

Calima Energy Limited (ASX:CE1)

November 25, 2022

Share price: A\$0.13

Target: A\$0.60

Market cap paid back in 2 years, even after incorporating higher differentials

- Four wells out of the five well 4Q22 programme have now been drilled with two wells already in production. Gemini#10 is producing in line with the type curve (IP of 120 boe/d gross and 60 boe/d net to Calima 50% WI). Gemini #11 was put into production on 24 November while Gemini#12 will be brought into production over the weekend. Overall these three wells should add a total 360 boe/d gross imminently.
- The Pisces #6 and #7 will be fracture stimulated in early December. The impact of the associated new production (~460 boe/d IP rate in aggregate for the two wells) will be visible in January.
- We continue to forecast 4,385 boe/d in 2023 as new production will be partially offset by natural decline.
- The WTI/WCS differentials have increased materially to ~US\$27/bbl in 1Q23 and ~US\$23/bbl in 2Q23 as Canadian production is constrained by temporary pipeline capacity limitations, unscheduled US refinery maintenance, and current US Gulf Coast demand for WCS oil. This has an important impact on our 2023 cashflow forecast. We assume that the differentials will return to US\$16/bbl in 2024 following the start-up of new pipeline capacity by YE23.
- We have reduced our target price from C\$0.70 to C\$0.60 per share as we incorporate the impact of the higher differential.

Leo#4

The Leo#4 well in the Holborn area in North Thorsby is producing more water than expected. While the well had an overall fluid IP rate of ~1,000 bbl/d, the water cut was 80-85%. With ~100-150 bbl/d of oil IP rate, the well is commercial but the economics are inferior to what the company was hoping for (50-60% water cut for an oil IP rate of 400-500 bbl/d). While the well will add some reserves, this is not expected to be very material. Leo#4 was targeting the deepest of the Sparky Formation Units ("A" sand). There are two further shallower Sparky Units ("B" and "C" sands) with similar characteristics (and perhaps less water) that could be targeted by future wells from the same pad.

Cashflow and distributions

Even with much higher WTI/WCS differentials in 2023 we forecast overall FCF of ~US\$50 mm in 2023 and 2024, which is equal to the market cap of the company. At the current share price, the current annualized dividend suggests a yield of ~6.5%

Rating & target	Old	New	
Target	\$0.70	\$0.60	
Yield		6%	
Implied total return		368%	
Share data	2021	2022e	2023e
Shares dil., mrr	545	657	657
Mkt cap, US\$m	\$90	\$58	\$58
EV, US\$m	\$112	\$62	\$41
Financial data	2021	2022e	2023e
Gas, mmcf/d	4.1	8.1	8.4
Liquids, bbl/d	1,680	2,632	2,981
Total boe/d (6:	2,362	3,982	4,385
CFO, US\$m	\$10	\$36	\$53
Net capex, US\$	\$43	\$29	\$28
Net debt, US\$n	\$22	\$4	(\$17)
CFPS dil., US\$/:	\$0.00	\$0.06	\$0.08
EPS dil., US\$/st	(\$0.01)	\$0.05	\$0.10
Valuation	2021	2022e	2023e
Share price, A\$	\$0.21	\$0.13	\$0.13
EV/DACF	10.5x	1.7x	0.8x
EV per boe/d	\$47,437	\$15,638	\$9,396
Net asset value			
CNAV, A\$/shr			\$0.35
RENAV, A\$/shr			\$0.59
Unrisked NAV, A\$/shr			\$2.03
P/CNAV			0.4x
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		2020	2021	2022e	2023e	2024e	2025e	2026e
Commodity Prices								
WTI	US\$/bbl	\$37.26	\$67.44	\$96.85	\$97.00	\$89.45	\$70.71	\$67.00
AECO	US\$/mcf	\$2.43	\$2.46	\$4.78	\$5.00	\$3.87	\$3.50	\$3.50
USD/CAD	US\$/C\$	0.750	0.788	0.770	0.750	0.800	0.800	0.800
USD/AD	US\$/A\$	0.808	0.789	0.680	0.680	0.720	0.720	0.720
Production								
Oil and Liquids	bbl/d	20	1,680	2,632	2,981	3,322	3,361	3,231
Natural Gas	mmcf/d	0	4	8	8	10	10	10
Total (6 mcf = 1 boe)	boe/d	20	2,362	3,982	4,385	4,970	5,024	4,832
% Oil and Liquids	%	100%	71%	66%	68%	67%	67%	67%
Netbacks								
Realized Price	US\$/boe	\$27.46	\$45.12	\$55.58	\$59.66	\$55.45	\$42.69	\$40.10
Royalties	US\$/boe	\$0.00	\$8.64	\$10.65	\$11.29	\$10.49	\$8.07	\$7.58
Production Costs	US\$/boe	\$194.42	\$12.08	\$11.20	\$12.95	\$13.79	\$14.05	\$14.52
Operating Netback	US\$/boe	(\$166.96)	\$18.36	\$24.40	\$35.42	\$31.17	\$20.57	\$18.01
Taxes	US\$/boe	\$0.13	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.25
Cash Flow Netback	US\$/boe	(\$518.19)	\$15.72	\$23.07	\$32.93	\$28.85	\$18.27	\$13.36
Government Take	%	0%	0%	0%	0%	0%	0%	6%
Financials								
Cash Flow (CFO)	US\$mm	\$0	\$10	\$36	\$53	\$52	\$33	\$23
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.06	\$0.08	\$0.08	\$0.05	\$0.04
EBITDAX	US\$mm	(\$7)	(\$19)	\$34	\$53	\$52	\$34	\$28
E&D Capex	US\$mm	\$0.35	\$17	\$29	\$28	\$28	\$27	\$26
A&D Capex, Net	US\$mm	\$0	\$26	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$43	\$29	\$28	\$28	\$27	\$26
Total Net Capex/CFO	x	0.0x	4.3x	0.8x	0.5x	0.5x	0.8x	1.1x
Leverage								
Net Debt	US\$mm	(\$0)	\$22	\$4	(\$17)	(\$39)	(\$42)	(\$36)
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.	\$1	\$0	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	2192	514	606	606	606	606	606
Fully Diluted Shares o/s @ YE	mm	2264	545	657	657	657	657	657
Market Capitalization	US\$mm	\$16	\$90	\$58	\$58	\$62	\$62	\$62
Enterprise Value	US\$mm	\$16	\$112	\$62	\$41	\$23	\$20	\$25
Dividends & Sustainability								
Dividends	US\$mm	0	0	2	3	4	4	4
Dividends	A\$/shr	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01
Dividend Yield	%	0%	0%	3.2%	6.4%	6.4%	6.4%	6.4%
Free Cash Flow	US\$mm	(\$0)	(\$33)	\$7	\$25	\$25	\$6	(\$2)
Cash Use/CFO	%	n.a.	427%	81%	53%	53%	81%	109%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	n.a.	n.a.	7%	13%	1%	-4%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	66%	132%	18%	-28%
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	n.a.	45%	-1%	-36%	-30%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	119%	103%	-26%	-47%
ROCE	%	n.a.	n.a.	n.a.	39%	31%	31%	31%
Net Asset Value								
CNAV (Atax) - diluted	A\$/shr	\$0.347						
RENAV (Atax) - diluted	A\$/shr	\$0.588						
Unrisked NAV (Atax) - diluted	A\$/shr	\$2.026						
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	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13
P/CF	x	-7.3x	74.0x	1.5x	1.1x	1.1x	1.8x	2.5x
EV/DACF	x	n.a.	10.5x	1.7x	0.8x	0.4x	0.6x	1.1x
Target EV/DACF	x	n.a.	29.9x	7.6x	4.8x	4.7x	7.3x	10.6x
EV per boe/d	US\$/boe/d	\$836,351	\$47,437	\$15,638	\$9,396	\$4,554	\$3,938	\$5,271
EV per 2P boe	US\$/boe	\$0.66	\$4.68	\$2.77	\$1.97	\$1.19	\$1.15	\$1.65
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 24-Nov-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			-4	-4	-0.009	-0.009	-2%
G&A			-26	-26	-0.064	-0.064	-11%
Brooks 2P	11.6	100%	93	93	0.223	0.223	38%
Thorsby 2P	12.1	100%	79	79	0.192	0.192	33%
Total Core NAV			144	144	0.347	0.347	59%
Brooks upside							
Brooks 100 Unbooked Locations	15.5	35%	123	43	0.104	0.359	18%
Brooks increasing recovery factor by 10% - Booked locations	11.6	10%	93	9	0.022	0.269	4%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 78 Unbooked locations	19.5	35%	128	45	0.108	0.372	0%
Thorsby - Better recovery performance (+30%) - Booked loctions	3.6	10%	29	3	0.007	0.084	1%
Montney Acreage							
Contingent resources	200.8	0%	100	0	0.000	0.292	0%
Prospective resources	158.7	0%	79	0	0.000	0.231	0%
Total Risked Exploration			552	100	0.242	1.608	41%
Total			696	244	0.588	2.026	100%
Unrisked NAV					2.03		
P/Core NAV				37%			
P/NAV				22%			
P/Unrisked NAV				6%			

Source: Auctus Advisors, Company Reports

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