

# Calima Energy Limited (ASX:CE1)

January 08, 2024

Share price: A\$0.10

**Target: A\$0.13**

## Selling Blackspur

- Calima is selling Blackspur for ~A\$83.3 mm (C\$75 mm) in cash to Astara Energy. The final sale proceeds received by Calima will be adjusted on a dollar-for-dollar basis to the extent Blackspur's net debt exceeds C\$0. Blackspur's net debt is anticipated at closing to be approximately ~C\$2-2.5 mm, resulting in a net cash payment on closing of ~A\$80-81 mm.
- Calima Energy has ~A\$4.1 mm in cash which remains with Calima together with a A\$0.4 mm bond with BCOGC.
- The company will also retain the Paradise well asset in British Columbia that generates ~A\$0.4 mm of free cash flow per year.
- At least 85% of the net cash received from the Blackspur sale will be distributed to shareholders.
- Overall, assuming only A\$69 mm (equivalent to A\$0.11 per share) will be distributed to shareholders (representing the minimum of 85% of the final sale proceeds) would leave Calima with ~A\$15-16 mm in net cash on closing (equivalent to ~A\$0.025 per share). The distribution to shareholders could be much higher as the company might not require as much net cash on closing. Calima returned A\$10 mm to shareholders during 2022/23
- With the residual free cashflow funding an important proportion of the company's residual A\$1 mm per year expenditure (post sale of Blackspur), most of the remaining cash can be redeployed to make new acquisitions.
- We have changed our target price to A\$0.13 per share to reflect the transaction.

## Mechanics of the transaction

The divestment of Blackspur is expected to complete ~10 days after shareholder approval on 15 February and no later than 30 March. The only other condition to completion of the divestment is the approval under the Canadian Competition Act. This is expected to take place ahead of the shareholder meeting. Astara has provided a C\$5 mm escrow deposit. There is a C\$1.75 mm break fee in favour of Astara payable by Calima in the event that Calima's shareholders do not approve the Blackspur sale or a superior acquisition proposal is announced or recommended in relation to Blackspur.

## Valuation

Our new Core NAV of ~A\$0.13 per share for the company reflects the proceeds for the divestment of Blackspur plus our estimate of the residual net cash retained by Calima on closing.

Rating & target	Old	New	
Target	\$0.45	\$0.13	
Yield		12%	
Implied total return		42%	
Share data	2022	2023e	2024e
Shares dil., mm	659	661	661
Mkt cap, US\$mm	\$46	\$45	\$47
EV, US\$mm	\$53	\$36	\$37
Financial data	2022	2023e	2024e
Gas, mmmcf/d	8.1	8.0	0.0
Liquids, bbl/d	2,571	2,765	0
Total boe/d (6:1)	3,921	4,102	0
CFO, US\$mm	\$34	\$27	\$0
Net capex, US\$mm	\$31	\$16	(\$57)
Net debt, US\$mm	\$7	(\$10)	(\$11)
CFPS dil., US\$/shr	\$0.06	\$0.04	\$0.00
EPS dil., US\$/shr	\$0.04	\$0.02	\$0.00
Valuation	2022	2023e	2024e
Share price, A\$/shr	\$0.10	\$0.10	\$0.10
EV/DACF	1.5x	1.3x	n.a.
EV per boe/d	\$13,539	\$8,753	n.a.
Net asset value			
CNAV, A\$/shr			\$0.13
RENAV, A\$/shr			\$0.13
Unrisked NAV, A\$/shr			\$0.13
P/CNAV			0.7x
P/RENAV			0.7x
P/Unrisked NAV			0.7x

*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		2021	2022	2023e	2024e	2025e	2026e	2027e
<b>Commodity Prices</b>								
WTI	US\$/bbl	\$67.44	\$94.34	\$79.23	\$89.45	\$70.71	\$67.00	\$67.00
AECO	US\$/mcf	\$2.46	\$4.78	\$1.50	\$1.38	\$2.50	\$2.50	\$2.50
USD/CAD	US\$/C\$	0.788	0.770	0.750	0.800	0.800	0.800	0.800
USD/AD	US\$/A\$	0.789	0.692	0.688	0.715	0.720	0.720	0.720
<b>Production</b>								
Oil and Liquids	bbl/d	1,680	2,571	2,765	0	0	0	0
Natural Gas	mmcf/d	4	8	8	0	0	0	0
Total (6 mcf = 1 boe)	boe/d	2,362	3,921	4,102	0	0	0	0
% Oil and Liquids	%	71%	66%	67%	n.a.	n.a.	n.a.	n.a.
<b>Netbacks</b>								
Realized Price	US\$/boe	\$45.12	\$58.18	\$45.54	n.a.	n.a.	n.a.	n.a.
Royalties	US\$/boe	\$8.64	\$11.20	\$9.25	n.a.	n.a.	n.a.	n.a.
Production Costs	US\$/boe	\$12.08	\$12.50	\$15.29	n.a.	n.a.	n.a.	n.a.
Operating Netback	US\$/boe	\$18.36	\$28.26	\$20.80	n.a.	n.a.	n.a.	n.a.
Taxes	US\$/boe	\$0.00	\$0.00	\$0.00	n.a.	n.a.	n.a.	n.a.
Cash Flow Netback	US\$/boe	\$15.72	\$23.58	\$17.83	n.a.	n.a.	n.a.	n.a.
Government Take	%	0%	0%	0%	0%	0%	0%	0%
<b>Financials</b>								
Cash Flow (CFO)	US\$mm	\$10	\$34	\$27	\$0	\$0	\$0	\$0
CFPS - diluted	US\$/shr	\$0.00	\$0.06	\$0.04	\$0.00	\$0.00	\$0.00	\$0.00
EBITDAX	<sup>a</sup> US\$mm	(\$19)	\$36	\$26	\$0	\$0	\$0	\$0
E&D Capex	US\$mm	\$17	\$31	\$24	\$0	\$0	\$0	\$0
A&D Capex, Net	US\$mm	\$26	\$0	(\$8)	(\$57)	\$0	\$0	\$0
Total Net Capex	US\$mm	\$43	\$31	\$16	(\$57)	\$0	\$0	\$0
Total Net Capex/CFO	x	4.3x	0.9x	0.6x	0.0x	0.0x	0.0x	0.0x
<b>Leverage</b>								
Net Debt	US\$mm	\$22	\$7	(\$10)	(\$11)	(\$11)	(\$11)	(\$11)
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.	\$1	\$0	n.a.	n.a.	n.a.	n.a.
<b>Capital Structure</b>								
Basic Shares o/s @ YE	mm	514	612	626	626	626	626	626
Fully Diluted Shares o/s @ YE	mm	545	659	661	661	661	661	661
Market Capitalization	US\$mm	\$90	\$46	\$45	\$47	\$48	\$48	\$48
Enterprise Value	US\$mm	\$112	\$53	\$36	\$37	\$37	\$37	\$37
<b>Dividends &amp; Sustainability</b>								
Dividends	US\$mm	0	2	5	49	0	0	0
Dividends	A\$/shr	\$0.00	\$0.00	\$0.01	\$0.11	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0%	4.1%	12.1%	108.7%	0.0%	0.0%	0.0%
Free Cash Flow	US\$mm	(\$33)	\$3	\$11	\$57	\$0	\$0	\$0
Cash Use/CFO	%	427%	92%	60%	n.a.	n.a.	n.a.	n.a.
<b>Performance</b>								
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	n.a.	1%	-100%	n.a.	n.a.	n.a.
PPS Growth (Y/Y) DDA - dil. <sup>b</sup>	%	n.a.	n.a.	52%	-100%	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	-22%	-100%	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) DDA - dil. <sup>b</sup>	%	n.a.	n.a.	13%	-100%	n.a.	n.a.	n.a.
ROCE	%	n.a.	n.a.	11%	0%	0%	0%	0%
<b>Net Asset Value</b> <sup>c</sup>								
CNAV (Atax) - diluted	A\$/shr	\$0.134						
RENAV (Atax) - diluted	A\$/shr	\$0.134						
Unrisked NAV (Atax) - diluted	A\$/shr	\$0.134						
P/CNAV	x	0.7x						
P/RENAV	x	0.7x						
P/Unrisked NAV	x	0.7x						
<b>Valuation</b>								
Share Price, YE/Current	A\$/shr	\$0.21	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
P/CF	x	74.0x	1.2x	1.6x	n.a.	n.a.	n.a.	n.a.
EV/DACF	x	10.5x	1.5x	1.3x	n.a.	n.a.	n.a.	n.a.
Target EV/DACF	x	8.3x	2.0x	1.9x	n.a.	n.a.	n.a.	n.a.
EV per boe/d	US\$/boe/d	\$47,437	\$13,539	\$8,753	n.a.	n.a.	n.a.	n.a.
EV per 2P boe	US\$/boe	\$4.68	\$2.36	\$1.71	\$1.75	\$1.76	\$1.76	\$1.76
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 5-Jan-24

**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 on closing Blackspur sale			3	3	0.006	0.006	5%
Proceeds from divesting Blackspur			55	55	0.128	0.128	95%
<b>Total Core NAV</b>			<b>58</b>	<b>58</b>	<b>0.134</b>	<b>0.134</b>	<b>100%</b>
<b>Total Risked Exploration</b>			<b>0</b>	<b>0</b>	<b>0.000</b>	<b>0.000</b>	<b>0%</b>
<b>Total</b>			<b>58</b>	<b>58</b>	<b>0.134</b>	<b>0.134</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>0.13</b>		
<b>P/Core NAV</b>					<b>74%</b>		
<b>P/NAV</b>					<b>74%</b>		
<b>P/Unrisked NAV</b>					<b>74%</b>		

Source: Auctus Advisors, Company Reports

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