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18 January 2023

## Montney Gas and Condensate Re-testing Program to Commence

- The Calima Board of Directors has **approved** a **testing program** on the **Company's liquids rich Montney gas** acreage in British Columbia
- The testing and evaluation program on the **Calima #2** and **Calima #3** Montney wells will commence in late January, 2023
- The **Calima #2 test** will further define the gas and condensate potential of the Middle Montney Formation which has already flowed on test in excess of **10mmscf/d with 150 bbl/d** of condensate and rising during the test
- The **Calima #3 test** is **designed to investigate the potential of a condensate rich zone** in the **Upper Montney**. The early stages of the previous test on this well were encouraging but had to be terminated early due to unseasonably warm weather which melted the ice road access
- **Geological studies** of the Calima #1 and #3 wells by third party consultants, Canadian Discovery<sup>1</sup>, suggests that the **Upper Montney** across the Calima lands may be rich in condensate
- Testing will **affirm Company core data** that suggests **higher condensate saturation** on Calima's land and will validate production type curves for both of the wells
- The results of both tests will further **validate the production type curves** used by the independent Reserves Auditor, McDaniel and Associates Ltd, and will also enable the Company to **progress towards a partnership arrangements and final investment decision** on the field development plan.
  - A partnership agreement that included funding would elevate the existing Contingent Reserves in the Development Pending category to 2P Reserves of 45.6 MMboe
- Substantial costs savings are being realized in this testing program due to surrounding operators investing in regional infrastructure and road access for their own work programmes.

**Calima Energy Limited (ASX:CE1 / OTCQB: CLMEF)** ("Calima" or the "Company") is pleased to announce the commencement of a substantial testing program on the two long reach horizontal Montney wells that were drilled, frac'd and partially tested in 2019 on the Calima Lands. The work program will measure the gas and condensate flow rates of the Middle Montney Formation in Calima #2 as well as allow for a longer-term test on the Upper Montney in the Calima #3 well. The Company has always held the view that the Calima Lands are rich in condensate and NGLs while delivering strong gas rates, which will enhance the project economics for a future development. The work program is funded from cash flow from production activities in the Brooks and Thorsby assets, with current production around 4,500 boe/d.

By way of background, after the fracture stimulation of the two Montney horizontal wells in 2019, production testing of Calima #2 and #3 wells was cut short due to early spring breakup (snow melt), This early spring melt

<sup>1</sup> Refer ASX release dated 28 October 2020



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necessitated the demobilization of the heavy machinery resulting in inconclusive test results. Going forward, a future development program will include a plan for a permanent access road to the main highway, eliminating these issues.

During the testing of the Middle Montney in Calima #2, only 16% of the frac load fluid was recovered, and the well had just achieved what was believed to be its peak potential gas rates. The well flow tested at approximately 10.2 mmcf/d and 103 bbl/d condensate prior to the cessation of the testing program. The re-testing of this well will provide further information of the full potential of this zone, as well as the associated condensate rates which may not have been realised with the original test. The Upper Montney well (Calima #3) was only tested for a short period, and as a result, only 5% of the frac load fluid was recovered prior to cessation of testing. Production testing rates from this well in 2019 barely scratched the surface of its potential. With very limited information on the Calima #3 well, the additional testing program schedule for Q1-2023 on this well will potentially validate and uplift the Company's detailed reservoir work that suggests that a significant condensate resource exists within the Upper Montney at Tommy Lakes.

The Calima Board has approved a work program anticipated to commence in late January 2023, that will consist of an extended re-test of the flow rates from each of the two existing horizontal Montney wells. These tests will be conducted with sufficient volumes being produced to properly evaluate each of the zones. Testing is scheduled to start well before any expected spring thaw conditions. The program also contemplates any additional down-hole work that may be necessary upon evaluation of each zone. It is expected that the wells will achieve meaningful gas flow rates and will validate the expected condensate production rates from each of the two Montney zones. Based on the condensate saturation noted in the core from the vertical Calima #1 well, a condensate rich resource may be present in the Upper Montney that was not realized during the brief 2019 test. Calima is very encouraged by recent technical work on this reservoir, and anxiously awaits these new test results. Further testing of the Middle Montney may also yield higher gas and condensate rates now that the load fluid has had ample time to leak off into the formation. Based on offset operator results, having the two wells shut in for this extended period allows the frac load fluid to dissipate into the formation and could result in these new re-tests yielding stronger results than what was achieved in 2019.

The potential upside of this testing is that the Upper Montney zone on the Calima lands is viewed as a condensate bearing zone and could provide the Company with incremental reserves that are not currently recognized in its Resource Report (see table below). Higher condensate test rates and related reserves have the potential to make the Calima Montney project more valuable and puts Calima in a position to benefit from not only high natural gas prices, but also high condensate prices. Condensate is a very light, high API value oil that receives premium pricing in the Canadian market, typically in the range of WTI pricing. This work program is designed to further de-risk the project and is anticipated to generate a higher realized value for the asset with an aim to complete a joint venture, partnership, or trade sale.

#### **Partnership efforts**

Calima has engaged a significant number of parties in recent months that have expressed interest in joint ventures, partnerships, and other potential investment into this large-scale Montney resource that the Company currently owns 100%. Calima's >34,000 acre position is ready to drill, and current gas prices have turned the tide on the economics around a development in the Montney, and in turn, the amount of recent 3<sup>rd</sup> party interest in the Company's land, resource, and infrastructure. The Company hopes to announce term sheets in hand in the coming months from one or more parties that are interested in participating with Calima in a development of the Montney acreage and the related existing infrastructure. The planned re-testing of the Calima wells, and the anticipated success and magnitude of the tests, will further drive Calima's ability to unlock value in the Montney, and could be the catalyst for a successful joint venture or investment into the project.





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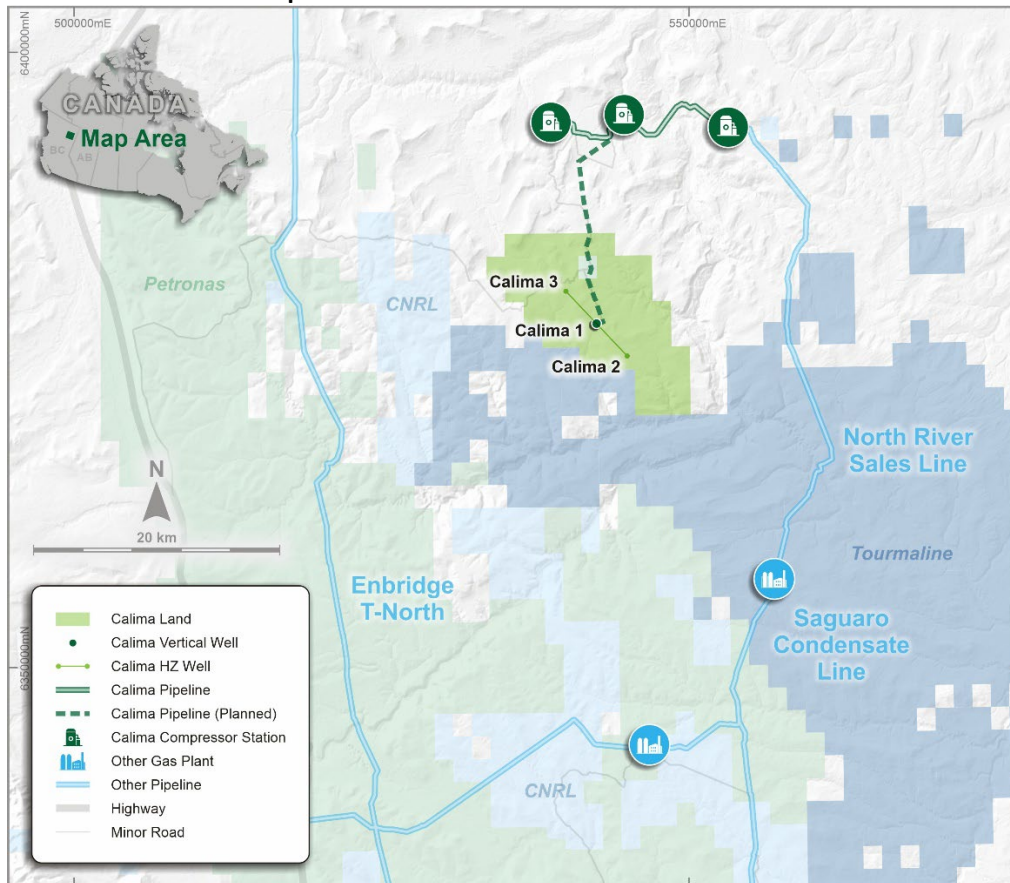
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**Resource**

The Company’s total resources as of 31 December 2021 equate to ~160.5 MMboe (2C) resources<sup>2</sup> which includes 45.6 MMboe of development ready category will be recategorised as 2P Reserves once funding is secured. In addition, the Company has prospective 2U resources of 126 MMboe. Success in the Q1-23 retesting of both Upper and Middle Montney zones has potential to improve and add to these numbers.

	Prospective Resource (2U)	Contingent Resource (2C)		
		Dev on hold	Dev Pending	Total Contingent
Natural Gas (mmcf)	588,109	535,193	213,295	748,488
Total Liquids (mmbbl)	28,240	25,644	10,137	35,780
<b>Total BOE (Mbbbl)</b>	<b>126,258</b>	<b>114,842</b>	<b>45,686</b>	<b>160,528</b>

**Land position and Calima #2 and #3 horizontal wells**



**Figure One** – The Tommy Lakes Infrastructure lies immediately north of the Calima Lands and offers the closest, most cost-effective tie-in to processing facilities and regional pipeline networks. The horizontal wells on Pad A can be connected to the Tommy Lakes field via a proposed 20 km pipeline.

<sup>2</sup> McDaniel & Associates Reserve Report as announced on ASX on 28 March 2022.





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GLJ OCT 22 PRICE FORECAST CDN \$\*

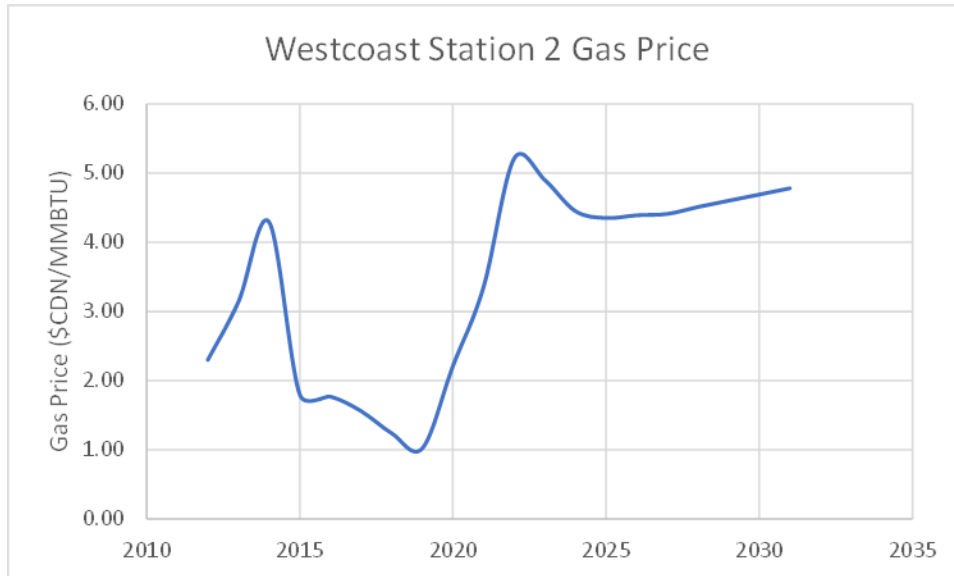


Figure Two – Recent and future forecasted “Station 2” gas pricing as per GLJ Petroleum Consultants

\*From [www.gljpc.com/priceforecast](http://www.gljpc.com/priceforecast)

**Jordan Kevol, CEO and President, commented:**

“Calima is very pleased to be getting back to work in the Montney. Strong gas prices as of late have materially improved the economics around a development of our Montney resource. These re-tests will be very impactful in giving the Company and its potential partners confidence and concrete evidence of the magnitude of the resource present on the Calima lands. The potential for a condensate rich zone in the Upper Montney could be a game changer for the value of the reserves on the acreage and the size of the prize. Calima may be sitting on a larger resource of gas and condensate than previously thought. This low-cost re-testing of the wells may be high impact for Calima and confirm the value in its world class Montney play.”

This release has been approved by the Board.

For further information visit [www.calimaenergy.com](http://www.calimaenergy.com) or contact:

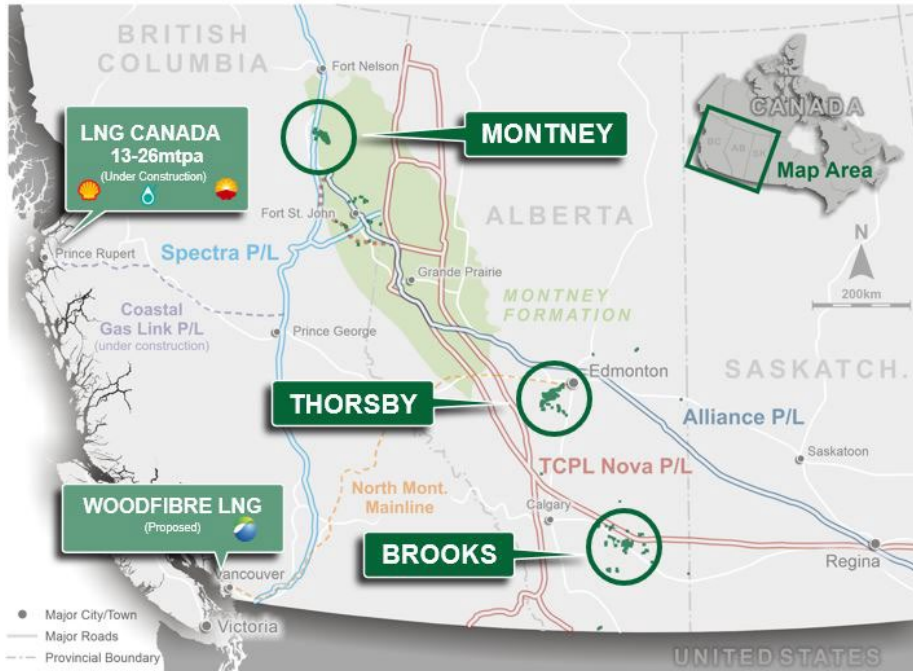
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## Calima Assets



### 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.

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## 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.
<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
<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.



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Term	Meaning
<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 Production Taxes: state taxes imposed upon the value or quantity of oil and gas produced
<b>Promote:</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>PDP/ Proved Developed Producing:</b>	a reserve classification for proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods
<b>PV10:</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>RBL / Reserve Based Lending 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 Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
<b>Terminal decline:</b>	represents the steady state decline rate after early (initial) flush production
<b>Unconventional Well:</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>Upstream:</b>	a segment of the oil and gas industry that focuses on the exploration and production of oil and natural gas
<b>Working Capital Ratio:</b>	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.
<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
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 bbbls	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 <sup>st</sup>
GJ	gigajoules	Q2	second quarter ended June 30 <sup>th</sup>
mbbl	thousands of barrels	Q3	third quarter ended September 30 <sup>th</sup>
mboe	thousands of barrels of oil equivalent	Q4	fourth quarter ended December 31 <sup>st</sup>
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 <sup>th</sup>
PUD	Proved Undeveloped Producing	H2	six months ended December 31 <sup>st</sup>
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 <sub>2</sub>	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

