CALIMA ENERGY

ABN 17 117 227 086

HALF-YEAR FINANCIAL REPORT
30 JUNE 2021

Blackspur 02-29 battery (Brooks)

CALIMA ENERGY

CORPORATE INFORMATION

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

DIRECTORS' REPORT
For the half-year ended 30 June 2021

The Directors of Calima Energy Limited (**ASX: CE1**) ("**Calima**" or the "**Company**") are pleased to present the Directors' Report for the six months ended 30 June 2021. This Director's Report primarily includes the financial results of Calima and its two wholly-owned Canadian subsidiaries, Blackspur Oil Corp. ("Blackspur") and Calima Energy Inc. (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
- Brett Lawrence, Non-Executive Director
- Lonny Tetley, Non-Executive Director
- Mark Freeman, Finance Director & Company Secretary

During the half year ended 30 June 2020, the following changes in the entity's Directors and Executives occurred:
- On 30 April 2021, Jordan Kevol was appointed as President & CEO following the Blackspur Acquisition. On 28 May 2021, Mr. Kevol was appointed to the Board as Managing Director
- On 28 May 2021, Lonny Tetley was appointed to the Board as a Non-Executive Director
- On 23 June 2021, Mark Freeman was appointed to the Board as Finance Director
- On 23 June 2021, Alan Stein resigned from the Board as a Non-Executive Director

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. On 30 April 2021, Calima completed a transformative acquisition of Blackspur, a company that is currently developing oil plays at Brooks and Thorsby in southern and central Alberta, Canada. The Calima Group also holds an undeveloped Montney acreage position in northeastern British Columbia, Canada.

Review and results of operations

Highlights

- **Acquisition of Blackspur –** Following a $38 million equity financing (before transaction costs), Calima completed the acquisition of Blackspur on 30 April 2021 for consideration of $22.4 million paid to Blackspur shareholders and a $28.0 million requisite reduction of Blackspur's Credit Facility (the "Blackspur Acquisition").
- **Production –** During the six months ended 30 June 2021, the Calima Group produced 182,400 boe (gross) of oil and natural gas primarily from the Brooks and Thorsby assets during the months of May and June.
- **Half-year sales and earnings –** For the half year ended 30 June 2021, the Calima Group recognised oil and natural gas sales of A$10.2 million. The Company's net income was A$10.0 million and adjusted EBITDA was A$3.9 million.
- **Reserves(1) –** During the six months ended 30 June 2021, the Calima Group's independent reserve engineers completed an updated evaluation of the Brooks and Thorsby assets. The Company has confirmed 21.4 million boe of proved plus probable reserves and an additional 4.2 million boe of possible reserves in place. On a boe basis, 10.9 million boe of proved plus probable reserves are located at Brooks and 10.5 million located at Thorsby.
- **Energy Prices –** The second quarter price for oil averaged US$66.07/bbl WTI and C$66.99/bbl for WCS benchmarks. Average natural gas prices during the second quarter averaged C$3.07/mcf for the AECO benchmark.
- **Sunburst Drilling Campaign –** The Calima Group has drilled four Sunburst wells at Brooks, Alberta since the Blackspur Acquisition – Two wells from the program were completed and brought on production in the last few days of June, with the remaining two wells brought on stream in mid and late July.
- **Thorsby Drilling Campaign –** A three well drilling program commenced in late July 2021 with first production anticipated in the 4th quarter of 2021.
- **Environmental (ESG) Technology –** Continued investment by Blackspur in H_2Sweet Inc., a company with rights to a proprietary regenerative, H_2S removal technology called Sulfcat®. This technology positions the Calima Group with the ability to lower its CO_2 emission rates and offers a number of positive economic & environmental benefits vs. traditional technology.

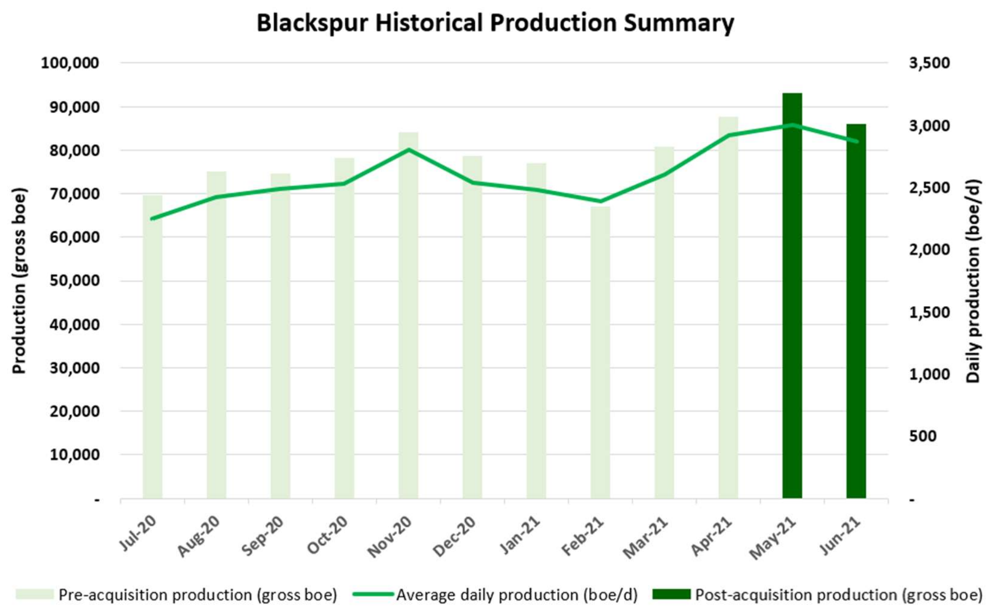
(1) Refer to Calima's announcement dated 1 September 2021 ("2021 Reserve Evaluation - Blackspur Oil Corp.") (www2.asx.com.au)

Production and sales

Six months ended		30 June 2021		30 June 2020
Sales volume				
Oil (bbl)		**115,890**		2,332
Natural gas (Mcf)		**380,106**		-
Natural gas liquids (bbl)		**3,115**		-
Total sales volume (boe)[(1)]		**182,356**		2,332
Liquids percentage		**65%**		100%
Realised prices				
Oil (A$/bbl)	**$**	**74.78**	$	65.61
Natural gas (A$/Mcf)		**3.64**		-
Natural gas liquids (A$/bbl)		**46.20**		-
Oil and natural gas sales				
Oil		**8,667**		153
Natural gas		**1,383**		-
Natural gas liquids		**144**		-
Total oil and natural gas sales	**$**	**10,194**	$	153

(1) Sales volumes reflect 61 days of contributions from Blackspur following the acquisition on 30 April 2021.

For the six months ended 30 June 2021, the Calima Group produced 182,400 boe of oil and natural gas, primarily from the Brooks and Thorsby assets during the months of May and June. Production from Blackspur prior the Acquisition have not been included Calima's consolidated results. The Calima Group exited the second quarter with June production of ~2,883 boe/d. The production split between Blackspur's two core areas was ~70% Brooks and ~30% Thorsby. The following table summarises the historical production of Blackspur before and after the Acquisition:



Following the completion of the current 2021 drilling program, the Company anticipates that at 31 December 2021 exit production will be >4,500 boe/d, and average production for the eight months ended 31 December 2021 of 3,700 boe/d.

During the three months and six months ended 30 June 2021, the WCS benchmark price averaged C$66.99/bbl and C$62.22/bbl, respectively. Crude oil prices strengthened during the first half of 2021 driven by a strong global COVID-19 recovery, particularly in the second quarter. Northern American crude oil inventories were drawn down for much of the second quarter as a result of higher demand for oil as Government restrictions were lifted and economies reopened. The foreign oil supply policy applied by OPEC+ was also constructive for oil prices in the first half of the year. AECO prices remained strong during the first half of 2021 with strong demand fundamentals for natural gas in Alberta, primarily oil sands production and power generation.

During the year ended 31 December 2020, the Calima Group produced 6,038 bbls (16 boe/d) of light oil from its single oil well (Paradise well) in Northeastern BC and the Calima Group recognised $0.35 million of sales (realised price of A$58.75/bbl).

Operating results

Six months ended (A$ thousands)		30 June 2021		30 June 2020
Oil and natural gas sales	**$**	**10,194**	$	153
Royalties		**(1,934)**		(16)
Operating expenses		**(2,102)**		-
Transportation		**(621)**		-
General and administrative expenses		**(1,642)**		(965)
Other income		**-**		18
Adjusted EBITDA(1)		**3,895**		(810)
Financing and interest		**(224)**		(85)
Deferred income tax recovery		**2,210**		-
Depletion, depreciation and impairment		**(1,555)**		(2,530)
Realised loss on risk management contracts		**(1,310)**		-
Unrealised loss on risk management contracts		**(2,843)**		-
Gain on acquisition (net)		**11,438**		-
Transaction costs		**(922)**		-
Share-based compensation		**(750)**		(102)
Foreign exchange gain		**96**		191
Net income (loss)	**$**	**10,035**	$	(3,336)

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures.

During the six months ended 30 June 2021, the Calima Group recognised net income of $10.0 million compared to a net loss of $3.3 million during the same period in 2020. The increase in net income was primarily to the net gain on acquisition recognised as part of the Blackspur Acquisition. Adjusted EBITDA was $3.9 million compared to ($0.8) million in 2020. The increase in adjusted EBITDA was primarily due to the Blackspur operating results since the date of the Acquisition on 30 April 2021. Adjusted EBITDA in 2020 primarily related to overhead expenses of Calima.

The Calima Group pays royalties to various freehold royalty owners under various terms and rates, and to the Province of Alberta in respect of the Company's production and sales volumes. In 2020 and 2021, Blackspur's royalty rate has averaged approximately 18-19% of gross oil and natural gas sales.

The Calima Group's operating expenses primarily consist of the field lifting costs associated with the Company's production from the Brooks and Thorsby asset areas, including operatorship labour, chemicals, energy related costs, lease rentals and property taxes. The Company also incurs processing fees at third-party facilities for the gathering and processing of the Company's natural gas production.

Transportation expenses are primarily related to trucking costs associated with the handling and transport of the Company's produced emulsion and oil and to local receipt terminals where the oil is then delivered to market. Pipeline tariffs are also recognised in respect of natural gas deliveries on the Alberta NGTL pipeline transportation system.

General and administrative expenses primarily consist of the Company's overhead costs incurred to support ongoing operations of the Brooks, Thorsby and Montney assets at the Australian and Canadian head offices. The increase in G&A expenses in 2021 were primarily due overhead costs associated with Blackspur.

Depletion and depreciation in 2021 reflects the development cost of Blackspur's investments which are initially capitalised and then amortised to net income over their estimated useful lives. The majority of the Company's PP&E is depleted using the unit-of production method based on the estimated recoverable amount from 2P reserves. The depletion base consists of the historical net book value of capitalised costs, plus estimated future development costs required to develop the Company's estimated 2P reserves. The Company recognised an impairment loss of $2.5 million in 2020 primarily in respect of the Company's investment in Bahari Holding Company Limited and certain E&E expenditures incurred during the year.

The risk management contracts relate to the Company's commodity price hedging program which is designed to limit downside exposure to market volatility, ensure a sufficient level of cash flows to service debt obligations and ensure capital is available to fund the Company's development and operational programs. During the six months ended June 30, 2021, the Company recognised a $4.2 loss on risk management contracts ($2.8 million unrealised) primarily due to rising commodity prices, particularly for oil (WTI), relative to the Company's fixed contract positions.

As a result of the Blackspur Acquisition, Calima recognised a net gain on acquisition $11.4 million, reflecting the fair market value of assets acquired and the recognition of associated deferred income tax assets, in excess of the consideration paid. The Company also recognised $0.9 million in transaction costs associated with the Acquisition.

Calima recognised share-based compensation expense of $0.8 million during the first half of 2021 primarily due to the issuance of performance rights and stock options that were granted to the personnel of Calima and Blackspur, respectively.

Development update

Six months ended (A$ thousands)		30 June 2021		30 June 2020
Drilling and completion	**$**	**3,785**	$	-
Equipping, tie-in and facilities		**928**		516
Land and other(1)		**318**		218
Total investment in oil and natural gas assets	**$**	**5,031**	$	734

(1) Primarily consists of land acquisitions, geological and geophysical activities.

During the three and six months ended 30 June 2021, the Calima Group invested A$5.0 million, with A$3.8 million allocated to the four-well Gemini drilling program in the Sunburst Formation at Brooks, Alberta. The Calima Group also invested A$0.9 million on tangible equipment for hydrocarbon production; the tie-in of two wells into gathering facilities, and on related facility improvements. First half investments also included pre-development expenditures of A$0.5 million related to the planned third quarter drilling program at Thorsby.

In late July, the Company commenced a three-well (net) drilling program in the Thorsby area (Sparky Formation). The development wells are expected to be on stream in the fourth quarter of 2021. The Calima Group has budgeted to spend C$15.4 million between July and December 2021 on capital development programs in the Brooks and Thorsby asset areas. This includes a portion of the drilling, completion and equipping costs for Gemini 3 & 4 wells, the three wells planned at Thorsby in Q3 2021, as well as waterflood, workover, and maintenance capital on existing assets.

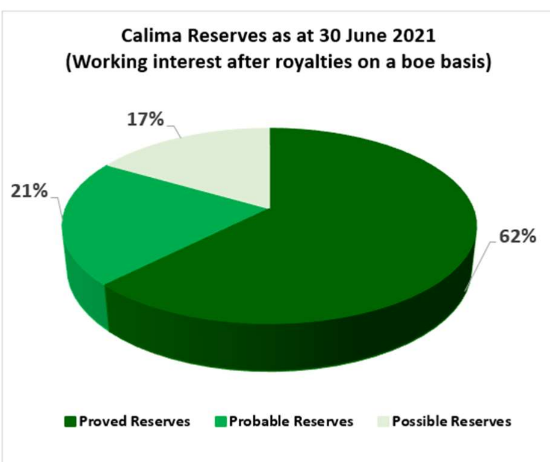
Capital investments in the first half of 2020 primarily relate to the acquisition of the Tommy Lakes Montney infrastructure.

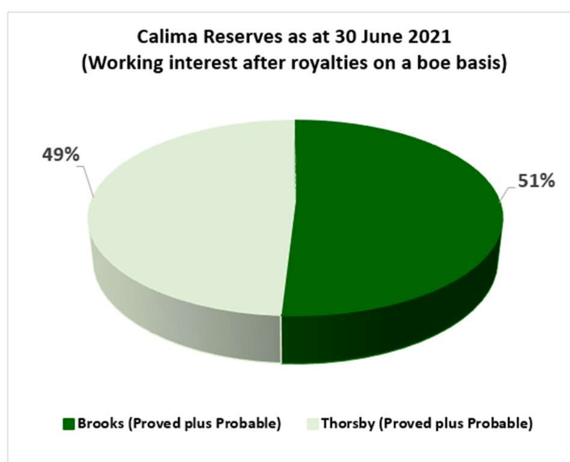
Reserves update

Reserves as at 30 June 2021 (Working interest after royalties)(1)(2)	Oil and liquids (Mboe)	Natural gas (MMcf)	Oil Equivalent (Mboe)
Proved development producing	3,261	11,435	**5,167**
Proved developed not producing	114	374	**176**
Proved undeveloped	7,068	21,934	**10,723**
Total proved	10,443	33,742	**16,066**
Probable	3,357	12,061	**5,368**
Total proved plus probable	13,800	45,803	**21,434**
Possible	2,711	9,412	**4,280**
Total proved plus probable plus possible	16,511	55,216	**25,714**

(1) Table may not add due to rounding.
(2) Refer to Calima's announcement dated 1 September 2021 ("2021 Reserve Evaluation – Blackspur Oil Corp.") (www2.asx.com.au)

During the six months ended 30 June 2021, the Calima Group's independent reserve engineers completed an updated evaluation of the Brooks and Thorsby assets. The Company has confirmed 21.4 million boe of proved plus probable reserves and an additional 4.2 million boe of possible reserves in place (25.7 mmboe total)[1]. On a boe basis, 10.9 million boe of proved plus probable reserves are located at Brooks and 10.5 million located at Thorsby. The following pie chart illustrates the distribution of the Company's reserves:





[1] Refer to announcement dated 1 September 2021 ("2021 Reserve Evaluation – Blackspur Oil Corp.") 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.

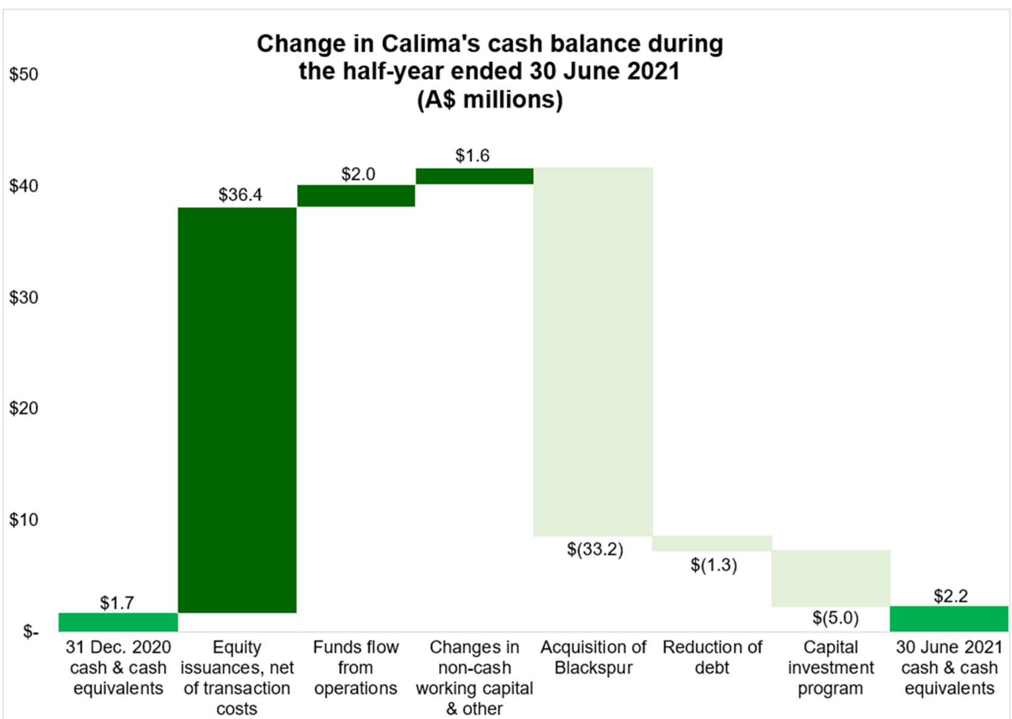
Liquidity and capital resources

As at (A$ thousands)		30 June 2021		31 December 2020
Available funding				
Adjusted working capital[1]	**$**	**1,858**	$	936
Undrawn Credit Facility capacity		**8,897**		-
Available funding[1]		**10,755**		936
Net debt				
Credit facility draws		**(17,837)**		-
Other indebtedness		**-**		(857)
Long-term portion of lease liability		**(378)**		(461)
Adjusted working capital[1]		**1,858**		936
Net debt[1]	**$**	**(16,357)**	$	(382)

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures. As at June 30, 2021, adjusted working capital is calculated as current assets of $8.7 million less accounts payable and accrued liabilities of $6.8 million. As at December 31, 2020, adjusted working capital is calculated as current assets of $1.8 million less accounts payable and accrued liabilities of $0.9 million.

As at 30 June 2021, the Calima Group had available funding of A$10.8 million which primarily consisted of cash, adjusted working capital, and available credit under Blackspur's National Bank of Canada revolving credit facility. Net debt increased in the second quarter of 2021 since the date of the Blackspur Acquisition as a result of the drilling and completion costs for the Gemini wells during the period, with operating income to be generated post 30 June 2021.

Calima is targeting to exit 2021 with net debt of A$12 million based on the Company's forecast of cash provided by operating activities in excess of capital investments. The following table summarises the change in the Company's cash balance during the half-year ended 30 June 2021:



Hedging program

The Calima Group executes a risk management program which is designed to limit downside exposure to market volatility, ensure a sufficient level of cash flows to service debt obligations and ensure capital is available to fund the Company's development and operational programs. The Company's risk management portfolio consists of instruments that are intended to mitigate Calima'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 WTI.

In the current energy price cycle, it is intended that post payout production will be unhedged, provide exposure to commodity price volatility, subject to National Bank's requirement to hedge 50% of volumes (net of royalties) for the forward 12-month period should drawdowns under the facility exceed 50% over an extended period. In a rising energy cycle, hedging losses will occur on that portion of the production hedged; however, with hedges set on a staggered basis as capital is committed, we see this strategy as an appropriate safeguard of the balance sheet.

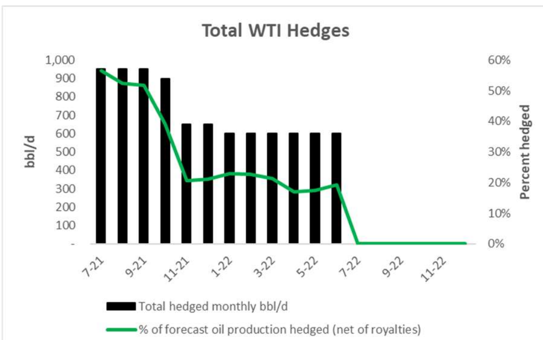
Calima generally hedges oil price exposure on a forward rolling one year basis. The Company's current policy is to hedge 50% of forecast oil production for the upcoming four quarters. Upon committing capital to drill a well, the Company will hedge sufficient volume (~ 5 - 7 months) to secure the pay-out of the well. Below is a summary of the current hedge strategy:

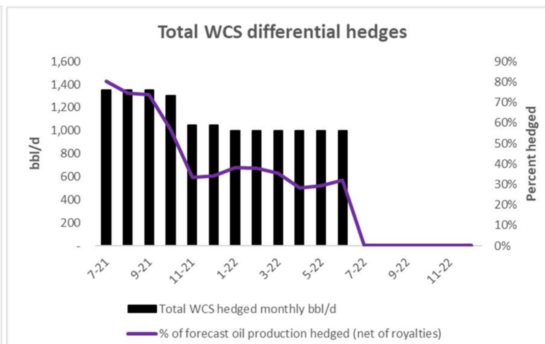
1. The Company presently has ~50% of forecast production volumes (net of royalty volumes) hedged for Q3 2021 (see graphs below). Many of these swaps were put in place in prior to the acquisition of Blackspur and will roll off over the coming months.
2. Approximately 20% of forecast production volumes (net of royalty volumes) are hedged for Q4 2021 and H1 2022 on a WTI basis, leaving ample opportunity to layer on WTI hedges at higher prices.
3. 30% of forecast production volumes (net of royalty volumes) are hedged for Q4 2021 and H1 2022 for the WCS differential only. Going forward, as production increases, additional WCS differential hedges will be layered in to reduce the risk of WCS differential widening, relative to the price of WTI.

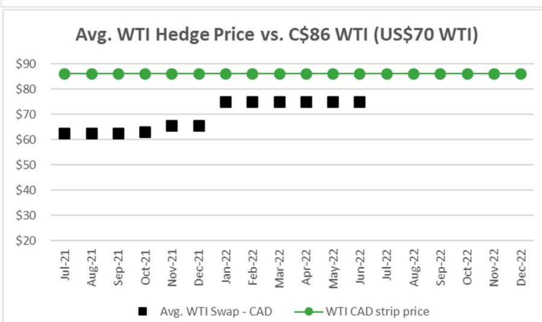
The Company's risk management contracts consisted of the following positions as at 30 June 2021:

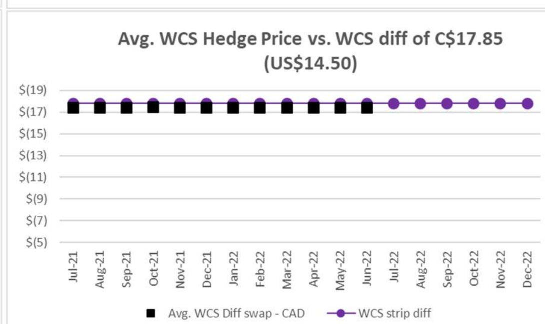
	C$ WTI Swaps			C$ WCS/WTI Differential Swaps			C$ AECO Swaps	
Term[(1)]	bbl/d		C$/bbl	bbl/d		C$/bbl	Gj/d	C$/Gj
2021 (July - December)	**1,000**	$	62.42	**1,400**	$	(17.53)	**3,150**	2.69
2022	**300**	$	75.02	**500**	$	(17.44)	**1,060**	2.70

(1) Weighted average volumes and prices are presented over the number days in the period









Significant changes in state of affairs

During the half year ended 30 June 2021, the following significant changes in the entity's state of affairs occurred:

- On 14 January 2021 the Company issues 15.2 million shares to Directors and Management in lieu of fees owing as at 31 December 2020 as approved at the General Meeting held on 29 May 2020. The shares were issued subject to three months voluntary escrow.
- On 14 April 2021 the Company issues 14.7 million shares to Directors and Management in lieu of fees owing as at 31 March 2021 as approved at the General Meeting held on 29 May 2020. The shares were issued subject to three months voluntary escrow.
- On April 28, 2021, the Company completed an equity financing for gross proceeds of A$38.0 million before transaction costs, issuing 5.4 billion shares at $0.007 per share. Funds raised from the equity financing were primarily utilised to complete the plan of arrangement associated with the Blackspur Acquisition, which included a reduction of Blackspur's net debt by A$28.0 million.
- On 30 April 2021, met the conditions precedent to finalise a plan of arrangement with Blackspur to acquire 100% of its issued and outstanding common shares for total cash and share consideration of A$22.4 million in a transaction

valued at approximately A$65.8 million, inclusive of net debt. On 10 May 2021 to satisfy the share component of the acquisition, the Company issued 2.46 million shares to legacy shareholders of Blackspur Oil Corp. Details of the Blackspur Acquisition are included in the Company's notice of meeting dated 11 March 2021.

- On 30 April 2021 the Company issued:
  - 163.4 million common shares at $0.07 per share in lieu of payment of $1.143m in loans and creditors
  - 50.0 million broker options (exercisable at $0.01 per unit on or before 30 April 2024)
  - 96.0 million performance rights, all of which vested in 2021
- On 10 May 2021 the Company issued:
  - 2.9 million shares issued to marketing consultants in lieu of cash for such services equivalent to $20,000
  - 298.5 million Executive Employee Incentive Options. The incentive options vest over three equal annual tranches, with an exercise price of 1 cent each, for a term of five years.
  - 20.0 million Class C Performance Rights. The Incentive Performance Rights will vest following the Calima Shares reaching AUD 1.5 cents over 20 consecutive trading days (on which Calima Shares have actually traded);
- On 16 June 2021 the Company issued 8.0 million Executive Employee Incentive Options on the same terms and conditions as those issued on 10 May (and detailed above).
- On May 20, 2021, Calima approved a capital budget C$20 million for the eight months ended 31 December 2021.

There was no significant change in the entity's state of affairs other than what has been referred to in this Directors' report, the half year financial statements or the notes thereto.

Events after the reporting period

The following events occurred subsequent to the period ended 30 June 2021:

- On 1 September 2021 the Company announced updated reserve estimates for Blackspur's Brooks and Thorsby assets as at 30 June 2021
- On 30 August 2021, the Company's shareholders approved the issue of incentive securities as follows:
  - 30.0 million Class C Performance Shares to Glenn Whiddon
  - 50.0 million Executive Employee Incentive Options were issued to Jordan Kevol, and
  - 6.0 million Executive Employee Incentive Options were issued to Patrick (Lonny) Tetley

  These securities were issued on 6 September 2021
- On 30 August 2021, shareholders of Calima approved a 20:1 consolidation of capital. The post consolidation capital structure is set out below:

Number of units on issue (thousands)	30 August 2021 (post consolidation	30 June 2021 (pre-consolidation)
Common shares	**513,703**	10,274,055
Stock options	**21,663**	433,250
Performance Rights	**8,273**	165,450

The Directors are not aware of any matter or circumstance not otherwise included within this report herein that has significantly affected or may significantly affect the Calima Group's operations or state of affairs subsequent from the 30 June 2021 to the date of this report.

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 8.

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 Director's Report and the financial report. Amounts in the Director's Report and half year financial statements have been rounded off to the nearest thousand dollars in accordance with the instrument.

Signed in accordance with a resolution of the Directors.

Glenn Whiddon
Chairman
10 September 2020

Auditor's Independence Declaration

As lead auditor for the review of Calima Energy Limited for the half-year ended 30 June 2021, 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.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
10 September 2021

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

CALIMA ENERGY LIMITED

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income (loss) (unaudited)

(thousands of Australian dollars)

For the six months ended	Notes		30 June 2021		30 June 2020
Revenue					
Oil and natural gas sales	17	$	10,194	$	153
Royalties expense			(1,934)		(16)
			8,260		137
Risk management contracts					
Realised loss	11		(1,310)		-
Unrealised loss	11		(2,843)		-
Other income			-		18
			4,107		155
Expenses					
Operating	18		2,102		-
Transportation	19		621		-
Depletion, depreciation and impairment	8		1,555		2,530
General and administrative	20		1,642		965
Transaction costs	5		922		-
Financing and interest			224		85
Share-based compensation	21		750		102
Foreign exchange gain			(96)		(191)
			7,720		3,491
Net loss before the following			(3,613)		(3,336)
Gain on acquisition (net)	5		11,438		-
Net income (loss) before income taxes			7,825		(3,336)
Deferred income tax recovery	9		(2,210)		-
Net income (loss)			10,035		(3,336)
Other comprehensive income (loss)					
Gain (loss) on foreign currency translations			5,451		(442)
Total comprehensive income (loss)		$	15,486	$	(3,778)
Net income (loss) per share					
Basic	15	$	0.0020	$	(0.0015)
Diluted	15	$	0.0020	$	(0.0015)

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

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

As at	Notes		30 June 2021		31 December 2020
Assets					
Current assets					
Cash and cash equivalents	6	**$**	**2,239**	$	1,697
Accounts receivable	7		**5,944**		92
Deposits and prepaid expenses			**519**		-
			8,702		1,789
Oil and natural gas assets	8		**158,275**		61,399
Long-term deposits			**584**		535
Investments			**429**		-
Deferred income tax asset	9		**14,142**		-
			182,132		63,723
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities			**6,844**		853
Credit facility	10		**17,837**		-
Risk management contracts	11		**7,103**		-
Other indebtedness	12		**-**		857
			31,784		1,710
Long-term portion of lease liabilities			**378**		461
Restoration provisions	13		**22,760**		4,676
			54,922		6,847
Shareholders' equity					
Share capital	15		**350,378**		296,329
Share-based payments	21		**16,620**		15,821
Foreign currency translations			**5,345**		(106)
Accumulated losses			**(245,133)**		(255,168)
			127,210		56,876
		$	**182,132**	$	63,723

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

Subsequent event (Note 24)

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

For the six months ended	Notes	30 June 2021	30 June 2020
Operating activities			
Net income (loss)		$ 10,035	$ (3,336)
Items not affecting operating related cash flows:			
Gain on acquisition (net)	5	(11,438)	-
Depletion, depreciation and impairment	8	1,555	2,530
Unrealised loss on risk management contracts	11	2,843	-
Deferred income tax recovery	9	(2,210)	-
Share-based compensation	21	750	102
Accretion of liabilities		87	-
Non-cash expenses and other		395	-
Funds flow from operations		2,017	(704)
Changes in non-cash working capital	23	(580)	(94)
Cash provided by (used in) operating activities		1,437	(798)
Financing activities			
Issuance of common shares	14	36,447	-
Decrease in credit facility	10	(326)	-
Repayment of other indebtedness	12	(874)	(152)
Lease payments		(105)	-
Cash provided by (used in) financing activities		35,142	(152)
Investing activities			
Acquisition of Blackspur Oil Corp.	5	(33,162)	-
Investments in oil and natural gas assets	8	(5,031)	(734)
Changes in non-cash working capital	23	2,151	1,366
Cash provided by (used in) investing activities		(36,042)	632
Impact of foreign exchange translations		5	-
Increase (decrease) in cash and cash equivalents		542	(318)
Cash and cash equivalents, beginning of year		1,697	3,662
Cash and cash equivalents, end of period	6	$ 2,239	$ 3,344

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

CALIMA ENERGY LIMITED
Condensed Interim Consolidated Statement of Changes in Equity (unaudited)
(thousands of Australian dollars)

For the six months ended	Notes		30 June 2021		30 June 2020
Share capital					
Balance, beginning of year		**$**	**296,329**	$	296,108
Issuance of common shares	14		**54,049**		-
Share-based compensation	21		**-**		60
Balance, end of period			**350,378**		296,168
Share-based payments reserve					
Balance, beginning of year			**15,821**		15,736
Share-based compensation	21		**799**		42
Balance, end period			**16,620**		15,778
Foreign currency translation reserve					
Balance, beginning of year			**(106)**		2,115
Other comprehensive income (loss)			**5,451**		(442)
Balance, end of period			**5,345**		1,673
Accumulated losses					
Balance, beginning of year			**(255,168)**		(248,773)
Net income (loss)			**10,035**		(3,336)
Balance, end of period		**$**	**(245,133)**	$	(252,109)
Shareholders' equity, beginning of year		**$**	**56,876**	$	65,186
Shareholders' equity, end of period		**$**	**127,210**	$	61,510

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

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. On 30 April 2021, Calima completed the acquisition of Blackspur Oil Corp. ("Blackspur"), a company that is currently developing oil 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 4/46-250 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". These unaudited condensed interim consolidated financial statements for the six months ended 30 June 2021 and 2020 (the "half year financial statements") were approved and authorised by Calima's Board of Directors on September 9, 2021.

2. BASIS OF PRESENTATION

These half year financial statements consist primarily of the financial records of Calima and its two wholly-owned Canadian subsidiaries, Blackspur and Calima Energy Inc. (the "Calima Group"). Blackspur owns and operates the Brooks and Thorsby oil assets and Calima Energy Inc. owns and operates the undeveloped Montney acreages. All intercompany transactions have been eliminated. The operating results of Blackspur for the months of May and June 2021 have been consolidated into these half year financial statements. Blackspur's operating results prior to the date of the acquisition have been excluded.

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"). 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 unaudited half year financial statements are condensed as they do not include all of the information required by the AASB for annual financial statements and, therefore, should be read in conjunction with Calima's financial statements for the years ended 31 December 2020 and 2019 (the "annual financial statements"). These half year financial statements follow the same accounting policies that were utilised to prepare the annual financial statements other than for the utilisation of certain other accounting policies utilised to accommodate the consolidation of Blackspur's financial results which have been discussed below.

Certain comparative figures in these half year financial statements have been adjusted to confirm with current period presentation. Effective January 1, 2021, the Company revised its accounting policy to present the consolidated statement of cash flows using the indirect method, a change from the direct method previously applied. The indirect method provides more relevant information on items not affecting cash and a reconciliation of net income from continuing operations to net cash flows from operating activities. The change in accounting policy was adopted retrospectively, therefore, the comparative periods are presented using the indirect method. No adjustments were required for each of the comparative periods presented for cash flows arising from operating, investing and financing activities.

The Company has reclassified various income statement and balance sheet account groupings and rounded the comparative information to the nearest thousand of dollars in order to conform with current period presentation. There were no were no changes to the Company's asset and liability balances or results of operations as a result of these presentation modifications.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been utilised by the Calima Group to accommodate the consolidation of Blackspur's assets, liabilities, revenues and expenses in these half year financial statements, supplementing the accounting policies that were utilised to prepare the Company's 2020 annual financial statements.

Oil and natural gas assets

Oil and natural gas assets are measured at historical cost less accumulated depletion, depreciation and impairment. The Company begins capitalising oil and natural gas exploration costs after the right to explore has been obtained and includes land acquisition costs, geological and geophysical activities, drilling expenditures and costs incurred for the completion and testing of exploration wells. The Calima Group capitalises all subsequent investments attributable to the development of its oil and natural gas assets if the expenditures are considered a betterment and provide a future benefit beyond one year. The Company's capitalised costs primarily consist of pad construction, drilling activities, completion activities, well equipment, processing facilities, gathering systems, pipelines and employee costs directly attributable to development.

Capitalised costs are classified as exploration and evaluation assets ("E&E") if technical feasibility and commercial viability have not yet been established. Technical feasibility and commercial viability are generally deemed to exist when proved and probable reserves are present. Generally, the acquisition of undeveloped mineral leases are initially capitalised as E&E assets and will be expensed if the lease expires, becomes impaired or management determines that no further exploration or evaluation activities are planned on the lease. If technical feasibility and commercial viability of E&E assets are established, the E&E assets are tested for impairment and reclassified to property, plant and equipment ("PP&E"). Costs are capitalised directly as PP&E if they are attributable to the development of oil and natural gas reserves after technical feasibility and commercial viability have been achieved.

The majority of PP&E is depleted using the unit-of-production method relative to the Company's estimated total recoverable proved plus probable reserves. For the purposes of the depletion calculation, natural gas reserves and production are converted to barrels of oil equivalent based upon the relative energy content (6:1). The depletion base consists of the historical net book value of capitalised costs, plus the estimated future costs required to develop the Company's estimated recoverable proved plus probable reserves. The depletion base excludes E&E and the cost of assets that are not yet available for use in the manner intended by Management.

Impairment

The Calima Group reviews its E&E and PP&E for indicators of impairment at each reporting period. For the purposes of the review, the Company's assets are grouped into cash-generating units ("CGUs") which are defined as the smallest group of assets generating cash inflows that are largely independent from the cash inflows of other asset groups. The Calima Group's PP&E are currently held in two CGUs (Brooks and Thorsby). The majority of the Company's E&E assets are held in one CGU (Montney E&E). If impairment indicators exist, the CGU is tested for impairment and a loss is recognised to the extent that the carrying amount exceeds its estimated recoverable value.

The recoverable amount of the CGU is determined as the greater of its fair-value-less-costs-to-dispose ("FVLCTD") and its value-in-use ("VIU"). FVLCTD is based on the estimated recoverable amount from the sale of an asset or CGU in an arm's length transaction between knowledgeable parties, less the cost of disposal. In assessing VIU, the estimated future cash flows of the CGU are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, risks specific to the asset and overhead costs associated with operating the CGU. The recoverable amount of the Calima Group's CGUs is generally based on after-tax discounted future cash flows from the Company's proved plus probable reserves and observable third-party land transactions adjacent to the Company's assets (Level 3 valuations).

Business combinations

The Company has recognised the acquisition of Blackspur utilising the acquisition method. The cost of the acquisition is measured at the fair market value of the consideration paid and liabilities assumed under the terms of the business combination agreement. Identifiable assets and liabilities acquired are generally measured and recognised at their fair value and any deferred tax assets or liabilities arising from the business combination are recognised at the acquisition date. The differential between the consideration paid and assessed fair market value of the assets and liabilities assumed is recognised as either goodwill or a gain on acquisition. Transaction costs related to business combinations are expensed.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, risk management contracts, accounts payable, accrued liabilities, lease liabilities and a credit facility. The Calima Group's financial instruments are measured on the consolidated balance sheet at either fair market value or amortised cost. The carrying value for all of the Company's financial instruments generally approximate their fair market value, with the exception of lease liabilities.

The Calima Group's risk management contracts are measured at fair market value at each reporting period (Level 2 valuations). Realised gains and losses from the settlement of risk management contracts as well as unrealised gains and losses from the remeasurement of these financial instruments to fair market value at each reporting period are recognised in net income (loss) as incurred.

Any impairment loss of financial assets is determined by assessing and measuring the expected credit losses of the instruments at each reporting period. The Calima Group measures expected credit losses using a lifetime expected loss allowance model for all trade receivables and contract assets. The credit-loss model groups receivables based on similar credit risk characteristics and the number of days past due in order to estimate and recognise bad debt expenses. When measuring expected credit losses, the Company considers a variety of factors including: evidence of the debtor's financial condition, history of collections, the term of the receivable and any changes in economic conditions (Level 3 valuations).

Revenue recognition

Revenues primarily relates to the sale of oil, natural gas and natural gas liquids ("NGLs") in Canada from the Company's Brooks and Thorsby assets. The products are classified and presented in the financial statements based on the physical characteristics of the hydrocarbons at the time of sale. Liquids extracted from the natural gas stream are presented as NGLs. Revenues from liquids, natural gas and NGL sales are presented net of third-party royalty interests.

The Calima Group measures revenue from the sale of oil, natural gas and NGLs at the amount the Company expects to receive, which is based on an agreed upon transaction volume and price with the customer. The Calima Group recognises revenue in the period when the following conditions have been satisfied: title and physical possession of the commodities have transferred, the significant risks and rewards of ownership of the products have been conveyed and there is a present right to payment. In most cases, revenue is recognised when the hydrocarbons have been delivered to the customer. Payment terms with the Company's customers are generally within 30 days following the month of product delivery.

Excluded from revenues are amounts received in respect of government grants and subsidies that are instead reflected as a reduction to the related expenditure to which the recoveries are intended to compensate.

Provisions

Provisions are liabilities that are recognised when the Calima Group has a present legal or constructive obligation as a result of a past event and it is probable that the Company will be required to settle the obligation. The Calima Group's provisions primarily consist of restoration provisions associated with the dismantling, decommissioning and site disturbance remediation activities for the Company's oil and natural gas assets.

At initial recognition, the Company recognises a restoration provision asset and corresponding liability on the balance sheet. Restoration provisions are measured at the present value of expected future cash outflows required to settle the obligations. Restoration provisions are inflated based on the Bank of Canada's target inflation rate (2%) and then discounted to net present value using a risk-free discount rate. The liabilities are accreted upwards towards their estimated settlement value over the expected life of the assets in order to reflect the time value of money.

Restoration provision assets are depleted over the remaining useful life of the related assets in order to reflect the decommissioning costs in net income (loss) over the useful life of the assets. Restoration provision assets and liabilities are remeasured at each reporting period primarily to account for any changes in estimates or discount rates. Actual expenditures incurred to settle the obligations reduce the liability.

Jointly operated assets

The Calima Group's oil and natural gas activities include jointly operated oil and natural gas assets and liabilities. These half year financial statements only include the Company's share of these jointly operated assets and liabilities and a proportionate share of the related revenue and expenses.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The following significant accounting judgements estimates have been utilised by the Calima Group to accommodate the consolidation and financial reporting of Blackspur's assets, liabilities, revenues and expenses, supplementing the judgements and estimates that were utilised to prepare the Company's 2020 annual financial statements.

Significant judgements

Oil and natural gas assets

Oil and natural gas assets are grouped into CGUs based on their ability to generate largely independent cash flows. The determination of the Calima Group's CGUs are subject to judgment as the Company is required to define and establish these asset groupings based on their specific nature and characteristics in a reasonable manner. The Calima Group applies judgment when determining the classification of its oil and natural gas assets as either E&E or PP&E assets because it requires the Company to define and establish thresholds for when a particular project has achieved technical feasibility and commercial viability. When the Calima Group assesses its CGU for indicators of impairment or impairment reversal at each reporting period, judgment is applied in establishing the qualitative and quantitative thresholds that are used to assess if an indicator is present, such that an impairment test is then required.

Access to Credit Facility

As at 30 June 2021, Blackspur has drawn C$17.0 million (A$17.8 million) of a C$25.0 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). 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 Group would be required to source alternative sources of capital or sell assets to repay the indebtedness.

The Group manages this 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 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 will remain available for the foreseeable future and the lender will not demand repayment of the amount drawn under Credit Facility.

The Credit Facility is scheduled for its next annual borrowing base review on or before 30 November 2021 and is expected to be based on the Lenders' interpretation of Blackspur's reserves and future commodity prices, consistent with prior years.

Significant estimates

Oil and natural gas assets

Amounts recorded for the depletion of oil and natural gas assets rely on estimates and assumptions regarding the Company's proved plus probable reserves and future development costs. Fair value estimates that are utilised in a test for impairment or impairment reversal often rely upon estimates and assumptions regarding the future cash flows from the Calima Group's proved plus probable reserves as well as the recoverable resale value of undeveloped exploratory acreage.

Reserve estimates are primarily based on the Calima Group's reserve reports prepared by an independent third-party engineering firm. The reports include estimates for the quantity of oil and natural gas volumes, recovery factors, production rates, future commodity prices, discount rates, and future royalty, operating and capital costs. These estimates were prepared by experts in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook but are still subject to measurement uncertainty. The Calima Group may also utilise observable third-party land transactions adjacent to the Company's assets for estimating the value of undeveloped exploration acreage.

Other significant estimates

The value of the Company's restoration provisions is based on estimates and assumptions regarding current legal requirements, future costs to settle the provisions and the expected timing of the remediations. The valuation of level 2 and level 3 financial instruments are subject to measurement uncertainty because there is no observable actively traded market and, therefore, estimates are required to estimate their fair market value at each reporting period for the purposes of valuation or disclosure.

The Company records deferred income tax assets and liabilities using income tax rates that are enacted or substantively enacted at the balance sheet date, which are subject to change. The recoverability of loss carryforwards, investment tax credits and royalty incentives require estimates and assumptions regarding future operating results that will allow the Company to ultimately utilise those assets. All tax filings are also subject to audit and potential reassessment.

Estimates and assumptions are utilised in the Company's cash flows forecasts in assessing the Company's ability to continue as a going concern, including the estimated impacts of the COVID-19 pandemic on future cash flows and access to credit.

5. ACQUISITION OF BLACKSPUR OIL CORP.

On 30 April 2021, Calima completed a plan of arrangement with Blackspur to acquire 100% of its issued and outstanding common shares for total cash and share consideration of $22.4 million and a requisite reduction of Blackspur's outstanding Credit Facility draws of $28.0 million (the "Blackspur Acquisition"). The following table summarises the allocation of the consideration to the assets acquired and liabilities assumed by Calima:

Purchase price allocation(1)	Note		30 June 2021
Consideration paid			
Cash paid to Blackspur shareholders		**$**	**5,158**
Common shares issued to Blackspur shareholders (2.46 billion shares at $0.007/share)	14		**17,222**
Repayment of Blackspur credit facility draws	10		**28,004**
			50,384
Net assets acquired			
Accounts receivable	7		**5,423**
Deposits and prepaid expenses			**269**
Oil and natural gas assets	8		**88,007**
Investments			**415**
Accounts payable and accrued liabilities			**(3,658)**
Credit facility	10		**(17,532)**
Risk management contracts	11		**(4,081)**
Restoration provisions	13		**(9,389)**
Deferred income tax asset	9		**11,438**
			70,892
Value of net assets acquired in excess of consideration paid			**20,508**
Less: remeasurement of restoration provisions using a risk-free rate	13		**(9,070)**
Gain on acquisition (net)		**$**	**11,438**

(1) The fair value of the identifiable assets and liabilities acquired are Management's best estimate based on information available at the reporting date. Future revisions to these estimates during the one-year measurement period could result in a material change from the amounts reported in these half-year financial statements.

In order the finance the Acquisition, Calima completed an equity fundraising by issuing 5.43 billion common shares at $0.007/share for gross proceeds of $38.0 million before transaction costs (Note 14). Blackspur shareholders received $22.4 million of cash and share consideration. Pursuant to the terms of the Acquisition, Blackspur also issued a share subscription to Calima for total proceeds to Blackspur of $28.0 million. The proceeds from Calima were used to repay borrowings under its revolving and non-revolving credit facilities (Note 10).

The fair market value of the property, plant and equipment ("PP&E") was primarily based on the after-tax discounted future cash flows from Blackspur's proved plus probable reserves utilising a fair-value-less-cost-to-sell methodology (Level 3 valuation). Cash flows were based on Blackspur's 2020 reserve report which was prepared by an independent third-party engineering firm. The report was updated internally to reflect the passage of time and conditions present as at 30 April 2021, including revised price forecasts. A 1% reduction in the discount rate would have resulted in an increase to PP&E of approximately $2.2 million and reduction to the net gain on acquisition of approximately $1.7 million, net of deferred taxes.

The uninflated, undiscounted restoration provision acquired with Blackspur was estimated to be $17.2 million. The liability was initially recognised by Calima at a fair market value of $9.4 million utilising an inflation rate of 2% and a discount rate of 10.5%. The restoration provision was then subsequently remeasured during the second quarter of 2021 using a risk-free discount rate to align the Blackspur liability with Calima's existing measurement policy for restoration provisions (Note 13).

Calima recognised a deferred income tax asset of $11.4 million reflecting the after-tax value of Blackspur's carry-forward tax pools in excess of the corresponding carrying amount of the assets acquired. Recognition was based on the assessment that it was probable the acquired tax pools would be utilised from future taxable profits of Blackspur. As a result of the Blackspur Acquisition, Calima recognised a net gain on acquisition $11.4 million, reflecting the fair market value of assets acquired and the recognition of associated deferred income tax assets, in excess of the consideration paid.

For the six months ended 30 June 2021, the Calima Group recognised oil and natural gas sales of $9.9 million and net losses of $0.4 million from Blackspur operations, which were incurred since 30 April 2021. The following table summarises what Calima's operating results would have been, had the Acquisition occurred on January 1, 2021:

Selected operating results (A$ thousands)(1)		Consolidated results as reported		Blackspur prior to acquisition		Pro Forma results
Liquids and natural gas sales	$	10,194	$	14,999	**$**	**25,193**
Royalties		(1,934)		(2,703)		**(4,637)**
Revenue		8,260		12,296		**20,556**
Net income (loss)	$	10,035	$	(1,865)	**$**	**8,170**

(1) This pro forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

6. CASH AND CASH EQUIVALENTS

As at 30 June 2021, the Calima Group held cash and cash equivalents of $2.2 million (31 December 2020 - $1.7 million). 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.

7. ACCOUNTS RECEIVABLE

As at (A$ thousands)		30 June 2021		31 December 2020
Oil and natural gas sales	**$**	**5,440**	$	29
Joint venture billings		**357**		-
GST and other		**147**		63
Accounts receivable	**$**	**5,944**	$	92

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 2021, collection risk from outstanding accounts receivable was considered low given the history of collections and because greater than 90% of outstanding Company's outstanding receivables from liquids and natural gas sales were held with three investment-grade counterparties. Substantially all of the Company's accounts receivable from liquids and natural gas sales and risk management contract settlements 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 2021.

8. 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 2019	$	20	$	62,862	$	82	**$**	**62,964**
Capital investments		491		1,665		-		**2,156**
Non-cash capitalised costs		-		-		919		**919**
Impact of foreign currency translations		(19)		(2,372)		(52)		**(2,443)**
Balance, 31 December 2020		492		62,155		949		**63,596**
Acquisition of Blackspur (Note 5)		86,800		1,207		-		**88,007**
Capital investments		5,030		1		-		**5,031**
Non-cash capitalised costs(1)		(769)		(423)		-		**(1,192)**
Release of collateralised assets (Note 12)		335		-		-		**335**
Impact of foreign currency translations		3,055		3,433		48		**6,536**
Balance, 30 June 2021		94,943		66,373		997		**162,313**
Accumulated depletion and depreciation								
Balance, 31 December 2019		(8)		-		(55)		**(63)**
Depletion and depreciation		(3)		-		(258)		**(261)**
Impairment losses		-		(1,957)		-		**(1,957)**
Impact of foreign currency translations		-		70		14		**84**
Balance, 31 December 2020		(11)		(1,887)		(299)		**(2,197)**
Release of collateralised assets (Note 12)		(162)		-		-		**(162)**
Depletion and depreciation		(1,442)		-		(113)		**(1,555)**
Impact of foreign currency translations		(16)		(93)		(15)		**(124)**
Balance, 30 June 2021	$	(1,631)	$	(1,980)	$	(427)	**$**	**(4,038)**
Net book value								
Balance, 31 December 2020	$	481	$	60,268	$	650	**$**	**61,399**
Balance, 30 June 2021	$	93,312	$	64,393	$	570	**$**	**158,275**

(1) During the six months ended 30 June 2021, the Calima Group recognised non-cash capitalised cost reductions of ($1.2) million primarily related to changes in the valuation of the Company's restoration provisions (Note 13).

The Calima Group's PP&E primarily consists of the Brooks and Thorsby CGUs located in Southern and Central Alberta that were acquired as part the Blackspur Acquisition on 30 April 2021 (Note 5). The Company's exploration of evaluation assets ("E&E") primarily consists of capitalised costs associated with undeveloped Montney acreages in North-eastern British Columbia.

As at 30 June 2021, $64.9 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 (2020 - $60.7 million).

At each reporting period, the Company reviews for indicators of impairment to assess whether there is evidence to suggest that the carrying value of its oil and natural gas properties may not be recoverable. As at 30 June 2021, there were no indicators of impairment.

Calima's outstanding right-of-use assets ("ROU asset") relates to the leasing 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 January 1, 2020 and Calima recognised a right-of-use asset and corresponding lease liability on the consolidated balance sheet 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 June 30, 2021, the undiscounted cash flows required to settle Calima's lease liability was $0.65 million.

9. DEFERRED INCOME TAXES

(A$ thousands)	31 December 2019	Change in tax position	31 December 2020	Change in tax position	30 June 2021
Non-capital losses	$ 6,666	$ 5,932	$ 12,598	$ 12,764	**$ 25,362**
Oil and natural gas assets	(1,455)	(5,283)	(6,738)	(1,952)	**(8,690)**
Restoration provisions	895	180	1,075	4,160	**5,235**
Investments	-	-	-	140	**140**
Risk management contracts	-	-	-	1,634	**1,634**
Tax credits and other	349	154	503	1,009	**1,512**
	6,455	983	7,438	17,755	**25,193**
Unrecognised deferred tax assets	(6,455)	(983)	(7,438)	(3,613)	**(11,051)**
Deferred income tax asset	$ -	$ -	$ -	$ 14,142	**$ 14,142**

As at 30 June 2021, the Calima Group recognised a deferred income tax asset of $14.1 million primarily in respect of Blackspur's carry-forward tax pools in excess of the corresponding accounting values. The Calima Group also held unrecognised deferred income tax assets of $11.1 million consisting primarily of carry-forward tax losses held by Calima Energy Limited and Calima Energy Inc.

The recoverability of loss carry-forwards, investment tax credits and other tax pools require the use of estimates and assumptions regarding future operating results that will allow the Company to ultimately utilise those assets and are, therefore, subject to measurement uncertainty.

The following table reconciles the change in the deferred income tax asset during the six months ended 30 June 2021:

Continuity schedule (A$ thousands)	30 June 2021	30 June 2020
Deferred income tax asset, beginning of year	**$ -**	$ -
Deferred income tax asset from the Blackspur Acquisition (Note 5)	**11,438**	-
Deferred income tax recovery recognised through net income	**2,210**	-
Impact of foreign exchange translations	**494**	-
Deferred income tax asset, end of period	**$ 14,142**	$ -

The following table reconciles the Company's consolidated income tax expense (recovery) compared to that computed using the current effective Australian tax rate of 30% (31 December 2020 – 30%):

For the six months ended (A$ thousands)	30 June 2021	30 June 2020
Net income (loss) before income taxes	**$ 7,825**	$ (3,336)
Statutory income tax rate	**30%**	30%
Expected income tax expense (recovery)	**2,348**	(1,001)
Adjustments related to the following:		
Gain on acquisition	**(6,153)**	-
Change in unrecognised deferred income tax assets	**732**	1,008
Share-based compensation	**225**	31
Changes in tax rates	**759**	20
Impact of foreign exchange translations and other	**(121)**	(58)
Deferred income tax recovery	**$ (2,210)**	$ -

10. CREDIT FACILITY

As at (A$ thousands)	Financial Covenant		30 June 2021
Credit facility details:			
Credit facility draws		$	17,837
Issued letters of credit			148
Undrawn capacity			8,897
Total Credit facility capacity (C$25.0 million)		$	26,882
Credit Facility maturity date			On demand
Effective annual interest rate on May/June 2021 revolving draws			3.4%
Covenants[(1)]**:**			
Working capital ratio	1:1		2.45:1.00

(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 2021, Blackspur held a C$25.0 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). 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.

The following table summarises the change in the Credit Facility during the six months ended June 30, 2021:

For the six months ended ($A thousands)		30 June 2021
Credit Facility, beginning of year	$	-
Credit Facility acquired with the Blackspur Acquisition (Note 5)		(17,532)
Credit Facility draws (net) subsequent to the Acquisition		(326)
Impact of foreign currency translations		21
Credit Facility, end of period	$	(17,837)

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 2021, the Company was in compliance with its banking covenants.

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 assets and expenses within funds flow or available sources of capital on hand. Management believes that the Calima Group has sufficient funding to meet near-term liquidity requirements and current development activities are anticipated to be funded by the Company's funds flow, cash on hand or draws under the Credit Facility.

11. RISK MANAGEMENT CONTRACTS

For the six months ended ($A thousands)		30 June 2021
Derivative liability, beginning of year	$	-
Derivative liability acquired with Blackspur (Note 5)		(4,081)
Realisation of derivative losses		1,310
Net unrealised decrease in fair value		(4,153)
Impact of foreign currency translations		(179)
Derivative liability, end of period	$	(7,103)

The Calima Group 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 current policy is to hedge 50% of forecasted oil production for the upcoming four quarters.

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 WTI.

The Company's risk management contracts consisted of the following positions as at 30 June 2021:

Contract	Reference	Remaining term	Volume	Price per unit (C$/unit)	Value (A$ thousands)
SWAP	**AECO 5A**	Jul 2021 - Sept 2021	1000 gj/d	$ 2.70	**$ (96)**
SWAP	**AECO 5A**	Jul 2021 - Sept 2021	900 gj/d	2.67	**(90)**
SWAP	**CAD WTI**	Jul 2021 - Sept 2021	150 bbl/d	56.40	**(643)**
SWAP	**CAD WCS basis**	Jul 2021 - Sept 2021	150 bbl/d	(17.40)	**(12)**
SWAP	**CAD WTI**	Jul 2021 - Oct 2021	250 bbl/d	56.55	**(1,325)**
SWAP	**CAD WCS basis**	Jul 2021 - Oct 2021	250 bbl/d	(17.75)	**(34)**
SWAP	**CAD WTI**	Jul 2021 - Dec 2021	250 bbl/d	56.00	**(1,842)**
SWAP	**CAD WTI**	Oct 2021 - Dec 2021	100 bbl/d	58.35	**(280)**
SWAP	**CAD WTI**	Nov 2021 - Dec 2021	200 bbl/d	60.00	**(343)**
SWAP	**CAD WCS basis**	Jul 2021 - Dec 2021	250 bbl/d	(16.90)	**15**
SWAP	**CAD WCS basis**	Oct 2021 - Dec 2021	100 bbl/d	(18.00)	**(3)**
SWAP	**CAD WCS basis**	Nov 2021 - Dec 2021	200 bbl/d	(19.40)	**(21)**
SWAP	**CAD WTI**	Jul 2021 - Jun 2022	300 bbl/d	75.85	**(1,166)**
SWAP	**CAD WTI**	Jan 2022 - Jun 2022	300 bbl/d	74.20	**(529)**
SWAP	**CAD WCS basis**	Jul 2021 - Jun 2022	300 bbl/d	(18.00)	**(174)**
SWAP	**CAD WCS basis**	Jan 2022 - Jun 2022	300 bbl/d	(17.20)	**(91)**
SWAP	**CAD WCS basis**	Jul 2021 - Jun 2022	400 bbl/d	(17.20)	**(107)**
SWAP	**AECO 5A**	Jul 2021 - Sept 2022	500 gj/d	2.70	**(124)**
SWAP	**AECO 5A**	Oct 2021 - Sept 2022	1,400 gj/d	$ 2.70	**(238)**
Total					**$ (7,103)**

The following table illustrates the estimated potential impact of changes in commodity prices on the Calima Group's net loss before tax, based on the Company's derivative contracts in place as at 30 June 2021:

As at 30 June 2021 (A$ thousands)	Gain (loss)
10% increase in WTI price	**$ (2,700)**
10% decrease in WTI price	**2,700**
10% increase in WCS price differential	**800**
10% decrease in WCS price differential	**(800)**
10% increase in AECO price	**(330)**
10% decrease in AECO price	**$ 330**

12. OTHER INDEBTEDNESS

In 2019, the Calima Group entered into a three-year debt arrangement to borrow C$1.0 million. The facility incurred C$0.2 million of interest over the term and was repayable through monthly remittance of net cash flows from the Company's Paradise Well (official designation: Boundary 5-1-86-15 00/11-01-08615W6/0). At the end of the term, any residual amount not settled through net cash flows from the well was payable in cash upon maturity. During the second quarter of 2021, the outstanding loan balance of A$0.9 million was extinguished through the issuance of 124.8 million Calima common shares to the lender (Note 14).

13. RESTORATION PROVISIONS

As at (A$ thousands)	30 June 2021	31 December 2020
Restoration provision, beginning of year	**$ 4,676**	$ 3,256
Restoration provisions acquired (Note 5)	**9,389**	1,854
Remeasurement of acquired provisions using a risk-free rate (Note 5)	**9,070**	-
Development of oil and natural gas assets	**284**	-
Accretion	**99**	-
Changes in estimate and other	**(1,489)**	(217)
Government funded restoration	**(182)**	-
Impact of foreign exchange translations	**913**	(217)
Restoration provision, end of period	**$ 22,760**	$ 4,676

The Calima Group's restoration provisions reflect the estimated cost to dismantle, abandon, reclaim and remediate the Company's liquids and natural gas assets at the end of their useful lives. As at 30 June 2021, the total estimated undiscounted, uninflated cash flows required to settle the Calima Group's asset retirement obligations was approximately $22.2 million (31 December 2019 – $4.1 million). These liabilities are anticipated to be incurred over the next 30 years.

During the second quarter of 2021, Calima increased the restoration provision by $9.1 million primarily to remeasure the acquired Blackspur liabilities using a risk-free discount rate to align with the Company's existing measurement policy for restoration provisions.

As at 30 June 2020, the Company valued the restoration provision by utilising a risk free rate of 1.8% (31 December 2020 – 0.25%) and an inflation rate of 2.0% (31 December 2020 – 0.7%).

14. SHARE CAPITAL

	30 June 2021		31 December 2020	
Equity unit continuity (thousands)	**Shares**	**Amount**	**Shares**	**Amount**
Balance, beginning of year	**2,191,938**	**$ 296,329**	2,155,572	$ 296,108
Shares issued in respect of private placement	**5,425,783**	**37,980**	-	-
Shares issued to acquire Blackspur (Note 5)	**2,460,243**	**17,222**	-	-
Shares issued to settle outstanding indebtedness	**196,091**	**1,372**	36,366	221
Share issuance costs	**-**	**(2,525)**	-	-
Balance, end of period	**10,274,055**	**$ 350,378**	2,191,938	$ 296,329

On April 28, 2021, the Company completed an equity financing for gross proceeds of $38.0 million, issuing 5.4 billion shares at $0.007 per share. Funds raised from the equity financing were primarily utilised to complete the plan of arrangement associated with the Blackspur acquisition, which included a cash payment of $5.2 million to Blackspur shareholders and a reduction of Blackspur's Credit Facility by $28.0 million. The Company also incurred $2.5 million of transaction costs associated with the equity financing.

On 30 April 2021, Calima also issued legacy Blackspur shareholders 2.46 billion Calima common shares as part of the consideration for the business combination (Note 5).

During the first half of the year, the Company issued 196.1 million shares in satisfaction of various consulting services, Calima Officer and Director fees as well as the repayment of an outstanding loan (Note 12).

15. PER SHARE AMOUNTS

For the six months ended (thousands)	30 June 2021	30 June 2020
Weighted average number of common shares – basic	**4,970,620**	2,155,572
Dilutive effect of outstanding equity compensation units(1)	**74,936**	-
Weighted average number common shares - diluted	**5,045,556**	2,155,572

(1) Equity compensation units were anti-dilutive during the six months ended 30 June 2020.

16. COMMITMENTS & CONTINGENCIES

(A$ thousands)	2021	2022	2023	Total
Credit facility draws	$ 17,837	$ -	$ -	**$ 17,837**
Accounts payable and accrued liabilities	6,471	373	-	**6,844**
Risk management contract liabilities	5,579	1,524	-	**7,103**
Long-term portion of lease liabilities (Undiscounted)	129	258	258	**645**
Contractual cash outflows reflected on the balance sheet	30,016	2,155	258	**32,429**
Interest on credit facility draws(1)	273	-	-	**273**
Total contractual cash outflows	$ 30,289	$ 2,155	$ 258	**$ 32,702**

(1) Estimated interest expense on outstanding Credit facility draws from 30 June 2021 until the next borrowing base review on 30 November 2021.

The Credit facility, accounts payable and accrued liabilities, risk management contract liabilities and the long-term portion of lease liabilities are recognised on Calima's consolidated balance sheet. The interest on the Credit facility is recognised as a liability on the balance sheet once it has been incurred, in accordance with IAS 1 - Presentation of Financial Statements.

The Company is currently involved in legal claims of up to $0.8 million arising in the normal course of business. While the final outcome of such events cannot be predicted with certainty, Calima does not currently anticipate that these events will have a material impact on the Company's consolidated financial position or results of operations.

17. OIL & NATURAL GAS SALES

For the six months ended (A$ thousands)	30 June 2021	30 June 2020
Oil	$ 8,667	$ 153
Natural gas	1,383	-
Natural gas liquids	144	-
Oil and natural gas sales	$ 10,194	$ 153

18. OPERATING EXPENSES

For the six months ended (A$ thousands)	30 June 2021	30 June 2020
Chemicals, power and fuel	$ 570	$ -
Staff and contractor costs	428	-
Hauling, processing and disposal	398	-
Equipment and maintenance	299	-
Taxes, rentals and other	407	-
Operating expenses	$ 2,102	$ -

19. TRANSPORTATION

For the six months ended (A$ thousands)	30 June 2021	30 June 2020
Crude oil and emulsion hauling	$ 580	$ -
Pipeline tariffs and other	41	-
Transportation expenses	$ 621	$ -

20. GENERAL & ADMINISTRATIVE

For the six months ended (A$ thousands)	30 June 2021	30 June 2020
Personnel	$ 898	$ 314
Professional fees	502	337
Information technology, office costs and other	344	314
Gross G&A expenses	1,744	965
Capitalised G&A	(102)	-
G&A expenses	$ 1,642	$ 965

21. STOCK-BASED COMPENSATION

Equity unit continuity (thousands)	Stock options	Performance rights	Broker Options	Total
Balance, 31 December 2020	20,750	19,450	-	40,200
Issuance of broker options	-	-	50,000	50,000
Issuance of performance rights[1]	-	146,000	-	146,000
Issuance of employee stock options[1]	362,500	-	-	362,500
Balance, 30 June 2021	383,250	165,450	50,000	598,700
Units vested & exercisable	20,750[2]	96,000[3]	-	116,750

(1) 56 million incentive options and 30 million performance rights in the table above were subject to shareholder approval as at June 30, 2021.
(2) 10 million units carry an exercise price of $0.09/per share on or before August 25, 2022, 10 million units at $0.12 per share on or before 25 August 2025 and $0.8 million units at $0.07 per share on or before November 6, 2021.
(3) The 96 million vested performance rights carry no exercise price.

Stock options

During the second quarter of 2021, Calima's Board approved 362.5 million stock options for grant to certain Officers, Directors and employees of Calima and Blackspur following the closing of the Blackspur Acquisition (56 million units were subject to shareholder approval as at June 30, 2021). 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 $0.01 per unit.

Broker options

The Company granted 50 million options to the Company's brokers, forming a portion of the compensation arrangement for the lead manager for the 28 April 2021 equity financing placement. The broker options are exercisable at $0.01 per unit on or before 30 April 2024 and fully vest on 30 July 2021.

Performance rights

During the six months ended 30 June 2021, Calima approved 146 million performance rights for grant to certain Officers and Directors of Calima (30 million units were subject to shareholder approval as at June 30, 2021).

The primary vesting conditions were as follows:

- 96 million rights become vested and exercisable following continued service of the holder for a period of two years retroactively from the date of their original appointment. As at June 30, 2021, all of these performance rights have vested.
- 50 million rights become vested and exercisable if VWAP of shares trades over A$0.015/share over 20 consecutive days on or before specified dates in February and May 2026. As June 30, 2021, all units were unvested.

The following table summarises the weighted average assumptions utilised to value equity compensation grants during the six months ended 30 June 2021:

Valuation assumption	Stock options	Broker Options	Performance rights	
Valuation model	Black Scholes	Black Scholes	Black Scholes	Binomial Barrier
Units at issue (thousands)	362,500	50,000	96,000	50,000
Grant date(s)	April 2021	Feb. 2021	Feb. 2021	April 2021
Share price at grant date ($)	0.007	0.007	0.007	0.007
Exercise price ($/share)	0.010	0.010	-	-
Barrier price ($/share)	-	-	-	0.015
Volatility (%)	40	40	35	35
Risk-free rate (%)	0.3	0.12	0.49	0.74
Expected life (years)	3.5	3.0	3.0	5.0
Fair value ($/share)	0.001	0.001	0.007	0.003

22. RELATED PARTY TRANSACTIONS

Prior to April 2021, all directors received a significant portion of their remuneration in shares to preserve cash balances. For the six months ended 30 June 2021, Calima issued 29.8 million shares ($0.2 million) to the Company's Directors or their related entities in respect of services rendered. In the second quarter of 2021, Calima resumed its cash-based remuneration arrangements.

6466 Investments Pty Ltd[1] provided a 12-month standby working capital facility for $500,000 to the Company prior to the Blackspur Acquisition. A facility fee of $30,000 was paid and the facility is now terminated.

As part of the $38 million fund raising completed during the quarter, the Company secured firm commitments on an arms-length basis from a number of parties to in respect of the $6 million retail component of the capital raising. Lagral Strategies Pty Ltd ITF Lagral Family Trust[1] provided firm commitments for the amount of $1.5 million. The fee to these parties was 6%, resulting in Lagral being paid $90,000.

1. These parties are related party to Mr Whiddon as defined in the Corporations Act. However, Mr. Whiddon does not control this entity nor has a relevant interest in Shares held by this entity.

23. CHANGES IN NON-CASH WORKING CAPITAL

For the six months ended (A$ thousands)	30 June 2021	30 June 2020
Changes in:		
Accounts receivable	**$ (5,852)**	$ 1,640
Deposits and prepaid expenses	**(519)**	(483)
Accounts payable and accrued liabilities	**5,991**	385
	(380)	1,542
Working capital acquired from Blackspur (Note 5)	**2,034**	-
Impact of foreign exchange translations and other	**(83)**	(270)
	1,571	1,272
Related to:		
Operating activities	**(580)**	(94)
Financing activities	**-**	-
Investing activities	**$ 2,151**	$ 1,366

24. SUBSEQUENT EVENT

On 30 August 2021, the shareholders of Calima approved a consolidation of the Company's issued and outstanding common shares and equity compensation units on 20:1 basis of consolidation. The following table summarises the post consolidation capital structure following the equity exchange:

Number of units on issue (thousands)	30 August 2021 (post consolidation	30 June 2021 (pre-consolidation)
Common shares	**513,703**	10,274,055
Stock options	**21,663**	433,250
Performance Rights	**8,273**	165,450

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 consolidated entity are in accordance with the *Corporations Act 2001*, including:
- giving a true and fair view of the financial position as at 30 June 2021 and the performance for the half-year ended on that date of the consolidated entity; 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

Glenn Whiddon
Chairman

10 September 2021

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 2021, 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 (loss) for the half-year ended on that date, significant accounting policies 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 2021 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.

pwc

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 2021 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.

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
10 September 2021

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 half-year 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” and “net debt”. These performance measures presented in this half-year 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 half-year report and the definitions below for additional details regarding the calculations.

Qualified petroleum reserves and resources evaluator statements

The petroleum reserves and resources information in this half-year report in relation to legacy Blackspur assets is based on, and fairly represents, information and supporting documentation in a report compiled by InSite Petroleum Consultants Ltd. (InSite) for the 30 June 2021 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 who is the VP Engineering with Blackspur Oil Corp. The InSite 30 June 2021 Reserves Report and the values contained therein are based on InSite’s 30 June 2021 price deck (https://www.insitepc.com/pricing-forecasts). 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 25 years of experience in petroleum and reservoir engineering, reserve evaluation, exploitation, corporate and business strategy, and drilling and completions. 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.

[1] Refer to announcement dated 1 September 2021 (“2021 Reserve Evaluation – Blackspur Oil Corp.”) 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.

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 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 balance sheet and excludes the current portions of risk management contracts and credit facility draws. Adjusted working capital is utilised by Management and others as a measure of liquidity because a surplus of adjusted working capital will result in a future net cash inflow to the business which can be used for future funding, and a deficiency of adjusted working capital will result in a future net cash outflow which will require a future draw from Calima’s existing funding capacity.
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
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 horisontal 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

Term	Meaning
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"	Net debt is calculated as the current and long-term portions of Calima's credit facility draws, lease liabilities and other borrowings net of adjusted working capital. The credit facility draws are calculated as the principal amount outstanding converted to Australian dollars at the closing exchange rate for the period. Net debt is an important measure used by Management and others to assess the Company's liquidity by aggregating long-term debt, lease liabilities and working capital.
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
tCO_2:	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	**A$ or AUD**	Australian dollars
2P	proved plus Probable reserves	**C$ or CAD**	Canadian dollars
3P	proved plus Probable plus Possible reserves	**US$ or USD**	United states dollars
bbl or bbls	barrel of oil	**($ thousands)**	figures are divided by 1,000
boe	barrel of oil equivalent (1 bbl = 6 Mcf)	**($ 000s)**	figures are divided by 1,000
d	suffix – per day	**Q1**	first quarter ended March 31st
GJ	gigajoules	**Q2**	second quarter ended June 30th
mbbl	thousands of barrels	**Q3**	third quarter ended September 30th
mboe	thousands of barrels of oil equivalent	**Q4**	fourth quarter ended December 31st
Mcf	thousand cubic feet	**YTD**	year-to-date
MMcf	million cubic feet	**YE**	year-end
PDP	proved developed producing reserves	**H1**	six months ended June 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
IP30	Average oil production rate over the first 30 days		