

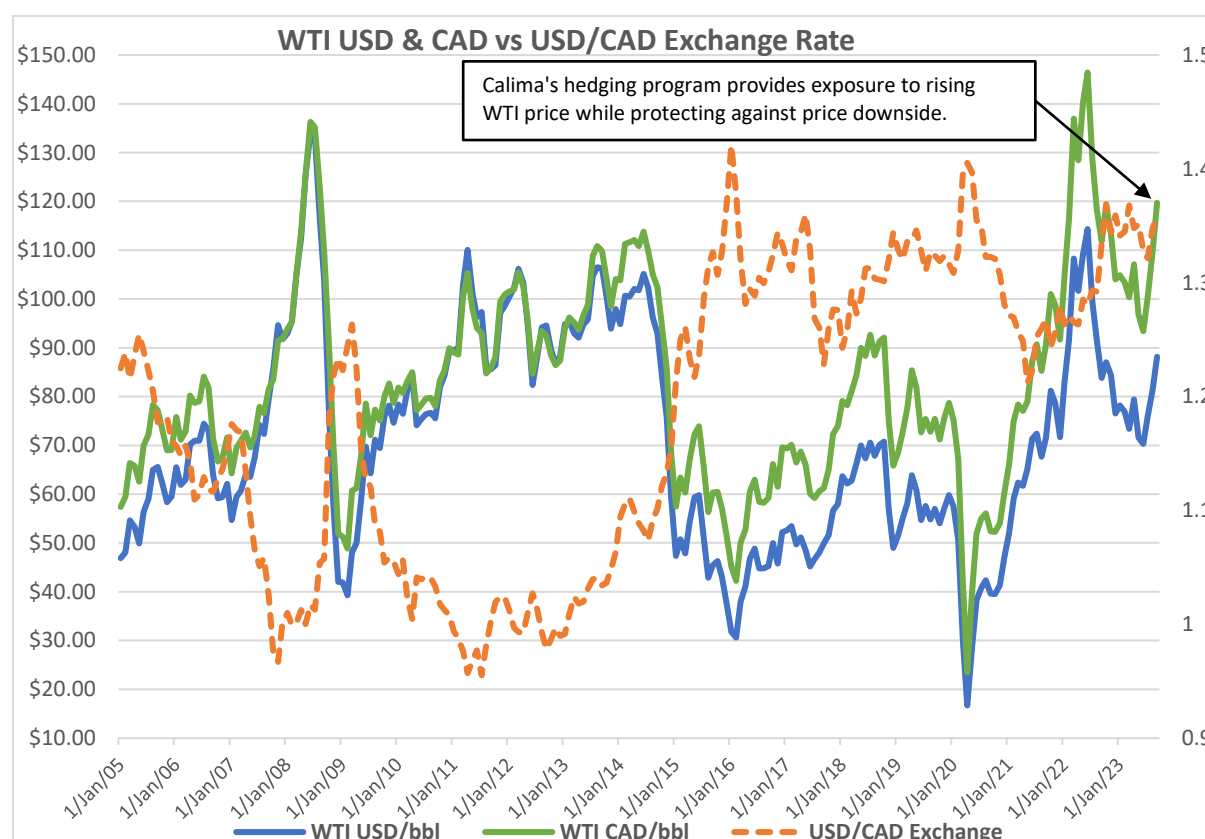


21 September 2023

## Rising oil prices - Hedging Update

- Hedging strategy via bought PUTS's provides exposure to rising oil prices while protecting revenue against any price weakness
- Additional hedges to be layered on over next quarter once production from **Pisces Glauconitic Program** –Pisces #10, #11 & #12 is known
- At US\$92 WTI and a USD/CAD exchange rate of 1.36 a great time to be a Canadian energy producer, with CAD WTI Oil price trading at ~ **C\$120 /bbl**

**Calima Energy Limited (ASX:CE1 / OTCQB: CLMEF)** ("Calima" or the "Company") corporate risk management program is structured to benefit from rising energy prices, while covering the downside volatility seen over the last 12 months via the acquisition of bought PUT options.



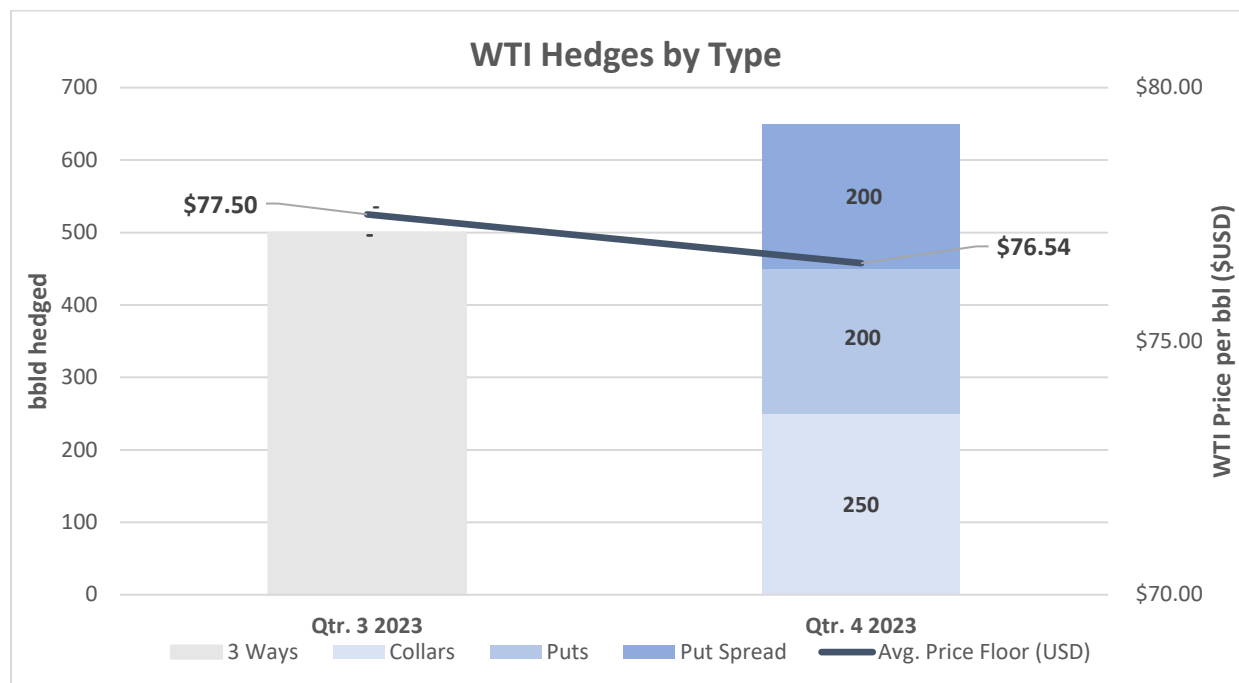
The price the Company receives for the sale of its oil production is highly correlated to the Western Canada Select benchmark (WCS), which trades at a discount to West Texas Intermediate (WTI). The difference between WTI and WCS is referred to as the "differential". The Company's hedging strategy involves a combination of West Texas Intermediate (WTI) benchmark hedges and WTI-WCS differential hedges.



The Company's strategy is to hedge up to 50% of its forecasted production out one quarter; while layering on additional hedges for a further three quarters. This is achieved primarily by purchasing Puts, Put spreads and in limited instances, entering into zero cost collars. This strategy of purchasing puts and put spreads allows the Company to maintain full participation in WTI price increase while protecting against WTI price downside.

The Company currently has approximately 34 percent of its after-royalty oil production hedged for September through to December 2023 via the acquisition of Puts, at a weighted average floor price of WTI ~\$77/bbl. The average cost of the puts is US\$1.90 per delivered barrel. This hedging portfolio provides full participation in WTI price increase other than on the 250 bbl/d collared in Q4 with a ceiling of WTI \$97.10/bbl.

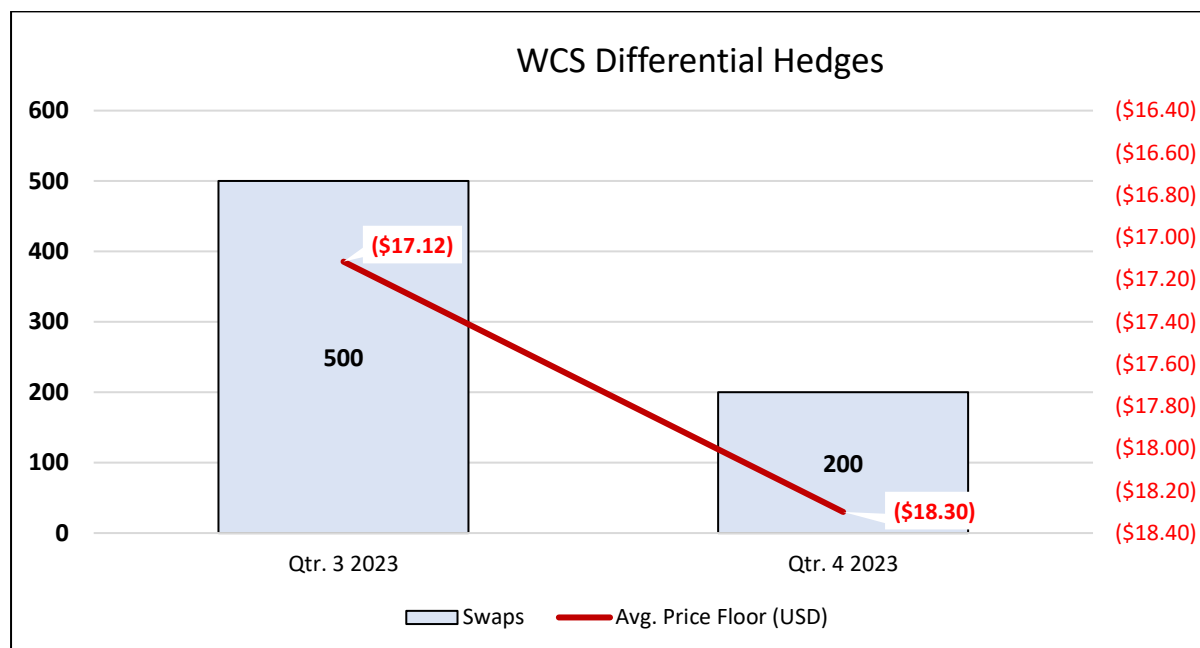
The Company is actively working to layer on additional WTI hedges for Q1/24. Current WTI crude oil hedges in place are summarised in the graph below.





## WCS Differential

The Company is acquiring WCS differential hedges for Q4/23 and Q1/24 to match WTI hedged positions. Current WCS differential hedges in place are in the graph below.



## Electrical Power

A significant component of the Company's operating expense is electrical power used to run its pumps and compressors and other facilities. Over the last few years, the Alberta power market has seen significant power prices increases and volatility: especially in extremely hot summer months and during extreme cold periods during the winter. To minimize the impact the Company has entered into fixed price power contracts.

Currently, the Company has fixed the price on approximately 72% of its forecasted future power consumption at \$95.68 MWh for the next three years, versus the year-to-date average realized power price in Alberta of \$150.25 MW/h. The Company estimates this has generated a saving of over \$300,000 in power costs over the calendar year.

## 2023 Drilling Campaign Summary

Drilling results to date have been very encouraging and the well drilling costs for Pisces #10 and #11 are under budget. We look forward to these wells delivering similar results to Pisces 6, 7, 8 and 9.

Area	Well name & unique location identifier	Target formation	Spud Date	Drill days	Lateral length (m)	Status
Brooks	Pisces #10 104/03-26-019-14W4	Glauconitic	Sept 8	6	~1,420	Completion
Brooks	Pisces #11 102/04-04-018-14W4	Glauconitic	Sept 14	6	~1,460	Completion
Brooks	Pisces #12 102/16-09-018-14W4	Glauconitic	Sept 20			Drilling



This release has been approved by the Board.

For further information visit [www.calimaenergy.com](http://www.calimaenergy.com) or contact:

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## Qualified petroleum reserves and resources evaluator statement

The petroleum reserves and resources information in this announcement in relation to Blackspur Oil Corp is based on, and fairly represents, information and supporting documentation in a report compiled by InSite Petroleum Consultants Ltd. (InSite) for the December 31, 2022 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 Chief Operating Officer with Blackspur Oil Corp. The InSite December 31, 2022 Reserves Report and the values contained therein are based on InSite's December 31, 2022 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 27 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.

## 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
<b>Adjusted EBTDA:</b>	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.
<b>Adjusted working capital:</b>	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.
<b>ARO / Asset Retirement Obligation:</b>	the process of permanently closing and relinquishing a well by using cement to create plugs at specific intervals within a well bore
<b>Available funding:</b>	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.
<b>Credit Facility Interest:</b>	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
<b>CO2e:</b>	carbon dioxide equivalent

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Term	Meaning
<b>Conventional Well:</b>	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
<b>Compression:</b>	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
<b>Corporate Decline:</b>	consolidated, average rate decline for net production from the Company's assets
<b>Exit Production:</b>	Exit production is defined as the average daily volume on the last week of the period
<b>Operating Income:</b>	Oil and gas sales net of royalties, transportation and operating expenses
<b>Financial Hedge:</b>	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
<b>Free Cash Flow (FCF):</b>	represents Hedged Adjusted EBTDA less recurring capital expenditures, asset retirement costs and cash interest expense
<b>Free Cash Flow Yield:</b>	represents free cash flow as a percentage of the Company's total market capitalisation at a certain point in time
<b>Funds Flow:</b>	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.
<b>Gathering &amp; Compression (G&amp;C):</b>	owned midstream expenses; the costs incurred to transport hydrocarbons across owned midstream assets
<b>Gathering &amp; Transportation (G&amp;T):</b>	third-party gathering and transportation expense; the cost incurred to transport hydrocarbons across third-party midstream assets
<b>G&amp;A:</b>	general and administrative expenses; may be represented by recurring expenses or non-recurring expense
<b>Hedged Adjusted EBTDA:</b>	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;
<b>Hyperbolic Decline:</b>	non-exponential with subtle multiple decline rates; hyperbolic curves decline faster early in the life of the well and slower as time increases
<b>LMR:</b>	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.
<b>LOE:</b>	lease operating expense, including base LOE, production taxes and gathering & transportation expense
<b>Midstream:</b>	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
<b>Net Debt:</b>	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.
<b>NGL / Natural Gas Liquids:</b>	hydrocarbon components of natural gas that can be separated from the gas state in the form of liquids
<b>Net Debt/Adjusted EBTDA (Leverage)</b>	a measure of financial liquidity and flexibility calculated as Net Debt divided by Hedged Adjusted EBTDA
<b>Net Revenue Interest:</b>	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
<b>Operating Costs:</b>	total lease operating expense (LOE) plus gathering & compression expense
<b>Operating Netback:</b>	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.
<b>Physical Contract:</b>	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
<b>Promote:</b>	Production Taxes: state taxes imposed upon the value or quantity of oil and gas produced
<b>PDP/ Proved Developed Producing:</b>	an additional economic ownership interest in the jointly-owned properties that is conveyed cost-free to the operator in consideration for operating the assets
<b>PV10:</b>	a reserve classification for proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods
<b>RBL / Reserve Based Lending</b>	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%
<b>Royalty Interest or Royalty:</b>	a revolving credit facility available to a borrower based on (secured by) the value of the borrower's oil and gas reserves
<b>Terminal decline:</b>	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
<b>Unconventional Well:</b>	represents the steady state decline rate after early (initial) flush production
<b>Upstream:</b>	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
<b>Working Capital Ratio:</b>	a segment of the oil and gas industry that focuses on the exploration and production of oil and natural gas
<b>WI/ Working Interest:</b>	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.
	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 31 <sup>st</sup>
GJ	gigajoules	Q2	second quarter ended June 30 <sup>th</sup>
mbbl	thousands of barrels	Q3	third quarter ended September 30 <sup>th</sup>
mboe	thousands of barrels of oil equivalent	Q4	fourth quarter ended December 31 <sup>st</sup>
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 30 <sup>th</sup>
PUD	Proved Undeveloped Producing	H2	six months ended December 31 <sup>st</sup>
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 <sub>2</sub>	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