

Calima Energy Limited (ASX:CE1)

September 21, 2021

Share price: A\$0.21

Target: A\$0.75

Good production performance

- Production in August was 3,493 boe/d, up 200 boe/d compared to July as all the new wells at Brooks now contribute to production, more than offsetting natural decline.
- Financials for August are broadly in line with our expectations.
- The three new Thorsby wells drilled in August and September could be on stream for November with an individual IP rate of ~270-460 boe/d. This suggests that Calima is well on track to meet its production guidance of 4.5 mboe/d by YE21.
- With high commodity prices and strong production, the company could decide to accelerate further its investment programme to grow production beyond 5.5 mboe/d by YE22. An enhanced programme would also probably have a positive impact on reserves.
- Calima shares continue to offer a combination of value and cashflow and reserves growth.

Montney position – How much is it worth

- Calima has initiated a process to maximise the value of its Montney assets by selling part or all its interests. We are not carrying any value for Calima's Montney assets yet. A successful outcome of the process could therefore be very accretive to our valuation.
- It is difficult to quantify the potential value of the Montney interests. We however note that at the time of the merger with Blackspur, Calima only held the Montney assets and had a market cap of ~A\$15 mm. Since then, the equity value of companies with main assets in the Montney have increased along the rest of the sector. Tourmaline Oil's share price has, for instance, appreciated by ~60% over the period. Applying the same appreciation factor to Calima's market cap "pre Blackspur" would suggest a current value of A\$24 mm for the Montney assets. This would represent ~A\$0.06 per share.

Valuation

Our 2P NAV for the company continues to be ~A\$0.33 per share 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\$mm	\$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\$mm	(\$0)	\$15	\$43
Net capex, US\$m	\$0	\$20	\$25
Net debt, US\$rr	(\$1)	\$12	(\$4)
CFPS dil., US\$/s	(\$0.00)	\$0.00	\$0.10
EPS dil., US\$/sr	(\$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
Unrisked NAV, A\$/shr			\$1.894
P/CNAV			0.6x
P/RENAV			0.2x
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	\$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
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	\$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%
Financials							
Cash Flow (CFO)	US\$m	(\$0)	\$15	\$43	\$52	\$51	\$45
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.10	\$0.12	\$0.12	\$0.10
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	0.5x
Leverage							
Net Debt	US\$m	(\$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.
Capital Structure							
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\$m	\$15	\$77	\$78	\$78	\$78	\$78
Enterprise Value	US\$m	\$15	\$89	\$75	\$49	\$23	\$3
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	\$22
Cash Use/CFO	%	-70%	138%	58%	46%	44%	51%
Performance							
Prod. Per Shr Growth (Y/Y) - dil	%	15590%	5507%	1668%	12%	0%	-19%
PPS Growth (Y/Y) DDA - dil. ^b	%	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. ^b	%	n.a.	-213%	23401%	78%	102%	-4%
ROCE	%	-15%	8%	17%	19%	17%	17%
Net Asset Value							
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					
Valuation							
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; 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 2-Sep-21

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (mmboc)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	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%
Total Core NAV			134	134	0.326	0.326	44%
Brooks upside							
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%
Thorsby upside							
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%
Montney Acreage							
Contingent resources	192.4	0%	96	0	0.000	0.234	0%
Prospective resources	364.1	0%	182	0	0.000	0.442	0%
Total Risked Exploration			646	170	0.413	1.569	56%
Total			780	304	0.739	1.894	100%
Unrisked NAV					1.89		
P/Core NAV					55%		
P/NAV					24%		
P/Unrisked NAV					10%		

Source: Auctus Advisors, Company Reports

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