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CALIMA
ENERGY

10 January 2023

Production Increased >4,500 boe/d – Pisces #8/#9 Drilling Program Commenced

- **Pisces #6 and #7** - on production and being tested with production peaking above **4,500 boe/d**
- The **Pisces #8 and #9** drilling program has commenced with **Pisces #8 spud on 6 January** at Brooks Alberta
- **Pisces #8 and #9** are planned to be equal to the longest and most intensively fractured Glauconitic wells drilled by the Company to date

Calima Energy Limited (ASX:CE1 / OTCQB:CLMEF) (“Calima” or the “Company”) is pleased to announce **Pisces #6 & #7 wells** (100% WI) have been completed and tied in and are both on production as of December 29, 2022. The two wells are in the process of “cleaning up” and are producing back the frac fluid introduced into the reservoir as part of the completion, however, they are already producing hydrocarbons at strong rates.

It is expected that the wells will be fully cleaned up and producing at peak rates within 30 days of initial production. The 3 (2.5 net) recently drilled Sunburst wells (**Gemini #10, #11, #12**) are all on production and on average the Q4 Gemini program has achieved initial peak 30-day rates approximately 35% higher than budgeted type curves. Current total production from the three wells is approximately 420 boe/d (gross) and 370 boe/d (net).

Current corporate production has recently increased to greater than 4,500 boe/d with the new wells coming on, and has continued at these levels throughout the first week of January. We continue to monitor the new wells closely as they clean-up and it is determined how this initial flush production will decline.

Q1 2023 Program

The Company has commenced a 2 well drilling campaign at Brooks for Q1-23. Two horizontal Glauconitic Formation wells (Pisces #8 & #9) (100%WI) will be drilled, with Pisces #8 having been spudded on January 6. Both Pisces wells will be drilled off the same pad, providing savings and efficiencies on drilling, fracture completion, and gas tie-in infrastructure.

Each well is expected to take ~10 days to drill and completion operations will commence shortly after drilling. Both Pisces #8 and #9 are planned to have a 2,750m long horizontal section, which would be comparative to Pisces 2, the longest Glauconitic well drilled by Calima to date. Reservoir conditions, geology, and directional drilling factors will dictate if the wells reach the extended total depth. Both wells are expected to be completed and ready to be production tested in late February.

These wells are a follow up to a successful well drilled by the Company (12-23) which peaked at 217 boe/d (30-day average) and has cumulatively produced over 132,000 boe since it came on production in 2020. Pisces #8 and #9 are planned to be ~15% longer with ~60% more fracs than the 12-23 well resulting in anticipated higher production and reserve expectations for each of the wells.



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Pisces #6 and #7 on the same lease site, equipped, and on production via on lease tie-in. These wells produce to Calima's 2-29 facility at Brooks



Pisces #8 being drilled from the same lease that Pisces #9 will be subsequently drilled from

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Q4 2022 – Q1 2023 Drilling Campaign Summary Table

| Area | Well name | Target formation | Spud Date | Lateral length (m) | Status |
|--------|------------|------------------|-----------|--------------------|---------------|
| Brooks | Gemini #10 | Sunburst | 05/10/22 | 1,253 | On production |
| Brooks | Gemini #11 | Sunburst | 15/10/22 | 927 | On production |
| Brooks | Gemini #12 | Sunburst | 26/10/22 | 423 | On production |
| Brooks | Pisces #6 | Glaucanitic | 10/11/22 | 1,325 | On production |
| Brooks | Pisces #7 | Glaucanitic | 19/11/22 | 1,498 | On production |
| Brooks | Pisces #8 | Glaucanitic | 06/01/23 | 2,750* | Drilling |
| Brooks | Pisces #9 | Glaucanitic | *18/01/23 | 2,750* | Next to drill |

*Anticipated

Jordan Kevol, CEO and President:

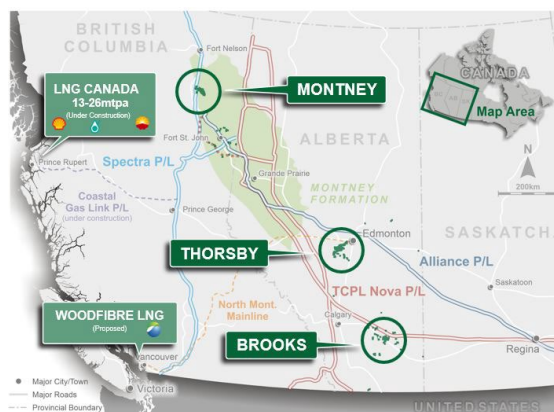
“Drilling continues at Brooks. After a drilling break in December to get Pisces 6 and 7 completed and tied in, we have brought the rig back to drill another two Pisces Glaucanitic wells. These wells are being drilled into a known Glaucanitic pool which was proved up in 2020. We are excited to be drilling these two follow-up wells that will both have a more intensive fracture completion compared to the 2020 well in the same pool. The production from our successful Q4 Gemini campaign, coupled with Pisces 6 & 7 now on production and cleaning up has increased corporate production rates to a current peak of 4,500 boe/d, which is above budgeted rates for January. The drilling of Pisces 8 and 9 will further contribute to production rates in late Q1 and into Q2. Plans are in the works for more wells to be drilled in both Brooks and Thorsby for late Q2 and Q3 2023.”

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 resources information in this announcement is based on, and fairly represents, information and supporting documentation in a report compiled by technical employees of Insite Petroleum Consultants 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

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(1995) and is a registered member of the Alberta Association of Professional Engineers and Geoscientists of Alberta (APEGA). He has over 27 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.

Oil and Gas Glossary and Definitions

| Term | Meaning |
|--|---|
| Adjusted EBTDA: | Adjusted EBTDA is calculated as net income (loss), 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. |
| 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 EBTDA 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 EBTDA: | 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; |
| 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 |

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| Term | Meaning |
|---|--|
| 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 EBTDA (Leverage) | a measure of financial liquidity and flexibility calculated as Net Debt divided by Hedged Adjusted EBTDA |
| 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 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: | Production Taxes: 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 |
| 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 |
| 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 | tCO ₂ | 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 |