

Calima Energy Limited (ASX:CE1)

May 17, 2022

Share price: A\$0.16

Target: A\$0.75

Production in line but with less capex

- Production over the first nine months of 2022 is expected to be 4.1-4.4 mboe/d, suggesting modest production growth in 3Q22 compared to 1H22 (guidance of 4.0-4.2 mboe/d). This is very close to our expectations (4.25 mboe/d).
- The guidance for funds flow from operation of A\$44-50 mm (@US\$105/bbl for WTI) is also a bit higher than we forecast (A\$45 mm).
- The 2Q22 capex is only expected to be A\$3.5 mm with the 3Q22 programme expected to cost A\$7.8 mm. This is well below our expectations of a total of ~A\$19 mm for 2Q-3Q22.
- Overall, this suggests that the net cash (including working capital) at the end of September could be ~A\$5 mm (higher than our previous forecast of ~A\$0 mm); which would leave room for the company to provide a capital return/buyback to shareholders.
- The 4Q22 activity programme will depend on commodity prices and well performance.
- Pending further visibility on the 4Q programme and the results of the Leo#4 well, we re-iterate our target price of A\$0.75 per share.

The 3Q22 drilling programme includes important wells

The 3Q22 drilling programme includes four new wells at Brooks (2x Gemini plus 2x Pisces) plus the completion of the Leo#4 well. This is one well less than we anticipated. The Leo#4 well could open-up up to 20 new locations in the Holborn area, just North of Thorsby and add reserves. With typical EUR of 350-450 mboe, 10-20 wells could add 4-9 mboe recoverable resources. The Gemini#8 well will be a follow-up to the Gemini#5 vertical well that vastly outperformed expectations while the Gemini#9 well will be a follow-up of the high performing Gemini#3 well that has paid back 4x since it was put in production last July.

Low share price creates opportunity

Pending further details on the 4Q22 activity programme, we have not changed our capex forecast of ~A18 mm in 4Q22 nor our forecasts of 5.2 mboe/d production plateau from 2023. With the recent drop in share price Calima we forecast that YE23 net cash will represent >65% of the company's current market cap. We also forecast YE24 net cash to be 10% above the current market cap.

Rating & target	Old	New	
Target	\$0.75	n.c.	
Yield		0%	
Implied total return		369%	
Share data	2021	2022e	2023e
Shares dil., mm	552	652	652
Mkt cap, US\$mm	\$85	\$74	\$74
EV, US\$mm	\$105	\$67	\$25
Financial data	2021	2022e	2023e
Gas, mmcf/d	4.8	8.5	10.3
Liquids, bbl/d	1,559	2,994	3,507
Total boe/d (6:1)	2,362	4,406	5,227
CFO, US\$mm	\$9	\$49	\$66
Net capex, US\$mm	\$40	\$35	\$25
Net debt, US\$mm	\$20	(\$7)	(\$49)
CFPS dil., US\$/shr	\$0.00	\$0.11	\$0.14
EPS dil., US\$/shr	(\$0.01)	\$0.09	\$0.12
Valuation	2021	2022e	2023e
Share price, A\$/shr	\$0.21	\$0.16	\$0.16
EV/DACF	10.6x	1.4x	0.4x
EV per boe/d	\$44,438	\$15,213	\$4,876
Net asset value			
CNAV, A\$/shr			\$0.36
RENNAV, A\$/shr			\$0.74
Unrisked NAV, A\$/shr			\$1.91
P/CNAV			0.4x
P/RENNAV			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
Commodity Prices								
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
Production								
Oil and Liquids	bbl/d	20	1,559	2,994	3,507	3,520	3,462	3,301
Natural Gas	mmcf/d	0	5	8	10	10	10	10
Total (6 mcf = 1 boe)	boe/d	20	2,362	4,406	5,227	5,250	5,163	4,930
% Oil and Liquids	%	100%	66%	68%	67%	67%	67%	67%
Netbacks								
Realized Price	US\$/boe	\$27.46	\$41.14	\$64.33	\$61.59	\$56.56	\$43.97	\$41.29
Royalties	US\$/boe	\$0.00	\$7.88	\$12.37	\$11.67	\$10.71	\$8.32	\$7.81
Production Costs	US\$/boe	\$194.42	\$11.01	\$11.66	\$13.08	\$13.43	\$13.81	\$14.36
Operating Netback	US\$/boe	(\$166.96)	\$16.74	\$32.90	\$36.84	\$32.42	\$21.83	\$19.13
Taxes	US\$/boe	\$0.13	\$0.00	\$0.00	\$0.00	\$0.56	\$3.51	\$2.81
Cash Flow Netback	US\$/boe	(\$518.19)	\$15.72	\$42.57	\$48.55	\$41.64	\$22.79	\$19.88
Government Take	%	0%	0%	0%	0%	1%	8%	7%
Financials								
Cash Flow (CFO)	US\$mm	(\$0)	\$9	\$49	\$66	\$57	\$31	\$26
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.11	\$0.14	\$0.12	\$0.07	\$0.06
EBITDAX	US\$mm	(\$6)	(\$18)	\$49	\$67	\$59	\$38	\$31
E&D Capex	US\$mm	\$0.35	\$16	\$35	\$25	\$26	\$27	\$26
A&D Capex, Net	US\$mm	\$0	\$25	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$40	\$35	\$25	\$26	\$27	\$26
Total Net Capex/CFO	x	-0.7x	4.3x	0.7x	0.4x	0.5x	0.9x	1.0x
Leverage								
Net Debt	US\$mm	(\$1)	\$20	(\$7)	(\$49)	(\$80)	(\$84)	(\$84)
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	552	652	652	652	652	652
Market Capitalization	US\$mm	\$15	\$85	\$74	\$74	\$74	\$74	\$74
Enterprise Value	US\$mm	\$15	\$105	\$67	\$25	(\$5)	(\$9)	(\$9)
Dividends & Sustainability								
Dividends	US\$mm	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\$mm	(\$1)	(\$31)	\$14	\$42	\$31	\$4	\$0
Cash Use/CFO	%	-70%	427%	71%	38%	46%	88%	100%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	15608%	4920%	1317%	16%	0%	-2%	-5%
PPS Growth (Y/Y) DDA - dil. ^b	%	n.a.	4724%	1533%	203%	-573%	-42%	-5%
CFPS Growth (Y/Y) - dil.	%	n.a.	-303%	3737%	32%	-14%	-46%	-17%
CFPS Growth (Y/Y) DDA - dil. ^b	%	n.a.	-181%	33487%	237%	-506%	-68%	-17%
ROCE	%	-15%	-35%	40%	48%	36%	36%	36%
Net Asset Value								
CNAV (Atax) - diluted	A\$/shr	\$0.363						
RENAV (Atax) - diluted	A\$/shr	\$0.740						
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.905						
P/CNAV	x	0.4x						
P/RENAV	x	0.2x						
P/Unrisked NAV	x	0.1x						
Valuation								
Share Price, YE/Current	A\$/shr	\$0.009	\$0.21	\$0.16	\$0.16	\$0.16	\$0.16	\$0.16
P/CF	x	-4.8x	55.0x	1.1x	0.8x	0.9x	1.7x	2.1x
EV/DACF	x	-30.7x	10.6x	1.4x	0.4x	-0.1x	-0.3x	-0.3x
Target EV/DACF	x	-2660.3x	37.1x	7.0x	4.6x	4.8x	8.8x	10.6x
EV per boe/d	US\$/boe/d	n.a.	\$44,438	\$15,213	\$4,876	(\$1,031)	(\$1,784)	(\$1,877)
EV per 2P boe	US\$/boe	\$0.59	\$4.38	\$3.00	\$1.25	(\$0.29)	(\$0.55)	(\$0.62)
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 16-May-22

Figure 2. NAV Table

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			7	7	0.016	0.016	2%
G&A			-27	-27	-0.057	-0.057	-8%
Brooks 2P	11.6	100%	97	97	0.207	0.207	28%
Thorsby 2P	12.1	100%	93	93	0.198	0.198	27%
Total Core NAV			171	171	0.363	0.363	49%
Brooks upside							
Brooks 100 Unbooked Locations	15.5	45%	130	58	0.124	0.326	17%
Brooks increasing recovery factor by 10% - Booked locations	11.6	40%	97	39	0.083	0.245	11%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 78 Unbooked locations	19.5	45%	150	67	0.143	0.377	0%
Thorsby - Better recovery performance (+30%) - Booked locations	3.6	40%	30	12	0.026	0.077	4%
Montney Acreage							
Contingent resources	200.8	0%	100	0	0.000	0.252	0%
Prospective resources	158.7	0%	79	0	0.000	0.200	0%
Total Risked Exploration			587	177	0.377	1.476	51%
Total			758	348	0.740	1.905	100%
Unrisked NAV					1.91		
P/Core NAV					44%		
P/NAV					22%		
P/Unrisked NAV					8%		

Source: Auctus Advisors, Company Reports

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