



25 October 2021

Dividend and ESG Strategy

- Based on current commodity price forecasts and expectations with respect to operational and financial performance, Calima expects to be in a position to **distribute up to 30% of free cash flow** to shareholders from 2022.
- Calima would redeploy the remaining funds to support organic growth through development of Calima’s 2P reserves of 21.4 Mmboe and 64 booked¹ drilling locations (approximately 23% of identified drilling inventory).
- Board and management are focused on delivering consistent long term returns to shareholders through financial discipline and ensuring strong environmental stewardship.

Calima Energy Limited ("Calima" or the "Company") (ASX: CE1) is pleased to provide an update on the **preliminary 2022** plan.

With the current strength in the energy markets (WTI US\$82/bbl; WCS differential of US\$14.50/bbl and AECO gas price of C\$4.80/gj) and continued operational success, the Brooks and Thorsby assets generate significant free cash flow, providing the Company with the opportunity to return capital to shareholders while simultaneously providing sufficient funds to grow the business organically from its reserve base and well inventory or via strategic acquisitions complementary to existing operations.

Highlights of the current 2022 plan²:

	2022 Preliminary Guidance			
	WTI US\$/bbl	\$70	\$80	\$90
Average annual production (boe/d)		5,500	5,500	5,500
Exit Production (boe/d)		5,600	5,600	5,600
Revenue (C\$ million)		\$112	\$129	\$147
Operation netback (C\$ million)		\$71	\$86	\$101
Adjusted EBITDA (C\$ million)		\$66	\$81	\$95
Funds Flow (C\$ million)		\$64	\$76	\$88
Capital expenditures (C\$ million)		\$35	\$35	\$35
Free cash flow (C\$ million)		\$29	\$41	\$52
Working capital (C\$ million)		\$14	\$26	\$37

¹ See Calima’s “2021 Reserve Evaluation – Blackspur oil Corp” announcement dated 1 September 2021. The Company is not aware of any new information or data that materially affects the information included in the referenced ASX announcement and confirms that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

² Key assumptions used in the preliminary 2022 plan include WTI pricing as noted above, WCS differential of -US\$13.50/bbl, AECO gas price of C\$3.50/gj, FX rate of 1.23 CAD/USD. 2022 drill program consists of 3 Glauconitic and 4 Sunburst wells at Brooks, and 6 (5.5 net) Sparky wells at Thorsby. Avg. royalty rate of 18%, G&A and operating expense forecasting consistent with historical financial results.

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The 2022 plan is modelled on a 13 well drilling program. As the Company has an extensive well inventory, the well count in 2022 can be increased with continued drilling success and a sustained strong commodity price environment. The Company is currently reviewing its scheduling and critical path items are being secured. Prior to year-end 2021, the Company intends to provide updated guidance for 2022.

Financial discipline

The Board and Management of Calima are focused on delivering consistent returns to shareholders and based on current expectations with respect to 2022 plans and commodity pricing, expects to be in a position to allocate up to 30% of its free cash flow towards dividends and or other forms of capital returns.

The Company proposes to protect this commitment through a conservative hedging program to manage commodity price risk, thereby securing a base cash flow. Surplus free cash will be redeployed into the development of the Company's PUD and 2P inventory, which has the ability to generate significant returns utilising existing infrastructure.

Having strategically acquired the Blackspur assets in a lower commodity price environment back in April 2021, Calima's assets are now delivering significant returns at current commodity prices.

The Company continues to advance the process to realise value from its liquids rich Montney acreage with Peters & Co Limited in Calgary.

Environmental Stewardship

Calima is dedicated to conducting its operations to be in full compliance with both provincial and federal environmental regulations and reporting obligations. Calima is fully committed to the continued development of a corporate ESG strategy, and plans to publish a maiden annual sustainability report in the first quarter of 2022.

The Company also takes its asset retirement obligations very seriously and is actively participating in the Government of Alberta's Site Rehabilitation Program ("SRP"). Since commencement of the SRP program in May 2020, grants totalling C\$1.1 million have been utilised to decommission 42 wells in the Brooks and Thorsby core areas.

The Company is focussed on reducing its Asset Retirement Obligation ("ARO") on a continuous and ongoing basis, and plans are to decommission 10-15 wells in 2022 in addition to reclamation



work. Calima maintains a peer leading ARO which significantly assists the Company in capital management and additional acquisition opportunities.

Glenn Whiddon, Chairman CEO, states that:

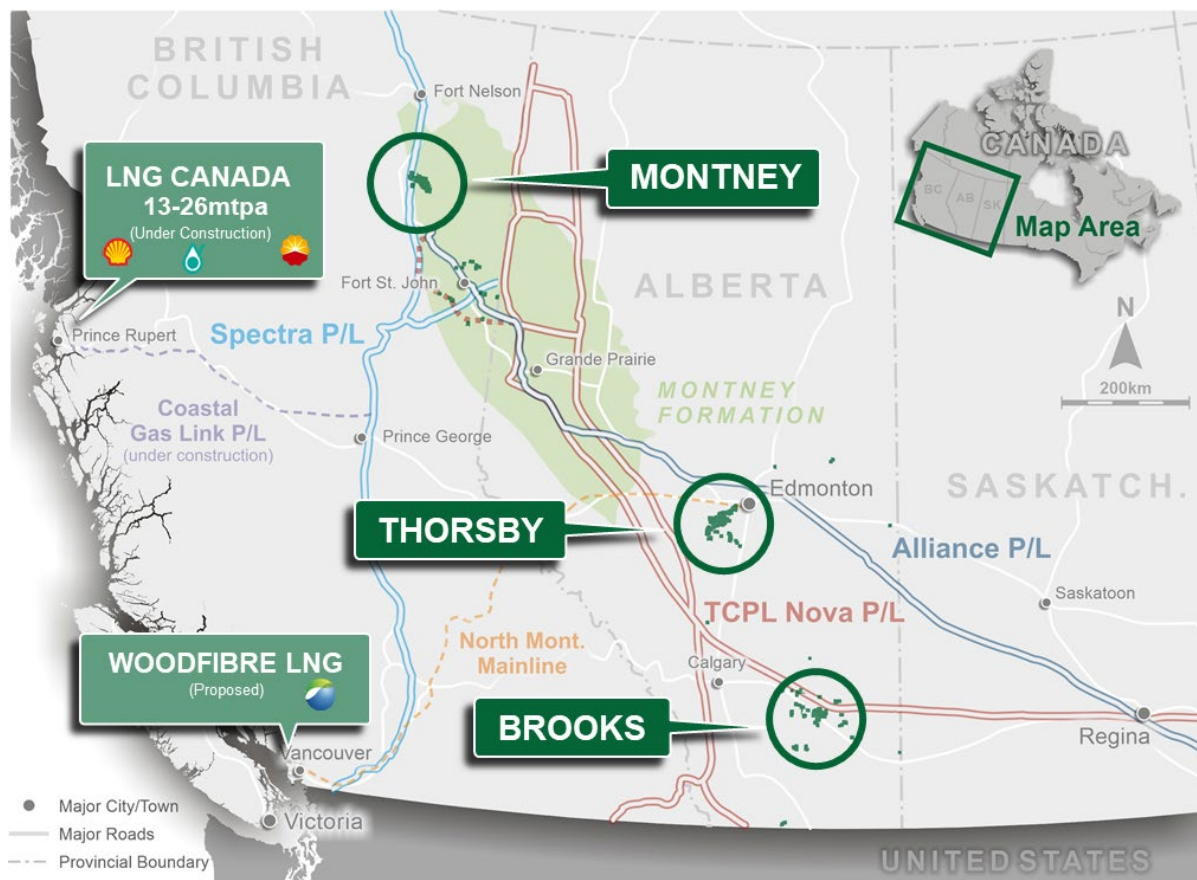
“Our long-term strategic focus is on maintaining the highest ESG standard along with commercial and operational excellence to generate superior returns to shareholders. I wish to thank our team in Canada led by Jordan Kevol for their concerted commitment to the Company’s progress and growth.”

This release has been approved by the Board.

For further information visit www.calimaenergy.com or contact:

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Calima Assets



Qualified petroleum reserves and resources evaluator statement

The petroleum reserves and resources information in this announcement in relation to Blackspur Oil Corp is based on, and fairly represents, information and supporting documentation in a report compiled by InSite Petroleum Consultants Ltd. (InSite) for the June 30, 2021 Reserves Report. InSite is a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta. These reserves were subsequently reviewed by Mr. Graham Veale who is the VP Engineering with Blackspur Oil Corp. The InSite June 30, 2021 Reserves Report and the values contained therein are based on InSite's June 30, 2021 price deck (<https://www.insitepc.com/pricing-forecasts>). Mr. Veale holds a BSc. in Mechanical Engineering from the University of Calgary (1995) and is a registered member of the Alberta Association of Professional Engineers and Geoscientists of Alberta (APEGA). He has over 25 years of experience in petroleum and reservoir engineering, reserve evaluation, exploitation, corporate and business strategy, and drilling and completions. InSite and Mr. Veale have consented to the inclusion of the petroleum reserves and resources information in this announcement in the form and context in which it appears.

Forward Looking Statements

This release may contain forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "anticipate", "believe", "intend", "estimate", "expect", "may", "plan", "project", "will", "should", "seek" and similar words or expressions containing same. These forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. These include, but are not limited to, risks or uncertainties associated with the discovery and development of oil and natural gas reserves, cash flows and liquidity, business and financial strategy, budget, projections and operating results, oil and natural gas prices, amount, nature and timing of capital expenditures, including future development costs, availability and terms of capital and general economic and business conditions. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Calima, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Oil and Gas Glossary and Definitions

Term	Meaning
Adjusted EBITDA:	Adjusted EBITDA is calculated as net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortisation, and adjusted to exclude certain non-cash, extraordinary and non-recurring items primarily relating to bargain purchase gains, gains and losses on financial instruments, transaction and advisory costs and impairment losses. Calima utilises adjusted EBITDA as a measure of operational performance and cash flow generating capability. Adjusted EBITDA impacts the level and extent of funding for capital projects investments or returning capital to shareholders.
Adjusted working capital:	Adjusted working capital is comprised of current assets less current liabilities on the Company's balance sheet and excludes the current portions of risk management contracts and credit facility draws. Adjusted working capital is utilised by Management and others as a measure of liquidity because a surplus of adjusted working capital will result in a future net cash inflow to the business which can be used for future funding, and a deficiency of adjusted working capital will result in a future net cash outflow which will require a future draw from Calima's existing funding capacity.
ARO / Asset Retirement Obligation:	the process of permanently closing and relinquishing a well by using cement to create plugs at specific intervals within a well bore
Available funding:	Available funding is comprised of adjusted working capital and the undrawn component of Blackspur's credit facility. The available funding measure allows Management and other users to evaluate the Company's liquidity.
Credit Facility Interest:	Borrowings under the Credit Facility incur interest at a market-based interest rate plus an applicable margin which varies depending on Blackspur's net debt to cash flow ratio. Interest charges are between 150 bps to 350 bps on Canadian bank prime borrowings and between 275 bps and 475 bps on Canadian dollar bankers' acceptances. Any undrawn portion of the demand facility is subject to a standby fee in the range of 20 bps to 45 bps. Security for the credit facility is provided by a C\$150 million demand debenture carbon dioxide equivalent
CO2e:	
Conventional Well:	a well that produces gas or oil from a conventional underground reservoir or formation, typically without the need for horizontal drilling or modern completion techniques
Compression:	a device or facility located along a natural gas pipeline that raises the pressure of the natural gas flowing in the pipeline, which in turn compresses the natural gas, thereby both increasing the effective capacity of the pipeline and allowing the natural gas to travel longer distances
Corporate Decline:	consolidated, average rate decline for net production from the Company's assets
Exit Production:	Exit production is defined as the average daily volume on the last week of the period
Operating Income:	Oil and gas sales net of royalties, transportation and operating expenses
Financial Hedge:	a financial arrangement which allows the Company to protect against adverse commodity price movements, the gains or losses of which flow through the Company's derivative settlements on its financial statements
Free Cash Flow (FCF):	represents Hedged Adjusted EBITDA less recurring capital expenditures, asset retirement costs and cash interest expense
Free Cash Flow Yield:	represents free cash flow as a percentage of the Company's total market capitalisation at a certain point in time
Funds Flow:	Funds flow is comprised of cash provided by operating activities, excluding the impact of changes in non-cash working capital. Calima utilises funds flow as a measure of operational performance and cash flow generating capability. Funds flow also impacts the level and extent of funding for investment in capital projects, returning capital to shareholders and repaying debt. By excluding changes in non-cash working capital from cash provided by operating activities, the funds flow measure provides a meaningful metric for Management and others by establishing a clear link between the Company's cash flows, income statement and operating netbacks from the business by isolating the impact of changes in the timing between accrual and cash settlement dates.
Gathering & Compression (G&C):	owned midstream expenses; the costs incurred to transport hydrocarbons across owned midstream assets
Gathering & Transportation (G&T):	third-party gathering and transportation expense; the cost incurred to transport hydrocarbons across third-party midstream assets
G&A:	general and administrative expenses; may be represented by recurring expenses or non-recurring expense
Hedged Adjusted EBITDA:	EBITDA including adjustments for non-recurring and non-cash items such as gain on the sale of assets, acquisition related expenses and integration costs, mark-to-market adjustments related to the Company's hedge portfolio, non-cash equity compensation charges and items of a similar nature;
Hyperbolic Decline:	non-exponential with subtle multiple decline rates; hyperbolic curves decline faster early in the life of the well and slower as time increases
LMR:	The LMR (Liability Management Ratio) is determined by the Alberta Energy Regulator ("AER") and is calculated by dividing Blackspur's deemed assets by its deemed liabilities, both values of which are determined by the AER.
LOE:	lease operating expense, including base LOE, production taxes and gathering & transportation expense
Midstream:	a segment of the oil and gas industry that focuses on the processing, storing, transporting and marketing of oil, natural gas, and natural gas liquids
Net Debt"	Net debt is calculated as the current and long-term portions of Calima's credit facility draws, lease liabilities and other borrowings net of adjusted working capital. The credit facility draws are calculated as the principal amount outstanding converted to Australian dollars at the closing exchange rate for the period. Net debt is an important measure used by Management and others to assess the Company's liquidity by aggregating long-term debt, lease liabilities and working capital.
NGL / Natural Gas Liquids:	hydrocarbon components of natural gas that can be separated from the gas state in the form of liquids
Net Debt/Adjusted EBITDA (Leverage)	a measure of financial liquidity and flexibility calculated as Net Debt divided by Hedged Adjusted EBITDA
Net Revenue Interest:	a share of production after all burdens, such as royalty and overriding royalty, have been deducted from the working interest. It is the percentage of production that each party actually receives
Operating Costs:	total lease operating expense (LOE) plus gathering & compression expense
Operating Netback:	Operating netback is determined by deducting royalties, operating and transportation from oil and natural gas sales, after adjusting for realised hedging gains or losses. Operating netback is utilised by Calima and others to assess the profitability of the Company's oil and natural gas assets on a standalone basis, before the inclusion of corporate overhead related costs. Operating netback is also utilised to compare current results to prior periods or to peers by isolating for the impact of changes in production volumes.
Physical Contract:	a marketing contract between buyer and seller of a physical commodity which locks in commodity pricing for a specific index or location and that is reflected in the Company's commodity revenues Production Taxes: state taxes imposed upon the value or quantity of oil and gas produced



Term	Meaning
Promote:	an additional economic ownership interest in the jointly-owned properties that is conveyed cost-free to the operator in consideration for operating the assets
PDP/ Proved Developed Producing:	a reserve classification for proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods
PV10:	a standard metric utilised in SEC filings for the valuation of the Company's oil and gas reserves; the present value of the estimated future oil and gas revenues, reduced by direct expenses, and discounted at an annual rate of 10%
RBL / Reserve Based Lending Royalty Interest or Royalty:	a revolving credit facility available to a borrower based on (secured by) the value of the borrower's oil and gas reserves
Terminal decline:	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
tCO₂:	represents the steady state decline rate after early (initial) flush production
Unconventional Well:	Tonnes of Carbon Dioxide
Upstream:	a well that produces gas or oil from an unconventional underground reservoir formation, such as shale, which typically requires hydraulic fracturing to allow the gas or oil to flow out of the reservoir
Working Capital Ratio:	a segment of the oil and gas industry that focuses on the exploration and production of oil and natural gas
WI/ Working Interest:	The working capital ratio as the ratio of (i) current assets plus any undrawn availability under the facility to (ii) current liabilities less any amount drawn under the facilities. For the purposes of the covenant calculation, risk management contract assets and liabilities are excluded.
	a type of interest in an oil and gas property that obligates the holder thereof to bear and pay a portion of all the property's maintenance, development, and operational costs and expenses, without giving effect to any burdens applicable to the property

Abbreviation	Abbreviation meaning	Abbreviation	Abbreviation meaning
1P	proved reserves	A\$ or AUD	Australian dollars
2P	proved plus Probable reserves	C\$ or CAD	Canadian dollars
3P	proved plus Probable plus Possible reserves	US\$ or USD	United states dollars
bbbl or bbls	barrel of oil	(\$ thousands)	figures are divided by 1,000
boe	barrel of oil equivalent (1 bbl = 6 Mcf)	(\$ 000s)	figures are divided by 1,000
d	suffix – per day	Q1	first quarter ended March 31 st
GJ	gigajoules	Q2	second quarter ended June 30 th
mbbl	thousands of barrels	Q3	third quarter ended September 30 th
mboe	thousands of barrels of oil equivalent	Q4	fourth quarter ended December 31 st
Mcf	thousand cubic feet	YTD	year-to-date
MMcf	million cubic feet	YE	year-end
PDP	proved developed producing reserves	H1	six months ended June 30 th
PUD	Proved Undeveloped Producing	H2	six months ended December 31 st
C	Contingent Resources – 1C/2C/3C – low/most likely/high	B	Prefix – Billions
Net	Working Interest after Deduction of Royalty Interests	MM	Prefix - Millions
NPV (10)	Net Present Value (discount rate), before income tax	M	Prefix - Thousands
EUR	Estimated Ultimate Recovery per well	/d	Suffix – per day
WTI	West Texas Intermediate Oil Benchmark Price	bbbl	Barrel of Oil
WCS	Western Canadian Select Oil Benchmark Price	boe	Barrel of Oil Equivalent (1bbl = 6 mscf)
1P or TP	Total Proved	scf	Standard Cubic Foot of Gas
2P or TPP	Total Proved plus Probable Reserves	Bcf	Billion Standard Cubic Foot of Gas
3P	Total Proved plus Probable plus Possible Reserves	tCO₂	Tonnes of Carbon Dioxide
EBITDA	Earnings before interest, tax, depreciation, depletion and amortisation	OCF	Operating Cash Flow, ex Capex
Net Acres	Working Interest	E	Estimate
IP24	The peak oil production rate over 24 hours of production	CY	Calendar Year
IP30/90	Average oil production rate over the first 30/90 days		