

Calima Energy Limited (ASX:CE1)

July 28, 2021

Share price: A\$0.010

Target: A\$0.040

2Q21 in line. Momentum accelerating. Further corporate consolidations in the Montney.

- 2Q21 Production was 2,959 boe/d with Thorsby generating 850 boe/d in June.
- At Brooks, three new wells were been brought on stream from late June to mid-July with a fourth well expected to be put in production before the end of July. The contribution of these new wells will be visible in July and August.
- The three well drilling programme at Thorsby continues to be expected to start by the end of July.
- This is the first time Calima has published a cashflow statement incorporating Blackspur. The financials are consistent with our FY21 forecasts.
- The company has reiterated its average production guidance of 3,700 boe/d from May to December 2021 with YE21 production >4,500 boe/d (~4,500 boe/d previously) and capex guidance over the period of ~C\$20 mm (unchanged).
- Calima shares continue to offer a combination of value and cashflow and reserves growth. We have increased our target price from A\$0.035 to A\$0.040 per share as we have increased our oil price assumptions from US\$60/bbl to US\$65/bbl from 3Q21.

Rating & target	Old	New	
Target	\$0.035	\$0.040	
Yield		0%	
Implied total return		300%	
Share data	2020a	2021e	2022e
Shares dil., mm	2,346	10,959	10,959
Mkt cap, US\$mm	\$17	\$86	\$87
EV, US\$mm	\$16	\$97	\$83
Financial data	2020a	2021e	2022e
Gas, mmc/d	0.0	4.0	7.8
Liquids, bbl/d	20	1,967	4,004
Total boe/d (6:1)	20	2,636	5,308
CFO, US\$mm	(\$0)	\$15	\$43
Net capex, US\$mm	\$0	\$20	\$25
Net debt, US\$mm	(\$1)	\$12	(\$4)
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	-34.2x	6.4x	1.9x
EV per boe/d	n.a.	\$36,894	\$15,686
Net asset value			
CNAV, A\$/shr			\$0.018
RENAV, A\$/shr			\$0.040
Unrisked NAV, A\$/shr			\$0.099
P/CNAV			0.6x
P/RENAV			0.3x
P/Unrisked NAV			0.1x

All figures in US\$ unless otherwise noted

Renewed corporate activities in the Montney

In June 2021, two further acquisitions were announced in the Montney with Tourmaline acquiring Black Swan for C\$1.1 bn and 50% interests in Saguaro's production and facilities (9,000 boe/d including 25% condensates) for C\$205 mm. These highlight the continued interest from the industry for the area where Calima holds 192 mmboe of contingent resources. With rising US gas prices, these assets are expected to be increasingly valuable. We are currently carrying no value for these assets and securing a partner could have a material impact on our valuation.

Valuation

Our 2P NAV for the company is now ~A\$0.018 per share (increased from A\$0.014 per share) with a RENAV of A\$0.040 per share (increased from A\$0.033 per share) reflecting our higher oil price assumptions. The shares trade at EV/DACF multiples of <2.0x in 2022. At WTI of US\$70/bbl, the free cash flow generated from 2022 to 1Q24 continues to be greater than the current market cap.

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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	\$62.27	\$62.00	\$62.00	\$62.00	\$62.00
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	1,967	4,004	4,508	4,506	4,505
Natural Gas	mmcf/d	0	4	8	9	9	9
Total (6 mcf = 1 boe)	boe/d	20	2,636	5,308	5,962	5,958	5,961
% Oil and Liquids	%	100%	75%	75%	76%	76%	76%
Netbacks							
Realized Price	US\$/boe	\$27.46	\$37.23	\$49.37	\$49.54	\$49.55	\$49.50
Royalties	US\$/boe	\$0.00	\$7.27	\$8.89	\$8.92	\$8.92	\$8.91
Production Costs	US\$/boe	\$194.42	\$10.60	\$9.38	\$9.38	\$9.72	\$10.05
Operating Netback	US\$/boe	(\$166.96)	\$18.74	\$30.51	\$31.25	\$30.91	\$30.55
Taxes	US\$/boe	\$0.13	\$0.00	\$0.00	\$0.00	\$0.00	\$114.44
Cash Flow Netback	US\$/boe	(\$518.19)	\$19.33	\$27.97	\$29.59	\$29.26	(\$85.55)
Government Take	%	0%	0%	0%	0%	0%	231%
Financials							
Cash Flow (CFO)	US\$m	(\$0)	\$15	\$43	\$52	\$51	(\$149)
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.00	\$0.01	\$0.01	(\$0.02)
EBITDAX	US\$m	(\$6)	\$15	\$44	\$52	\$51	\$50
E&D Capex	US\$m	\$0.35	\$15	\$25	\$24	\$22	\$23
A&D Capex, Net	US\$m	\$0	\$5	\$0	\$0	\$0	\$0
Total Net Capex	US\$m	\$0	\$20	\$25	\$24	\$22	\$23
Total Net Capex/CFO	x	-0.7x	1.4x	0.6x	0.5x	0.4x	-0.2x
Leverage							
Net Debt	US\$m	(\$1)	\$12	(\$4)	(\$29)	(\$55)	\$16
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	n.a.	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	2192	10271	10271	10271	10271	10271
Diluted Shares o/s @ YE	mm	2346	10959	10959	10959	10959	10959
Market Capitalization	US\$m	\$17	\$86	\$87	\$87	\$87	\$87
Enterprise Value	US\$m	\$16	\$97	\$83	\$58	\$32	\$103
Dividends & Sustainability							
Dividends	US\$m	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\$m	(\$1)	(\$6)	\$18	\$28	\$28	(\$172)
Cash Use/CFO	%	-70%	138%	58%	46%	44%	-15%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	15632%	2962%	62%	12%	0%	1525%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	2417%	100%	60%	77%	-73%
CFPS Growth (Y/Y) - dil.	%	n.a.	-252%	134%	19%	-1%	-393%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	-129%	132%	69%	75%	-178%
ROCE	%	-15%	8%	17%	19%	17%	17%
Net Asset Value							
CNAV (Atax) - diluted	A\$/shr	\$0.018					
RENAV (Atax) - diluted	A\$/shr	\$0.040					
Unrisked NAV (Atax) - diluted	A\$/shr	\$0.099					
P/CNAV	x	0.6x					
P/RENAV	x	0.3x					
P/Unrisked NAV	x	0.1x					
Valuation							
Share Price, YE/Current	A\$/shr	\$0.010	\$0.010	\$0.010	\$0.010	\$0.010	\$0.010
P/CF	x	-5.4x	3.7x	1.6x	1.4x	1.4x	-0.5x
EV/DACF	x	-34.2x	6.4x	1.9x	1.1x	0.6x	-0.7x
Target EV/DACF	x	-140.7x	25.4x	8.2x	6.3x	5.9x	-2.4x
EV per boe/d	US\$/boe/d	n.a.	\$36,894	\$15,686	\$9,706	\$5,340	\$17,259
EV per 2P boe	US\$/boe	\$1.21	\$3.72	\$3.72	\$3.72	\$3.72	\$3.72
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 27-Jul-21

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$m)	EMV (US\$m)	A\$/Share (Risked)	A\$/Share (Unrisked)	% Total
Net Cash/Debt YE21			-11	-11	-0.001	-0.001	-3%
G&A			-29	-29	-0.004	-0.004	-9%
Brooks 2P	13.5	100%	114	114	0.014	0.014	35%
Thorsby 2P	12.7	100%	70	70	0.009	0.009	22%
Total Core NAV			144	144	0.018	0.018	44%
Brooks upside							
Brooks 112 Unbooked Locations	17.4	50%	147	73	0.009	0.018	22%
Brooks increasing recovery factor by 10% - Booked locations	13.5	40%	114	46	0.006	0.014	14%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 73 Unbooked locations	18.3	50%	101	51	0.006	0.012	0%
Thorsby - Better recovery performance (+30%) - Booked loctions	3.8	40%	32	13	0.002	0.004	4%
Montney Acreage							
Contingent resources	192.4	0%	96	0	0.000	0.012	0%
Prospective resources	364.1	0%	182	0	0.000	0.022	0%
Total Risked Exploration			672	182	0.022	0.082	56%
Total			817	327	0.040	0.099	100%
Unrisked NAV					0.10		
P/Core NAV					57%		
P/NAV					25%		
P/Unrisked NAV					10%		

Source: Auctus Advisors, Company Reports

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