October 18, 2022

Zacks Small-Cap Research

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Calima Energy (CLMEF-OTCQB)

CLMEF: Drilling activity expanding, supporting cash flow and improving production.

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.

Current Price (10/17/22)	$0.08
Valuation	**$0.55**

OUTLOOK

Calima Energy provided an update on the company's activity in 4Q and plans for the future. The new drillings announced fit in with the company's history of good use of capital in order to provide return to shareholders.

The company also provided an update on the Montney asset—an area that we are excited about and believe the company has a good chance to obtain great value for the property that the market is not recognizing.

SUMMARY DATA

52-Week High	**$0.14**
52-Week Low	**$0.07**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**29,400**
Shares Outstanding (mil)	**615**
Market Capitalization ($mil)	**$50**
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	**0.9**
P/E using 2023 Estimate	**0.7**
Zacks Rank	**N/A**

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

ZACKS ESTIMATES

Revenue
(in millions of AUD$)

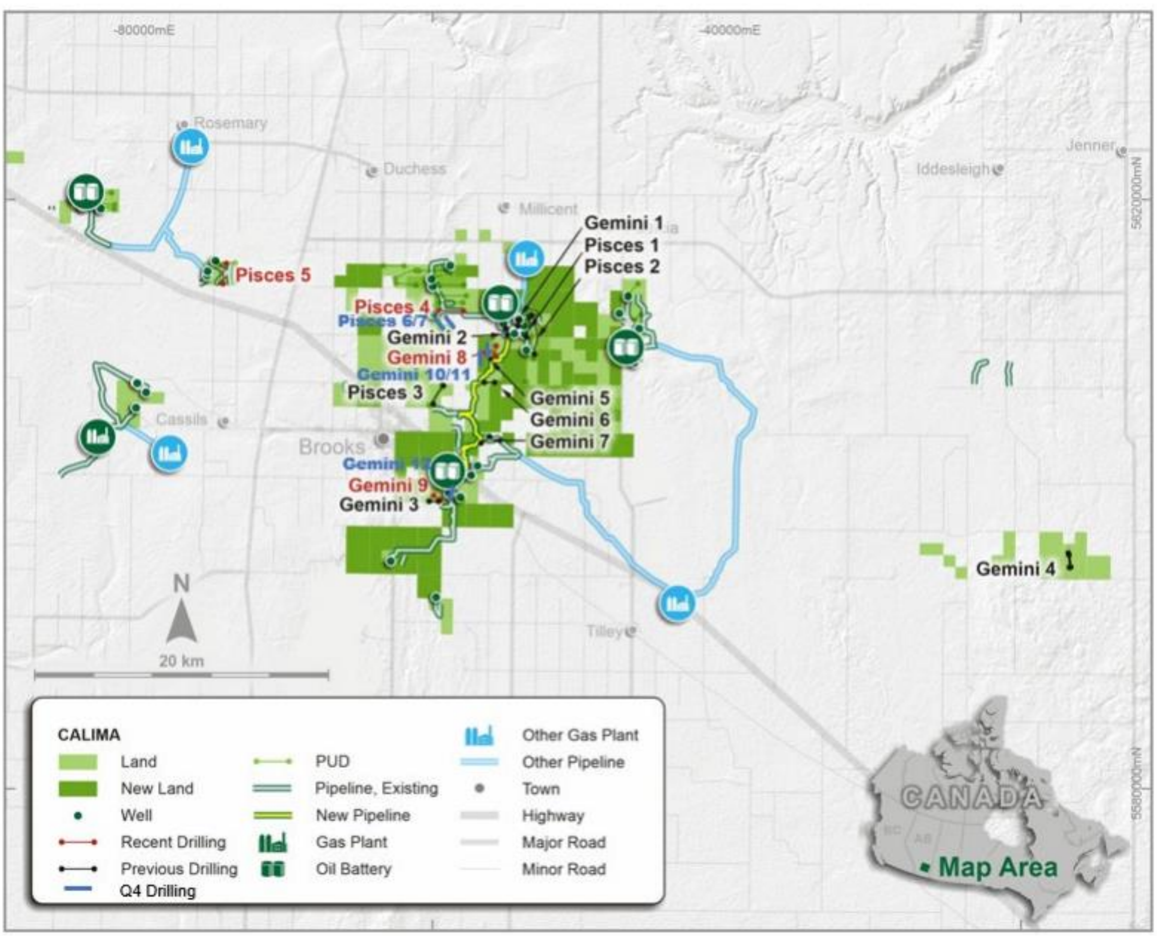
	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2021	$1.0 A	$10.1 A	$17.8 A	$19.8 A	$47.7 A
2022	$31 A	$37 A	$33 E	$35 E	$136 E
2023	$38 E	$40 E	$39 E	$40 E	$157 E
2024	$42 E	$45 E	$45 E	$48 E	$180 E

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

Update

- Calima Energy announced that it was commencing a new five well drilling program—all horizontal—that will continue to enable the company to expand production and return cash to shareholders.
  - A three well program will be drilled as part of the Gemini Sunburst Program.
    - Gemini 10 was spud on October 5 and is designed to increase the recovery factor in the Sunburst Formation pool—which has historically been developed by vertical wells. The well will be drilled from the same pad as Gemini 3 and 9.
    - Gemini 11 and 12 was spud on October 15 and is being drilled on the same pad as Gemini 5 and 8.
      - Wells in the Sunburst formation are considered true conventional wells in that they don't require fracture stimulation to produce.
        - The company expects the wells to pay out in fewer than 12 months.
  - A two well program part of the Pisces Glauconitic Program.
    - Pisces 6 and 7 are follow up wells to the successful horizonal Pisces 4 well drilled earlier this year and are interpreted to be in the same pool.
      - Peak production is expected by Q1 2023.



Source: Calima Energy, October 18, 2022

- The company announced that it is looking at and budgeting for drilling in both Brooks and Thorsby that may commence in Q1 2023.

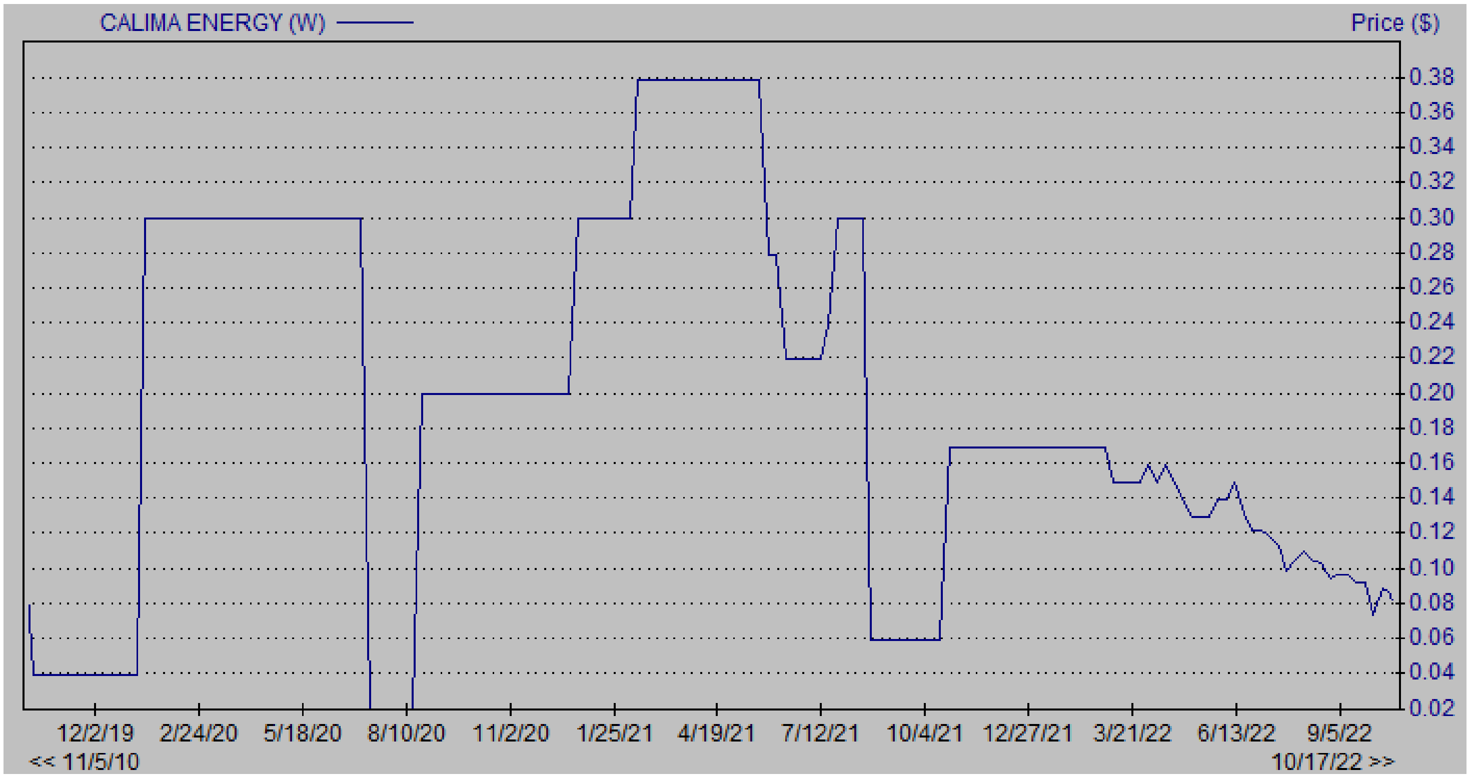
- Average production in Q3 met forecasts at 4,160 boe/d.

- Management also gave an update on the Montney asset.
    - The company notes that commodity prices are elevated, demand for LNG exports is increasing and that LNG Canada is now 65% complete with the first shipments expected as early as 2025.
        - As a result—Calima is stepping up efforts to extract value from the asset.
        - The company said it is planning a modest winter program to progress and further de-risk development in the field and aid in prepping for anticipated development via a joint venture.
            - Management notes no deals have been reached but discussions are ongoing.
            - Pending securing a joint venture partner, initial production is targeted for Q1 2025.

Summary

Calima Energy continues to make decisions that, in our view, enhances the value of the company by increasing production at a reasonable cost—resulting in a low risk, high return potential for the company with the current plans. We believe this will enable the company to continue to return cash to shareholders and solidifies our belief that CLMEF is undervalued at recent prices.

HISTORICAL STOCK PRICE



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