Calima Energy

Production growth accelerating fast in 2022 after minor hiccups in Q4'21

Calima on track to grow production by 40% in H1'22 versus Q4'21

Calima's Q4'21 production was 3.2kboe/d, which generated A$20mm of adjusted EBITDA at a WTI price that averaged US$77/bbl. Production was weaker than originally expected (exiting at 3.5kboe/d rather than the targeted 4.5kboe/d) due to delays to the Leo wells and production shut-ins due to the extreme cold weather. However the 4.5kboe/d should be reached in Q1'21 and production should get to 5kboe/d in Q2'21 from wells that have already been drilled, meaning that this is low risk. Guidance for H1'22 (at the mid-point) is 4.5kboe/d of production (~40% growth vs. Q4'21), adjusted EBITDA of ~A$30mm and capex of ~A$21mm. FCF will be back-end weighted with higher production and lower capex in Q2'22.

Large drilling programme starting to bear fruit

Current production has already increased to 3.8kboe/d with a contribution of 1.1kboe/d from the Leo 1, 2 & 3 wells at Thorsby, which were targeting the Sparky Formation. Production from these wells continues to increase and they are likely to payback in well under a year. A fourth step-out Sparky well was recently spudded (Leo 4). On the Brooks acreage, a further three wells, Pisces 1,2 & 3, have been drilled over the last couple of months into the Glauconitic Formation. Also, there were two horizontal wells (~140boe/d well IP rates) and one vertical well, Gemini 5, 6 & 7, targeting the Sunburst Formation drilled in January. These wells are all due onstream by end Q1'22. Calima announced a new pipeline at Brooks to allow the tie-in of more wells from March 2022.

Net debt increased over Q4'21 but should drop sharply in H1'22

Total capex in Q4'21 was A$11mm and A$27mm for FY'21, which was around 10% above budget due to drilling issues on the Leo #1 well. Calima ended Q4'21 with A$28mm of net debt (an increase of ~A$6mm over the quarter). Growth in net debt was due capital cost increases in the Leo drilling program, delays in start-up of the three Leo wells, the acceleration of the 2022 drilling program at Brooks to drill Pisces #1 and #2 wells in December, and additional pipe and inventory for drilling Gemini #5-7 and Pisces #3. Calima's borrowing base was increased by 8% to C$27mm. Net debt reductions are expected in the first half of 2022 and the Company anticipates exiting June 2022 with net debt of ~A$22mm and eliminating net debt by the end of 2022. The Company had ~45% of forecast production volumes (net of royalty volumes) hedged for Q1-Q3 2022 on a WTI and WCS differential basis.

Catalysts: well performance; Montney and LNG activity

The key catalyst is well performance from its current Thorsby drilling campaign. The Pisces wells have the potential to add up to 1kboe/d of production (IP90) with their full potential expected to be revealed in early March. The high impact unconventional Leo #4 well could substantially expand the reserves in the Greater Thorsby area. The Gemini 5 well test could unlock 1-6 new Sunburst locations if the production test is successful. We also expect some small bolt-on acquisitions around the existing assets. In the Montney we see the potential for a transaction on Calima's assets over the coming months through joint ventures, farm-outs or a disposal.

Valuation: ~200% upside to our increased risked NAV

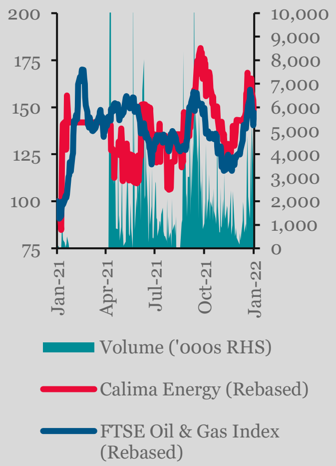
Calima offers a combination of value, growth and shareholder return potential. It offers organic growth through the drill-bit with >15 years reserve life. We have slightly reduced our risked NAV to AUD 69c/sh from AUD 70c/sh. There is also 60% upside to our Core NAV of AUD 35c/sh, which only includes the 1P reserves. Our 2022 forecasts are based on US$70/bbl Brent or US$67/bbl WTI. On a multiple basis, we estimate that Calima is trading on 2022 EV/CFFO of 2.0x. Using the ~C$25mm valuation for the Montney implied pre-Blackspur (which we see as conservative in the current environment), sees it trading on just 1.7x EV/CFFO in 2022. On operational metrics, we see Calima trading on EV/2P reserves of C$5.9/boe and on a flowing barrel basis on $24k per boe/d in 2022.

GICS Sector	**Energy**
Ticker	ASX:CE1
Market cap 28-Jan-22 (US$mm)	83
Share price 28-Jan-22 (AUD c)	23

NAV summary (AUD c/sh)

Asset	Unrisked	Risked
Core NAV	41	37
Development	100	32
Exploration	40	1
Total NAV	**180**	**69**

Source: H&P estimates



H&P Advisory Ltd is a Retained Advisor to Calima. The cost of producing this material has been covered by Calima as part of a contractual engagement with H&P; this report should therefore be considered an "acceptable minor non-monetary benefit" under the MiFID II Directive.

Anish Kapadia
Research Analyst
T +44 (0) 207 907 8500
E anish@hannam.partners

Jay Ashfield
Sales
T +44 (0) 207 907 2022
E ja@hannam.partners

Andy Crispin
Sales
T +44 (0) 207 907 2022
E andy.crispin@hannam.partners

H&P Advisory Ltd
3rd Floor, 7-10 Chandos Street,
London, W1G 9DQ

Investment Case

Our risked NAV on Calima of 69c/sh implies 180% upside. 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 >15 year 2P 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. We expect >50% production growth in 2022 whilst generating >25% FCF yield based on the current price. Calima has a strong balance sheet and minimal decommissioning liabilities relative to its peer group and is self-funding even at low oil prices. It also has strong insider ownership with management largely compensated in stock.

It has a strong balance sheet (0.5x ND/2022E EBITDA), is a low-cost oil producer with the ability to offer a combination of strong free cashflow generation at oil prices north of US$50/bbl WTI and with the ability to use this to both return cash to shareholders and demonstrate strong, low risk growth through its existing proved reserves. In a continued higher oil price environment, there is the potential to grow faster, locking in the returns through hedging given fast payback of <6 months at current oil prices. In a low price environment, Calima benefits from a low breakeven (~US$30/bbl WTI) and low base decline rates given conventional production. Crucially its assets have access to major pipeline infrastructure. Its Montney assets give leverage into rising global gas demand and the growth in North American LNG exports.

Stands out versus its Alberta peer group – Relative to its peer group (mid-cap Alberta oil weighted producers), Calima has stronger production and cashflow growth in 2022, without any acceleration of activity. It has a much healthier balance sheet, both in terms of much lower net debt and decommissioning liabilities. It also has a higher reserve base than peers and a lower cost base leading to higher margins and more downside protection.

Acceleration of drilling/production targets – Calima has ample inventory on the Alberta acreage, where high returns can be locked in by hedging at current pricing, giving less than 6 months payback on some locations. We would expect potentially another 3-5 wells at least in H2'22. Calima can quickly respond to rising energy prices by accelerating its drilling programs given its ability to convert wells from spud to on-stream in 30-60 days.

Potential to grow materially faster and move 2P to 1P – Our modelling is based on the base case drilling scenario for the 2P reserves, which assumed a more conservative macro environment. We think that higher prices could lead to an acceleration of drilling and the production forecasts are based off the conservative well type curves rather than the better results that have been realised by Blackspur. Therefore, there is the potential to grow significantly faster than planned, whilst continuing to generate free cash flow. Blackspur already has a large drilling inventory with greater than 60 booked PUD locations. However, it sees a further ~210 locations on its acreage.

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. 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$400mm (C$3.4/boe) unrisked and heavily risked we carry C$38mm of value in our NAV.

Nisku and Duvernay derisking – Blackspur has significant potential on some higher cost drilling targets on its Thorsby acreage. These are currently lower priority given that it has ample inventory in the already derisked Sparky play. However, the scoping economics on the Nisku play look strong at current prices and the Duvernay has seen positive offset results by other companies nearby. We think that there may be organic development opportunities for the Nisku and the potential to sell the rights to the Duvernay to a company focused on this reservoir interval.

Bolt-on acquisitions – Given the large existing drilling inventory mentioned above, there is no need to replenish inventory. We expect Calima to look at small bolt on acquisitions in and around its existing Brooks/Thorsby acreage. We would expect these to be low cost and high value-add acquisitions due to cost and logistical synergies. There may also be the opportunity to add a further play in the Alberta region to establish a 3rd core area, leveraging off management's ability to spot low-cost development opportunities using innovative approaches.

Valuation

Our favoured valuation methodology is a bottom-up risked NAV, in which we have built a DCF valuation of the 2P reserves, plus the main development and exploration prospects (assuming they will be developed), and then risked them for geological and commercialisation risk. We also take a look at how Calima compares on a multiple basis.

In our base case scenario, we use US$70/bbl WTI long-term flat from 2022, a US$14/bbl differential to WCS pricing, US$3.25/MMBtu AECO gas price in 2022+, a US$1.43/AUD exchange rate, US$1.28/CAD exchange rate and a 10% discount rate from 1/1/2022.

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-'21)					-$20	-4.1			-$20	-4.1
Asset retirement obligations					-$14.2	-2.9			-$14.2	-2.9
Options proceeds					$2.0	0.4			$2.0	0.4
Hedging gain/loss					-$6.5	-1.3			-$6.5	-1.3
Brooks PDP reserves	2.7	100%	2.7	$20.4	$55.5	11.4	100%	100%	$55.5	11.4
Thorsby PDP reserves	2.0	100%	2.0	$15.3	$31.2	6.4	100%	100%	$31.2	6.4
Brooks planned PUD	5.7	100%	5.7	$20.0	$114.6	23.6	100%	90%	$103.2	21.2
Thorsby planned PUD	5.6	100%	5.6	$11.3	$62.5	12.9	100%	90%	$56.3	11.6
H2 Sweet					$0.4	0.1			$0.4	0.1
Workovers/other capex					-$18.9	-3.9			-$18.9	-3.9
Capitalised G&A @ 2x		-5.0			-$10.0	-2.1			-$10.0	-2.1
1P Core NAV	**16.0**		**16.0**	**$12**	**$197**	**40.5**			**$179**	**36.8**
Incremental Brooks 2P	2.5	100%	2.5	$15.2	$38.7	8.0	90%	90%	$31.4	6.4
Incremental Thorsby 2P	3.4	100%	3.4	$10.8	$36.4	7.5	90%	90%	$29.5	6.1
Brooks remaining unbooked	12.9	100%	12.9	$11.4	$147.1	30.2	50%	50%	$36.8	7.6
Thorsby remaining unbooked	6.6	100%	6.6	$8.1	$53.3	11.0	50%	50%	$13.3	2.7
Montney 2C 50mmcf/d	125	100%	125	$3.4	$418	86.0	90%	10%	$37.6	7.7
Montney remaining 2C	68	100%	68	$1.0	$67.8	13.9	75%	10%	$5.1	1.0
Development upside	**192.4**		**192.4**		**$486**	**99.9**			**$154**	**31.6**
Montney Prospective Resource	364	100%	364	$0.5	$182.1	37.4	33%	5%	$3.0	0.6
PEL-10 production licence					$6.4	1.3	25%	25%	$0.4	0.1
PEL-10 commercial production					$6.4	1.3	25%	10%	$0.2	0.0
SADR exploration		50%							$0.0	0.0
5% in Discover Exploration Ltd									$1.0	0.2
Exploration upside	**364.1**		**364.1**		**$195**	**40.0**			**$5**	**0.9**
Total NAV					**$878**	**180.4**			**$337**	**69.4**

Source: H&P estimates

NAV sensitivities

We look at the risked NAV for Calima at various oil prices and discount rates relative to our base case.

Risked NAV (AUD c/sh) at different oil prices and discount rates

		Brent Oil price (US$/bbl)				
		$50.00	**$60.00**	**$70.00**	**$80.00**	**$90.00**
Discount rate	**6%**	41.9c	63.9c	86.7c	109.7c	132.7c
	8%	36.7c	56.5c	77.1c	97.7c	118.4c
	10%	32.4c	50.6c	**69.4c**	88.2c	107.0c
	12%	29.0c	45.8c	63.0c	80.3c	97.7c
	14%	26.2c	41.7c	57.8c	73.9c	89.9c

Source: H&P estimates

Valuation metrics and multiples

The table below shows the key financial ratio and operational metrics for Calima.

Financial ratios and multiples (C$mm)	2022E	2023E	2024E	2025E
Market capitalisation	105.8	105.8	105.8	105.8
Net debt	$6.1	-$14.6	-$41.6	-$68.6
EV	**133.2**	**133.2**	**133.2**	**133.2**
Equity	198.0	235.8	272.5	306.5
Capital employed	204.1	221.2	230.9	237.9
EV/2P reserves (2020)	$5.9	$5.9	$5.9	$5.9
EV per boe per day ($ per kboe/d)	$24.3	$20.1	$18.5	$20.4
Cashflow per barrel ($/boe)	$32.8	$29.7	$26.8	$26.6
EBITDA per barrel ($/boe)	$33.2	$32.5	$31.3	$30.2
Net income per barrel ($/boe)	$20.8	$19.3	$18.3	$19.1
P/E	2.5x	2.3x	2.2x	2.3x
P/CFPS	1.6x	1.5x	1.5x	1.7x
EV/EBITDA	2.0x	1.7x	1.6x	1.8x
EV/CFFO	2.0x	1.9x	1.9x	2.1x
ROAE	21.0%	19.8%	17.7%	14.9%
ROACE	20.4%	21.1%	20.9%	19.1%
FCF yield	28.8%	28.0%	36.4%	36.5%
Dividend yield	8.6%	8.4%	10.9%	10.9%
Net debt/EBITDA	0.1x	-0.2x	-0.5x	-1.0x
Net debt/equity	3.1%	-6.2%	-15.3%	-22.4%
Net debt/capital employed	3.0%	-6.6%	-18.0%	-28.8%

Source: H&P estimates, CapIQ

Financial Summary

Assumptions	2021E	2022E	2023E	2024E	2025E
USD:AUD FX rate	$1.43	$1.43	$1.43	$1.43	$1.43
CAD:AUD FX rate	$1.12	$1.12	$1.12	$1.12	$1.12
Brent (US$/bbl)	$70.67	$70.00	$70.00	$70.00	$70.00
WTI (US$/bbl)	$67.80	$67.00	$67.00	$67.00	$67.00
WCS (C$/bbl)	$70.40	$68.48	$68.48	$68.48	$68.48
Henry Hub (US$/mcf)	$4.00	$3.50	$3.50	$3.50	$3.50
AECO (US$/mcf)	$4.48	$4.16	$4.16	$4.16	$4.16
Brooks oil price (C$/bbl)	$72.96	$71.04	$71.04	$71.04	$71.04
Thorsby oil price (C$/bbl)	$65.28	$63.36	$63.36	$63.36	$63.36
NGL price (C$/bbl)	$42.88	$42.88	$42.88	$42.88	$42.88
Gas price (C$/mcf)	$4.48	$4.16	$4.16	$4.16	$4.16
Oil production (bbl/d)	2,389	3,713	4,383	4,634	4,173
Gas production (mcf/d)	5,644	10,052	12,854	14,747	13,567
NGL production (kbbl/d)	51	86	98	116	109
Total production (kboe/d)	3,381	5,474	6,623	7,208	6,543

Income Statement (C$mm)	2021E	2022E	2023E	2024E	2025E
Revenue	$48.1	$109.2	$130.5	$139.8	$125.1
Royalties	-$8.7	-$19.6	-$23.5	-$25.2	-$22.5
Opex and transportation	-$10.0	-$18.2	-$22.5	-$25.6	-$24.6
G&A	-$3.1	-$5.0	-$6.0	-$6.6	-$6.0
EBITDA	**$19.4**	**$66.4**	**$78.4**	**$82.5**	**$72.0**
DD&A	-$22.4	-$23.8	-$25.0	-$22.3	-$17.9
EBIT	**-$3.1**	**$42.6**	**$53.4**	**$60.1**	**$54.1**
Cash Interest	-$0.6	-$0.9	$0.0	$0.9	$1.9
Hedging (gains) losses	-$6.5	$0.0	$0.0	$0.0	$0.0
EBT	-$10.1	$41.7	$53.4	$61.0	$56.0
Tax	$0.0	$0.0	-$6.6	-$12.7	-$10.5
Net income	**-$10.1**	**$41.7**	**$46.7**	**$48.3**	**$45.5**

Source: H&P estimates

Cash flow (C$mm)	2021E	2022E	2023E	2024E	2025E
Earnings before interest and tax	-$3.1	$42.6	$53.4	$60.1	$54.1
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	-$0.6	-$0.9	$0.0	$0.9	$1.9
Cash tax	$0.0	$0.0	-$6.6	-$12.7	-$10.5
Other	-$6.5	$0.0	$0.0	$0.0	$0.0
Cash flow from operations (pre w/c)	**$12.3**	**$65.4**	**$71.8**	**$70.6**	**$63.5**
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)	**$12.3**	**$65.4**	**$71.8**	**$70.6**	**$63.5**
Capital expenditure	-$24.0	-$35.0	-$42.1	-$32.1	-$24.9
Free cashflow	**-$11.7**	**$30.4**	**$29.6**	**$38.5**	**$38.6**
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	-$9.1	-$8.9	-$11.6	-$11.6
Change in net debt	**-$11.7**	**$21.3**	**$20.8**	**$27.0**	**$27.0**

Source: H&P estimate

Balance Sheet (C$mm)	2021E	2022E	2023E	2024E	2025E
Cash and cash equivalents	$0.3	$21.6	$42.4	$69.3	$96.3
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	$26.4	$47.2	$74.1	$101.2
Other assets	$0.6	$0.6	$0.6	$0.6	$0.6
Property, plant and equipment	$141.9	$153.2	$170.2	$180.0	$187.0
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	$206.5	$217.7	$234.8	$244.6	$251.5
TOTAL ASSETS	**$211.6**	**$244.1**	**$282.0**	**$318.7**	**$352.6**
Bank indebtedness	$27.7	$27.7	$27.7	$27.7	$27.7
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	$30.7	$30.7	$30.7	$30.7	$30.7
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	**$47.7**	**$47.7**	**$47.7**	**$47.7**	**$47.7**
NET ASSETS	**$163.9**	**$196.5**	**$234.3**	**$271.0**	**$305.0**
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	-$196.7	-$164.1	-$126.3	-$89.6	-$55.6
TOTAL EQUITY	**$165.4**	**$198.0**	**$235.8**	**$272.5**	**$306.5**

Source: H&P estimate

Disclaimer

This Document has been prepared by H&P Advisory Limited (“H&P”). It is protected by international copyright laws and is for the recipient’s use in connection with considering a potential business relationship with H&P only. This Document and any related materials are confidential and may not be distributed or reproduced (in whole or in part) in any form without H&P’s prior written permission.

By accepting or accessing this Document or any related materials you agree to be bound by the limitations and conditions set out herein and, in particular, will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this disclaimer including, without limitation, the obligation to keep information contained in this Document and any related materials confidential.

This Document does not represent investment research for the purposes of the rules of the Financial Conduct Authority (“FCA Rules”). To the extent it constitutes a research recommendation, it takes the form of NON-INDEPENDENT research for the purposes of the FCA Rules. As such it constitutes a MARKETING COMMUNICATION, has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of dissemination of investment research.

The information contained herein does not constitute an offer or solicitation to sell or acquire any security or fund the acquisition of any security by anyone in any jurisdiction, nor should it be regarded as a contractual document. Under no circumstances should the information provided in this Document or any other written or oral information made available in connection with it be considered as investment advice, or as a sufficient basis on which to make investment decisions. This Document is being provided to you for information purposes only.

The distribution of this Document or any information contained in it and any related materials may be restricted by law in certain jurisdictions, and any person into whose possession this Document or any part of it comes should inform themselves about, and observe, any such restrictions.

The information in this Document does not purport to be comprehensive and has been provided by H&P (and, in certain cases, third party sources) and has not been independently verified. No reliance may be placed for any purposes whatsoever on the information contained in this Document or related materials or in the completeness of such information.

The information set out herein and in any related materials reflects prevailing conditions and our views as at this date and is subject to updating, completion, revision, verification and amendment, and such information may change materially. H&P is under no obligation to provide the recipient with access to any additional information or to update this Document or any related materials or to correct any inaccuracies in it which may become apparent.

Whilst this Document has been prepared in good faith, neither H&P nor any of its group undertakings, nor any of its or their respective directors, members, advisers, representatives, officers, agents, consultants or employees makes, or is authorised to make any representation, warranty or undertaking, express or implied, with respect to the information or opinions contained in it and no responsibility or liability is accepted by any of them as to the accuracy, completeness or reasonableness of such information or opinions or any other written or oral information made available to any party or its advisers. Without prejudice to the foregoing, neither H&P nor any of its group undertakings, nor any of its or their respective directors, members, advisers, representatives, officers, agents, consultants or employees accepts any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of this Document and/or related materials or their contents or otherwise arising in connection therewith. This Document shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

All statements of opinion and/or belief contained in this Document and all views expressed and all projections, forecasts or statements regarding future events or possible future performance represent H&P’s own assessment and interpretation of information available to it as at the date of this Document. This Document and any related materials may include certain forward-looking statements, beliefs or opinions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that any of the results and events contemplated by the forward-looking statements contained in the information can be achieved or will, in fact, occur. No representation is made or any assurance, undertaking or indemnity given to you that such forward looking statements are correct or that they can be achieved. Past performance cannot be relied on as a guide to future performance.

This Document is directed at persons having professional experience in matters relating to investments to whom Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO") applies, or high net worth organisations to whom Article 49 of the FPO applies. The investment or investment activity to which this communication relates is available only to such persons and other persons to whom this communication may lawfully be made (“relevant persons”) and will be engaged in only with such persons. This Document must not be acted upon or relied upon by persons who are not relevant persons.

This Document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. In particular, the information contained in this Document is not for publication, release or distribution, and may not be taken or transmitted into: (i) the United States or its territories or possessions, or distributed, directly or indirectly, in the United States, its territories or possessions or to any U.S. person as such term is defined in Regulation S of the Securities Act; or (ii) Australia, Canada, Japan, New Zealand or the Republic of South Africa. Any failure to comply with this restriction may constitute a violation of United States, Canadian, Japanese, New Zealand or South African securities law. Further, the distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this Document comes are required to inform themselves about, and observe, any such restrictions.

H&P may from time to time have a broking, corporate finance advisory or other relationship with a company which is the subject of or referred to in the Document.

This Document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor’s. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omission (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including lost income or profits and opportunity costs or losses caused by negligence) in connection with any use of their content including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

In H&P’s view this material is considered as “acceptable minor non-monetary benefit” under MiFID II as it is either: (i) “non-substantive short-term market commentary”; and/or (ii) making a brief reference to existing H&P research and, as such, is in-and-of-itself non-substantive; and/or (iii) paid for by a corporate issuer or potential corporate issuer as part of a contractual engagement with H&P.

H&P Advisory Ltd is registered in England No.11120795. Registered Office: 3rd Floor, 7-10 Chandos Street, London, W1G 9DQ. H&P Advisory Ltd is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 805667).