26 June 2023

Company Update

- Asset Sale not proceeding, final price negotiations impacted by energy price volatility
- $3 million distribution to shareholders scheduled for Q3 2023
- 2nd quarter 2023 production meeting forecast with current production 4,125 boe/d
- Positive cash from operations remains strong - forecasted at ~$7.5m for Q2 2023
- Montney asset progressing a detailed reservoir, operational, and planning review – British Columbia forest fires have had negligible impact on Calima sites and covered by insurance
- Zoom Management Update to be provided Tuesday 27th June at 9 am (AWST) Register here – https://shorturl.at/pzCV6

Calima Energy Limited (ASX:CE1 / OTCQB: CLMEF) ("Calima" or the "Company") advises that it has **terminated the current negotiations with respect to the sale of certain assets** as advised on 29th May 2023.

Glenn Whiddon, Chairman of Calima commented "Calima has ***received 3 unsolicited confidential non-binding offers*** *from Canadian entities to acquire certain assets at a material premium to the Company's current market valuation. These entities identified the substantial disconnect between the valuations attributable to Calima on the ASX and those peer group companies trading on the TSX. Whilst* ***Calima trades at ~1.5x earnings ratio, similar Canadian companies are trading at 2.5 – 3.5x earnings.***

Calima granted exclusivity to one party however the ***final terms could not be agreed*** *resulting in the negotiations being terminated.*

Based on interest to date, we would not be surprised to receive new inbound approaches for the assets, however the ***current focus of the Board and Management is to optimize the reserve base, revenue and operating profits*** *so as to narrow the valuation gap between Canadian E&Ps and Calima; thereby maximizing value creation for stakeholders. Should a transaction occur in the future, the Company's intention is to reward shareholders via a distribution of proceeds from the asset sale.*

We remain pleased with the performance and outlook of our asset base *and the interest this is attracting, with production on target and identified opportunities for further growth in value.*

As we come out of the spring breakup period, we continue to license wells and are planning for further activities in the second half of 2023, while focusing on capital discipline; overall cash flow from operations and maintaining a strong balance sheet.

Finally, I would like to thank the management team for their professionalism, hard work and dedication during this process."

The **forecasted Q2 production disclosed in the March 23 quarterly is tracking on target with current production ~4,125 boe/d** and the Company is **anticipating free cashflow of ~$7.5m for the quarter**.

Production optimisation and maintenance for the coming months, coupled with new well drilling in H2-2023, is anticipated to **hold average daily production between 4,000 and 4,300 boe/d for the balance of the year**.

Shareholder Returns and Buy Back

As announced in our quarterly, the Company will be undertaking its **2nd distribution to shareholders of $3 million**. This **payment will be made in the 3rd quarter of 2023**. The record date will be advised in due course.

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The Company re-affirms that its **objective is to increase the frequency of distributions to shareholders**, subject to market conditions and commodity prices.

The Company also has the ability to re-commence a share buy-back, and will do so if the opportunity presents itself, however priority will be given towards distributions to ongoing supportive shareholders.

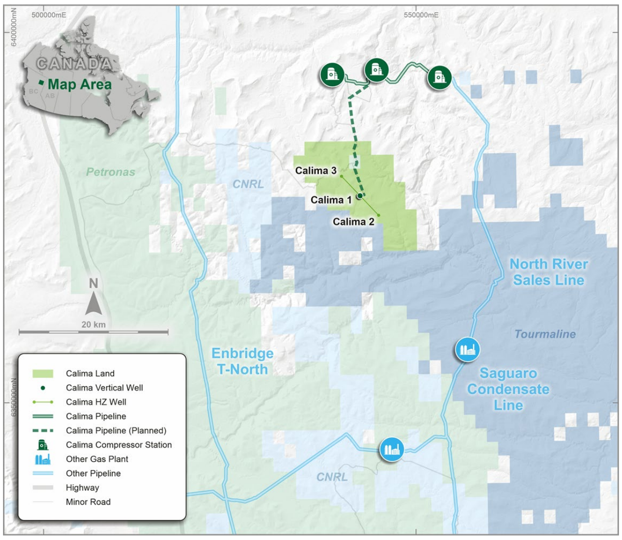
2023 Plans - Drilling & Operational Cost Management

As with all operating businesses globally, capital and operating costs have increased between 20-30%, depending on service and supplier, over the past 18 months. Positively, over the past 3 months we have seen a stabilisation or slowing of inflation, with prices settling.

With this in mind, future drilling programs will be scheduled to provide greater efficiencies through reduced activity in the Canadian winter and further standardisation of operations to deliver further value producing wells for every dollar invested.

Montney Operations Update

The Company confirms that it is progressing a detailed reservoir, operational, and planning review of the Montney asset and infrastructure options to incorporate in the upcoming field development model (with associated economics).



The February 2023 production tests (previously reported) are in line with the McDaniel's YE 2022 type curves and independently evaluated contingent resource report and associated economics. The activities conducted this past winter have refined our cost and productivity expectations and are as expected. Initial risk adjusted development economics support the continued progression of this exciting and scalable multi-TCF, condensate-rich gas project at BC Station 2 gas prices >$2/GJ.

The two previously drilled horizontal wells (Calima #2 and #3) currently sit with pressure recorders in the bottom of the well-bores that are anticipated to be retrieved in late 2023/early 2024. Analysis of the extended pressure build-up should help solidify our deliverability forecasts and estimated ultimate recoveries (EUR's). The PVT (Pressure/Volume/Temperature) data collected has been analysed with initial results consistent with our previous understanding of this condensate rich reservoir. This information, when combined with the analysed build-up data currently being measured in the wells, will help validate our type curve predictions and reduce the range of uncertainty.

Importantly, we have been working closely with a mid-stream company on transportation and processing capacity, options, and costs for >50 MMscf/d of gas processing. There are solutions with associated capital and operating costs that are consistent with our initial development plan economics. As previously announced, we will continue to entertain and review options for funding of this project including both joint ventures or alternate funding options, as we believe that Calima's assets compete favourably with gas condensate plays from around the globe, subject to suitable strip pricing.

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Alberta and British Columbia Wildfires

The Donny Creek Fire in British Columbia has crossed several of the Company's sites in the Tommy Lakes area. A site visit has not been possible due to weather conditions and excessive smoke in the area. Communications remain in place to the Tommy Lakes Camp site and well pad. Photos from the surveillance cameras at these sites do not show excessive damage but the actual status will not be known until the sites can be visited. These facilities have not been in operation so no evacuation or shut in was necessary. All Calima sites are in compliance with the authorities' orders and the sites are fully insured for replacement value. The Company plans to fly over these sites and confirm their status as soon as it if safe to do so.

Management Zoom Webinar

Calima Energy will conduct the an Investor update via live video webcast including a Q&A session on **27th June @ 9:00am (AWST). Register here:** https://shorturl.at/pzCV6

For further information visit www.calimaenergy.com or contact:

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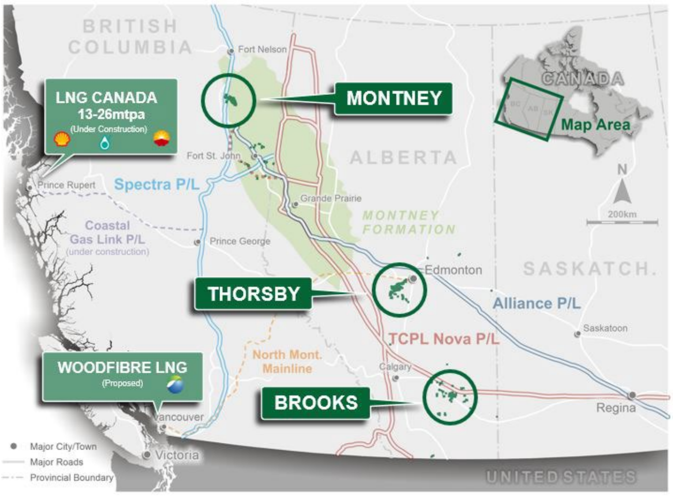
Calima Assets

Free Cash Flow, growth-focused Canadian oil & gas producer. Focused on the responsible development of top-tier assets in Western Canada.

Stable and low decline conventional oil (~65%) and gas production from the Thorsby and Brooks assets. These assets provide a significant growth opportunity with close to 90 wells on production. Production has more than doubled in 18 months.

The liquids rich Montney assets provide upside to domestic gas and global LNG markets. Calima Energy holds over 34,000ac of Montney rights in the "liquids rich" fairway.



Qualified petroleum reserves and resources evaluator statement

The petroleum resources information in this announcement is based on, and fairly represents, information and supporting documentation in a report compiled by technical employees of McDaniel and Associates Ltd, a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta (APEGA) and was subsequently reviewed by Graham Veale who is the VP Engineering with Blackspur Oil Corp. Mr. Veale holds a BSc. in Mechanical Engineering from the University of Calgary (1995) and is a registered member of the Alberta Association of Professional Engineers and Geoscientists of Alberta (APEGA). He has over 26 years of experience in petroleum and reservoir engineering, reserve evaluation, exploitation, corporate and business strategy, and drilling and completions. McDaniel and Mr. Veale have consented to the inclusion of the petroleum reserves and resources information in this announcement in the form and context in which it appears.

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.

Oil and Gas Glossary and Definitions

Term	Meaning
Adjusted EBTDA:	Adjusted EBTDA 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 bargain purchase gains, gains and losses on financial instruments, transaction and advisory costs and impairment losses. Calima utilises adjusted EBTDA as a measure of operational performance and cash flow generating capability. Adjusted EBTDA 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
CO_2e:	carbon dioxide equivalent
Conventional Well:	a well that produces gas or oil from a conventional underground reservoir or formation, typically without the need for horizontal drilling or modern completion techniques
Compression:	a device or facility located along a natural gas pipeline that raises the pressure of the natural gas flowing in the pipeline, which in turn compresses the natural gas, thereby both increasing the effective capacity of the pipeline and allowing the natural gas to travel longer distances
Corporate Decline:	consolidated, average rate decline for net production from the Company's assets
Exit Production:	Exit production is defined as the average daily volume on the last week of the period
Operating Income:	Oil and gas sales net of royalties, transportation and operating expenses
Financial Hedge:	a financial arrangement which allows the Company to protect against adverse commodity price movements, the gains or losses of which flow through the Company's derivative settlements on its financial statements
Free Cash Flow (FCF):	represents Hedged Adjusted EBTDA 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:	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
Hedged Adjusted EBTDA:	EBTDA including adjustments for non-recurring and non-cash items such as gain on the sale of assets, acquisition related expenses and integration costs, mark-to-market adjustments related to the Company's hedge portfolio, non-cash equity compensation charges and items of a similar nature;
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

Term	Meaning
Net Debt/Adjusted EBTDA (Leverage)	a measure of financial liquidity and flexibility calculated as Net Debt divided by Hedged Adjusted EBTDA
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
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
EBTDA	Earnings before 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
IP30/90	Average oil production rate over the first 30/90 days	**WTI**	West Texas Intermediate
WCS	Western Canada Select	**OOIP**	Original Oil in Place

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