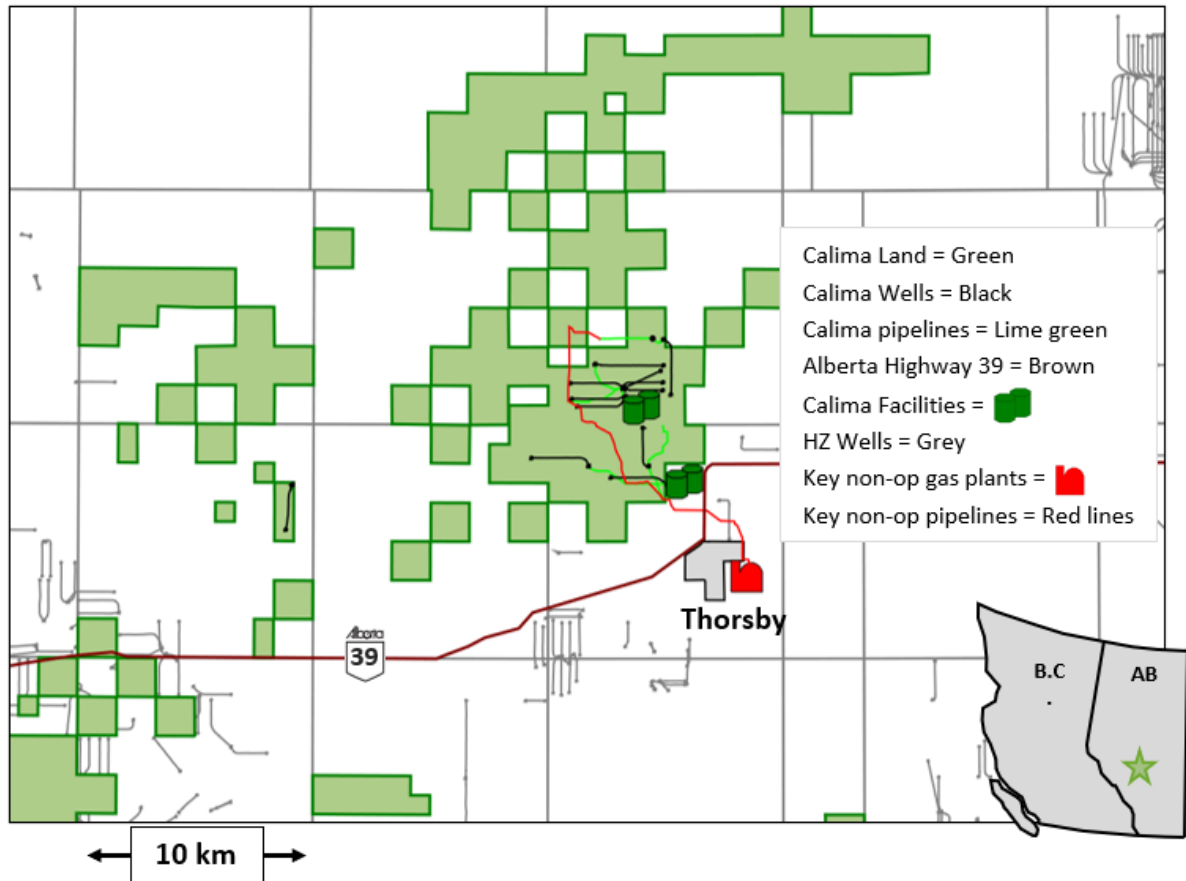
Future growth from the Brooks asset will come from the 147 net locations that have already been identified. These locations include the booked 16 Sunburst and 17 Glauconitic PUDs. Additional reserves are expected to be realized through implementation of enhanced oil recovery projects. Blackspur recently initiated a waterflood in the Countess J2J Pool which is expected to show results in the near term.

Thorsby

Thorsby provides a consolidated land base of ~108 net sections (63,946 net acres) that will be efficiently developed through a network of multi-well pads. The Thorsby asset has year-round access and averaged production of ~740 boe/d in Q4 2020 (100% WI) in the Sparky Formation. Blackspur has drilled 11 wells to date.

Blackspur has spent over C\$5 million building infrastructure in the Thorsby area and has existing oil processing capacity of 3,000 bbl/d oil.

Thorsby has a large inventory of wells to drill with 89 Sparky Formation and 12 Nisku Formation wells identified, which includes 28 Sparky PUD locations. Additionally, upside exists in 66 net sections of Duvernay Formation lands that are included in the Acquisition.



Thorsby Area Land Map

Calima Lands – Montney – Development Pending

Calima holds a 10-year Continuation Lease over 49 sections (33,643 acres) of land awarded as a result of the 2019 drilling campaign on the Calima Lands. Approval to construct and operate a multi-well production facility has been granted by the BC Oil and Gas Commission, which includes a permit to construct a pipeline to connect the Calima well-pad with regional pipeline and processing infrastructure. The pipeline will connect existing and future Calima wells to the Tommy Lakes infrastructure with capacity to transfer up to 50 mmcf/d of wet gas and 1,500 bbls/d of wellhead condensate through to the North River Midstream sales line, providing access to the Canadian and US markets to AECO, Alliance and T-North/Station 2.

While the initial approval is for the existing two liquids rich Montney wells drilled at the beginning of 2019, it is envisaged that additional modules would be added to the pad site to accommodate a 20 well pad. The Tommy Lakes field facilities owned by Calima lies immediately to the north of the Calima Lands, and provide:

- Cost-efficient access to North River Midstream pipeline and Jedney processing facility;
- Access to market via major pipeline networks including NGTL, Alliance and T-North;
- Gathering pipelines, compression facilities and associated facilities capable of transporting up to 50 mmcf/d of gas and 2,500 bbls/d of condensate;

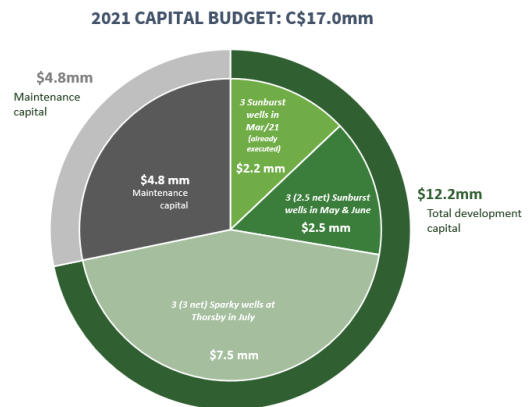
- Field office with control centre and flexible camp facilities suitable for drilling operations;
- Year-round condensate storage and off-loading facilities;

The facilities are fully permitted and have been preserved for future recommissioning with annual holding costs of ~A\$500,000. The facilities are in excellent condition with a replacement cost estimated at A\$85 million.

2021 Returns Focused Capital Program

The Company anticipates the following forecasts outcomes for its 2021 Capital Program¹:

- Operating netbacks = >C\$27/boe
- Adjusted EBITDA = C\$25mm
- Debt/cash flow ratio = <0.5x at YE 2021 (moving to become debt free in 2022)



¹ Commodity price assumptions: US\$60/bbl WTI, US\$12 WCS differential, 1.28 CAD/USD, \$2.70/gj AECO

² Adjusted EBITDA as presented is based EBITDA' adjusted for hedging gains/losses'

³ Full year 2021

The Company also remains encouraged with recent M&A activity in the Montney and continues to focus on strategies to unlock shareholder value of the Montney assets through partnerships and/or a corporate transaction.

Paradise Well (100% WI)

The Paradise well (Official designation; Boundary 5-1-86-15 00/11-01-08615W6/0) is located 40 kilometres to the northeast of Fort St John and 250 km to the southeast of the Company's extensive Montney interests in northeast British Columbia.

Total production days for the quarter were 88 days, resulting in 1681 barrels of oil total (averaging ~20 barrels of oil per producing day). Maintenance of the Pump Jack during January and February resulted in lower production figures from the last quarter, March saw a return to full production.

Related Party Payments

During the quarter ended 31 March 2021, the Company made cash payments of \$6,600 to related parties and their associates in respect of fees GST, cost recoveries and rental of the Perth office. As previously advised all directors are being remunerated with shares until April 2021. On 14 January 2021 the Company issued \$78,470 worth of shares respectively to directors or their related parties. These payments relate to existing remuneration agreements with Directors in respect of services provided during the December quarter 2020.

Incentive Options

The Board has resolved to issue unlisted options to management and directors of the Company under the terms and conditions of the Calima Energy Employee Share Option Plan. The options are awarded to staff and directors as a component of compensation package partly in lieu of a portion of cash salary in order to manage cash costs to the Company and so there is a component of at risk compensation.

This plan has been adapted to meet the norms of Canadian executive option plans and Canadian tax law. The plan is designed to reward executives for their continued service over a 3 year period. The options will vest in 3 equal tranches annually over 3 years, so long as the executive is employed by the Company upon vesting. Further, the option holder will be restricted from converting for a period of 3 months after vesting.

The Company intends to issue 354,500,000 options, with an exercise price of 1 cent, for a term of 5 years. These options represent 3.45% of the shares on issue post-merger and are allocated across the entire Canadian executive team and 50,000,000 performance rights to Australian Management. The performance rights will vest following the Company's share price reaching 1.5 cents over 20 consecutive trading days. The securities to be issued to Glenn Whiddon, Jordan Kevol and Lonny Tetley will require shareholder approval.

	Options	Performance Rights
Glenn Whiddon		30,000,000
Jordan Kevol	50,000,000	
Patrick (Lonny) Tetley	6,000,000	
Other staff	298,500,000	20,000,000
Total	354,500,000	50,000,000
% of issued capital	3.45%	0.49%

Corporate

- 14 January 2021 the Company issued 15,185,901 shares to Directors and consultants reflecting directors fees of \$78,470 and consulting fees of \$37,582.

For further information visit www.calimaenergy.com or contact:

Glenn Whiddon	Mark Freeman
Chairman	CFO
E: glenn@lagral.com	E: mfreeman@calimaenergy.com
T: + 61 410 612 920	T: + 61 412 692 146

Forward Looking Statements

This release may contain forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "anticipate", "believe", "intend", "estimate", "expect", "may", "plan", "project", "will", "should", "seek" and similar words or expressions containing same. These forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. These include, but are not limited to, risks or uncertainties associated with the discovery and development of oil and natural gas reserves, cash flows and liquidity, business and financial strategy, budget, projections and operating results, oil and natural gas prices, amount, nature and timing of capital expenditures, including future development costs, availability and terms of capital and general economic and business conditions. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Calima, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Qualified petroleum reserves and resources evaluator statement

The petroleum resources information in this announcement is based on, and fairly represents, information and supporting documentation in a report compiled by technical employees of McDaniel and Associates Ltd, a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta, and was subsequently reviewed by Mr Mark Sofield who is a consultant (Havoc Services Pty Ltd) contracted to Calima Energy. Mr Sofield holds a BSc. Geology (Hons), is a Geologist with over 20 years of experience in petroleum geology, geophysics, prospect generation and evaluations, prospect and project level resource and risk estimation and is a member of the American Association of Petroleum Geologists. Mr Sofield has consented to the inclusion of the petroleum resources information in this announcement in the form and context in which it appears.

Oil and Gas Glossary

B or b	Prefix – Billions	BBL, BO, bbl or bo	Barrel of oil
MM or mm	Prefix – Millions	BOE or boe	Barrel of oil equivalent (1 bbl = 6 mscf)
M or m	Prefix – Thousands	CF or cf	Standard cubic feet
/ D	Suffix – per day	BCF or bcf	Billion cubic feet
G	Gas	O or o	Oil
Pj	Petajoule	E or e	Equivalent
EUR	Estimated Ultimate recovery	C	Contingent Resources – 1C/2C/3C – low/most likely/high
WI	Working Interest	NRI	Net Revenue Interest (after royalty)
PDP	Proved Developed Producing	1P	Proved reserves
PUD	Proved Undeveloped Producing	2P	Proved plus Probable reserves
IP24	The peak oil rate over 24 hrs	3P	Proved plus Probable plus Possible reserves

Appendix One - Schedule of Interest in Tenements as at 31 March 2021

COUNTRY	BLOCK ID	LOCATION	WORKING INTEREST 31-12-2019	WORKING INTEREST 31-03-2020
CANADA	65101	Onshore	100%	100%
CANADA	65537	Onshore	100%	0%
CANADA	65539	Onshore	100%	0%
CANADA	65556	Onshore	100%	0%
CANADA	65557	Onshore	100%	0%
CANADA	65558	Onshore	100%	0%
CANADA	65559	Onshore	100%	0%
CANADA	65591	Onshore	100%	0%
CANADA	65659	Onshore	100%	100%
CANADA	65662	Onshore	100%	100%
CANADA	65663	Onshore	100%	100%
CANADA	65733	Onshore	100%	100%
CANADA	65735	Onshore	100%	100%
CANADA	66255	Onshore	100%	100%
CANADA	66256	Onshore	100%	100%
CANADA	66312	Onshore	100%	100%
CANADA	66313	Onshore	100%	100%
CANADA	66338	Onshore	100%	100%
CANADA	66386	Onshore	100%	100%
CANADA	66419	Onshore	100%	100%
CANADA	66420	Onshore	100%	100%
CANADA	66421	Onshore	100%	100%

CANADA	66422	Onshore	100%	100%
CANADA	66440	Onshore	100%	100%
CANADA	66441	Onshore	100%	100%
CANADA	66442	Onshore	100%	100%
CANADA	66443	Onshore	100%	100%
CANADA	66479	Onshore	100%	100%
CANADA	66480	Onshore	100%	100%
CANADA	66481	Onshore	100%	100%
CANADA	66515	Onshore	100%	100%
CANADA	66550	Onshore	100%	100%
CANADA	66581	Onshore	100%	100%
CANADA	67026 - 65350	Onshore	100%	100%
CANADA	67027 - 65391	Onshore	100%	100%
CANADA	67028 - 65556	Onshore	100%	100%
CANADA	67029 - 65591	Onshore	100%	100%
CANADA	67030 - 65691	Onshore	100%	100%
CANADA	67031 - 65733	Onshore	100%	100%
CANADA	67032 - 65735	Onshore	100%	100%
CANADA	67033 - 66312	Onshore	100%	100%
CANADA	67034 - 66440	Onshore	100%	100%
CANADA	67035 - 65450	Onshore	100%	100%
CANADA	67036 - 65452	Onshore	100%	100%
CANADA	67042 - 65537	Onshore	100%	100%
CANADA	67043 - 65557	Onshore	100%	100%
CANADA	67044 - 65558	Onshore	100%	100%
CANADA	67045 - 65559	Onshore	100%	100%
CANADA	67046 - 65635	Onshore	100%	100%
CANADA	67047 - 65636	Onshore	100%	100%
CANADA	67048 - 65662	Onshore	100%	100%
CANADA	67049 - 65663	Onshore	100%	100%
CANADA	67050 - 66338	Onshore	100%	100%
CANADA	67111	Onshore	100%	100%
WESTERN SAHARA	Daora	Offshore	50%	50%
WESTERN SAHARA	Haouza	Offshore	50%	50%
WESTERN SAHARA	Mahbes	Offshore	50%	50%
WESTERN SAHARA	Mijek	Offshore	50%	50%

Appendix Two - Capital Structure

Securities on Issue as at 31 March 2021.:

- 2,221,779,618 fully paid ordinary shares (quoted)
- 19,450,000 performance rights
- 16,081,866 performance shares
- 10,000,000 options exercisable at \$0.09 on or before 25 August 2022
- 10,000,000 options exercisable at \$0.12 on or before 25 August 2022
- 750,000 options exercisable at \$0.07 on or before 6 November 2021

In relation to the Performance rights:

- a) No performance rights were issued during the period.
- b) The Performance Rights will vest, subject to completion of a minimum of 18 months' continuous service, on satisfaction of at least two of the following three conditions:
 - The VWAP for Calima shares for any period of 30 consecutive trading days being above \$0.15;
 - Calima raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and
 - Calima's market capitalisation exceeding \$50 million (based on the VWAP for Calima shares for any period of 30 consecutive trading days).
- c) No performance rights were converted or redeemed during the period.
- d) The milestone for the performance rights was not met during the period.

In relation to the Performance Shares:

- a) No Performance Shares were issued during the period.
- b) Class A and Class C Performance Shares will vest and convert on a one for one basis into a share on achievement of either of the following milestones:
 - Class A – Milestone A

- any of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) commencing and taking effect in accordance with the applicable Assurance Agreement with the SADR Government; or
- the Company selling all or part of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) for an amount greater than A\$0.132 million.

Class C – Milestone C

- spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari; or
 - the Company selling the Bahari Shares for an amount greater than A\$1.32m.
- c) No Milestones for the performance shares were met during the period.