CALIMA ENERGY LIMITED ABN 17 117 227 086
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

CORPORATE INFORMATION

Directors & Officers	**Name**	**Title**
	Glenn Whiddon	Chairman
	Jordan Kevol	CEO & Managing Director
	Karl DeMong	Non-Executive Director
	Lonny Tetley	Non-Executive Director
	Mark Freeman	Finance Director & Company Secretary
	Jerry Lam	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) and the OTCQB. ASX Code: **CE1** OTCQB**: CLMEF**	

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HIGHLIGHTS

For the year ended 31 December 2022

Operational & Financial Results

(A$ thousands, unless otherwise noted)	Year ended 31 December 2022	Year ended 31 December 2021
Sales volumes		
Total sales volume (boe)	**1,431,288**	779,570
Average daily sales volume (boe/d) (1)	**3,921**	3,182
Liquids percentage	**66%**	66%
Oil and natural gas sales		
Oil	**$ 101,606**	$ 39,668
Natural gas	**18,269**	7,087
Natural gas liquids	**2,590**	958
Total oil and natural gas sales (2)	**$ 122,465**	$ 47,713
Earnings		
Funds flow from operations (2)	**$ 49,628**	$ 13,554
Adjusted EBITDA (2)	**67,225**	21,557
Net income (loss) (2)	**$ 22,807**	$ (31,980)
Capital investments		
Drilling and completion	**$ 34,552**	$ 19,651
Equipping, tie-in and facilities	**13,538**	4,934
Land and other	**1,582**	2,245
Investments in oil and natural gas assets (2)	**$ 49,672**	$ 26,830
Statement of financial position		
Available funding (2)	**$ 18,401**	$ 1,658
Net debt (2)	**$ (11,021)**	$ (27,805)

(1) Year end 2021 sales volumes reflect 245 days of contributions from Blackspur following the acquisition on 30 April 2021. Blackspur sales volumes reported on a boe/d basis have been averaged over 245 days.

(2) Refer to Advisories & Guidance on page 65 and the Operational and Financial Results section on pages 7-15 for additional information regarding the Company's GAAP and non-GAAP financial measures.

HIGHLIGHTS FOR THE COMPANY DURING THE 2022 FINANCIAL YEAR WERE:

- Calima made significant progress in the 2022 financial year with increased production, sales and earnings, and confirmed reserves.
  - Production of 1,431,288 boe (gross) of oil and natural gas, averaging 3,921 boe/d, a 23% increase over average daily production during the year ended 31 December 2021.
  - Oil and natural gas sales for 2022 were **A$122.5 million** and Adjusted EBITDA (1) was **A$67.2 million**. The increase in sales and Adjusted EBITDA in 2022 were primarily due to production from the 2022 drilling program, resulting in net income of **$22.8 million** for the year ended 31 December 2022 (after the impact of $16 million in hedge losses).
  - Following the 2022 drilling program, the Calima Group's independent reserve engineer[1] completed an updated evaluation of the Brooks and Thorsby assets as at 31 December 2022. The Company has confirmed **7 million boe of proved developed producing** ("PDP") reserves and **20.5 million boe of proved plus probable reserves** ("2P") net of royalties.
- The completion of the Brooks pipeline and expansion of the waterflood project were significant capital investments made by the Company.
- Calima Energy Limited maintained an active drilling program and successfully completed and placed 16 wells on production.
- Post year end the Company approved and completed a 2 well Brooks drilling program and the re-testing of our 2 Montney wells in North East BC.
  - Two Glauconitic Formation wells (Pisces #8 and #9) in Brooks area were drilled, completed and tied-in late in the first quarter of 2023 with the majority of production from these wells to show up in the June quarter's results.

(1) Refer to Advisories & Guidance on page 65 for additional information regarding the Company's GAAP and non-GAAP financial measures.

(2) Refer to Calima's announcement dated 30 March 2023 ("Brooks and Thorsby Reserves Update 2022") (www2.asx.com.au).

- In Q1 2023 the Company reported positive initial results for its Calima #2 and Calima #3 Montney re-testing program. The wells were flowed at multiple constrained rates and pressurized gas sampling was performed. The Calima #2 Middle Montney test had a peak 24 hour condensate rate of 396 bbl/d, which was associated with a gas rate of 3.4 mmcf/d compared to 22 bbls/d in 2019. The Calima #3 Upper Montney had a peak 24 hour condensate rate of 21.7 bbl/d, which was associated with a gas rate of 4.9 mmcf/d, whereas it did not produce any condensate in 2019. More than 5,900 bbls of cumulative condensate was produced during the testing. Within that volume, the clean condensate was sold at a premium to WTI resulting in the net cost of the testing being below budget on a net basis. Initial construction of the pipeline connecting the Calima well pad to the Tommy Lakes Field also commenced during the testing period.
- The Company paid its inaugural dividend of A$2.5 million in conjunction with a share buy-back program that cancelled ~4.9 million shares.
    - The Company's net debt (1) as at 31 December 2022 was A$11 million compared to A$27.8 million as at 31 December 2021. Proceeds from the successful fundraising completed on 17 February 2022 was used to reduce the amount drawn under the Company's revolving Credit Facility and to assist in funding the Company's $49.6 million 2022 capital program.
- Calima is committed to pursuing ESG initiatives aimed at reducing GHG emissions, reclaiming inactive well sites, reducing its impact on the environment and participating in and supporting the communities in which it does business. The Company is committed to strong corporate governance practices and delivering value for stakeholders in the future.

(1) Refer to Advisories & Guidance on page 65 for additional information regarding the Company's GAAP and non-GAAP financial measures.

CHAIRMAN & CEO'S LETTER
For the year ended 31 December 2022

It is with great pleasure that we present to you our annual report for the 2022 financial year. We are pleased to report that it was a year of significant progress for Calima Energy Limited (ASX: CE1) ("Calima", "Calima Group", "the Company"), as we continued to focus on delivering value for our stakeholders.

2022 was Calima's first full year of operating the acquired Blackspur Oil Corp assets. It was a great year for the Company with average production on the year up by 23%; 2022 average production was 3,921 boe/d compared to the 8 months ending 31 December 2021 at 3,182 boe/d. During that time, we experienced dynamic oil and gas prices with the benchmark West Texas Intermediate ("WTI") ranging from US$82.98/bbl at the start of 2022, peaking in June at US$114.34/bbl, and ending the year at US$76.52/bbl. In addition, our natural gas benchmark, AECO ranged from C$4.48/mcf to C$6.20/mcf from the start to the end of 2022, with a peak of C$7.57/mcf during May 2022. Calima used the opportunity of higher pricing to not only grow our production and cash flow, but also reduce indebtedness. Calima entered the year with net debt of $27.8 million, and exited the year with net debt of $11 million, a reduction of 65%. In addition to that, the Company also returned its first distribution to shareholders, paying a $2.5 million dividend in the form of a return of capital. As well, the Company implemented a share buy-back program that cancelled ~4.9 million of our outstanding shares.

2022 was a very active year in operations. Calima drilled a total of 16 wells in 2022 at both Brooks and Thorsby. 15 of those wells were in the Brooks area, advancing our Gemini count to a total of 12 wells to date, and Pisces to a total of 7, and one well at Holborn in our Greater Thorsby Area for our 4th Leo well to date. We had excellent overall results from our wells throughout the year, with some wells exceeding our expectations, particularly on the Brooks Pisces program. Pisces #7 has been the most productive oil well drilled by the Company since the Blackspur transaction, averaging 2.5x budgeted production over its first 60 days. This drilling and resultant new production not only contributed to additional cash flow for the Company, but also led to an increase to corporate reserves, particularly in the valuable Proven Developed Producing ("PDP") category. Other capital investments included the installation of 19kms of pipeline at Brooks which not only reduced operating costs and reduced trucking of production fluids, but also facilitated the on-lease tie-in of new wells drilled at Brooks during the year.

Inflation was a hot topic throughout the year in 2022. Costs around the world for all goods and services rose drastically throughout the year. Calima was not immune from these inflationary pressures and this translated to additional costs across all aspects of our business. All tangible and intangible items saw sharp cost increases throughout 2022; in particular, steel, labour, electricity, chemicals, and trucking saw the biggest increases when compared to the related costs for those items in 2021. These increases resulted in higher capital expenditures related to our new drills, and also translated into higher operating costs across the board for our existing production. Despite these cost increases, we were still able to meaningfully grow our production, and create enough cash flow to reduce indebtedness and provide returns to shareholders during the year.

Looking ahead to the current year, commodity prices continue to be volatile, with global macro events affecting oil and gas pricing. However, our business is resilient and our strong production rates are currently ahead of forecasts with 2023 year to date production averaging 4,550 boe/d at the time of this letter, versus the forecast of 4,378 boe/d for Q1. This will be a record quarterly production number for Calima. This increased production is helping offset the recent gyrations in commodity prices, mitigating somewhat the effect of commodity fluctuations on our operating cashflow. As well, in the fourth quarter of 2022, Calima implemented a hedging policy which primarily uses put-call collars to offer the Company protection from downside oil price movements while still allowing exposure to upside in commodity price. We believe this strategy is prudent to allow investors to benefit from potentially higher commodity prices while at the same time retaining the strength in Calima's balance sheet. As a general policy, the Company targets placing hedges on 20% of oil production three quarters out. The Company also continues to look for opportunities to use hedging mechanisms to protect against rising costs. The Company was successful in placing an electricity price hedge in the fourth quarter of 2022 on over 50% of forecasted electricity usage over the next four years. Given the continued increase in electricity rates in 2023, this hedge has been successful in helping to limit operating costs increases for the first quarter of 2023.

Our world-class Montney project in NE British Columbia has gained significant steam in early 2023, with our recent successful re-testing program. This re-testing has reaffirmed the highly productive nature of our liquids-rich natural gas resource. This has been a key step forward in planning for a future development program and helping to solidify the technical merit of the asset. This should ultimately result in turning this vast resource into a cash flow generating machine in the upcoming years as we work towards a development that unlocks the value held in this large-scale asset. The focus on Canada's first LNG mega-project via LNG Canada will be a boon for natural gas export in this county and will hopefully unlock the potential in the Montney in general and further prove it to be one of the best and most productive oil and natural gas fairways in North America.

Calima is committed to being a responsible operator across all of our asset bases, as we continue to pursue a number of ESG initiatives. We are cognizant of our environmental impacts in all of our areas and continually look for ways to minimize our environmental footprint including reducing our use of surface water, using multi-well pad drilling to minimize disturbance to the land, and reducing GHG emissions by limiting the amount of trucking incurred where possible. The Company also continues with its program to allocate a portion of capital to the abandonment and reclamation of legacy well sites to restore the land to its original state. We have a history of participating in the social aspect of the communities in which we operate and have a culture of "safety first" for all employees, consultants, and contractors. Our attention to corporate governance is captured by our emphasis on appropriate policies and procedures around financial reporting, audit oversight, as well as our key risk management practices in place to govern hedging and financial controls. All of these initiatives are in place to ensure that we are continuing to work towards a long-term sustainable future for our company, our community and our shareholders.

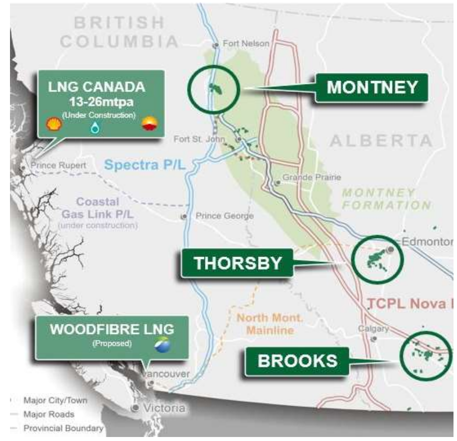
As we navigate through the events of today and into the future, Calima will continue its plans to maintain a prudent balance sheet, while taking advantage of its projects that generate strong economics. In addition, we continually look for other opportunities that will make our business stronger and more sustainable for the future while providing shareholder value. On behalf of Management and the Board, we would like to thank you for your continued support and look forward to growing and developing our business together with you, the shareholders, for the years to come.

Thank you for your continued support.

Glenn Whiddon Executive Chairman	Jordan Kevol CEO & Managing Director

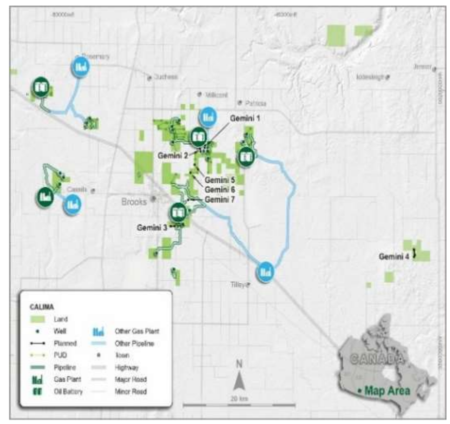
ABOUT CALIMA ENERGY LIMITED

Calima is a production-focused energy company pursuing the exploration and development of oil and natural gas assets in the Western Canadian Sedimentary Basin. The Company is currently developing its oil plays at Brooks and Thorsby in southern and central Alberta. Additionally, Calima owns a significant undeveloped Montney acreage position at Tommy Lakes in north-eastern British Columbia. The Company is dedicated to responsible corporate practices, and places high value on adhering to strong Environmental, Social and Governance ("ESG") principles.



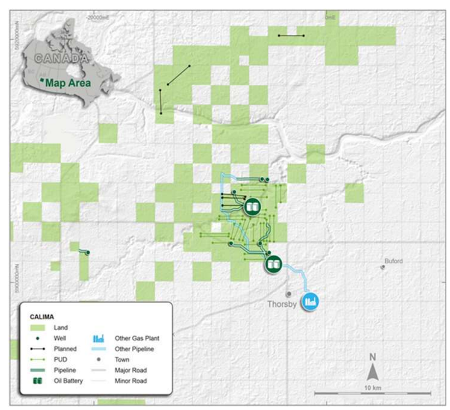
Brooks Sunburst & Glauconitic

The Company's Brooks assets consist of a core land position of >69,000 net acres which includes ~32,000 acres to be earned under an option to lease agreement primarily targeting the Sunburst and Glauconitic formations. The Brooks asset currently has ~75 wells with recent production peaking over 3,500 boe/d with the 2 well Q1 drilling programming coming on stream. The Sunburst Formation does not require hydraulic fracture stimulation and can be developed at low cost (~C$1.4MM per well) delivering attractive rates of return. The Brooks reservoirs contain a low CO_2 content at ~2%, and the Company's multi-well pad drilling reduces the environmental footprint. The Brooks area contains significant infrastructure that creates a foundation for growth and expansion with nearly year-round access. Blackspur has an extensive network of existing infrastructure including oil treating facilities and water disposal across the entire Brooks area that can process up to 7,200 bbl/d oil, 25,000 barrels per day of water and 10.8 MMcf/d. The Glauconitic Formation is a shallower (younger) formation than Calima's core Sunburst conventional play and requires stimulation. The combination of the shallow target depth and short tie-in, results in an all-in cost for each well of C$2-3M, depending on chosen horizontal length of the wellbore.



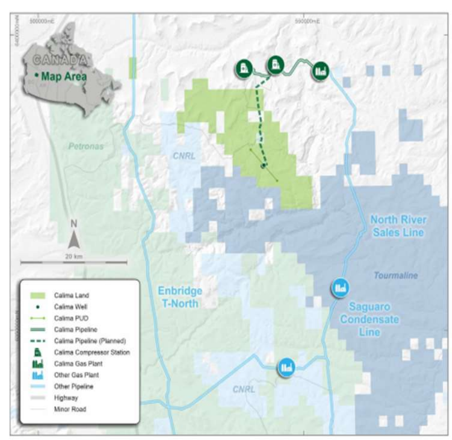
Thorsby Sparky

The Thorsby asset consists of a core land position of >48,000 net acres primarily targeting the Sparky Formation. The Thorsby asset currently has 14 wells producing ~1,000 - 1,100 boe/d. Thorsby has a large well inventory with ~70 net Sparky Formation and 12 net Nisku Formation wells identified, including 24 Sparky PUD locations. The Company's existing Sparky Formation wells are characterised by low base decline rates, which is expected to average ~17% per year over the upcoming two years. The Company's Thorsby position provides a consolidated land base that can be efficiently developed through a network of multi-well pads, all of which have year-round access. The contiguous land base also contributes to lower operating costs through greater logistical efficiencies. The Calima Group's facilities currently have oil processing capacity of up to 1,450 bbl/d oil (subject to emulsion water cut volumes at the battery).



Tommy Lakes Montney

Calima owns 100% of ~34,000 acres of Montney rights (Calima Lands) in northeast British Columbia (NEBC), which have been continued until 2029, as well as the owned-Tommy Lakes Field facilities. The Tommy Lakes Field facilities are located immediately to the north of the Calima Lands and will support initial development. The facilities were properly decommissioned for future recommissioning and will also support full field development as they can be relocated to support our ultimate development plan. The Company has permitted a multi-well production pad and pipeline connecting the Calima Lands to the Tommy Lakes field facilities which provides connection to the regional pipeline and processing infrastructure. Pipeline construction was underway in Q1 2023. In February 2023, the Company reported positive results from its Calima #2 and Calima #3 re-test program. This production data analysis will support and aid in the design of a full field development program and further assist in evaluating strategies to unlock shareholder value through development, partnerships, farm-out or outright sale.



OPERATIONAL AND FINANCIAL RESULTS
For the year ended 31 December 2022 and 2021

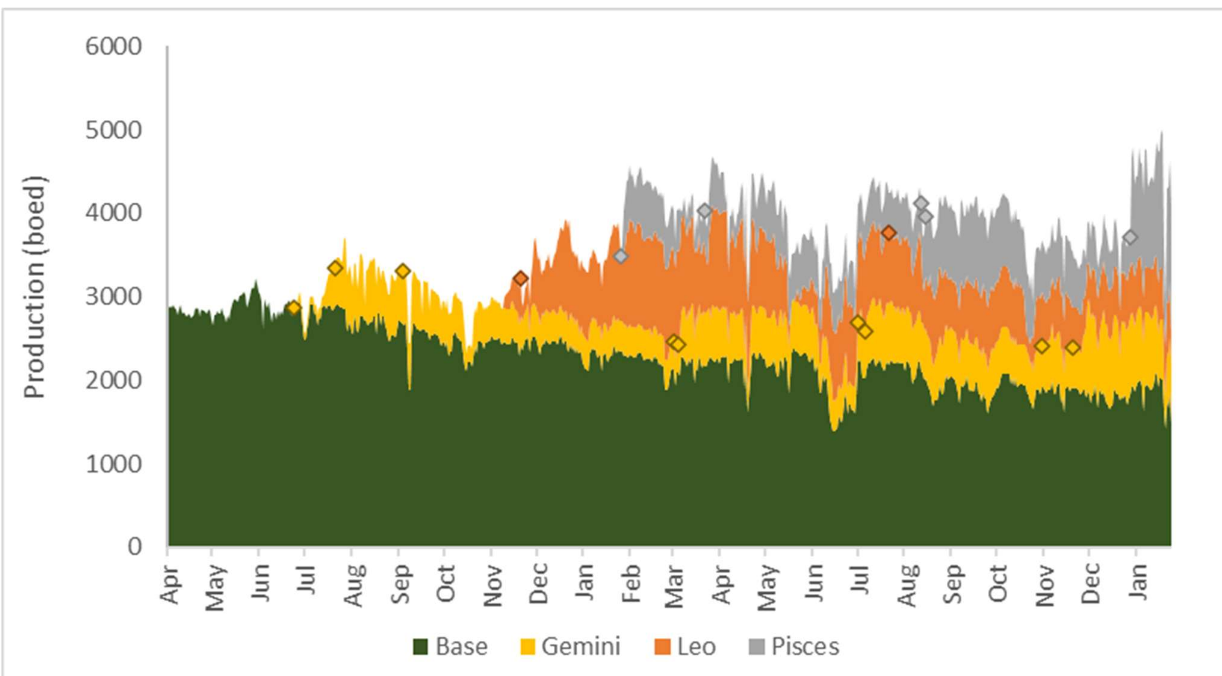
Production and sales

Sales volumes	Year ended 31 December 2022	Year ended 31 December 2021
Oil (bbl)	**909,666**	497,195
Natural gas (Mcf)	**2,942,815**	1,597,906
Natural gas liquids (bbl)	**31,153**	16,058
Total sales volume (boe)	**1,431,288**	779,570
Average daily sales volume (boe/d)(1)	**3,921**	3,182
Liquids percentage	**66%**	66%

(3) Sales volumes reflect 245 days of contributions from Blackspur following the acquisition on 30 April 2021. Blackspur sales volumes reported on a boe/d basis have been averaged over 245 days.

Calima's production for 2022 was centered around its two primary development areas located in Brooks and Thorsby Alberta. Approximately 65% of the output was from Brooks while the remaining 35% was from Thorsby. Over the course of the year ending 31 December 2022, the Calima Group produced a total of 1,431,288 barrels of oil equivalent (boe) of both oil and natural gas, with an average production rate of 3,921 boe/d.

Growth in production in 2022 was due to the development wells at Brooks and Thorsby that were brought on stream during the year. The following table summarises the Company's production since the acquisition of the Thorsby and Brooks assets:

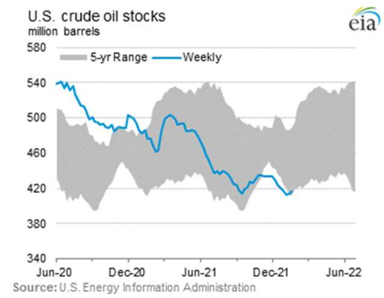


The Commencement of 2023 saw the full impact on production from the 5 well development program drilled in Q4, with the Company's average production for 2023 averaging ~4,500 boe/d. In Q1 2023, the Company successfully drilled and completed two additional wells at Brooks (Pisces #8 and #9); the impact of these wells will be realised in Q2 2023.

Commodity prices

The benchmark for crude oil pricing in North America is West Texas Intermediate (WTI) at Cushing, Oklahoma. However, Calima's oil production's selling price is largely based on the Western Canadian Select (WCS) benchmark price. This benchmark is influenced by the WTI price, local supply and demand, and modifications for changes in foreign exchange rates, transportation, and quality differentials. Calima delivers and sells the majority of its oil production in central and southern Alberta, near the Brooks and Thorsby assets, at local oil terminals.

In the fourth quarter of 2022, the average WCS pricing was C$72.52 per bbl, which was lower than the third-quarter average of C$89.95 per bbl and the second-quarter average of C$125.29 per bbl. In the fourth quarter, Western Canadian Select differentials continued to widen due to multiple factors such as scheduled and unscheduled refinery maintenance in the United States, the release of medium-grade oil barrels from the United States Strategic Reserve, and domestic pipeline shut-in problems. However, subsequent to year-end, the differentials began to tighten as these issues began to subside.



Calima sells its natural gas into the local NGTL system in southern Alberta, utilizing the AECO benchmark. The natural gas is mainly processed at third-party facilities typically generating a premium sales price compared to AECO. This premium is mainly due to the gas stream containing a higher concentration of liquids, resulting in a higher relative heat content compared to the quoted benchmark price. As natural gas is sold based on the gigajoule, this factor contributes to the premium received by Calima.

Average natural gas prices increased to C$5.42 per Mcf during the fourth quarter of 2022, compared to C$3.55 per Mcf during the third quarter of 2022 primarily due to the anticipation of colder seasonal weather which led to higher demand for heating. Natural gas fundamentals have remained strong throughout 2022 with prices averaging C$5.02/Mcf during the year ended 31 December 2022 compared to C$3.50/Mcf during the year ended 31 December 2021. Natural gas prices increased early in 2022 due primarily to cold weather and geo-political uncertainty as a result of the war in Ukraine, increasing oil sands production and the phase-out of coal energy in the Western Canada. Subsequent to year end, natural gas prices have fallen due to a warmer than anticipated winter season, particularly in the east coast of North America.

Realised prices and sales

		Year ended 31 December 2022		Year ended 31 December 2021
Realised prices				
Oil (A$/bbl)	**$**	**111.70**	$	79.78
Natural gas (A$/Mcf)		**6.11**		4.44
Natural gas liquids (A$/bbl)	**$**	**81.86**	$	59.66
Oil and natural gas sales (A$ thousands)				
Oil	**$**	**101,606**	$	39,668
Natural gas		**18,269**		7,087
Natural gas liquids		**2,590**		958
Total oil and natural gas sales	**$**	**122,465**	$	47,713

Adjusted EBITDA

(A$ thousands)		Year ended 31 December 2022		Year ended 31 December 2021
Oil and natural gas sales	**$**	**122,465**	$	47,713
Royalties		**(23,567)**		(9,136)
Operating expenses		**(21,235)**		(10,079)
Transportation		**(5,072)**		(2,700)
General and administrative expenses		**(5,366)**		(4,241)
Adjusted EBITDA[(1)]	**$**	**67,225**	$	21,557

(1) Refer to Advisories and Guidance on page 65 for additional information regarding the Company's GAAP and non-GAAP measures.

Adjusted EBITDA was $67.2 million compared to $21.6 million in 2021. The increase in adjusted EBITDA was primarily due to an increase in average sales volumes as well as realised prices for the 2022 year compared to 2021. As well, EBITDA for 2021 only included Blackspur operating results from the date of acquisition 30 April 2021, compared to a full year of Blackspur operating results recognised in 2022.

The Calima Group pays royalties to various freehold royalty owners under various terms and rates, as well as to the Province of Alberta and British Columbia, in respect of the Company's production and sales volumes. In 2021 and 2022, 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.

Both operating and transportation costs for 2022 have increased compared to 2021 due to increased inflationary pressure on costs in Canada as well as a full year of costs recognised in 2022 compared to costs in 2021.

General and administrative expenses primarily consist of the Company's overhead costs at the Australian and Canadian head offices incurred to support ongoing operations of the Brooks, Thorsby and Montney assets. Compared to the prior year, the increase in G&A expenses in 2022 was primarily due to additional G&A expenses incurred with a full year of Blackspur operating results compared to costs only recognised in the prior year from the date of acquisition.

Net income (loss)

For the year ended (A$ thousands)	Year ended 31 December 2022	Year ended 31 December 2021
Adjusted EBITDA [(1)]	**$ 67,225**	$ 21,557
Financing and interest	**(1,170)**	(804)
Deferred income tax (expense) recovery	**(8,142)**	169
Depletion and depreciation	**(18,945)**	(7,531)
Exploration expense	**(180)**	(10,927)
Impairment loss	**-**	(37,628)
Loss on equity investment	**(415)**	-
Realised loss on risk management contracts	**(16,326)**	(7,210)
Unrealised gain on risk management contracts	**3,219**	816
Gain on acquisition (net)	**-**	11,438
Transaction costs	**-**	(1,032)
Share-based compensation	**(2,459)**	(919)
Foreign exchange and other	**-**	91
Net income / (loss)	**$ 22,807**	$ (31,980)

(1) Refer to Advisories and Guidance on page 65 for additional information regarding the Company's GAAP and non-GAAP measures.

During the year ended 31 December 2022, the Calima Group recognised net income of $22.8 million compared to a net loss of $32 million in 2021. The net loss in 2021 was primarily due to asset write-downs taken in respect of the Tommy Lakes Montney assets. No asset impairment losses were recognized in the 2022 financial statements other than a write-down in the value of the Company's investment in H2Sweet Inc.

Risk management contracts relate to Calima'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. In early 2022, the Company was required to maintain minimum hedging requirements under the terms of the Credit Facility. A majority of the hedging contracts to meet these requirements were put in place in late 2021. By March 2022, due to capital raised by the Company to offset the Credit Facility borrowings, the Company was no longer subject to the clauses in the Credit Facility with regards to minimum hedging requirements. However, due to the amount of hedging in place prior in 2021 and rising commodity prices, particularly for oil (WTI) relative to the Company's fixed contract positions throughout 2022, the Company recognized realised hedging losses of $16.3 million for the year.

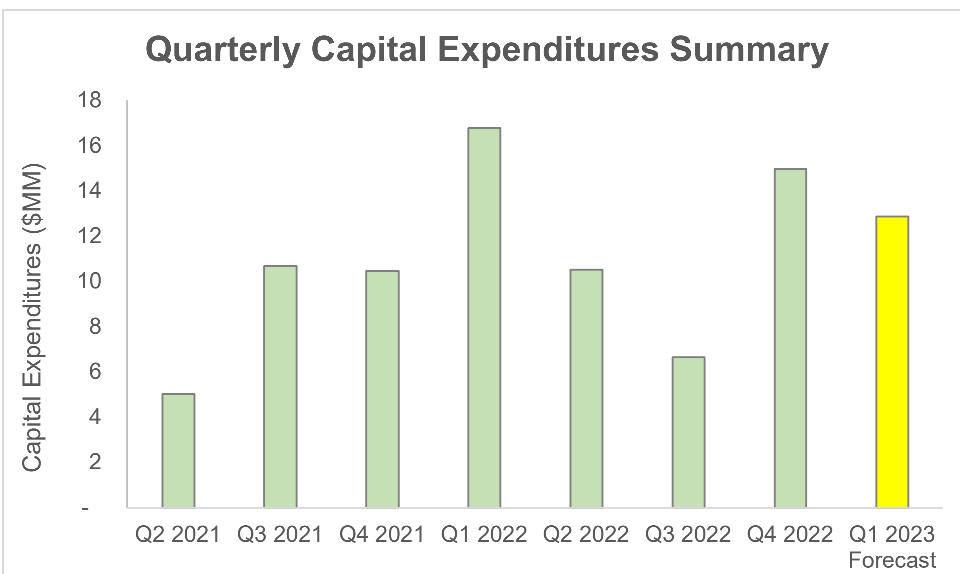
Depletion and depreciation reflects the development cost of Calima's oil and gas investments which are initially capitalised and then amortised to net income over their estimated useful lives. The majority of the Company's PP&E is depleted using the unit-of production method based on the estimated recoverable 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. For the year ended 31 December 2022, the Calima Group's depletion and depreciation expense averaged $13.24/boe compared to $9.66/boe for the year ended 31 December 2021.

Calima recognised share-based compensation expense of $2.5 million during 2022 primarily due to the issuance of incentive-based performance rights and stock options that were granted to office and field staff.

Development update

(A$ thousands)	Year ended 31 December 2022	Year ended 31 December 2021
Drilling and completion	**$ 34,552**	$ 19,651
Equipping, tie-in and facilities	**13,538**	4,934
Land and other [(1)]	**1,582**	2,245
Total investment in oil and natural gas assets	**$ 49,672**	$ 26,830

(1) Primarily consists of land acquisitions, surface and mineral lease rentals, geological and geophysical activities and other carrying costs related to Calima's assets.



The Calima Group commenced the 2022 drilling program with the development of four Sunburst Formation wells that were drilled, completed, and brought on production in early April in the Brooks area (Gemini #5-#7), one Glauconitic Formation well at Brooks (Pisces #3) that was brought on production in late March, and one Leo well targeting the Sparky Formation in the Thorsby area (Leo #4). During the second half of the year, the Company drilled, completed and brought on stream four Glauconitic Formation wells (Pisces #4-#7) and five Sunburst Formation wells (Gemini #8-#12).

The Company deployed A$49.7 million of capital expenditures for the year ended 31 December 2022 compared to A$26.8 million for the full year ended 31 December 2021. Capital spending in 2022 also included approximately $4.2 million spent on the 19km Brooks pipeline running north-south in the Brooks field and connecting the northern portion of the field to its lands, wells, and gathering facilities in the southern portion of the field.

The following tables summarise the results of the Company's well program as at 31 December 2022 and commencement of the 2023 drilling program:

Area	Well name & unique location identifier	Target formation	Spud Date	Drill days	Lateral length (m)	On Production	Status
Brooks	Pisces #1 - 04/04-28-19-13W4	Glauconitic	**30/11/21**	6	1,400	27/1/22	**Producing**
Brooks	Pisces #2 - 03/03-21-19-13W4	Glauconitic	**07/12/21**	8	2,720	26/1/22	**Producing**
Brooks	Pisces #3 - 02/15-11-19-14W4	Glauconitic	**02/01/22**	7	1,400	22/03/22	**Producing**
Brooks	Pisces #4 – 02/03-36-19-14W4	Glauconitic	**22/06/22**	9	1,727	15/08/22	**Producing**
Brooks	Pisces #5 – 02/03-05-20-15W4	Glauconitic	**02/07/22**	7	1,369	12/08/22	**Producing**
Brooks	Pisces #6 – 03/02-26-19-14W4	Glauconitic	**10/11/22**	10	1,325	31/12/22	**Producing**
Brooks	Pisces #7 – 02/01-26-19-14W4	Glauconitic	**19/11/22**	11	1,498	31/12/22	**Producing**
Brooks	Gemini #5 - 00/02-19-19-13W4	Sunburst	**09/01/22**	4	N/A*	4/03/22	**Producing**
Brooks	Gemini #6 - 00/02-18-19-13W4	Sunburst	**15/01/22**	6	646	4/15/22	**Producing**
Brooks	Gemini #7 - 02/16-36-18-14W4	Sunburst	**21/01/22**	6	667	4/2/22	**Producing**
Brooks	Gemini #8 – 03/16-19-19-13W4	Sunburst	**01/06/22**	12	672	06/07/22	**Producing**
Brooks	Gemini #9 – 03/06-22-18-14W4	Sunburst	**12/06/22**	11	529	01/07/22	**Producing**
Brooks	Gemini #10-02/14-23-18-14W4	Sunburst	**05/10/22**	11	1,253	31/10/22	**Producing**
Brooks	Gemini #11-02/11-18-19-13W4	Sunburst	**15/10/22**	12	927	23/11/22	**Producing**
Brooks	Gemini #12-02/06-19-19-13W4	Sunburst	**26/10/22**	15	423	29/11/22	**Producing**
Thorsby	Leo #4 - 00/16-11-051-02W5	Sparky	**19/01/22**	12	2,473	25/07/22	**Producing**

* Vertical well

Area	Well name & unique location identifier	Target formation	Spud Date	Drill days	Lateral length (m)	On Production	Status
Brooks	Pisces #8 – 02/05-03-18-14W4	Glauconitic	**06/01/23**	13	2,750	14/03/23	**Producing**
Brooks	Pisces #9 – 03/05-03-18-14W4	Glauconitic	**19/01/23**	16	2,750	14/03/23	**Producing**

Strategic infrastructure development

On 31 January 2022 the Company announced its agreement with Pivotal Energy Partners, a strategic infrastructure and midstream company, to fund the construction of a pipeline connecting the Company's 02-29 battery in the northern portion of its Brooks, Alberta asset base to its wells, lands, and gathering system in the southern portion of the Company's asset base. The pipeline was completed and brought on stream during the first quarter of 2022.

This project significantly expanded the Calima Group's gathering system and allows for cost-effective growth in the core area, while also providing short tie-in options for future drilling locations. Calima Group is the sole owner of the Pipeline and will repay the construction costs over a seven-year period at a 12% financing cost with fixed monthly payments of approximately $72,500 based on the pipeline project's cost of C$3.7 million. The Company reserves the right to settle the financing with a 180-day written notice starting from the third anniversary of the agreement, subject to an early termination penalty provision.

The construction of the pipeline has resulted in significant capital savings of approximately $2.8 million in 2022. Specifically, the Gemini 7, Pisces 3, and Gemini 6 wells, as well as the 15-18 surface (with four wells off it), would have required the construction of single or multi-well batteries costing approximately $665,000 and $1.3 million respectively each if not for the pipeline. Additionally, all wells would have required gas pipelines, estimated to cost approximately $835,000 each.

The pipeline construction not only resulted in capital savings but also in operational expenditure savings. The pipeline now allows for the transportation of approximately 680m^3 (4,277 bbl) of emulsions daily, which would have required trucking to the facility for processing/disposal. Without the pipeline, trucking costs would have amounted to approximately $11.50 per m^3, resulting in savings of approximately $8,000 per day. In total, these operational savings amount to approximately $3.2 million per annum gross or $2.3 million per annum net of the finance payment.

The pipeline will continue to reduce operating and capital costs improving full cycle economics of the Bantry field development plan. The pipeline will also reduce emissions from the displacement of trucking, improve the Company's safety and spill prevention profile and reduce flare volumes for each new well tied-into the pipeline.

Calima continues to evaluate strategies with respect to the Calima Lands to unlock shareholder value through development, partnerships, or farm-out.

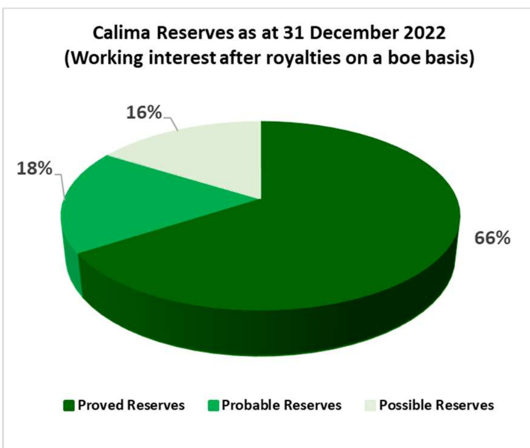
Reserves update

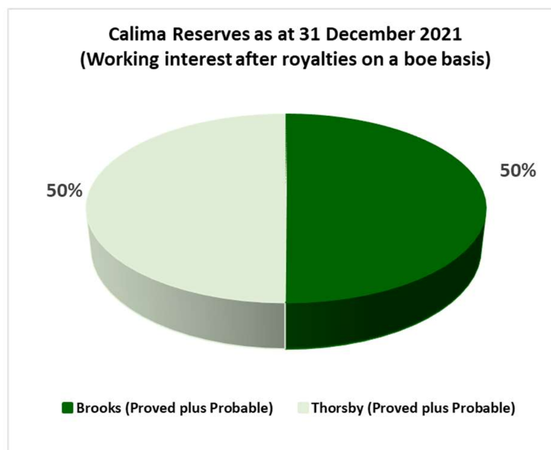
Reserves (Working interest after royalties)(1)(2)	Oil and liquids (Mboe)	31 December 2022 Natural gas (MMcf)	Oil Equivalent (Mboe)	31 December 2021 Oil Equivalent (Mboe)
Proved development producing	4,236	16,454	**6,978**	5,135
Proved developed not producing	95	379	**158**	132
Proved undeveloped	5,832	18,644	**8,939**	10,297
Total proved	10,163	35,477	**16,076**	15,564
Probable	2,720	10,035	**4,392**	4,824
Total proved plus probable	12,883	45,512	**20,468**	20,388
Possible	2,474	8,820	**3,944**	4,032
Total proved plus probable plus possible	15,357	54,332	**24,412**	24,420

(1) Refer to Calima's announcement dated 30 March 2023 ("Brooks and Thorsby Reserves Update 2022") (www2.asx.com.au).
(2) Table may not add due to rounding.

During the year ended 31 December 2022, the Calima Group's independent reserve engineers completed an updated evaluation of the Brooks and Thorsby assets. The Company has confirmed 20.4 million boe of proved plus probable reserves (31 December 2021 – 20.4 million boe) and an additional 3.9 million boe of possible reserves in place (24.4 mmboe total)[1]. The Company proved plus probable reserves remained consistent primarily due to production in 2022 and new well additions following the 2022 development program.

On a boe basis, 10.2 million boe of proved plus probable reserves are located at Brooks and 10.2 million located at Thorsby. The following pie chart illustrates the distribution of the Company's reserves:





Tommy Lakes Montney

Resources (un-risked) (Working interest after royalties) (1)(2)	Oil and liquids (Mboe)	31 December 2022 Natural gas (MMcf)	Oil Equivalent (Mboe)	31 December 2021 Oil Equivalent (Mboe)
Contingent Resources (2C)				
Development on hold	20,464	553,648	**112,739**	114,842
Development pending	8,374	225,539	**45,963**	45,686
Total contingent resources	28,837	779,187	**158,702**	160,528
Prospective Resources (2U)	18,607	502,094	**102,289**	126,258

(1) Refer to Calima's announcement dated 30 March 2022 ("Montney Resource Update 2022") (www2.asx.com.au).
(2) Table may not add due to rounding.

During the year ended 31 December 2022, the Calima Group's independent reserve engineers completed an updated evaluation of the Tommy Lakes Montney assets. The Company has confirmed 158.7 million boe of contingent resources (un-risked) and an additional 102.2 million boe of prospective resources in place[1].

The Company's prospective resources declined by 19% in 2022 primarily due to the acreage expiries relating to Montney leases that the Company elected not to extend through further drilling and delineation activities. The majority of the expiries related to the Company's prospective resources located in the peripheral northern sections of the play.

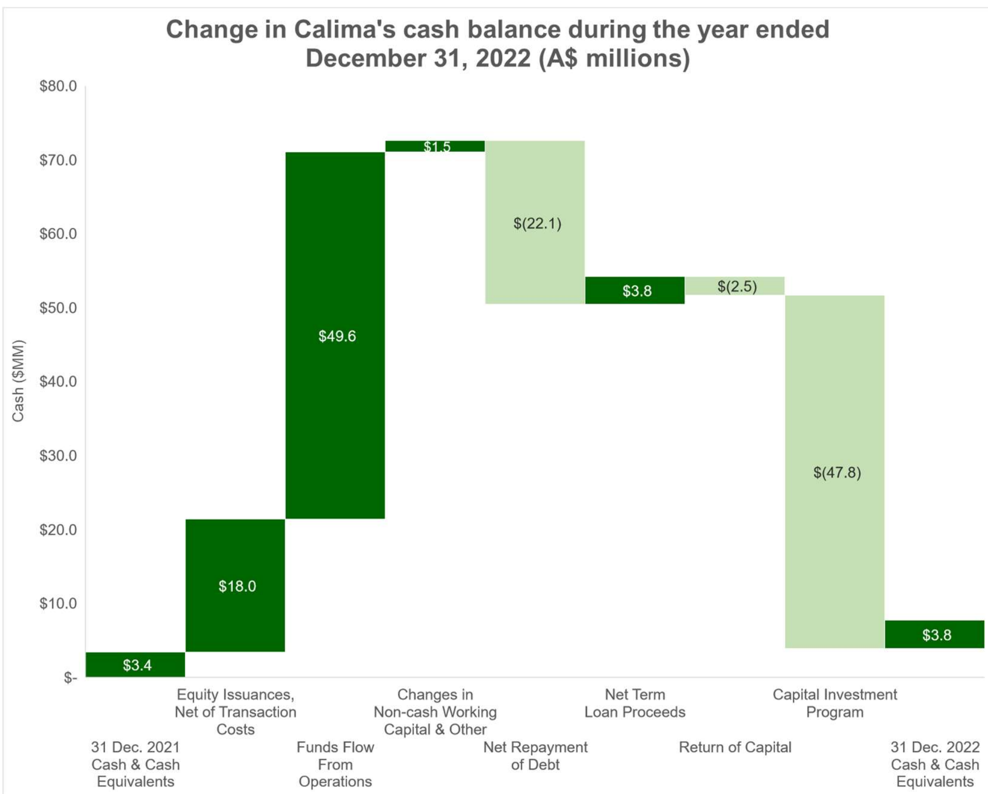
The estimated quantities of hydrocarbons that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Despite an improvement in commodity prices, the Company recognized an impairment loss of $37.6 million for the year ended 31 December 2021. The valuation was primarily based on the estimated net present value of after-tax, future cash flows from the contingent resources (un-risked) discounted at 36%, reflective of the assessed funding and development risks associated with the long-dated resource play.

[1] Refer to announcements dated 30 March 2023 ("Brooks and Thorsby Reserves Update 2022" and "Montney Resource Update 2022"). 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. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both a risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially recoverable hydrocarbons. Resource classes in the summation were not adjusted for risk.

Liquidity and capital resources

The following table summarises the change in the Company's cash balance during the year ended 31 December 2022:



The Calima Group holds a C$24.2 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). The borrowing base review was completed as at 22 March 2023 and resulted in a decrease to the credit facility from $24.2M to $20.0M as well as the removal of the affirmative covenant which had a mandatory hedging requirement if the Company were to utilize the bank line at greater than 50% over any quarter end. The next semi-annual review of the credit facility is scheduled to take place no later than 31 October 2023.

As at 31 December 2022, the Calima Group had available funding of A$18.4 million which primarily consisted of available credit under the Credit Facility, partially offset by the Company's working capital deficit at the end of the quarter:

As at (A$ thousands)		31 December 2022		31 December 2021
Available funding				
Adjusted working capital [(1)]	**$**	**(7,652)**	$	(5,801)
Undrawn Credit Facility capacity		**26,053**		7,459
Available funding [(1)]	**$**	**18,401**	$	1,658
Net debt				
Credit facility draws		**-**		(21,739)
Long-term portion of term loan		**(3,369)**		-
Long-term portion of lease liability		**-**		(265)
Adjusted working capital [(1)]		**(7,652)**		(5,801)
Net debt [(1)]	**$**	**(11,021)**	$	(27,805)

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures. As at 31 December 2022, adjusted working capital is calculated as current assets of $14.2 million less accounts payable and accrued liabilities of $21.9 million. As at 31 December 2021, adjusted working capital is calculated as current assets of $11.3 million less accounts payable and accrued liabilities of $17.1 million.

The Company's net debt at 31 December 2022 was A$11.0 million compared to 31 December 2021 net debt of A$27.8 million. Growth in the Company's net debt during the fourth quarter of 2022 was primarily due to funding the Q4 Brooks drilling program.

On 17 February 2022, the Calima Group completed a private-placement equity financing arrangement with investors for gross proceeds of A$20 million. The Company used the majority of the proceeds to reduce the amounts drawn under the Credit Facility and to complete the H1 2022 capital investment program.

Hedging program

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.

Calima executes a risk management program which is designed to limit downside exposure to market volatility while still providing for upside exposure to commodity price increases in the form of put-call collars for the 2023 year.

The Company's risk management contracts consisted of the following position as at 31 December 2022 with US$3.50/bbl premiums payable monthly on settled barrels:

Contract	Reference	Term	Volumes (bbl/day)	Sold Put $US/bbl	Bought Put $US/bbl	Sold Call $US/bbls
Three-way Collar	US NYMEX - WTI	Jan. 2023 – Mar. 2023	400	62.50	82.50	110.05
Three-way Collar	US NYMEX - WTI	Apr. 2023 – Jun. 2023	400	60.00	80.00	110.05
Three-way Collar	US NYMEX - WTI	Jul. 2023 – Sept. 2023	250	60.00	80.00	105.25

The Company also had the following WCS basis swap contracts in place as at 31 December 2022:

Contract	Reference	Term	Volumes (bbl/day)	Price per Unit (US$/Unit)
Swap	US NGX OIL-WCS-BLENDED	Jan. 2023 – Mar. 2023	100	(27.00)
Swap	US NGX OIL-WCS-BLENDED	Apr. 2023 – Jun. 2023	200	(23.40)
Swap	US NGX OIL-WCS-BLENDED	Jul. 2023 – Sept. 2023	100	(21.40)

Further hedge contracts have been layered on in the first quarter of 2023 to minimise exposure to downside commodity price volatility while still giving the Company exposure to an increase in commodity prices.

In a rising energy cycle, hedging losses may occur on that portion of the production hedged; however, with hedges set on a staggered basis as capital is committed, the Company views this strategy as an appropriate safeguard for the balance sheet to limit downside risk. Calima generally attempts to hedge oil price exposure on a forward rolling quarterly basis up to a full year out.

OUTLOOK

The Company sanctioned a Q1 2023 capital budget of A$9.7 million for 2 net Glauconitic wells in the Brooks area along with land and seismic costs and abandonment and maintenance capital as well as an additional A$2 million allocated to the retesting of the Upper and Middle Montney zones from each of the horizontal Montney wells (Calima #2 and #3) originally drilled in British Columbia in 2019.

The Glauconitic wells (Pisces #8 and #9) are follow-up wells to the 12-23 successful Glauconitic horizontal well drilled in 2020 which peaked at a rate of 217 boe/d (30 day average) and has cumulated over 132,000 boe to date. The wells were spudded in January and completed via fracture stimulation in late February and came on production in March 2023. Results from these wells on average have met budgeted type curve. Combined initial production from both wells has been in excess of 500 boe/d.

The following table summarises the Company's current outlook for the six months ended 30 June 2023:

Forecast		H1 2023(2)
Average Daily Production (boe/d) (1)		**4,300 – 4,600**
Adjusted EBITDA (C$ millions) (2)(3)	**$**	**19 – 21**
Capital expenditures (C$ millions)	**$**	**18 – 20**
Exit net debt (3) (C$ millions)	**$**	**8 – 10**

(1) H1 2023 average production range of 4,000 – 5,000 boe/d is based on current PDP plus forecasted production from Pisces #1-7 and Gemini #5-#12. Assumes US$80/bbl WTI, -US$25/bbl WTI/WCS differential, C$3.50/Gj AECO, 1.34 CAD/USD for the first half of 2023.

(2) EBITDA is adjusted for Jan-June 2023 expected realised hedging losses of C$0.2 million. EBITDA is based on commodity prices stated above, corporate average royalty rates of 19%, and operating costs and G&A assumptions that are based off historical financial performance. Interest, taxes and abandonment expenses are cashflow items excluded from EBITDA and estimated at C$0.5 million for Jan – June 2023.

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

Calima anticipates production in H1 2023 will be between 4,300 – 4,600 boe/d. Growth in production compared to 2022 is primarily the result of volumes from the two Glauconitic wells drilled in the first quarter of 2023 (Pisces #8 and #9) as well as the successful Brooks program (Pisces #6 and #7, Gemini #10, #11 and #12) drilled during the fourth quarter of 2022.

The Company expects to generate Adjusted EBITDA of C$21-C$24 million for the six months ended 30 June 2023 based on commodity price assumptions and production forecasts presented in the table above. The capital program is anticipated to be funded with cash provided by operating activities and funding under the Company's Credit Facility.

Considering anticipated free cash flow, the Calima Group's net debt is expected to be C$6-C$7 million by mid-year 2023 following completion of the H1 23 capital development program.

DIRECTORS' REPORT
For the year ended 31 December 2022

The Directors of Calima Energy Limited (**ASX: CE1**) ("**Calima**" or the "**Company**") are pleased to present the Directors' Report for the year ended 31 December 2022. 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.

Principal activities
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.

Significant changes in state of affairs
During the year ended 31 December 2022, the following significant changes in the entity's state of affairs occurred:

- During the year, the Company issued the following equity securities:
  - **100 million shares issued to raise A$20 million in gross proceeds-** Calima completed a private-placement equity financing arrangement with investors and used proceeds to reduce the amounts drawn under the Credit Facility and to complete the H1 2022 capital investment program.
  - **4.921 million share buy-back-** Calima completed an on-market buy-back of ordinary shares for an average price of $0.17 per share during the second and third quarters of 2022.
  - **A$2.5 million dividend payment-** Due to strong performance of its production assets, Calima commenced a half yearly dividend program with a A$2.5 million dividend payment in the third quarter of 2022.
  - **9.2 million Class D Performance Rights -** The Class D Performance Rights will vest following the Calima shares reaching a volume weighted average price of $0.25 per share over 20 consecutive trading days on which the shares have actually traded. These rights expire on 13 December 2023.
  - **9.2 million Class E Performance Rights –** The Class E Performance Rights will vest following the Company achieving average production greater than 4,300 boe/day for a total of 30 non-consecutive days over a 3-month period up to 30 April 2023. This condition was met subsequent to the year end, and all performance rights have vested.
  - **7.0 million Class F Performance Rights –** The Class F Performance Rights will vest in tranches of 50% following continuous service of 12 months from issuance and the remainder following continuous service of 24 months from issuance.
  - **1.35 million Employee Incentive Options -** The incentive options vest over three equal annual tranches, with an exercise price of $0.20 per unit, during a term of up to five years.
  - **3.5 million Incentive Options to service providers -** The incentive options vest upon issuance, with an exercise price of between $0.16 and $0.20 per unit.
  - **788,000 shares issued to creditors** - Shares were issued in lieu of payment for A$153,000 of amounts owing in respect of service provider billings. The issuance of these shares occurred during the second quarter of 2022.
- On 7 December 2022, the Board approved a **Q1 2023 capital budget of A$9.7 million** primarily to complete a 2 well (net) drilling program in the Brooks area. The Company commenced its 2023 winter drilling program early in January 2023.

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

Operational and financial results
The operational and financial results for the year ended 31 December 2022 have been presented on pages 7 through 15.

Principal Risks Affecting the Group
Calima's management team is focused on long-term strategic planning and has identified the key risks, uncertainties and opportunities associated with the Company's business that can impact the financial results. They include, but are not limited to, the items listed below.

Prices, Markets and Marketing

The Company's operational results and financial condition, and therefore the amount of capital expenditures, are dependent on the prices received for oil, natural gas, and natural gas liquids ("NGLs") production. Prices for oil, natural gas and NGLs are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil, natural gas and NGLs, market uncertainty and a variety of additional factors beyond the control of the Company. A material decline in prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, natural gas or NGLs and a reduction in the volumes of Calima's reserves. Management might also elect not to produce from certain wells at lower prices.

The Company's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines or rail cars that deliver oil and natural gas to commercial markets. Deliverability uncertainties related to the distance that Calima's reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

These factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas acquisition, development, and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Company's carrying value of its assets and its borrowing capacity, revenues, profitability, and funds from operations.

Inflation and Cost Management

Operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. Calima's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development, and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to Calima's operations for an expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows.

Operational Matters

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees. Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, and spills or other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment, and personal injury. As is standard industry practice, Calima is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Reserve Estimates

The reserves and recovery information contained in Calima's independent reserves evaluation is only an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator. The reserves report was prepared using certain commodity price assumptions. If lower prices for crude oil, natural gas and NGLs are realized by the Company and substituted for the price assumptions utilized in those reserves reports, the present value of estimated future net cash flows as well as the amount of the reserves would be reduced and the reduction could be significant.

Acquisitions
The price paid for acquisitions is based on engineering and economic estimates of the potential reserves made by independent engineers modified to reflect the technical views of Management. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of oil, natural gas, and NGLs, future prices of oil, natural gas and NGLs, and operating costs, future capital expenditures and royalties and other government levies that will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of Management. In particular, changes in the prices of and markets for oil, natural gas and NGLs from those anticipated at the time of making such assessments will affect the value of Calima. In addition, all such estimates involve a measure of geological and engineering uncertainty that could result in lower production and reserves. Actual reserves could vary materially from these estimates.

Royalty Regimes
There can be no assurance that the federal government and the provincial governments of the western provinces will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Company's projects. An increase in royalties would reduce Calima's earnings and could make future capital investments, or operations, less economic.

Variations in Foreign Exchange Rates and Interest Rates
World commodity prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently, affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar negatively affects production revenues. Future Canadian/United States exchange rates could accordingly affect the future value of reserves as determined by independent evaluators.

An increase in interest rates could result in a significant increase in the amount Calima pays to service debt, resulting in a reduced amount available to fund its exploration and development activities.

Third Party Credit Risk
Calima assumes customer credit risk associated with oil and gas sales, financial risk management contracts and joint venture participants. In the event that Calima's counterparties default on payments to Calima, cash flows will be impacted. A diversified customer base is maintained and exposure to individual entities is reviewed on a regular basis.

ENVIRONMENTAL RISKS

General Risks
All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. Although Calima believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Calima's business, financial condition, results of operations and prospects.

There remains a great deal of uncertainty as to what regulatory measures will be developed by the provinces or in concert with the federal government to address the decommissioning liabilities and environmental liabilities in the future. In addition, the provincial and/or federal government decisions has had an impact and is expected to continue to have an impact on how much credit lenders are willing to provide to oil and gas companies. This could impact Calima's ability to obtain financing on acceptable terms and the willingness of the Company's lenders to continue to provide credit to the Company.

Climate Change Risks

Our exploration and production facilities and other operations and activities emit greenhouse gasses ("GHG") which may require us to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national, and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate our effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on our business, financial condition, results of operations and prospects. Some of our significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, climate change has been linked to long-term shifts in climate patterns and extreme weather conditions both of which pose the risk of causing operational difficulties.

PROJECT RISKS

Calima manages a variety of small and large projects. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Calima's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Company's control, including:

- commodity prices and oil differentials;
- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or Calima's ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Calima could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that the Company produces.

CYBER-SECURITY

The Company employs and depends upon information technology systems to conduct its business. These systems have the potential to introduce information security risks, which are growing in both complexity and frequency and could include potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of Calima's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. Further, disruption of critical information technology services, or breaches of information security, could have a negative effect on the Company's assets, performance and earnings, as well as on the Company's reputation. The significance of any such event is difficult to quantify but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Environmental regulation and performance

The Calima Group's operations are subject to Canadian Federal and Provincial environmental regulations. These regulations govern the Company's exploration, development and production of oil and gas reserves in the Western Canadian Sedimentary Basin. The regulations include, among other things, standards for emissions management, hydrocarbon handling and spill response as well as reclamation and abandonment requirements. Compliance with applicable standards is addressed through regular monitoring by the Company and through external audits conducted by regulatory authorities and consultants of Calima. There were no significant breaches of environmental regulations during the year ended 31 December 2022.

Events after the reporting period

The following events occurred subsequent to the year ended 31 December 2022:

- On 14 February 2023, the Calima Group disposed of its investment in H2Sweet Holdings Inc. A loss of $0.4 million had been previously recognized in the 31 December 2022 financial statements related to this disposal.
- On 24 February 2023, the Calima Group entered into a commitment to backstop cost of approximately C$0.3 million to be incurred in connection with the Tommy Lakes pipeline.
- On 13 March 2023, 500,000 Class A and 500,000 Class B performance rights were converted to common shares.
- On 22 March 2023, the Company's borrowing base review was completed and resulted in a decrease to the credit facility to C$20M, as well as the removal of the affirmative covenant which had a mandatory hedging requirement if the Company were to utilize the credit facility at greater than 50% over any quarter end. The next semi-annual review of the credit facility is scheduled to occur no later than 31 October 2023.

Since the year ended 31 December 2022, the Directors are not aware of any other matter or circumstance that has significantly or may significantly affect the operations of the Company that has not already been disclosed in this Annual Report.

Likely developments and expected results

For 2023, the Calima Group will continue to focus on its key operations. Further information on the likely developments and expected results are included in the review of operations on pages 7 through 16.

Dividends

No dividend has been paid or declared by the Company to shareholders since the end of the financial year. The Company may elect to pay future dividends during financial periods when it is considered appropriate to do so.

Stock options and performance rights

Equity compensation arrangements As at 31 December 2022	Number of unit holders	Number of unlisted units (thousands)	Date of expiry
Unlisted options – exercisable at $0.20 per share (employees)	**19**	**10,950**	**May 2026**
Unlisted options – exercisable at $0.20 per share (employees)	**3**	**850**	**Jan. 2027**
Unlisted options – exercisable at $0.16 per share (service provider-fully vested)	**1**	**1,000**	**Oct. 2025**
Unlisted options – exercisable at $0.20 per share (service provider-fully vested)	**1**	**1,500**	**Nov. 2024**
Class A/B Performance rights – February 2021 grant (fully vested)	**2**	**2,000**	**Feb. 2026**
Class C Performance rights – May 2021 grant	**2**	**2,500**	**May 2026**
Class D Performance rights – May 2022 grant	**36**	**9,204**	**Oct. 2023**
Class E Performance rights – May 2022 grant	**36**	**9,204**	**Oct. 2023**
Class F Performance rights – May 2022 grant	**36**	**6,954**	**Jun. 2026**

Additional details regarding the Company's outstanding unlisted options and performance rights are included in the remuneration section of the Director's report and in the consolidated financial statements for the year ended 31 December 2022.

Indemnification of officers and insurance

The Calima Group has indemnified Directors and certain officers against any claims and related expenses which arise because of work completed in their respective capabilities. The Group has also paid premiums in respect of a contract insuring all the Directors and Officers of Calima Energy Limited against costs incurred in defending proceedings except for conduct involving a wilful breach of duty or a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001. The total amount of insurance contract premiums paid in the year was $197,727 (2021: $98,312).

Directors and Key Management Personnel ("KMP")

The names of the Directors of Calima in office as of the date of this report are as follows:

 **Glenn Whiddon** **BCom** **Executive Chairman**	Mr Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with a specific focus on natural resources. Mr. Whiddon holds a degree in Economics and has extensive corporate and management experience. He is currently Director of a number of Australian and international public listed companies in the resources sector. Mr. Whiddon was formerly Executive Chairman, Chief Executive Officer and President of Grove Energy Limited, a European and Mediterranean oil and gas exploration and development company.	**Appointment to the Board** ▪ 2 June 2015 **Interest in Securities at 31 Dec. 2022** ▪ Direct shares 1,385,841 ▪ Indirect shares (1) 16,940,132 ▪ Performance rights 1,000,000 (vested) ▪ Performance rights 3,300,000 (unvested) **Other directorships held in listed entities** ▪ Minrex Resources Ltd - since 5 June 2020, resigned 14 February 2022
 **Jordan Kevol** **BSc (Geology)** **CEO & Managing Director**	Jordan was a founder of Blackspur and has been the President and CEO since 2012. Mr Kevol holds a BSc (Geology) with 16 years of public and private Canadian junior E&P experience. Jordan is also a Director of Source Rock Royalties.	**Appointment to the Board** ▪ 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 **Interest in Securities at 31 Dec. 2022** ▪ Direct shares 3,819,409 ▪ Indirect shares 319,359 ▪ Unlisted options 2,500,000 ▪ Performance rights 2,640,000 (unvested) **Other directorships held in listed entities** ▪ Source Rock Royalties Ltd. (entity became publicly listed on 2 March 2022)
 **Karl DeMong** **BSc (Mechanical Engineering)** **Non-Executive Director**	Karl is a Canadian oil and gas engineer based in Calgary. He is an experienced technical advisor in unconventional and conventional fields both domestic (in the Brooks and Thorsby areas) and international. He holds several patents in surface and downhole oil and gas technologies. Karl will be focused on bringing his substantial well operations management expertise to bear on the Company's work program at Brooks and Thorsby, as well as assisting in the management of Montney assets. Mr. DeMong's prior roles include Apache Corporation, QuickSilver Resources Canada, Inc, Quantum Reservoir Impact, Sabretooth Energy and Halliburton Drilling Services.	**Appointment to the Board** ▪ 1 April 2022 **Interest in Securities at 31 Dec. 2022** ▪ Direct shares 160,000 ▪ Performance rights 600,000 **Other directorships held in listed entities** None

 **P.L. (Lonny) Tetley** **Blaw, Bcom** **Non-Executive Director**	Lonny Tetley is a securities lawyer and partner at Burnet, Duckworth and Palmer LLP with over 15 years of experience in corporate finance and the oil and gas industry. Mr. Tetley serves on the Board of a number of companies including Certarus Ltd., Beyond Energy Services & Technology Corp. and Accelerate Financial Technologies Inc. He is also a member of the Private Funds Independent Review Committee of Deans Knight Capital Management Ltd.	**Appointment to the Board** ▪ 28 May 2021 **Interest in Securities at 31 Dec. 2022** ▪ Direct shares 180,000 ▪ Unlisted options 300,000 ▪ Performance rights 600,000 (unvested) **Other directorships held in listed entities** ▪ None
 **Mark Freeman** **CA, F.Fin** **Finance Director &** **Company Secretary**	A Chartered Accountant with more than 20 years' experience in corporate finance and the resources industry. He has experience in strategic planning, business development, mergers and acquisitions, North American gas commercialisation, and project development general management. Mr. Freeman has worked with a number of successful public resource companies. A graduate of the University of Western Australia with a Bachelor of Commerce Mr. Freeman also holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.	**Appointment to the Board** ▪ 23 June 2021 **Interest in Securities at 31 Dec. 2022** ▪ Direct shares - ▪ Indirect shares 638,492 ▪ Performance rights 1,000,000 (vested) ▪ Performance rights 3,160,000 (unvested) **Other directorships held in listed entities** ▪ Grand Gulf Energy Ltd – since 27 October 2010, resigned 8 April 2022 ▪ Pursuit Minerals Ltd – since 1 April 2020 ▪ Doriemus Energy Ltd – since 25 May 2022 ▪ Roquefort Therapeutics PLC – 18 October 2021, resigned 16 September 2022
 **Jerry Lam** **CPA, CA** **VP Finance & CFO, Canada**	Jerry is a seasoned CFO with over 18 years' experience in the Canadian Oil and Gas market having worked with Legacy Oil, Seven Generations Energy and KPMG.	**Appointment to the Board** ▪ N/A **Interest in Securities at 31 Dec. 2022** ▪ Performance rights 1,500,000 (unvested) **Other directorships held in listed entities** None

* Glenn Whiddon: Please note that Mr. Whiddon only has a control in 2,722,539 shares in the indirect holdings. Mr. Whiddon does not control the remaining indirect holdings. They are held independently of Mr. Whiddon and are only included for good corporate governance purposes. Mr. Whiddon has no relevant interest in the indirect holdings.

On 1 April 2022, Brett Lawrence resigned from the Board as a Non-Executive Director. Mr. Lawrence was appointed to the Board of Directors on 29 May 2019 and served as Director until his resignation. Braydin Brosseau resigned on 16 May 2022.

Director meetings

	Directors' Meetings
Number of meetings held	**7**
Meeting attendance:	
Glenn Whiddon	**7 of 7**
Jordan Kevol	**7 of 7**
Karl DeMong	**5 of 5**
Lonny Tetley	**7 of 7**
Mark Freeman	**7 of 7**

Remuneration report (audited)

Introduction

The Directors and key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration levels for Directors and key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and executives.

The Board is responsible for remuneration policies and practices. The Board assesses the appropriateness of the nature and amounts of remuneration of officers and employees on a periodic basis and makes recommendations to the Board. The Board, where appropriate, seeks independent advice on remuneration policies and practices, including remuneration packages and terms of employment. No independent advice was received in the current year. The Calima Group's securities trading policy regulates dealings by Directors, officers and employees in securities issued by the Group. The policy imposes trading restrictions on all Directors, key management personnel and employees of the Group and their related companies who possess inside information.

Remuneration strategy

At the Board's discretion, the Calima Group's remuneration practices are made available to the Company's directors, senior management, employees, consultants and other contractors that may perform work on behalf of the business (collectively, the "Service Providers"). The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.

The Calima Group has the following remuneration plans in place A summary of these Plans is set out below:

- A **Fixed remuneration Plan** that provides for salaries or fees paid to Service Providers in respect of baseline employment, consulting or contracting activities provided to the Calima Group,
- A **Short-Term Incentive Plan ("STIP")** that provides for cash bonuses to be paid annually based on a combination of individual and corporate performance over the previous year,
- A **Stock Option Plan ("SOP")** that provides for short-term or long-term equity incentives that generally vest over certain continuous employment conditions; and
- A **Performance Rights Plan ("PRP")** that provides for long-term equity incentives that may vest upon on the achievement of certain performance-based thresholds or continuous employment conditions.

The Board is of the opinion that these incentive plans achieve the following outcomes:

- Attract and retain staff and management to pursue the Group's strategy and goals;
- Align the interests of the Group's employees with that of the Company's shareholders;
- Provide fair and reasonable reward for past individual and Group performance; and
- Incentivise service providers to deliver future individual and Group performance.

Fixed remuneration

Fixed remuneration consists of the base remuneration paid to directors, offices and employees of the Calima Group (which is calculated on a total cost basis and includes any Fringe Benefit Tax charges related to employee benefits), as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Board where applicable. The process consists of a review of Group and individual performance, length of service, relevant comparative remuneration internally and externally and market conditions.

Short Term Incentive Plan (STIP)

The STIP provides for the payment of discretionary cash bonuses to Service Providers of the Calima Group on an annual basis in respect of their performance and the overall performance of the Company during the previous financial year. The STIP establishes maximum bonus levels as a percentage of salary by grade of employee and a guideline framework for calibrating the actual bonus against the maximum according to certain parameters of individual and corporate performance. However, all bonus payments are entirely at the discretion of the Board and there are no contractual bonus entitlements under the STIP.

Stock Option Plan (SOP)

The SOP provides for the issuance of stock options to Service Providers of the Calima Group on a periodic basis generally to provide a long-term equity incentive. Stock options are issued for nil consideration and generally carry an exercise strike price that is either at or above the Company's share price at the date of grant. Subject to the satisfaction of the vesting conditions given to eligible participants, each exercised stock option will be eligible to receive the equivalence of one common share. In satisfaction of the share issuance from treasury, the option holder pays cash consideration to the Company equal to exercised strike price.

The primary non-market-based vesting condition for the Company's SOP units issued to employees is generally continuous employment. However, the Calima Group may also issue stock options to non-employee related Service Providers with vesting terms that align to performance term under the service contract. Stock options grants may also be subject to certain other market-based on non-market-based performance conditions, at the Board discretion.

No stock options were issued to key management personnel during the financial year.

Performance Rights Plan (PRP)

The PRP provides for the issuance of stock options to Service Providers of the Calima Group on a periodic basis generally to provide a long-term equity incentive. The PRP is open to any eligible persons who are full-time or permanent part time employees of the Company, or a related body corporate which includes directors, the company secretary and officers or other such persons as the Board determines to be eligible to receive such grants under the PRP. The Performance Rights are issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights. Subject to the satisfaction of the vesting conditions given to eligible participants, each PRP unit will be eligible to receive the equivalence of one common share.

Vesting conditions, if any, are determined by the Board from time to time and set out in individual offers for the grant of Performance Rights. Performance rights are subject to certain market-based on non-market-based performance conditions, at the Board discretion, which generally include a share price target and/or continuous employment obligations.

During the year ended 31 December 2022, Calima approved 7.8 million performance rights (on a post-consolidation basis) for grant to certain Officers and Directors of Calima. The vesting conditions of the performance rights were as follows:

- 3.25 million Class D rights become vested and exercisable if VWAP of shares trades over A$0.25/share over 20 consecutive days on or before 13 December 2023, subject to a continuous service condition. As at 31 December 2022, all of the units were unvested.
- 3.25 million Class E rights become vested and exercisable following the Company achieving average production greater than 4,300 boe/d for a total of 30 days (non-consecutive) over a 6 month period up until 30 April 2023, subject to a continuous service condition. As at 31 December 2022, all of the units were unvested. The vesting hurdle was achieved subsequent to year end.
- 1.3 million Class F rights become vested and exercisable following continued service of the holder for periods of one to two years from issue date. As at 31 December 2022, all of the units were unvested.

Non-executive Directors

There are no termination or retirement benefits for non-executive Directors (other than statutory superannuation). The maximum available pool of fees is set by shareholders in general meeting and is currently $350,000 per annum.

Service contracts

Remuneration and other terms of employment for Executive Directors and other key management personnel are formalised in service agreements and letters of employment (conditions of employment). All parties continue to be employed until their employment is terminated. For executive employment contracts, at a minimum, employees must provide one months' notice of departure and the employer must provide at least three-months' notice (without cause). For non-executive terminations, at a minimum, employees must give two-weeks' notice and the employer must give statutory required notice. The Company may make payment in lieu of notice. Key management personnel are entitled to receive, on termination of employment, statutory entitlements of vested annual and long service leave, together with post-employment benefits. Any options or rights awarded but not vested at the time of resignation will be cancelled unless the Board advises otherwise at its own discretion.

Employment contracts do not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year with consideration of employment market conditions, changes in the scope of the role performed by the employee and changes in remuneration policy set by the Board. Details of the remuneration of the Directors of the Company and key management personnel are set out in the following tables below.

Key management personnel ("KMP")

The key management personnel of the Company in 2022 included the following executive directors and non-executive officers:

KMP	Role at Calima	2022 Update
Glenn Whiddon	**Executive Chairman**	-
Mark Freeman	**Finance Director & Company Secretary**	-
Brett Lawrence	**Non-Executive Director**	Resigned 1 April 2022
P.L. (Lonny) Tetley	**Non-Executive Director**	-
Jordan Kevol	**CEO & Managing Director**	-
Karl DeMong	**Non-Executive Director**	Appointed 1 April 2022
Jerry Lam	**VP Finance & CFO, Canada**	Appointed 13 October 2022
Braydin Brosseau	**VP Finance & CFO, Canada**	Resigned 16 May 2022

Remuneration overview

Amounts recognised in respect of remuneration plans are detailed in the table below. The STIP, SOP and PRP are considered performance related. Although the stock options grants have no market-based performance conditions, they were issued at an exercise price that was out of the money at grant date, which encourages the employees to remain with the Company and work towards achieving share price growth. The value of options and rights shown in the tables below represent the vesting expense, measured in accordance with Australian Accounting Standards, for awards granted in the current or previous financial years.

The Corporations Act requires disclosure of the Calima Group's remuneration policy to contain a discussion of the Company's earnings, performance, and the effect of the performance on shareholder wealth during the current reporting period and the four previous financial years.

The following table below provides a five-year financial performance summary to the end of 31 December 2022:

As at and for the year ended 31 December	2022	2021	2020	2019	2018
Adjusted EBITDA (1)	**67,225**	21,557	(1,169)	(2,582)	(3,020)
Net income (loss)	**22,807**	(31,980)	(6,395)	(1,584)	(3,127)
Earnings (loss) per share (diluted) (2)	**0.04**	(0.08)	(0.06)	(0.02)	(0.07)
Working capital surplus (net debt) (1)	**(11,021)**	(27,805)	(382)	4,415	19,033
December 31 share price	**0.13**	0.21	0.16	0.14	0.86

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

(2) Information presented in this table, including comparative figures, have been adjusted to reflect the impact of the share consolidation on August 30, 2021, at a conversion rate of 20:1.

The payment of STIP bonuses are at the discretion of the Board, having regard to the overall performance of the Company and the performance of the individual.

The following tables summarise the remuneration accrued to KMP during the year ended 31 December 2022 and 2021:

KMP	Salaries, fees & benefits	Bonuses	Benefits	Perf. rights (1)	Stock options	Total	Performance related (%)
Glenn Whiddon	186,400	30,000	12,000	207,571	-	**435,971**	**54%**
Mark Freeman (2)	207,000	30,000	8,000	224,035	-	**469,035**	**54%**
Brett Lawrence (3)	9,000	-	-	-		**9,000**	**-**
P.L. (Lonny) Tetley (4)	41,333	-	-	53,521	10,248	**105,102**	**61%**
Jordan Kevol	311,836	66,425	12,826	235,493	85,395	**711,975**	**54%**
Karl DeMong (5)	161,959	-	-	53,521	-	**215,480**	**25%**
Jerry Lam (6)	109,157	13,838	8,947	40,233	-	**172,175**	**31%**
Braydin Brosseau (7)	106,141	-	8,419	-	(13,464)	**101,096**	**(13%)**
Total	1,132,826	140,263	50,192	814,374	82,179	**2,219,834**	**47%**

(1) Vesting expense for the fair value of share-based awards determined at grant date in accordance with Australian Accounting Standards.
(2) Excluded is $32,000 paid to Meccano Consulting Pty Ltd, a company controlled by Mr. Freeman for third party bookkeeping services.
(3) Mr. Lawrence resigned on 1 April 2022.
(4) Excluded is $118,033 paid to Burnett, Duckworth & Palmer LLP, a legal firm which Mr. Tetley is a partner. These fees are in relation to legal services. The salaries, fees & benefits reported in the chart above represents the value of 180,000 common shares issued to Mr. Tetley as compensation for serving as a director.
(5) Mr. DeMong was appointed 1 April 2022.
(6) Mr. Lam was appointed 13 October 2022.
(7) Mr. Brosseau resigned on 16 May 2022.

KMP	Salaries and fees	Bonuses	Benefits	Perf. rights (1)	Stock options (1)	Total	Performance related (%)
Glenn Whiddon (2)	218,400	100,000	-	171,338	-	**489,738**	**55%**
Mark Freeman (3)	176,476	75,000	-	200,906	-	**452,382**	**61%**
Brett Lawrence	36,000	-	-	42,000	-	**78,000**	**54%**
Alan Stein (4)	9,000	-	-	78,095	8,575	**95,670**	**91%**
P.L. (Lonny) Tetley (5)	24,000	-	-	-	10,039	**34,039**	**29%**
Jordan Kevol	161,291	-	4,243	-	83,657	**249,191**	**34%**
Braydin Brosseau	143,369	-	4,172	-	75,308	**222,849**	**34%**
Total	768,536	175,000	8,415	492,339	177,579	**1,621,869**	**52%**

(1) Vesting expense for the fair value of share-based awards determined at grant date in accordance with Australian Accounting Standards.
(2) Included are $182,400 paid to Mr. Whiddon for consulting services primarily in respect of financing and other business development related services.
(3) Included are $21,476 paid to Mr. Freeman for consulting services in respect of bookkeeping and other related services.
(4) Mr. Stein resigned on 23 June 2021.
(5) Amount reported in chart above represents accrued value of common shares to be issued to Mr. Tetley as compensation for serving as a director in 2021.

The following table summarises the equity compensation units granted to directors and key management personnel during the year ended 31 December 2022:

KMP	Performance rights Class D (1)	Class E (2)	Class F (3) (4)	Exercise price	Year of expiry
Glenn Whiddon	750,000	750,000	-	-	2023
	-	-	300,000	-	2026
Mark Freeman	900,000	900,000	-	-	2023
	-	-	360,000	-	2026
P.L. (Lonny) Tetley	250,000	250,000	-	-	2023
	-	-	100,000	-	2026
Jordan Kevol	1,100,000	1,100,000	-	-	2023
	-	-	440,000		2026
Karl DeMong	250,000	250,000	-	-	2023
	-	-	100,000	-	2026
Jerry Lam	600,000	600,000	-	-	2023
	-	-	300,000(4)	-	2026

(1) The Class D performance rights become vested and exercisable if VWAP of shares trades over A$0.25/share over 20 consecutive days on or before 13 December 2023, subject to a continuous service condition. As at 31 December 2022, all of the units were unvested.
(2) The Class E performance rights become vested upon the Company achieving average production greater than 4,300 boe/d for a total of 30 days(non-consecutive) over a 6 month period up until 30 April 2023, subject to a continuous service condition. As at 31 December 2022, all of the units were unvested.
(3) 40%/40%/20% of the Class F performance rights become vested following continued service of the holder as a consultant or employee of the Company for 12/24/36 months from issuance date.
(4) 50%/50% of the Class F performance rights become vested following continued service of the holder as a consultant or employee of the Company for 12/24 months from issuance date.

The Class D, E and F performance rights that were issued to Management and the Board in 2022 were granted primarily in order to retain KMP and incentivise future short-term and long-term share price performance. The performance-based compensation arrangements will vest subject to the satisfaction of certain service terms and performance criterion as disclosed in this remuneration report.

The following table summarises the valuation assumptions utilised to measure the value of equity compensation issued to KMP during the year ended 31 December 2022:

Valuation input assumptions [(1)]	Performance Rights							
KMP	**Glenn Whiddon**		**Jordan Kevol**		**Karl DeMong**		**P.L. (Lonny) Tetley**	
Equity unit type	Class D/E	Class F	Class D/E	Class F	Class D/E	Class F	Class D/E	Class F
Units granted to KMP	1,500,000	300,000	2,200,000	440,000	500,000	100,000	500,000	100,000
Grant date	31 May 2022	31 May 2022	31 May 2022	31 May 2022	31 May 2022	31 May 2022	31 May 2022	31 May 2022
Expiry date	13 Dec 23	13 Jun 26	13 Dec 23	13 Jun 26	13 Dec 23	13 Jun 26	13 Dec 23	13 Jun 26
Valuation model	Monte Carlo/Black Scholes	Black Scholes	Monte Carlo/Black Scholes	Black Scholes	Monte Carlo/Black Scholes	Black Scholes	Monte Carlo/Black Scholes	Black Scholes
Share price at grant date ($)	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Exercise price ($/share)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Barrier price ($/share)								
Volatility (%)	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00
Risk-free rate (%)	2.484	3.029	2.484	3.029	2.484	3.029	2.484	3.029
Expected life (years)	1.5	4.0	1.5	4.0	1.5	4.0	1.5	4.0
Fair value ($/share)	0.1729 / 0.20	0.20	0.1729 / 0.20	0.20	0.1729 / 0.20	0.20	0.1729 / 0.20	0.20

KMP	**Mark Freeman**		**Jerry Lam**	
Equity unit type	Class D/E	Class F	Class D/E	Class F
Units granted to KMP	1,800,000	360,000	1,200,000	300,000
Grant date	31 May 2022	31 May 2022	11 Oct 2022	11 Oct 2022
Expiry date	13 Dec 23	13 Jun 26	13 Dec 23	13 Jun 26
Valuation model	Monte Carlo/Black Scholes	Black Scholes	Monte Carlo/Black Scholes	Black Scholes
Share price at grant date ($)	0.20	0.20	0.12	0.12
Exercise price ($/share)	Nil	Nil	Nil	Nil
Barrier price ($/share)				
Volatility (%)	90.00	90.00	90.00	90.00
Risk-free rate (%)	2.484	3.029	3.203	3.566
Expected life (years)	1.5	4.0	1.2	3.7
Fair value ($/share)	0.1729 / 0.20	0.20	0.0647 / 0.12	0.12

The following tables summarise the changes in performance rights held by KMP during the year ended 31 December 2022:

KMP Performance rights	Balance Jan. 1, 2022	Units granted	Units Exercised	Units expired	KMP resignation	Balance Dec. 31, 2022	Units Vested
Glenn Whiddon	2,500,000	1,800,000	-	-	-	**4,300,000**	-
Jordan Kevol	-	2,640,000	-	-	-	**2,640,000**	-
Karl DeMong [(1)]	-	600,000	-	-	-	**600,000**	-
P.L. (Lonny) Tetley	-	600,000	-	-	-	**600,000**	-
Mark Freeman	2,000,000	2,160,000	-	-	-	**4,160,000**	-
Jerry Lam [(2)]	-	1,500,000	-	-	-	**1,500,000**	-
Brett Lawrence [(3)]	300,000	-	-	-	(300,000)	-	-
Braydin Brosseau [(4)]	-	-	-	-	-	-	-
Total	4,800,000	9,300,000	-	-	(300,000)	**13,800,000**	-

(1) Mr. DeMong was appointed 1 April 2022.
(2) Mr. Lam was appointed 13 October 2022.
(3) Mr. Lawrence resigned on 1 April 2022.
(4) Mr. Brosseau resigned on 16 May 2022.

KMP Options [(1)]	Balance Jan. 1, 2022	Units granted	Units Exercised	Units expired	KMP resignation[(2)]	Balance Dec. 31, 2022	Units vested
Glenn Whiddon	-	-	-	-	**-**	**-**	**-**
Mark Freeman	-	-	-	-	**-**	**-**	**-**
Brett Lawrence	-	-	-	-	**-**	**-**	**-**
P.L. (Lonny) Tetley	300,000	-	-	-	**-**	**300,000**	**100,000**
Jordan Kevol	2,500,000	-	-	-	**-**	**2,500,000**	**833,333**
Braydin Brosseau [(1)]	2,250,000	-	-	-	**(2,250,000)**	**-**	**750,000**
Total	5,050,000	-	-	-	**(2,250,000)**	**2,800,000**	**1,683,333**

(1) Mr. Brosseau resigned from the Board on 16 May 2022. Accordingly, Mr. Brosseau's shareholdings have been excluded from the KMP table disclosure as at 31 December 2022. There were 750,000 options issued in 2021 that vested prior to Mr. Brosseau's resignation, with continuous employment the only performance condition.

The following tables summarise the changes in shareholdings of KMP during the year ended 31 December 2022:

KMP Direct interest	Balance Jan. 1, 2022	Shares acquired (1)	Shares Disposed	Shares Issued in lieu of fees	KMP resignation	Balance Dec. 31, 2022
Glenn Whiddon	885,841	500,000	-	-	-	**1,385,841**
Mark Freeman	-	-	-	-	-	**-**
Karl DeMong	-	160,000	-	-	-	**160,000**
Brett Lawrence	-	-	-	-	-	**-**
P.L. (Lonny) Tetley	-	-	-	180,000	-	**180,000**
Jordan Kevol	3,569,409	250,000	-	-	-	**3,819,409**
Jerry Lam	-	-	-	-	-	**-**
Braydin Brosseau (2)	621,170	-	-	-	(621,170)	**-**
Total	5,076,420	910,000	-	180,000	(621,170)	**5,545,250**

(1) Calima shares acquired on-market.
(2) Mr. Brosseau resigned from the Board on 16 May 2022. Accordingly, Mr. Brosseau's shareholdings have been excluded from the KMP table disclosure as at 31 December 2022.

KMP Indirect interest	Balance Jan. 1, 2022	Shares acquired	Shares Disposed	Shares Issued in lieu of fees	KMP resignation	Balance Dec. 31, 2022
Glenn Whiddon (1)	12,940,132	4,000,000	-	-	-	**16,940,132**
Mark Freeman	130,598	507,894	-	-	-	**638,492**
Brett Lawrence (2)	436,992	-	-	-	(436,992)	**-**
Karl DeMong	-	-	-	-	-	**-**
P.L. (Lonny) Tetley	-	-	-	-	-	**-**
Jordan Kevol	319,359	-	-	-	-	**319,359**
Jerry Lam	-	-	-	-	-	**-**
Braydin Brosseau	-	-	-	-	-	**-**
Total	13,827,081	4,507,894	-	-	(436,992)	**17,897,983**

(1) Mr Whiddon has control of 2,722,539 shares in the indirect holdings. Mr Whiddon does not control the remaining indirect holdings. They are held independently of Mr Whiddon and are only included for good corporate governance purposes. Mr Whiddon has no relevant interest in the remaining indirect holdings.
(2) Mr. Lawrence resigned on 1 April 2022. Accordingly, Mr. Lawrence's indirect shareholdings have been excluded from the KMP table disclosure as at 31 December 2022.

END OF REMUNERATION REPORT (AUDITED)

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important. Details of the amount paid or payable to the auditor for services provided during the year are set out in Note 26. For the year ended 31 December 2022, there were non-audit related services provided by the Company's auditor, PricewaterhouseCoopers (PwC).

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 62. No officer or director of Calima belonged to an audit practice that audited the Company during the year.

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
Executive Chairman
30 March 2023

CALIMA ENERGY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Loss)
(thousands of Australian dollars)

For the year ended	Notes	31 December 2022	31 December 2021
Revenue			
Oil and natural gas sales		$ 122,465	$ 47,713
Royalties expense		(23,567)	(9,136)
	18	98,898	38,577
Risk management contracts			
Realised loss	11	(16,326)	(7,210)
Unrealised gain	11	3,219	816
		85,791	32,183
Expenses			
Operating	19	21,235	10,079
Transportation	20	5,072	2,700
Depletion and depreciation	8	18,945	7,531
Exploration expense	8	180	10,927
Impairment loss	8	-	37,628
General and administrative	21	5,366	4,241
Transaction costs	5	-	1,032
Financing and interest	22	1,170	804
Share-based compensation	23	2,459	919
Foreign exchange gain		-	(96)
		54,427	75,765
Net income (loss) before the following		31,364	(43,582)
Gain on acquisition (net)	5	-	11,438
Loss on equity investment		(415)	(5)
Net income (loss) before income taxes		30,949	(32,149)
Deferred income tax expense (recovery)	9	8,142	(169)
Net income (loss)		22,807	(31,980)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit and loss			
Gain (loss) on foreign currency translations	25	(1,040)	5,794
Total comprehensive income (loss)		$ 21,767	$ (26,186)
Net income (loss) per share			
Basic	15	$ 0.04	$ (0.08)
Diluted	15	$ 0.04	$ (0.08)

See accompanying notes to the consolidated financial statements.

CALIMA ENERGY LIMITED
Consolidated Statement of Financial Position
(thousands of Australian dollars)

As at	Notes		31 December 2022		31 December 2021
Assets					
Current assets					
Cash and cash equivalents	6	**$**	**3,848**	$	3,363
Accounts receivable	7		**9,677**		7,186
Deposits and prepaid expenses			**674**		766
Risk management contracts	11		**218**		-
			14,417		11,315
Oil and natural gas assets	8		**154,860**		128,709
Long-term deposits			**646**		614
Investments			**129**		537
Deferred income tax asset	9		**4,012**		12,154
			174,064		153,329
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities			**20,939**		16,639
Credit facility	10		**-**		21,739
Term loan	12		**418**		-
Risk management contracts	11		**-**		2,941
Lease liabilities	8		**252**		-
Current restoration provisions	13		**242**		477
			21,851		41,796
Long-term portion of lease liabilities	8		**-**		265
Term loan	12		**3,369**		-
Restoration provisions	13		**23,069**		25,428
			48,289		67,489
Shareholders' equity					
Share capital	14		**366,055**		350,461
Share-based payments	23		**19,413**		16,839
Foreign currency translations	25		**4,648**		5,688
Accumulated losses			**(264,341)**		(287,148)
			125,775		85,840
		$	**174,064**	$	153,329

See accompanying notes to the consolidated financial statements.

Subsequent events (Note 29)

CALIMA ENERGY LIMITED
Consolidated Statement of Cash Flows
(thousands of Australian dollars)

For the year ended	Notes	31 December 2022	31 December 2021
Operating activities			
Net income (loss)		**$ 22,807**	$ (31,980)
Items not affecting operating related cash flows:			
Gain on acquisition (net)	5	**-**	(11,438)
Impairment loss	8	**-**	37,628
Exploration expense	8	**-**	10,927
Depletion and depreciation	8	**18,945**	7,531
Unrealised gain on risk management contracts	11	**(3,219)**	(816)
Deferred income tax expense (recovery)	9	**8,142**	(169)
Share-based compensation	23	**2,367**	919
Accretion of liabilities		**597**	350
Non-cash expenses and other		**(11)**	602
Funds flow from operations		**49,628**	13,554
Changes in non-cash working capital		**651**	2,970
Cash provided by operating activities		**50,279**	16,524
Financing activities			
Issuance of common shares	14	**18,823**	36,178
Purchase of common shares	14	**(818)**	-
Increase in (repayment of) credit facility	10	**(22,142)**	3,342
Term loan proceeds	12	**3,980**	-
Repayment of term loan	12	**(192)**	-
Return of capital		**(2,508)**	-
Repayment of other indebtedness		**-**	(874)
Lease payments		**(266)**	(216)
Cash provided by (used in) financing activities		**(3,123)**	38,430
Investing activities			
Acquisition of Blackspur Oil Corp.	5	**-**	(33,162)
Investments in oil and natural gas assets	8	**(47,816)**	(20,013)
Contributions to equity investments		**-**	(108)
Loss on equity investment		**415**	-
Exploration expense		**-**	(58)
Changes in non-cash working capital		**1,080**	-
Cash used in investing activities		**(46,321)**	(53,341)
Impact of foreign exchange translations		**(350)**	53
Increase (decrease) in cash and cash equivalents		**485**	1,666
Cash and cash equivalents, beginning of year		**3,363**	1,697
Cash and cash equivalents, end of year	6	**$ 3,848**	$ 3,363

See accompanying notes to the consolidated financial statements.

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

For the year ended	Notes		31 December 2022		31 December 2021
Share capital					
Balance, beginning of year		**$**	**350,461**	$	296,329
Issuance of common shares, net	14		**18,920**		54,132
Purchase of common shares	14		**(818)**		-
Return of capital			**(2,508)**		-
Balance, end of year			**366,055**		350,461
Share-based payments reserve					
Balance, beginning of year			**16,839**		15,821
Share-based compensation	23		**2,574**		1,018
Balance, end year			**19,413**		16,839
Foreign currency translation reserve					
Balance, beginning of year			**5,688**		(106)
Other comprehensive income (loss)	25		**(1,040)**		5,794
Balance, end of year			**4,648**		5,688
Accumulated losses					
Balance, beginning of year			**(287,148)**		(255,168)
Net income (loss)			**22,807**		(31,980)
Balance, end of year		**$**	**(264,341)**	$	(287,148)
Shareholders' equity, beginning of year		**$**	**85,840**	$	56,876
Shareholders' equity, end of year		**$**	**125,917**	$	85,840

See accompanying notes to the 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 and natural gas 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" and on the OTCQB under the symbol "CLMEF". These audited consolidated financial statements for the year ended 31 December 2022 (the "annual financial statements") were approved and authorised by Calima's Board of Directors on 30 March 2023.

2. BASIS OF PRESENTATION

These general-purpose 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 Tommy Lakes Montney acreage. For the 2021 comparison period, the operating results of Blackspur for the months of May through December 2021 have been consolidated into these annual financial statements. Blackspur's operating results prior to the date of the acquisition have been excluded. All intercompany transactions have been eliminated.

These annual financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that these annual financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, these annual financial statements are compliant with IFRS. Calima is a for-profit entity for the purposes of preparing the financial statements. 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 annual financial statements follow the same accounting policies that were utilised to prepare the audited consolidated financial statements for the year ended 31 December 2021, other than for the utilisation of certain other accounting policies and presentation formats that have been utilised to accommodate the consolidation of Blackspur's financial results. The details of these changes are discussed directly below.

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

Oil and natural gas assets

Oil and natural gas assets are measured at historical cost less accumulated depletion, depreciation and impairment (net of reversals). 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 expected on the lease prior to expiry. 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 (Tommy Lakes 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-of-disposal ("FVLCOD") and its value-in-use ("VIU"). FVLCOD 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, contingent resources or by observable third-party land transactions adjacent to the Company's assets (Level 3 valuations). Key assumptions used to determine the recoverable amount of the CGUs include production rates, future commodity prices, discount rates and future royalty, operating and capital costs.

Following the recognition of an impairment loss, the Company reviews its CGU for indicators of impairment reversal at each subsequent reporting period. If there is observable evidence that the value of the CGU has increased significantly since the previous impairment loss, Calima performs a test for impairment reversal by comparing an updated estimate of the CGU's recoverable amount to its current carrying amount. If the Company concludes that there has been a material and substantive change in the estimates used to assess the CGU's recoverable amount, an impairment loss will be reversed to the extent that the recoverable amount exceeds its carrying value, less the incremental value of depletion and depreciation that otherwise would have been recognised by the Company, had the impairment loss not previously occurred.

Business combinations

The Company has recognised the acquisition of Blackspur utilising the acquisition method. The cost of the acquisition was 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 were 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. The remeasurement of acquired restoration provisions to the risk-free discount rate is recognized in profit or loss as incurred. rea 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, other indebtedness, investments, a term loan and a credit facility. The Calima Group's financial instruments are measured on the consolidated statement of financial position at either fair market value or amortised cost. The carrying value of the Company's financial instruments generally approximate their fair market value.

The fair value measurement of the Company's financial instruments are classified according to the following hierarchy which is ranked based on the amount of publicly observable inputs available to value the instruments:

- **Level 1** - Quoted prices that are available in active markets for identical assets or liabilities at the reporting date
- **Level 2** - Values are based on various inputs, including quoted forward prices for commodities, time value of money and volatility factors, which are observed in the marketplace but are not readily observable in an actively traded market
- **Level 3** - Valuation inputs that are not based on observable market data

The following table summarises the method by which the Calima Group measures its financial instruments on the consolidated statement of financial position and the corresponding hierarchy rating for their derived fair value estimates:

Financial Instrument	Fair value Hierarchy	Classification & Measurement
Cash and cash equivalents	Level 1	**Amortised cost**
Accounts receivable	Level 2	**Amortised cost**
Deposits	Level 2	**Amortised cost**
Accounts payable and accrued liabilities	Level 2	**Amortised cost**
Credit facility	Level 2	**Amortised cost**
Risk management contracts	Level 2	**FV through profit and loss**
Term loan	Level 3	**Amortised cost**
Other indebtedness	Level 3	**Amortised cost**
Investments	Level 3	**Equity method**

The Calima Group's risk management contracts are measured at fair market value at each reporting period. 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. Transaction costs related to fair value through profit and loss financial instruments are immediately expensed. Financial instruments recognised at amortised cost are accreted through net income (loss) towards their settlement value over time. Transaction costs related to financial liabilities measured at amortised costs are initially capitalised and then amortised to net income (loss) over the life of the related host instrument.

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.

Cash and cash equivalents consist of cash on hand and other short-term liquid investments that carry a maturity term of three months or less and presented as a current asset on the statement of financial position. All other financial instruments are presented as a current asset or liability on the statement of financial position if they are expected to be settled within 12 months of the statement of financial position date unless there is an irrevocable right to defer settlement beyond 12 months from the statement of financial position date.

Foreign currency translations

With respect to transactions and balances of the Calima Group that are denominated in a foreign currency other than their respective functional currency, monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Revenues and expenses are translated at the average foreign exchange rates during the period. Non-monetary items are translated at the foreign exchange rate in effect at the historical date of their last fair value measurement. The corresponding realised and unrealised gains and losses from these foreign currency translations are recognised in net income (loss) as incurred.

For financial reporting purposes, the presentation currency of the Calima Group is the Australian dollar. Accordingly, the Canadian dollar functional currencies of Blackspur and Calima Energy Inc. are translated to the Australian dollar presentation currency upon consolidation. Revenues and expenses are translated at the average exchange rate during the year and assets and liabilities are translated at the prevailing exchange rates at the reporting date.

The corresponding unrealised gains and losses stemming from the remeasurement of the subsidiary functional currencies to the presentation currencies at each reporting period are recognised as other comprehensive income by Calima. The corresponding cumulative foreign currency translation reserve is reflected in shareholder’s equity on the consolidated statement of financial position until such time the subsidiary is disposed of, at which point, the balance is reclassified to net income (loss).

Revenue recognition

Revenues primarily relate 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.

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. Revenue is recognised when the Calima Group transfers control of products or provides services to a customer at the amount to which the Company expects to receive. If the consideration includes a variable component, the Group estimates the amount of the expected consideration receivable. Variable consideration is estimated throughout the contract and is constrained until it is highly probable a significant revenue reversal in the amount of cumulative revenue recognised will not occur. 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.

The Calima Group recognises realised and unrealised gains and losses from the Company’s risk management contracts which are remeasured to fair market value at each reporting period (refer to the financial instruments accounting policy). The Company also earns other income primarily from interest on its cash and cash equivalent balances held. 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 statement of financial position. 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 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 associated decommissioning costs in net income (loss) over time. 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.

Income taxes

The Calima Group's income taxes primarily relate to deferred income taxes that are recognised in respect of the Company's earnings, which are expected in future years under the Income Tax Act (Canada) and Income Tax Assessment Act (Australia).

Deferred income tax assets and liabilities are recognised on temporary differences between the current carrying value of assets and liabilities for financial reporting purposes and their corresponding tax values. Deferred income taxes are determined on an undiscounted basis using tax rates that have been enacted or substantively enacted and that are expected to apply in future years when the temporary differences reverse. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will arise, such that the available carry-forward tax deduction can be utilised to shelter the taxable profits from income tax. The recoverability of deferred tax assets is assessed by comparing the Calima Group's tax pools to the future undiscounted cash flows from the Company's proved plus probable reserves, less estimated financing and general and administrative expenses.

Income taxes are recognised in the statement of comprehensive income, except when they relate to share capital, in which case, the taxes are recognised directly in shareholders equity. Current income tax expense (recovery) is the expected cash tax payable or receivable on the Company's taxable income (loss) during the year, using tax rates that have been enacted or substantively enacted.

Stock-based compensation

The Calima Group's stock-based compensation expense primarily relates to stock options and performance rights that are granted to employees, service providers and directors of the Company.

Grants issued under the Company's plans are initially measured at their estimated fair market value and are expensed over the vesting periods under the terms of the compensation arrangement. Upon exercise, the plans allow the holder of an award to receive common shares or cash at the Company's discretion. The Company's plans are all accounted for as equity-settled share-based compensation arrangements based on their anticipated settlement option. Accordingly, when equity compensation units are exercised or released, any consideration received, together with the expense previously recognised as contributed surplus, is recorded as an increase to share capital.

The primary non-market-based vesting condition for all the Company's stock-based compensation plans is generally continuous employment. An estimated forfeiture rate is applied to the valuation of the equity units over the vesting period and is subsequently adjusted to reflect the actual number of equity awards that ultimately vest. In some cases, performance rights are also granted with certain other market-based or non-market-based vesting conditions which are determined by the Company's Board of Directors. The fair market value of these performance rights at the date of grant is initially adjusted to reflect the probability of these possible outcomes.

Stock options and performance rights are valued at the date of grant primarily utilising a Black-Scholes pricing model. Performance rights that are subject to a minimum share price vesting condition are valued utilising a binomial barrier pricing model. Performance rights that vest immediately at issuance are valued at the Company's share price at the date of grant.

The stock-based compensation expense attributable to performance factors that are dependent upon market conditions are not subsequently adjusted for actual results. The stock-based compensation expense attributable to performance factors dependent upon non-market conditions are subsequently adjusted for actual results.

Leases

At the inception of a contract, the Calima Group assesses if an agreement contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For all in-scope lease arrangements, a right-of-use asset and corresponding lease liability is initially recognised at the commencement date of the lease and measured at the net present value of all future non-cancellable lease payments. The payments are discounted using the rate implicit in the lease unless that rate is not readily determined, in which case, the Company's incremental borrowing rate is utilised. The estimated lease term consists of all non-cancellable periods under the contract and includes periods covered by an extension or termination option if the Calima Group is reasonably certain that it will exercise the option.

Right-of-use assets are depreciated to net income (loss) over the expected utilisation period of the underlying assets using the straight-line method. The depreciation of right-of-use assets that are utilised in respect of development activities are initially capitalised to PP&E and then depleted to net income over the remaining life of the developed assets once they are ready for use in the manner intended. Lease liabilities are accreted upwards toward their settlement value over the expected life of the contract in order to reflect the cost of borrowing under the indebted contract. The interest portion of the lease payment is recognised as an operating activity in the consolidated statement of cash flows. The principal portion of the lease payment reduces the lease liability and is reflected as a financing activity in the consolidated statement of cash flows. Right-of-use assets and lease liabilities are remeasured at each reporting period to reflect any contract modifications or reassessments that impact the anticipated remaining cash outflows under the contract.

Jointly operated assets

The Calima Group's oil and natural gas activities include jointly operated oil and natural gas assets and liabilities. These annual 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.

Per share information

Basic per share information is calculated using the weighted average number of common shares outstanding during the year. Diluted per share information is calculated using the basic weighted average number of common shares outstanding during the year, adjusted for the number of shares which could have had a dilutive effect on net income during the year had outstanding in-the-money equity compensation units been exercised.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

Liquidity and access to Credit Facility and Term Loan

As at 31 December 2022, the Calima Group's net debt was A$11 million (Note 17). The Company also had a net working capital deficiency of $7.7 million (current liabilities of $21.9 million in excess of current assets of $14.2 million). There was no amount drawn under the C$24.2 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 Calima Group would be required to source alternative sources of capital or sell assets to repay the indebtedness.

The Calima Group manages 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. The borrowing base review was completed as at 22 March 2023 and resulted in a decrease to the credit facility from $24.2M to $20.0M as well as the removal of the affirmative covenant which had a mandatory hedging requirement if the Company were to utilize the bank line at greater than 50% over any quarter end. The Company has reviewed its ability to continue as a going concern based on its cash flow forecast up to 31 March 2024 and concluded there are reasonable grounds to believe that the Company will continue as a going concern based on the projected cash flows and current access to funding. Management used significant judgements and assumptions in developing the cash flow forecast. These assumptions included expected revenue, forecast of operating and capital expenditures, ability to reduce capital and other operating expenditures as well as the ability to maintain existing funding. The next semi-annual review of the credit facility is scheduled to take place no later than 31 October 2023.

On 31 January 2022 the Calima Group entered into a long-term financing arrangement with a strategic infrastructure and midstream company to construct a pipeline connecting the Company's 02-29 battery in the northern portion of its Brooks, Alberta asset base to its wells, lands, and gathering system in the southern portion of the asset base. The Calima Group is the sole owner of the pipeline and will repay the capital costs to construct the pipeline over a term of seven years at a 12% cost of financing with fixed monthly payments of approximately C$65,000 based on the cost of the pipeline project of C$3.7 million. The Company retains the right to payout the financing on 180 days written notice starting on the 3rd anniversary of the agreement, subject to an early termination penalty provision. The Company anticipates funding the term loan repayments with cash from operations.

Other significant judgements

The determination of the Company's income tax and royalty expenses require interpretation of complex laws and regulations and are subject to judgement. Judgement is also applied when interpreting contractual commitments to assess whether or not they contain a lease arrangement.

Significant estimates

Depletion of 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 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. Actual results may differ from the Company's estimates.

Other significant estimates

Estimates and assumptions are utilised to assess the Company's ability to continue as a going concern which includes future cash flow projections for operating, investing and financing related activities. 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 statement of financial position 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.

The Calima Group's stock-based compensation expense is subject to measurement uncertainty as a result of estimates and assumptions related to volatility, forfeiture rates, expected life, market-based vesting conditions and non-market-based vesting conditions. 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 impacts of COVID-19 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 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 April 2021
Consideration paid			
Cash paid to Blackspur shareholders		$	5,158
Common shares issued to Blackspur shareholders (123 million shares at $0.14/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		87,521
Investments			415
Accounts payable and accrued liabilities			(3,658)
Credit facility	10		(17,532)
Risk management contracts	11		(3,595)
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 annual financial statements.

In order to finance the Acquisition, Calima completed an equity fundraising by issuing 270.2 million common shares at $0.14/share for gross proceeds of $38 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 million. The proceeds from Calima were then 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-of-disposal 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. The following table summarizes the price forecast included in the valuation:

($ thousands)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Thereafter
WTI (US$/bbl	59.67	57.41	55.62	56.74	57.87	59.03	60.21	61.42	62.64	63.89	+2% per year
Hardisty Bow River (C$/bbl)	60.29	56.95	54.41	55.51	56.62	57.75	58.91	60.08	61.28	62.50	+2% per year
AECO (C$/GJ)	2.70	2.73	2.66	2.71	2.76	2.82	2.88	2.93	2.99	3.05	+2% per year
FX (C$ to US$)	1.26	1.27	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.27 thereafter

Cash flows were discounted at rate of approximately 36%. 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 year ended 31 December 2021, the Calima Group recognised oil and natural gas sales of $47.2 million and net income of $6.6 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 1 January 2021:

Selected operating results (A$ thousands)(1)		Consolidated results as reported		Blackspur prior to acquisition		Pro Forma results
Oil and natural gas sales	$	47,713	$	14,999	**$**	**62,712**
Royalties		(9,136)		(2,703)		**(11,839)**
Revenue		38,577		12,296		**50,873**
Net loss	$	(31,980)	$	(1,865)	**$**	**(33,845)**

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

6. CASH AND CASH EQUIVALENTS

As at 31 December 2022, the Calima Group held cash and cash equivalents of $3.8 million (31 December 2021 - $3.4 million). The Company is exposed to credit risk associated with its cash and cash equivalent balances held by third party institutions. 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)		31 December 2022		31 December 2021
Oil and natural gas sales	**$**	**7,480**	$	6,475
Joint venture billings		**1,513**		517
GST and other		**684**		194
Accounts receivable	**$**	**9,677**	$	7,186

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 31 December 2022, credit risk from outstanding accounts receivable was considered low given the history of collections and because the majority of the Company's outstanding receivables from oil and natural gas sales were held with four investment-grade counterparties. Substantially all of the Company's accounts receivable from oil and natural gas sales were collected within 30 days following the month of sale or settlement date and there were no material amounts past due as at 31 December 2022 or 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 2020	493	63,850	950	**65,293**
Acquisition of Blackspur (Note 5)	86,313	1,208	-	**87,521**
Capital investments	26,366	464	-	**26,830**
Change in restoration provision (1)	2,082	(412)	-	**1,670**
Release of collateralised assets (Note 10)	339	-	-	**339**
Impact of foreign currency translations	4,462	4,296	58	**8,816**
Balance, 31 December 2021	120,055	69,406	1,008	**190,469**
Capital investments	47,751	65	-	**47,816**
Change in restoration provision (1)	(1,424)	(1,227)	-	**(2,651)**
Impact of foreign currency translations	(441)	(255)	(3)	**(699)**
Balance, 31 December 2022	165,941	67,989	1,005	**234,935**
Accumulated depletion and depreciation				
Balance, 31 December 2020	(12)	(3,582)	(300)	**(3,894)**
Release of collateralised assets (Note 10)	(160)	-	-	**(160)**
Depletion and depreciation	(7,862)	-	43	**(7,819)**
Land expiries	-	(10,869)	-	**(10,869)**
Impairment losses	(332)	(36,789)	(507)	**(37,628)**
Impact of foreign currency translations	(96)	(1,270)	(24)	**(1,390)**
Balance, 31 December 2021	$ (8,462)	$ (52,510)	$ (788)	**$ (61,760)**
Depletion and depreciation	(18,851)	-	(94)	**(18,945)**
Impact of foreign currency translations	432	194	4	**630**
Balance, 31 December 2022	(26,881)	(52,316)	(878)	**(80,075)**
Net book value				
Balance, 31 December 2021	$ 111,593	$ 16,896	$ 220	**$ 128,709**
Balance, 31 December 2022	$ 139,060	$ 15,673	$ 127	**$ 154,860**

(1) During the year ended 31 December 2022, the Calima Group recognised non-cash capitalised costs of $3.1 million (31 December 2021 - $1.7 million) primarily related to restoration provisions added in respect of the Company's drilling and development activities (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 Tommy Lakes Montney acreages in North-eastern British Columbia.

2021 Impairment Charges and Reversals

Following a comprehensive strategic review during the fourth quarter of 2021 and the absence of near-term development plans, the Calima Group determined that indicators of impairment were present as at 31 December 2021 for the residual carrying value of the Tommy Lakes Montney assets which indicated that the remaining carrying value of the E&E assets may not be fully recoverable. The Calima Group performed an impairment test on Tommy Lakes Montney CGU, primarily utilising estimated after-tax, discounted future cash flows (un-risked) from the CGU's contingent resources in order to estimate the CGU's FVLCOD valuation. As part of the review, the Company also utilised observable third-party land transactions adjacent to the Company's assets as proxy to estimate fair market value (Level 3 valuations). The results of the impairment test indicated that the net book value of the CGU exceeded its recoverable value, and the Company recognised an impairment loss provision of $37.6 million. Following the impairment loss, the carrying value of the Tommy Lakes CGU was $15.9 million.

The following table summarises the key forecast assumptions included in the Company's impairment test:

(A$ thousands)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Thereafter
WTI (US$/bbl)	72.50	67.32	65.03	66.33	67.65	69.01	70.39	71.79	73.23	74.69	76.19	**+2% per year**
Edm light (C$/bbl)	86.25	77.90	74.91	76.40	77.93	79.49	81.08	82.70	84.36	86.04	87.76	**+2% per year**
AECO (C$/GJ)	2.97	3.02	2.97	3.02	3.08	3.15	3.21	3.27	3.34	3.41	3.47	**+2% per year**
FX (US$ to C$)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	**1.25 thereafter**

Discounted after-tax cash flows from Contingent Resources were calculated with a 2% inflation rate and discount rate of approximately 35%. A 5% change in the discounted cash flows that were utilised in the Company's impairment test would result in an increase or decrease to the impairment loss of approximately $1.3 million. An increase in the discount rate of 100 basis points (1%) would result in further impairment loss of approximately $3.2 million.

There were no indicators of impairment identified for the Company's Brooks and Thorsby CGUs as at 31 December 2021.

2022 Impairment Charges and Reversals

During the year ended 31 December 2022, the Calima Group did not recognise any land expiry losses (31 December 2021 - $10.9 million) in respect of the Company's Tommy Lakes Montney acreages for which there were no drilling plans in the near term that were necessary to extend the license tenure.

As at 31 December 2022, an impairment test was conducted on the Company's PP&E assets given the book value of the Company's net assets was greater than its market capitalization. This was performed on both of the PP&E CGUs based on the fair value less costs of disposal method which uses after-tax, discounted future cash flows model using the CGU's proved plus probable reserves to estimate the CGU's recoverable amounts (Level 3 valuations). Management applied a 16% discount rate on both of the CGUs. Given the recoverable amount was greater than the carrying amount, no impairment loss was recognized.

The following table summarizes the key forecast assumptions included in the Company's impairment test:

($ thousands)	2023	2024	2025	2026	2027	2028	2029	2030	2031	Thereafter
WTI (US$/bbl)	80.00	77.00	75.50	77.01	78.55	80.12	81.72	83.36	85.03	**+2% per year**
Hardisty Bow River (C$/bbl)	78.67	79.67	79.67	82.18	83.73	85.41	87.12	88.86	90.64	**+2% per year**
AECO (C$/GJ)	4.33	4.50	4.30	4.37	4.45	4.54	4.63	4.73	4.82	**+2% per year**
FX (C$ to US$)	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	**1.30 thereafter**

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 1 January 2020 and Calima recognised a right-of-use asset and corresponding lease liability on the consolidated statement of financial position 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 31 December 2022, the undiscounted cash flows required to settle Calima's lease liability was $0.24 million (31 December 2021 - $0.48 million).

As at 31 December 2022, $16.6 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 (31 December 2021 - $17.9 million).

9. DEFERRED INCOME TAXES

(A$ thousands)	31 December 2020	Change in tax position	31 December 2021	Change in tax position	31 December 2022
Non-capital losses	$ 12,598	$ 13,586	$ 26,184	$ 3,159	**$ 29,343**
Oil and natural gas assets	(6,738)	3,426	(3,312)	(8,136)	**(11,448)**
Restoration provisions	1,075	4,930	6,005	988	**6,993**
Investments	-	302	302	281	**583**
Risk management contracts	-	677	677	(742)	**(65)**
Share issuance costs	-	747	747	398	**1,145**
Tax credits and other	503	237	740	69	**809**
	7,438	23,905	31,343	(3,983)	**27,360**
Unrecognised deferred tax assets	(7,438)	(11,751)	(19,189)	(4,159)	**(23,348)**
Deferred income tax asset	$ -	$ 12,154	$ 12,154	$ (8,142)	**$ 4,012**

As at 31 December 2022, the Calima Group recognised a deferred income tax asset of $4.0 million (31 December 2021 - $12.2 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 $23.3 million (31 December 2021 - $19.2 million) consisting primarily of carry-forward tax losses held by Calima Energy Limited and Calima Energy Inc.

The following table reconciles the change in the deferred income tax asset during the years ended 31 December 2022 and 31 December 2021:

Continuity schedule (A$ thousands)	31 December 2022	31 December 2021
Deferred income tax asset, beginning of year	**$ 12,154**	$ -
Deferred income tax asset from the Blackspur Acquisition (Note 5)	**-**	11,438
Deferred income tax recovery recognised through profit or loss	**(8,871)**	169
Impact of foreign exchange translations	**729**	547
Deferred income tax asset, end of year	**$ 4,012**	$ 12,154

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 2021 – 30%):

For the year ended (A$ thousands)	31 December 2022	31 December 2021
Net income (loss) before income taxes	**$ 30,949**	$ (32,149)
Statutory income tax rate	**30%**	30%
Expected income tax expense (recovery)	**9,285**	(9,645)
Adjustments related to the following:		
Impact of gain on acquisition	**-**	(6,153)
E&E assets subject to initial recognition exemption	**-**	5,059
Change in unrecognised deferred income tax assets	**513**	8,683
Foreign rate differential	**(3,194)**	1,953
Share-based compensation	**809**	276
Impact of foreign exchange translations and other	**729**	(342)
Deferred income tax expense (recovery)	**$ 8,142**	$ (169)

Tax loss carryforwards by jurisdiction (A$ thousands)	31 December 2022	31 December 2021
Canada	**$ 21,876**	$ 19,241
Australia	**7,467**	6,943
Total tax losses	**$ 29,343**	$ 26,184

As at 31 December 2022, the Company had estimated non-capital losses ("NCL") that may be applied to reduce future Canadian taxable income, expiring starting in 2032. Non-capital losses in Australia can be carried forward indefinitely.

10. CREDIT FACILITY

As at (A$ thousands)	Financial Covenant	31 December 2022	31 December 2021
Credit facility details:			
Credit facility draws		**$ -**	$ 21,739
Issued letters of credit		**155**	150
Undrawn capacity		**26,053**	7,459
Credit facility capacity		**$ 26,208**	$ 29,348
Credit Facility maturity date		**On demand**	On demand
Effective annual interest rate on revolving draws		**8.2%**	3.4%
Covenants (1):			
Working capital ratio	1:1	**1.82:1.00**	1.11:1.00

(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 31 December 2022, the Calima Group held a C$24.2 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). The borrowing base review was completed as at 22 March 2023 and resulted in a decrease to the credit facility from $24.2M to $20.0M as well as the removal of the affirmative covenant which had a mandatory hedging requirement if the Company were to utilize the bank line at greater than 50% over any quarter end. The next semi-annual review of the credit facility is scheduled to take place no later than 31 October 2023.

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 million demand debenture. There would be no impact to the annualised interest expense if there were a 1% change in the interest rate under the Credit Facility based the balance outstanding as at 31 December 2022 (31 December 2021 - $0.2 million).

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 31 December 2022 and 31 December 2021, the Company was in compliance with its banking covenants.

The following table summarises the change in the Credit Facility during the years ended 31 December 2022 and 31 December 2021:

For the year ended (A$ thousands)	31 December 2022	31 December 2021
Credit Facility, beginning of year	**$ (21,739)**	$ -
Credit Facility acquired with the Blackspur Acquisition (Note 5)	**-**	(17,532)
Credit Facility repayment	**22,142**	-
Credit Facility draws (net) subsequent to the Acquisition	**-**	(3,342)
Impact of foreign currency translations	**(403)**	(865)
Credit Facility, end of year	**$ -**	$ (21,739)

11. RISK MANAGEMENT CONTRACTS

For the year ended (A$ thousands)	31 December 2022	31 December 2021
Derivative liability, beginning of year	**$ (2,941)**	$ -
Derivative liability acquired with Blackspur (Note 5)	**-**	(3,595)
Realisation of derivative losses	**16,326**	7,210
Net unrealised decrease in fair value	**(12,822)**	(6,394)
Impact of foreign currency translations	**(345)**	(162)
Derivative asset (liability), end of year	**$ 218**	$ (2,941)

The Calima Group is exposed to commodity price fluctuations associated with the production and sale of oil and natural gas. The Company 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 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 US$ WTI. The net unrealized decrease in fair value is determined using Level 2 prices sourced from observable data or market corroboration. Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments. Key inputs used to determine the fair value of the risk management contracts are commodity prices and the volumes in the derivative contracts.

The Company's risk management contracts consisted of the following positions as at 31 December 2022:

Contract	Reference	Term	Volumes (bbl/day)	Sold Put $US/bbl	Bought Put $US/bbl	Sold Call $US/bbls
Three-way Collar	US NYMEX - WTI	Jan. 2023 – Mar. 2023	400	62.50	82.50	110.05
Three-way Collar	US NYMEX - WTI	Apr. 2023 – Jun. 2023	400	60.00	80.00	110.05
Three-way Collar	US NYMEX - WTI	Jul. 2023 – Sept. 2023	250	60.00	80.00	105.25

The Company also had the following WCS basis swap contracts in place as at 31 December 2022:

Contract	Reference	Term	Volumes (bbl/day)	Price per Unit (US$/Unit)
Swap	US NGX OIL-WCS-BLENDED	Jan. 2023 – Mar. 2023	100	(27.00)
Swap	US NGX OIL-WCS-BLENDED	Apr. 2023 – Jun. 2023	200	(23.40)
Swap	US NGX OIL-WCS-BLENDED	Jul. 2023 – Sept. 2023	100	(21.40)

As at 31 December 2022, the fair value associated with Calima's risk management contracts was an asset of $0.2 million ($2.9 million liability at 31 December 2021).

Subsequent to 31 December 2022, the Company entered into the following risk management contracts:

Contract	Reference	Remaining term	Volume (bbl/day)	Average Price per bbl US$
SWAP	**US NGX Oil-WCS-Blended**	Apr 2023 - Jun 2023	400	($18.30)
SWAP	**US NGX Oil-WCS-Blended**	Jul 2023 - Sep 2023	400	($16.04)

Contract	Reference	Remaining term	Volume (bbl/day)	Sold Put $US/bbl	Bought Put $US/bbl	Sold Call $/bbl
THREE-WAY CONTRACT	**US NYMEX-WTI**	Apr 2023 – Jun 2023	200	$55.00	$75.00	$102.00
THREE-WAY CONTRACT	**US NYMEX-WTI**	Jul 2023 – Sep 2023	250	$55.00	$75.00	$99.85
THREE-WAY CONTRACT	**US NYMEX-WTI**	Oct 2023 – Dec 2023	250	$55.00	$75.00	$97.10

The Calima Group's risk management contracts are subject to master netting agreements that create the legal right to settle the instruments on a net basis. The following table summarises the impact of the netting agreements on the Company's consolidated statement of financial position presentation as 31 December 2022 and 2021:

	31 December 2022			31 December 2021		
(A$ thousands)	Asset	Liability	Net	Asset	Liability	Net
Current asset/(liability)	**$ 653**	**$ (435)**	**$ 218**	$ 317	**$** (3,258)	$ (2,941)
Net position	**$ 653**	**$ (435)**	**$ 218**	$ 317	**$** (3,258)	$ (2,941)

The following table illustrates the estimated potential impact to the Calima Group's profit or (loss) before tax from outstanding risk management swap contracts in place as at 31 December 2022 and 31 December 2021 following a change in future commodity prices:

Gain (loss) As at (A$ thousands)	31 December 2022	31 December 2021
10% increase in WTI price	**$ (900)**	$ (2,915)
10% decrease in WTI price	**3,951**	2,650
10% increase in WCS price differential	**1,619**	590
10% decrease in WCS price differential	**1,431**	(530)
10% increase in AECO price	**n/a**	(215)
10% decrease in AECO price	**$ n/a**	$ 195

12. TERM LOAN

On 31 January 2022 the Calima Group entered into a long-term financing arrangement with a strategic infrastructure and midstream company to construct a pipeline connecting the Company's 02-29 battery in the northern portion of its Brooks, Alberta asset base to its wells, lands, and gathering system in the southern portion of the asset base. The Calima Group is the sole owner of the pipeline and will repay the capital costs to construct the pipeline over a term of seven years at a 12% cost of financing with fixed monthly payments of approximately C$65,000 to a sum of C$457,206 for the year ended 31 December 2022 based on the cost of the pipeline project of C$3.7 million. The Company retains the right to payout the financing on 180 days written notice starting on the 3rd anniversary of the agreement, subject to an early termination penalty provision. At 31 December 2022, the remaining balance on this loan was C$3.5 million. Security for the term loan is provided by a lien and security interest over the pipeline.

13. RESTORATION PROVISIONS

As at (A$ thousands)		31 December 2022		31 December 2021
Restoration provision, beginning of year	**$**	**25,905**	$	4,676
Restoration provisions acquired (Note 5)		**-**		9,389
Remeasurement of acquired provisions using a risk-free rate (Note 5)		**-**		9,070
Development of oil and natural gas assets		**904**		1,400
Accretion		**593**		325
Changes in estimate and other		**(3,742)**		218
Restoration expenses		**(237)**		(94)
Government funded restoration		**-**		(288)
Impact of foreign exchange translations		**(112)**		1,209
Restoration provision, end of year	**$**	**23,311**	$	25,905
Presented as:				
Current restoration provisions (1)		**242**		477
Restoration provisions		**23,069**		25,428

(1) 2021 current restoration provisions presented as accounts payable and accrued liabilities previously

The Calima Group's restoration provisions reflect the estimated cost to dismantle, abandon, reclaim and remediate the Company's oil and natural gas assets at the end of their useful lives. As at 31 December 2022, the total estimated undiscounted, uninflated cash flows required to settle the Calima Group's asset retirement obligations was approximately $29.5 million (31 December 2021 – $24.9 million). These liabilities are anticipated to be incurred over the next 25 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 31 December 2022, the Company valued the restoration provision by utilising a risk-free rate of 3.3% (31 December 2021 – 1.8%) and an inflation rate of 2.0% (31 December 2021 – 2.0%). A 100-basis point (1%) increase in the discount rate reduces the Company's restoration provision by $3.1 million (1% decrease: $3.8 million).

14. SHARE CAPITAL

Equity unit continuity (thousands)	31 December 2022			31 December 2021		
	Shares		Amount	Shares		Amount
Balance, beginning of year	**514,084**	**$**	**350,461**	2,191,938	$	296,329
Shares issued in respect of private placement	**100,000**		**20,000**	5,399,028		37,822
Shares issued to acquire Blackspur (Note 5)	**-**		**-**	2,460,243		17,222
Shares issued to repay other indebtedness	**788**		**153**	124,821		874
Shares issued in lieu of cash (pre-consolidation)	**-**		**-**	98,025		676
Share consolidation (20:1)	**-**		**-**	(9,760,352)		-
Shares issued in lieu of cash (post-consolidation)	**-**		**-**	381		82
Preferred share conversion	**1,800**		**180**	-		-
Share buyback	**(4,921)**		**(818)**	-		-
Return of capital	**-**		**(2,508)**	-		-
Share issuance costs	**-**		**(1,413)**	-		(2,544)
Balance, end of year	**611,751**	**$**	**366,055**	514,084	$	350,461

On 30 April 2021, Calima issued legacy Blackspur shareholders 123 million Calima common shares as part of the consideration for the business combination (Note 5). During the year, the Company issued 223.2 million shares in satisfaction of various consulting services, Calima Officer and Director fees as well as the repayment of an outstanding loan (Note 10). 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 August 2021 (pre-consolidation)
Common shares	**513,703**	10,274,055
Stock options (Note 23)	**21,663**	433,250
Performance Rights (Note 23)	**8,273**	165,450

On 28 April 2021, the Company completed an equity financing for gross proceeds of $38.0 million, issuing 271.4 million shares at $0.14 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 requisite reduction of Blackspur's Credit Facility by $28 million. The Company also incurred $2.5 million of transaction costs associated with the equity financing.

On 17 February 2022, the Company completed a $20 million fundraising through the issuance of 100 million common shares at $0.20 per share. Funds raised were used to retire borrowings under the credit facility and to fund the Company's 2022 capital program. The Company incurred $1.4 million of transaction costs associated with the equity financing.

During the 2022 fiscal year, the Company commenced a share buyback program and bought back 4,921,521 shares at an average price of $0.1688 each.

On 13 October 2022, the Company completed a return of capital dividend payment to shareholders of $2.5 million.

15. PER SHARE AMOUNTS

For the year ended (thousands)(1)		31 December 2022		31 December 2021
Weighted average number of common shares – basic		**600,260**		382,653
Dilutive effect of outstanding equity compensation units (2)		**3,433**		-
Weighted average number common shares - diluted		**603,693**		382,653
Net income (loss)	**$**	**22,807**	$	(31,980)
Net income (loss) per share (basic and diluted)	**$**	**0.04**	$	(0.08)

(1) Information presented in this table, including comparative figures, have been adjusted to reflect the impact of the share consolidation on 30 August 2021 at a conversion rate of 20:1 (Note 14).
(2) Equity compensation units were anti-dilutive in 2021..

16. CAPITAL MANAGEMENT

The Calima Group's objective for managing capital is to maintain a strong statement of financial position in order to provide financial liquidity to fund ongoing development programs.

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 gas assets and expenses within cash flows or available sources of capital on hand. Calima also manages liquidity risk by preserving borrowing capacity under the Credit Facility.

The Calima Group's business plan targets a trailing 12-month ratio of net debt to adjusted funds flow from operations of less than 1.5 in a US$70.00 WTI and C$3.50 AECO 5A commodity price environment. The ratio was 0.2 for the 12 months ended 31 December 2022 (31 December 2021 – 2.0).

Management believes the Company has sufficient funding to meet near-term liquidity requirements. As at 31 December 2022, the Calima Group had A$26.2 million of available credit under the Credit Facility. On 17 February 2022, the Calima Group also completed a private-placement equity financing arrangement with investors for gross proceeds of A$20 million (Note 14). Near-term development activities are anticipated to be funded by the Company's funds flow, cash on hand, proceeds from the equity financing or draws under the Credit Facility (Note 10). In the near term, the Company plans to utilise any funds flow in excess of investments in oil and natural gas assets to affect a combination of net debt reduction and production growth.

The following tables reconciles the Company's net debt and adjusted funds flow from operations as at 31 December, 2022 and 31 December 2021:

As at (A$ thousands)		31 December 2022		31 December 2021
Credit facility draws	**$**	**-**	$	(21,739)
Long-term portion of lease liability		**-**		(265)
Long-term portion of term loan		**(3,369)**		-
Current assets		**14,417**		11,315
Other current liabilities		**(21,851)**		(20,057)
		(10,803)		(30,746)
Exclude: current portion of risk management assets		**(218)**		2,941
Net debt	**$**	**(11,021)**	$	(27,805)

For the year ended (A$ thousands)		31 December 2022		31 December 2021
Funds flow from operations (per cash flow statement)	**$**	**49,628**	$	13,554
Cash related transaction costs		**-**		617
Adjusted funds flow from operations	**$**	**49,628**	$	14,171

The Company utilises net debt as an important measure to assess the Company's liquidity by incorporating long-term debt, lease liabilities, the term loan and working capital. Adjusted funds flow from operations is utilised as a measure of operational performance and cash flow generating capability which impacts the level and extent of funding available for capital project investments, reduction of net debt or returning capital to shareholders. These measures are also consistent with the formulas prescribed under the Company's Credit Facility covenants.

Net debt and adjusted funds flow from operations are not standardised measures and may not be comparable with the calculation of similar measures by other companies without also taking into account any differences in the method by which the calculations are prepared.

17. COMMITMENTS & CONTINGENCIES

(A$ thousands)		2023		2024		2025		2026		2027		Thereafter		Total
Accounts payable and accrued liabilities	$	20,938	$	-	$	-	$	-	$	-	$	-	**$**	**20,938**
Drilling well commitment		12,219		4,888		-		-		-		-		**17,107**
Term loan		418		469		530		597		673		1,100		**3,787**
Total contractual cash outflows	$	33,575	$	5,357		530		597		673		1,100	**$**	**41,832**

The accounts payable and accrued liabilities and the term loan are recognised on Calima's consolidated statement of financial position.

The Company entered into a 3-year Leasing Agreement, renewed annually, with the underlying mineral owner in the Brooks area of Alberta to drill 21 commitment wells with a minimum royalty before May 31, 2025. In February 2023, the Company notified the mineral owner of its intent to drill seven commitment wells in 2023.

In the fourth quarter of 2022, the Calima Group sanctioned a Q1 2023 capital budget of C$9.7 million for continued development of the Brooks area. The program commenced in January 2023.

The Calima Group was involved in a legal claim arising in the normal course of business. Subsequent to 31 December 2022, the Company reached a settlement related to the only ongoing legal claim and issued a cash payment of C$225,000.

18. OIL & NATURAL GAS REVENUES

For the year ended (A$ thousands)		31 December 2022		31 December 2021
Oil	**$**	**101,606**	$	39,668
Natural gas		**18,269**		7,087
Natural gas liquids		**2,590**		958
Net income from oil and natural gas sales		**122,465**		47,713
Royalties		**(23,567)**		(9,136)
Oil and natural gas revenues	**$**	**98,898**	$	38,577

19. OPERATING EXPENSES

For the year ended (A$ thousands)		31 December 2022		31 December 2021
Chemicals, power and fuel	**$**	**6,600**	$	2,644
Staff and contractor costs		**3,442**		1,865
Hauling, processing and disposal		**3,989**		2,112
Equipment and maintenance		**3,874**		1,679
Taxes, rentals and other		**3,330**		1,779
Operating expenses	**$**	**21,235**	$	10,079

20. TRANSPORTATION

For the year ended (A$ thousands)		31 December 2022		31 December 2021
Crude oil and emulsion hauling	**$**	**4,484**	$	2,454
Pipeline tariffs and other		**588**		246
Transportation expenses	**$**	**5,072**	$	2,700

21. GENERAL & ADMINISTRATIVE

For the year ended (A$ thousands)		31 December 2022		31 December 2021
Personnel	**$**	**3,352**	$	2,449
Professional fees		**2,161**		1,878
Information technology, office costs and other		**603**		372
Gross general and administrative costs		**6,116**		4,699
Capitalised general and administrative costs		**(750)**		(458)
General and administrative expense	**$**	**5,366**	$	4,241

22. FINANCING AND INTEREST

For the year ended (A$ thousands)		31 December 2022		31 December 2021
Interest on Credit Facility (Note 10)	**$**	**268**	$	454
Interest on Term loan (Note 12)		**281**		-
Accretion on decommissioning obligations		**621**		350
Total financing and interest	**$**	**1,170**	$	804

23. STOCK-BASED COMPENSATION

For the year ended (A$ thousands)		31 December 2022		31 December 2021
Stock options	**$**	**952**	$	259
Performance rights		**1,751**		759
Gross stock-based compensation cost		**2,703**		1,018
Capitalised stock-based compensation		**(244)**		(99)
Stock-based compensation expense	**$**	**2,459**	$	919

The following table summarises the changes in equity compensation units during the years ended 31 December 2022 and 2021:

Equity unit continuity (thousands)(1)	Stock options	Performance rights	Total
Balance, 31 December 2020	1,038	973	**2,011**
Issuance of stock options to employees	18,125	-	**18,125**
Issuance of stock options to other service providers	2,500	-	**2,500**
Issuance of performance rights to employees	-	7,300	**7,300**
Forfeitures	(3,875)	-	**(3,875)**
Expiry of stock options	(38)	-	**(38)**
Balance, 31 December 2021	17,750	8,273	**26,023**
Issuance of stock options to employees	1,350	-	**1,350**
Issuance of stock options to other service providers	3,500	-	**3,500**
Issuance of performance rights to employees	-	25,361	**25,361**
Conversion of performance rights to common shares	-	(1,800)	**(1,800)**
Forfeitures	(2,650)	-	**(2,650)**
Expiry	(2,150)	(2,573)	**(4,723)**
Balance, 31 December 2022	17,800	29,261	**47,061**

(1) Information presented in this table, including opening balances and comparative figures, have been adjusted to reflect the impact of the Company's share consolidation which occurred on 30 August 2021 at a conversion rate of 20:1 (Note 14).

Stock options

Grant date (1)	Exercise price (A$/share)		Outstanding: Number of options (thousands)	Outstanding: Weighted average remaining life (years)	Exercisable: Number of options (thousands)	Exercisable: Weighted average remaining life (years)
2022 grants	$	0.16	2,000	2.5	**2,000**	**2.5**
2022 grants		0.20	2,850	3.7	-	-
2021 grants		0.20	12,950	3.3	-	-
	$	0.20	17,800	3.3	**2,000**	**2.5**

(1) All information presented in this table have been adjusted to reflect the impact of the Company's share consolidation which occurred on August 30, 2021 at a conversion rate of 20:1 (Note 14).

During the year ended 31 December 2022, Calima's board approved 4.85 million stock options for grant to certain Officers, Directors, employees and service providers of Calima and Blackspur. The primary vesting condition of the stock options is continuous employment or service and 1/3 of the options vest each year over three years and are exercisable at $0.16 per unit and $0.20 per unit within five years from the date of grant. During the year, 3.8 million stock options were forfeited due to staff departure.

During the year ended 31 December 2021, Calima's Board approved 18.1 million stock options for grant to certain Officers, Directors and employees of Calima and Blackspur following the closing of the Blackspur Acquisition (on a post share consolidation basis). 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 $0.20 per unit within five years from the date of grant. During the year, 3.9 million stock options were forfeited due to staff departures.

The Company granted 2.5 million options (on a post share consolidation basis) to the Company's finance brokers, forming a portion of the compensation arrangement for the lead manager in respect of the 28 April 2021 equity financing placement. The broker options are exercisable at $0.20 per unit on or before 30 April 2024 and became fully vested on 30 July 2021.

There were 1 million stock options granted in August 2017 that were issued and outstanding as at 31 December 2021. The units were exercisable at $1.80 per share and $2.40 per share and expired in August 2022.

Performance rights

Grant date(1)	Exercise price (A$/share)		Outstanding: Number of performance rights (thousands)	Outstanding: Weighted average remaining life (years)	Exercisable: Number of performance options (thousands)	Exercisable: Weighted average remaining life (years)
2022 grants	$	-	25,361	1.4	-	-
February 2021(2)		-	1,400	3.1	**1,400**	**3.1**
May 2021(3)		-	2,500	3.3	-	-
	$	-	29,261	1.6	**1,400**	**3.1**

1) All information presented in this table have been adjusted to reflect the impact of the Company's share consolidation which occurred on 30 August 2021 at a conversion rate of 20:1 (Note 14).
2) Units all became fully vested during the year ended 31 December 2021.
3) Units are subject to a market-based and/or non-market based vesting condition.

During the year ended 31 December 2022, Calima approved 25.4 million performance rights for grant to certain Officers and Directors of Calima. The vesting conditions of the performance rights were as follows:

- 9.2 million Class D rights will vest following the Calima shares reaching a volume weighted average price of $0.25 per share over 20 consecutive trading days on which the shares have actually traded. These rights expire on 13 December 2023.
- 9.2 million Class E rights will vest following the Company achieving average production greater than 4,300 boe/day for a total of 30 non-consecutive days over a 3-month period up to 30 April 2023. This condition was met subsequent to the year end, and all performance rights have vested.
- 7 million Class F rights will vest in tranches of 50% following continuous service of 12 months from issuance and the remainder following continuous service of 24 months from issuance.

During the year ended 31 December 2021, Calima approved 7.3 million performance rights (on a post share consolidation basis) for grant to certain Officers and Directors of Calima. The vesting conditions of the performance rights were as follows:

- 4.8 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 31 December 2021, all of the units were vested.
- 2.5 million rights become vested and exercisable if VWAP of shares trades over A$0.30/share over 20 consecutive days on or before 30 April 2026. As 31 December 2021, all of the units were unvested.

With respect to the 1 million performance rights granted in 2017 (on a post share consolidation basis), the units are subject to 18-month continuous service requirement and on satisfaction of at least two of the following three conditions:

- The VWAP for Calima shares for any period of 30 consecutive trading days being above $3.00;
- Calima raising more than $5 million at an average price of $3.00; and
- Market capitalisation exceeds $50 million (VWAP for Calima shares for any period of 30 consecutive trading days).

These securities expired in August 2022.

There were 1.8 million performance rights converted to common shares during the year ended 31 December 2022.

The following table summarises the weighted average assumptions utilised to value equity compensation grants during the year ended 31 December 2022:

Weighted average valuation assumptions	**Stock options**		**Performance rights**		
Valuation model	Black Scholes	Black Scholes	Monte Carlo	Black Scholes	Black Scholes
Number of units granted (thousands)	1,350	3,500	9,204	9,204	6,953
Share price at grant date ($)	0.20	0.13	0.20	0.20	0.20
Exercise price ($/share)	0.20	0.18	-	-	-
Volatility (%)	90	90	90	90	90
Risk-free rate (%)	1.77	3.28	2.48	2.48	3.03
Expected life (years)	4.1	2.2	1.0	0.3	3.5
Fair value ($/share)	$ 0.14	$ 0.05	$ 0.17	$ 0.20	$ 0.20

24. RELATED PARTY TRANSACTIONS

The Calima Group's related parties primarily consist of the Company's directors and officers. Amounts paid to directors and officers for the year ended 31 December 2022 and 2021 were as follows:

For the year ended	**31 December 2022**	**31 December 2021**
Salaries, benefits and other short-term compensation	**$ 1,323,281**	$ 951,951
Stock-based compensation	**896,553**	669,918
Total remuneration paid to directors and officers	**$ 2,219,834**	$ 1,621,869

For the year ended 31 December 2022, the Company issued 180 thousand shares ($36 thousand) to the Company's Directors in respect of services rendered (included in the table above), A$88 thousand to Havoc Service Pty Ltd. and A$32 thousand to Meccano Consulting Pty Ltd., a related party to Mr. Freeman, for bookkeeping services related to the Company's operations (not included in the table above).

For the year ended 31 December 2021, Calima issued 29.8 million shares ($0.2 million) to the Company's Directors or their related entities in respect of services rendered (included in the table above). In 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 in 2021, the Company secured firm commitments on an arms-length basis from a number of parties 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. Jordan Kevol was paid A$15,690 for surface lease rentals in respect of certain Blackspur assets located in the Thorsby area.

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.

25. OTHER COMPREHENSIVE INCOME

Continuity schedule (A$ thousands)		31 December 2022		31 December 2021
Foreign currency reserve, opening	$	**5,688**	$	(106)
Unrealised gain (loss) recognised through other comprehensive income		**(898)**		5,794
Foreign currency reserve, ending	$	**4,790**	$	5,688

Calima's investments in its two Canadian subsidiaries, Blackspur and Calima Energy Inc., are exposed to fluctuations in foreign currency exchange rates between the Australian and Canadian dollar. A foreign currency translation reserve is utilised to record exchange differences arising from the translation of the financial statements of these foreign subsidiaries.

26. AUDITOR REMUNERATION

For the year ended		31 December 2022		31 December 2021
Audit and assurance related services (1)	$	**288,704**	$	180,805
Tax and other non-assurance related services		**23,460**		-
Total remuneration of external auditors	$	**312,164**	$	180,805

(1) Total remuneration for the year ended 31 December 2022 of $312,164 includes A$213,224 payable to PricewaterhouseCoopers Canada and A$75,480 payable to PricewaterhouseCoopers Australia for audit services and A$23,460 payable to PricewaterhouseCoopers Australia for non-audit fees. 2021 audit and assurance related services includes A$125,725 payable to PricewaterhouseCoopers Canada and A$55,080 payable to PricewaterhouseCoopers Australia.

27. SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended (A$ thousands)		31 December 2022		31 December 2021
Non-cash investing and financing activities				
Issuance of common shares	$	**18,823**	$	36,178
Purchase of common shares		**(818)**		-
Increase in (repayment of) credit facility		**(22,142)**		3,342
Term loan proceeds		**3,980**		-
Repayment of term loan		**(192)**		-
Return of capital		**(2,508)**		-
Repayment of other indebtedness		**-**		(874)
Lease payments		**(266)**		(216)
Acquisition of Blackspur Oil Corp.		**-**		(33,162)
Investments in oil and natural gas assets		**(47,816)**		(20,013)
Contributions to equity investments		**-**		(108)
Loss on equity investment		**415**		-
Exploration expense		**-**		(58)
	$	**(50,524)**	$	(14,911)
Net debt				
Cash and cash equivalents	$	**3,848**	$	3,363
Accounts receivable		**9,677**		7,186
Deposits and prepaid expenses		**674**		766
Accounts payable and accrued liabilities		**(20,939)**		(16,639)
Current restoration provisions		**(242)**		(477)
Net working capital		**(6,982)**		(5,801)
Credit facility		**-**		(21,739)
Term loan		**(3,787)**		-
Lease liabilities		**(252)**		(265)
Total indebtedness		**(4,039)**		(22,004)
Net debt	$	**(11,021)**	$	(27,805)

(A$ thousands)	Liabilities arising from financing activities Credit Facility	Term Loan/ Other Indebtedness	Leases	Total Indebtedness
Net debt- 1 January 2021	$ -	$ (857)	$ (461)	$ (1,318)
Financing cash flows	(3,342)	874	216	(2,252)
Credit facility acquired on Acquisition	(17,532)	-	-	(17,532)
Foreign exchange adjustments	(865)	(17)	(20)	(902)
Total indebtedness – 31 December 2021 (1)	(21,739)	-	(265)	(22,004)
Financing cash flows	22,142	(3,540)	266	18,868
Foreign exchange adjustments	(403)	(439)	(18)	(860)
New leases	-	-	(235)	(235)
Payment on term loan	-	192	-	192
Total indebtedness – 31 December 2022 (1)	$ -	$ (3,787)	$ (252)	$ (4,039)

(1) Interest expense and payments included in the operating cash flows were equivalent in the year and have not been included in the table above.

28. PARENT COMPANY FINANCIAL INFORMATION

As at and for the year ended (A$ thousands)	31 December 2022	31 December 2021
Statement of financial position		
Current assets	**$ 424**	$ 1,529
Non-current assets	**100,598**	84,599
Total assets	**101,022**	86,128
Current liabilities	**(375)**	(254)
Non-current liabilities	**-**	-
Net assets	**100,647**	85,874
Share capital	**366,055**	350,461
Share-based payments	**19,121**	16,839
Foreign currency translations	**(118)**	(118)
Accumulated losses	**(284,411)**	(281,308)
Total shareholders' equity	**$ 100,647**	$ 85,874
Statement of profit or loss		
Net loss	**$ (3,769)**	$ (25,899)
Total comprehensive loss	**$ (3,769)**	$ (25,899)

29. SUBSEQUENT EVENTS

On 14 February 2023, the Calima Group disposed of its investment in H2Sweet Holdings Inc. A loss of $0.4 million had been previously recognized in the 31 December 2022 financial statements related to this disposal.

On 24 February 2023, the Calima Group entered into a commitment to backstop cost of approximately C$0.3 million to be incurred in connection with the Tommy Lakes pipeline.

On 13 March 2023, 500,000 Class A and 500,000 Class B performance rights were converted to common shares.

On 22 March 2023, the Company's borrowing base review was completed and resulted in a decrease to the credit facility to C$20.0M, as well as the removal of the affirmative covenant which had a mandatory hedging requirement if the Company were to utilize the credit facility at greater than 50% over any quarter end. The next semi-annual review of the credit facility is scheduled to occur no later than 31 October 2023.

DIRECTORS' DECLARATION

The Directors of Calima Energy Limited declare that:

(a) In the Directors' opinion, the annual financial statements and notes and the remuneration report, set out on pages 16 to 54, are in accordance with the Corporations Act 2001, including:
   i. Complying with relevant Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and,
   ii. Giving a true and fair view of the Calima Group's financial position as at 31 December 2022 and of its performance for the financial year ended on that date.

(b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer, Managing Director and Chief Financial Officer, Canada required by Section 295A of the Corporations Act 2001 for the financial period ended 31 December 2022.

This Directors' Declaration is made in accordance with a resolution of the Directors.

On behalf of the Board of Directors:

Glenn Whiddon
Executive Chairman

30 March 2023

Independent auditor's report

To the members of Calima Energy Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Calima Energy Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended.

(b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income (loss) for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

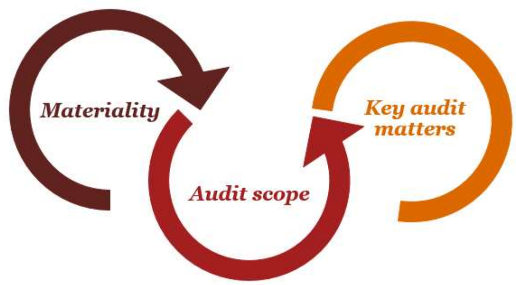
Independence

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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit, we used overall Group materiality of A$1,737,000, which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group total assets because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and reflects the continued internal and external focus on growth and development of the Group's oil and natural gas assets.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Board of Directors.

Key audit matter	How our audit addressed the key audit matter
Availability of funding for further exploration and development activities *Refer to Note 4, 10* As described in Note 4 to the financial report, the financial statements have been prepared by the Group on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business. At 31 December 2022, the Group had a net working capital deficiency of A$7.7 million and net debt of A$11.0 million. As part of managing liquidity risk, the Group has a demand revolving credit facility with a Canadian chartered bank (the Credit Facility). At 31 December 2022 there was no amount drawn under the Credit Facility with a C$24.2 million limit. 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 any indebtedness. As described in Note 4, the Group expects that it will have the ability to maintain existing funding. Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in forecasting future cash flows for a period of at least 12 months from the audit report date (cash flow forecasts).	We considered the appropriateness of the going concern assumption used in preparing the financial report by performing the following procedures, amongst others: - evaluated the Group's assessment of its ability to continue as a going concern, including whether the period covered is at least 12 months from the date of the audit report and that relevant information of which we are aware from the audit was included, - inquired of management and the directors whether they were aware of any events or conditions, including beyond the period of the assessment that may cast significant doubt on the Group's ability to continue as a going concern, - agreed the cash receipts from the capital placements undertaken during the year to the relevant bank statements, - compared the key underlying data and assumptions in the Group's cash flow forecast to internal reporting, historical cash outflows or market forecasts as relevant, - developed an understanding of the key forecast expenditure items, including the amounts that are contractually committed and required to be paid to maintain the good standing of the Group's oil and natural gas assets as well other material future capital expenditures, and - evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures about these events or conditions.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of property, plant and equipment *Refer to Note 8* Australian Accounting Standards require an entity to assess throughout the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, an entity shall estimate the recoverable amount of the asset. At 31 December 2022 the Group concluded there were indicators of impairment for its property, plant and equipment (PP&E), as the carrying value of the Group's net assets exceeded its market capitalisation. Impairment testing was undertaken for the Brooks and Thorsby cash generating units (PP&E CGUs) as outlined in Note 8, calculated utilising after-tax discounted future cash flows derived from the CGUs' proved plus probable reserves to estimate the recoverable amount of the PP&E CGUs. The results of the test indicated the recoverable amount of the PP&E CGUs exceeded their carrying value, and resultingly no impairment loss was recognised. Key assumptions, judgements and estimates used in the formulation of the Group's impairment testing of the PP&E CGUs are disclosed in Note 8. The Group's assessment of impairment was a key audit matter due to the significance of PP&E to the financial statements and the judgements and estimates required in determining the recoverable amount of the Group's CGUs, as disclosed in Note 8.	We performed the following procedures, amongst others: - evaluated the Group's consideration of internal and external sources of information in assessing whether indicators of impairment existed. - considered the competence and capabilities of the Group's experts and, together with PwC valuation experts, evaluated the methods, significant assumptions and data underlying the Group's use of experts in determination of the recoverable amount of the PP&E CGUs. - assessed whether the division of the Group's property, plant and equipment into cash generating units (CGUs), which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the Group's operations. - compared significant assumptions used in the impairment model to historical results, economic and industry forecasts and externally prepared reserve reports. - evaluated the appropriateness of the methods used by the Group in making these estimates by reference to Australian Accounting Standards. - assessed whether the discount rate appropriately reflected the risks of the CGUs by comparing the discount rate to those indicated by market observable inputs. - assessed the Group's consideration of the sensitivity to a change in key assumptions that would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions arising. - evaluated the reasonableness of the disclosures made in Note 8, including those regarding the significant assumptions used in developing the underlying estimates, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 23 to 28 of the directors' report for the year ended 31 December 2022.

In our opinion, the remuneration report of Calima Energy Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Ian Campbell
Partner

Perth
30 March 2023

Auditor's Independence Declaration

As lead auditor for the audit of Calima Energy Limited for the year ended 31 December 2022, 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 audit.

(b) No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Calima Energy Limited and the entities it controlled during the period.

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
30 March 2023

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SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in the Annual Report is set out below. The information was applicable for the Company as at 24 March 2023:

Distribution of equity securities

Equity holders by size of holding of ordinary shares	Number of Holders	Number of shares on issue
1 to 1000	**793**	**319,934**
1,001 to 5,000	**728**	**2,049,755**
5,001 to 10,000	**345**	**2,726,857**
10,001 to 100,000	**993**	**39,811,207**
100,001 and above	**507**	**567,843,016**
Total(1)	**3,366**	**612,750,769**

(1) With respect to the voting rights of the Company's ordinary shares, each shareholder is entitled to receive notice of, attend, and vote at general meetings. At a general meeting, every shareholder present in person, or by proxy by representative of attorney, is entitled to vote by a show of hands and on a poll, one vote for each share held.

There were 1,433 holders of less than a marketable parcel of listed shares.

Substantial shareholders

Shareholders who hold greater than 5% issued capital	Number of shares held	% of shares held
CITICORP NOMINEES PTY LIMITED	**54,497,962**	**8.89**
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	**51,065,293**	**8.33**
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	**35,300,145**	**5.76**
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED - A/C 2	**34,836,621**	**5.69**
Total	**175,700,021**	**28.67**

Twenty largest shareholders

Shareholder	Number of shares held	% of shares held
CITICORP NOMINEES PTY LIMITED	54,497,962	8.89
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	51,065,293	8.33
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	35,300,145	5.76
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED - A/C 2	34,836,621	5.69
BNP PARIBAS NOMS PTY LTD <DRP>	26,388,723	4.31
PETERS & CO LIMITED	17,174,644	2.80
MR FREDERICK BART	12,000,320	1.96
BUTTONWOOD NOMINEES PTY LTD	10,599,824	1.73
MR CRAIG IAN BURTON <CI BURTON FAMILY A/C>	10,127,503	1.65
MR CUNTONG CHENG	8,005,022	1.31
ARROCHAR PTY LTD	6,241,063	1.02
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	5,918,544	0.97
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,685,764	0.93
MR JOHN PHILIP DANIELS	5,052,756	0.82
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED-GSCO ECA	4,965,707	0.81
ARREDO PTY LTD	4,278,872	0.70
MRS LAURAINE ELIZABETH WORTHINGTON	4,245,000	0.69
4F INVESTMENTS PTY LTD	4,191,488	0.68
FLOTECK CONSULTANTS LIMITED	4,148,689	0.68
COMPUTERSHARE INVESTOR SERVICES INC <BLACKSPUR UNEXCHANGED A/C>	4,129,634	0.67
Top 20 holders of common shares	**308,853,574**	**50.40**
Total remaining holders balance	**303,897,195**	**49.60**
Total common shares outstanding	**612,750,769**	**100**

Unlisted securities

Equity compensation arrangement	Number of unit holders	Number of unlisted units	Year of expiry
Stock options – exercisable at $0.20 per share	**21**	**13,450,000**	**2026**
Stock options – exercisable at $0.20 per share	**3**	**850,000**	**2027**
Stock options – exercisable at $0.16 per share	**1**	**1,000,000**	**2025**
Stock options – exercisable to $0.20 per share	**1**	**1,500,000**	**2024**
Class A/B Performance rights – February 2021 grant	**2**	**2,000,000**	**2026**
Class C Performance rights – May 2021 grant	**2**	**2,500,000**	**2026**
Class D Performance rights – May 2022 grant	**32**	**8,908,750**	**2023**
Class E Performance rights – May 2022 grant	**32**	**8,908,750**	**2023**
Class F Performance rights – May 2022 grant	**32**	**4,942,500**	**2026**

Unitholders with more than 20% of each equity security class

Equity compensation arrangement holder	Number of shares held	% of units held
Unlisted stock options exercisable at $0.20 on or before 31 Jan 2027		
Shawn Lafleur	**400,000**	**47%**
Cheryl Agnew	**300,000**	**35%**
Unlisted stock options exercisable at $0.16 on or before 13 October 2025		
Euroswiss Capital Partners Inc.	**1,000,000**	**100%**
Unlisted stock options exercisable at $0.20 on or before 30 November 2024		
RCA Financial Partners Inc.	**1,500,000**	**100%**
Unlisted Class A/B performance rights issued in 2021 (fully vested)		
Glenn Whiddon	**1,000,000**	**50%**
Mark Freeman	**1,000,000**	**50%**
Unlisted Class C performance rights issued in 2021 (unvested)		
Glenn Whiddon	**1,500,000**	**60%**
Mark Freeman	**1,000,000**	**40%**

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 annual 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 annual 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 annual report and the definitions below for additional details regarding the calculations.

Qualified petroleum reserves and resources evaluator statements[1]

The petroleum reserves information in this annual report is based on, and fairly represents, information and supporting documentation in a report compiled by InSite Petroleum Consultants Ltd. (InSite) for the 31 December 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 VP Engineering with Blackspur Oil Corp. The InSite 31 December 2022 Reserves Report and the values contained therein are based on InSite's 31 December 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 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 information in this announcement in the form and context in which it appears.

The petroleum resources information in this announcement is based on, and fairly represents, information and supporting documentation in a report compiled by McDaniel and Associates Ltd (McDaniel) for the 31 December 2022 Resource Report. McDaniel is a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta (APEGA) and was subsequently reviewed by Mr. Veale. McDaniel and Mr. Veale have consented to the inclusion of the petroleum reserves information in this announcement in the form and context in which it appears.

Corporate governance

Information related to the Calima Group's corporate governance practices can be found on the Company's website located here: (https://calimaenergy.com/corporate-governance/).

[1] Refer to announcements dated 30 March 2023 ("Brooks and Thorsby Reserves Update 2022" and "Montney Resource Update 2022"). 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, exploration expenses 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 statement of financial position 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 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 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 / working capital surplus	Net debt/working capital surplus is calculated as the current and long-term portions of Calima's credit facility draws, lease liabilities, term loan 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

Term	Meaning
	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
tCO2:	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	**IP30**	Average oil production rate over the first 30 days
2P	proved plus Probable reserves	**A$ or AUD**	Australian dollars
3P	proved plus Probable plus Possible reserves	**C$ or CAD**	Canadian dollars
bbl or bbls	barrel of oil	**US$ or USD**	United states dollars
boe	barrel of oil equivalent (1 bbl = 6 Mcf)	**($ thousands)**	figures are divided by 1,000
d	suffix – per day	**($ 000s)**	figures are divided by 1,000
GJ	gigajoules	**Q1**	first quarter ended March 31st
mbbl	thousands of barrels	**Q2**	second quarter ended June 30th
mboe	thousands of barrels of oil equivalent	**Q3**	third quarter ended September 30th
Mcf	thousand cubic feet	**Q4**	fourth quarter ended December 31st
MMcf	million cubic feet	**YTD**	year-to-date
NGTL	Nova Gas Transmission Line	**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
TD	Total depth		

SCHEDULE OF INTEREST IN TENEMENTS AS AT 31 DECEMBER 2022

Country	Lease name & number	Working interest
CANADA	CR PNG 0488120306	**25%**
CANADA	CR PNG 113922	**100%**
CANADA	FH PNG M077339 HERITAGE	**100%**
CANADA	FH PNG M077343 HERITAGE	**50%**
CANADA	CR PNG 0401070798	**50%**
CANADA	FH PNG M077354 HERITAGE	**50%**
CANADA	FH PNG M077355 HERITAGE	**50%**
CANADA	FH PNG M077362 HERITAGE	**50%**
CANADA	FH PNG M077365 HERITAGE	**50%**
CANADA	FH PNG M057552 HERITAGE	**50%**
CANADA	FH PNG M077369 HERITAGE	**50%**
CANADA	FH PNG M057230 HERITAGE	**100%**
CANADA	FH PNG M057231 HERITAGE	**50%**
CANADA	FH PNG M057228 HERITAGE	**50%**
CANADA	FH PNG M057229 HERITAGE	**50%**
CANADA	FH PNG M077379 HERITAGE	**50%**
CANADA	FH PNG M077381 HERITAGE	**50%**
CANADA	FH PNG M077383 HERITAGE	**100%**
CANADA	FH PNG M077384 HERITAGE	**50%**
CANADA	FH PNG M077385 HERITAGE	**50%**
CANADA	FH PNG M077387 HERITAGE	**50%**
CANADA	FH PNG M058439 HERITAGE	**50%**
CANADA	FH PNG M077388 HERITAGE	**50%**
CANADA	FH PET M083475 HERITAGE	**75%**
CANADA	FH PNG M057120 HERITAGE	**0%**
CANADA	FH PNG M057136 HERITAGE	**0%**
CANADA	FH PNG M064409 HERITAGE	**0%**
CANADA	CR PNG 0401110596	**0%**
CANADA	CR PNG 0489120182	**100%**
CANADA	CR PNG 6879A	**100%**
CANADA	CR PNG 5697A	**100%**
CANADA	FH PNG M087367 HERITAGE	**100%**
CANADA	CR PNG 0411110073	**100%**
CANADA	CR PNG 0411110085	**100%**
CANADA	CR PNG 0411110086	**100%**
CANADA	CR PNG 0412030144	**100%**
CANADA	FH PNG BENTLEY, CHERYL	**100%**
CANADA	FH PNG TKACHUK ET AL	**100%**
CANADA	FH PNG BENTLEY ET AL	**100%**
CANADA	CR PNG 0413080342	**100%**
CANADA	CR PNG 0413080343	**100%**
CANADA	CR PNG 0413120217	**100%**
CANADA	FH PNG BENTLEY, D.	**100%**
CANADA	FH PNG PEDERSON, V.	**100%**
CANADA	FH PNG JOHNSON, JO-ANNE	**100%**
CANADA	CR PNG 0404010158	**100%**
CANADA	CR PNG 0404010157	**100%**
CANADA	CR PNG 0414060022	**100%**
CANADA	CR PNG 0414070234	**100%**
CANADA	FH PNG M110518 HERITAGE	**100%**
CANADA	FH PNG M110083 HERITAGE	**100%**
CANADA	CR PNG 0499040052	**81%**
CANADA	CR PNG 0411090025	**100%**
CANADA	FH PNG M059623 HERITAGE	**100%**
CANADA	FH PET M200805 PRAIRIESKY	**100%**
CANADA	FH PET M201169 PRAIRIESKY	**100%**
CANADA	FH PET M201170 PRAIRIESKY	**100%**
CANADA	FH PET M201171 PRAIRIESKY	**100%**
CANADA	FH PET M201172 PRAIRIESKY	**100%**
CANADA	CR PNG 0479060095	**20%**
CANADA	CR PNG 0479060094	**49%**
CANADA	CR PNG 27346	**20%**
CANADA	CR PNG 4678	**68%**
CANADA	FH NG M115649 HERITAGE	**100%**
CANADA	FH PET M115657 HERITAGE	**100%**
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CANADA	CR PNG 28705	**81%**
CANADA	CR PNG 121449	**49%**
CANADA	FH PNG M056870 HERITAGE	**100%**
CANADA	FH PNG M056871 HERITAGE	**100%**
CANADA	FH PET M121623 HERITAGE	**100%**

Country	Lease name & number	Working interest
CANADA	CR PNG 0417040004	**100%**
CANADA	CR PNG 0417040005	**100%**
CANADA	CR PNG 0417040006	**100%**
CANADA	FH PNG HELM, JEFFREY	**100%**
CANADA	FH PNG HELM, CRAIG	**100%**
CANADA	CR PNG 0417060139	**100%**
CANADA	CR PNG 0496020408	**45%**
CANADA	CR PNG 0417070138	**100%**
CANADA	CR PNG 0417070142	**100%**
CANADA	CR PNG 0417080004	**100%**
CANADA	FH PET M118153 HERITAGE	**100%**
CANADA	FH PET M117918 HERITAGE	**100%**
CANADA	FH PET M118154 HERITAGE	**100%**
CANADA	FH PET M118155 HERITAGE	**100%**
CANADA	FH PET M117917 HERITAGE	**100%**
CANADA	CR PNG 0417090098	**100%**
CANADA	CR PNG 0417100067	**100%**
CANADA	FH PET M120054 HERITAGE	**100%**
CANADA	CR PNG 0417100155	**50%**
CANADA	CR PNG 0417100156	**50%**
CANADA	CR PNG 0417120003	**100%**
CANADA	FH PNG GRITSFELDT, J & J	**100%**
CANADA	FH PNG KELSEY, CLIFFORD	**100%**
CANADA	FH PNG KELSEY, CLIFFORD	**100%**
CANADA	FH PNG OLSON, VIRGINIA	**100%**
CANADA	CR PNG 0417090160	**100%**
CANADA	CR PNG 0418040094	**100%**
CANADA	CR PNG 0404050042	**100%**
CANADA	CR PNG 0418070022	**100%**
CANADA	CR PNG 0418070024	**100%**
CANADA	CR PNG 0418070026	**100%**
CANADA	CR PNG 0418070027	**100%**
CANADA	CR PNG 0418080186	**50%**
CANADA	CR PNG 0418080187	**50%**
CANADA	CR PNG 0418080188	**50%**
CANADA	CR PNG 0418080189	**50%**
CANADA	CR PNG 0418100101	**100%**
CANADA	FH PNG WURBAN ET AL	**100%**
CANADA	FH PNG WURBAN, LAWRENCE	**100%**
CANADA	FH PNG WURBAN, KENNETH	**100%**
CANADA	CR PNG 0419010050	**100%**
CANADA	CR PNG 0419010051	**100%**
CANADA	CR PNG 0419010053	**50%**
CANADA	FH PNG FORTIER ET AL	**100%**
CANADA	FH PET M121570 HERITAGE	**100%**
CANADA	FH PET M121571 HERITAGE	**100%**
CANADA	FH PET M121572 HERITAGE	**100%**
CANADA	FH PET M121575 HERITAGE	**100%**
CANADA	FH PET M121576 HERITAGE	**100%**
CANADA	FH PET M121577 HERITAGE	**100%**
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CANADA	CR PNG 0418050150	**100%**
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CANADA	FH PET M121991 HERITAGE	**100%**
CANADA	CR PNG 0419090100	**100%**
CANADA	CR PNG 0419090124	**100%**
CANADA	FH PET M122146 HERITAGE	**100%**
CANADA	FH PET M122147 HERITAGE	**100%**
CANADA	FH PET M122148 HERITAGE	**100%**
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CANADA	CR PNG 0420020014	**50%**
CANADA	FH PET M122657 HERITAGE	**100%**

Country	Lease name & number	Working interest
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CANADA	FH PNG M059316 HERITAGE	100%
CANADA	FH PNG M055940 HERITAGE	100%
CANADA	FH PNG M056875 HERITAGE	100%
CANADA	FH PNG M056876 HERITAGE	100%
CANADA	FH PNG M055910 HERITAGE	100%
CANADA	FH PNG M056877 HERITAGE	100%
CANADA	FH PNG M055912 HERITAGE	100%
CANADA	FH PNG M055911 HERITAGE	100%
CANADA	FH PNG M056878 HERITAGE	100%
CANADA	FH PNG M055915 HERITAGE	100%
CANADA	FH PNG M056879 HERITAGE	100%
CANADA	FH PNG M055916 HERITAGE	100%
CANADA	FH PNG M056880 HERITAGE	50%
CANADA	FH PNG M056881 HERITAGE	50%
CANADA	FH PNG M056883 HERITAGE	100%
CANADA	FH PNG M056882 HERITAGE	100%
CANADA	FH PNG M056884 HERITAGE	100%
CANADA	FH PNG M059251 HERITAGE	50%
CANADA	FH PNG M060433 HERITAGE	50%
CANADA	FH PNG M056886 HERITAGE	100%
CANADA	FH PNG M055922 HERITAGE	100%
CANADA	FH PNG M060434 HERITAGE	50%
CANADA	FH PNG M059253 HERITAGE	50%
CANADA	FH PNG M059255 HERITAGE	50%
CANADA	FH PNG M059252 HERITAGE	50%
CANADA	FH PNG M060435 HERITAGE	50%
CANADA	FH PNG M060437 HERITAGE	50%
CANADA	CR PNG 2543	50%
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CANADA	FH PNG M060439 HERITAGE	50%
CANADA	FH PNG M059566 HERITAGE	50%
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CANADA	FH PNG M059767 HERITAGE	55%
CANADA	FH PNG M060452 HERITAGE	50%
CANADA	FH PNG M059570 HERITAGE	50%
CANADA	FH PNG M060429 HERITAGE	50%
CANADA	FH PNG M059574 HERITAGE	50%
CANADA	FH PNG CANPAR	100%
CANADA	FH PET M115852 HERITAGE	50%
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CANADA	FH PNG SCHAFER, S.	50%
CANADA	FH PNG GAAL, B.	50%
CANADA	FH PNG JOHN WISE ESTATE	50%
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CANADA	FH PNG NORRIS ET AL	50%
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CANADA	CR PNG 13797	50%
CANADA	CR PNG 29277	50%
CANADA	CR PNG 105092	50%
CANADA	CR PNG 31715	50%
CANADA	CR PNG 1711	50%
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CANADA	FH PET M115008 HERITAGE	50%
CANADA	FH PET M115010 HERITAGE	50%
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CANADA	FH NG M115620 HERITAGE	100%
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CANADA	FH PET M207757 PRAIRIESKY	100%
CANADA	FH PET M207758 PRAIRIESKY	100%
CANADA	FH PET M207759 PRAIRIESKY	100%
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CANADA	FH PNG FUHR, DARRYL	50%
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CANADA	CR PNG 0421070004	100%
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CANADA	CR PNG 0421070022	100%
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CANADA	FH PET M235625 PRAIRIESKY	100%
CANADA	FH PET M235626 PRAIRIESKY	100%
CANADA	FH PET M235627 PRAIRIESKY	100%
CANADA	FH PET M235628 PRAIRIESKY	100%
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CANADA	FH PET M123890 HERITAGE	100%
CANADA	FH PET M123891 HERITAGE	100%
CANADA	FH PET M123892 HERITAGE	100%
CANADA	FH PET M123893 HERITAGE	100%
CANADA	FH PET M123894 HERITAGE	100%
CANADA	FH PET M123895 HERITAGE	100%
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CANADA	FH PET M123898 HERITAGE	100%
CANADA	FH PET M123899 HERITAGE	100%
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CANADA	FH PET M123901 HERITAGE	100%
CANADA	FH PET M123902 HERITAGE	100%
CANADA	FH PET M123903 HERITAGE	100%
CANADA	FH PET M123904 HERITAGE	100%
CANADA	FH PNG CAMERON ET AL	50%
CANADA	FH PNG DAVIDSON, D & M	50%
CANADA	FH PNG OSLUND ET AL	50%
CANADA	CR PNG 0415100024	100%
CANADA	FH PET M117777 HERITAGE	100%
CANADA	FH PET M117778 HERITAGE	100%
CANADA	FH PET M117779 HERITAGE	100%
CANADA	FH PET M117783 HERITAGE	100%
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CANADA	FH PET M118356 HERITAGE	100%
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CANADA	FH PET M118371 HERITAGE	100%
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CANADA	FH PET M201026 HERITAGE	100%
CANADA	FH PET M201010 HERITAGE	100%
CANADA	FH PET M201015 HERITAGE	100%
CANADA	FH PET M201016 HERITAGE	100%
CANADA	FH PET M200640 HERITAGE	100%
CANADA	FH PNG DE NEVE, VIRGINIA	100%

Country	Lease name & number	Working interest
CANADA	FH PNG DE NEVE, VIRGINIA	**100%**
CANADA	CR PET M PSK	**100%**
CANADA	CR PET M PSK	**100%**
CANADA	FH PNG GODKIN ET AL	**100%**
CANADA	FH PNG SPROWL ET AL	**100%**
CANADA	FH PNG WATKINS ET AL	**100%**
CANADA	FH PNG WURBAN, FRANCES	**100%**
CANADA	CR PNG 0522010026	**100%**
CANADA	CR PNG 0522010027	**100%**
CANADA	CR PNG 0522010028	**100%**
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CANADA	FH PET M236391 PSK	**50%**
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CANADA	FH PET M125280 HERITAGE	**100%**
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CANADA	CR PNG 67029	**100%**
CANADA	CR PNG 67031	**100%**
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CANADA	CR PNG 67032	**100%**
CANADA	CR PNG 67033	**100%**
CANADA	CR PNG 67034	**100%**

Country	Lease name & number	Working interest
CANADA	CR PNG 0421090068	**100%**
CANADA	CR PNG 0421090086	**100%**
CANADA	CR PNG 0421100007	**100%**
CANADA	CR PNG 0421100016	**100%**
CANADA	CR PNG 0421100017	**100%**
CANADA	FH NG M124346 HERITAGE	**100%**
CANADA	FH NG M124756 HERITAGE	**100%**
CANADA	FH NG M124757 HERITAGE	**100%**
CANADA	CR PNG 0417030159	**50%**
CANADA	FH PET M122323 HERITAGE	**88%**
CANADA	FH NG M122324 HERITAGE	**88%**
CANADA	FH PET M236880	**50%**
CANADA	FH PET M236885	**50%**
CANADA	FH PET M236888	**50%**
CANADA	FH PET M236889	**50%**
CANADA	FH PET M125610 HERITAGE	**100%**
CANADA	FH PET M125611 HERITAGE	**100%**
CANADA	FH PET M125612 HERITAGE	**100%**
CANADA	CR PNG 65101	**100%**
CANADA	CR PNG 67035	**100%**
CANADA	CR PNG 67036	**100%**
CANADA	CR PNG 67042	**100%**
CANADA	CR PNG 67043	**100%**
CANADA	CR PNG 67044	**100%**
CANADA	CR PNG 67045	**100%**
CANADA	CR PNG 67046	**100%**
CANADA	CR PNG 67047	**100%**
CANADA	CR PNG 67048	**100%**
CANADA	CR PNG 67049	**100%**
CANADA	CR PNG 67050	**100%**
WESTERN SAHARA	DAORA	**50%**
WESTERN SAHARA	HAOUSA	**50%**
WESTERN SAHARA	MAHBES	**50%**
WESTERN SAHARA	MIJEK	**50%**