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Zacks Small-Cap Research

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Calima Energy (CLMEF-OTCQB)

CLMEF: Growing cash flow and expanding production of energy.

CLMEF is an Australian company with energy assets in Canada that is traded OTC in the US. The company has a solid balance sheet and is increasing production, resulting in returning cash to shareholders.

OUTLOOK

Calima Energy is an Australian-based company operating oil wells in Canada. Calima is a production-focused energy company pursuing the exploration and development of oil and natural gas assets in the Western Canadian Sedimentary Basin.

With sources of energy from “friendly” to the western world countries seeing a demand increase, Calima continues to expand production and dish out cash to shareholders.

Current Price (10/05/22)	$0.09
Valuation	**$0.55**

SUMMARY DATA

52-Week High	**$0.14**
52-Week Low	**$0.07**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**17,850**
Shares Outstanding (mil)	**615**
Market Capitalization ($mil)	**$52**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**AUD$0.01**
Dividend Yield (%)	**5%**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Medium**
Type of Stock	**N/A**
Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of AUD$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	$1.0 A	$10.1 A	$17.8 A	$19.8 A	$47.7 A
2022	$31 A	$37 A	$33 E	$35 E	$136 E
2023	$38 E	$40 E	$39 E	$40 E	$157 E
2024	$42 E	$45 E	$45 E	$48 E	$180 E

Earnings per share (AUD$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	N/A	N/A	N/A	N/A	-$0.08 A
2022	N/A	N/A	$0.03E	$0.04E	$0.13 E
2023	$0.04E	$0.03E	$0.05E	$0.04E	$0.16 E
2024	$0.04E	$0.04E	$0.05E	$0.06E	$0.19 E

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Update

We are reiterating our positive view on Calima Energy (CLMEF) and urging investors to take a look at a company with an in-demand asset that is well run, cares about shareholders and is trading well below our conservative valuation of $0.55/share.

Calima has various energy fields in Canada yielding an increasing amount of oil and natural gas—both products that are seeing increasing demand—even more so after the recent announcement by OPEC+ that the countries in that organization have agreed to cut two million barrels of oil per day from the market. To combat that move, as well as to help offset reduced access to Russian energy assets by the Western world due to the ongoing Ukranian conflict. Calima is providing just such a service.

According to the company's latest update, oil production increased 6% in August versus the previous month—continuing a trend of growing production we've seen over the past year and the company is projecting to continue for the foreseeable future. The same upward trend is also seen in natural gas, with the company expecting at least a 3% gain in production in the second half of the year versus the first half.

This increased production has led to increased cash flow to Calima, with a roughly zero reading on free cash flow being reported in the first half turning into a AUD$16 million worth of free cash in the second half of the year. This, combined with a share offering in the first half of year, has allowed Calima to bolster its balance sheet by paying off its credit line and reducing its debt load to AUD$9.8 million as of June 30, 2022, down from AUD$27.8 million at the end of 2021. The company's increasing production and cash flow has also enabled management to initiate a dividend payment of AUD$2.5 million—which translates into an annual yield of 5%. The company also continues to buy back shares—with Calima reporting buying over 4.9 million shares in the first half of 2022.

The present looks good for the company and the future looks even better in our view, with production increasing and a major asset waiting to be exploited. We've noted the production expansion, and with the company reporting that it can break even at its Brooks and Thornsby oil fields at $30-$35 per barrel, well below the recent price of over $80 per barrel for WTI crude.

To us, this story is compelling and makes CLMEF a very attractive investment possibility, but the company adds to the positive story by having as asset that has yet to be exploited. The Montney Field is a liquid-rich area in northeast British Columbia in which Calima holds 60,000 acres. The company also notes that the area is gaining global attention due to the large Shell-led LNG Canada project moves closer to commercialization. Calima is continuing to analyze various options with the field, from developing some or all of it themselves to selling some or all of it to other parties, but is being thoughtful and patient about the process as the demand for energy increases and the "friendly" places to get that energy seem to be decreasing.

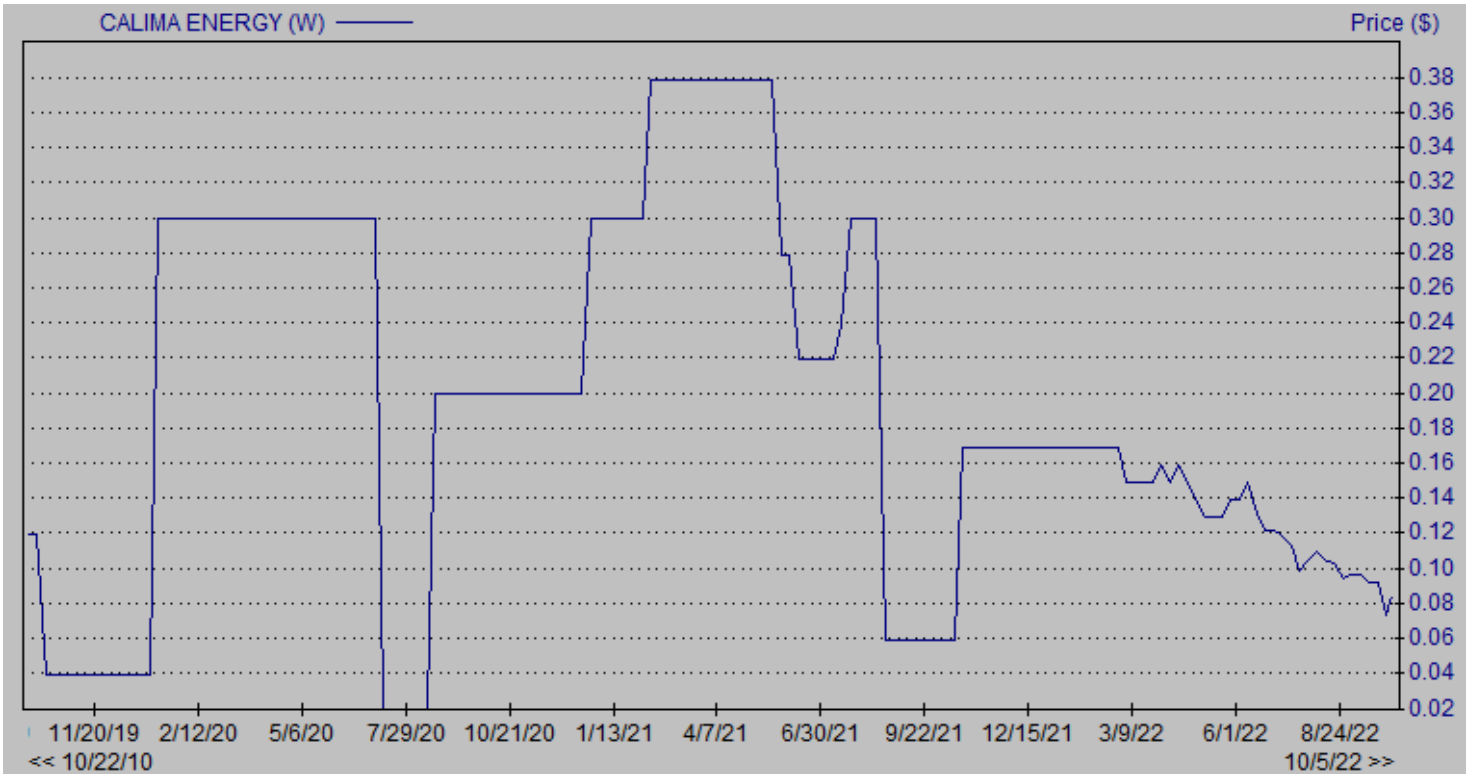
Montney Field Asset

(Net of Royalties)	Prospective Resource (2U)	Contingent Resource (2C)		
		Dev on hold	Dev Pending	Total Contingent
Natural Gas (mmcf)	**588,109**	535,193	213,295	**748,488**
Total Liquids (mbbl)	**28,240**	25,644	10,137	**35,780**
Total BOE (Mboe)	126,258	114,842	45,686	160,528

Source: Calima Energy—October 5, 2022

With energy sources becoming more difficult to come by and, despite the push for “green” energy, demand for fossil fuels increasing, a company that increasing energy production that has a solid balance sheet and is returning cash to shareholder at a rapid clip should, in our view, be of interest to investors and we suggest taking a long look at whether Calima Energy (CLMEF) may be a great addition to an equity portfolio.

HISTORICAL STOCK PRICE



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