
**CALIMA ENERGY LIMITED** **ABN 17 117 227 086**

**HALF YEAR FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

## CORPORATE INFORMATION

| | | |
|---|---|---|
| **Directors & Officers** | **Name**<br>Glenn Whiddon<br>Karl DeMong<br>Lonny Tetley<br>Mark Freeman<br>Rod Monden | **Title**<br>Chairman<br>Managing Director<br>Non-Executive Director<br>Finance Director & Company Secretary<br>CFO, Canada |
| **Registered Office** | **Perth, Australia**<br>**(Corporate headquarters)**<br>Suite 4, 246-250 Railway Parade<br>West Leederville WA<br>6007 | **Calgary, Alberta**<br>**(Operations headquarters)**<br>Suite 1000, 205 5 Ave SW<br>Calgary, Alberta<br>T2P 0M9 |
| **Contact information** | Telephone: +61 (0) 8 6500 3270<br>Facsimile: +61 (0) 8 6500 3275<br><br>Email: info@calimaenergy.com<br>Website: www.calimaenergy.com | Telephone: +1 403 460 0031 |
| **Auditor** | PricewaterhouseCoopers<br>Brookfield Place<br>Level 15, 125 St Georges Terrace<br>Perth WA 6000 | |
| **Bankers** | **Australian Bankers**<br>National Australia Bank<br>Level 14, 100 St Georges Terrace<br>Perth WA 6000 | **Canadian Bankers**<br>National Bank of Canada<br>Suite 1800, 311 – 6th Avenue SW<br>Calgary, Alberta T2P 3H2 |
| **Share registry** | **Computershare Investor Services Pty Ltd**<br>Level 11, 172 St. Georges Terrace,<br>Perth WA 6000<br>Telephone: +61 (0) 8 9323 2000<br>Facsimile: +61 (0) 8 9323 2033 | |
| **Securities exchange listing** | The Company is listed on the Australian Securities Exchange (ASX) and OTCQB.<br>ASX Code: **CE1** OTCQB: **CLMEF** | |

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# DIRECTORS REPORT
## As at and for the half year ended 30 June 2023

The Directors of Calima Energy Limited (ASX: CE1 / OTCQB:CLMEF) ("Calima" or the "Company") are pleased to present the Directors' Report for the six months ended 30 June 2023. This Director's Report primarily includes the financial results of Calima and its wholly-owned subsidiaries (collectively, the "Calima Group"). Dollar figures are expressed in Australian currency unless otherwise indicated.

**Directors**

The names of the Directors of Calima in office as of the date of this report are as follows:

Glenn Whiddon, Chairman
Jordan Kevol, President, CEO & Managing Director
Mark Freeman, Finance Director & Company Secretary
Lonny Tetley, Non-Executive Director
Karl DeMong, Non-Executive Director

Subsequent to the half year ended 30 June 2023, the following changes in the entity's Directors and Executives occurred:

On 5 July 2023, Jerry Lam resigned as CFO
On 17 July 2023, Rod Monden was hired as CFO
On 27 July 2023, Jordan Kevol resigned as President and CEO and Karl DeMong was appointed as President and CEO

**Principal activity**

Calima is a production-focused energy company pursuing the exploration and development of oil and natural gas assets in the Western Canadian Sedimentary Basin. The Company is currently developing its oil plays at Brooks and Thorsby in southern and central Alberta. Additionally, Calima owns a significant undeveloped Montney acreage position at Tommy Lakes in north-eastern British Columbia, which was subsequently sold as detailed in the August 28th press release. The Company is dedicated to responsible corporate practices, and places high value on adhering to strong Environmental, Social and Governance ("ESG") principles.

### Review and Results of Operations

**Results**

The net income for the half year ended 30 June 2023 was $1,661,000 (2022: $13,215,000).

**Operations**

Calima Energy Limited is pleased to provide shareholders with the following summary of its activities during the half year to June 2023. Production in 2023 primarily relates to Calima's two core development areas at Brooks and Thorsby Alberta that were acquired in the Blackspur Oil Corp. ("Blackspur") Acquisition on 30 April 2021. The production split for H1 2023 was approximately 78% Brooks and 22% Thorsby. For the half year ended 30 June 2023, the Calima Group produced 785,692 boe of oil and natural gas (4,341 boe/d).

**Key Activities and Highlights**

- **Half Year sales and earnings** – Oil and natural gas sales grossed A$47.7 million (2022: $68.3 million) and delivered Adjusted EBITDA of $16.5 million (2022: $40.5 million). The realised hedge losses for the half year were $0.15 million (2022: $13.5 million). While the Company continued to show strong operating performance during the quarter, earnings were affected by a drop in North American commodity prices for both oil and natural gas during the first half of the year compared to the comparative period of 2022.

- **Production** – Total production for the half year was 785,692 boe (2022: 705,461 boe), reflecting an increase of 11% over H2 2022 and above budgeted forecasts. The successful Pisces #8 and #9 wells were spud in January 2023 and placed on-stream in late March. These wells were drilled and completed from the same pad providing operational savings and efficiencies. The wells achieved IP(90) production ~15% above type curve and with shallower declines to date are now 27% above budgeted type curve after 6 months of production. They added significantly towards H2 2023 production.

- **Asset Sale Activity** – During the period the Company received 3 unsolicited non-binding offers for acquisition of certain assets in the Brooks and Thorsby areas. Final terms could not be agreed. The Company anticipates additional offers and remains pleased with the interest and in the performance of our assets.

- **Countess Waterflood J2J Pool** - Production increased from 170 to ~350 boe/d. Several wells had pump changes to increase fluid lifting capability as the pressure in the pool continues to respond positively to the waterflood.

- **Montney -** After 30 June 2023, the Company sold its Montney Assets for C$10.0 million (A$11.4 million) which consisted of 33,643 net acres of Montney licenses/acreage and the Tommy Lakes facilities. The sale has now successfully closed, and all cash proceeds have been received from a Canadian Montney natural gas producer (Advantage Energy Ltd). The combined proceeds from the disposition including adjustments and the return of an operating bond are expected to be A$11.8 million.

- **Capital Programs for H2 2023**
  - 3 Well Brooks Q3 and Q4 drilling campaign - commenced September 7th with 1st production budgeted early November. Management focused on low capex spend down whilst maintaining production levels at 3,600-4,000 boe/d until new production occurs.
  - Abandonment program – commenced in Q3 to take advantage of the summer weather allowing the Company to maximize the amount of field work completed for the required mandatory closure spend.

**Liquidity and Corporate Finance**

- **Management Changes –** Subsequent to 30 June 2023, Mr. Karl DeMong was appointed as Managing Director & CEO of Blackspur to replace Jordan Kevol who left the Company. Mr. Graham Veale promoted to Chief Operating Officer and Mr Rod Molden was appointed as CFO.

- **Net Debt Reductions** – Positive cash flow from operations of ~$15.3 million and reduced capital expenditure enabled a reduction of net debt by over $4 million for the period. Including the Pivotal Loan facility (~A$3.7 million) the Company has successfully achieved its lowest net working capital and debt position of $6.1 million [(1)] in a low oil price environment.

- **Credit Facility –** The Company's C$20 million credit facility was renewed and varied for shareholder capital returns during the half year. The Company had A$2.7 million drawn on the facility as at 30 June 2023.

- **Distributions/Capital Returns** – Following the sale of the Montney, the Directors have resolved to increase the proposed October capital return to A$7.5 million; a payment of ~1.2c per share. The capital return is subject to shareholder approval scheduled for October 2023. This represents total capital returns to shareholders of A$10 million over the last 12 months. In addition, the Company intends, subject to financial performance, to provide a second distribution of $2.5 million in January 2024.

- **Hedging** – The Company realized a small hedge gain of $0.1 million in Q1 2023 and a small hedge loss of $0.3 million in Q2. The 3-way collar volumes in 2023 for Q2, Q3, and Q4 respectively are 600 bbls/d, 500 bbls/d, and 250 bbls/d.

- **Less than Marketable Parcels (LMPS)** – The Company has is completing a sale facility for small shareholders to assist with reducing significant administrative costs.

(1) See Note 13 on the Notes to the Condensed Interim Financial Statements (unaudited) as at and for the six months ended 30 June 2023.

## Adjusted EBTDA

Adjusted EBTDA, defined as earnings before tax, depreciation, and amortisation, exploration, development, and other expenses, including hedging losses, is used as a key measure of the Company's financial performance. During the fiscal half year ended 30 June 2023, Calima's operations generated adjusted EBTDA of $16.5 million. The reconciliation of adjusted EBTA to the financial metrics reported under Australian Accounting standards in presented below.

| In Australian dollars ('000) | 2023 | 2022 |
|---|---|---|
| Oil and Natural Gas sales | 47,672 | 68,016 |
| Royalties expense | (10,363) | (12,676) |
| Operating expenses | (14,595) | (8,678) |
| Transportation expenses | (2,846) | (3,014) |
| General and administrative expenses | (2,622) | (2,594) |
| Financing and interest expenses | (718) | (579) |
| **Adjusted EBTDA** | **16,528** | **40,475** |
| Realised loss on risk management contracts | (147) | (13,485) |
| Unrealised loss on risk management contacts | (206) | (2,867) |
| Depletion, depreciation and impairment expenses | (12,451) | (7,289) |
| Exploration expenses | - | (24) |
| Share-based compensation expenses | (1,284) | (648) |
| Foreign exchange gain (loss) | (8) | - |
| Income (loss) on investment | 126 | (3) |
| **Net income before income taxes** | **2,558** | **16,159** |
| Deferred income tax expense | (897) | (2,944) |
| **Net income** | **1,661** | **13,215** |
| Gain on foreign currency translations | 5,715 | 4,184 |
| **Total comprehensive income** | **7,376** | **17,399** |

## Exploration and Development update

### Drilling Update 2023

The following table summarises the results of the Company's drilling programs over the last 12 months:

| Area | Well name & unique location identifier | Target formation | Spud Date | Drill days | Lateral length (m) | On Production | Status |
|---|---|---|---|---|---|---|---|
| Brooks | Pisces #4 | Glauconitic | **22/06/22** | 9 | 1,727 | 15/08/22 | **Producing** |
| Brooks | Pisces #5 | Glauconitic | **02/07/22** | 7 | 1,369 | 12/08/22 | **Producing** |
| Brooks | Pisces #6 | Glauconitic | **10/11/22** | 10 | 1,325 | 31/12/22 | **Producing** |
| Brooks | Pisces #7 | Glauconitic | **19/11/22** | 11 | 1,498 | 31/12/22 | **Producing** |
| Brooks | Pisces #8 | Glauconitic | **06/01/23** | 13 | 2,750 | 14/03/23 | **Producing** |
| Brooks | Pisces #9 | Glauconitic | **19/01/23** | 16 | 2,750 | 14/03/23 | **Producing** |
| Brooks | Pisces #10 | Glauconitic | **08/09/23** | | | | **Drilling** |
| Brooks | Pisces #11 | Glauconitic | | | | | **To be drilled** |
| Brooks | Pisces #12 | Glauconitic | | | | | **To be drilled** |
| Brooks | Gemini #10-02/14-23-18-14W4 | Sunburst | **05/10/22** | 11 | 1,253 | 31/10/22 | **Producing** |
| Brooks | Gemini #11-02/11-18-19-13W4 | Sunburst | **15/10/22** | 12 | 927 | 23/11/22 | **Producing** |
| Brooks | Gemini #12-02/06-19-19-13W4 | Sunburst | **26/10/22** | 15 | 423 | 29/11/22 | **Producing** |

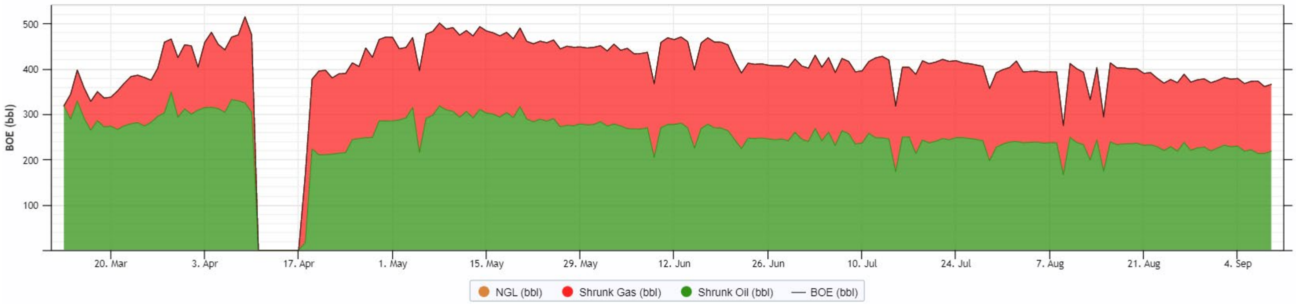
* Vertical well

### Capital Works to 30 June 2023

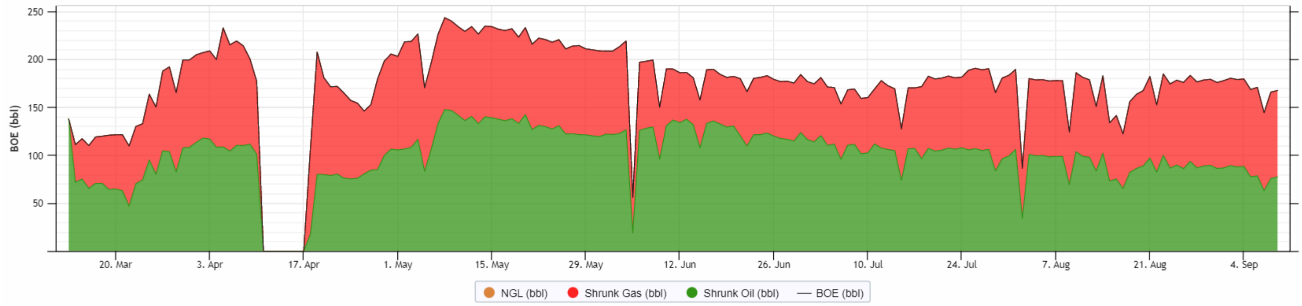
Calima is very pleased with the production and development growth since the acquisition of Blackspur on 30 April 2021. The Company has continued to optimize all wells and this includes the recent H1 capital works as follows:

**2 Well Pisces #8 & #9 (100% WI) Program -** Both wells were a follow-up to a successful Glauconitic Formation horizontal well (the "12-23 well") drilled in 2020. The wells were drilled, completed and tied-in late in the first quarter of 2023 with most of the production from these wells coming on in the June quarter. Pisces #8 and #9 were ~22% longer and had 15 additional fracs each, compared to the 12-23 well, resulting in higher production. Production graphs for the wells are shown below, with the wells achieving IP(90) production ~15% above type curve. With shallower declines to date the rates are now 27% above budgeted type curve after 6 months of production.

**Pisces #8:**




**Pisces #9:**




**Countess Waterflood Expansion J2J Pool** - Oil production has increased from 170 to ~325 bbl/d of oil thanks to a continued focus on the instantaneous voidage replacement (VRR) which averaged 2.1 over the first half of 2023. VRR is a critical metric throughout the waterflood's lifespan, signifying the amount of produced oil, gas, and water replenished by injected water. To sustain a healthy operation, it is essential to replace at least the volume of oil, gas, and water produced, resulting in a target VRR of 1 over the production life of the pool.

The Company plans to continue to re-pressurize the reservoir and subsequently maintain its pressure. In the initial stages of the waterflood, the goal was to attain a VRR greater than one. When VVR is greater than 1 the pressure in the pool increases, when it is less than 1 the pressure decreases. Generally, the greater the pressure the greater the amount of fluid inflow into the wells, which is what occurred causing increasing fluid levels and pressure in the south half of the pool. This led to 4 wells being optimized via pump changes from insert pumps to progressive cavity pumps to increase total fluid rates and subsequently, higher oil production. Ultimately the goal is a cumulative VRR of 1.0, currently the cumulative VRR is 0.25. Management is evaluating the conversion of an additional injector in the north half of the pool to start injecting additional water in Q4 2023.

The waterflood operations commenced in 2020 and with continued waterflood optimisation the asset is anticipated to continue to provide consistent long term cash flow with minimal decline coupled with substantial reserves.

**Reserves** - On 30 March 2023, the Company announced its reserves for the Blackspur assets as audited by InSite Petroleum Consultants Ltd with Proved Developed Producing, ("PDP") reserves increased 37% to 7.0 million boe (net of royalties), 4% for our Total Proved ("TP") reserves, and 1% for our Total Proved plus Probable ("P+P") reserves year over year. In 2022, Calima's successful development capital program achieved a capital efficiency of $14,200 per boe/d for the 2022 calendar year. Total reserves were confirmed at 31 December 2022:

| | |
|---|---|
| 3P reserves | 24.4 million boe |
| 2P Reserves | 20.5 million boe |
| 1P Reserves | 16.1 million boe |
| PDP Reserves | 7.0 million boe |

The Company achieved a reserve replacement ratio of 192%, 145% and 160% of our PDP, TP, and P+P reserves respectively, while growing annual production by 23%. PDP, TP and TPP reserve life index ("RLI") of 6.3 years, 11.9 years and 14.7 years, respectively, reflects our long-life oil weighted assets with a deep inventory, providing for long-term sustainable and profitable growth.

Our PDP Finding, Development and Acquisition ("FD&A") cost of A$11.51 per boe generated a recycle ratio of 4.2x on an unhedged basis and reflects strong operational execution by our team in 2022. Our TP and TPP recycle ratios increased 36% and 57%, respectively as compared to 2021. The Company's 3-year average PDP FD&A cost is A$14.23/boe. There were no production acquisitions or sales in 2022.

The Company drilled 16 wells in 2022 of which 8 were proven undeveloped locations (PUD's) transforming location value into PDP cash flow generating assets which have materially greater market value. Whilst continuing to focus on maintaining low levels of abandonment liability provides significant corporate flexibility; in 2022 this was continued via the successful abandonment of 10 gross wells. Our industry-leading liability management ratio ("LMR") at year-end 2022 was 6.23.

The focused asset bases of Brooks and Thorsby coupled with high graded infill drilling and prudent production management allowed Blackspur to maintain TP and P+P reserves steady after production of 1.43 million boe for the 2022 year.

### Montney

**Montney Well Re-testing** – In Q1 2023 the Company reported positive improved results for its Calima #2 and Calima #3 Montney re-testing program. The wells were flowed at multiple constrained rates and pressurised gas sampling was performed. The Calima #2 Middle Montney test had a peak 24-hour condensate rate of 396 bbl/d at a gas rate of 3.4 mmcf/d compared to a condensate rate of 155 bbls/d in 2019. The Calima #3 Upper Montney peak 24 hour condensate rate was 21.7 bbl/d during testing, at a gas rate of 4.9 mmcf/d, compared with no condensate produced in 2019.

On 25 August 2023, the Company announced the sale of Montney Assets for C$10.0 million (A$11.4 million) including 33,643 net acres of Montney licenses/acreage and the Tommy Lakes facilities. The sale has now successfully closed and all cash proceeds have been received from a Canadian Montney natural gas producer (Advantage Energy Ltd). The combined proceeds from the disposition including adjustments and the return of an operating bond are expected to be A$11.8 million.

Despite a short-term increase in Canadian gas prices in 2022 to over C$2.90/GJ, gas prices in North-East British Columbia ("NEBC") continue to remain weak, reducing the financing and equity opportunities for the Montney Assets. Notwithstanding the size of the Montney resource, a minimum work program of between C$50 – C$100 million is necessary to generate acceptable returns from the Montney Assets. Accordingly, the Company has reluctantly decided to dispose of its Montney Assets.

### Hedging

The Company's risk management contracts consisted of the following positions as at 30 June 2023:

| Contract | Reference | Term | Volumes (bbl/day) | Sold Put $US/bbl | Bought Put $US/bbl | Sold Call $US/bbls |
|---|---|---|---|---|---|---|
| Three-way Collar | US NYMEX-WTI | Jul 2023 – Sep 2023 | 250 | 60.00 | 80.00 | 105.25 |
| Three-way Contract | US NYMEX-WTI | Jul 2023 – Sep 2023 | 250 | 55.00 | 75.00 | 99.85 |
| Three-way Contract | US NYMEX-WTI | Oct 2023 – Dec 2023 | 250 | 55.00 | 75.00 | 97.10 |

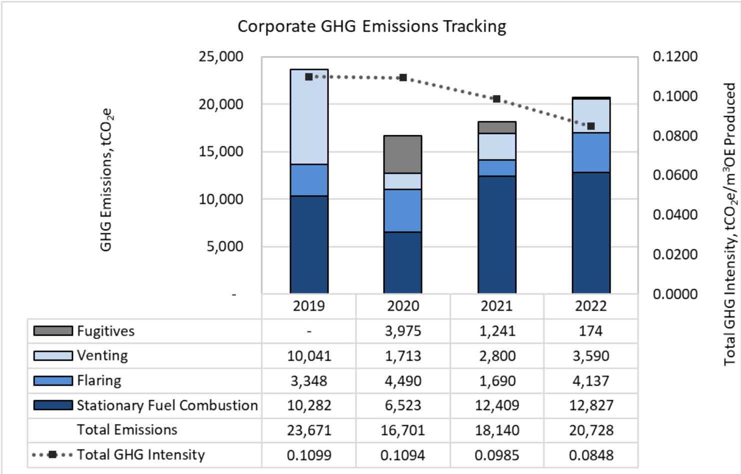
The Company also had the following WCS basis swap contracts in place as at 30 June 2023:

| Contract | Reference | Term | Volumes (bbl/day) | Price per Unit (US$/Unit) |
|---|---|---|---|---|
| Swap | US NGX OIL-WCS-BLENDED | Jul 2023 – Sep 2023 | 100 | (21.40) |
| Swap | US NGX OIL-WCS-BLENDED | Jul 2023 – Sep 2023 | 400 | (16.04) |

## Environmental, Social, and Governance ("ESG")

Health, safety, and environment (HSE) continues to be a priority for the Company, and we are proud to achieve another straight quarter of no employee downtime from injury or event. Further, there were no reportable spills in the quarter or year to date.

During the quarter the Company completed its annual emissions reporting for the 2022 calendar year. In 2022 the Company generated 1,815 carbon offset credits up from 712 in 2021 via emissions reduction initiatives. The Company also achieved smaller than forecasted emissions intensity per unit production resulting in a positive accrual adjustment to the balance sheet.




| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Fugitives | - | 3,975 | 1,241 | 174 |
| Venting | 10,041 | 1,713 | 2,800 | 3,590 |
| Flaring | 3,348 | 4,490 | 1,690 | 4,137 |
| Stationary Fuel Combustion | 10,282 | 6,523 | 12,409 | 12,827 |
| Total Emissions | 23,671 | 16,701 | 18,140 | 20,728 |
| Total GHG Intensity | 0.1099 | 0.1094 | 0.0985 | 0.0848 |

The 2023 annual mandatory closure target under the Alberta Energy Regulator's (AER) new Licensee Management Program is C$720,000. The Company commenced work on this in Q3 '23 and plans to undertake most of this work in the North American summer.

Year-to-date the Company supported the following community organizations; Dutchess Minor Hockey, Thorsby Haymaker Rodeo, and Southern Alberta Chaos Jr Lacrosse Team.

## Securities Movements During the Half Year

- On 10 January 2023, 200,000 Class F performance rights, 305,000 Class D performance rights and 305,000 Class E performance rights expired.
- On 11 January 2023, 280,000 Class F performance rights, 430,000 Class D performance rights and 430,000 Class E performance rights were issued.
- On 4 February 2023, 8,908,750 Class E performance rights vested.
- On 24 February 2023, 180,000 Class D performance rights, 180,000 Class E performance rights and 120,000 Class F performance rights were issued.
- On 14 March 2023, 1,000,000 performance rights were converted to ordinary shares.

## Capital Structure

As of the date of this report, the capital structure of the Company is set out below:

| **Shareholder capital** | | **Options** | **Performance Rights** |
|---|---|---|---|
| Ordinary Fully Paid | 625,720,769 | | |
| Performance Rights Class C | | | 2,500,000 |
| Performance Rights Class D | | | 7,073,750 |
| Performance Rights Class F | | | 2,272,250 |
| Unlisted option expiring 30/04/26 @ $0.20 | | 18,300,000 | |
| **Total** | **625,720,769** | **18,300,000** | **11,846,000** |

## Changes in State of Affairs

During the half year ended 30 June 2023 there was no significant change in the entity's state of affairs other than that referred to in this Directors' report, the half year financial statements or notes thereto.

## Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

## Rounding of Amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the ‘rounding off’ of amounts in the directors’ report and financial report. Amounts in the directors’ report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

## Events after the Reporting Date

The following events occurred subsequent to the year ended 30 June 2023:

- On 25 August 2023, the Company announced the sale of Montney Assets for C$10.0 million (A$11.4 million) including 33,643 net acres of Montney licenses/acreage and the Tommy Lakes facilities. The sale has now successfully closed and all cash proceeds have been received from a Canadian Montney natural gas producer (Advantage Energy Ltd). The combined proceeds from the disposition including adjustments and the return of an operating bond are expected to be A$11.8 million.
- Mr Karl DeMong was appointed as President and CEO of Blackspur Oil Corp effective 28 July 2023 following the resignation of Mr Jordan Kevol.
- On 18 August 2023, 12,970,000 shares were issued following the conversion of the performance rights below:
  - 1,000,000 Plan Performance Rights A
  - 1,000,000 Plan Performance Rights B
  - 8,908,750 Plan Performance Rights E
  - 2,061,250 Plan Performance Rights F
- On 22 and 24 August 2023, 619,000 Performance Rights F and 1,835,000 Performance Rights D expired.

The Directors are not aware of any matter or circumstance not otherwise included within this report that has significantly affected or may significantly affect the Calima Group’s operations or state of affairs subsequent from 30 June 2023 to the date of this report other than the sale of its Montney assets and the Management changes as previously noted.

Signed in accordance with a resolution of the Directors.

**Karl DeMong**
**Managing Director**
13 September 2023

**Managing Director Letter To Shareholders**

**Dear Fellow Shareholders**

I am privileged to address you in my capacity as the Managing Director. As I step into this role, I see tremendous potential within our Company, with a robust asset base that presents an excellent opportunity to enhance value for our valued shareholders through prudent and efficient management.

With over three decades of experience both domestically and internationally in managing businesses, I have had the privilege of working with notable Oil and Gas producers and a major service company. This extensive experience has instilled in me a crucial lesson: the path to success doesn't always have to mirror past practices or conform to industry norms. There are myriad opportunities for enhancing cost-effectiveness and efficiency throughout our operations, whether they are large-scale initiatives or incremental improvements in our day-to-day activities.

Our commitment to capital efficiency guided our decision to divest the Tommy Lakes Money asset. Unfavourable forward pricing for gas limited our financing and equity options for developing the Montney assets. To achieve acceptable returns, the minimum work program required a substantial investment ranging from C$50 million to C$100 million. Continuing to hold the Montney assets would have resulted in an annual burn rate of approximately C$1 million, eroding overall value. Consequently, we have divested our Montney Assets, allowing us to concentrate on our Thorsby and Brooks production assets and other initiatives that offer more immediate returns to our Company and shareholders.

As we navigate the volatile yet improving landscape of oil and gas pricing, with the impending commissioning of oil export capacity through TMX and gas export capacity via Coastal Gas Link and LNG Canada, we are optimistic about the outlook for our industry in the coming years.

As the third quarter drilling program commences, we observe a stabilization in service and supply costs, signalling a reduction in the high inflation rates experienced in the previous year. Our capital program is strategically designed to sustain production at approximately 4,000 boepd, affording the Company the flexibility to allocate resources towards delivering returns to our shareholders while maintaining a robust balance sheet that allows us to capitalize on evolving opportunities.

Our unwavering commitment to long-term shareholder value creation remains steadfast as we look to build upon our solid foundation. We are dedicated to unlocking compelling value across our existing assets while placing paramount importance on safety, sustainability, and sound governance in every facet of our operations. We firmly believe that higher commodity prices, consistent production levels, and cost-effective drilling programs in our Brooks and Thorsby fields will deliver robust returns for our shareholders in 2023 and beyond.

I thank you for your continued support.  I am confident that, with the dedication of our talented team at Calima and the continued support of you, our shareholders, we will deliver improved returns.

Warm regards,

**Karl DeMong**
**Managing Director**

# Auditor's Independence Declaration

As lead auditor for the review of Calima Energy Limited for the half-year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Calima Energy Limited and the entities it controlled during the period.

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
13 September 2023

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## CALIMA ENERGY LIMITED

### Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited) (thousands of Australian dollars)

| For the six months ended | Notes | | 30 June 2023 | | 30 June 2022 |
|---|---|---|---|---|---|
| | | | **$'000** | | $'000 |
| **Revenue** | | | | | |
| Oil and natural gas sales | 15 | **$** | **47,672** | $ | 68,016 |
| Royalties expense | | | **(10,363)** | | (12,676) |
| | | | **37,309** | | 55,340 |
| **Risk management contracts** | | | | | |
| Realised loss | 8 | | **(147)** | | (13,485) |
| Unrealised loss | | | **(206)** | | (2,867) |
| | | | **36,956** | | 38,998 |
| **Expenses** | | | | | |
| Operating | 16 | | **14,595** | | 8,678 |
| Transportation | 17 | | **2,846** | | 3,014 |
| Depletion, depreciation and impairment | 6 | | **12,451** | | 7,289 |
| Exploration expense | | | **-** | | 24 |
| General and administrative | 18 | | **2,622** | | 2,594 |
| Financing and interest | | | **718** | | 579 |
| Share-based compensation | 19 | | **1,284** | | 648 |
| Foreign exchange (gain) loss | | | **8** | | - |
| | | | **34,524** | | 22,826 |
| **Net income before the following** | | | **2,432** | | 16,162 |
| Income (loss) on investments | | | **126** | | (3) |
| **Net income before income taxes** | | | **2,558** | | 16,158 |
| Deferred income tax expense | | | **897** | | 2,944 |
| **Net income** | | | **1,661** | | 13,215 |
| **Other comprehensive income** | | | | | |
| *Items that may be reclassified subsequently to profit and loss* | | | | | |
| Gain on foreign currency translations | | | **5,715** | | 4,184 |
| **Total comprehensive income** | | **$** | **7,376** | $ | 17,399 |
| **Net income per share** | | | | | |
| Basic | 12 | **$** | **-** | $ | 0.02 |
| Diluted | 12 | **$** | **-** | $ | 0.02 |

See accompanying notes to the condensed interim consolidated financial statements (unaudited).

**CALIMA ENERGY LIMITED**
**Condensed Interim Consolidated Statement of Financial Position (unaudited)**
**(thousands of Australian dollars)**

| As at | Notes | 30 June 2023 | 31 December 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | $ **764** | $ 3,848 |
| Accounts receivable | 5 | **8,485** | 9,677 |
| Deposits and prepaid expenses | | **1,293** | 674 |
| Risk management contracts | | **16** | 218 |
| | | **10,558** | 14,417 |
| Assets held for sale | 6 | **15,039** | - |
| | | **25,597** | 14,417 |
| **Non-current assets** | | | |
| Oil and natural gas assets | 6 | **147,251** | 154,860 |
| Long-term deposits | | **705** | 646 |
| Investments | | **135** | 129 |
| Deferred income tax asset | | **3,027** | 4,012 |
| **Total assets** | | **176,715** | 174,064 |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | **10,093** | 20,939 |
| Credit facility | 7 | **2,663** | - |
| Term loan | 9 | **341** | 418 |
| Lease liabilities | | **-** | 252 |
| Current restoration provisions | 10 | **237** | 242 |
| | | **13,334** | 21,851 |
| Liabilities associated with assets held for sale | 10 | **3,764** | - |
| | | **17,098** | 21,851 |
| **Non-current liabilities** | | | |
| Term loan | 14 | **3,408** | 3,369 |
| Restoration provisions | 10 | **21,683** | 23,069 |
| | | **42,189** | 48,289 |
| | | | |
| **EQUITY** | | | |
| Share capital | 11 | **366,185** | 366,055 |
| Share-based payments | 19 | **20,658** | 19,413 |
| Foreign currency translations | | **10,363** | 4,648 |
| Accumulated losses | | **(262,680)** | (264,341) |
| **Total equity** | | **134,526** | 125,775 |
| **Total liabilities and equity** | | $ **176,715** | $ 174,064 |

See accompanying notes to the condensed interim consolidated financial statements (unaudited).

**CALIMA ENERGY LIMITED**
**Condensed Interim Consolidated Statement of Cash Flows (unaudited)**
**(thousands of Australian dollars)**

| For the six months ended | Notes | | 30 June 2023 | | 30 June 2022 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Net income | | **$** | **1,661** | $ | 13,215 |
| Items not affecting operating related cash flows: | | | | | |
| Depletion, depreciation and impairment | 6 | | **12,451** | | 7,289 |
| Unrealised loss on risk management contracts | | | **206** | | 2,867 |
| Deferred income tax expense | | | **897** | | 2,944 |
| Share-based compensation | 19 | | **1,284** | | 648 |
| Accretion of liabilities | | | **382** | | 254 |
| Non-cash expenses and other | | | **(23)** | | 7 |
| Funds flow from operations | | | **16,858** | | 27,224 |
| Changes in non-cash working capital | | | **(1,705)** | | (1,898) |
| Cash provided by operating activities | | | **15,153** | | 25,326 |
| **Financing activities** | | | | | |
| Issuance of common shares | 11 | | **-** | | 20,000 |
| Share issue costs | 11 | | **-** | | (1,105) |
| Purchase of common shares under Share Buy-back | 11 | | **-** | | (346) |
| Increase in (repayment of) credit facility | 7 | | **2,579** | | (21,866) |
| Proceeds (repayment) of term loan | 9 | | **(207)** | | 4,013 |
| Lease payments | | | **(132)** | | (119) |
| Cash provided by financing activities | | | **2,240** | | 577 |
| **Investing activities** | | | | | |
| Investments in oil and natural gas assets | 6 | | **(12,219)** | | (26,992) |
| Loss on equity investment | | | **126** | | - |
| Payment of accrued prior period capital expenditures | | | **(8,706)** | | - |
| Cash used in investing activities | | | **(20,799)** | | (26,992) |
| Impact of foreign exchange translations | | | **322** | | (233) |
| Increase (decrease) in cash and cash equivalents | | | **(3,084)** | | (1,322) |
| Cash and cash equivalents, beginning of year | | | **3,848** | | 3,363 |
| Cash and cash equivalents, end of period | | **$** | **764** | $ | 2,041 |

See accompanying notes to the condensed interim consolidated financial statements (unaudited).

**CALIMA ENERGY LIMITED**

**Condensed Interim Consolidated Statement of Changes in Equity (unaudited)**
**(thousands of Australian dollars)**

| For the six months ended | Notes | | 30 June 2023 | | 30 June 2022 |
|---|---|---|---|---|---|
| **Share capital** | | | | | |
| Balance, beginning of year | | **$** | **366,055** | $ | 350,461 |
| Issuance of common shares, net | 11 | | | | 18,635 |
| Purchase of common shares under Share Buy-back | 11 | | **-** | | (346) |
| Conversion of performance rights | | | **130** | | - |
| Share-based compensation | 19 | | **-** | | 288 |
| Balance, end of period | | | **366,185** | | 369,038 |
| **Share-based payments reserve** | | | | | |
| Balance, beginning of year | | | **19,413** | | 16,839 |
| Share-based compensation | 19 | | **1,245** | | 538 |
| Balance, end of period | | | **20,658** | | 17,377 |
| **Foreign currency translation reserve** | | | | | |
| Balance, beginning of year | | | **4,648** | | 5,688 |
| Other comprehensive income | | | **5,715** | | 4,184 |
| Balance, end of period | | | **10,363** | | 9,872 |
| **Accumulated losses** | | | | | |
| Balance, beginning of year | | | **(264,341)** | | (287,148) |
| Net income | | | **1,661** | | 13,215 |
| Balance, end of period | | **$** | **(262,680)** | $ | (273,933) |
| Shareholders’ equity, beginning of year | | **$** | **85,840** | $ | 85,840 |
| Shareholders’ equity, end of period | | **$** | **134,526** | $ | 122,353 |

See accompanying notes to the condensed interim consolidated financial statements (unaudited).

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## 1. NATURE OF BUSINESS

Calima Energy Limited ("Calima" or the "Company") was incorporated under the Australian Corporations Act 2001. Calima is a production-focused energy company pursuing the exploration and development of oil and natural gas assets in the Western Canadian Sedimentary Basin. The Company is currently developing oil and natural gas plays at Brooks and Thorsby in southern and central Alberta, Canada. Calima also holds an undeveloped Montney acreage position in northeastern British Columbia, Canada.

Calima's Australian head office is domiciled at Suite 4, 246-250 Railway Parade, West Leederville WA 6007. The Company's Canadian headquarters are located at 1000, 205 - 5 Avenue SW Calgary AB T2P 2V7. Calima's voting common shares are publicly traded on the Australian Stock Exchange under the symbol "CE1" and on the OTCQB under the symbol "CLMEF". These unaudited condensed interim consolidated financial statements for the six months ended 30 June 2023 (the "half-year financial statements") were approved and authorised by Calima's Board of Directors on 13 September 2023.

## 2. BASIS OF PRESENTATION

These general-purpose half-year financial statements consist primarily of the financial records of Calima and its two wholly-owned Canadian subsidiaries, Blackspur Oil Corp. ("Blackspur") and Calima Energy Inc. (collectively, the "Calima Group"). Blackspur owns and operates the Brooks and Thorsby oil assets and Calima Energy Inc. owns and operates the undeveloped Tommy Lakes Montney acreage. All intercompany transactions have been eliminated.

Calima is a for-profit entity for the purposes of preparing financial statements. These half-year financial statements have been prepared in accordance with AASB 134 Interim Financial Reporting as issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their estimated fair market value. These half year financial statements are condensed as they do not include all the information required by the AASB for annual financial statements and, therefore, should be read in conjunction with Calima's audited consolidated financial statements for the year ended 31 December 2022 (the "annual financial statements"). These half-year financial statements follow the same accounting policies that were utilised to prepare the annual financial statements.

The functional currency of Calima is the Australian dollar and the functional currency of both Blackspur and Calima Energy Inc. is the Canadian dollar. All amounts reported have been in presented in Australian dollars (A$ or AUD) unless otherwise noted. References to C$ denotes Canadian dollars and US$ denotes United States dollars.

*Liquidity and access to Credit Facility*

As at 30 June 2023, the Calima Group's net debt was A$6.3 million (Note 13). Excluding assets held for sale, the Company also had a working capital deficiency of $2.9 million (current liabilities of $13.5 million (including Mark-to-Market Hedges) in excess of current assets of $10.6 million). The Company has available to it at 30 June 2023 a C$20 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility") of which A$2.7 million was drawn as of 30 June 2023, and subsequently repaid. In addition, the Company will receive proceeds of A$11.8 million from the Montney sale in Q3 2023.

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. As a demand facility, the Credit Facility does not have a specific maturity date which means that the lender could demand repayment of all outstanding indebtedness or a portion thereof at any time. If such an event were to occur, the Calima Group would be required to source alternative sources of capital or sell assets to repay the indebtedness.

The Calima Group manages liquidity risk by complying with the covenants of the Credit Facility agreement, however, there can be no assurance that the amount or terms of the revolving credit facility will be maintained at the next annual borrowing base review. Based on current cash flow forecasts which utilise the Company's reserves, and the continued support of the Lender since the inception of the Credit Facility in April 2015, the Calima Group expects to discharge its liabilities in the normal course of business, the Credit Facility will remain available for the foreseeable future and the lender will not demand immediate repayment of the amount drawn under Credit Facility.

Based on these events, the Directors have reasonable grounds to believe that the Calima Group will continue as a going concern. The Credit Facility is scheduled for its next semi-annual borrowing base review on or before 31 October 2023 and is expected to be based on the Lenders' interpretation of the Group's reserves and future commodity prices, consistent with prior years.

## 3. SEGMENTED INFORMATION

The Board has determined the operating segment based on the reports reviewed by the Managing Director that are used to make strategic decisions.

The Board has considered the business from both a product and geographic perspective and has determined that the Company operates a single business in a single geographic area and hence has one reportable segment.

The principal operations of the Company consist of the acquisition, development, exploration and exploitation of petroleum and natural gas related assets (gathering, processing and transportation) in Canada.

## 4. CASH AND CASH EQUIVALENTS

As at 30 June 2023, the Calima Group held cash and cash equivalents of $0.8 million (31 December 2022 - $3.8 million). The Company is exposed to credit risk associated with its cash and cash equivalent balances held by third party institutions. The credit risk associated with the Calima Group's cash and cash equivalents was considered low as the Company's balances were all held with three large, chartered banks located in Australia and Canada.

## 5. ACCOUNTS RECEIVABLE

| As at (A$ thousands) | | 30 June 2023 | | 31 December 2022 |
|---|---|---|---|---|
| Oil and natural gas sales | **$** | **6,911** | $ | 7,480 |
| Joint venture billings | | **1,254** | | 1,513 |
| GST and other | | **320** | | 684 |
| Accounts receivable | **$** | **8,485** | $ | 9,677 |

The Calima Group is exposed to collection risk from receivables associated with the Company's oil and natural gas sales. The customer base primarily consists of integrated oil and natural gas producers, midstream and downstream companies, and energy traders. The Company manages credit risk by principally transacting with high-quality counterparties.

As at 30 June 2023, credit risk from outstanding accounts receivable was considered low given the history of collections and the majority of the Company's outstanding receivables from oil and natural gas sales were held with four investment-grade counterparties. Substantially all of the Company's accounts receivable from oil and natural gas sales were collected within 30 days following the month of sale or settlement date and there were no material amounts past due as at 30 June 2023 or 31 December 2022.

## 6. OIL AND NATURAL GAS ASSETS

| Continuity schedule (A$ thousands) | PP&E Assets | E&E assets | ROU assets | Total |
|---|---|---|---|---|
| **Investments in capital assets** | | | | |
| Balance, 31 December 2022 | 165,941 | 67,989 | 1,005 | **234,935** |
| Capital investments | 9,913 | 2,376 | - | **12,289** |
| Non-cash capitalised costs | 695 | 103 | - | **798** |
| Transferred to Assets held for sale | - | (71,920) | (964) | **(72,884)** |
| Impact of foreign currency translations | 7,689 | 3,151 | 42 | **10,882** |
| Balance, 30 June 2023 | 184,238 | 1,699 | 83 | **186,020** |
| | | | | |
| **Accumulated depletion and depreciation** | | | | |
| Balance, 31 December 2022 | (26,881) | (52,316) | (878) | **(80,075)** |
| Depletion and depreciation | (9,660) | (138) | (47) | **(9,845)** |
| Impairment losses | - | (2,691) | - | **(2,691)** |
| Transferred to Assets held for sale | - | 56,966 | 879 | **57,845** |
| Impact of foreign currency translations | (1,537) | (2,429) | (37) | **(4,003)** |
| Balance, 30 June 2023 | $ (38,078) | $ (608) | $ (83) | **$ (38,769)** |
| | | | | |
| **Net book value** | | | | |
| Balance, 31 December 2022 | $ 139,060 | $ 15,673 | $ 127 | **$ 154,860** |
| Balance, 30 June 2023 | $ 146,160 | $ 1,091 | $ - | **$ 147,251** |

(1) During the six months ended 30 June 2023, the Calima Group recognised a non-cash capitalised cost reduction of $0.8 million primarily related to a higher discount rate utilized in the first and second quarter restoration provisions valuation.

The Calima Group's property, plant, and equipment ("PP&E") primarily consists of the Brooks and Thorsby CGUs located in Southern and Central Alberta that were acquired as part the acquisition of Blackspur on 30 April 2021. The Company's exploration and evaluation assets ("E&E") primarily consists of capitalised costs associated with undeveloped Tommy Lakes Montney acreages in North-eastern British Columbia.

There were no indicators of impairment or impairment reversal identified for the Company's Brooks or Thorsby CGUs as at 30 June 2023.

Subsequent to 30 June 2023, the Company sold its Montney Assets including 33,643 net acres of Montney licenses/acreage and the Tommy Lakes facilities for C$10.0 million (A$11.4 million). The sale has now successfully closed and all cash proceeds have been received from a Canadian Montney natural gas producer (Advantage Energy Ltd). The combined proceeds from the disposition including adjustments and the return of an operating bond are expected to be A$11.8 million. The Company has recorded an impairment loss of $2.7 million as the net book value of the Montney CGU exceeded its recoverable value. The assets and liabilities disposed of subsequent to the end of the reporting period were classified as held for sale as at 30 June 2023.

Calima's outstanding right-of-use assets ("ROU asset") relates to the lease of four storage tanks that service produced water and flowback at the Company's Montney exploration well sites in North-eastern BC. The four-year lease agreement commenced on 1 January 2020 and Calima recognised a right-of-use asset and corresponding lease liability on the consolidated statement of financial position for the discounted value of the minimum lease payments. The lease was valued utilising a weighted average incremental borrowing rate of 6.5%. As at 30 June 2023, the undiscounted cash flows required to settle Calima's lease liability was $0.2 million. The right-of-use asset and associated liability were included in the sale of Montney and, as such, have been transferred to Assets held for sale and current liabilities held for sale, respectively as at 30 June 2023.

As at 30 June 2023, $18.9 million of oil and natural gas assets, primarily consisting of E&E, were not subject to depletion and depreciation as they were not ready for use in the manner intended (2022 - $16.1 million).

## 7. CREDIT FACILITY

| As at (A$ thousands) | Financial Covenant | 30 June 2023 | 31 December 2022 |
|---|---|---|---|
| **Credit facility details:** | | | |
| Credit facility draws | | **$ 2,663** | $ - |
| Issued letters of credit | | **155** | 155 |
| Undrawn capacity | | **19,845** | 26,053 |
| Credit facility capacity | | **$ 22,663** | $ 26,208 |
| Credit Facility maturity date | | **On demand** | On demand |
| Effective annual interest rate on revolving draws | | **8.3%** | 8.2% |
| **Covenants [(1)]:** | | | |
| Working capital ratio | 1:1 | **2.16:1.00** | 1.82:1.00 |

(1) The Credit Facility contains certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; and make certain dispositions and transfers of assets.

As at 30 June 2023, the Calima Group held a C$20.0 demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). The borrowing base review was completed as at 22 March 2023 and resulted in a decrease to the credit facility from C$24.2 million to C$20.0 million as well as the removal of the affirmative covenant which had a mandatory hedging requirement if the Company were to utilize the bank line at greater than 50% over any quarter end. The next semi-annual review of the credit facility is scheduled to take place no later than 31 October 2023.

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 $150.0 million demand debenture.

Under the terms of the facility, a financial covenant must be maintained. The Company must not permit the working capital ratio, as defined by the bank, to fall below 1:1. The bank defines 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. At 30 June 2023 and 2022, the Company was in compliance with its banking covenants.

The value of any cash distributions that are made by Calima to shareholders in the form of dividends, returns of capital or open-market share purchase buy-backs, reduces the Company's available Credit Facility capacity until the next scheduled semi-annual borrowing base review. Based on the Group's current cash flow forecasts which utilise Blackspur's reserves, and the continued support of the Lender since the inception of the Credit Facility in April 2015, the Group expects that the Credit Facility capacity will remain available for the foreseeable future. However, there can be no assurance that the revolving credit facility will be restored to the original borrowing capacity or terms that were in place prior to the shareholder distribution.

The following table summarises the change in the Credit Facility during the six months ended 30 June 2023:

| As at (A$ thousands) | 30 June 2023 |
|---|---|
| Credit Facility, beginning of year | **$ -** |
| Credit Facility repayments (draws), net | **(2,579)** |
| Impact of foreign currency translations | **(84)** |
| Credit Facility, end of period | **$ (2,663)** |

## 8. RISK MANAGEMENT CONTRACTS

For the risk management contracts, the Company uses quoted market prices when available to estimate fair value. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Management's judgment as to the significance of a particular input may affect placement within the fair value hierarchy levels.

The fair value hierarchy is as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates and volatility factors, which can be observed or corroborated in the marketplace.
- Level 3: inputs for the asset or liability that are not based on observable market data, such as the Company's internally developed assumptions about market participant assumptions used in pricing an asset or liability.

Risk management contracts are classified as commodity contracts and are measured at fair value with the change during the period recorded in profit or loss as unrealised gains or losses. Fair value at each period is determined using observable period-end forward curves (Level 2).

| For the period ended (A$ thousands) | | 30 June 2023 |
|---|---|---|
| Derivative liability, beginning of year | $ | 218 |
| Realisation of derivative losses | | 147 |
| Net unrealised decrease in fair value | | (364) |
| Impact of foreign currency translations | | 15 |
| Derivative asset (liability), end of year | $ | 16 |

The Calima Group is exposed to commodity price fluctuations associated with the production and sale of oil and natural gas. The Company executes a consistent and mechanical risk management program which is designed primarily to reduce cash flow volatility, protect a sufficient level of cash flows to service debt obligations and fund a portion of the Company's development and operational programs. The Calima Group generally hedges oil pricing exposure on a forward rolling one year basis.

The Company's risk management portfolio consists of instruments that are intended to mitigate the Calima Group's exposure to commodity price risks in the Western Canadian Sedimentary Basin consisting primarily of the US$ WTI benchmark price and the C$ WCS differential to US$ WTI. The net unrealized decrease in fair value is determined using Level 2 prices sourced from observable data or market corroboration. Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments. Key inputs used to determine the fair value of the risk management contracts are commodity prices and the volumes in the derivative contracts.

The Company's risk management contracts consisted of the following positions as at 30 June 2023:

| Contract | Reference | Term | Volumes (bbl/day) | Sold Put $US/bbl | Bought Put $US/bbl | Sold Call $US/bbls |
|---|---|---|---|---|---|---|
| Three-way Collar | US NYMEX-WTI | Jul 2023 – Sep 2023 | 250 | 60.00 | 80.00 | 105.25 |
| Three-way Contract | US NYMEX-WTI | Jul 2023 – Sep 2023 | 250 | 55.00 | 75.00 | 99.85 |
| Three-way Contract | US NYMEX-WTI | Oct 2023 – Dec 2023 | 250 | 55.00 | 75.00 | 97.10 |

The Company also had the following WCS basis swap contracts in place as at 30 June 2023:

| Contract | Reference | Term | Volumes (bbl/day) | Price per Unit (US$/Unit) |
|---|---|---|---|---|
| Swap | US NGX OIL-WCS-BLENDED | Jul 2023 – Sep 2023 | 100 | (21.40) |
| Swap | US NGX OIL-WCS-BLENDED | Jul 2023 – Sep 2023 | 400 | (16.04) |

As at 30 June 2023, the fair value associated with Calima's risk management contracts was an asset of $16 thousand ($0.2 million asset at 31 December 2022).

## 9. TERM LOAN

On 31 January 2022 Blackspur entered into a long-term financing arrangement with a strategic infrastructure and midstream company (the "Lender") to construct a pipeline connecting the Company's 02-29 battery in the northern portion of its Brooks, Alberta asset base to its wells, lands, and gathering system in the southern portion of the asset base. The pipeline was completed and brought on stream during the first quarter of 2022.

Construction of the pipeline was financed by the Lender and the cost of the project was $4.2 million. Blackspur is the sole owner of the pipeline and will repay these capital costs to construct the pipeline over a term of seven years at a 12% cost of financing with monthly payments of $73,500. Blackspur retains the right to payout the financing on 180 days written notice starting on the third anniversary of the agreement, subject to an early termination penalty provision. Payments under the Term Loan commenced during the second quarter of 2022. In the event of default on repayment terms, the lender holds a lien and security interest over the pipeline to secure any and all remaining amounts owing.

## 10. RESTORATION PROVISIONS

| As at (A$ thousands) | | 30 June 2023 |
|---|---|---|
| Restoration provision, beginning of year | $ | **23,311** |
| Development of oil and natural gas assets | | **253** |
| Accretion | | **378** |
| Changes in estimate and other | | **467** |
| Restoration expenses | | **-** |
| Transferred to current liabilities held for sale | | **(3,515)** |
| Impact of foreign exchange translations | | **1,026** |
| Restoration provision, end of period | $ | **21,920** |
| Presented as: | | |
| Current restoration provisions | | **237** |
| Restoration provisions | | **21,683** |

The Calima Group's restoration provisions reflect the estimated cost to dismantle, abandon, reclaim and remediate the Company's oil and natural gas assets at the end of their useful lives. As at 30 June 2023, the total estimated undiscounted, uninflated cash flows required to settle the Calima Group's asset retirement obligations was approximately $26.6 million thousand (31 December 2022 – $29.5 million). These liabilities are anticipated to be incurred over the next 30 years.

As at 30 June 2023, the Company valued the restoration provision by utilising a risk-free rate of 3.0% (31 December 2022 – 3.3%) and an inflation rate of 2.0% (31 December 2022 – 2.0%). A 100-basis point (1%) increase in the discount rate reduces the Company's restoration provision by $4.8 million (1% decrease: increase to provision by $4.0 million ).

## 11. SHARE CAPITAL

| Equity unit continuity (thousands) | 30 June 2023 Shares | | 30 June 2023 Amount | 31 December 2022 Shares | | 31 December 2022 Amount |
|---|---|---|---|---|---|---|
| Balance, beginning of year | **611,751** | **$** | **366,055** | 514,084 | $ | 350,461 |
| Shares issued in respect of private placement | **-** | | **-** | 100,000 | | 20,000 |
| Shares issued to repay other indebtedness | **-** | | **-** | 788 | | 153 |
| Preferred share conversion | **1,000** | | **130** | 1,800 | | 180 |
| Shares buy-back | **-** | | **-** | (4,921) | | (818) |
| Return of capital | **-** | | **-** | - | | (2,508) |
| Share issuance costs | **-** | | **-** | - | | (1,413) |
| Balance, end of period | **612,751** | **$** | **366,185** | 611,751 | $ | 366,055 |

On 17 February 2022, the Company completed a $20 million fundraising through the issuance of 100 million common shares at $0.20 per share. Funds raised were used to retire borrowings under the credit facility and to fund the Company's 2022 capital program. The Company incurred $1.4 million of transaction costs associated with the equity financing.

During the 2022 fiscal year, the Company commenced a share buyback program and bought back 4,921,521 shares at an average price of $0.1688 each.

On 13 October 2022, the Company completed a return of capital dividend payment to shareholders of $2.5 million.

On 14 March 2023, 1,000,000 performance rights were converted to ordinary shares.

## 12. PER SHARE AMOUNTS

| For the year ended (thousands) | | 30 June 2023 | | 30 June 2022 |
|---|---|---|---|---|
| Weighted average number of common shares – basic | | **612,347** | | 588,894 |
| Dilutive effect of outstanding equity compensation units | | **3,476** | | 28,823 |
| Weighted average number common shares – diluted | | **615,823** | | 617,717 |
| Net earnings | **$** | **1,661** | $ | 13,215 |
| Net earnings per share (basic and diluted) | **$** | **-** | $ | 0.02 |

## 13. CAPITAL MANAGEMENT

The Calima Group's objective for managing capital is to maintain a strong statement of financial position to provide financial liquidity to fund ongoing development programs as well as to finance future capital returns in the form of dividends.

The Calima Group manages liquidity risk by complying with debt covenants and designing field development plans in conjunction with production, commodity price and available credit forecasting which provides the Company with an opportunity to fund its investments in oil and natural gas assets and expenses within cash flows or available sources of capital on hand. Calima also manages liquidity risk by preserving borrowing capacity under the Credit Facility.

The Calima Group's business plan targets a 12-month ratio of net debt to adjusted funds flow from operations of less than 1.5 in a US$70.00 WTI and C$3.50 AECO 5A commodity price environment. The ratio was 0.4 for the 6 months ended 30 June 2023. As at 30 June 2023, the Company had A$2.7 million drawn on its Credit Facility.

Management believes the Company has sufficient funding to meet near-term liquidity requirements. As at 30 June 2023, the Calima Group had A$22.7 million of available credit under the Credit Facility (31 December 2022 - A$26.2 million). On 17 February 2022, the Calima Group also completed a private-placement equity financing arrangement with investors for gross proceeds of A$20.0 million (Note 11). Near-term development activities are anticipated to be funded by the Company's funds flow, cash on hand, proceeds from the equity financing or draws under the Credit Facility (Note 7). In the near term, the Company plans to utilise any funds flow in excess of investments in oil and natural gas assets to affect a combination of net debt reduction and production growth.

The following tables reconciles the Company's net debt and adjusted funds flow from operations as at 30 June 2023 and 31 December 2022:

| As at (A$ thousands) | | 30 June 2023 | | 31 December 2022 |
|---|---|---|---|---|
| Credit facility draws | **$** | **(2,663)** | $ | - |
| Long-term portion of term loan | | **(3,408)** | | (3,369) |
| Current assets | | **10,558** | | 14,417 |
| Other current liabilities | | **(10,805)** | | (21,851) |
| | | **(6,318)** | | (10,803) |
| Exclude: current portion of risk management assets | | **(16)** | | (218) |
| Net debt | **$** | **(6,334)** | $ | (11,021) |

| For the year ended (A$ thousands) | | 30 June 2023 | | 31 December 2022 |
|---|---|---|---|---|
| Funds flow from operations (per cash flow statement) | **$** | **16,858** | $ | 49,628 |
| Cash related transaction costs | | **-** | | - |
| Adjusted funds flow from operations | **$** | **16,858** | $ | 49,628 |

The Company utilises net debt as an important measure to assess the Company's liquidity by incorporating long-term debt, lease liabilities and working capital. Adjusted funds flow from operations is utilised as a measure of operational performance and cash flow generating capability which impacts the level and extent of funding available for capital project investments, reduction of net debt or returning capital to shareholders. These measures are also consistent with the formulas prescribed under the Company's Credit Facility covenants as defined in the Oil and Gas Glossary and Definitions section at the end of this document.

Net debt and adjusted funds flow from operations are not standardised measures and may not be comparable with the calculation of similar measures by other companies without also considering any differences in the method by which the calculations are prepared.

## 14. COMMITMENTS & CONTINGENCIES

| (A$ thousands) | 2023 | 2024 | 2025 | 2026 | 2027 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 10,093 | - | - | - | - | - | **10,093** |
| Term loan | 223 | 491 | 555 | 625 | 704 | 1,151 | **3,749** |
| Lease liabilities | 134 | - | - | - | - | - | **134** |
| Cash outflows on the balance sheet | 10,450 | 491 | 555 | 625 | 704 | 1,151 | **13,976** |
| Interest on term loan | 221 | 397 | 334 | 263 | 184 | 106 | **1,505** |
| Total contractual cash outflows | $ 10,671 | 888 | 889 | 888 | 888 | 1,257 | **15,481** |

The accounts payable and accrued liabilities and the term loan are recognised on Calima's consolidated statement of financial position.

The Company entered into a 3-year Leasing Agreement, renewed annually, with the underlying mineral owner in the Brooks area of Alberta to drill 21 commitment wells with a minimum royalty before May 31, 2025. In February 2023, the Company notified the mineral owner of its intent to drill seven commitment wells in 2023.

## 15. OIL & NATURAL GAS SALES

| For the six months ended (A$ thousands) | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Oil | **$ 40,719** | $ 57,663 |
| Natural gas | **5,716** | 9,180 |
| Natural gas liquids | **1,237** | 1,172 |
| Oil and natural gas sales | **$ 47,672** | $ 68,016 |

## 16. OPERATING EXPENSES

| For the six months ended (A$ thousands) | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Chemicals, power and fuel | **$ 3,982** | $ 2,449 |
| Staff and contractor costs | **2,156** | 1,551 |
| Hauling, processing and disposal | **2,188** | 1,747 |
| Equipment and maintenance | **4,165** | 1,262 |
| Taxes, rentals and other | **2,104** | 1,669 |
| Operating expenses | **$ 14,595** | $ 8,678 |

## 17. TRANSPORTATION

| For the six months ended (A$ thousands) | 30 June 2023 | 30 June 2022 |
|---|---|---|
| Crude oil and emulsion hauling | **$ 2,421** | $ 2,730 |
| Pipeline tariffs and other | **425** | 284 |
| Transportation expenses | **$ 2,846** | $ 3,014 |

## 18. GENERAL & ADMINISTRATIVE

| For the six months ended (A$ thousands) | | 30 June 2023 | | 30 June 2022 |
|---|---|---|---|---|
| Personnel | $ | **1,736** | $ | 1,835 |
| Professional fees | | **1,037** | | 718 |
| Information technology, office costs and other | | **289** | | 445 |
| Gross General & Administrative ("G&A") expenses | | **3,062** | | 2,998 |
| Capitalised G&A | | **(440)** | | (404) |
| G&A expenses | $ | **2,622** | $ | 2,594 |

## 19. SHARE-BASED COMPENSATION

| For the six months ended (A$ thousands) | | 30 June 2023 | | 30 June 2022 |
|---|---|---|---|---|
| Stock options | $ | **55** | $ | 95 |
| Performance rights | | **1,262** | | 681 |
| Gross share-based compensation cost | | **1,317** | | 776 |
| Capitalised share-based compensation | | **(33)** | | (127) |
| Share-based compensation expense | $ | **1,284** | $ | 649 |

During the six months ended 30 June 2022, Calima's Board approved 1.4 million stock options for grant to certain employees. The primary vesting condition of the stock options is continuous employment and 1/3 of the options vest each year over three years and are exercisable at $0.20 per unit within five years from the date of grant.

During the six months ended 30 June 2022, Calima approved 22.1 million performance rights for grant to certain Officers, Directors, and Employees of the Group. The rights are subject to the following conditions:

- 8.6 million rights were subject to the VWAP for Calima shares for any period of 20 consecutive trading days being above $0.25.
- 8.6 million rights were subject to the average production for Calima achieving an average of 4,300 boe/d for a total of 30 days (non-consecutive) over a six-month period up until 30 April 2023.
- 1.8 million rights become vested and exercisable following continued service of the holder for a three-year period with 40% of the rights vested over 12 months, 40% vested over 24 months, and the remaining 20% of the rights vested over 36 months.
- 3.5 million rights become vested and exercisable following continued service of the holder for a two-year period with 50% of the rights vested over 12 months and the remaining 50% vested over 24 months.

During the six months ended 30 June 2023, 0.8 million performance rights expired, 1.6 million performance rights were issued, and 8.90 million performance rights vested. The performance rights issued are subject to the following conditions:

- 610,000 rights were subject to the VWAP for Calima shares for any period of 20 consecutive trading days being above $0.25.
- 610,000 rights were subject to the average production for Calima achieving an average of 4,300 boe/d for a total of 30 days (non-consecutive) over a six-month period up until 30 April 2023.
- 350 thousand rights become vested and exercisable following continued service of the holder for a three-year period with 40% of the rights vested over 12 months, 40% vested over 24 months, and the remaining 20% of the rights vested over 36 months.

## 20. EVENTS AFTER THE REPORTING DATE

Subsequent to the half year ended 30 June 2023, the following changes occurred:

- On 5 July 2023, Jerry Lam resigned as CFO.
- On 18 July 2023, Rod Monden was hired as CFO.
- On 28 July 2023, Jordan Kevol resigned as President and CEO and Karl DeMong was appointed as President and CEO.
- On 25 August 2023, the Company announced the sale of Montney Assets for C$10.0 million (A$11.4 million) including 33,643 net acres of Montney licenses/acreage and the Tommy Lakes facilities. The sale has now successfully closed and all cash proceeds have been received from a Canadian Montney natural gas producer (Advantage Energy Ltd). The combined proceeds from the disposition including adjustments and the return of an operating bond are expected to be A$11.8 million.
- On 18 August 2023, 12,970,000 shares were issued following the conversion of the performance rights below:
  - 1,000,000 Plan Performance Rights A
  - 1,000,000 Plan Performance Rights B

  - 8,908,750 Plan Performance Rights E
  - 2,061,250 Plan Performance Rights F
- On 22 and 24 August 2023, 619,000 Performance Rights F and 1,835,000 Performance Rights D expired.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Calima Energy Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Calima Group are in accordance with the Corporations Act 2001, including:
  - giving a true and fair view of the financial position as at 30 June 2023 and the performance for the half-year ended on that date of the Calima Group; and
  - complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

**Karl DeMong**
**Managing Director**

13 September 2023

***Independent auditor's review report to the members of Calima Energy Limited***

**Report on the half-year financial report**

### *Conclusion*

We have reviewed the half-year financial report of Calima Energy Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed interim consolidated statement of financial position as at 30 June 2023, the Condensed interim consolidated statement of changes in equity, Condensed interim consolidated statement of cash flows and Condensed interim consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, material accounting policy information and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Calima Energy Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date.

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### *Responsibilities of the directors for the half-year financial report*

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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### *Auditor's responsibilities for the review of the half-year financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

Ian Campbell
Partner

Perth
13 September 2023

# ADVISORIES & GUIDANCE

**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.

**Non-GAAP measures**

This annual report includes certain meaningful performance measures commonly used in the oil and natural gas industry that are not defined under IFRS, consisting of "adjusted EBITDA", "adjusted working capital", "available funding", "net debt" and "adjusted funds flow from operations". These performance measures presented in this annual report should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS and should be read in conjunction with the financial statements. Readers are cautioned that these non-GAAP measures do not have any standardised meanings and should not be used to make comparisons between Calima and other companies without also taking into account any differences in the method by which the calculations are prepared. Refer to the other sections of this annual report and the definitions below for additional details regarding the calculations.

**Corporate governance**

Information related to the Calima Group's corporate governance practices can be found on the Company's website located here: (https://calimaenergy.com/corporate-governance/).

**Qualified petroleum reserves and resources evaluator statements**

Refer to the announcements dated 30 March 2023. 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.

The Montney petroleum resources information is based on, and fairly represents, information and supporting documentation in a report compiled by McDaniel and Associates Ltd (McDaniel) for the 31 December 2022 Resources Report. McDaniels is 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 Calima Energy Ltd. 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 resources information in this announcement in the form and context in which it appears.

The Brooks and Thorsby petroleum reserves and resources information is based on, and fairly represents, information and supporting documentation in a report compiled by InSite Petroleum Consultants Ltd. (InSite) for the 31 December 2022 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. The InSite 31 December 2022 Reserves Report and the values contained therein are based on InSite's 31 December 2022 price deck (https://www.insitepc.com/pricing-forecasts). 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.

## 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 gains on acquisition, gains and losses on financial instruments, transaction and advisory costs, exploration expenses 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 statement of financial position 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. |
| **Adjusted funds flow from operations** | Adjusted funds flow from operations in calculated as funds flow from operations and adjusted to exclude certain non-recurring items primarily relating to transaction and advisory costs. Adjusted funds flow from operations is utilised as a measure of operational performance and cash flow generating capability which impacts the level and extent of funding available for capital project investments, reduction of net debt or returning capital to shareholders. |
| **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 |

| Term | Meaning |
|---|---|
| **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 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 from operations:** | 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 |
| **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 / working capital surplus** | Net debt/working capital surplus 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 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 Production Taxes: state taxes imposed upon the value or quantity of oil and gas produced |
| **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** | a revolving credit facility available to a borrower based on (secured by) the value of the borrower's oil and gas reserves |
| **Royalty Interest or Royalty:** | Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area |
| **Terminal decline:** | represents the steady state decline rate after early (initial) flush production |
| **tCO2:** | Tonnes of Carbon Dioxide |
| **Unconventional Well:** | 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 |
| **Upstream:** | a segment of the oil and gas industry that focuses on the exploration and production of oil and natural gas |
| **Working Capital Ratio:** | 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 | **IP30** | Average oil production rate over the first 30 days |
| **2P** | proved plus Probable reserves | **A$ or AUD** | Australian dollars |
| **3P** | proved plus Probable plus Possible reserves | **C$ or CAD** | Canadian dollars |
| **bbl or bbls** | barrel of oil | **US$ or USD** | United states dollars |
| **boe** | barrel of oil equivalent (1 bbl = 6 Mcf) | **($ thousands)** | figures are divided by 1,000 |
| **d** | suffix – per day | **($ 000s)** | figures are divided by 1,000 |
| **GJ** | gigajoules | **Q1** | first quarter ended March 31st |
| **mbbl** | thousands of barrels | **Q2** | second quarter ended June 30th |
| **mboe** | thousands of barrels of oil equivalent | **Q3** | third quarter ended September 30th |
| **Mcf** | thousand cubic feet | **Q4** | fourth quarter ended December 31st |
| **MMcf** | million cubic feet | **YTD** | year-to-date |
| **NGTL** | Nova Gas Transmission Line | **YE** | year-end |
| **PDP** | proved developed producing reserves | **H1** | six months ended June 30th |
| **PUD** | Proved Undeveloped Producing | **H2** | six months ended December 31st |
| **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 |
| **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 |
| **TD** | Total depth | | |