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**CALIMA**  
ENERGY

3 August 2022

## Strategic Leasing Acquisition at Brooks – Holding Doubled

- Calima expands its acreage around its core Brooks operations and infrastructure by ~33,000 acres to over 69,000 net acres
- The leasing agreement (“Agreement”) includes an **option on any unleased shallow gas rights** within the corridor of the newly leased oil rights
- The Agreement incorporates access to an **extensive 3D seismic database**
- Calima **intends to drill 21 horizontal wells over the next three years**, leveraging off existing infrastructure and facilities in the area and the newly installed 19km of pipeline
- Calima has already **identified >20 additional oil and gas drilling locations** on the newly leased acreage

Calima Energy Limited (“Calima” or the “Company”) (ASX: CE1 / OTCQB: CLEMF) is pleased to announce a strategic mineral leasing deal with the underlying mineral owner at its core operating area of Brooks Alberta. This leasing deal consists of 33,116 acres of land (highlighted in dark green in Fig 1 below), chosen for its prospectivity for Sunburst and Glauconitic targets and its proximity to Calima’s existing leases and Brooks infrastructure (2-29, 15-23, and 6-19 oil batteries). The Calima team has drilled >70 wells since 2013 in the Brooks region. Production at Brooks is currently 2,700 boe/d of the total corporate production of 4,300 boe/d.

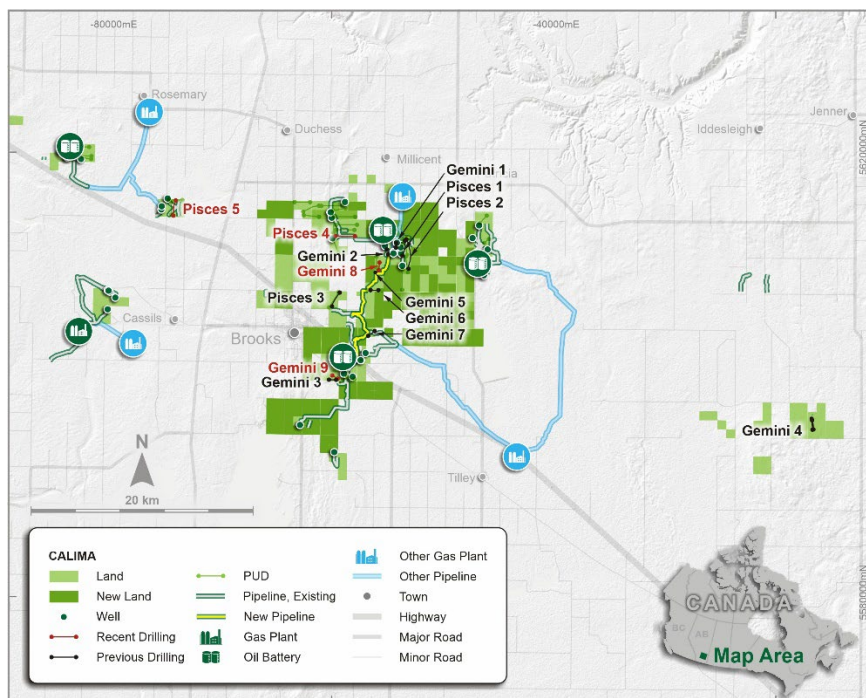


Figure 1: Brooks Lands

Jordan Kevol, CEO and President:

*“We are very pleased to have entered into this Agreement securing all of the unleased Mannville (ie Sunburst/Glauconitic) rights around our existing infrastructure in the Brooks area. This gives us the opportunity to continue exploration and development within our core area. Based off historical work and our understanding of the Brooks geology we have identified a number of leads and prospects on this newly acquired land, and we look forward to increased drilling activity over the coming years.”*

Calima Energy Ltd ACN 117 227 086  
Suite 4, 246-250 Railway Parade, West Leederville WA 6007: +61 8 6500 3270  
Fax: + 61 8 6500 3275 Email: [info@calimaenergy.com](mailto:info@calimaenergy.com) [www.calimaenergy.com](http://www.calimaenergy.com)

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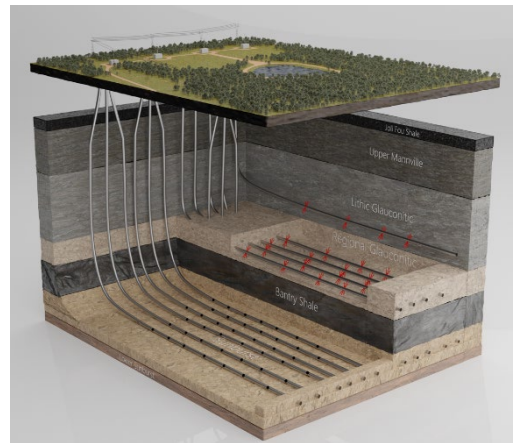




Calima now holds over 69,000 net acres / ~108 net sections in the Greater Brooks Area. The Company also will gain access to an extensive 3D seismic database which will assist with the geophysical evaluation of the newly acquired lands.

Sunburst wells cost ~C\$1.3m per well whilst Glauconitic wells cost around ~C\$2.6m per well, with both targets delivering attractive rates of return with pay-outs of 8 to 13 months respectively at US\$85 WTI. The reservoirs contain a low CO<sub>2</sub> content at ~2%, and multi-well pad drilling reduces the environmental footprint.

Under the 3-year leasing deal (renewed annually) the Company will have a minimum capital commitment of C\$1.75m per year.



Under this deal Calima intends to drill an additional 5 horizontal wells this year (2 commitment wells have already been drilled) in addition to 7 wells in each of the following 2 years, for a total of 21 wells in the Brooks area on leases held by the mineral owner. 63% of Calima's net acreage in Brooks is currently leased from this mineral holder and with this deal the total increases to 81%. The Company has had a long-standing relationship with the mineral owner who is the lessor of a majority of the existing Brooks area leases.

The Company has also secured an option to acquire any available unleased shallow gas rights not previously accessible in the vicinity of the Brooks lands.

#### Brooks asset overview

##### Land position and production

Core land position (net acres)	>69,000
Core formation targets	Sunburst, Glauconitic
Average working interest of the play (%)	94%
Number of wells drilled to date (net)	>70
Identified drilling locations (net)	160
Current production July 22 (boe/d)	~2,700

##### Reserves (mmboe)<sup>(1)</sup>

Proved reserves	8.0
Probable reserves	2.0
Total proved plus probable reserves	10.0
Possible reserves	1.7
Total proved plus probable plus possible	11.7

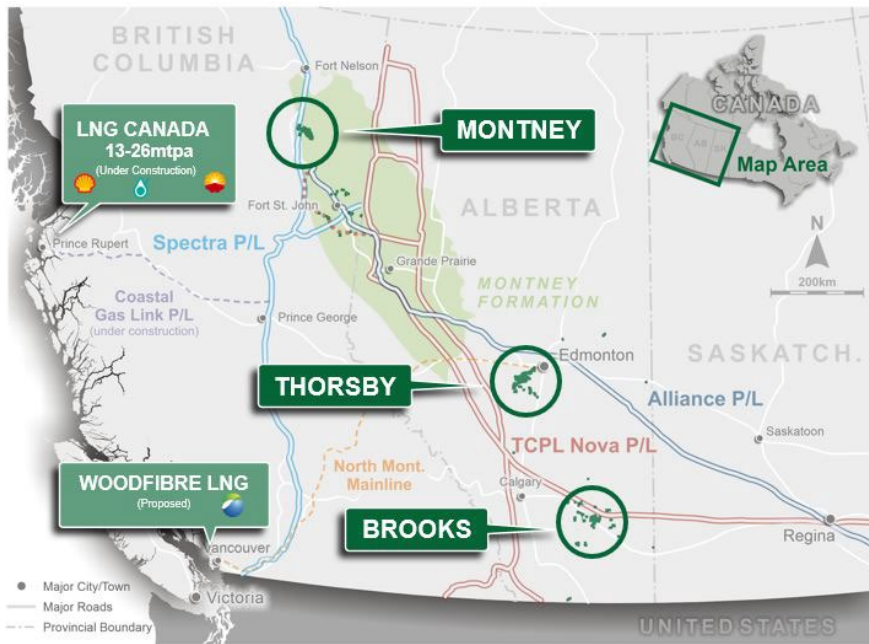
This release has been approved by the Board. For further information visit [www.calimaenergy.com](http://www.calimaenergy.com) or contact:

<b>Jordan Kevol</b> CEO and President E: <a href="mailto:jkevol@blackspuroil.com">jkevol@blackspuroil.com</a> T: + 1 403 460 0031	<b>Glenn Whiddon</b> Chairman E: <a href="mailto:glenn@calimaenergy.com">glenn@calimaenergy.com</a> T: + 61 410 612 920	<b>Mark Freeman</b> Finance Director E: <a href="mailto:mfreeman@calimaenergy.com">mfreeman@calimaenergy.com</a> T: + 61 412 692 146
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**Calima Assets**



**Qualified petroleum reserves and resources evaluator statement**

The petroleum resources information in this announcement is based on, and fairly represents, information and supporting documentation in a report compiled by technical employees of McDaniel and Associates Ltd, a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta (APEGA) and was subsequently reviewed by Graham Veale who is the VP Engineering with Blackspur Oil Corp. 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 26 years of experience in petroleum and reservoir engineering, reserve evaluation, exploitation, corporate and business strategy, and drilling and completions. McDaniel 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.

**Oil and Gas Glossary and Definitions**

Term	Meaning
<b>Adjusted EBTDA:</b>	Adjusted EBTDA 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 EBTDA as a measure of operational performance and cash flow generating capability. Adjusted EBTDA impacts the level and extent of funding for capital projects investments or returning capital to shareholders.
<b>Adjusted working capital:</b>	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.





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Term	Meaning
<b>ARO / Asset Retirement Obligation:</b>	the process of permanently closing and relinquishing a well by using cement to create plugs at specific intervals within a well bore
<b>Available funding:</b>	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.
<b>Credit Facility Interest:</b>	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
<b>CO2e:</b>	carbon dioxide equivalent
<b>Conventional Well:</b>	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
<b>Compression:</b>	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
<b>Corporate Decline:</b>	consolidated, average rate decline for net production from the Company's assets
<b>Exit Production:</b>	Exit production is defined as the average daily volume on the last week of the period
<b>Operating Income:</b>	Oil and gas sales net of royalties, transportation and operating expenses
<b>Financial Hedge:</b>	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
<b>Free Cash Flow (FCF):</b>	represents Hedged Adjusted EBTDA less recurring capital expenditures, asset retirement costs and cash interest expense
<b>Free Cash Flow Yield:</b>	represents free cash flow as a percentage of the Company's total market capitalisation at a certain point in time
<b>Funds Flow:</b>	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.
<b>Gathering &amp; Compression (G&amp;C):</b>	owned midstream expenses; the costs incurred to transport hydrocarbons across owned midstream assets
<b>Gathering &amp; Transportation (G&amp;T):</b>	third-party gathering and transportation expense; the cost incurred to transport hydrocarbons across third-party midstream assets
<b>G&amp;A:</b>	general and administrative expenses; may be represented by recurring expenses or non-recurring expense
<b>Hedged Adjusted EBTDA:</b>	EBTDA 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;
<b>Hyperbolic Decline:</b>	non-exponential with subtle multiple decline rates; hyperbolic curves decline faster early in the life of the well and slower as time increases
<b>LMR:</b>	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.
<b>LOE:</b>	lease operating expense, including base LOE, production taxes and gathering & transportation expense
<b>Midstream:</b>	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
<b>Net Debt:</b>	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.
<b>NGL / Natural Gas Liquids:</b>	hydrocarbon components of natural gas that can be separated from the gas state in the form of liquids
<b>Net Debt/Adjusted EBTDA (Leverage)</b>	a measure of financial liquidity and flexibility calculated as Net Debt divided by Hedged Adjusted EBTDA
<b>Net Revenue Interest:</b>	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
<b>Operating Costs:</b>	total lease operating expense (LOE) plus gathering & compression expense
<b>Operating Netback:</b>	Operating netback is calculated on a per boe basis and 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.
<b>Physical Contract:</b>	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
<b>Promote:</b>	Production Taxes: state taxes imposed upon the value or quantity of oil and gas produced
<b>PDP/ Proved Developed Producing:</b>	an additional economic ownership interest in the jointly-owned properties that is conveyed cost-free to the operator in consideration for operating the assets
<b>PV10:</b>	a reserve classification for proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods
<b>RBL / Reserve Based Lending</b>	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%
<b>Royalty Interest or Royalty:</b>	a revolving credit facility available to a borrower based on (secured by) the value of the borrower's oil and gas reserves
<b>Terminal decline:</b>	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
<b>Unconventional Well:</b>	represents the steady state decline rate after early (initial) flush production
<b>Upstream:</b>	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
<b>Working Capital Ratio:</b>	a segment of the oil and gas industry that focuses on the exploration and production of oil and natural gas
	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.





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

