EVOLUTION
CAPITAL

ASX: CE1

Calima Energy Limited

Equity Research

10th November 2021

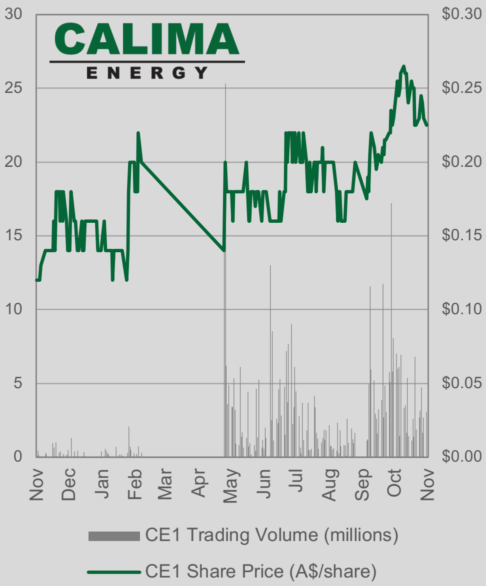
SPECULATIVE BUY

Share Price	$0.22
Valuation	$0.76
Price Target	$1.48

52-Week Range	$0.12 - $0.275
CE1 Shares Outstanding	514.1m
Unlisted Options ($1.80 25/08/22)	0.5m
Unlisted Options ($2.40 25/08/22)	0.5m
Unlisted Options ($0.20, 30/04/24)	2.5m
Unlisted Options ($0.20, 30/04/26)	18.1m
Performance Shares	8.3m
Market Capitalisation	$113.1m
Cash (30 September 2021)	$1.9m
Debt (30 September 2021)	$24.1m
Enterprise Value	$135.3m

Board & Management:

Glenn Whiddon	Chairman
Jordan Kevol	CEO
Michael Dobovich	VP Corporate Sustainability
Brett Lawrence	Non-Executive Director
Lonny Tetley	Non-Executive Director
Braydin Brosseau	CFO (Canada)
Mark Freeman	Finance Director



Calima Energy Limited is a public company listed on the Australian Securities Exchange (ASX: CE1) with its principle activities focused on oil and gas production and exploration in Alberta, Canada.

Past performance is not an indicator of future performance.

Sprinting From the Blocks

We initiated on Calima Energy (ASX: CE1) in May this year with a Speculative Buy rating and positive outlook for the future. At that time CE1 had just completed its transformative acquisition of Blackspur Oil Corp (BOC). It has been just over 5 months since then and Calima Energy has cemented its position as a solid oil & gas company underpinned by strong production with operations focused in Alberta, Canada.

Since our initiation report, the company has delivered the following:

- Brooks Asset: commencement of the Sunburst 3 Horizontal well drilling program (Gemini 1,2 & 3 Designation) – June 1st
  - Due to drilling success the Gemini 4 step out well was spudded on June 27th
- Thorsby Asset: commencement of the 3 Horizontal multistage frac well drilling program in the Sparky Formation (Leo 1, 2, 3)
- Completed a 20:1 share consolidation – August 10th
- Issued an updated reserve evaluation– 1st September
- Initiated the process to sell its Montney Assets – 16th September
- Finalised the Thorsby Leo frac program with wells expected to begin production in the mid November.

In addition to the excellent operational performance of CE1 and the management team, 2 key factors have acted the in the company's favour: 1. better than anticipated flow rates leading to increased production and 2. rising oil & gas prices which have translated into a buoyant positive sentiment for the sector.

As a result of CE1's excellent operational performance we have revised our numbers up from our initiation with production for the May-December 2021 period of 3,297 boe/d average and production in 2022 of 5,440 boe/d average. Further we have revised our hydrocarbon prices up based on the WTI Forward Curve, WCS estimates, Nymex HH forward and AECO Natural Gas price.

As CE1 have formally put the Montney assets up for sale, we continued to use our risked full field development evaluation (updated with higher gas prices) to assess the potential sale price that CE1 could achieve. We view this as better than a simple per/acre valuation using recent transactions in the area.

Scenario / Item	Unit	Base Case	2C Case
Total Production	mmboe	**21.7**	**213.8**
Total Revenue	A$m	1,469	10,666
Total Opex	A$m	396	2,335
Total Royalty	A$m	264	1,692
Drilling Capex	A$m	184	1,276
Other Capex	A$m	10	471
Total NPV	**A$m**	**389**	**762**
Total/share	**A$**	**0.76**	**1.48**

CE1 Valuation: 2021 was, and remains, a watershed year for CE1 with the company becoming a producer and bolstering its reserves position.

Our initiation report had a valuation of A$0.30/share (20x $0.015 pre-consolidation) and a price target of A$0.52 (20x A$0.026/share). In line with the improved production profile and higher hydrocarbon prices, our revised valuation and price target comes to A$0.76/share and A$1.48/share respectively, representing a 6.7x uplift to the current share price.

Summary

Following the successful and value accretive acquisition of BOC, Calima Energy (CE1) is now an oil & gas company underpinned by strong production with operations focused in Alberta, Canada. The company has 5.2 mmboe of Proved Developed Producing reserves, 16.1 mmboe of 1P reserves, 21.4 mmboe of 2P reserves, and 25.7 of 3P reserves with 195.6 mmboe of contingent resources.

2021 has been CE1's time to shine as it continues to build current production and executes its development drilling program in Brooks and Thorsby. Based on our estimates, CE1 will reach production of 5,440 boe/d by 2022. Currently the company is taking full advantage of its credit facilities with a Canadian chartered bank and looks to reduce its net debt position as it builds critical mass. Longer term, the company has the opportunity to increase production to ~9,400 boe/d and grow further through targeting drilling and/or acquisition growth.

CE1 Cashflow summary & Cash Position (A$m) Base/Valuation Case

	2021	2022	2023	2024	2025	2026	2027
Price (Average) CAD							
Oil (bbl)	84.94	90.52	91.76	94.24	96.72	96.72	96.72
Oil Discount (bbl)	(16.9)	(16.9)	(16.9)	(16.9)	(16.9)	(16.9)	(16.9)
Gas (mcf)	4.092	4.247	4.319	4.381	4.381	4.381	4.381
NGL (bbl)	42.47	45.26	45.88	47.12	48.36	48.36	48.36
Production Rates (Average)							
Oil (bbl/d)	2,119	3,963	4,167	5,099	6,458	5,446	3,947
Gas (mmscf/d)	5,424	8,296	8,447	9,576	11,371	9,653	7,247
NGL (bbl/d)	57	90	101	126	160	129	93
Operating Results							
Revenue	54.1	121.5	129.6	162.4	210.8	177.7	129.2
Royalties	(9.7)	(21.9)	(23.3)	(29.2)	(37.9)	(32.0)	(23.3)
Operating expenses	(18.5)	(30.5)	(32.8)	(37.8)	(46.0)	(41.4)	(33.6)
General & administrative	(2.8)	(5.0)	(5.2)	(6.2)	(7.8)	(6.6)	(4.8)
EBITDA	**23.0**	**64.2**	**68.4**	**89.2**	**119.1**	**97.8**	**67.5**
ARO Expenditures	(0.2)	(0.6)	(0.6)	-	-	-	-
Interest expense	(1.4)	(0.6)	-	-	-	-	-
Tax	-	-	(0.1)	(13.1)	(19.5)	(15.7)	(10.6)
Other	(8.0)	-	-	-	-	-	-
Land	(0.3)	(1.2)	(1.2)	(1.2)	-	-	-
Drilling and completion	(27.1)	(30.1)	(29.2)	(39.1)	(38.0)	(13.2)	-
Equipment and facilities	(0.9)	(1.6)	(1.8)	(1.0)	(0.4)	-	-
Free cash flow from operations	(14.9)	30.1	35.4	34.7	61.2	68.8	57.0
(Net debt) Surplus at period end	**(22.5)**	**10.4**	**45.8**	**80.5**	**141.7**	**210.6**	**267.5**

Source: Evolution Capital estimates

TABLE OF CONTENTS

1. CE1 Valuation 4
- CE1 Valuation 4
- Commodity Outlook 5
- CE1 Valuation Compared to Market Peers 7
- Sensitivity Analysis on Base Development 8

2. Calima Energy Assets (Combined) 9
- CE1 Base Case 9
- Corporate Tax 9
- Reserves 10
- Financial Position 10
- Jurisdiction 10
- Brooks 10
- Thorsby 11
- Montney Lands 12

3. Directors & Management Team 16
- Glenn Whiddon, Chairman 16
- Jordan Kevol, CEO 16
- Mark Freeman, Finance Director 16
- Brett Lawrence, Non-Executive Director 16
- Lonny Tetley, Non-Executive Director 16
- Braydin Brosseau, CFO 17

4. Investment Risks 17

All currencies are in Australian dollars unless otherwise specified.

1. CE1 Valuation

CE1 Valuation

Table 1.1 below shows our risked sum-of-the-parts valuation of CE1. This underpins our Base Case of A$0.76/share and 2C case of A$1.48/share respectively, representing a 6.7x uplift to the current share price.

The valuation consists of:

1. 2P volumetric case encompassing Thorsby and Brooks volumes and 10% risked Calima Lands development (Montney volumes);
2. 2C volumetric case encompassing Thorsby, Brooks and full Calima Lands development (Montney volumes); and
3. Net cash position, corporate and overhead costs.

Table 1.1 – CE1 Valuation Summary

Scenario / Item	Unit	Base Case	2C Case
Operations			
Total Oil Produced	mmbbl	16.1	16.1
Total NGL Produced	mmbbl	0.39	46.1
Total Gas Produced	mmscf	31,080	909,486
Total production	mmboe	**21.7**	**213.8**
Commodity Prices			
Oil Price to Market	$/bbl	72.8	72.8
NGL Gas to Market	$/bbl	62.7	62.7
Gas price to Market	$/mscf	4.24	4.2
CAD / AUD Exchange rate		1.04	1.04
Opex, Royalty & Capex			
Total Revenue	A$m	1,468.6	10,666.4
Total Opex	A$m	395.6	2,334.9
Total Royalty	A$m	264.3	1,692.5
Drilling Capex	A$m	183.8	1,276.5
Other Capex	A$m	10.1	471.1
Brooks NPV	A$m	142.3	142.3
Thorsby NPV	A$m	231.7	231.7
Calima Lands NPV *	A$m	45.4	454.0
Tommy Lakes NPV	A$m	21.3	21.3
Corporate and Overhead	A$m	-33.3	-68.9
Cash (at 30 April 2021)	A$m	1.9	1.9
Debt (at 30 April 2021)	A$m	-24.1	-24.1
Options/Rights **	A$m	4.1	4.1
Total NPV	**A$m**	**389.3**	**762.3**
Total per share	**A$/share**	**0.757**	**1.483**

Source: Evolution Capital estimates
**   10% Risk weighting applied to 2P case*
***   Exercised over next 12 months*

The total risked sum of the parts is $389.3m or A$0.76/share. However, we note there is substantial upside should more volumes be discovered and de-risked through development.

CE1 has a large land holding in a highly prospective area which benefits from supportive governments and established infrastructure. Further the oil & gas industry enjoys strong product pricing.

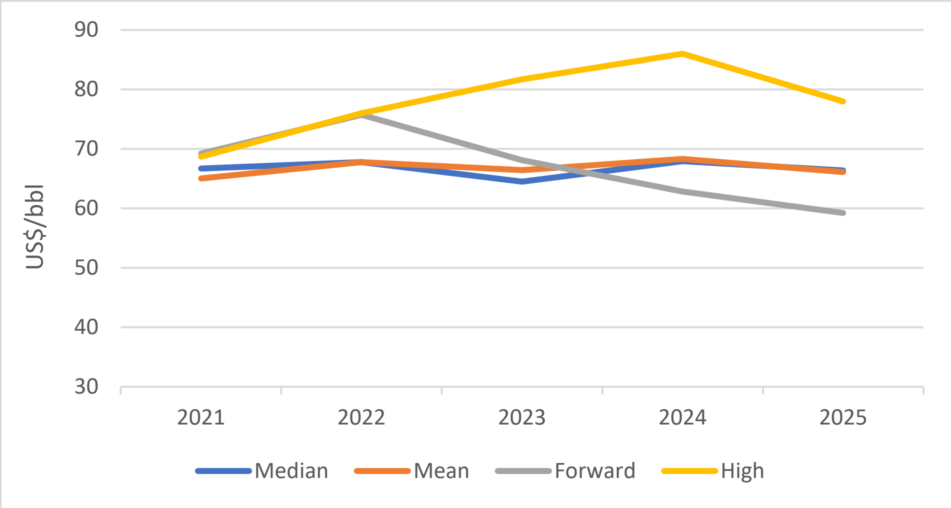
In our initiation note we highlighted that the Australian market was factoring a discount due its unfamiliarity with Canadian assets. We view that as CE1 continues to perform well, this discount will dissipate.

We have modeled the development cases highlighted above based on the scenarios discussed further in this note.

Commodity Outlook

As highlighted in Figure 1.1, the performance and outlook for WTI has been and remains positive with both the median and mean price forecasts remaining above US$65/bbl (an increase from US$60/bbl in our last research report). We note the high broker consensus has WTI steadily increasing to US$86/bbl (an increase from US$78/bbl).

Figure 1.1 – NYMEX WTI $/bbl Broker consensus estimates - Updated



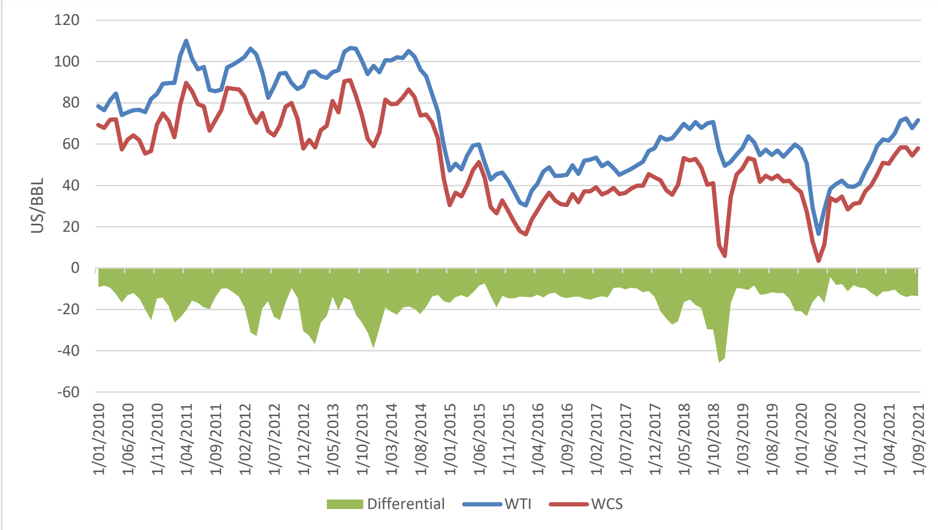
Source: Bloomberg

In the most negative outlook scenario, WTI price is forecast to decrease to US$59/bbl by 2025 (an increase from the previous position of US$52). Positively, even with a US$52/bbl WTI price for the life of the projects, CE1 still offers compelling value (refer to Table 1.2).

One aspect of CE1's oil production is that is it sold at Western Canadian Select (WCS) benchmark, which is a heavy sour blend of crude oils and is one of North America's largest heavy crude oil streams. As a result of its heavy composition it is sold at a discount to the WTI benchmark. As shown in Figure 1.2 below, the discount of WCS to WTI fluctuates significantly. It is currently around US$17/bbl.

Our analysis incorporates a flat US$16.86/bbl discount on the selected WTI price. Note that as this discount changes so will revenue and value received by CE1.

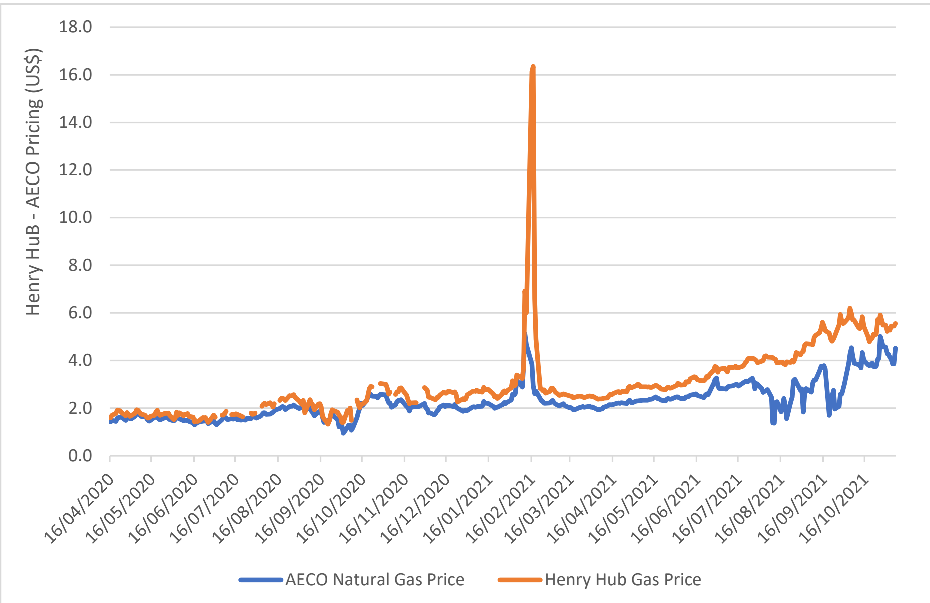
Figure 1.2 – WTI / WCS Differential



Source: Bloomberg

Figure 1.3 below highlights the correlation between the AECO (Canadian benchmark for natural gas) and Henry Hub (the US equivalent).

Figure 1.3 – Henry Hub / AECO Natural Gas Prices (US$/mmbtu)



Source: Bloomberg (AECO rebased to USD

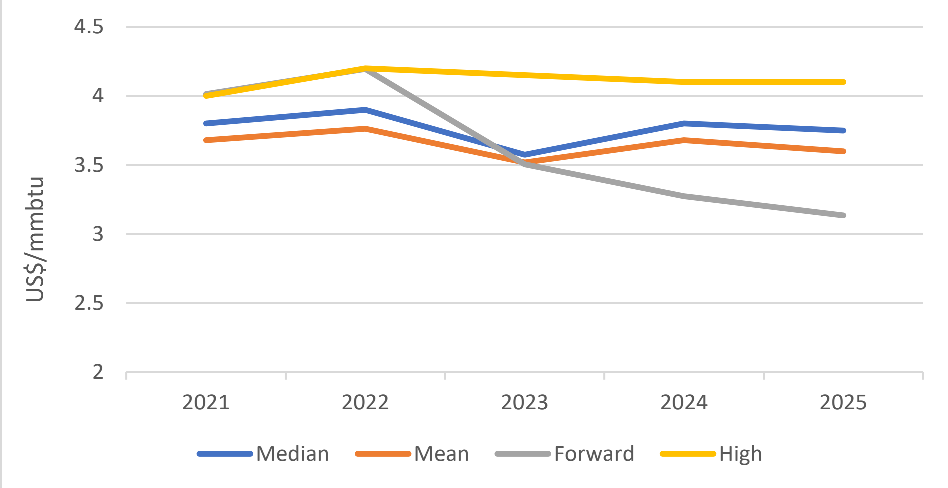
As shown, up to mid-2021 there is a strong correlation between the HH price and AECO with the average differential between the two being an average of ~US$0.65/mmbtu. As of 9/11/2021 the AECO was US$4.55/mmbtu, while HH was US5.55/mmbtu.

This is important, as highlighted in Figure 1.4, as the outlook for HH price remains neutral with both the median and mean prices staying reasonably flat at ~US$3.75/mmbtu and ~US$3.60/mmbtu, respectively. This represents an increase of ~US$3.25/mmbtu and ~US$3.19/mmbtu in our initiation note.

We note the high broker consensus has HH steady at ~US$4.10/mmbtu, a significant increase from US$3.60/mmbtu in our previous note.

Keeping in mind the sustained increase in gas prices we have set our AECO gas price at US$3.30/mmbtu (C$4.09/mmbtu) for the remainder of 2021 with the price only being escalated at inflation yearly.

Figure 1.4 – NYMEX Henry Hub $/mmbtu (Broker consensus estimates)



Source: Bloomberg

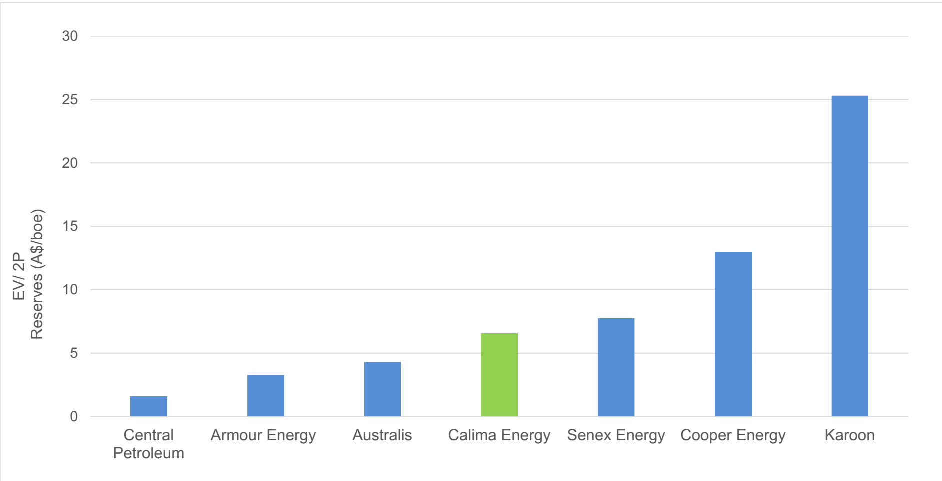
This stability in the future gas prices is good news for CE1 as it looks to monetise its significant Montney asset.

CE1 Valuation Compared to Market Peers

Since our initiation, report CE1 has moved up in value on a EV/2P basis, previously being 3.7x and now 6.6x, highlighting its performance since the acquisition.

On an EV/2P Reserves comparison CE1 compares reasonably favorably to listed peers. Further adding to the attractiveness of the company is its high quality product, being 13.8 mmbbl of high quality oil and 45.8 bcf of easily saleable gas & NGL. As the Montney volumes are further de-risked and converted to 2P the value of CE1 will adjust accordingly.

Figure 1.5 – EV/2P Peer Companies Comparison



Source: Bloomberg, Company 2P Reserve reports - Evolution Capital estimates

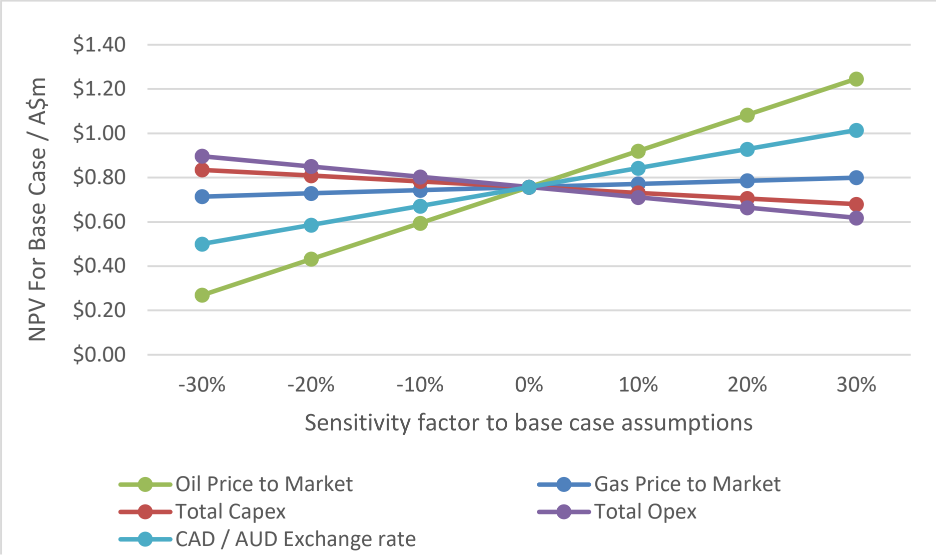
It is important to note, that whist CE1 has moved up the comparative EV/2P valuation curve, in our view it still offers better value than the ASX-listed peers. The key reason is that, unlike other companies, CE1's 2P reserves are significantly less technically challenging to develop. Other listed peers may have significant reserves, however, due to the nature and cost of extraction from the deposit (unconventional/tight, etc.) those companies may have some difficulty achieving their stated production and recovery targets.

Sensitivity Analysis on Base Development

Figure 1.6 highlights the sensitivity of the CE1 share price on the base production case (21.7 mmboe) with higher/lower gas and oil prices, reduced and increased capex and opex and variances in exchange rates.

The base valuation comes in at $389.3m, or A$0.76/share. As shown Figure 1.6 CE1's valuation is most sensitive to oil price, operating costs and the CAD/AUD exchange rate. Positively we see that capital expenditure variations have a relatively minimal impact on the company's share valuation.

Figure 1.6 – Base Case Sensitivity Analysis



Source: Evolution Capital Advisors estimates.

Table 1.2 highlights the change in NPV for movements on each variable.

Table 1.2 – Base Case Sensitivity Analysis

Movement	-30%	-20%	-10%	**0%**	10%	20%	30%
Oil Price to Market							
US$/bbl	47.7	56.1	64.4	**72.8**	81.1	89.4	97.8
NPV A$m	138.1	221.8	305.6	**389.3**	473.0	556.8	640.5
NPV $/share	0.27	0.43	0.59	**0.76**	0.92	1.08	1.25
Gas Price to Market							
US$/mmscf	3.07	3.46	3.85	**4.24**	4.63	5.02	5.41
NPV A$m	367.3	374.7	382.0	**389.3**	396.6	404.0	411.3
NPV $/share	0.71	0.73	0.74	**0.76**	0.77	0.79	0.80
Total Capex							
A$/m	132.4	149.5	166.7	**183.8**	200.9	218.1	235.2
NPV A$m	429.3	416.0	402.6	**389.3**	376.0	362.7	349.3
NPV $/share	0.84	0.81	0.78	**0.76**	0.73	0.71	0.68
Total Opex							
A$/m	277.5	316.9	356.3	**395.6**	435.0	474.3	513.7
NPV A$m	460.9	437.1	413.2	**389.3**	365.4	341.6	317.7
NPV $/share	0.90	0.85	0.80	**0.76**	0.71	0.66	0.62
CAD / AUD Exchange rate							
CAD / AUD	0.73	0.83	0.94	**1.04**	1.14	1.25	1.35
NPV A$m	257.1	301.2	345.2	**389.3**	433.4	477.4	521.5
NPV $/share	0.50	0.59	0.67	**0.76**	0.84	0.93	1.01

Source: Evolution Capital Advisors estimates

2. Calima Energy Assets (Combined)

CE1 Base Case

The current development cases provided delivers production of:

Scenario / Item	Unit	Base Case
Operations		
Total Oil Produced	mmbbl	16.1
Total NGL Produced	mmbbl	0.39
Total Gas Produced	mmscf	31,080
Total production	mmboe	**21.7**

In the Base Case scenario, we assume that a total of $183.8m of drilling is conducted over the life of CE1's assets. The assets produced in this scenario are Brooks and Thorsby.

Figure 2.1 – CE1 Base Case - Life of Field

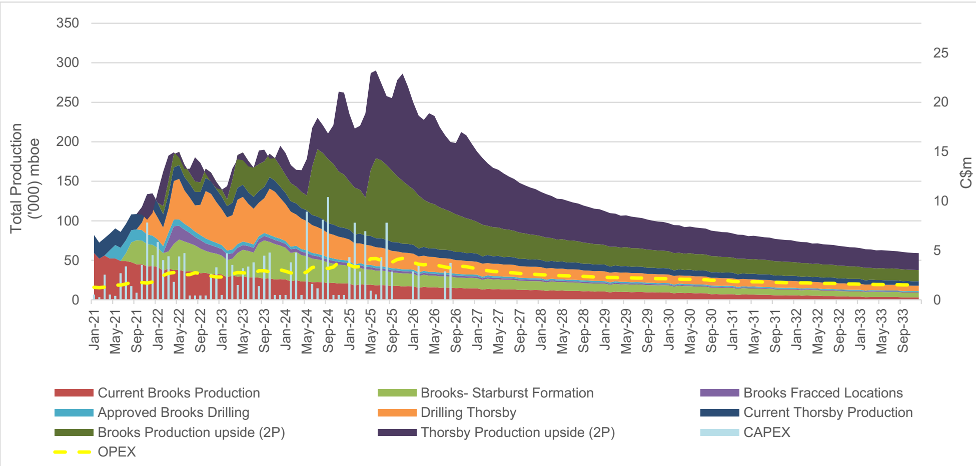
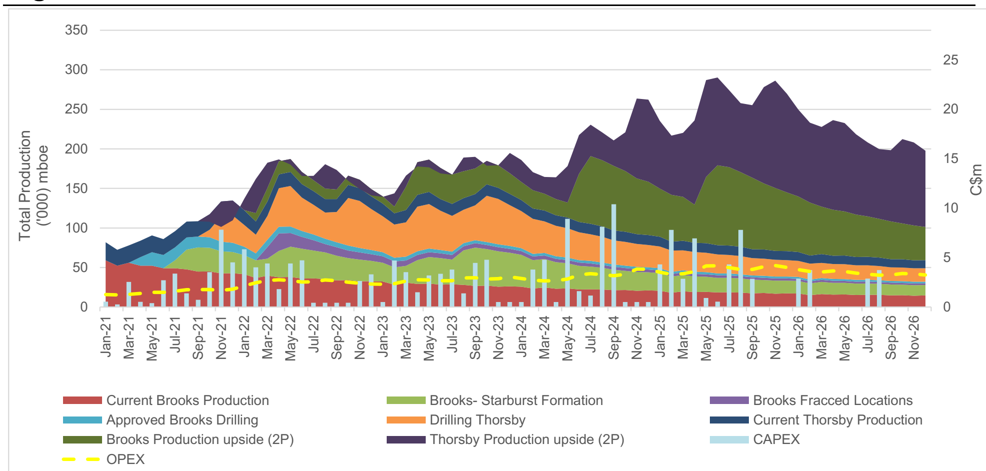


Figure 2.2 – CE1 Base Case – End 2026



Source: Evolution Capital Advisors estimates

As shown in Figure 2.1 & 2.2, CE1 engages in an active drilling program over the course of 2021 through to July 2036 which sees the company reach production up to a peak of ~290,000 boe, 9,362 boe/d in June 2025.

Corporate Tax

CE1 applies a corporate tax rate of 23%. Pre-acquisition, Blackspur had ~$120m in various tax pools with Calima having a further ~$45m tax pool. The merged company had ~$165m in tax losses which to offset income. As a result on the Base Case modelling CE1 begins to pay tax only in 2023.

Reserves

CE1 has certified assessed Reserves and Resources with substantial upsides as shown below. Table 2.1 reflects the 100% interest held by CE1, post the Blackspur transaction and 3 months of production.

Table 2.1 - CE1 Reserves & Resources

	Oil (mbbl)	Gas (mmscf)	Boe (mboe)
PDP	3,261	11,435	5,167
PDNP	114	374	176
PU	7,068	21,934	10,723
1P	**10,443**	**33,742**	**16,066**
Probable	3,357	12,061	5,368
2P	**13,800**	**45,803**	**21,434**
Possible	2,711	9,412	4,280
3P	**16,521**	**55,216**	**25,714**

Source: Calima Energy Ltd

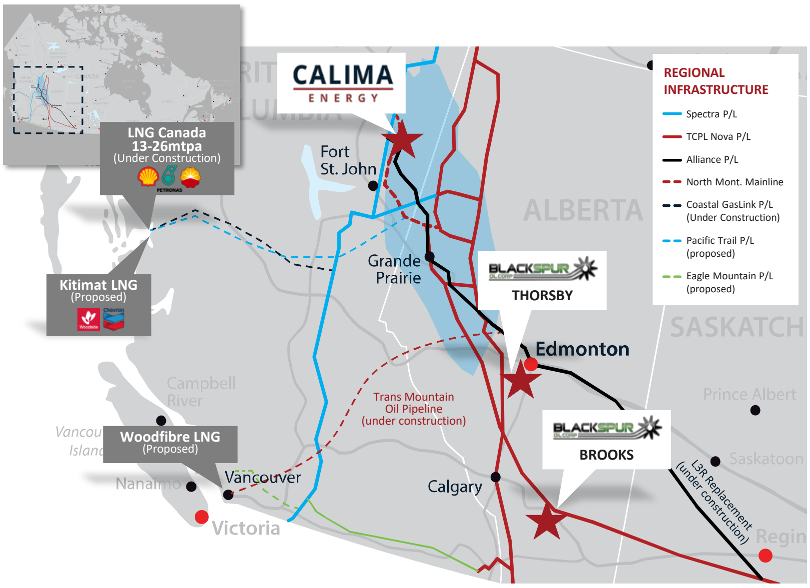
Financial Position

As at 30 September 2021, CE1 have $1.9m in cash, $18.1m drawn from its loan facility with $6m in working capital deficit and lease liabilities, total of $24.1m drawn. With its current production on current drilling we believe CE1 as well positioned to fund its development plans going forward and pay down its debt position by 2022 year end.

Jurisdiction

The Brooks and Thorsby assets are located in Alberta with its Montney asset located in British Columbia. Positively Canada has an established energy market with a supportive energy policy and has seen production for a significant period of time. CE1 will benefit from strong market fundamentals enhanced by three world class LNG projects within development proximity to its assets.

Figure 2.3 – Montney position in relation to infrastructure, pipelines & LNG projects



Source: Calima Energy Ltd

Brooks

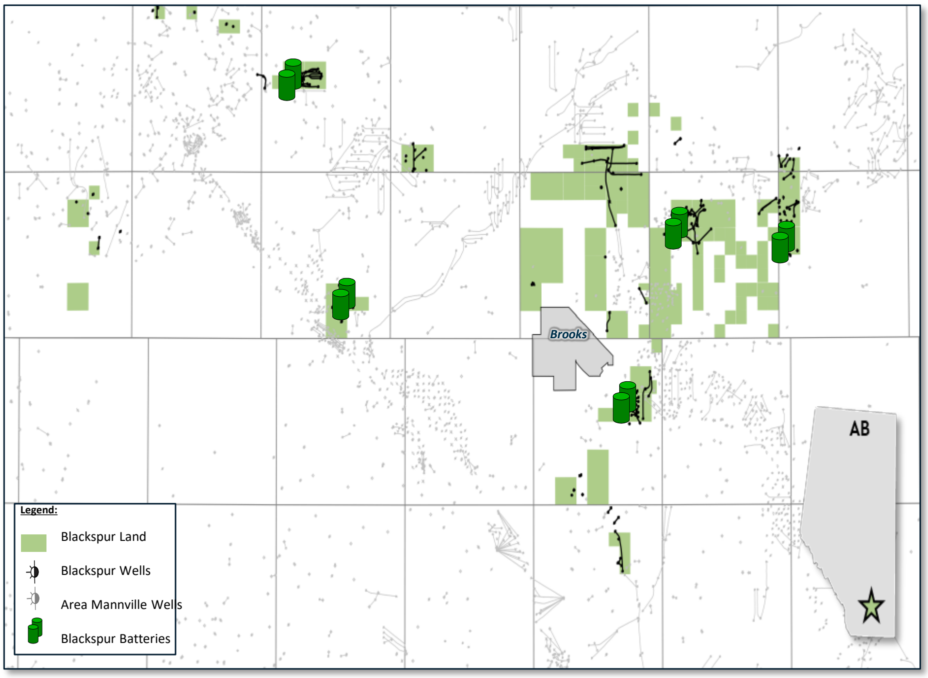
Calima's Brooks asset (94% W.I) is an established core position of land (~83 net sections across 53,093 net acres) with significant infrastructure that creates a foundation for growth and expansion with year-round access.

To date 48 wells has been drilled into Brooks with production coming from the Sunburst and Glauconitic formations. Production in Q4 2020 averaged ~1,860 boe/d (net).

The Sunburst formation can be developed at low cost due to its shallow formation depths (~950m to ~1,150m TVD) and utilisation of CE1's owned and operated infrastructure. This provides a resilient cost structure with OPEX costs (including transportation) of ~C$10/boe at <C$1m per well which delivers economic rates of return. Blackspur's existing infrastructure can process up to 7,000 bbl/d oil.

Future growth from Brooks will come from the 147 net locations already identified. These locations include the booked 16 Sunburst and 17 Glauconitic PUDs (Proved Undeveloped Drilling locations). Additional reserves are expected to be realized through implementation of enhanced oil recovery projects. Blackspur recently initiated a waterflood in the Countess J2J Pool which is expected to show results in the near term.

Figure 2.4 – Brooks Area Land Map



Source: Calima Energy Ltd.

The established infrastructure footprint facilitates offers sizeable production growth, with ~C$15M spent to date.

Thorsby

Calima's Thorsby asset (100% W.I) provides a consolidated land base of ~108 net sections (~108 net sections on 63,946 net acres) which can be developed through a network of multi-well pads thus reducing overall capital costs.

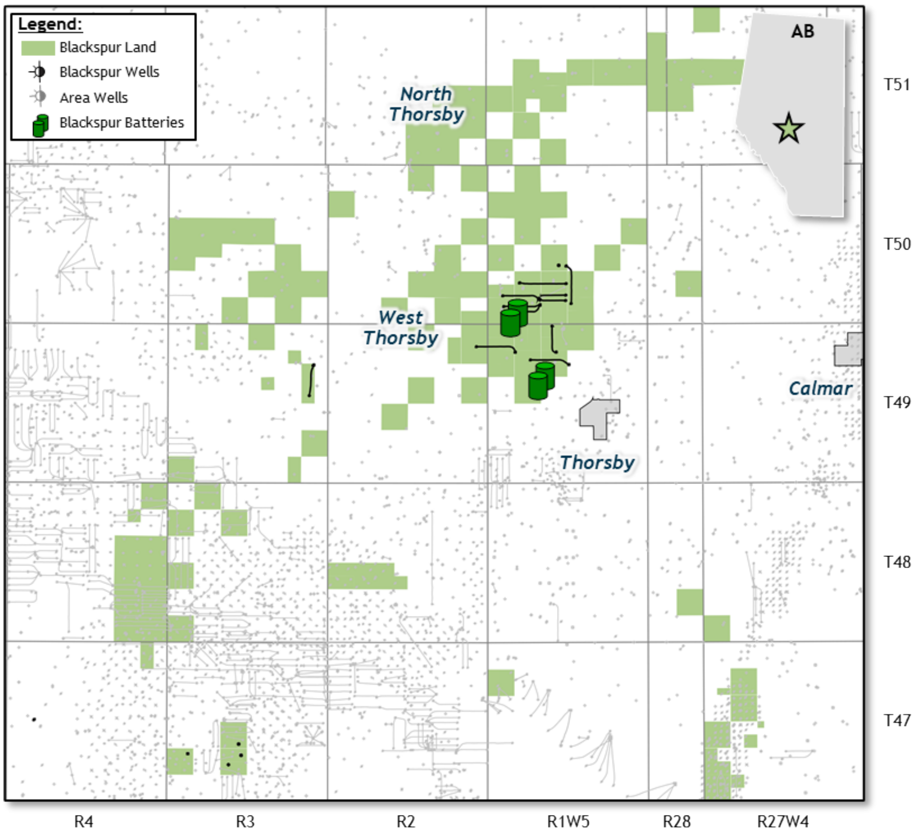
To date 11 wells has been drilled into Thorsby with production coming from the Sparky formation. Production in Q4 2020 averaged ~740boe/d.

Thorsby has a large inventory of wells to drill with 89 Sparky formation and 12 Nisku formation wells identified, which includes 28 Sparky PUD locations. Additionally, upside exists in 66 net sections of Duvernay Formation lands that are included in the acquisition. The assets are development ready and can be scaled up quickly with the use of existing pads and facilities.

Significant upside potential remains in D&C refinement (i.e. monobores), as well as in economies of scale with Opex costs (including transportation) of C$10/boe.

Thorsby will provide stable and consistent production and cash flow to Calima and will also be be a platform for growth.

Figure 2.5 – Thorsby Area Land Map



Source: Calima Energy Ltd.

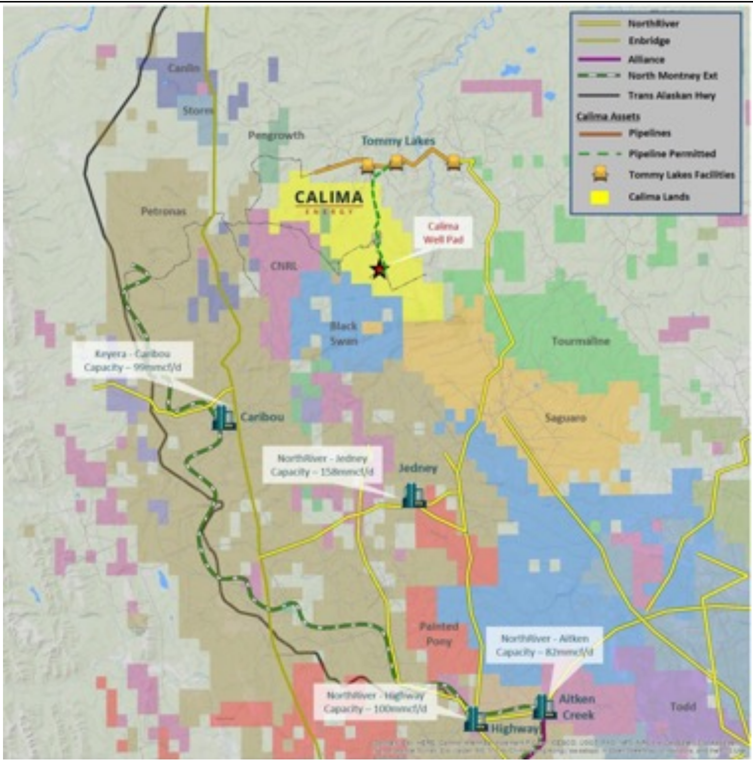
Montney Lands

Calima Energy holds over 63,000 acres of Montney rights in the liquids rich fairway in NE British Columbia.

On 16 September CE1 initiated the a sale process for its Montney assets.

The land position started assembly in 2014 and continued into 2018. Through a successful exploratory drilling program in 2019, Calima was able to convert ~60% of the core acreage to 10 year leases.

Figure 2.6 – Montney position in relation to other acreage positions & sizes

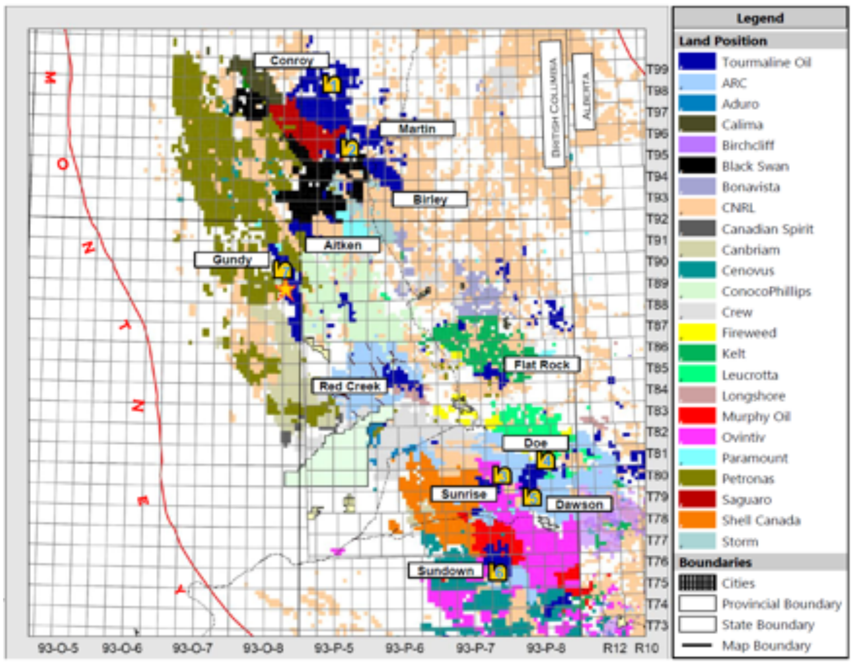


Source: Calima Energy Ltd

Calima has drilled, three wells in the Montney. The first well retrieved 240m of core from the Montney formation. The second and third wells each had 2,500m horizontal legs and were located in the upper and middle Montney formation.

CE1 is in a great neighbourhood in the Montney with significant other oil and gas players in the area including Shell, ConocoPhilips, Murphy Oil, Petronas and Tourmaline.

Figure 2.7 – Other Participants in the Montney



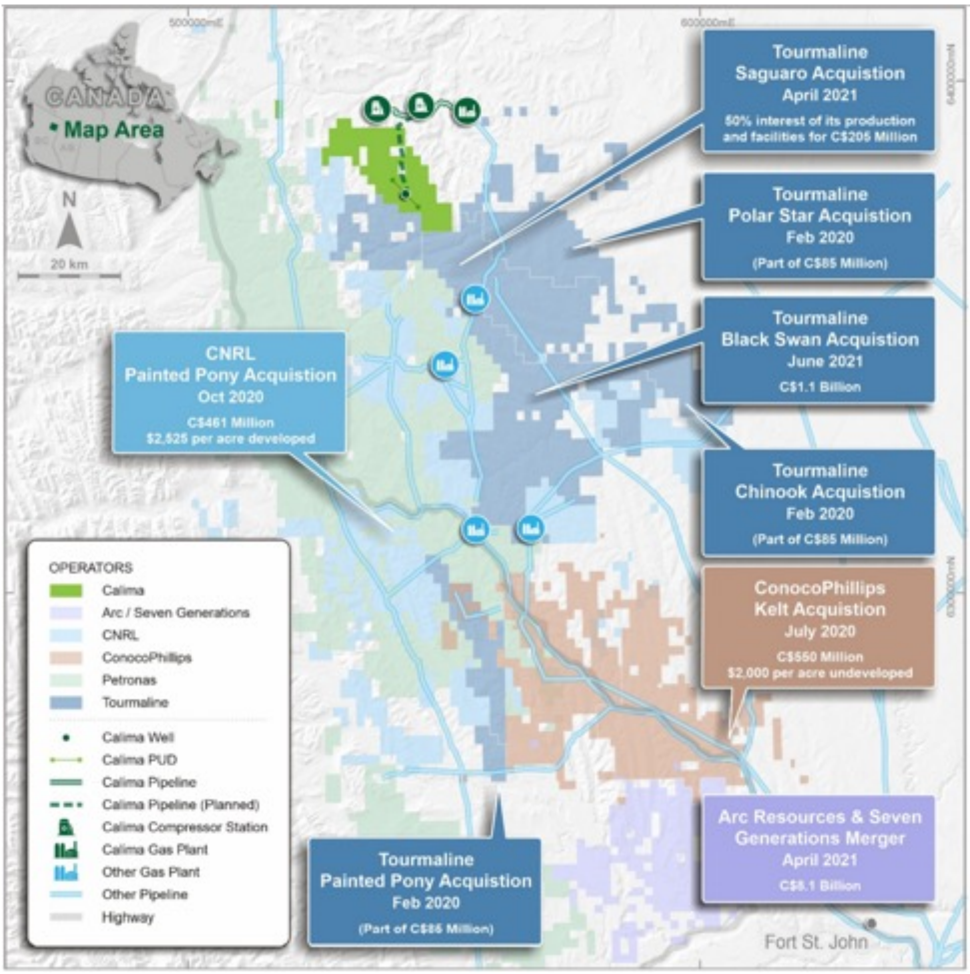
Source: Company reports, geoSCOUT

Calima's strategy is to prepare the Montney asset for future development while unlocking value short term via joint ventures, partnerships or a corporate transaction.

The Montney remains a strategic source of oil & gas to eastern Canada and the US market as evidenced with the recent wave of corporate activity including:

- Tourmaline's Black Swan acquisition for C$1.1 billion
- Tourmaline's Saguaro acquisition of 50% interest of its production and facilities for C$205m
- Tourmaline's C$85m purchase of select acreage from Painted Pony, Polar Star and Chinook.
- ARC Resources and Seven Generations Energy C$8.1 billion merger
- Canadian Natural Resources (CNRL) C$461m purchase of Painted Pony
- ConocoPhillips C$550m purchase of Kelt

Figure 2.8 – Transactions in the Montney



Source: Calima Energy Ltd

Tommy Lakes

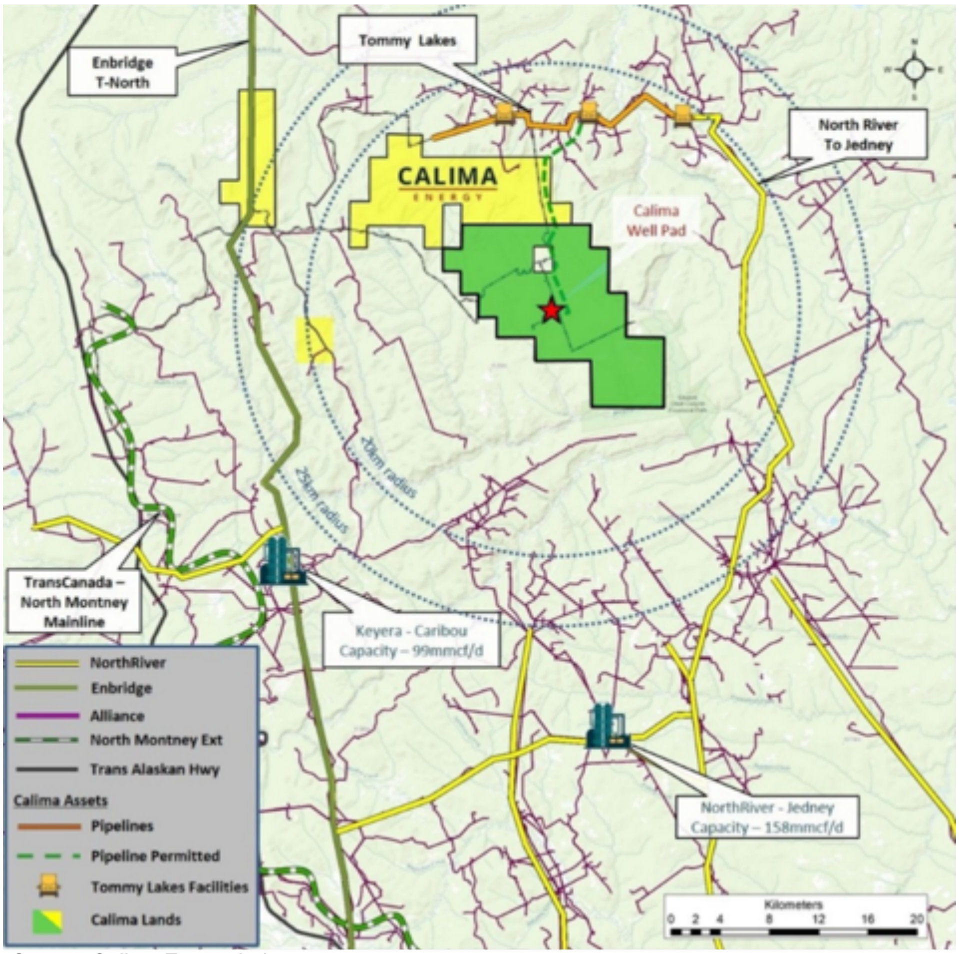
Calima closed the acquisition of the Tommy Lakes infrastructure in April 2020. The facilities include over 30km of pipe, three compressor stations, an accommodations camp and a tie-in to a 12” sales gas line.

Figure 2.9 – CE1 Tommy Lakes infrastructure - Aerial View

Source: Calima Energy Ltd

The design capacity of the infrastructure is 50 mmscf/d of gas and 2,500 bbl/d of condensate. The acquisition provides a way for CE1 to monetise and deliver its produced gas and condensate to market.

Figure 2.10 – CE1 Montney position in relation to infrastructure & pipelines



Source: Calima Energy Ltd

Furthermore the sales line has capacity to accommodate an expansion of the facilities in the future. The Tommy Lakes infrastructure is currently preserved in a shut-in state and ready for reactivation. These facilities have a replacement value of A$85m.

Calima has the permits in place to construct the pipeline to tie-in the Montney wells at Pad A-54 to the Tommy Lakes infrastructure. The tie in could be completed in one winter season and the facilities would be restarted within the same timeframe.

3. Directors & Management Team

Directors and management have substantial experience leaving the company in very capable hands.

Glenn Whiddon, Chairman

Mr Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with a specific focus on natural resources. Mr Whiddon holds a degree in Economics and has extensive corporate and management experience. He is currently Director of a number of Australian and international public listed companies in the resources sector.

Mr Whiddon was formerly Executive Chairman, Chief Executive Officer and President of Grove Energy Limited, a European and Mediterranean oil and gas exploration and development company, with operations in Italy, Romania, Slovenia, Tunisia and the UK and Dutch North Seas. In 2002 Grove's Market capitalisation was less than C$5m. In April 2007, Grove was acquired by Stratic Energy Limited, a TSX-listed oil and gas company, for C$150m.

Jordan Kevol, CEO

Jordan was a founder of Blackspur Oil Corp. and has been the President and CEO since 2012. Mr Kevol holds a BSc (Geology) with 16 years of public and private Canadian junior E&P experience. Jordan is also a Director of Source Rock Royalties. Jordan will take on the role of CEO of the merged Company.

Mark Freeman, Finance Director

A Chartered Accountant with more than 20 years' experience in corporate finance and the resources industry. He has experience in strategic planning, business development, mergers and acquisitions, North American gas commercialisation, and project development general management. Mr Freeman has worked with a number of successful public resource companies and since 2015 has been providing strategic advice to TSV Montney Limited. A graduate of the University of Western Australia with a Bachelor of Commerce Mr Freeman also holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

Brett Lawrence, Non-Executive Director

Mr Lawrence is a 15-year veteran of the oil and gas industry and holds a Master of Petroleum Engineering, a Bachelor of Engineering (Mining) and Bachelor of Commerce (Finance) from Curtin University in Western Australia. Mr Lawrence worked with Apache Energy for over eight years, performing roles in drilling engineering, reservoir engineering, project development and commercial management and has held senior roles in the commercial, financial and corporate arenas with various ASX listed public companies.

Lonny Tetley, Non-Executive Director

Lonny Tetley is a securities lawyer and partner at Burnet, Duckworth and Palmer LLP with over 15 years of experience in corporate finance and the oil and gas industry. Mr. Tetley serves on the Board of a number of companies including Certarus Ltd., Beyond Energy Services & Technology Corp. and Accelerate Financial Technologies Inc. He is also a member of the Private Funds Independent Review Committee of Deans Knight Capital Management Ltd.

Braydin Brosseau, CFO

A Chartered Professional Accountant, Chartered Accountant with 15 years of experience in finance, accounting, treasury, tax, strategic planning, and M&A. Mr. Brosseau has worked with a number of public and private E&P and Asset Management companies, and been the Chief Financial Officer of Blackspur Oil Corp. since September 2014. Previous experience gained was at West Valley Energy Corp., Aston Hill Financial Inc., and PwC LLP. Mr. Brosseau holds a Bachelor of Commerce (Distinction) from the University of Saskatchewan.

4. Investment Risks

CE1 is exposed to a number of risks including:

- **Material Business Risks:** The international scope of Calima's operations, the nature of the oil and gas industry and external economic factors mean that a range of factors may impact results. Material macro-economic risks that could impact the Company's results and performance include oil and gas commodity prices, exchange rates and global factors affecting capital markets and the availability of financing.
- **Technical Risk:** Oil and Gas exploration and production is speculative by nature and therefore carries a degree of risk associated with the discovery of hydrocarbons in commercial quantities. Exploration activity may be adversely influenced by a number of different factors including, amongst other things, new subsurface geological and geophysical data, drilling results including the presence, prevalence and composition of hydrocarbons, force majeure circumstances, drilling cost overruns for unforeseen subsurface operating conditions or unplanned events or equipment difficulties, changes to resource estimates, lack of availability of drill rigs, seismic vessels and other integral exploration equipment and services
- **Operational Risk:** Successful production operations are still subject to a range of risks and uncertainties. These risks and uncertainties in part relate to the estimated quantities of petroleum that may potentially be recovered. They also relate to the costs involved of asset development and subsequent production, which are subject to a range of qualifications, assumptions and limitations. They also relate to the timing of project development and subsequent production, which is subject to a range of factors many of which are not within Calima's control.
- **Government and Regulator Risk:** Calima's rights, obligations and commercial arrangements through all stages of the oil and gas lifecycle (exploration, development, production) in international oil and gas permits are commonly defined in agreements entered into with the relevant country's Government as well as in the Country's petroleum, tax and emission related legislation and other laws. These agreements and laws are at risk of amendment by a Government which accordingly could materially impact on Calima's rights and commercial arrangements adversely. Furthermore, due to the evolving nature of exploration work programs (as new technical data becomes available) and due to the fluctuating availability of petroleum equipment and services, Calima may seek to negotiate variations to permit agreements in particular in relation to the duration of the exploration phase in the permit and the work program commitments.
- **Environmental Risks:** Oil and gas operations have inherent risks and liabilities associated with ensuring operations are carried out in a manner that is responsible to the environment. Although Calima operates within the prevailing environmental laws and regulations, such laws and regulations are continually changing and as such, Calima could be subject to changing obligations or unanticipated environmental incidents that, as a result, could impact costs, provisions and other facets of Calima's operations

- **Resource Risk:** all resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Commodity Price Risk:** the revenues CE1 will derive mainly through the sale of oil and gas exposing the potential income to hydrocarbon price risk. The price of oil and gas fluctuate and are affected by many factors beyond the control of CE1. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate Risk:** The revenue CE1 derives from the sale of hydrocarbons exposes the potential income to exchange rate risk. International prices of oil and gas as well most of the costs base are denominated in United States or Canadian dollars, whereas the financial reporting currency of CE1 is the Australian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the USD and the AUD and the CAD as determined by international markets**.**
- **Management and Labour Risk**: an experienced and skilled management team is essential to the successful development and operation of hydrocarbon projects.

Evolution Capital Advisors Pty Ltd

Level 10, 23-25 Hunter Street
Sydney, NSW 2000
Tel: +61 2 8379 2958
www.eveq.com