EVOLUTION CAPITAL ADVISORS

ASX: CE1

Equity Research

3rd May 2021

SPECULATIVE BUY

Share Price	$0.007
Valuation	$0.015
Price Target	$0.026

52-Week Range	$0.003 - $0.011
CE1 Shares Outstanding	10.3b
Unlisted Options (7¢, 6 Nov 2022)	0.75m
Unlisted Options (9¢, 29 August 2022)	10m
Unlisted Options (12¢, 29 August 2022)	10m
Advisor Options (1.0¢, 15 April 2024)	50m
Performance Rights	19.5m
Performance Rights* (15 April 2026)	48m
Performance Rights** (15 April 2026)	48m
Market Capitalisation	$71.9m
Cash (30 April 2021)	$2.1m
Debt (30 April 2021)	$13.5m
Enterprise Value	$83.3m

* Class A Performance Rights which vest upon the VWAP of Shares trading on the ASX being at least 1.0¢ over 20 consecutive trading days
** Class A Performance Rights which vest upon the VWAP of Shares trading on the ASX being at least 1.5¢ over 20 consecutive trading days

Board & Management:

Glenn Whiddon	Chairman
Jordan Kevol	CEO
Michael Dobovich	VP Corporate Sustainability
Alan Stein	Non-Executive Director
Brett Lawrence	Non-Executive Director
Lonny Tetley	Non-Executive Director
Braydin Brosseau	CFO
Dorn Cassidy	VP Operations
Aaron Bauer	Business Manager
Mark Freeman	Corporate Secretary

Calima Energy Limited is a public company listed on the Australian Securities Exchange (ASX: CE1) with its principle activities focused on oil and gas production and exploration in Alberta, Canada.

Past performance is not an indicator of future performance.

Calima Energy Limited

Initiation of Coverage

Following the successful and value accretive merger with Blackspur Oil Corp (BOC), Calima Energy (CE1) emerges as an oil & gas company underpinned by strong production with operations focused in Alberta, Canada. The company has 5.4 mmboe of Proved Developed Producing reserves, 16.7 mmboe of 1P reserves, 22.5 mmboe of 2P reserves and 192.4 mmboe of contingent resources. Current production comes to 3,000 boe/d with a very low break-even price of WTI US$26/bbl.

2021-2022 will be catalyst rich for CE1 as it builds upon its current production, executes its 24 well development drilling program in Brooks and Thorsby, grows its production to 5,500 boe/d, reaches FID or a strategic transaction on its Montney project and reduces its net debt position. Longer term, the company has the opportunity to increase production to over 10,000 boe/d and grow further through targeting drilling and/or acquisition growth.

CE1 will recommence trading on the ASX with immediate revenue, easily attainable growth prospects and significant potential upside from the Montney play. The company will continue to grow its production with a focus on targeting oil formations with inexpensive and shallow conventional horizontal drilling, with quick payouts at current oil prices. Post the acquisition of Blackspur, Calima Energy will be able to combine the financial flexibility of a listed company with Blackspur's experienced and nimble management style to enable the company to reach the next level of growth.

CE1 Valuation: We have run three development scenarios under various production assumptions being: the current production indicated by CE1 (Base Case), Base Case with full development of CE1 2P Reserves and an additional scenario where CE1's Montney formation is developed.

Scenario / Item	Unit	Base Case	2P Case	2C Case
Total Production	mmboe	**10.9**	**21.8**	**213.8**
Total Revenue	A$m	542.7	1,115.1	8,250.3
Total Opex	A$m	159.3	265.2	2,204.4
Total Royalty	A$m	97.7	200.7	1,628.8
Drilling Capex	A$m	78.5	183.5	1,276.2
Other Capex	A$m	9.0	10.2	471.2
Total NPV	**A$m**	**153.4**	**272.0**	**553.4**
Total/share	**A$**	**0.015**	**0.026**	**0.054**

News flow: We anticipate several share price catalysts including further results from the company's drilling program at Brooks and Thorsby, increase in revenue from stronger international oil and gas prices, a possible announcement on Montney, or perhaps even a potential takeover offer.

CE1 Valuation: 2021 is a watershed year for CE1 with: an enhanced management team, recapitalised balance sheet, becoming a producer and extensive positive news flow which should all be reflected in the share price. On completion of a share consolidation we believe the stock would significantly re-rate and become even more attractive. Currently our risked Base Case valuation comes to $153m or 1.5¢/share while for our High Case (2C volumes) the NPV amounts to A$553m or 5.4¢/share. Our price target for CE1 comes to 2.6¢/share, representing a 3.7x uplift to the capital raising price. It is based on the 2P Development Case, which is self-funded by the strong cash flow generated from the Base Case and onwards.

CE1 Cashflow summary & Cash Position (A$m) Base/Valuation Case

	2021	2022	2023	2024	2025	2026	2027
Price (Average)							
Oil (bbl)	61.7	60.7	60.8	60.5	59.8	59.4	59.3
Gas (mcf)	2.9	2.9	2.9	2.9	2.9	2.9	2.9
NGL (bbl)	32.2	32.2	32.2	32.2	32.2	32.2	32.2
Production Rates (Average)							
Oil (bbl/d)	2,216	3,170	3,478	2,699	1,875	1,490	1,258
Gas (mmscf/d)	5.6	6.8	7.4	5.9	4.4	3.7	3.2
NGL (bbl/d)	58.3	69.2	72.4	57.9	42.8	35.5	30.7
Operating Results							
Revenue	58.6	80.9	88.6	69.1	48.3	38.6	32.7
Royalties	(10.5)	(14.6)	(15.9)	(12.4)	(8.7)	(6.9)	(5.9)
Operating expenses	(13.4)	(18.2)	(20.3)	(17.0)	(14.0)	(12.3)	(11.3)
General & administrative	(3.0)	(4.2)	(4.5)	(3.6)	(2.5)	(2.0)	(1.7)
EBITDA	**31.6**	**44.0**	**47.8**	**36.1**	**23.2**	**17.3**	**13.7**
ARO Expenditures	(0.2)	(0.6)	(0.6)	-	-	-	-
(Repayment) / Drawdown of debt	(4.0)	(6.0)	(3.5)	-	-	-	-
Interest expense	(1.0)	(0.4)	(0.1)	-	-	-	-
Tax	-	-	-	-	-	(1.3)	(1.1)
Other	(2.6)	-	-	-	-	-	-
Land	(0.3)	(1.2)	(1.2)	(1.2)	-	-	-
Drilling and completion	(19.2)	(30.8)	(24.2)	(4.4)	-	-	-
Equipment and facilities	(0.8)	(1.7)	(1.8)	(0.6)	-	-	-
Free cash flow from operations	3.5	3.3	16.4	29.9	23.2	16.0	12.6
Closing Cash Balance	**5.6**	**8.9**	**25.3**	**55.1**	**78.3**	**94.3**	**106.9**
Closing Debt Balance	**9.0**	**3.4**	**-**	**-**	**-**	**-**	**-**

CE1 Cashflow summary & Cash Position (A$m) 2P / Price Target Case

	2021	2022	2023	2024	2025	2026	2027
Price (Average)							
Oil (bbl)	61.7	60.7	60.8	60.5	59.8	59.4	59.3
Gas (mcf)	2.9	2.9	2.9	2.9	2.9	2.9	2.9
NGL (bbl)	32.2	32.2	32.2	32.2	32.2	32.2	32.2
Production Rates (Average)							
Oil (bbl/d)	2,216	3,479	4,228	4,943	6,423	5,627	4,169
Gas (mmscf/d)	5.6	7.3	8.6	9.4	11.3	9.9	7.6
NGL (bbl/d)	58.3	81.3	101.6	124.0	159.2	131.5	96.7
Operating Results							
Revenue	58.6	89.0	108.2	125.2	160.1	139.1	103.2
Royalties	(10.5)	(16.0)	(19.5)	(22.5)	(28.8)	(25.0)	(18.6)
Operating expenses	(13.4)	(19.3)	(23.1)	(25.6)	(31.8)	(29.4)	(24.2)
General & administrative	(3.0)	(4.5)	(5.5)	(6.3)	(8.0)	(7.0)	(5.2)
EBITDA	**31.6**	**49.1**	**60.1**	**70.8**	**91.5**	**77.6**	**55.2**
ARO Expenditures	(0.2)	(0.6)	(0.6)	-	-	-	-
(Repayment) / Drawdown of debt	(4.0)	(9.4)	-	-	-	-	-
Interest expense	(1.0)	(0.4)	-	-	-	-	-
Tax	-	-	-	(6.0)	(12.7)	(10.7)	(7.5)
Other	(2.6)	-	-	-	-	-	-
Land	(0.3)	(1.2)	(1.2)	(1.2)	-	-	-
Drilling and completion	(19.2)	(33.3)	(37.1)	(40.6)	(39.5)	(13.8)	-
Equipment and facilities	(0.8)	(1.8)	(2.0)	(1.1)	(0.4)	-	-
Free cash flow from operations	**3.5**	**2.4**	**19.1**	**21.8**	**38.9**	**53.1**	**47.7**
Closing Cash Balance	**5.6**	**8.0**	**27.1**	**48.9**	**87.9**	**141.0**	**188.8**
Closing Debt Balance	**9.0**	**-**	**-**	**-**	**-**	**-**	**-**

Source: Evolution Capital Advisors estimates

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All currencies are in Australian dollars unless otherwise specified.

1. CE1 Valuation

CE1 Valuation

Table 1.1 below shows our risked sum-of-the-parts valuation of CE1. This underpins our Base Case of 1.5¢/share and 2P case 2.6¢/share and 2C case of 5.4¢/share. Our price target for CE1 comes to 2.6¢/share, representing a 3.7x uplift to the capital raise price.

The valuation consists of:

1. Current development case encompassing Thorsby and Brooks volumes with the current drilling program & 10% risked Calima Lands development (Montney volumes);
2. 2P volumetric case encompassing Thorsby and Brooks and volumes & 10% risked Calima Lands development (Montney volumes);
3. 2C volumetric case encompassing Thorsby, Brooks & full Calima Lands development (Montney volumes); and
4. Net cash position, corporate and overhead costs.

Table 1.1 – CE1 Valuation Summary

Scenario / Item	Unit	Base Case	2P Case	2C Case
Operations				
Total Oil Produced	mmbbl	7.7	16.2	16.2
Total NGL Produced	mmbbl	0.18	0.39	46.1
Total Gas Produced	mmscf	18,125	31,066	909,472
Total production	mmboe	**10.9**	**21.8**	**213.8**
Commodity Prices				
Oil Price to Market	$/bbl	60.0	60.0	60.0
NGL Gas to Market	$/bbl	32.2	32.2	32.2
Gas price to Market	$/mscf	2.85	2.85	2.85 / 2.00
CAD / AUD Exchange rate		1.04	1.04	1.04
Opex, Royalty & Capex				
Total Revenue	A$m	542.7	1,115.1	8,250.3
Total Opex	A$m	159.3	265.2	2,204.4
Total Royalty	A$m	97.7	200.7	1,628.8
Drilling Capex	A$m	78.5	183.5	1,276.2
Other Capex	A$m	9.0	10.2	471.2
Brooks NPV	A$m	68.6	115.7	115.7
Thorsby NPV	A$m	60.2	147.1	147.1
Calima Lands NPV *	A$m	-1.8	-1.8	-1.8
Calima Lands NPV **	A$m	35.2	35.2	352.2
Tommy Lakes NPV	A$m	21.3	21.3	21.3
Corporate and Overhead	A$m	-18.7	-34.1	-69.7
Cash (at 30 April 2021)	A$m	2.1	2.1	2.1
Debt (at 30 April 2021)	A$m	-13.5	-13.5	-13.5
Options/Rights ***	A$m	0.1	0.1	0.1
Total NPV	**A$m**	153.4	272.0	553.4
Total per share	**A$/share**	0.015	0.026	0.054

Source: Evolution Capital Advisors estimates
**   Not Developed- Left Idle*
***   10% Risk weighting applied to Base case and 2P case*
****   Exercised over next 12 months*

The total risked sum of the parts is $153.4m or 1.5¢/share. However, we note there is substantial upside should more volumes become de-risked through development.

CE1 has a large land holding in a highly prospective area that enjoys strong oil prices, supportive governments and established infrastructure.

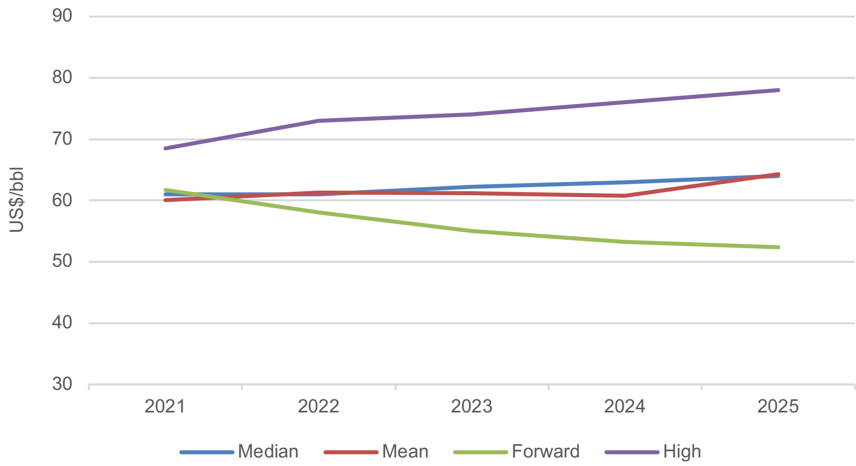
The market is factoring a steep discount due to the headwinds facing the Montney over the last few years and the current unfamiliarity of the ASX with the Canadian assets. As more success stories emerge from the Montney and company continues growing production the stock should significantly re-rate to become investment grade and, in our view, would benefit from a share consolidation of 100:1.

We have modeled the development cases highlighted above based on fairly conservative scenarios discussed further in this note.

Commodity Outlook

As highlighted in Figure 1.1, the outlook for WTI remains positive with both the median and mean prices remaining above US$60/bbl. We note the high broker consensus has WTI steadily increasing to almost US$80/bbl.

Figure 1.1 – NYMEX WTI $/bbl Broker consensus estimates

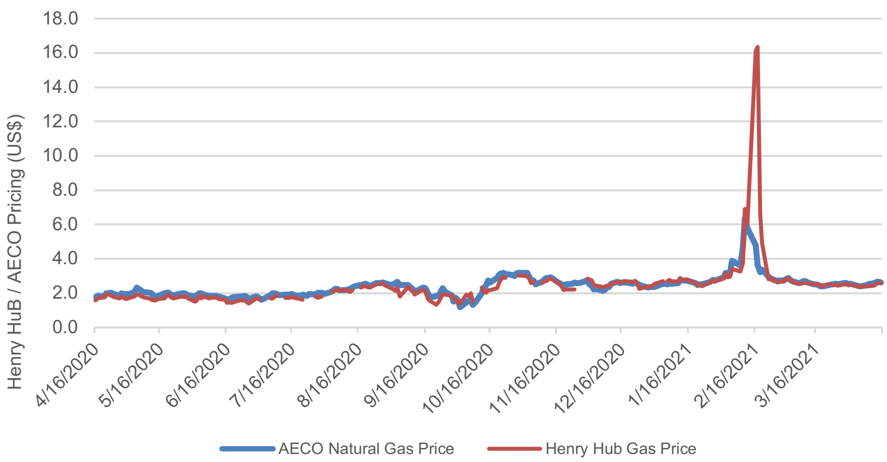


Source: Bloomberg

In the most negative outlook scenario, WTI price is forecast to decrease to US$52/bbl by 2025. Positively, even with a US$52/bbl WTI price for the life of the projects, CE1 still offers compelling value (refer to Table 1.2).

Figure 1.2 below highlights to correlation between the AECO (Canadian benchmark for natural gas) and Henry Hub (the US equivalent).

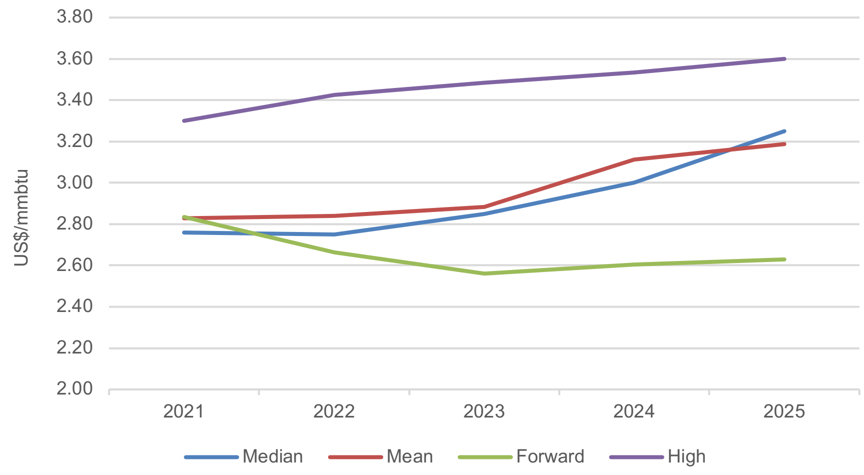
Figure 1.2 – Henry Hub / AECO Natural Gas Prices (US$/mmbtu)



Source: Bloomberg

As shown, there is a very clear correlation between the HH price and AECO. This is important, as highlighted in Figure 1.3, the outlook for HH price remains positive with both the median and mean prices increasing to ~US$3.20/mmbtu. We note the high broker consensus has HH steadily increasing to US$3.60/bbl.

Figure 1.3 – NYMEX Henry Hub $/mmbtu Broker consensus estimates)



Source: Bloomberg

This positivity in the future gas prices is good news for CE1 as it looks to monetise its significant Montney asset.

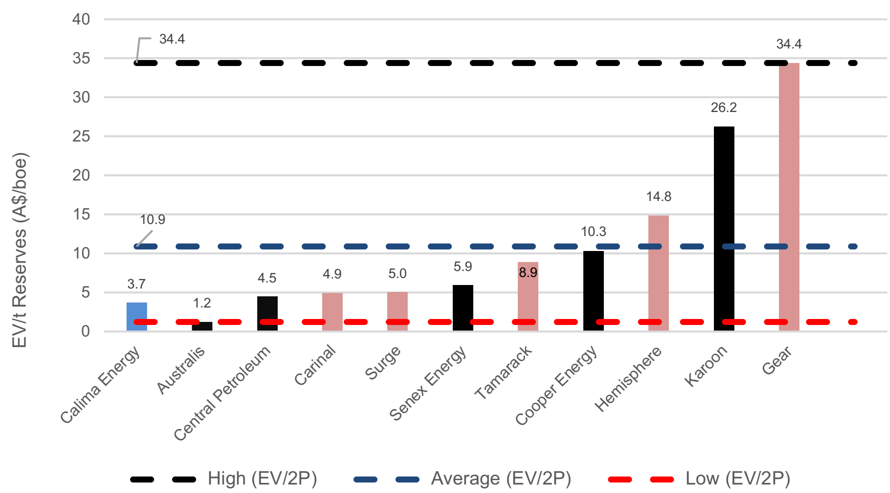
CE1 Valuation Compared to Market Peers

CE1 offers compelling valuation metrics compared with peers.

On an EV/2P Reserves comparison CE1 compares favorably to listed peers, both in Australia and Canada. Further adding to the attractiveness of the company is its high quality product, being 16.6 mmbbl of high quality oil & NGL and 31.1 bcf of easily sellable gas. Furthermore, as the Montney volumes are further de-risked and converted to 2P the value of CE1 will adjust accordingly.

Using peers analysis on a EV/2P methodology, the implied valuation of CE1 is ~A$212M (or 2.1¢/share), the details are set out as follows:

Figure 1.4 – EV/2P Company Comparison v ASX & TSX-listed Peers



Source: Bloomberg, Company 2P Reserve reports - Evolution Capital Advisors estimates CAD/AUD 1.04 – Note: Black denotes ASX listed, Red denotes TSX listed.

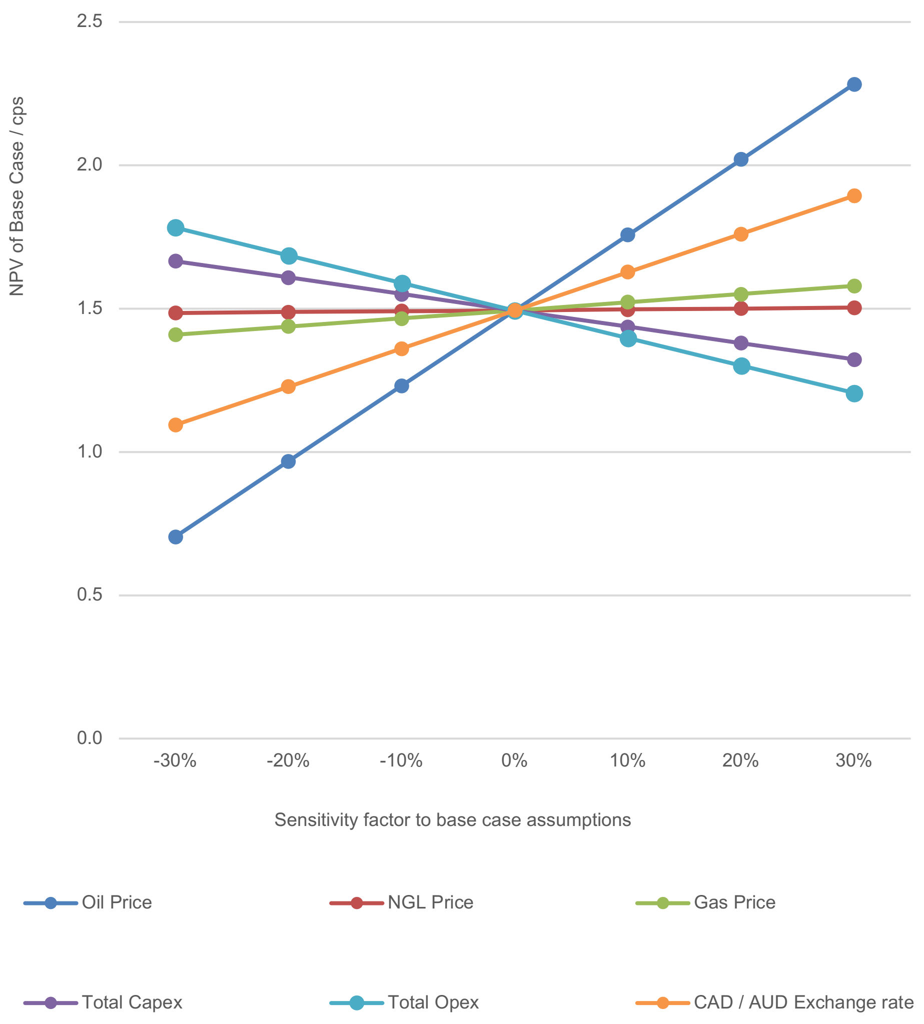
The 1 exception in the comparison table is Australis Oil and Gas (ASX:ATS). This occurs due to Australis having significant reserves from its Tuscaloosa Marine Shale (TMS), however, due to the nature and cost of extraction from the deposit (unconventional) the company has had some difficulty achieving it stated production and recovery targets.

Sensitivity Analysis on Base Development

Figure 1.5 highlights the sensitivity of the CE1 share price on the base production case (10.3 mmboe) with higher/lower gas and oil prices, reduced and increased capex and opex and variances in exchange rates.

The base valuation comes in at $153.4m, or 1.5¢/share. As shown in the graph below, the CE1 valuation is most sensitive to increased oil price, Opex costs and the CAD/AUD exchange rate. Positively we see that Capex movements have a relatively minimal impact on the company's share valuation.

Figure 1.5 – Base Case Sensitivity Analysis



Source: Evolution Capital Advisors estimates.

Table 1.2 highlights the change in NPV for movements on each variable.

Table 1.2 – Base Case Sensitivity Analysis

Movement	-30%	-20%	-10%	**0%**	10%	20%	30%
Oil Price to Market							
US$/bbl	41.7	47.8	53.9	**60.0**	66.1	72.2	78.3
NPV A$m	72.4	99.4	126.4	**153.4**	180.5	207.5	234.5
NPV ¢/share	0.70	0.97	1.23	**1.49**	1.76	2.02	2.28
NGL Price to Market							
US$/bbl	22.54	25.76	28.98	**32.2**	35.42	38.64	41.86
NPV A$m	152.4	152.8	153.1	**153.4**	153.8	154.1	154.4
NPV ¢/share	1.48	1.49	1.49	**1.49**	1.50	1.50	1.50
Gas Price to Market							
US$/mmscf	2.00	2.28	2.57	**2.85**	3.14	3.42	3.71
NPV A$m	144.7	147.6	150.5	**153.4**	156.3	159.3	162.2
NPV ¢/share	1.41	1.44	1.47	**1.49**	1.52	1.55	1.58
Total Capex							
A$/m	66.7	73.6	80.6	**87.5**	94.4	101.3	108.2
NPV A$m	171.0	165.1	159.3	**153.4**	147.6	141.7	135.9
NPV ¢/share	1.67	1.61	1.55	**1.49**	1.44	1.38	1.32
Total Opex							
A$/m	112.1	127.8	143.6	**159.3**	175.0	190.7	206.5
NPV A$m	183.0	173.2	163.3	**153.4**	143.6	133.7	123.8
NPV ¢/share	1.78	1.69	1.59	**1.49**	1.40	1.30	1.21
CAD / AUD Exchange rate							
CAD / AUD	0.73	0.83	0.94	**1.04**	1.14	1.25	1.35
NPV A$m	112.4	126.1	139.7	**153.4**	167.1	180.8	194.5
NPV ¢/share	1.09	1.23	1.36	**1.49**	1.63	1.76	1.89

Source: Evolution Capital Advisors estimates

2. Transaction with Blackspur

CE1 acquired 100% of the issued capital of Blackspur Oil Corp (Blackspur), which owned the Brooks and Thorsby producing oil and gas assets. Blackspur was formed in 2012 and followed through with acquisitions of $74m and drilled 59 oil wells funded via a combination of equity and debt. In Q3 2018 Blackspur reached peak production of over 5,000 boe/d.

The consideration comprised of C$17m to be adjusted in accordance with the Net Debt Adjustment and payable to the Blackspur shareholders at their election as either cash or shares as follows:

- up to a maximum of C$4.9m (Cash Consideration) will be paid in cash; and
- up to C$17m, subject to the Net Debt Adjustment, through the issue of shares at the same issue price as shares under the Capital Raising provided that no less than C$12m in value, will be paid through the issue of shares

As on the date of the offer Blackspur had an outstanding loan balance ~C$41.3m. On completion of the acquisition, the Blackspur loan was paid down to C$13m with C$12m available to be redrawn pursuant to a C$25m loan facility.

To provide funding for the cash consideration due at completion of the Acquisition, to pay down the Blackspur Loan, and to provide sufficient working capital for the combined group following Completion, the

Company undertook a capital raising of up to 5,384,556,410 shares at 0.7¢/share to raise a minimum of $34m and up to a maximum of $38m before costs.

The Capital Raising comprised of:

- the Retail Offer to retail investors to raise up to $10,000,000 (before costs) and
- a placement to institutional and sophisticated investors to raise up to $38,000,000 (before costs)

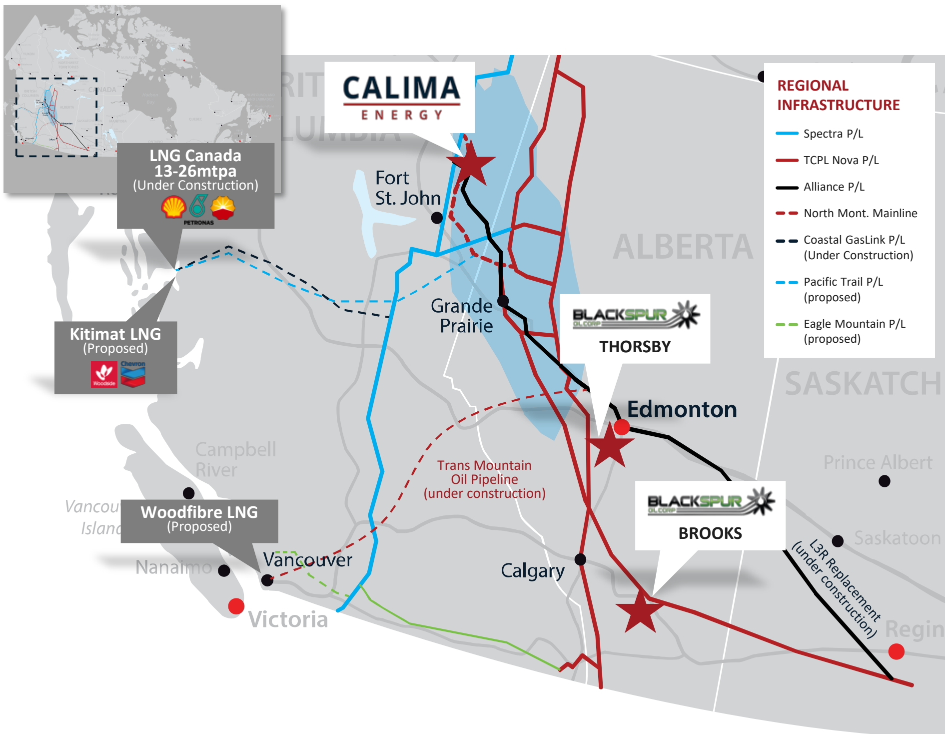
Upon completion the capital structure of Calima Energy Ltd consisted of 10,268,143,399 shares on issue, with 70,750,000 options outstanding and 115,450,000 performance rights.

3. Calima Energy Assets (Combined)

Jurisdiction

All of CE1's assets are located in British Columbia, Canada, which is an established energy market with a supportive energy policy which has been in production for a significant period of time. CE1 will benefit from strong market fundamentals enhanced by three world class LNG projects within development proximity to its assets.

Figure 3.1 – Montney position in relation to infrastructure, pipelines & LNG projects



Source: Calima Energy Ltd

Brooks

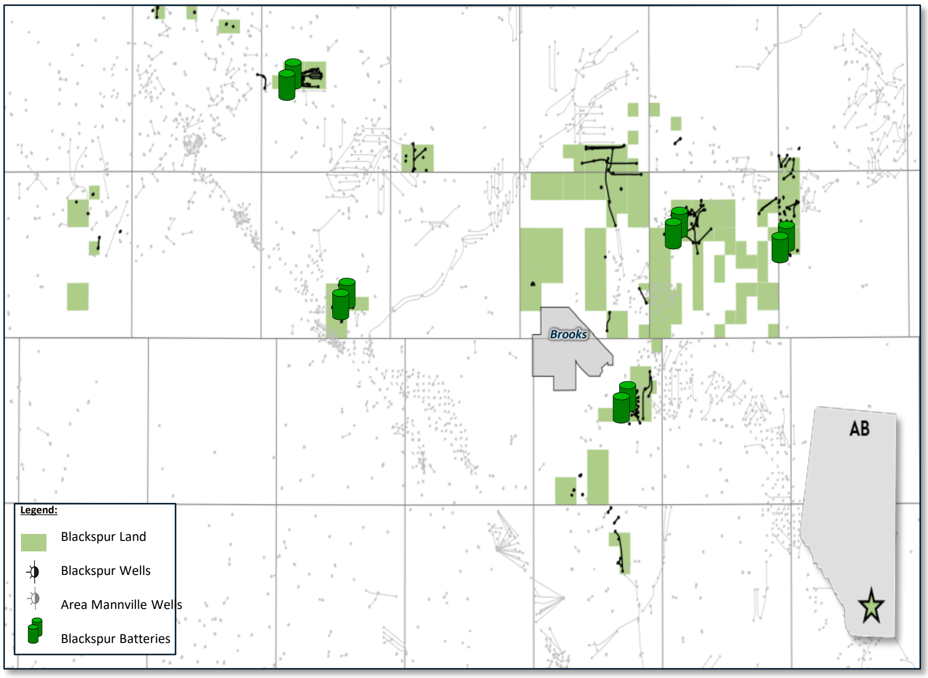
Calima's Brooks asset (94% W.I) is an established core position of land (~83 net sections across 53,093 net acres) with significant infrastructure that creates a foundation for growth and expansion with year-round access.

To date 48 wells has been drilled into Brooks with production coming from the Sunburst and Glauconitic formations. Production in Q4 2020 averaged ~1,860 boe/d (net).

The Sunburst formation can be developed at low cost due to its shallow formation depths (~950m to ~1,150m TVD) and utilisation of CE1's owned and operated infrastructure. This provides a resilient cost structure with OPEX costs (including transportation) of ~C$10/boe at <C$1m per well which delivers economic rates of return. Blackspur's existing infrastructure can process up to 7,000 bbl/d oil.

Future growth from Brooks will come from the 147 net locations already identified. These locations include the booked 16 Sunburst and 17 Glauconitic PUDs (Proved Undeveloped Drilling locations). Additional reserves are expected to be realized through implementation of enhanced oil recovery projects. Blackspur recently initiated a waterflood in the Countess J2J Pool which is expected to show results in the near term.

Figure 3.2 – Brooks Area Land Map



Source: Calima Energy Ltd.

The established infrastructure footprint facilitates offers sizeable production growth, with ~C$15M spent to date.

Thorsby

Calima's Thorsby asset (100% W.I) provides a consolidated land base of ~108 net sections (~108 net sections on 63,946 net acres) which can be developed through a network of multi-well pads thus reducing overall capital costs.

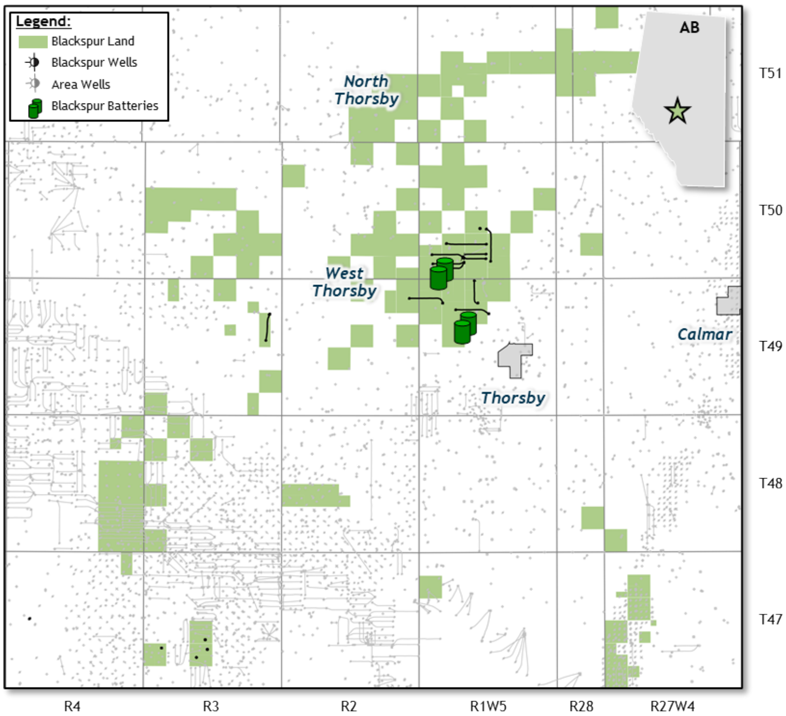
To date 11 wells has been drilled into Thorsby with production coming from the Sparky formation. Production in Q4 2020 averaged ~740boe/d.

Thorsby has a large inventory of wells to drill with 89 Sparky formation and 12 Nisku formation wells identified, which includes 28 Sparky PUD locations. Additionally, upside exists in 66 net sections of Duvernay Formation lands that are included in the acquisition. The assets are development ready and can be scaled up quickly with the use of existing pads and facilities.

Significant upside potential remains in D&C refinement (i.e. monobores), as well as in economies of scale with Opex costs (including transportation) of C$10/boe.

Thorsby will provide stable and consistent production and cash flow to Calima and will also be be a platform for growth.

Figure 3.3 – Thorsby Area Land Map



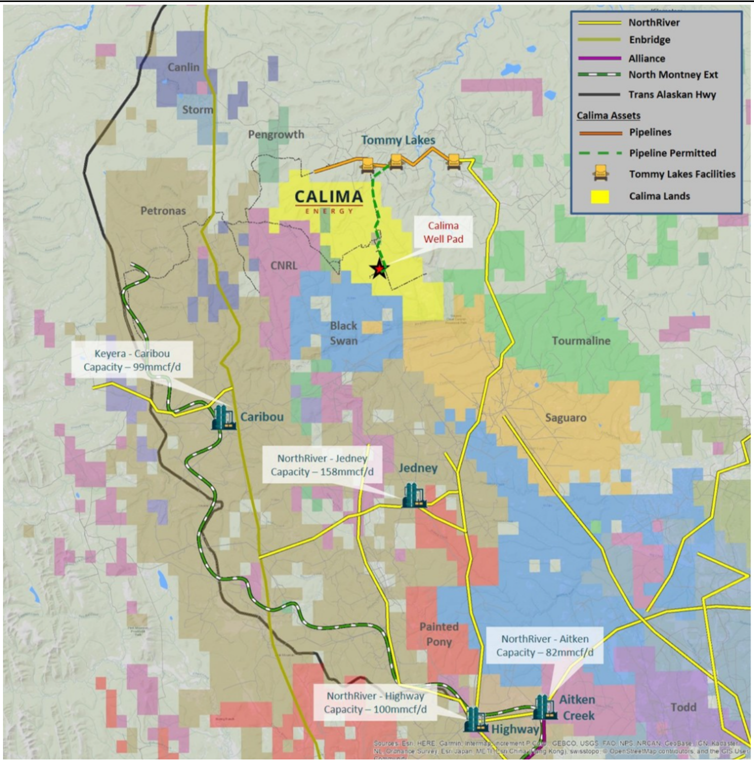
Source: Calima Energy Ltd.

Calima Lands

Calima Energy holds over 63,000 acres of Montney rights in the liquids rich fairway in NE British Columbia.

The land position started assembly in 2014 and continued into 2018. Through a successful exploratory drilling program in 2019, Calima was able to convert ~60% of the core acreage to 10 year leases.

Figure 3.4 – Montney position in relation to other acreage positions & sizes

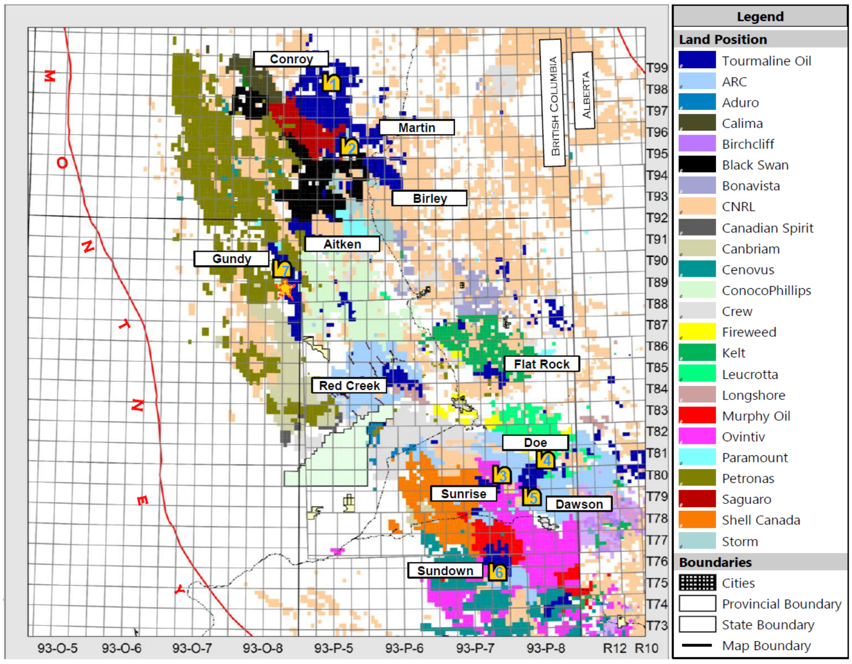


Source: Calima Energy Ltd

Calima has drilled, three wells in the Montney. The first well retrieved 240m of core from the Montney formation. The second and third wells each had 2,500m horizontal legs and were located in the upper and middle Montney formation.

CE1 is in a great neighbourhood in the Montney with significant other oil and gas players in the area including Shell, ConocoPhilips, Murphy Oil, Petronas and Tourmaline.

Figure 3.5 – Other Participants in the Montney



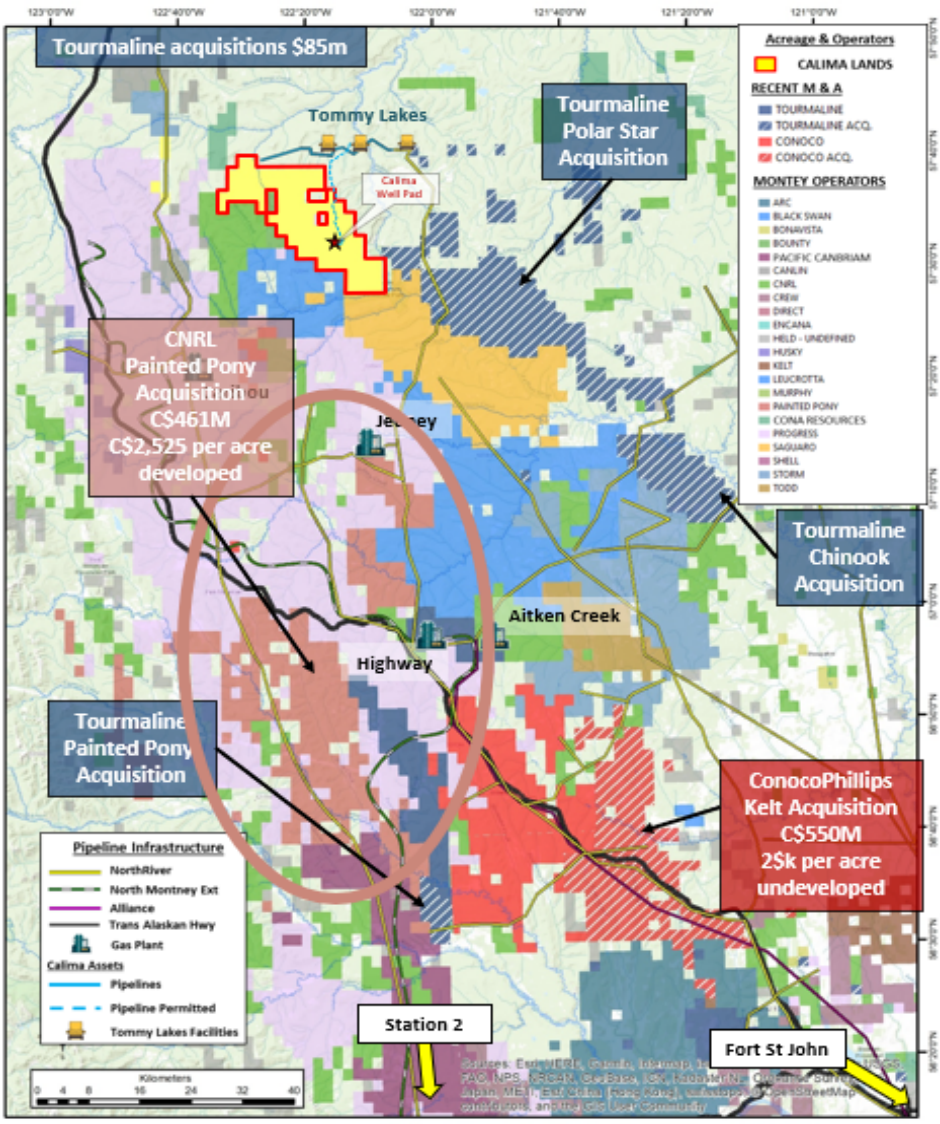
Source: Company reports, geoSCOUT

Calima's strategy is to prepare the Montney asset for future development while unlocking value short term via joint ventures, partnerships or a corporate transaction.

The Montney remains a strategic source of oil & gas to eastern Canada and the US market as evidenced with the recent wave of corporate activity including:

- ARC Resources and Seven Generations Energy C$8.1 billion merger
- Canadian Natural Resources (CNRL) C$461m purchase of Painted Pony
- ConocoPhillips C$550m purchase of Kelt
- Tourmaline's C$85m purchase of select acreage from Painted Pony, Polar Star and Chinook.

Figure 3.6 – Transactions in the Montney



Source: Calima Energy Ltd

Tommy Lakes

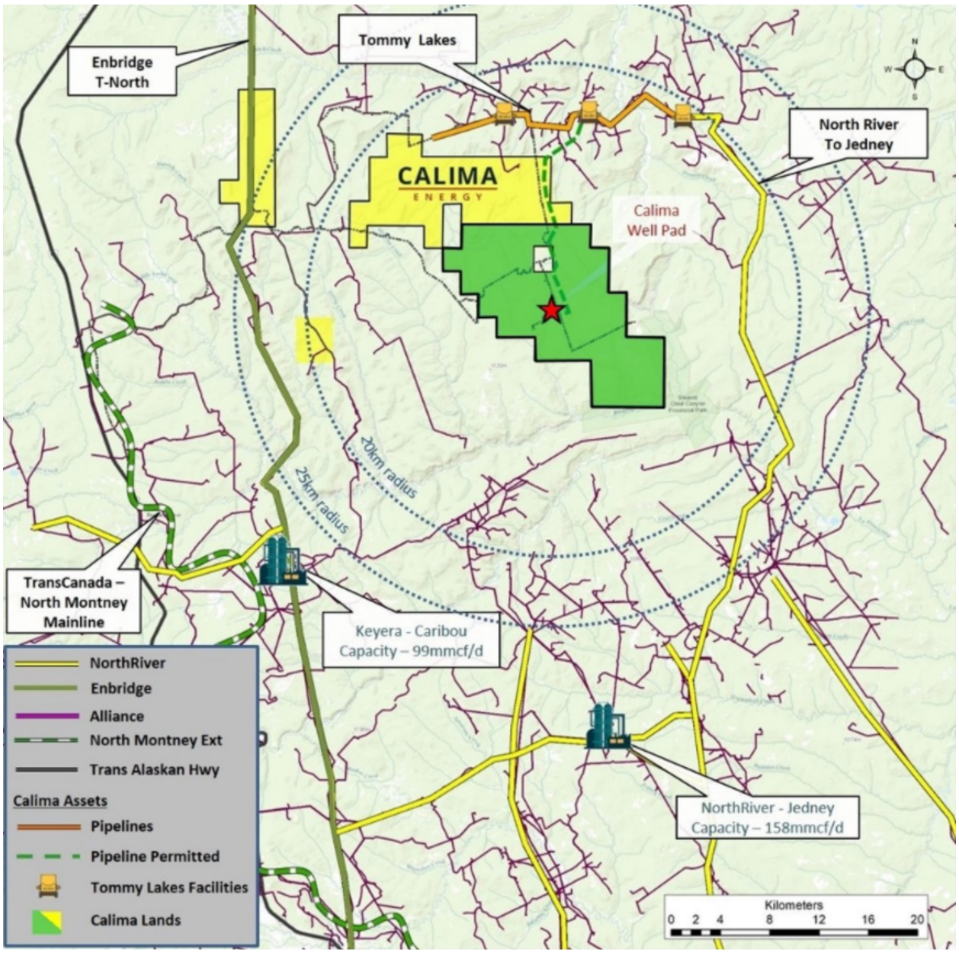
Calima closed the acquisition of the Tommy Lakes infrastructure in April 2020. The facilities include over 30km of pipe, three compressor stations, an accommodations camp and a tie-in to a 12" sales gas line.

Figure 3.7 – CE1 Tommy Lakes infrastructure - Aerial View

Source: Calima Energy Ltd

The design capacity of the infrastructure is 50 mmscf/d of gas and 2,500 bbl/d of condensate. The acquisition provides a way for CE1 to monetise and deliver its produced gas and condensate to market.

Figure 3.8 – CE1 Montney position in relation to infrastructure & pipelines



Source: Calima Energy Ltd

Furthermore the sales line has capacity to accommodate an expansion of the facilities in the future. The Tommy Lakes infrastructure is currently preserved in a shut-in state and ready for reactivation. These facilities have a replacement value of A$85m.

Calima has the permits in place to construct the pipeline to tie-in the Montney wells at Pad A-54 to the Tommy Lakes infrastructure. The tie in could be completed in one winter season and the facilities would be restarted within the same timeframe.

Reserves

CE1 has certified assessed Reserves and Resources (1 McDaniel & Associates 2, Insight 2019YE Reserves Report) with substantial upsides as shown below. Table 3.1 reflects the 100% interest held by CE1, post the Blackspur transaction.

Table 3.1 – CE1 Reserves & Resources

mmboe	Brooks Oil	Brooks NGL/Gas	Thorsby Oil	Thorsby NGL/Gas	Calima Lands Oil	Calima Lands NGL/Gas	TOTAL mmboe
PDP	2.3	1.1	1.01	1.06			5.4
TP (1P)	6.5	2.5	4.50	3.13			16.7
2P	8.4	3.3	6.32	4.58			22.5
2C					44.3	148.2	192.4
Comment	Inventory of 147 net locations (35 currently booked		Inventory of 101 net locations (28 currently booked		>60,000 acres of drilling rights		
TOTAL							**237.1**

Source: Calima Energy Ltd

4. CE1 Strategy

Calima's plan for the next 18 months is to focus exclusively on infill drilling of its current inventory by building off previous successes and following up its best wells. This strategy will be further enhanced by sending production into the company's 100% owned processing facilities. CE1 will use the infrastructure that is already completed being pipelines and well pads that have significant room to find volumes.

Calima's strategy for its Montney assets is to assess the commerciality of bringing the wells drilled in 2019 onto production. This includes the building of an interconnect pipeline to connect the wells to the infrastructure assets the company bought from Enerplus in 2020.

In addition, with the rising gas prices and LNG export facility under construction, CE1 is continually assessing a full field development of its Montney asset. As highlighted in our development case below, this would require significant development Capex. Ideally CE1 would look to farm down its acreage position in exchange for cash and or free carry on a drilling campaign.

Results focused Management Team

The acquisition of Blackspur was a significant and value accretive step for the company and is a credit to all parties involved. The management team are experienced drillers and developers that are highly focused on delivering the next phase of growth for the company going forward.

The team are highly incentivised to increase the value of CE1 due to:

1. 0.75m Options exercisable at 7¢ by November 2022;
2. 10m Options exercisable at 9¢ by August 2022;
3. 10m Options exercisable at 12¢ by August 2022;
4. 19.5m Performance Rights;
5. 48m Performance Rights which vest upon the VWAP of Shares trading on the ASX being at least 1.0¢ over 20 consecutive trading days; and
6. 48m Performance Rights which vest upon the VWAP of Shares trading on the ASX being at least 1.5¢ over 20 consecutive trading days.

CE1 Base Case, 2P & 2C Development Cases

Base Case

The current development cases provided delivers production of:

Scenario / Item	Unit	Base Case
Operations		
Total Oil Produced	mmbbl	7.7
Total NGL Produced	mmbbl	0.18
Total Gas Produced	mmscf	18,125
Total production	mmboe	**10.9**

In the Base Case scenario, we assume that a total of $78.5m of drilling is conducted over the life of CE1's assets. The assets produced in this scenario are Brooks and Thorsby.

Figure 4.1 – CE1 Base Case - Life of Field

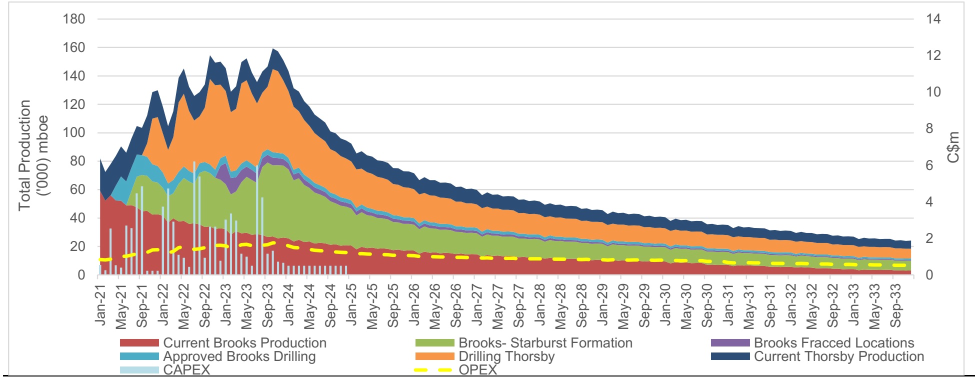
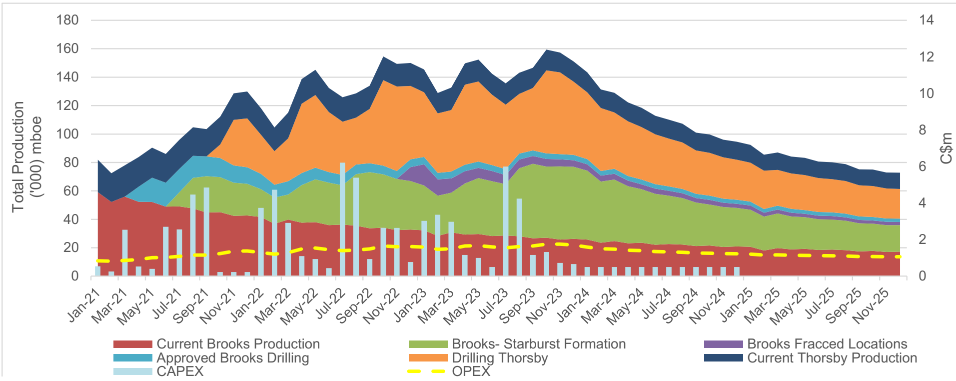


Figure 4.2 – CE1 Base Case – End 2026



Source: Evolution Capital Advisors estimates

As shown in Figure 4.1 & 4.2, CE1 engages in an active drilling program over the course of 2021 through to July 2033. This steadily increases production up to a peak of ~160,000 boe, 5,142 boe/d in October 2023.

2P Development Case

The 2P development cases provided delivers production of:

Scenario / Item	Unit	Base Case
Operations		
Total Oil Produced	mmbbl	16.2
Total NGL Produced	mmbbl	0.39
Total Gas Produced	mmscf	31,066
Total production	mmboe	**21.8**

In the 2P scenario we assume a continual drilling program is implemented at Brooks and Thorsby until close to the current 2P reserves are depleted. For Brooks, this translates to an additional 13 wells being drilled until March 2025 at a capex cost of $25.1m producing a further 4.6 mmboe from the asset. For Thorsby this translates to an additional 30 wells being drilled until October 2026 at a capex cost of $69.0m producing a further 6.3 mmboe from the asset.

In the 2P Development Case scenario we assume that a total of $176m of drilling is conducted over the life of CE1's assets. The assets produced in this scenario are Brooks and Thorsby.

As shown, in Figure 4.3 & 4.4, CE1 engages in an active drilling program over the course of 2021 through to November 2023. In 2024, it embarks on a significant drilling campaign in Thorsby which sees the company reach production up to a peak of ~302,000 boe, 10,070 boe/d in July 2025.

Figure 4.3 – CE1 2P Case – Life of Field

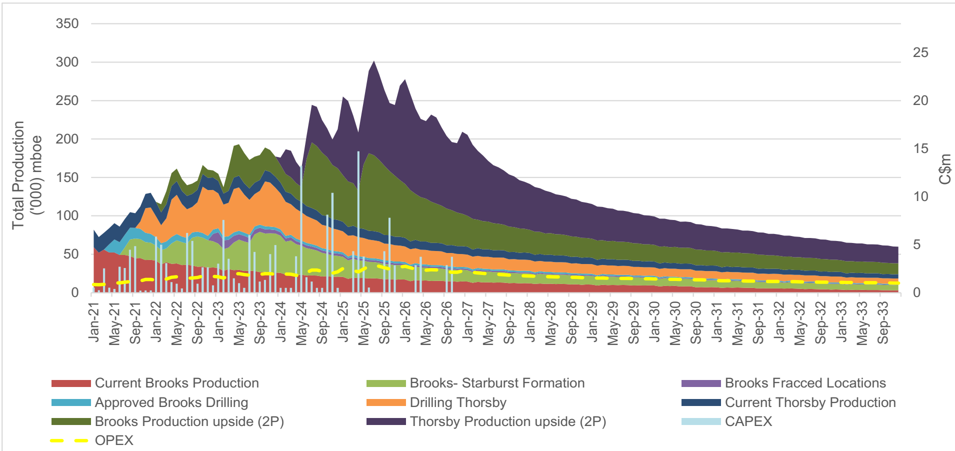
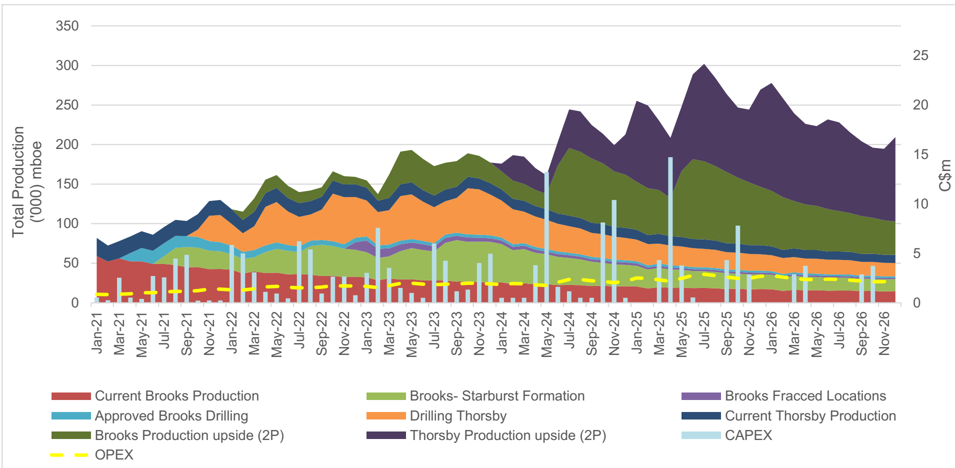


Figure 4.4 – CE1 2P Case – End 2027



Source: Evolution Capital Advisors estimates

2C Development Case

The 2C Development Case delivers production of:

Scenario / Item	Unit	Base Case
Operations		
Total Oil Produced	mmbbl	16.2
Total NGL Produced	mmbbl	46.1
Total Gas Produced	mmscf	909,472
Total production	mmboe	**213.8**

In the 2C scenario we assume a continual drilling program is implemented at Brooks and Thorsby until close to the current 2P reserves are depleted and we look at the potential development of the Montney gas field.

Positively the Montney is in proximity to the CE1 owned Tommy Lakes Processing infrastructure with 50 mmscf/d of gas and 2,500 bbl/d of processing capacity. Furthermore, the Montney assets is in proximity to additional processing facilities being NorthRiver-Jedney at 158 mmscf/d.

Pertinent to the Montney story is its proximity to the currently proposed and underdevelopment LNG projects on the West Coast being:

- LNG Canada – 12-26mtpa, currently under production; and
- Kitimat LNG – proposed; and
- Woodfibre LNG – proposed

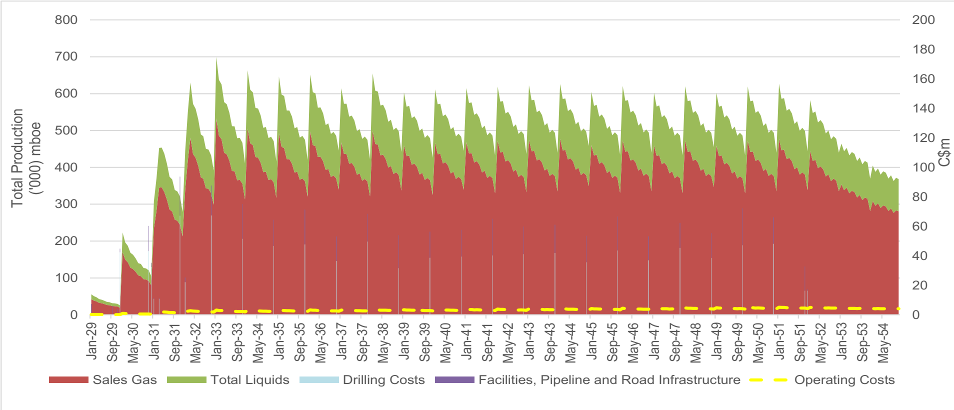
For our Montney case, we assume that one of the LNG projects will seek a long term offtake contract from CE1 for supply of gas. In our view and LNG offtake would seek a 100 mmscf/d of production over a period of 20 years, then taking a reduced rate as the wells come off production plateau. Overall production on this assets would exceed 40 years.

The development for the Montney case, on our estimate, would translate to a development of ~170 wells being drilled over the life of the project with drilling and well pad cost of $1,092m, with $461m for facilities, pipeline and road infrastructure. Production would come to 878 bcf of gas (146.4 mmboe), and 45.7 mmbbl of condensate and non-gas liquids.

Figure 4.5 shows the Montney development only and is additional to the 2P production figure above. For the purposes of this note, we have assumed that first production at the Montney will begin in January 2029.

As shown, CE1 would need to engage in a very active and continual drilling program over the assets life, which is very capital intensive.

Figure 4.5 – CE1 2C Case (Montney Production & Development only)



Source: Evolution Capital Advisors estimates

The full Montney production case has an un-risked valuation of $352.2m. Due to the early nature of the project, we assign a 10% risk weighting for the Base Case and 2P development case giving an CE1 a net value of A$35.2m. In the 2C case we do not assign a risk weighting which brings the NPV value of the Montney assets to A$352.2m. Note, we factor in additional overhead costs separately.

Calima's strategy would be to farm out part of the acreage for free carry on production well drilling.

Corporate Tax

CE1 applies a corporate tax rate of 15%. Pre-acquisition, Blackspur had ~$120m in tax pools with Calima having a further ~$45m in tax pool. The merged company had ~$165m in tax losses which to offset income. As a result on the Base Case modelling CE1 begins to pay tax only in 2026.

Financial Position

At the conclusion of the Blackspur acquisition CE1 will have $2.1m in cash and $13.5m drawn from its debt facility. With its current production on current drilling we believe CE1 as well positioned to fund its development plans going forward.

5. Directors & Management Team

Directors and management have substantial experience leaving the company in very capable hands.

Glenn Whiddon, Chairman

Mr Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with a specific focus on natural resources. Mr Whiddon holds a degree in Economics and has extensive corporate and management experience. He is currently Director of a number of Australian and international public listed companies in the resources sector.

Mr Whiddon was formerly Executive Chairman, Chief Executive Officer and President of Grove Energy Limited, a European and Mediterranean oil and gas exploration and development company, with operations in Italy, Romania, Slovenia, Tunisia and the UK and Dutch North Seas. In 2002 Grove's Market capitalisation was less than C$5m. In April 2007, Grove was acquired by Stratic Energy Limited, a TSX-listed oil and gas company, for C$150m.

Jordan Kevol, CEO

Jordan was a founder of Blackspur Oil Corp. and has been the President and CEO since 2012. Mr Kevol holds a BSc (Geology) with 16 years of public and private Canadian junior E&P experience. Jordan is also a Director of Source Rock Royalties. Jordan will take on the role of CEO of the merged Company.

Micheal Dobovich, VP of Corporate Sustainability

Micheal, based in Calgary, will assume the role of VP of Corporate Sustainability in the new entity. Micheal previously held the role of President of Calima Energy since March 2020 and has been a key part of the management team since 2017.

Micheal led the operationalization of Calima during the 2019 drilling campaign and most recently the acquisition of the Tommy Lakes Facilities, and was integral to the Blackspur acquisition.

Significant experience in Canadian E&P, previously a senior executive with Statoil Canada.

Micheal has worked multiple basins in North America for almost 25 years with a background in land, regulatory, indigenous relations and commercial activities.

Alan Stein, Non-Executive Director

Dr Stein has more than 25 years' experience in the international oil and gas industry. He was one of the founding partners of the geoscience consultancy IKODA Limited based in London and Perth and was the founding Managing Director of Fusion Oil & Gas plc and Ophir Energy plc. Fusion was listed on the UK AIM market in 2000 and made several discoveries offshore Mauritania before being sold in 2003. In early 2004, following the sale of Fusion, Dr Stein, together with Mr Jonathan Taylor, was one of the two founding executive directors of Ophir Energy plc. He held the position of Managing Director until 2011. Ophir was involved in several discoveries offshore Equatorial Guinea and Tanzania discovering more than 18 trillion cubic feet of gas.

Dr Stein is currently the Non-Executive Chairman of Hanno Resources Ltd and Sea Captaur Limited and is a Non-Executive Director of Bahari Holding Company Limited.

Brett Lawrence, Non-Executive Director

Mr Lawrence is a 15-year veteran of the oil and gas industry and holds a Master of Petroleum Engineering, a Bachelor of Engineering (Mining) and Bachelor of Commerce (Finance) from Curtin University in Western Australia. Mr Lawrence worked with Apache Energy for over eight years, performing roles in drilling engineering, reservoir engineering, project development and commercial management and has held senior roles in the commercial, financial and corporate arenas with various ASX listed public companies.

Lonny Tetley, Non-Executive Director

Lonny Tetley is a securities lawyer and partner at Burnet, Duckworth and Palmer LLP with over 15 years of experience in corporate finance and the oil and gas industry. Mr. Tetley serves on the Board of a number of companies including Certarus Ltd., Beyond Energy Services & Technology Corp. and Accelerate Financial Technologies Inc. He is also a member of the Private Funds Independent Review Committee of Deans Knight Capital Management Ltd.

Braydin Brosseau, CFO

A Chartered Professional Accountant, Chartered Accountant with 15 years of experience in finance, accounting, treasury, tax, strategic planning, and M&A. Mr. Brosseau has worked with a number of public and private E&P and Asset Management companies, and been the Chief Financial Officer of Blackspur Oil Corp. since September 2014. Previous experience gained was at West Valley Energy Corp., Aston Hill Financial Inc., and PwC LLP. Mr. Brosseau holds a Bachelor of Commerce (Distinction) from the University of Saskatchewan.

Aaron Bauer, Operations Manager

Petroleum Engineer with over 15 years in drilling and operations management in the Montney and other plays in Canada with West Valley Energy, Caltex, Krang and Burlington Resources.

6. Investment Risks

CE1 is exposed to a number of risks including:

- **Material Business Risks:** The international scope of Calima's operations, the nature of the oil and gas industry and external economic factors mean that a range of factors may impact results. Material macro-economic risks that could impact the Company's results and performance include oil and gas commodity prices, exchange rates and global factors affecting capital markets and the availability of financing.
- **Technical Risk:** Oil and Gas exploration and production is speculative by nature and therefore carries a degree of risk associated with the discovery of hydrocarbons in commercial quantities. Exploration activity may be adversely influenced by a number of different factors including, amongst other things, new subsurface geological and geophysical data, drilling results including the presence, prevalence and composition of hydrocarbons, force majeure circumstances, drilling cost overruns for unforeseen subsurface operating conditions or unplanned events or equipment difficulties, changes to resource estimates, lack of availability of drill rigs, seismic vessels and other integral exploration equipment and services
- **Operational Risk:** Successful production operations are still subject to a range of risks and uncertainties. These risks and uncertainties in part relate to the estimated quantities of petroleum that may potentially be recovered. They also relate to the costs involved of asset development and subsequent production, which are subject to a range of qualifications, assumptions and limitations. They also relate to the timing of project development and subsequent production, which is subject to a range of factors many of which are not within Calima's control.
- **Government and Regulator Risk:** Calima's rights, obligations and commercial arrangements through all stages of the oil and gas lifecycle (exploration, development, production) in international oil and gas permits are commonly defined in agreements entered into with the relevant country's Government as well as in the Country's petroleum, tax and emission related legislation and other laws. These agreements and laws are at risk of amendment by a

Government which accordingly could materially impact on Calima's rights and commercial arrangements adversely. Furthermore, due to the evolving nature of exploration work programs (as new technical data becomes available) and due to the fluctuating availability of petroleum equipment and services, Calima may seek to negotiate variations to permit agreements in particular in relation to the duration of the exploration phase in the permit and the work program commitments.

- **Environmental Risks:** Oil and gas operations have inherent risks and liabilities associated with ensuring operations are carried out in a manner that is responsible to the environment. Although Calima operates within the prevailing environmental laws and regulations, such laws and regulations are continually changing and as such, Calima could be subject to changing obligations or unanticipated environmental incidents that, as a result, could impact costs, provisions and other facets of Calima's operations
- **Resource Risk:** all resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Commodity Price Risk:** the revenues CE1 will derive mainly through the sale of oil and gas exposing the potential income to hydrocarbon price risk. The price of oil and gas fluctuate and are affected by many factors beyond the control of CE1. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate Risk:** The revenue CE1 derives from the sale of hydrocarbons exposes the potential income to exchange rate risk. International prices of oil and gas as well most of the costs base are denominated in United States or Canadian dollars, whereas the financial reporting currency of CE1 is the Australian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the USD and the AUD and the CAD as determined by international markets**.**
- **Management and Labour Risk**: an experienced and skilled management team is essential to the successful development and operation of hydrocarbon projects.

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