

Calima Energy Limited (ASX:CE1)

June 10, 2021

Share price: A\$0.009

Target: A\$0.035

Increasing investment and production outlook

- Production at the end of May was 3,100 boe/d with a further eight wells expected on stream by YE21. This level of production is above forecast and reflects the strong performance of the drilling at Brooks.
- Calima is increasing its capex programme from C\$17 mm to C\$20 mm with two new wells being added to the FY21 drilling programme (excluding the 3 wells drilled by the end of April). In addition, the length and hydraulic fracturing ("frac") intensity (stage count and proppant) for the three Thorsby wells has been increased (C\$0.6 mm per well).
- As a result of current production and the two additional Brooks wells, YE21 production guidance has been increased from 3,400 boe/d to 4,500 boe/d. This has likely positive implications for FY22 production that we now forecast at ~5,240 boe/d (4,800 boe/d previously).
- The YE21 production guidance appears conservative given the nature of the three upcoming Thorsby wells (longer horizontals/larger frac). They could deliver IP rates 30-80% higher than was initially planned. A 40 stage well could for instance have an IP oil rate of 460 bbl/d.
- Calima shares continue to offer a combination of value and cashflow and reserves growth. Our target price of A\$0.035 per share is unchanged.

Net debt

At US\$60/bbl Brent and FY21 production of 3,300 boe/d, Calima estimates YE21 net debt at C\$14 mm. This is higher than we initially anticipated (C\$6 mm) and reflects a few specifics for 2021 that we had not forecast. In addition to the new ~450 bbl/d hedging programme announced on 9th June, the company has an existing hedging programme until YE21 at ~C\$56/bbl for WTI (650 bbl/d until the end of September, 600 bbl/d in October and 350 bbl/d in November and December). This has a C\$3.5 mm negative impact on our forecast. The WTI/WCS differentials are expected to be ~US\$2.5/bbl higher at US\$14.5/bbl (negative impact of ~C\$1.5 mm). The C\$20 mm capex programme is from late April rather than for the entire year (and includes the C\$2.2 mm drilling at Brooks in March/April) as we had assumed. The total negative impact on liquidity is ~ C\$9.5 mm (new capex: C\$2.5 mm, historical hedges: C\$3.5 mm, March/April capex: C\$2.2 mm, Differentials: C\$1.5 mm), partially offset by higher production. Net of hedges, Calima generates ~C\$2 mm of operating cashflow per month (~C\$2.5 mm excluding the impact of historical hedges) for ~3 mboe/d production (US\$60/bbl WTI).

Valuation update

The impact of higher YE21 production and FY22 production at Brooks is largely offset by YE21 net debt and higher WTI/WCS differentials. Our 2P NAV for the company continues to be ~A\$0.014 per share with a RENAV of A\$0.033 per share (@US\$60/bbl Brent). At current oil price (US\$72/bbl), the free cash flow generated from 2022 to the end of 1Q24 is higher than the market cap.

Rating & target	Old	New	
Target	n.a.	\$0.035	
Yield		0%	
Implied total return		289%	
Share data	2020a	2021e	2022e
Shares dil., mm	2,346	10,552	10,552
Mkt cap, US\$mm	\$15	\$74	\$75
EV, US\$mm	\$15	\$85	\$76
Financial data	2020a	2021e	2022e
Gas, mmcf/d	0.0	4.0	7.7
Liquids, bbl/d	20	1,942	3,948
Total boe/d (6:1)	20	2,604	5,238
CFO, US\$mm	(\$0)	\$14	\$38
Net capex, US\$mm	\$0	\$23	\$25
Net debt, US\$mm	(\$1)	\$11	\$1
CFPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.00
EPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.00
Valuation	2020a	2021e	2022e
Share price, A\$/shr	\$0.01	\$0.01	\$0.01
EV/DACF	-30.7x	5.7x	2.0x
EV per boe/d	n.a.	\$32,583	\$14,528
Net asset value			
CNAV, A\$/shr			\$0.014
RENAV, A\$/shr			\$0.033
Unrisked NAV, A\$/shr			\$0.089
P/CNAV			0.6x
P/RENAV			0.3x
P/Unrisked NAV			0.1x

All figures in US\$ unless otherwise noted

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Figure 1. Financial & operating information

Calima Energy Ltd (CE1)		Historical & Auctus Advisors Outlook					
Financial & Operating Information		2020a	2021e	2022e	2023e	2024e	2025e
Commodity Prices							
WTI	US\$/bbl	\$37.26	\$58.52	\$57.00	\$57.00	\$57.00	\$57.00
USD/CAD	US\$/C\$	0.752	0.751	0.750	0.749	0.747	0.747
USD/A\$	US\$/A\$	0.750	0.788	0.800	0.800	0.800	0.800
Production							
Oil and Liquids	bbl/d	20	1,942	3,948	4,472	4,482	4,489
Natural Gas	mmcf/d	0	4	8	9	9	9
Total (6 mcf = 1 boe)	boe/d	20	2,604	5,238	5,916	5,928	5,941
% Oil and Liquids	%	100%	75%	75%	76%	76%	76%
Netbacks							
Realized Price	US\$/boe	\$27.46	\$36.66	\$44.60	\$44.79	\$44.80	\$44.77
Royalties	US\$/boe	\$0.00	\$6.60	\$8.03	\$8.06	\$8.06	\$8.06
Production Costs	US\$/boe	\$194.42	\$8.80	\$9.43	\$9.40	\$9.74	\$10.06
Operating Netback	US\$/boe	(\$166.96)	\$18.45	\$27.29	\$27.32	\$27.00	\$26.65
Taxes	US\$/boe	\$0.13	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash Flow Netback	US\$/boe	(\$518.19)	\$19.33	\$24.69	\$25.65	\$25.34	\$24.99
Government Take	%	0%	0%	0%	0%	0%	0%
Financials							
Cash Flow (CFO)	US\$mm	(\$0)	\$14	\$38	\$44	\$44	\$43
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01
EBITDAX	US\$mm	(\$6)	\$14	\$39	\$44	\$44	\$43
E&D Capex	US\$mm	\$0.35	\$15	\$25	\$24	\$22	\$23
A&D Capex, Net	US\$mm	\$0	\$8	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$23	\$25	\$24	\$22	\$23
Total Net Capex/CFO	x	-0.7x	1.6x	0.7x	0.5x	0.5x	0.5x
Leverage							
Net Debt	US\$mm	(\$1)	\$11	\$1	(\$18)	(\$37)	(\$55)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	n.a.	\$0	\$0	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	2192	10268	10268	10268	10268	10268
Diluted Shares o/s @ YE	mm	2346	10552	10552	10552	10552	10552
Market Capitalization	US\$mm	\$15	\$74	\$75	\$75	\$75	\$75
Enterprise Value	US\$mm	\$15	\$85	\$76	\$58	\$39	\$20
Dividends & Sustainability							
Dividends	US\$mm	0	0	0	0	0	0
Dividends	A\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0%	0%	0%	0%	0%	0%
Free Cash Flow	US\$mm	(\$1)	(\$9)	\$12	\$21	\$21	\$20
Cash Use/CFO	%	-70%	159%	67%	53%	51%	53%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	15632%	3035%	62%	13%	0%	1467%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	2601%	91%	50%	53%	-169%
CFPS Growth (Y/Y) - dil.	%	n.a.	-256%	107%	17%	-1%	-1%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	-132%	97%	56%	52%	-168%
ROCE	%	-15%	8%	15%	16%	15%	15%
Net Asset Value							
CNAV (Atax) - diluted	A\$/shr	\$0.014					
RENAV (Atax) - diluted	A\$/shr	\$0.033					
Unrisked NAV (Atax) - diluted	A\$/shr	\$0.089					
P/CNAV	x	0.6x					
P/RENAV	x	0.3x					
P/Unrisked NAV	x	0.1x					
Valuation							
Share Price, YE/Current	A\$/shr	\$0.009	\$0.009	\$0.009	\$0.009	\$0.009	\$0.009
P/CF	x	-4.8x	3.2x	1.6x	1.4x	1.4x	1.4x
EV/DACF	x	-30.7x	5.7x	2.0x	1.3x	0.9x	0.5x
Target EV/DACF	x	-122.9x	21.5x	8.0x	6.4x	6.0x	5.6x
EV per boe/d	US\$/boe/d	n.a.	\$32,583	\$14,528	\$9,761	\$6,509	\$3,438
EV per 2P boe	US\$/boe	\$1.09	\$3.24	\$3.24	\$3.24	\$3.24	\$3.24
EV per 2P boe, with FDC	US\$/boe	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 9-Jun-21

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (mmbøe)	CoS (%)	Unrisked (US\$m)	EMV (US\$m)	A\$/Share (Risked)	A\$/Share (Unrisked)	% Total
Net Cash/Debt YE21			-10	-10	-0.001	-0.001	-4%
G&A			-27	-27	-0.003	-0.003	-10%
Brooks 2P	13.5	100%	94	94	0.012	0.012	36%
Thorsby 2P	12.7	100%	54	54	0.007	0.007	21%
Total Core NAV			111	111	0.014	0.014	43%
Brooks upside							
Brooks 112 Unbooked Locations	17.4	50%	121	60	0.008	0.015	23%
Brooks increasing recovery factor by 10% - Booked locations	13.5	40%	94	37	0.005	0.012	15%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 73 Unbooked locations	18.3	50%	78	39	0.005	0.010	0%
Thorsby - Better recovery performance (+30%) - Booked loctions	3.8	40%	26	11	0.001	0.003	4%
Montney Acreage							
Contingent resources	192.4	0%	96	0	0.000	0.012	0%
Prospective resources	364.1	0%	182	0	0.000	0.023	0%
Total Risked Exploration			597	147	0.019	0.075	57%
Total			707	258	0.033	0.089	100%
Unrisked NAV					0.09		
P/Core NAV				64%			
P/NAV				28%			
P/Unrisked NAV				10%			

Source: Auctus Advisors, Company Reports

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