

# Calima Energy Limited (ASX:CE1)

April 05, 2022

Share price: A\$0.20

Target: A\$0.85

## Extensive drilling activities in Canada

- We are increasing our target price from A\$0.65 per share to A\$0.85 per share on our newer higher oil price assumptions. We have also reflected some additional cost inflation.
- We forecast production to increase by ~70% between 4Q21 and 4Q22 to ~5.4 mboe/d. With oil representing ~70% of the overall production mix, our higher oil price assumptions have a material impact on our cashflow forecasts.
- With only a fraction of all the potential drilling locations included in the calculation of the company's 2P reserves, there exists an important upside to the company reserves.
- In addition, Calima holds a large land position in the Montney which, with increasing prices for natural gas, could be increasingly of interest to a potential consolidator in the area.

## Brent price forecasts

With double-digit inflation on the horizon, constrained global oil supply, prolonged restrictions on Russia and demand for hydrocarbons stubbornly high, we have decided to increase our WTI price assumptions from US\$79/bbl to ~US\$100/bbl in 2022, US\$64/bbl to ~US\$97/bbl in 2023, US\$62/bbl to US\$89/bbl in 2024, US\$62/bbl to US\$71/bbl in 2025 and US\$62/bbl to US\$67/bbl from 2016.

## Valuation, exposure to oil price and growth

Under our new Brent price assumptions and reflecting the currently planned drilling programme, we forecast Calima will generate ~US\$70 mm free cash flow by YE23 and ~US\$110 mm by YE24. This would translate to YE24 net cash being 10% above the current market cap. Our new Core NAV based on the company's 2P reserves only is ~A\$0.42 per share per share with a ReNAV of ~A\$0.84 per share.

Rating & target	Old	New	
Target	\$0.65	\$0.85	
Yield		0%	
Implied total return		325%	
Share data	2021	2022e	2023e
Shares dil., mm	552	652	652
Mkt cap, US\$m	\$85	\$93	\$93
EV, US\$mm	\$105	\$79	\$28
Financial data	2021	2022e	2023e
Gas, mmcf/d	4.8	9.4	11.8
Liquids, bbl/d	1,559	3,300	4,012
Total boe/d (6:1)	2,362	4,870	5,982
CFO, US\$mm	\$9	\$57	\$76
Net capex, US\$m	\$40	\$37	\$25
Net debt, US\$m	\$20	(\$13)	(\$65)
CFPS dil., US\$/s	\$0.00	\$0.13	\$0.17
EPS dil., US\$/sh	(\$0.01)	\$0.10	\$0.14
Valuation	2021	2022e	2023e
Share price, A\$	\$0.21	\$0.20	\$0.20
EV/DACF	10.6x	1.4x	0.4x
EV per boe/d	\$44,438	\$16,319	\$4,670
Net asset value			
CNAV, A\$/shr			\$0.42
RENAV, A\$/shr			\$0.84
Unrisked NAV, A\$/shr			\$2.10
P/CNAV			0.5x
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	2021	2022e	2023e	2024e	2025e	2026e
<b>Commodity Prices</b>								
WTI	US\$/bbl	\$37.26	\$67.44	\$99.62	\$97.00	\$89.45	\$70.71	\$67.00
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
<b>Production</b>								
Oil and Liquids	bbl/d	20	1,559	3,300	4,012	4,062	4,162	4,159
Natural Gas	mmcf/d	0	5	9	12	12	12	12
Total (6 mcf = 1 boe)	boe/d	20	2,362	4,870	5,982	6,043	6,179	6,173
% Oil and Liquids	%	100%	66%	68%	67%	67%	67%	67%
<b>Netbacks</b>								
Realized Price	US\$/boe	\$27.46	\$41.14	\$65.03	\$61.54	\$56.74	\$44.28	\$41.81
Royalties	US\$/boe	\$0.00	\$7.88	\$12.33	\$11.66	\$10.75	\$8.38	\$7.91
Production Costs	US\$/boe	\$194.42	\$11.01	\$12.00	\$12.75	\$12.88	\$12.97	\$13.18
Operating Netback	US\$/boe	(\$166.96)	\$16.74	\$34.49	\$37.14	\$33.12	\$22.93	\$20.71
Taxes	US\$/boe	\$0.13	\$0.00	\$0.00	\$0.00	\$3.14	\$3.78	\$3.23
Cash Flow Netback	US\$/boe	(\$518.19)	\$15.72	\$45.05	\$49.25	\$41.18	\$29.60	\$26.51
Government Take	%	0%	0%	0%	0%	6%	9%	8%
<b>Financials</b>								
Cash Flow (CFO)	US\$m	(\$0)	\$9	\$57	\$76	\$64	\$47	\$42
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.13	\$0.17	\$0.14	\$0.10	\$0.09
EBITDAX	US\$m	(\$6)	(\$18)	\$58	\$77	\$69	\$48	\$43
E&D Capex	US\$m	\$0.35	\$16	\$37	\$25	\$26	\$27	\$26
A&D Capex, Net	US\$m	\$0	\$25	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$m	\$0	\$40	\$37	\$25	\$26	\$27	\$26
Total Net Capex/CFO	x	-0.7x	4.3x	0.7x	0.3x	0.4x	0.6x	0.6x
<b>Leverage</b>								
Net Debt	US\$m	(\$1)	\$20	(\$13)	(\$65)	(\$100)	(\$112)	(\$121)
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.
<b>Capital Structure</b>								
Basic Shares o/s @ YE	mm	2192	514	614	614	614	614	614
Diluted Shares o/s @ YE	mm	2346	552	652	652	652	652	652
Market Capitalization	US\$m	\$15	\$85	\$93	\$93	\$93	\$93	\$93
Enterprise Value	US\$m	\$15	\$105	\$79	\$28	(\$7)	(\$19)	(\$28)
<b>Dividends &amp; Sustainability</b>								
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)	(\$31)	\$20	\$52	\$38	\$20	\$17
Cash Use/CFO	%	-70%	427%	65%	33%	41%	57%	61%
<b>Performance</b>								
Prod. Per Shr Growth (Y/Y) - dil	%	15571%	4932%	1466%	20%	1%	2%	0%
PPS Growth (Y/Y) DDA - dil. <sup>b</sup>	%	n.a.	4769%	1792%	239%	-491%	-61%	-33%
CFPS Growth (Y/Y) - dil.	%	n.a.	-304%	4387%	31%	-16%	-27%	-11%
CFPS Growth (Y/Y) DDA - dil. <sup>b</sup>	%	n.a.	-182%	41090%	261%	-427%	-72%	-40%
ROCE	%	-15%	-35%	41%	47%	34%	34%	34%
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	A\$/shr	\$0.421						
RENAV (Atax) - diluted	A\$/shr	\$0.843						
Unrisked NAV (Atax) - diluted	A\$/shr	\$2.099						
P/CNAV	x	0.5x						
P/RENAV	x	0.2x						
P/Unrisked NAV	x	0.1x						
<b>Valuation</b>								
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	55.0x	1.1x	0.9x	1.0x	1.4x	1.6x
EV/DACF	x	-30.7x	10.6x	1.4x	0.4x	-0.1x	-0.4x	-0.6x
Target EV/DACF	x	-3015.2x	41.8x	6.9x	4.4x	4.7x	6.2x	6.8x
EV per boe/d	US\$/boe/d	n.a.	\$44,438	\$16,319	\$4,670	(\$1,194)	(\$3,054)	(\$4,558)
EV per 2P boe	US\$/boe	\$0.59	\$4.38	\$3.59	\$1.40	(\$0.41)	(\$1.22)	(\$2.12)
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; <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 31-Mar-22

**Figure 2. NAV Table**

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	A\$/Share (Risked)	A\$/Share (Unrisked)	% Total
Net Cash/Debt YE22			13	13	0.029	0.029	3%
G&A			-27	-27	-0.057	-0.057	-7%
Brooks 2P	11.5	100%	112	112	0.238	0.238	28%
Thorsby 2P	12.2	100%	100	100	0.212	0.212	25%
<b>Total Core NAV</b>			<b>198</b>	<b>198</b>	<b>0.421</b>	<b>0.421</b>	<b>50%</b>
<b>Brooks upside</b>							
Brooks 100 Unbooked Locations	15.5	45%	151	68	0.145	0.380	17%
Brooks increasing recovery factor by 10% - Booked locations	11.5	40%	112	45	0.095	0.281	11%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
<b>Thorsby upside</b>							
Thorsby 78 Unbooked locations	19.5	45%	159	71	0.152	0.399	0%
Thorsby - Better recovery performance (+30%) - Booked loctions	3.7	40%	36	14	0.030	0.090	4%
<b>Montney Acreage</b>							
Contingent resources	200.8	0%	100	0	0.000	0.252	0%
Prospective resources	158.7	0%	79	0	0.000	0.200	0%
<b>Total Risked Exploration</b>			<b>637</b>	<b>198</b>	<b>0.422</b>	<b>1.602</b>	<b>50%</b>
<b>Total</b>			<b>835</b>	<b>396</b>	<b>0.843</b>	<b>2.099</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>2.10</b>		
<b>P/Core NAV</b>				<b>47%</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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