

Calima Energy Limited (ASX:CE1)

March 29, 2022

Share price: A\$0.20

Target: A\$0.65

Reserves and resources as expected

- At YE21, Calima held 20.4 mmmboe net (after royalty) 2P reserves; which is not very different from the net 2P reserves reported at the end of June 2021 (21.4 mmmboe), after deducting 0.6 mmmboe produced during 2H21 and factoring a 1% increase in expected royalty (~0.2 mmmboe).
- The reserves estimate is based on only the expected drilling of 60 wells over the next five years. Only respectively ~20% and ~23% of the identified drilling locations at Thorsby and Brooks have been booked for the purposes of the reserve report.
- ~228 net wells will develop the entire reserve position on Calima's existing lands. 90% of undeveloped Brooks and Thorsby acreage has no reserves booked currently. This continues to represent a very material source of upside.
- The reserves update at YE22 could be more material as it should incorporate the impact of the Leo wells (some were above expectations) and more contribution from the waterflood programme that is being extended in 2022.
- Our target price of A\$0.65 per share is unchanged.

Montney

The contingent resources estimates in the Montney have increased from ~192 mmmboe to ~201 mmmboe based on higher expected EUR per well, which reflects positive results from gas wells by offsetting operators. The prospective resources were down approximately 58% due to expiry of land rights resulting in 68 locations removed from each of the Upper and Middle Montney benches. We believe that with the recent uptick in interest for gas given the situation with Russia, the appeal of Calima's Montney asset for a potential industry partner will increase. Vermillion Energy just announced the acquisition of Leucrotta Exploration for C\$477 mm. Leucrotta holds a contiguous land base of 77,000 net acres of Montney mineral rights with 13 mboe/d production expected in 2023 and ~49.5 mmmboe of 2P reserves.

Investment profile unchanged: value and growth

Unlike many other E&Ps in the sector, the share price of Calima has not responded to the strong rally in oil price and Calima shares offer deep value. With growing production and cashflow, we forecast that net cash would represent 85% of the current market cap by YE23 at US\$100/bbl.

Rating & target	Old	New	
Target	\$0.65	n.c.	
Yield		0%	
Implied total return		225%	
Share data	2020a	2021e	2022e
Shares dil., mm	2,346	544	644
Mkt cap, US\$m	\$15	\$84	\$92
EV, US\$m	\$15	\$104	\$86
Financial data	2020a	2021e	2022e
Gas, mmmcf/d	0.0	4.8	9.6
Liquids, bbl/d	20	1,559	3,378
Total boe/d (6:1)	20	2,362	4,981
CFO, US\$m	(\$0)	\$12	\$52
Net capex, US\$m	\$0	\$45	\$37
Net debt, US\$m	(\$1)	\$20	(\$5)
CFPS dil., US\$/s	(\$0.00)	\$0.00	\$0.12
EPS dil., US\$/sh	(\$0.00)	\$0.00	\$0.09
Valuation	2020a	2021e	2022e
Share price, A\$	\$0.01	\$0.21	\$0.20
EV/DACF	-30.7x	8.5x	1.6x
EV per boe/d	n.a.	\$44,055	\$17,308
Net asset value			
CNAV, A\$/shr			\$0.31
RENNAV, A\$/shr			\$0.64
Unrisked NAV, A\$/shr			\$1.73
P/CNAV			0.7x
P/RENNAV			0.3x
P/Unrisked NAV			0.1x

All figures in US\$ unless otherwise noted

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Figure 1. Financial & operating information (WTI: US\$62/bbl from 2Q22)

Calima Energy Ltd (CE1)		Historical & Auctus Advisors Outlook						
Financial & Operating Information		2020a	2021e	2022e	2023e	2024e	2025e	2026e
Commodity Prices								
WTI	US\$/bbl	\$37.26	\$67.44	\$79.47	\$67.00	\$62.00	\$62.00	\$62.00
USD/CAD	US\$/C\$	0.752	0.788	0.800	0.800	0.800	0.800	0.800
USD/AD	US\$/A\$	0.750	0.743	0.720	0.720	0.720	0.720	0.720
Production								
Oil and Liquids	bbl/d	20	1,559	3,378	4,394	4,424	4,407	4,329
Natural Gas	mmcf/d	0	5	10	13	13	13	13
Total (6 mcf = 1 boe)	boe/d	20	2,362	4,981	6,533	6,564	6,532	6,418
% Oil and Liquids	%	100%	66%	68%	67%	67%	67%	67%
Netbacks								
Realized Price	US\$/boe	\$27.46	\$41.22	\$51.07	\$39.10	\$38.46	\$38.55	\$38.53
Royalties	US\$/boe	\$0.00	\$7.14	\$9.68	\$7.40	\$7.28	\$7.29	\$7.29
Production Costs	US\$/boe	\$194.42	\$11.50	\$9.16	\$9.66	\$10.00	\$10.34	\$10.68
Operating Netback	US\$/boe	(\$166.96)	\$17.31	\$29.53	\$22.04	\$21.19	\$20.92	\$20.56
Taxes	US\$/boe	\$0.13	\$0.00	\$0.00	\$0.00	\$0.24	\$0.31	\$0.32
Cash Flow Netback	US\$/boe	(\$518.19)	\$19.01	\$40.46	\$28.52	\$27.35	\$26.96	\$26.42
Government Take	%	0%	0%	0%	0%	1%	9%	8%
Financials								
Cash Flow (CFO)	US\$m	(\$0)	\$12	\$52	\$48	\$46	\$45	\$44
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.12	\$0.11	\$0.10	\$0.10	\$0.10
EBITDAX	US\$m	(\$6)	\$18	\$50	\$49	\$47	\$46	\$45
E&D Capex	US\$m	\$0.35	\$20	\$37	\$25	\$26	\$27	\$26
A&D Capex, Net	US\$m	\$0	\$25	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$m	\$0	\$45	\$37	\$25	\$26	\$27	\$26
Total Net Capex/CFO	x	-0.7x	3.8x	0.7x	0.5x	0.6x	0.6x	0.6x
Leverage								
Net Debt	US\$m	(\$1)	\$20	(\$5)	(\$29)	(\$48)	(\$58)	(\$69)
Net debt/CFO (Trailing)	x	n.a.	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.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	2192	514	614	614	614	614	614
Diluted Shares o/s @ YE	mm	2346	544	644	644	644	644	644
Market Capitalization	US\$m	\$15	\$84	\$92	\$92	\$92	\$92	\$92
Enterprise Value	US\$m	\$15	\$104	\$86	\$63	\$44	\$33	\$23
Dividends & Sustainability								
Dividends	US\$m	0	0	0	0	0	0	0
Dividends	A\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0%	0%	0%	0%	0%	0%	0%
Free Cash Flow	US\$m	(\$1)	(\$33)	\$15	\$23	\$20	\$18	\$18
Cash Use/CFO	%	-70%	377%	71%	52%	57%	59%	59%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	15571%	4934%	1524%	28%	0%	0%	-2%
PPS Growth (Y/Y) DDA - dil. ^b	%	n.a.	4768%	1680%	74%	45%	31%	44%
CFPS Growth (Y/Y) - dil.	%	n.a.	-346%	3355%	-10%	-4%	-2%	-4%
CFPS Growth (Y/Y) DDA - dil. ^b	%	n.a.	-200%	29069%	19%	39%	29%	41%
ROCE	%	-15%	16%	27%	21%	19%	19%	19%
Net Asset Value								
CNAV (Atax) - diluted	A\$/shr	\$0.306						
RENAV (Atax) - diluted	A\$/shr	\$0.638						
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.728						
P/CNAV	x	0.7x						
P/RENAV	x	0.3x						
P/Unrisked NAV	x	0.1x						
Valuation								
Share Price, YE/Current	A\$/shr	\$0.009	\$0.21	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
P/CF	x	-4.8x	45.5x	1.2x	1.3x	1.4x	1.4x	1.5x
EV/DACF	x	-30.7x	8.5x	1.6x	1.3x	1.0x	0.7x	0.5x
Target EV/DACF	x	-2305.5x	24.9x	5.8x	5.8x	5.6x	5.5x	5.4x
EV per boe/d	US\$/boe/d	n.a.	\$44,055	\$17,308	\$9,668	\$6,684	\$5,108	\$3,553
EV per 2P boe	US\$/boe	\$0.59	\$4.35	\$3.90	\$3.20	\$2.53	\$2.23	\$1.81
EV per 2P boe, with FDC	US\$/boe	n.a.	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 28-Mar-22

Figure 2. NAV Table (WTI: US\$62/bbl from 2Q22)

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	A\$/Share (Risky)	A\$/Share (Unrisked)	% Total
Net Cash/Debt YE22			5	5	0.012	0.012	2%
G&A			-27	-27	-0.058	-0.058	-9%
Brooks 2P	11.8	100%	91	91	0.196	0.196	31%
Thorsby 2P	12.2	100%	73	73	0.157	0.157	25%
Total Core NAV			142	142	0.306	0.306	48%
Brooks upside							
Brooks 100 Unbooked Locations	15.5	45%	119	54	0.116	0.305	18%
Brooks increasing recovery factor by 10% - Booked locations	11.8	40%	91	36	0.078	0.232	12%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 78 Unbooked locations	19.5	45%	116	52	0.113	0.297	0%
Thorsby - Better recovery performance (+30%) - Booked loctions	3.7	40%	28	11	0.024	0.072	4%
Montney Acreage							
Contingent resources	200.8	0%	100	0	0.000	0.256	0%
Prospective resources	158.7	0%	79	0	0.000	0.203	0%
Total Risked Exploration			534	154	0.331	1.365	52%
Total			676	296	0.638	1.728	100%
Unrisked NAV					1.73		
P/Core NAV				65%			
P/NAV				31%			
P/Unrisked NAV				12%			

Source: Auctus Advisors, Company Reports

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