Calima Energy

Montney: improved outlook helps unlock value

Montney: large resource with exposure to improving Canadian gas pricing

In this note we focus on Calima's Montney position, which has moved out of the limelight following the Blackspur acquisition, despite a much improved outlook for the assets. Calima has been a successful explorer in the Montney, proving that its concept worked, extending the play beyond the expected boundary and achieving better than expected well results. However, the market went against it given an oversupply of Canadian gas. More recently North American gas prices have markedly improved, new Canadian LNG export projects are gathering pace and corporate activity in the Montney has picked up again. Following the Blackspur transaction, Calima has the luxury of time to look to monetise the significant ~200mmboe of discovered resource. The Montney is one of the most competitive unconventional plays in North America given low-cost, high-productivity and liquids-rich wells combined with attractive fiscal terms.

Strong corporate activity consolidating positions in the basin

Calima's closest comparable in the Northern Montney with neighbouring acreage, Saguaro, sold 50% interest of its production and facilities to Tourmaline for ~C$205mm (9,000 boe/d, 25% condensate/NGL's). Tourmaline has made several acquisitions in the Northern Montney area over the last year, demonstrating its confidence in the regional play. Arc Resources and Seven Generations merged in April 2021 in a C$8.1bn deal and there were significant acquisitions from ConocoPhillips and Canadian Natural Resources of Montney assets in 2020. Calima (+20% YTD) has lagged the total shareholder return performance of the key Montney players this year, such as Tourmaline (+105%), Arc Resources (+63%) and Storm Resources (+70%), for no fundamental reason, and as a result we see strong value creation potential from its Montney assets.

Bullish Canadian gas prices and LNG projects moving forwards

North American and global gas prices have been strong this year and we see the fundamentals keeping pricing strong over the coming years. In particular for Canada and the Montney, there are several LNG plants planned to come on line this decade, which will stimulate further demand for gas and support prices. Notably, two Canadian LNG export projects recently made progress towards FID with Pembina Pipeline Corp taking a stake in Cedar LNG and various upstream producers coming together to back Ksi Lisims FLNG.

Catalysts: corporate activity, peer performance and well results

In the Montney, we believe continued corporate activity and progress of LNG projects will increase the market value of the play. We expect the performance of the other listed Montney-focused stocks (e.g., Tourmaline, Storm Resources and Arc Resources) and drilling results from nearby acreage (e.g. Tourmaline) to be catalysts for Calima. We see the potential for a transaction on Calima's assets over the coming months as it looks to unlock value through joint ventures, farm-outs or asset disposals.

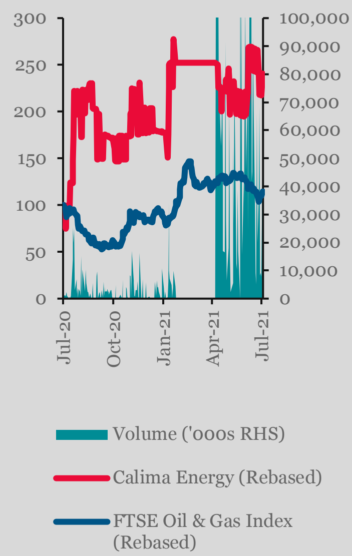
Valuation and investment case: ~155% upside to our risked NAV

Calima has near-term oil price exposure from the Blackspur assets and longer-term gearing into the energy transition through its Montney position. The company offers a combination of value, growth and shareholder return potential. It offers organic growth through the drill-bit with >20 years reserve life. It has some of the lowest cost (<US$15/boe capex plus opex) and highest return drilling locations (some >500% IRR at current prices) available globally. Our primary valuation methodology is a risked NAV of AUD 2.55c/sh at US$60/bbl Brent from 2022. There is also 5% upside to our Core NAV of AUD 1.05c/sh, which only includes the 1P reserves. On a multiple basis, we estimate that Calima is trading on '22 EV/CFFO of 2.7x. Using the ~C$25mm valuation for the Montney implied pre-Blackspur, sees it trading on just 1.8x EV/CFFO in 2022, versus the peer group on 3.5x. On operational metrics, we see Calima trading on EV/2P reserves of C$5/boe and on a flowing barrel basis on $24k per boe/d in 2022. Cash distributions will be driven by market conditions and achieving sustainable production of >5kboe/d, which we expect in 2022.

GICS Sector	**Energy**
Ticker	ASX:CE1
Market cap 2-Aug-21 (US$mm)	82
Share price 2-Aug-21 (AUD c)	1.0

NAV summary (AUD c/sh)

Asset	Unrisked	Risked
Core NAV	1.17	1.05
Development	3.27	1.42
Exploration	1.86	0.07
Total NAV	**6.3**	**2.55**



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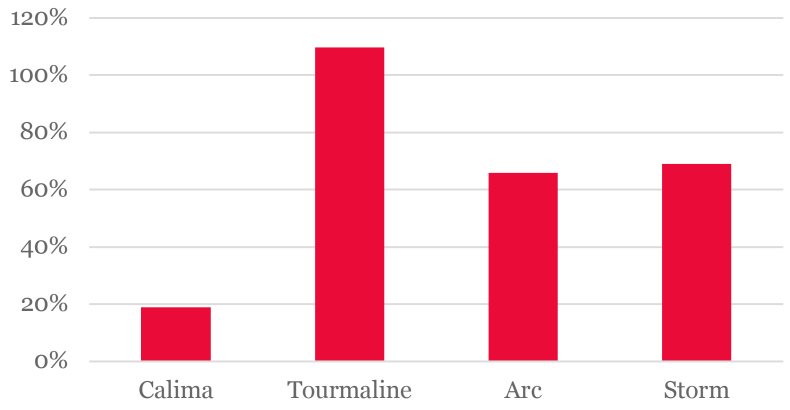
Montney summary

Calima's Montney assets overview – Calima was formed in 2017 by a team of leading global explorationists to test a play concept in the Montney, which is a leading resource play in North America. Canada ranks fourth in the world for gas production and almost half of that production comes from the Montney Formation. The North Montney complex will be N. America's largest gas growth sub-basin over the next decade. Calima has a large land position of ~60k acres, where it has successfully derisked almost 200mmboe of contingent resource. Calima has near-term oil price exposure from the Blackspur assets and longer-term gearing into gas and the energy transition through its Montney position. Its Montney assets give leverage into rising global gas demand and the growth in North American LNG exports.

Montney optionality – Calima was incorporated as an explorer focused on the Montney and the company succeeded in what it set out to prove. Calima now has >1Tcfe of liquids rich natural gas resource in the Montney play. >50mmboe of 2C resource will be converted to 2P reserves once it secures funding to build the tie-in pipeline from its existing well pad into its owned infrastructure. Interest in the play has been picking up with a wave of recent corporate activity, moving it from a buyer's market to a seller's market. We see the Montney play as having attractive standalone economics; however, we think that it currently struggles to compete for limited capital versus the assets that have been acquired from Blackspur where >500% are expected from recent investments. We expect liquids to account for 50% of revenue but only 25% of production. In a higher gas price environment, the economics still improve markedly for the Montney. Calima is carrying >A$60mm of value on its balance sheet relating to these assets. We value the base case 50mmcf/d development scenario as worth ~C$250mm (C$2/boe) unrisked and heavily risked we carry C$56mm of value in our NAV.

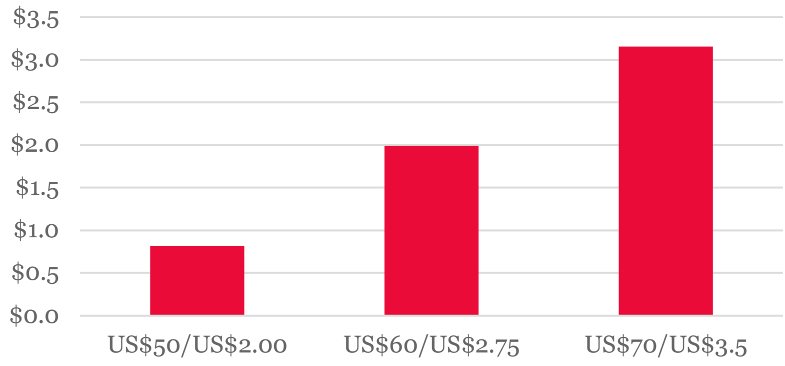
Year to date total shareholder return (US$)



Source: H&P estimates, S&P Capital IQ

Montney consolidation bodes well for Calima – Calima's strategy is to prepare the Montney asset for future development while unlocking value short term via joint ventures, partnerships or a corporate transaction. Whilst we do not expect any operational activity this year, we believe that recent M&A activity in the vicinity has been positive for Calima. There have been several large acquisitions of acreage near to Calima's position in the Northern Montney primarily by Tourmaline, whose stock has been rewarded (up >100% year to date). The performance of the other Montney stocks (Arc and Storm) has also been significantly stronger than Calima, which we believe shows the upside potential in Calima's assets is still to be recognised by the market.

Sensitivity of Montney NPV10 (C$/boe) to Brent (US$/bbl) and AECO (US$/mcf)



Source: H&P estimates

Bullish North America gas pricing outlook – We believe that North American gas prices are biased higher for several reasons: global LNG and spot gas prices are influenced by higher oil prices (e.g. majority of LNG still priced off crude); North American associated gas production has been impacted by lower shale oil development, which remains restrained by E&P's new found capital discipline; and export demand is rising as new LNG projects are coming on line with further projects likely to take FID this year. We assume a conservative AECO gas price of US$2.75/mcf long term in our base case.

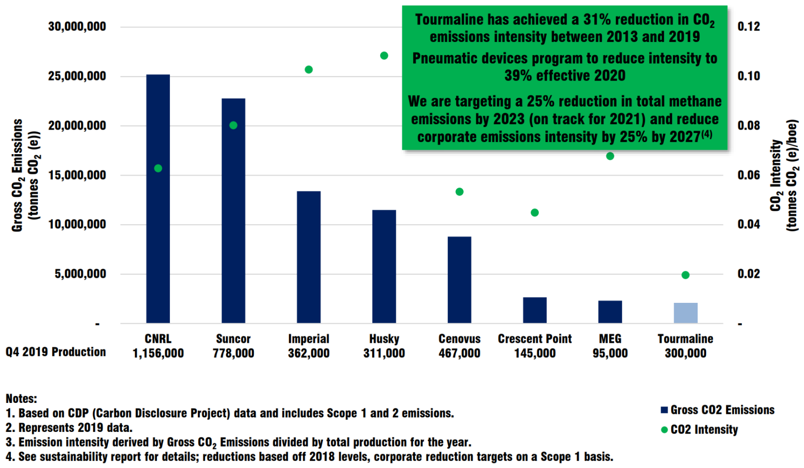
Canadian West Coast proposed LNG projects

Name	Location	Capacity	Operator	Start-up
LNG Canada phase 1	Kitimat	14	Shell	2025
Ksi Lisims FLNG	Pearse Island	12	Nisga'a Nation, Rockies LNG and Western LNG	2027-28
Cedar FLNG	Kitimat	3	Haisla Nation and Pembina Pipeline	2027
LNG Canada phase 2	Kitimat	14	Shell	Late '20s
Woodfibre	Squamish, BC	2.1	Pacific Oil & Gas Limited	2025

Source: H&P estimates

Canadian LNG project progress – Canadian LNG export volume growth over the rest of this decade is a positive for Calima's Montney position as it would boost demand and gas prices. In particular there is the potential for LNG operators to look to acquire Montney acreage to provide low-cost feedstock to the LNG plants. There are several LNG export plants planned that could take FID over the next 12 months. Also progress on the current 14mmtpa LNG Canada plant that is under construction and a potential expansion project will be closely watched. There is also the potential for Shell to double the size of its LNG Canada plant with a second phase that could start-up late this decade, which would in total require ~4bcf/d of gas to supply the expanded facility. There are three projects that have seen strong progress recently: Ksi Lisims FLNG, Cedar FLNG and Woodfibre LNG, which would demand around 2.5bcf/d in total.

Canadian E&P GHG Emissions 2019



Source: Tourmaline

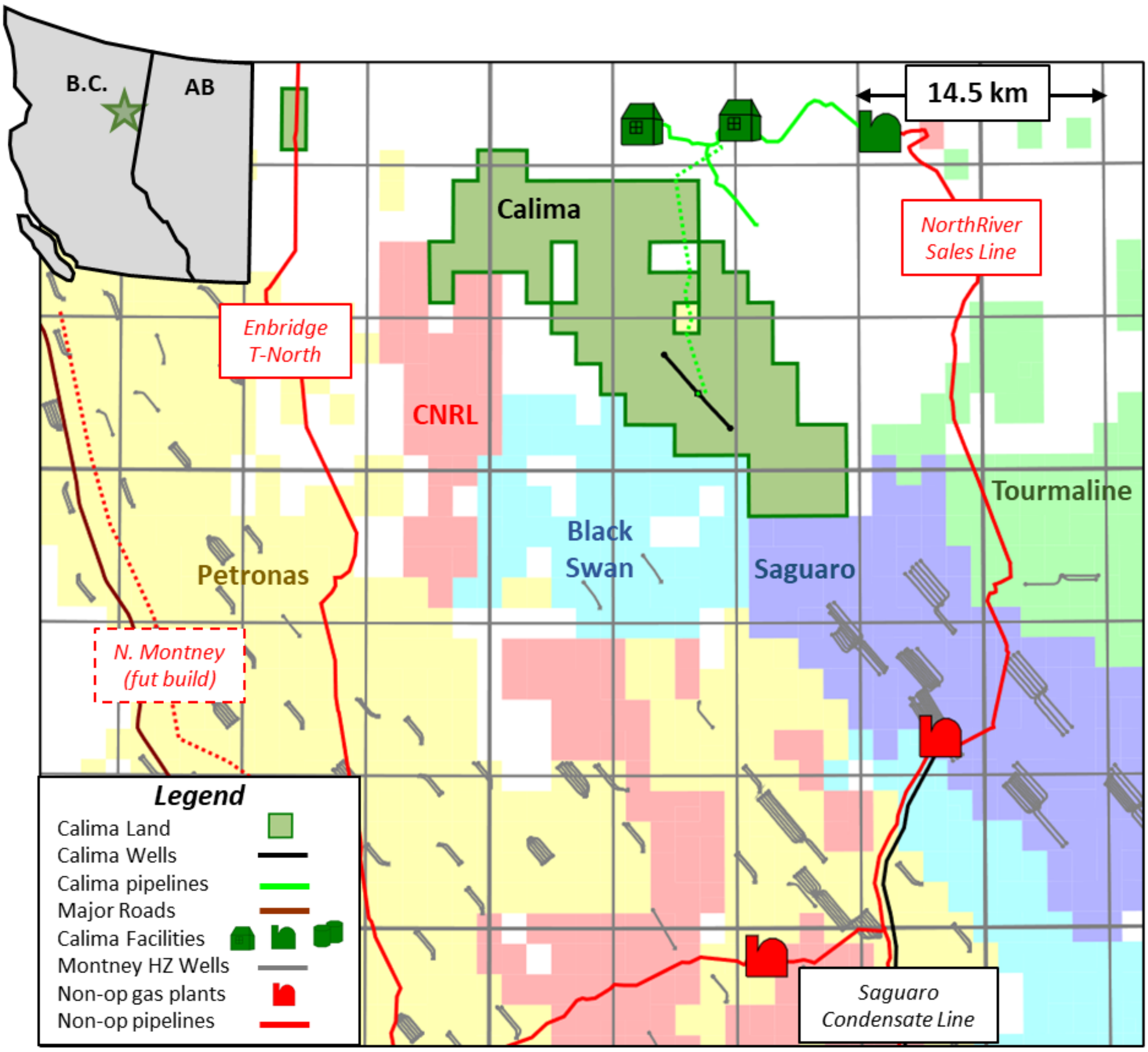
Canadian gas a key transition fuel for reducing GHG emissions from coal – Canadian gas as a replacement for coal will generate electricity with up to 60% less GHG emissions and Canada's LNG industry will have an even bigger impact. LNG facilities planned and under construction for Canada's west coast will use power generated from hydro to deliver up to a 66% reduction in GHG emissions when compared to the global LNG facility average. The LNG Canada project being constructed by Shell could, on its own, reduce global CO2 emissions by an amount equal to 15% of Canada's current GHG emissions. Northern Montney focused Tourmaline has the lowest GHG emissions intensity (CO2e/boe) among Canadian Senior E&P peers.

Canada: investor friendly jurisdiction – Canada is an established energy market with a supportive energy policy. The fiscal regime in Canada is attractive too, with relatively low Government take, especially for a low-risk, established oil province. Canada has had carbon pricing for more than a decade; however, the lower carbon intensity of Calima's production relative, for example, to the oil sands puts it at a competitive advantage. Also, the combination of low carbon production and low carbon LNG export plants should allow Canada to market some of the lowest carbon LNG globally.

Australian listing: similar playbook to Oz CBM to LNG – Calima's decision to list in Australia was due to a desire to offer Australian investors a unique way to participate in the Canadian oil and gas market as well as the founders being based in Australia. Also, the Montney story should resonate with many Australian investors that are aware of the impact that the arrival of LNG can have on resource owners. In Queensland, once LNG trains were sanctioned at Gladstone, domestic resource owners and producers such as Queensland Gas, Pure Energy and Arrow Energy went through a sustained period of valuation increase and consolidation before being acquired by international companies such as Shell, BG and Petrochina.

Montney assets overview

Montney map



Source: Calima *Note: Black Swan and 50% of Saguaro both acquired by Tourmaline*

Background

Calima was incorporated as an explorer focused on the Montney and the company succeeded in what it set out to prove. The exploration team identified an extension of the Montney play fairway into an area that many in the industry thought would be unproductive – a similar approach to the frontier exploration the management team employed successfully in Africa in the past. It did so using some proprietary geological analysis and advanced predictive analytics. The wells that it drilled proved the viability of the play, finding good quality reservoir, wet gas (i.e. good condensate yield) and demonstrated an attractive flow rate. The reservoir quality turned out to be better than expected.

The Montney is thought to contain remaining marketable gas reserves of 567 Tcf, more than twice the combined reserves of the Marcellas and the Utica (214 Tcf), two of the powerhouse gas plays in the U.S. The Montney is estimated as the third largest gas basin in the world and remains a strategic source for oil & gas for

Western Canada and with the focus on low GHG emissions and world leading ESG compliance.

The attraction of the Montney was that the formation is thicker than most other conventional plays in North America, allowing for multi-layer completions from a single well pad. Also, the productive reservoirs are generally siltstones with natural porosity rather than much tighter shale rock and they are well suited to fracture stimulation. Furthermore, the economics of the liquids rich window of the Montney are some of the best in North America helped by a low royalty structure and shallow drilling depths. Daily production in 2017 was already 4.6bcf/d plus 250kbbl/d of condensate with approximately C$5bn in investment into the play. Calima's closest peer, Saguaro (in which Tourmaline recently acquired a 50% stake) has finding and development costs of <C$6/boe, to which there is further upside based on more recent wells by Tourmaline. Canadian drilling data is all open access, so it is very conducive to shared learnings and lowering costs.

Tourmaline drilled one Montney delineation pad last winter on the Laprise (Polar Star) lands, immediately north of the Saguaro assets, to better define well deliverability and condensate production profiles, as well as ascertain completed well costs as part of the longer-term development planning process. The Laprise b-34-L five-well pad significantly exceeded performance expectations, condensate yields averaged 65 bbl/mmcf through 60 days of production. Tourmaline is targeting future drill/complete capital costs of C$3.5mm per well, or less, the lowest in the North Montney play area. The well on the Polarstar acreage was a completion design of Tourmaline's that seems to be a step change better than Saguaro's latest iteration.

The original aim of Calima was to get to this stage and then look for a monetisation event. However, several factors in the market meant that this was not viable. Growth in Montney production, as well as mainline maintenance and expansions, caused gas take-away capacity to be overwhelmed, meaning large differentials to US gas prices and over the last few years US gas prices have also been depressed. Furthermore in 2020 there was the added impact of much weaker liquids pricing on the back of COVID.

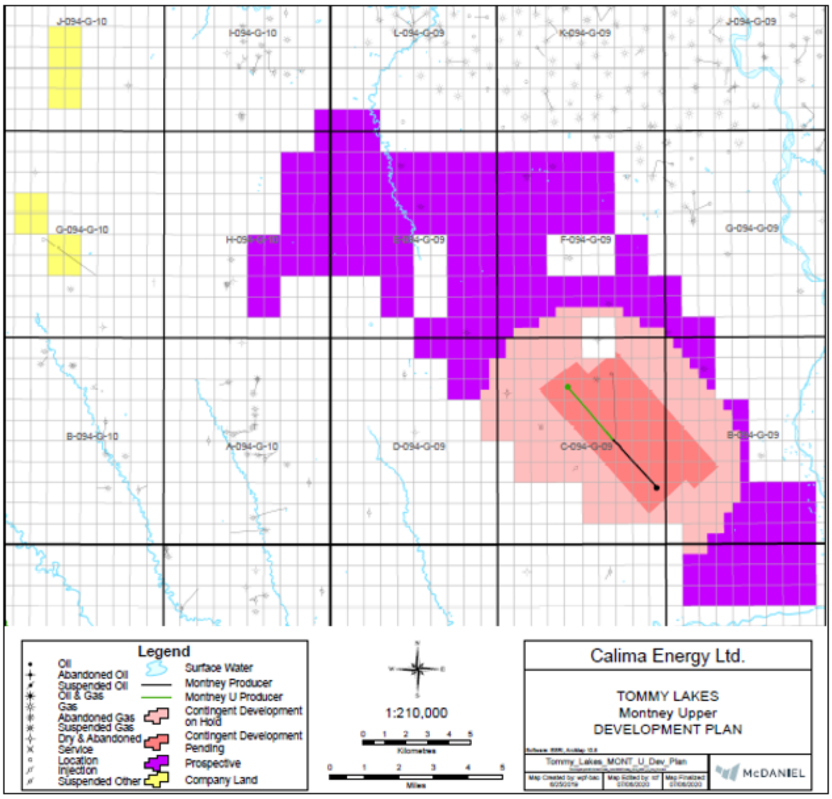
The level of interest in the Montney has increased recently and we think the drivers are going to continue to spur further attention, especially as it is ideally positioned to supply West Coast LNG projects. In 2021, there has been a marked improvement in US gas prices, Canadian gas price differentials (actually trading at a premium at times) and crucially liquids pricing. Therefore, the economics of the Montney now look much better.

Also, the outlook is promising with further oil and gas pipeline capacity coming and in particular the start-up of LNG Canada in a few years' time, that still requires additional gas to fill the plant. There has also been consolidation seen in the Canadian space, most notably the ARC Resource's takeover of Seven Generations to create the largest Montney producer at the time. Even more relevant to Calima is the purchase of several assets nearby Calima's acreage by Tourmaline over the last year.

The acquisition of Blackspur has given Calima the ability to focus on near term growth and cash flow generation through its recently purchased assets. This gives Calima the luxury of time to wait for a further improvement in Montney market and to evaluate potential value creation opportunities for the assets given that it has 10 year leases secured on most of its acreage. Also, it now has much higher return and faster payback opportunities from its Blackspur acreage.

Calima's Montney Resource

Map of Calima Lands defining the areas of Prospective (purple) and Contingent Development on hold (light pink) and Contingent Development pending (dark pink) Resources.



Source: Calima

Calima Energy holds a 100% working interest in a land position of ~60k acres. This includes 34k acres (49 sections) held under a 10-year Continuation Lease (valid to 2029) awarded because of the 2019 drilling campaign and the balance held leases that expiring in 2021/2. All the contingent resource lies within leases that do not expire until 2029.

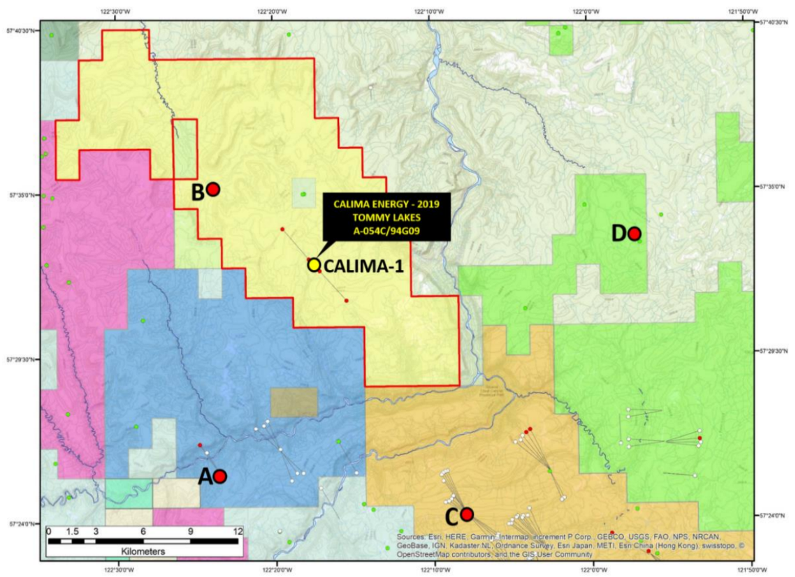
Exploration and appraisal drilling

Calima has drilled three wells to evaluate the potential of the Montney formation on its acreage. Pressure and flow test results from the Upper Middle Montney in Calima-2 and the Upper Montney in Calima-3, in addition to core analysis from Calima-1, indicate the presence of high productivity zones at the northern edge of the current Montney fairway. Regional mapping and the production history of analogue wells at Laprise and Birley Creek also point to Calima's wells becoming strong performers. While not tested, lower Montney intervals, based on core and log analysis from Calima-1, represent a potential resource that to date has been underdeveloped elsewhere in northeast BC.

Overall the Middle Montney was in line with expectations and analogous to Saguaro, whilst the Upper Montney is a bit more complicated as although the reservoir quality was better the reservoir is normally pressured.

3rd party analysis of results

Map of vertical wells referred to in table below



Reservoir parameters of Calima-1 well versus nearby wells

Compiled for Calima Energy (March 2019) by: NUTECH		LOCATION A	LOCATION B	CALIMA ENERGY CALIMA-1	LOCATION C	LOCATION D
UPPER TARGET (tested with Calima-3)	Porosity (%)	3.8	4.5	5.3	4.1	4.1
	Hydrocarbon Sat. (1-Sw) %	67.8	87.7	87.5	68.7	82.6
	Thickness (m)	48	49	46	38	35
	Clay (%)	18.6	16.6	14.3	18.2	16.1
	TOC (%)	1.48	2.13	1.7	1.36	2.0
MIDDLE TARGET (tested with Calima-2)	Porosity (%)	3.7	4.1	4.5	3.8	3.4
	Hydrocarbon Sat. (1-Sw) %	67.7	82.0	75.2	65.9	48.5
	Thickness (m)	73	70	73	65	64
	Clay (%)	23.7	23.3	20.6	20.8	18.8
	TOC (%)	1.05	1.33	1.3	0.92	0.93
LOWER TARGET (upside potential)	Porosity (%)	4.3	5.1	4.9	4.7	4.5
	Hydrocarbon Sat. (1-Sw) %	70.3	72.5	62.0	63.1	62.7
	Thickness (m)	146	132	136	158	136
	Clay (%)	30.0	27.4	27.0	30.2	28.4
	TOC (%)	0.87	0.87	1.1	0.65	0.59

Source: Calima, H&P estimates

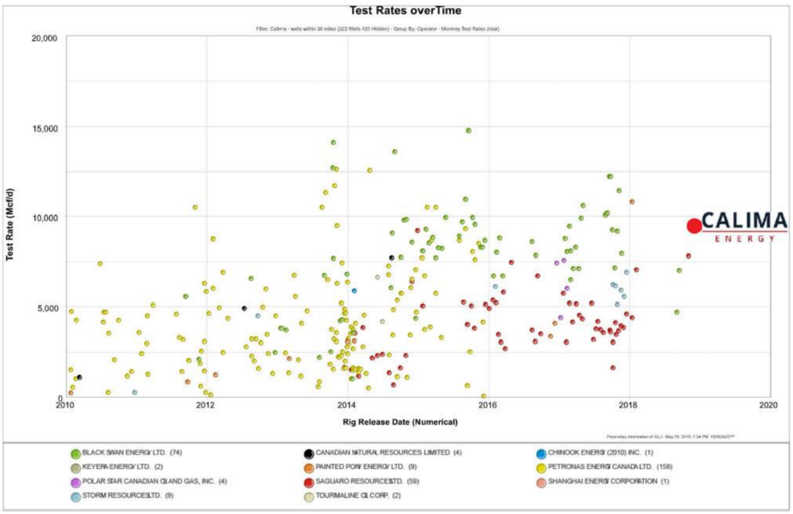
Following the acquisition of wireline log data in the Calima-1 vertical well, NUTECH Energy, a leader in reservoir intelligence, performed a comparison with nearby wells. Notably, the key reservoir parameters of porosity and hydrocarbon saturation are far superior to the average of those calculated in the offset wells.

Average porosities in Calima-1, for the Upper and Middle Montney targets, are 28% and 20% higher, respectively, than the average of the offset wells. Porosity is a measure of the available pore-space capable of holding hydrocarbons and water and thus has a direct influence on the volumes of hydrocarbons in-place.

Average hydrocarbon saturations in Calima-l, for both the Upper and Middle Montney targets, are 14% greater than the average of the offset wells. The hydrocarbon saturations calculated in the wireline analyses were confirmed by AGAT's core analyses. Hydrocarbon saturation defines the percentage of hydrocarbons taking up pore space within the reservoir rock and will have a direct bearing on the volumes of hydrocarbons in-place.

The well, identified as Location B in the table above, is located ~8km northwest of Calima-1 and only 5km from the bottom hole location of Calima-3. Well B was drilled vertically by a previous operator to target a conventional reservoir below the Montney. The results of the Well B analysis validate the northwards extension of the Montney reservoir quality encountered in the Calima wells. The Well B location could be a de-risked future well pad.

Well test rates over time by Montney operator



Source: Calima

Following the well testing, Calima commissioned an independent technical auditor, to review and benchmark the results. In a March 2019 report, GLJ stated *"...it is fair to say the Calima-2 well is likely to meet or exceed the performance of adjacent wells. This is true both in terms of overall production performance (such as gas production rate) and in terms of liquid yield."*

In comparison to regional Montney testing data, the report concluded that *"...from the D-021-C well (Calima-2), one can see that the total gas test rate from the Calima well compares favorably to other liquids-rich wells".*

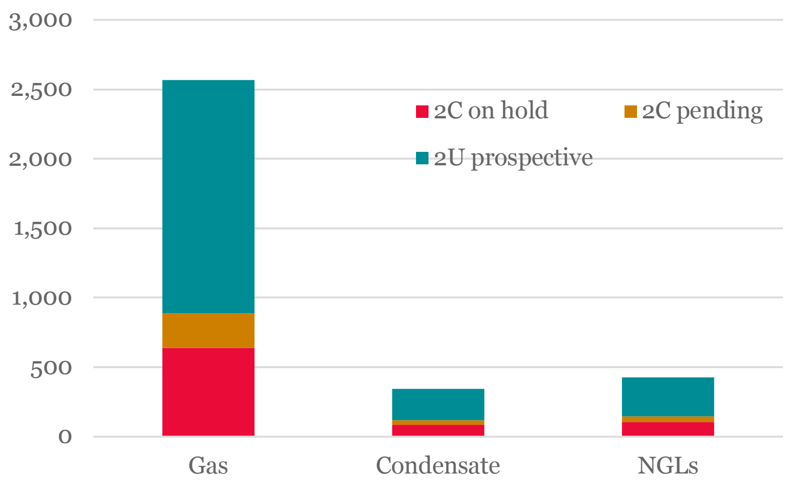
More recently, Canadian Discovery Ltd (CDL), a leading expert in the Western Canadian basin with extensive proprietary technologies and databases, completed a detailed study of the data collected from the three wells from Calima. The Calima wells confirmed the liquids rich Montney fairway extends further north than previously thought.

“Pressure and flow test results from the Upper Middle Montney in Calima-2 and the Upper Montney in Calima-3, in addition to core analysis from Calima-1, indicate the presence of high productivity Montney zones at the northern edge of the current Montney fairway. Regional mapping and the production history of analogue wells at Laprise and Birley Creek also point to Calima’s wells becoming strong performers. While not tested, lower Montney intervals, based on core and log analysis from Calima-1, represent a potential resource that to date has been under-developed elsewhere in northeast BC.”

Resource and development

In total Calima has found almost 200mmboe of 2C resource: 44mmbbl of liquids and 890bcf of gas. Calima now regards a significant portion its Montney acreage as being development ready, subject only to securing the necessary funding to construct a tie-in pipeline. Once it secures funding, then according to the reporting standards, these Development Pending resources could be classified as 2P reserves. In July 2020, Calima was able to upgrade 249bcf of gas and 12.4mmbbl of liquids (in total 330bcfe or 54mmboe) to Development Pending Contingent Resource. This means that this resource is development ready subject to securing the necessary funding to construct a tie-in pipeline. Once this takes place the resource can be upgraded to 2P reserves.

Calima's Montney gas and liquids resource by type (bcf equivalent)



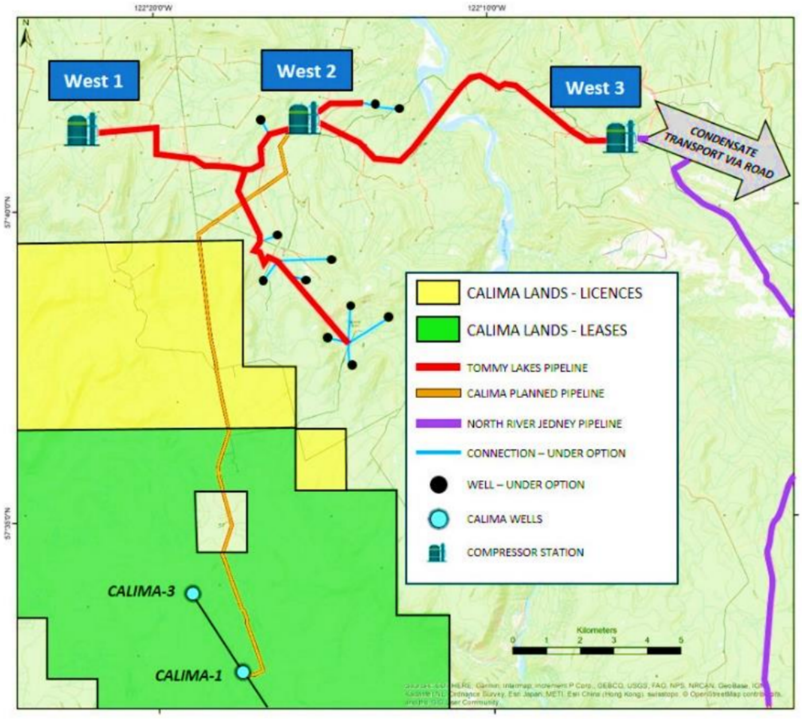
Source: Calima, H&P estimates

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 19.5 km steel 8-inch service pipeline to connect the Calima well-pad with regional pipeline and processing infrastructure. Trialta Projects, the lead engineering contractor, costed the procurement and installation of the pipeline at ~C$17 million. The pipeline, which will run through the core of the Calima Lands, 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 bbl/d of wellhead condensate through to the North River Midstream sales line, providing access to the Canadian and US gas markets at AECO, Alliance and T-North/Station 2.

The facilities include tankage, electrical generation, metering and a control centre. The construction design is modular, allowing for the construction offsite. This ensures an efficient, cost-effective installation within the winter. While the initial approval is for the existing two 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.

Gas and liquids produced from the wells will be separated and measured at the wellhead; the liquids will be re-injected back into the pipeline for transportation to the Tommy Lakes gathering system where it will be transferred into a North River Midstream sales line. Produced water will be removed at the well-pad to be recycled and stored for future completions.

Tommy Lakes Infrastructure Map



Source: Calima

The Tommy Lakes Infrastructure lies immediately 20km's north of the Calima Lands and offers the closest, most cost-effective tie-in to processing facilities and sales pipelines. Infrastructure includes gathering pipelines, compression facilities and associated facilities capable of transporting up to 50mmcf/d of gas and 1.5-2kbbl/d of well-head condensate. 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. The Facilities provide Calima with pipeline access to regional, national and US markets via the major pipeline networks such as NGTL, Alliance and T-North. 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.

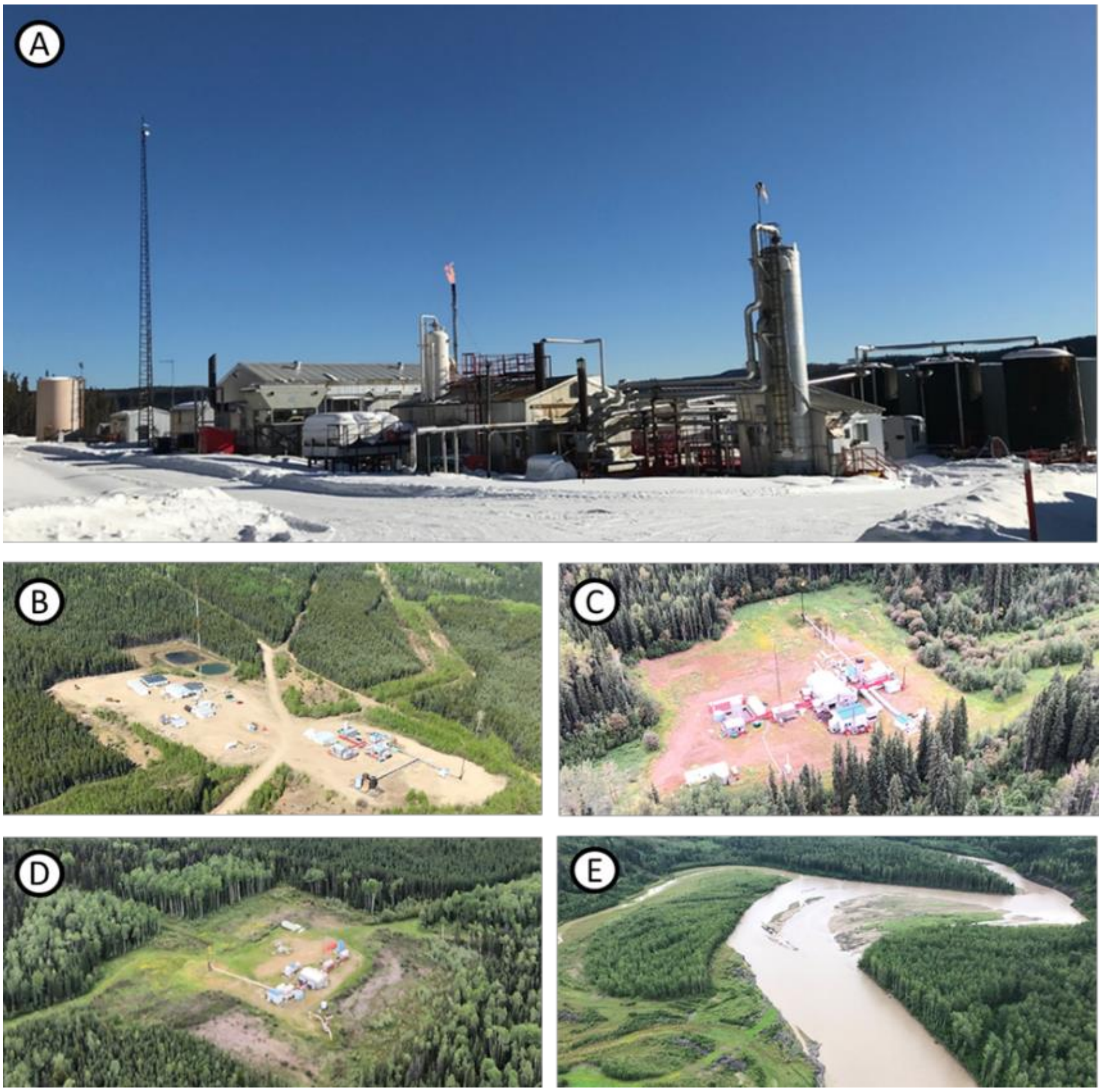
Calima acquired the facilities from Enerplus with the acquisition closing in April 2020. Third party due diligence confirmed that all pipelines and other assets are in good working order. The cost of the acquisition and shut-in was ~A$0.75mm. Holding costs are anticipated at A$0.5mm per annum. The Tommy Lake infrastructure continues to be maintained by Sproule and Associates with their local field operations staff. The estimated replacement value of the facilities is A$85 million. Calima booked A$1.9mm of restoration obligations in relation to the acquisition.

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.

The wet 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). The North River Jedney processing plant provides immediate access to the major export routes that service western Canada such as NGTL/AECO, Alliance and T-North/Station 2.

Calima continues 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/Mmcfd). Additional condensate and other natural gas liquids will then be recovered form subsequent processing at Jedney.

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



Source: Calima

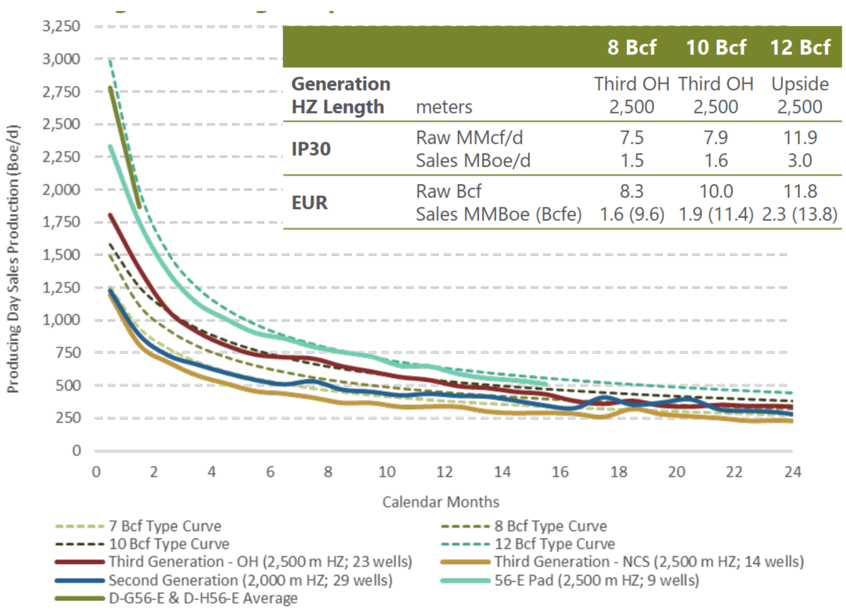
Development

We see various development scenarios. A simple case is producing from the existing couple of wells that have been drilled, however this will require a C$25mm pipeline and facilities spend to tie-in these wells. Whilst this is unlikely to generate a strong return, it will get the company to a producing stage and provide further data, which we believe will make it more attractive to potential suitors. The lead time to get to first gas is around 6 months but construction is only possible in the winter.

Calima's initial well costs were very high as it was a one-off programme but moving into factory development mode should take costs down to in line with peers. The drilling cost for the wells is currently estimated at C$5.3mm plus C$0.3m in facilities costs. Saguaro's well costs are currently around C$5mm to drill and complete. There is potential to reduce costs even further as Tourmaline for example can drill for <C$4mm but this is based on much larger scale.

Saguaro has also been demonstrating that its advanced well design has driven a material type curve improvement with 2 of its wells exceeding a 12bcf type curve versus its current 8bcf EUR curve. Saguaro's 2020 onstreams rank in the top 1% of wells drilled in BC and AB in 2020, for both IP30 (boe/d) and IP90 (boe/d).

The acquisition of the Tommy Lakes infrastructure allows Calima to manage and control where its gas goes.



		8 Bcf	10 Bcf	12 Bcf
Generation		Third OH	Third OH	Upside
HZ Length	meters	2,500	2,500	2,500
IP30	Raw MMcf/d	7.5	7.9	11.9
	Sales MBoe/d	1.5	1.6	3.0
EUR	Raw Bcf	8.3	10.0	11.8
	Sales MMBoe (Bcfe)	1.6 (9.6)	1.9 (11.4)	2.3 (13.8)

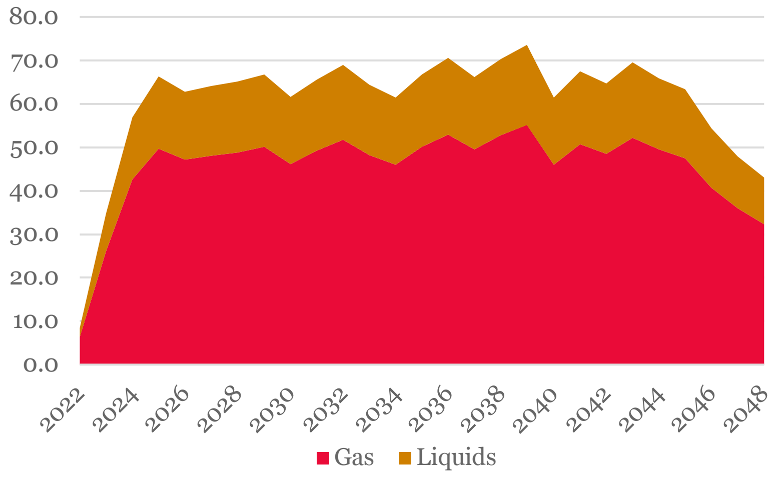
Given the fairly remote location of the acreage, there is a substantial cost to get the gas to access market pricing (i.e. AECO or Station 2 hubs). The transportation cost to get the gas from the Tommy Lakes facility to the Jedney processing plant is around C$0.75/mcf with a further C$0.75/mcf processing cost and then ~$0.2/mcf from here to access either AECO or Station 2 pricing. Overall the transportation and processing cost is expected to be ~C$1.5/mcf.

100mmcf/d development

A full scale development of around 1tcf of gas and ~60mmbbl of liquids would see plateau production of around 100mmcf/d. The total capital cost will be ~C$1bn.

Base case development and valuation

Production profile (mmcfe/d)

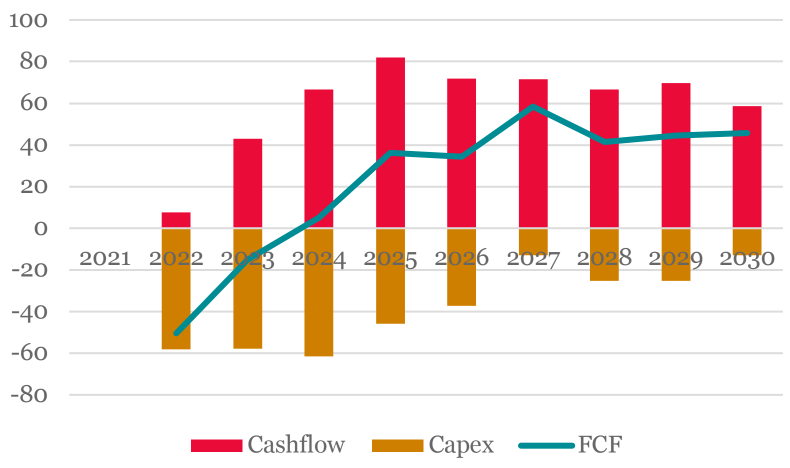


Source: Calima, H&P estimates

The base case development is to grow production to 50mmcf/d of gas plus 3kbbl/d of liquids, within the constraints of the existing infrastructure and maintain it at that level for potentially a few decades. Under this scenario 125mmboe (560bcf of gas, 16mmbbl of condensate and 16mmbbl of NGLs) are produced. The capital expenditure required over the life is C$615mm, which works out at less than C$5/boe development cost. Operating costs average C$7.1/boe or C$1.2/mcf.

The initial capex in the first couple of years ahead of getting to positive free cashflow is around C$100mm with a small amount of free cash flow coming in years 3. We estimate that ~50% of the revenue comes from gas, a third from condensate and the rest from NGLs.

Cashflow and capex profile (C$mm)



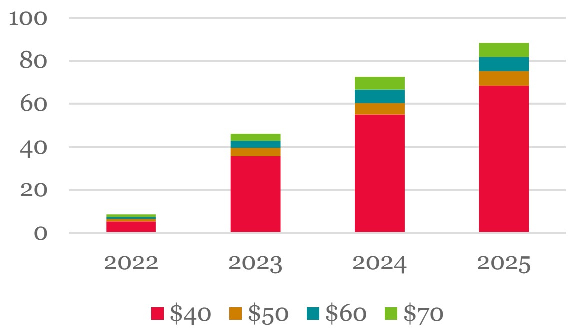
Source: Calima, H&P estimates

Montney NPV/boe (C$/boe) valuation at various Brent/AECO prices (US$/boe)

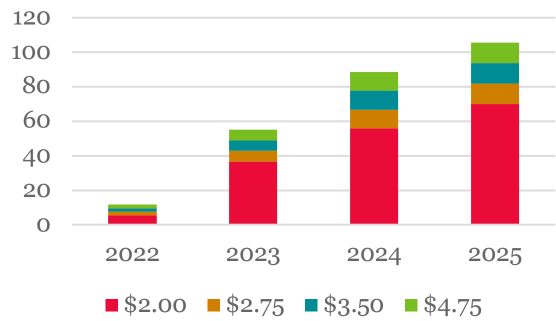
Source: Calima, H&P estimates

Our overall NPV is C$2/boe and we estimate an IRR of 25%. Based on this production profile from the core 34k acres implies a C$10,000 per acre valuation. The charts below show the sensitivity of cashflows to changes in oil price and gas price.

Sensitivity of cashflow (C$mm) to Brent (US$/bbl)



Sensitivity of cashflow (C$mm) to AECO (US$/mcf)



Source: H&P estimates

Valuation

Overall, we see the range of the current value for the Montney assets between C$25mm and C$75mm. The floor price is based on where Calima was trading before the Blackspur deal was announced (although that is conservative as the Montney focused companies have performed strongly since).

Our bottom up valuation of the Montney assets implies a risked value for the 50mmcf/d development cast of C$55mm, however unrisked this is close to C$150mm. In total we carry ~C$75mm in risked value for the Montney including further contingent resource and prospective resource.

We estimate that acreage valuations in the Montney have been done at around C$1,500-2,000/acre (e.g. Conoco/Kelt and CNQ/PONY) when excluding the value of production / PDP reserves. Based on Calima's core acreage of 34k acres implies a valuation of C$51-68mm or on its total acreage position of ~60k acres implies C$89-118mm.

NAV

Asset	Gross mmboe	Interest	Net mmboe	NPV C$/boe	Unrisked C$m	Unrisked A$c/sh	Geological CoS	Commercial CoS	Risked C$m	Risked A$c/sh
Net debt (end-Apr '21)					-$12	-0.11			-$12	-0.11
Asset retirement obligations					-$13.6	-0.13			-$13.6	-0.13
Options proceeds					$2.2	0.02			$2.2	0.02
Hedging gain/loss					-$2.5	-0.02			-$2.5	-0.02
Brooks PDP reserves	2.7	100%	2.7	$11.9	$32.4	0.31	100%	100%	$32.4	0.31
Thorsby PDP reserves	2.0	100%	2.0	$9.0	$18.4	0.18	100%	100%	$18.4	0.18
Brooks planned PUD	5.7	100%	5.7	$14.4	$82.4	0.79	100%	90%	$74.2	0.71
Thorsby planned PUD	5.6	100%	5.6	$6.7	$37.0	0.35	100%	90%	$33.3	0.32
H2 Sweet					$0.4	0.00			$0.4	0.00
Workovers/other capex					-$17.2	-0.16			-$17.2	-0.16
Capitalised G&A @ 2x		-4.4			-$8.9	-0.08			-$8.9	-0.08
1P Core NAV	**16.0**		**16.0**	**$7**	**$119**	**1.13**			**$107**	**1.02**
Incremental Brooks 2P	2.5	100%	2.5	$9.5	$24.2	0.23	90%	90%	$19.6	0.19
Incremental Thorsby 2P	3.4	100%	3.4	$7.8	$26.3	0.25	90%	90%	$21.3	0.20
Brooks remaining unbooked	12.9	100%	12.9	$7.1	$91.9	0.88	50%	50%	$23.0	0.22
Thorsby remaining unbooked	6.6	100%	6.6	$5.9	$38.4	0.37	50%	50%	$9.6	0.09
Montney 2C 50mmcf/d	125	100%	125	$2.0	$248	2.37	90%	25%	$55.8	0.53
Montney remaining 2C	68	100%	68	$1.0	$67.8	0.65	75%	20%	$10.2	0.10
Development upside	**192.4**		**192.4**		**$316**	**3.02**			**$139**	**1.33**
Montney Prospective Resource	364	100%	364	$0.5	$182.1	1.74	33%	10%	$6.0	0.06
PEL-10 production licence					$6.3	0.06	25%	25%	$0.4	0.00
PEL-10 commercial production					$6.3	0.06	25%	10%	$0.2	0.00
SADR exploration		50%							$0.0	0.00
5% in Discover Exploration Ltd									$1.0	0.01
Exploration upside	**364.1**		**364.1**		**$195**	**1.86**			**$8**	**0.07**
Total NAV					**$629**	**6.01**			**$254**	**2.42**

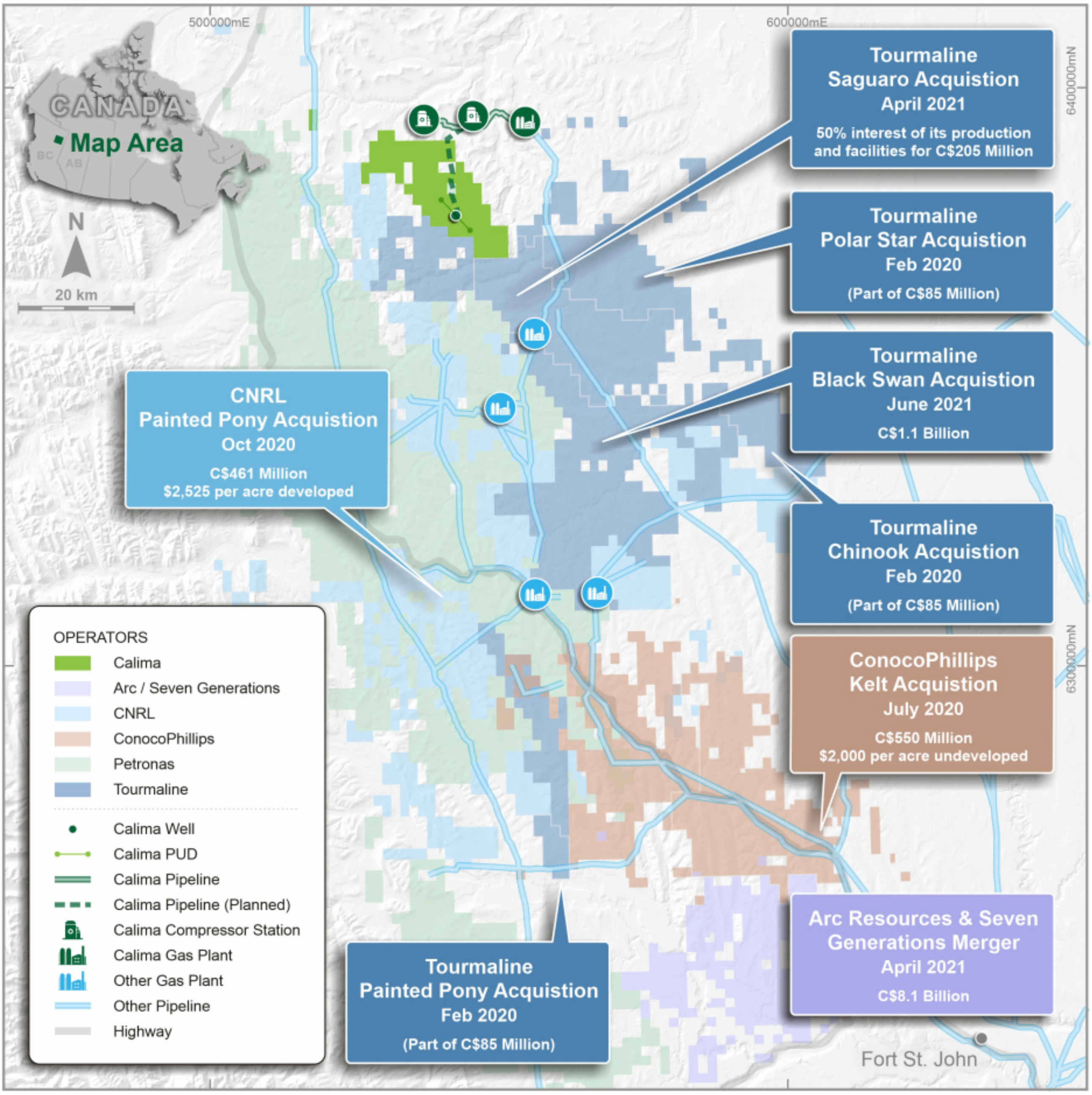
Source: H&P estimates

Montney 2C initial development – Calima has 54mmboe of 2C resources that can be booked as 2P reserves once FID is taken on their development and the pipeline connection to Tommy Lakes is sanctioned. We include 125mmboe, which is what could be developed using the existing facility capacity of 50mmcf/d. We also use a lower combined geological and commercial chance of success of 22.5% as the funding for the development is not yet clarified and there is the potential for dilution. Our risked valuation is C$56mm or AUD 0.53c/sh.

Montney 2C on hold – Calima has a further 68mmboe of 2C resources that have been derisked by the recent exploration campaign but will require further infrastructure beyond the Tommy Lakes facility and sustained high pricing. We therefore use a low combined geological and commercial chance of success of <20%. Our risked valuation is C$10mm or AUD 0.1c/sh but our unrisked value is C$68mm or AUD 0.65c/sh.

Montney corporate activity

Montney consolidation map



Source: Calima

The number of transactions in the Montney over the last 12-18 months has been significant as summarised below:

- Tourmaline's C$1.1bn purchase of Black Swan Energy, announced in June 2021, is expected to grow Tourmaline's North Montney production to approximately 175,000 boe/d during 2022. The Company's envisioned North Conroy expansion is expected to increase Tourmaline's North Montney production by an additional 100,000 boe/d post 2025.

- Saguaro sold 50% interest of its production and facilities to Tourmaline in April 2021 for C$205 million (9,000 boe/d, 25% condensate/NGL's).

- ARC Resources and Seven Generations Energy C$8.1 billion merger

- Canadian Natural Resources (CNRL) C$461 million purchase of Painted Pony

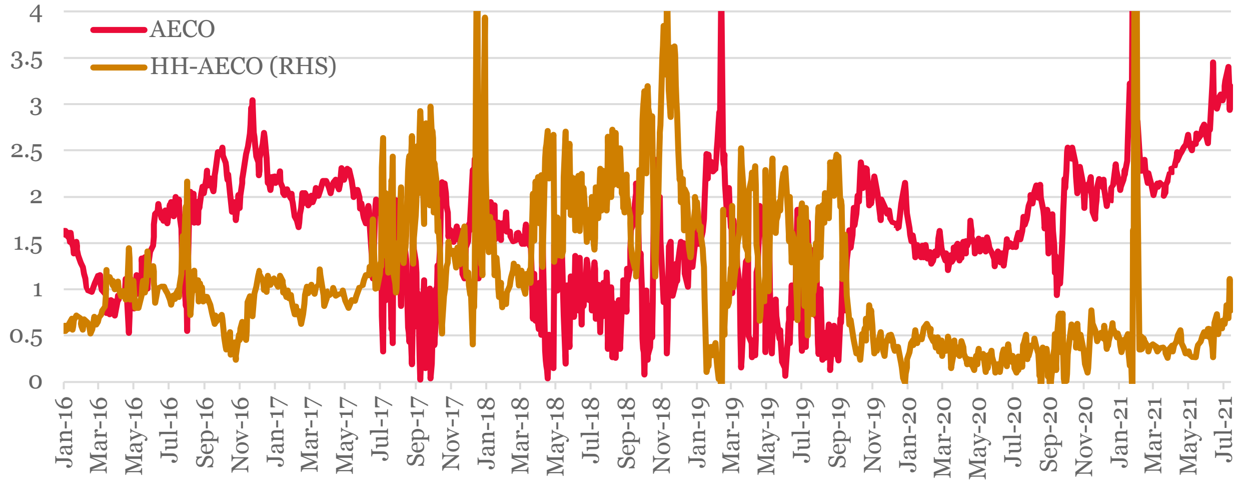
- ConocoPhillips C$550 million purchase of Kelt asset package

- Tourmaline's C$85 million purchase of select acreage from Painted Pony, Polar Star and Chinook for C$85 million

Canadian gas pricing

Canadian oil, condensate and gas pricing has significantly diverged from US and global market pricing over time because of factors such as infrastructure constraints and demand for the various products.

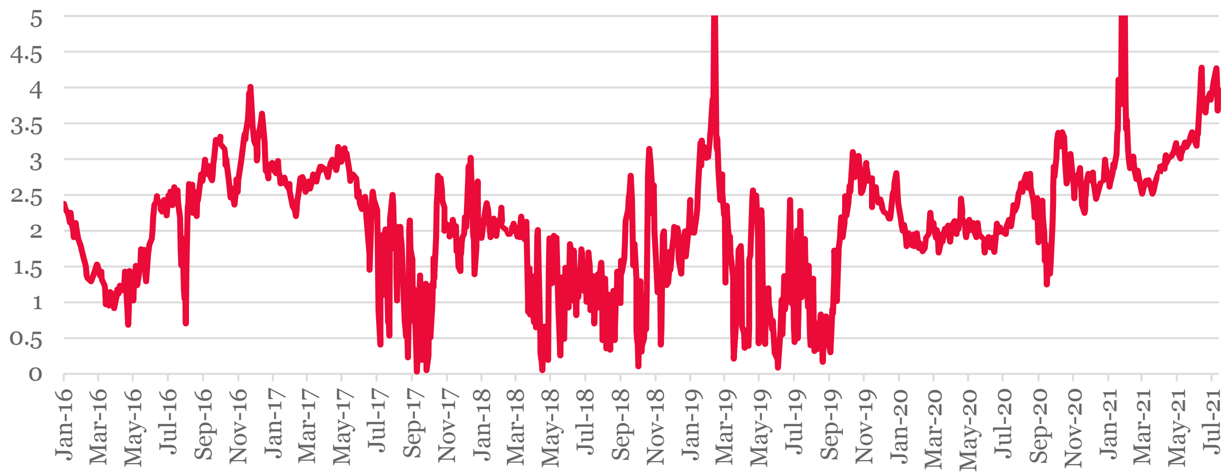
AECO price and HH-AECO spread (US$/mcf)



Source: H&P estimates, Bloomberg

AECO discount to Henry Hub. This has a smaller impact on Calima's cashflow given the smaller amount of production but is important for the Montney. AECO is the main pricing point in Canada and it experienced a similar situation to WCS. Over the last few years AECO has traded at a large discount to HH pricing as production overwhelmed the pipeline capacity as well as the policy put in place by pipeline operator TC Energy stopping delivery to interruptible customers during maintenance. However, as new pipelines have come on stream and TC Energy allowing additional service flexibility and production has declined, the differential actually flipped to a premium at times this year. We forecast a Henry Hub price of US$3/mcf and an AECO spread to Henry Hub of US$0.5/mcf. Below the AECO price in Canadian dollars is shown.

AECO price (C$/mcf)



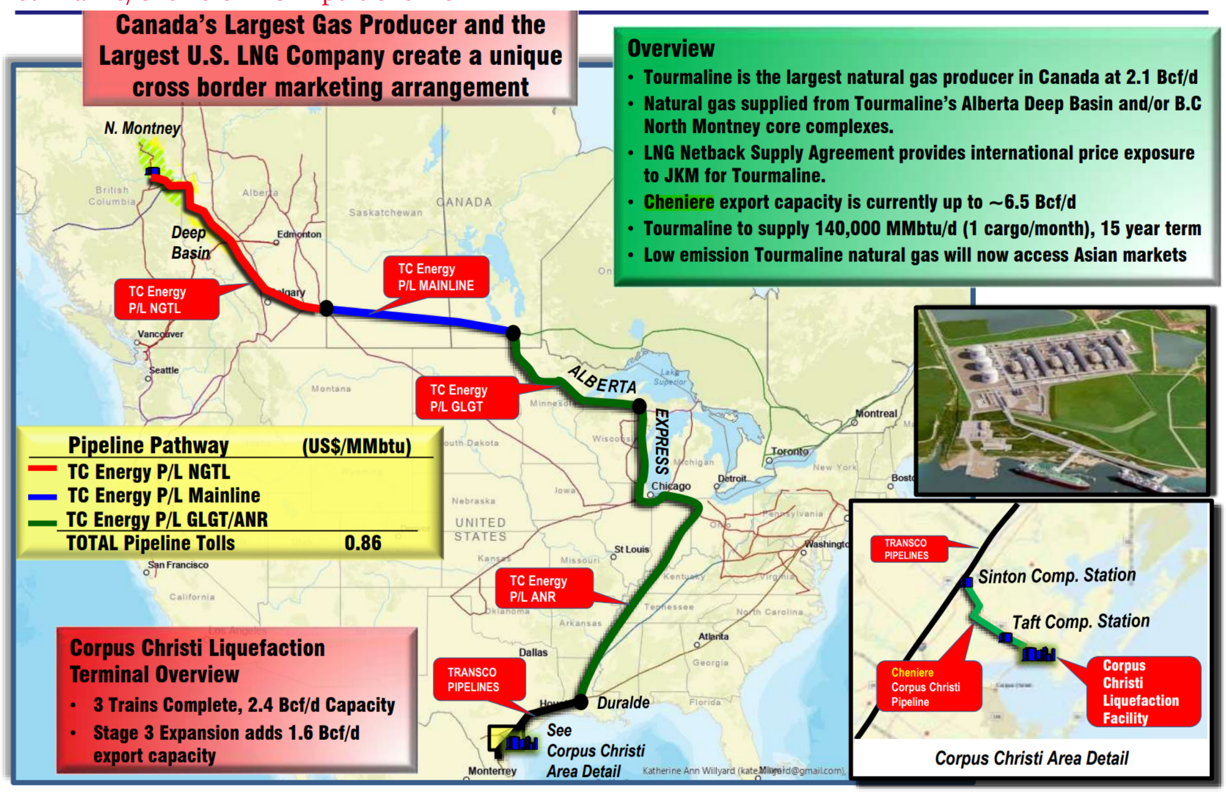
Source: H&P estimates, Bloomberg

LNG market

Canadian LNG export volume growth over the rest of this decade is a positive for Calima's Montney position as it would boost demand and gas prices. In particular there is the potential for LNG operators to look to acquire Montney acreage to provide low-cost feedstock to the LNG plants. There are several LNG export plants planned that could take FID over the next 12 months. Also progress on the current 14mmtpa LNG Canada plant that is under construction and a potential expansion project will be closely watched. Beyond this, there is further potential for Shell to double the size of its LNG Canada plant with a second phase that could start-up late this decade, which would in total require ~4bcf/d of gas to supply the expanded facility. There are three projects that have seen strong progress recently: Ksi Lisims FLNG, Cedar FLNG and Woodfibre LNG, which would demand around 2.5bcf/d in total.

Another positive for the Montney is the growth of the US LNG export market, which a recent deal between Tourmaline and Cheniere has demonstrated that there is a clear link between the two. Tourmaline agreed to supply 140mmbtu/d of gas to Cheniere to be exported through its US Gulf Coast export terminals. There is the potential for more supply deals between Canadian gas producers and US LNG exporters, enabling access to global LNG pricing for the Canadian upstream producers.

Tourmaline/Cheniere LNG Export Overview



Source: Tourmaline

Calima's Montney timeline

2017

- June: Azonto Petroleum reported it had received firm commitments of A$2.25mm in equity funding at A$0.045/sh to acquire Calima Energy with a substantial acreage position in the Montney oil and gas formation in Canada.

- August: Completion of the acquisition of Calima and commencement of trading under new name Calima Energy.

- September: Calima licenced 60sqkm of 3D seismic data over the core Calima lands, acquired a well database of 60 wells within 3km and initiated well planning studies with a view to drilling in 2018. Acquistion of an additional 13k acres of drilling rights.

- October: Independent geologist's report by McDaniel confirmed the prospectivity and comparability to its neighbour Saguaro.

- December: Acquistion of an additional 2.7k acres of drilling rights.

2018

- February: Secured authorisation to construct, maintain and operate an oil and gas road ahead of drilling. Appointed CWL Energy to provide regional project management services

- March: As part of the operating agreement with CWL, Calima appointed a Country Manager: Mike Dobovich and Operations Manager: Aaron Bauer. Calima earned a 20% working interest in the Montney after reaching a C$5mm spend milestone. McDaniel pulished an independent resource estimate of 2.1tcf of gas and 114mmbbl of liquids. Raised A$3.5mm at $0.055/sh.

- May: Bid to acquire JV partners TSV Montney and TMK Montney to consolidate its position and take control of 100% of the assets through the issuance of 425mm shares, increasing the share count by 77%. Award of a 56% stake in Block 2813B in Namibia's Orange Basin.

- July: Ramdar Resource Management appointed to manage Calima's drilling and completion operations and Trialta Projects appointed to provide design, engineering and construction management for facilities and pipeline infrastructure.

- August: Completion of acquisition of TSV and TMK Montney. Mark Freemen joined Calima. Following a review of >500 multi-stage drilling completions in the Montney within 75km of its first drilling location, Calima optimised completion techniques for its planned drilling of 2,500m horizontal sections with 85-90 stimulations. A$25mm placement at A$0.054/sh. Tribeca, which as the cornerstone investor, agreed to arrange project financing of up to $40mm.

- September: Shell sanctioned the 14mmtpa LNG Canada project, with pipelines to feed the terminal located adjacent to Calima's acreage.

2019

- January: Arrival of rig at the Calima drilling pad and Calima-1 vertical well spudded days later. Recovery of 230m of core, 90% of the entire 257m thick Montney interval and intersected the top of the formation within 4m of pre-drill prognosis. Core analysis confirmed presence of condensate. Wireline logging confirmed porosities and hydrocarbon saturations comparable with adjacent producing wells. Calima-2 horizontal well spudded and completed by month end and Calima-3 spudded.

- February: Calima-3 well completed with a 2,561m horizontal section. Drilling matched best-in-class performance of other operators in the area.

- March: Resevoir stimulation commenced on Calima-2 and 3 in 92 stages using sliding sleeve completions. Calima-2 and 3 both took up the full proppant load of 45t/stage across almost every stage. Calima-2 flowed at 1,640boe/d: 9mmcf/d of gas and 143bbl/d of liquids during the final stages of clean-up. Maximum flow rate was 10.2mmcf/d. Comparisons with nearby wells suggest Calima-2 should match or exceed liquids rates from adjacent areas. Calima-3 operations had to be ended early due to the arrival of unseasonal early spring melt. Calima-3 was at the early stage of unloading at rates of >2.5mmcf/d, consistent with the early stage rates on Calima-2. Drilling allowed the conversion of 35k acres of drilling rights to 10-year production licences.

- April: Oil saturation meansurs from core of upto 59% in the Upper Montney and 64% in the Middle Montney were signficantly higher than in adjacent areas, confirming both zones lie in the liquids rich fairway. Calima-1 wireline log analysis of the Upper Montney showed porosities that are 28% higher than average peer group wells and 20% highr in the Middle Montney. Gas compositions suggest that 70% of the liquids are high value condensate relative to 50% expected pre-drill.

- May: Calima responded to an ASX Appendix 5B Query questioning whether it will have sufficient cash to continue funding its operations. Calima noted it was looking at debt or equity funding or the potential to joint venture with regional players. Sale of Namibian exploration assets to Tullow Oil for US$2mm/A$2.9mm plus success bonus up to US$10mm.

- July/August: A$12.7mm capital raise through a placement and rights issue at A$0.018/sh. McDaniel revised Gross prospective resource (2U) to 497mmboe and added contingent resource of 196mmboe – previously there was just 476mmboe of prospective resource. It estimated an EUR per well of 8.4bcf (vs. 5.6-6.8bcf previously).

- September: Company undertook cost saving measures including a 50% reduction in headcount. Mark Freeman appointed Chief Financial Officer.

- October: Appointment of Mr Brett Lawrence as a non-executive director. Completion of sale of Namibian assets and receipt of A$2.9mm in proceeds. A 10-year Continuation Lease over 33,643 acres awarded over Calima Lands.

- November: BC Oil and Gas Commission provided approval to construct and operate a multi-well production facility at Calima's Montney pad location.

- December: Permit granted to construct pipeline to connect the Calima well-pad with regional pipeline and processing infrastructure.

2020

- January: Jon Taylor resigned from the Board of the Company. He was instrumental in the growth of Calima Energy from its beginnings and in the sale of the Namibian acreage to Tullow Oil.

- February: Calima 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.

- March: Management changes announced: Strategic movement of management to Canada. Mr Micheal Dobovich, assumed the role of President; Alan Stein has transitioned to a Non-Executive role; Jon Taylor resigned as a director and Mark Freeman, Chief Financial Officer, has taken on additional Company Secretary responsibilities. Effective 1 April 2020 all Directors agreed to convert their director and executive fees to shares.

- July: Resource Upgrade – Driven by Tommy Lakes Acquisition

- September: Calima engaged Canadian Discovery to complete an in depth analysis of the most significant Montney core retrieved to-date.

- October: Downhole Pressure Data Confirms Montney Productivity.

- November: Mr. Neil Hackett resigned from the Board of the Company to concentrate on other commitments.

- December: Canadian Discovery Limited released their preliminary findings from the study of Calima's 3 wells confirming the presence of high productivity zones.

Financial Summary

Assumptions	2021E	2022E	2023E	2024E	2025E
USD:AUD FX rate	$1.25	$1.25	$1.25	$1.25	$1.25
CAD:AUD FX rate	$1.00	$1.00	$1.00	$1.00	$1.00
Brent (US$/bbl)	$67.50	$60.00	$60.00	$60.00	$60.00
WTI (US$/bbl)	$64.50	$57.00	$57.00	$57.00	$57.00
WCS (C$/bbl)	$65.63	$56.25	$56.25	$56.25	$56.25
Henry Hub (US$/mcf)	$3.00	$3.00	$3.00	$3.00	$3.00
AECO (US$/mcf)	$3.13	$3.44	$3.44	$3.44	$3.44
Brooks oil price (C$/bbl)	$68.13	$58.75	$58.75	$58.75	$58.75
Thorsby oil price (C$/bbl)	$60.63	$51.25	$51.25	$51.25	$51.25
NGL price (C$/bbl)	$40.31	$35.63	$35.63	$35.63	$35.63
Gas price (C$/mcf)	$3.13	$3.44	$3.44	$3.44	$3.44
Oil production (bbl/d)	2,596	3,153	4,081	4,318	3,957
Gas production (mcf/d)	6,134	9,751	12,603	14,327	13,280
NGL production (kbbl/d)	51	79	94	111	105
Total production (kboe/d)	3,670	4,857	6,275	6,817	6,276

Income Statement (C$mm)	2021E	2022E	2023E	2024E	2025E
Revenue	$47.1	$77.4	$100.4	$107.6	$97.7
Royalties	-$8.5	-$13.9	-$18.1	-$19.4	-$17.6
Opex and transportation	-$8.1	-$16.5	-$20.9	-$23.3	-$22.5
G&A	-$3.3	-$4.4	-$5.7	-$6.2	-$5.7
EBITDA	**$27.2**	**$42.5**	**$55.7**	**$58.7**	**$51.9**
DD&A	-$22.4	-$23.8	-$25.0	-$22.3	-$17.9
EBIT	**$4.8**	**$18.7**	**$30.7**	**$36.4**	**$33.9**
Cash Interest	-$0.5	-$0.3	$0.4	$1.4	$2.4
Hedging (gains) losses	-$4.7	$0.0	$0.0	$0.0	$0.0
EBT	-$0.4	$18.4	$31.0	$37.8	$36.4
Tax	$0.0	$0.0	$0.0	-$5.0	-$5.9
Net income	**-$0.4**	**$18.4**	**$31.0**	**$32.8**	**$30.5**

Source: H&P estimates

Cash flow (C$mm)	2021E	2022E	2023E	2024E	2025E
Earnings before interest and tax	$4.8	$18.7	$30.7	$36.4	$33.9
Depreciation	$22.4	$23.8	$25.0	$22.3	$17.9
Share based remuneration	$0.0	$0.0	$0.0	$0.0	$0.0
Cash interest charge	-$0.5	-$0.3	$0.4	$1.4	$2.4
Cash tax	$0.0	$0.0	$0.0	-$5.0	-$5.9
Other	-$4.7	$0.0	$0.0	$0.0	$0.0
Cash flow from operations (pre w/c)	**$22.0**	**$42.2**	**$56.1**	**$55.1**	**$48.4**
Decrease/(increase) in trade receivables	$0.0	$0.0	$0.0	$0.0	$0.0
Increase/(decrease) in trade creditors	$0.0	$0.0	$0.0	$0.0	$0.0
Decrease/(increase) in inventory	$0.0	$0.0	$0.0	$0.0	$0.0
Cash flow from operations (post w/c)	**$22.0**	**$42.2**	**$56.1**	**$55.1**	**$48.4**
Capital expenditure	-$20.0	-$27.9	-$28.9	-$29.7	-$23.1
Free cashflow	**$2.0**	**$14.2**	**$27.2**	**$25.5**	**$25.3**
Acquisitions	$0.0	$0.0	$0.0	$0.0	$0.0
Disposals	$0.0	$0.0	$0.0	$0.0	$0.0
Dividends	$0.0	$0.0	$0.0	$0.0	$0.0
Change in net debt	**$2.0**	**$14.2**	**$27.2**	**$25.5**	**$25.3**

Source: H&P estimate

Balance Sheet (C$mm)	2021E	2022E	2023E	2024E	2025E
Cash and cash equivalents	$0.3	$14.6	$41.7	$67.2	$92.5
Trade and other receivables	$3.9	$3.9	$3.9	$3.9	$3.9
Prepaid expenditures and deposits	$0.1	$0.1	$0.1	$0.1	$0.1
Risk management assets	$0.8	$0.8	$0.8	$0.8	$0.8
Total current assets	$5.1	$19.4	$46.5	$72.0	$97.3
Other assets	$0.6	$0.6	$0.6	$0.6	$0.6
Property, plant and equipment	$136.4	$140.5	$144.4	$151.7	$156.9
Right of use asset	$0.7	$0.7	$0.7	$0.7	$0.7
Exploration and evaluation expenditure	$62.9	$62.9	$62.9	$62.9	$62.9
Investments	$0.4	$0.4	$0.4	$0.4	$0.4
Total non-current assets	$200.9	$205.1	$208.9	$216.2	$221.5
TOTAL ASSETS	**$206.0**	**$224.4**	**$255.4**	**$288.2**	**$318.7**
Bank indebtedness	$12.5	$12.5	$12.5	$12.5	$12.5
Trade and other payables	$2.9	$2.9	$2.9	$2.9	$2.9
Other Liabilities	$0.0	$0.0	$0.0	$0.0	$0.0
Total current liabilities	$15.4	$15.4	$15.4	$15.4	$15.4
Decommissioning obligation	$9.7	$9.7	$9.7	$9.7	$9.7
Deferred income tax liability	$1.7	$1.7	$1.7	$1.7	$1.7
Restoration provision	$4.8	$4.8	$4.8	$4.8	$4.8
Lease liabilities	$0.7	$0.7	$0.7	$0.7	$0.7
Loan	$0.0	$0.0	$0.0	$0.0	$0.0
Total Non-Current Liabilities	$17.0	$17.0	$17.0	$17.0	$17.0
TOTAL LIABILITIES	**$32.4**	**$32.4**	**$32.4**	**$32.4**	**$32.4**
NET ASSETS	**$173.6**	**$192.0**	**$223.0**	**$255.8**	**$286.3**
Issued capital	$346.7	$346.7	$346.7	$346.7	$346.7
Options/Mgmt Rights	$0.1	$0.1	$0.1	$0.1	$0.1
Fundraising Costs	-$3.1	-$3.1	-$3.1	-$3.1	-$3.1
Contributed surplus	$0.0	$0.0	$0.0	$0.0	$0.0
Reserves	$18.3	$18.3	$18.3	$18.3	$18.3
Accumulated losses	-$187.0	-$168.6	-$137.6	-$104.8	-$74.3
TOTAL EQUITY	**$175.1**	**$193.5**	**$224.5**	**$257.3**	**$287.8**

Source: H&P estimates

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