



OTCQB

CALIMA
ENERGY

1 September 2022

Q2/Q3 Drilling and Completion Operations Update

- The Q2/Q3 drilling/completion program has been successfully completed within budget and all 5 wells are on production.
- Production from the **Gemini #8/9, Pisces #4/5** and **Leo #4** is currently ~900 boe/d gross (~600 boe/d net to Calima).
- **Pisces #4** well (100% WI) was placed on production on 17 August 2022 and is currently cleaning up. The well has recovered ~20% of frac fluid and early results are as expected.
- **Pisces #5** well (50% WI) was placed on production on 14 August 2022 and is in the latter stages of cleaning up and is currently being optimized.
- **Leo #4** well was placed on production in mid July 2022 and initially produced 100% frac fluid. The well is continuing to clean up and produce a mixture of Oil, Gas and frac fluid. The pumping parameters continue to be optimized to determine the true capability of the well. Production to date has been encouraging for this new area.

Calima Energy Limited (ASX:CE1 / OTCQB:CLMEF) (“Calima” or the “Company”) is pleased to confirm that its 4 well (3.5 net) drilling campaign has been completed at Brooks. 2 Sunburst Formation horizontal wells (Gemini) and 2 Glauconitic Formation horizontal wells (Pisces) have been drilled, and all 4 are tied in and on production. In North Thorsby, the Leo #4 well targeting the Sparky Formation in early 2022, was fracture stimulated, completed, and tied in for flow testing as of 18 July 2022. This well will have an extended clean-up period before reliable flow rates can be calculated, due to the nature of the large-scale, high intensity fracture stimulation and the volume of the load fluid introduced into the Sparky reservoir.

Q3 2022 Drilling Campaign Summary Table

Area	Well name	Target formation	Spud Date	Lateral length (m)	Status	Prod Date
Brooks	Gemini #8	Sunburst	1/6/22	670	On production	6/7/22
Brooks	Gemini #9	Sunburst	12/6/22	529	On production	3/7/22
Brooks	Pisces #4	Glauconitic	22/6/22	1,750	On production	17/8/22
Brooks	Pisces #5	Glauconitic	2/7/22	1,420	On production	14/8/22
Thorsby	Leo #4	Sparky	20/1/22	2,473	On production	18/7/22

Jordan Kevol, CEO and President:

“Pisces #4 and #5 are both on production and at various stages of the post-frac clean up period. Leo #4 has been on production for 6 weeks, but with the large volume of load fluid from its large-scale fracture stimulation, it takes significant period of time to realize what the reservoir is capable of. Initial hydrocarbon shows have been encouraging, and the rates, while increasing, have been as expected. The Q2/Q3 Brooks drilling program, and concurrent Leo 4 completion, have all been a success. We continue to make plans for our upcoming Q4 program which will be released in the coming weeks.”

Brooks Drilling Program Results

The **Pisces #4** (100% WI) well is a follow-up to the most productive Glauconitic well (15-36 well) previously drilled by Blackspur and has recovered 135,000 bbls of oil and 0.3 bcf of gas since mid-2018. The well was successfully drilled, fractured, and placed on production on 17 August 2022. The well is cleaning up and current expectations indicate the well to produce within or above the type curve.



The **Pisces #5** well (50% WI) is a follow-up to a 1st generation Glauconitic well (04-05 well) drilled by Blackspur in 2014. The 04-05 well has produced 86,000 barrels oil and 0.8 bcf of gas since 2014 and was drilled and completed with a 17 stage frac and an average of 0.2 tonnes of sand per metre over the horizontal length (t/m). The **Pisces #5** well had a 29 stage frac and used 0.33 t/m. Calima expects Pisces #5 to outperform the 04-05 well based on initial production data.

The **Gemini #8 & #9** horizontal targeted the Sunburst Formation in two known pools and were designed to extend the previously identified pool boundaries based on information from the Company's extensive 3D seismic. Production to date from Gemini #8 and #9 wells is marginally below the Sunburst type curve, however, overall production from the Gemini Program is above type curve reflecting the significant productive nature of the Sunburst wells.

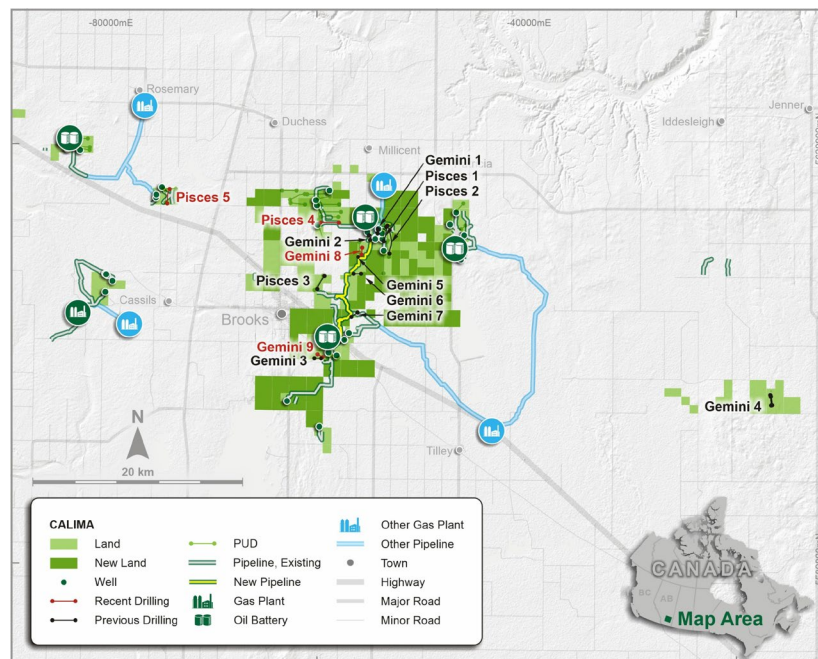


Figure 2: Glauconitic and Sunburst Drilling Program

BROOKS ECONOMICS^{1,2,3,4}

		Brooks Type Curve Economics		
		Glauconitic – 1 mile lateral US\$85 WTI	Sunburst Conventional US\$85 WTI	
RESOURCE	EUR – Oil & Liquids	Mbbl	103	110
	EUR – Gas	MMcf	300	200
	Total EUR	Mboe	153	145
	% Liquids (Oil & NGLs)	%	67%	77%
	Avg. Royalty Rate	%	19%	19%
	CAPEX	\$MM	C\$2.6	C\$1.3
	F&D	\$/boe	C\$17.0	C\$9.0
	BTAX IRR	%	90%	270%
	BTAX NPV10	\$MM	C\$2.4	C\$3.4
	P/I 10%	x	1.0	2.7
ECONOMICS	Payout	months	13	8
	IP90 Oil (Wellhead)	bbl/d	115	90
	Netback (Year 1)	\$/boe	C\$50.40	C\$53.0
	Recycle Ratio	x	3.0	6.0
	Break-even to WTI	US\$/bbl	US\$53.00	US\$40.55





1 The Sunburst and Glauco type curves are based on the analogous wells drilled by all operators in the Brooks area – single leg on lease tie-in.

2 Refer to Brooks & Thorsby YE 2021 Reserves in the announcement dated 28 March 2022. 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 announcement continue to apply and have not materially changed.

3 Flat pricing: US\$85.00/bbl WTI, C\$4.75/GJ AECO, US\$18/bbl WCS differential and 1.3 CAD/USD FX. Capital updated to account for recent inflationary pressure

4 Break-even prices include DCET and the point at which IRR is zero and it is no longer economic to drill that play type. They are calculated by sensitizing WTI while maintaining other price streams constant

Leo #4 Well, 50% WI

Leo #4 is a step-out oil well that was drilled at Holborn (North Thorsby) in January 2022. The well was drilled in the Sparky Formation to total depth of 4,088 meters measured depth and outfitted with a 52 stage frac liner and was fracture stimulated in June 2022. The well has been on production since 17 July 2022 and continues to clean up.

The pumping parameters continue to be optimized to determine the true capability of the well. Production to date has been encouraging for this new area. The well has been tied into gas sales and the oil production is being trucked to Calima’s oil processing facilities at Thorsby. The Company is working up plans for further development of the North Thorsby Field once long-term rates on this step out well can be established.

Leo #1-3 long term update

Leo wells #1-#3 that were drilled in Q4-2021 and came on production in December-January now have ~8 month of production data available. The below graph (Figure 3) illustrates the average cumulative production from the wells since inception, and shows the average production rates and related declines over that period, as well as the forecasted average future decline rates, and how they compare to the internal type curve used for budgeting purposes.

The Company is pleased with the production rates achieved with over ~218,850 barrels of oil equivalent produced to 31 July 2022 and currently planning an additional Thorsby Leo drilling campaign.

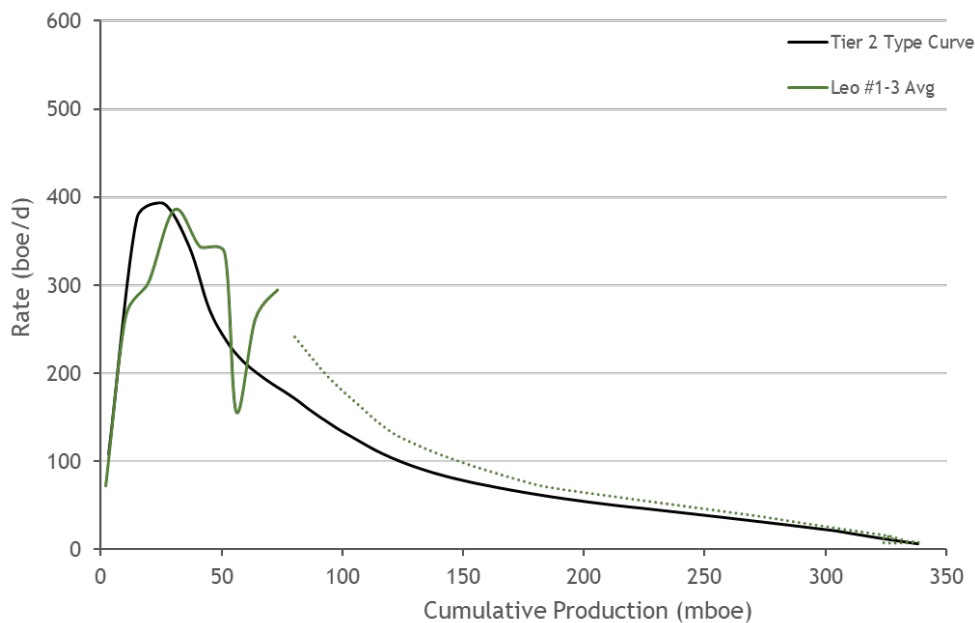


Figure 3: Leo 1, 2 and 3 Cumulative Production Curve

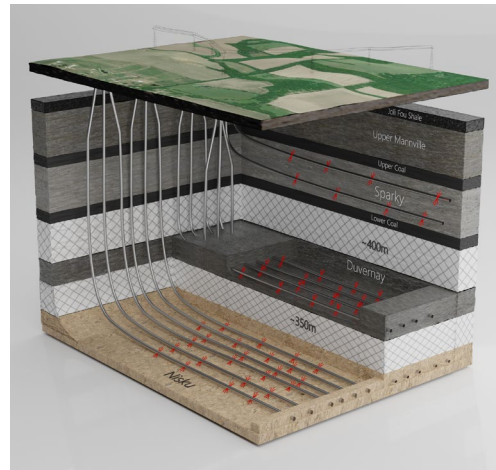
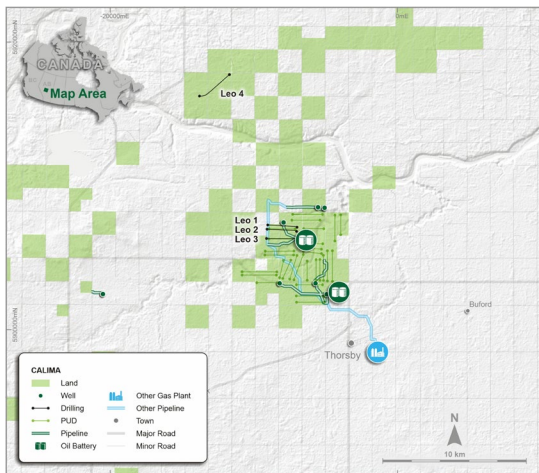
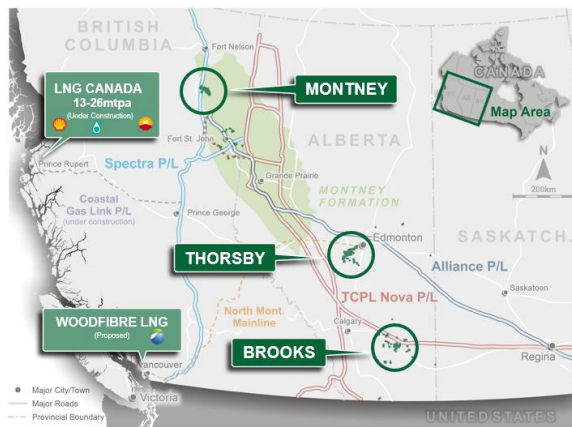


Figure 4: Thorsby Sparky (Leo) Drilling Program

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

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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
Adjusted EBTTA:	Adjusted EBTTA 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 EBTTA as a measure of operational performance and cash flow generating capability. Adjusted EBTTA 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
CO2e:	carbon dioxide equivalent
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 EBTTA 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 EBTTA:	EBTTA 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 EBTTA (Leverage)	a measure of financial liquidity and flexibility calculated as Net Debt divided by Hedged Adjusted EBTTA
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 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





Term	Meaning
	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
Promote:	state taxes imposed upon the value or quantity of oil and gas produced
PDP/ Proved Developed Producing:	an additional economic ownership interest in the jointly-owned properties that is conveyed cost-free to the operator in consideration for operating the assets
PV10:	a reserve classification for proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods
RBL / Reserve Based Lending	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%
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
Unconventional Well:	represents the steady state decline rate after early (initial) flush production
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
	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.
WI/ Working Interest:	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
bbl 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	bbl	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
EBTDA	Earnings before 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	WTI	West Texas Intermediate
WCS	Western Canada Select	OOIP	Original Oil in Place



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