

# Calima Energy Limited (ASX:CE1)

September 03, 2021

Share price: A\$0.20

Target: A\$0.75

## Key take away from reserves update and July production

- Calima's 2P reserves, net of ~13% royalties, at the end of June were estimated at 21.4 mmboe (24.8 mmboe on a WI basis) in line with the estimates at YE19 (22.5 mmboe after royalty /26.1 mmboe WI) after deduction of 1.2 mmboe production. The reserves are evenly split between Brooks and Thorsby.
- The reserves continue to incorporate only 64 development wells, representing only 23% of the total well inventory (total of 275 identified drilling locations). In addition, 93% of the undeveloped acreage has no reserves booked currently. This suggests an important potential upside to the booked reserves. Our unrisks NAV for the unbooked drilling locations is A\$0.55 per share.
- At Brooks, the reserves auditor has started to recognize reserves for the waterflood programme that began in January 2020 at the Countess J2J Pool. Water injection could increase recovery factor from 14% to 25%. To date, less than 2% of the potential increase in recoverable reserves at Countess J2J has been included in the reserve estimates. Our unrisks NAV associated with a 10% increase in recovery factor at Brooks is A\$0.26 per share.
- At Thorsby, the reserves auditor has started to incorporate the impact of longer horizontal wells with higher intensity fractures, resulting in fewer wells being required to produce the proven reserves. Our unrisks NAV for a 30% performance increase applied to the entire Thorsby development plan is A\$0.08 per share.
- Possible reserves after royalty have been estimated for the first time at 4.3 mmboe (5 mmboe on a WI basis), reflecting potential better production performance/type curve estimates. This is above our estimates of 3.7 mmboe (WI) associated with to the potential for better type curves.
- Calima shares continue to offer a combination of value and cashflow and reserves growth. Our new target price of A\$0.75 per share reflects the 1:20 share consolidation.

### July Production up 408 boe/d (vs June)

- Production in July was 3,291 boe/d. This is a good result as only two new Sunburst wells contributed to production over the entire month of July. Gemini#3 and Gemini#4 started production only in mid July and at the end July respectively.

### Valuation

Our new 2P NAV for the company is ~A\$0.33 per share (post consolidation) with a RENAV of A\$0.74 per share. The shares continue to trade at an EV/DACF multiple of <2.0x in 2022.

Rating & target	Old	New	
Target	\$0.035	\$0.750	
Yield		0%	
Implied total return		317%	
Share data	2020a	2021e	2022e
Shares dil., mm	2,346	548	548
Mkt cap, US\$m	\$15	\$77	\$78
EV, US\$m	\$15	\$89	\$75
Financial data	2020a	2021e	2022e
Gas, mmcf/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\$m	(\$0)	\$15	\$43
Net capex, US\$m	\$0	\$20	\$25
Net debt, US\$m	(\$1)	\$12	(\$4)
CFPS dil., US\$/s	(\$0.00)	\$0.00	\$0.10
EPS dil., US\$/sh	(\$0.00)	\$0.00	\$0.07
Valuation	2020a	2021e	2022e
Share price, A\$	\$0.01	\$0.18	\$0.18
EV/DACF	-30.7x	5.9x	1.7x
EV per boe/d	n.a.	\$33,653	\$14,051
Net asset value			
CNAV, A\$/shr			\$0.326
RENAV, A\$/shr			\$0.739
Unrisks NAV, A\$/shr			\$1.894
P/CNAV			0.6x
P/RENAV			0.2x
P/Unrisks 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
<b>Commodity Prices</b>							
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/AD	US\$/A\$	0.750	0.788	0.800	0.800	0.800	0.800
<b>Production</b>							
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%
<b>Netbacks</b>							
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	\$2.86
Cash Flow Netback	US\$/boe	(\$518.19)	\$19.33	\$27.97	\$29.59	\$29.26	\$26.04
Government Take	%	0%	0%	0%	0%	0%	6%
<b>Financials</b>							
Cash Flow (CFO)	US\$mm	(\$0)	\$15	\$43	\$52	\$51	\$45
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.10	\$0.12	\$0.12	\$0.10
EBITDAX	US\$mm	(\$6)	\$15	\$44	\$52	\$51	\$50
E&D Capex	US\$mm	\$0.35	\$15	\$25	\$24	\$22	\$23
A&D Capex, Net	US\$mm	\$0	\$5	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$20	\$25	\$24	\$22	\$23
Total Net Capex/CFO	x	-0.7x	1.4x	0.6x	0.5x	0.4x	0.5x
<b>Leverage</b>							
Net Debt	US\$mm	(\$1)	\$12	(\$4)	(\$29)	(\$55)	(\$75)
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.
<b>Capital Structure</b>							
Basic Shares o/s @ YE	mm	2192	514	514	514	514	514
Diluted Shares o/s @ YE	mm	2346	548	548	548	548	548
Market Capitalization	US\$mm	\$15	\$77	\$78	\$78	\$78	\$78
Enterprise Value	US\$mm	\$15	\$89	\$75	\$49	\$23	\$3
<b>Dividends &amp; Sustainability</b>							
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)	(\$6)	\$18	\$28	\$28	\$22
Cash Use/CFO	%	-70%	138%	58%	46%	44%	51%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil	%	15590%	5507%	1668%	12%	0%	-19%
PPS Growth (Y/Y) DDA - dil. <sup>b</sup>	%	n.a.	5365%	1749%	68%	104%	8%
CFPS Growth (Y/Y) - dil.	%	n.a.	-379%	2459%	19%	-1%	-11%
CFPS Growth (Y/Y) DDA - dil. <sup>b</sup>	%	n.a.	-213%	23401%	78%	102%	-4%
ROCE	%	-15%	8%	17%	19%	17%	17%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	A\$/shr	\$0.326					
RENAV (Atax) - diluted	A\$/shr	\$0.739					
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.894					
P/CNAV	x	0.6x					
P/RENAV	x	0.2x					
P/Unrisked NAV	x	0.1x					
<b>Valuation</b>							
Share Price, YE/Current	A\$/shr	\$0.009	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
P/CF	x	-4.8x	36.4x	1.4x	1.2x	1.2x	1.4x
EV/DACF	x	-30.7x	5.9x	1.7x	1.0x	0.5x	0.1x
Target EV/DACF	x	-2660.3x	23.8x	7.6x	5.9x	5.5x	5.7x
EV per boe/d	US\$/boe/d	n.a.	\$33,653	\$14,051	\$8,250	\$3,883	\$528
EV per 2P boe	US\$/boe	\$1.16	\$3.58	\$3.58	\$3.58	\$3.58	\$3.58
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; <sup>b</sup>) 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 2-Sep-21

**Figure 2. NAV Table**

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$m)	EMV (US\$m)	A\$/Share (Risky)	A\$/Share (Unrisked)	% Total
Net Cash/Debt YE21			-11	-11	-0.027	-0.027	-4%
G&A			-29	-29	-0.071	-0.071	-10%
Brooks 2P	12.6	100%	106	106	0.259	0.259	35%
Thorsby 2P	12.2	100%	68	68	0.165	0.165	22%
<b>Total Core NAV</b>			<b>134</b>	<b>134</b>	<b>0.326</b>	<b>0.326</b>	<b>44%</b>
<b>Brooks upside</b>							
Brooks 110 Unbooked Locations	17.1	50%	144	72	0.175	0.350	24%
Brooks increasing recovery factor by 10% - Booked locations	12.6	40%	106	43	0.103	0.259	14%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
<b>Thorsby upside</b>							
Thorsby 62 Unbooked locations	15.5	50%	86	43	0.105	0.209	0%
Thorsby - Better recovery performance (+30%) - Booked locations	3.7	40%	31	12	0.030	0.075	4%
<b>Montney Acreage</b>							
Contingent resources	192.4	0%	96	0	0.000	0.234	0%
Prospective resources	364.1	0%	182	0	0.000	0.442	0%
<b>Total Risked Exploration</b>			<b>646</b>	<b>170</b>	<b>0.413</b>	<b>1.569</b>	<b>56%</b>
<b>Total</b>			<b>780</b>	<b>304</b>	<b>0.739</b>	<b>1.894</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>1.89</b>		
<b>P/Core NAV</b>					<b>55%</b>		
<b>P/NAV</b>					<b>24%</b>		
<b>P/Unrisked NAV</b>					<b>10%</b>		

Source: Auctus Advisors, Company Reports

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