CALIMA ENERGY

CALIMA ENERGY LIMITED
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE INFORMATION

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

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HIGHLIGHTS

For the year ended 31 December 2021

Operational & Financial Results

(A$ thousands, unless otherwise noted)		Three months ended 31 December 2021		Year ended 31 December 2021		Year ended 31 December 2020
Sales volumes						
Total sales volume (boe)		294,561		779,570		6,038
Average daily sales volume (boe/d)(1)		3,202		3,182		16
Liquids percentage		68%		66%		100%
Oil and natural gas sales						
Oil	$	16,348	$	39,668	$	356
Natural gas		3,055		7,087		-
Natural gas liquids		411		958		-
Total oil and natural gas sales(2)	$	19,814	$	47,713	$	356
Earnings						
Funds flow from operations(2)	$	5,849	$	13,554	$	(1,119)
Adjusted EBITDA(2)		9,383		21,557		(1,169)
Net loss(2)	$	(44,759)	$	(31,980)	$	(6,395)
Capital investments						
Drilling and completion	$	7,817	$	19,651	$	-
Equipping, tie-in and facilities		2,338		4,934		516
Land and other		862		2,245		1,640
Investments in oil and natural gas assets(2)	$	11,017	$	26,830	$	2,156
Statement of financial position						
Available funding(2)	$	1,658	$	1,658	$	936
Net debt(2)	$	(27,805)	$	(27,805)	$	(382)

(1) 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 62 and the Operational and Financial Results section on pages 6-16 for additional information regarding the Company's GAAP and non-GAAP financial measures.

Transformational growth in 2021

- Acquisition of Blackspur – Following a A$38 million equity financing (before transaction costs), Calima completed the acquisition of Blackspur Oil Corp. ("Blackspur") on 30 April 2021 for total cash and share consideration of A$22.4 million paid to Blackspur shareholders and a A$28 million reduction of Blackspur's Credit Facility (the "Blackspur Acquisition" or "Acquisition"). Blackspur was a privately held Canadian company which owned producing oil and natural gas assets in two core operating areas within Alberta, at Brooks and Thorsby.

  Blackspur was formed in 2012 and followed through with acquisitions totalling C$74 million and the drilling of 59 oil wells funded via a combination of equity and debt. Prior to the Acquisition, Blackspur had invested over C$200 million acquiring and developing its assets, as well as creating inventory and infrastructure to accommodate production growth to over 10,000 boe/d.

- 2021 Capital Investments – Following the Acquisition, the Calima Group commenced the 2021 drilling program with the development of four Sunburst Formation wells that were drilled, completed, and brought on production in the Brooks area (Gemini 1-4). Two of the four wells were on stream in late June with the other two wells completed and brought on stream in July. During the second half of the year, the Company also drilled, completed and brought on stream three wells targeting the Sparky Formation (Leo 1-3) in the Thorsby area.

- Production – Production of 294,561 boe (gross) of oil and natural gas, averaging 3,202 boe/d was achieved in the fourth quarter of 2021. Year to date, the Company produced 779,570 boe (gross) of oil and natural gas, averaging 3,182 boe/d, a 30% increase compared to Blackspur's average daily production during the year ended 31 December 2020.

- Energy Prices – For the full year, benchmark prices averaged US$67.90/bbl WTI, C$68.74/bbl WCS and C$3.50/GJ AECO. Average prices increased to US$77.19/bbl WTI, C$78.71/bbl WCS and C$4.41/GJ AECO during the fourth quarter of 2021, reflective of improved demand fundamentals for both oil and natural gas in North America in response to an ongoing global recovery from the COVID-19 pandemic.

- Sales and earnings – Oil and natural gas sales were A$19.8 million and the Company delivered Adjusted EBITDA[2] of A$9.4 million during the fourth quarter of 2021. For the full year, oil and natural gas sales were A$47.7 million and Adjusted EBITDA[2] was A$21.6 million. The increase in sales and Adjusted EBITDA[2] in 2021 were primarily due to the Blackspur Acquisition. Whilst Company recognized a net loss of $31.9 million for the year ended 31 December 2021, this was primarily due to an impairment loss of undeveloped exploration assets.
- Reserves – Following the 2021 drilling program, the Calima Group's independent reserve engineer[1] completed an updated evaluation of the Brooks and Thorsby assets as at 31 December 2021. The Company has confirmed 5.1 million boe of proved developed producing ("PDP") reserves and 20.4 million boe of proved plus probable reserves ("2P").

Capital investments set to deliver strong free cash flow in 2022

- Production ramp up – In the fourth quarter of 2021, the Company commenced flow back operations from the three Sparky Formation wells (Leo 1-3) in the Thorsby area. Intermittent production commenced in mid-November and oil and gas volumes from the wells continued to increase well into January as the wells cleaned up. As of March 2022, corporate production was exceeding 4,000 boe/d.
- 2022 Forecast – the Calima Group approved a first half (H1) 2022 capital investment program of C$19.5 million for continued development of the Company's Brooks and Thorsby core areas. The Company's capital program includes three Glauconitic, three Sunburst wells, one step out Sparky well and the new Brooks pipeline. For the six months ending 30 June 2022, Calima is targeting:
  - Average daily production of 4,000 – 5,000 boe/d; and
  - Adjusted EBITDA[2][3] of C$28-33 million based on forecasted production and commodity prices.

  The Company commenced its 2022 winter drilling program early in December 2021. Fourth quarter investments included the drilling of the first two Glauconitic Formation wells at Brooks (Pisces #1 and #2). A third Glauconitic well (Pisces #3) and three Sunburst wells (Gemini #5-#7) were drilled in January. The wells were on production by the end of first quarter. An additional step-out Sparky exploration well (Leo #4) was also drilled in the first quarter.
- Strategic infrastructure development – On 31 January 2022, the Calima Group entered into a strategic infrastructure financing arrangement with a third party to construct a field pipeline connecting the Company's 02-29 battery in the northern portion of its Brooks, Alberta asset area to its wells, lands, and gathering systems in the southern portion of the Bantry asset base. The pipeline was completed and brought on stream during the first quarter of 2022.

  The pipeline is expected to reduce operating costs from the displacement of emulsion hauling and equipment rentals and most importantly provide egress for many future drilling locations in the Sunburst, Glauconitic and Ellerslie Formations which will improve full cycle economics of the Bantry field development plan. The pipeline is expected to 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 as opposed to the allowable flare limits under current regulations.

Liquidity and Corporate finance

- 2022 fundraising – On 17 February 2022, the Company successfully raised A$20 million in gross proceeds via a placement of 100 million new fully paid ordinary common shares to institutional and sophisticated investors at an issue price of A$0.20 per share. The oversubscribed issuance was strongly supported by existing shareholders and new Australian and international investors. Proceeds from the issuance were initially used to reduce the amount drawn under the Company's revolving Credit Facility and will also fund the completion of the Company's 2022 capital program.
- Liquidity – The Company's net debt[2] as at 31 December 2021 was A$27.8 million compared to A$16.4 million as at 30 June 2021. Growth in the Company's net debt[2] in 2021 was primarily due to the Company's investment in the Leo drilling program and the acceleration of the 2022 drilling program at Brooks, including the drilling of Pisces #1 and #2 wells in December, as well as additional pipe inventory purchased for the drilling of Gemini #5-7 and Pisces #3.

  Including the impact of cash received from the first quarter equity financing, anticipated free cash flow[2] and the arrangement under the H1 2022 strategic infrastructure development, the Calima Group's net debt[2][3] is expected to decline to C$2-C$5 million by mid-year 2022 following completion of the H1 2022 capital development program.
- Share consolidation – On 10 September 2021, the Company completed a 20:1 share consolidation. The consolidation has successfully reduced arbitrage trading and the Company is very pleased with the results to date.

(1) Refer to Calima's announcement dated 28 March 2022 ("Brooks and Thorsby Reserves Update 2022") (www2.asx.com.au).
(2) Refer to Advisories & Guidance on page 56 for additional information regarding the Company's GAAP and non-GAAP financial measures.
(3) Based on forward looking assumptions consisting of: US$80/bbl WTI, US-$13.50/bbl WCS differential, 1.25 CAD/USD and C$3.50/GJ AECO.

CHAIRMAN & CEO'S LETTER
For the year ended 31 December 2021

To the Shareholders of Calima Energy Limited:

We are pleased to present the annual report of Calima Energy Limited (ASX: CE1) ("Calima", "Calima Group", "the Company") for the year ended 31 December 2021.

2021 was a monumental year for the Company. The Blackspur Acquisition has transformed Calima from a pre-development explorer in the NE BC Montney play, to an oil and natural gas producer in Southern and Central Alberta with production currently exceeding 4,000 boe/d. The recapitalisation was well-timed, with significant gains to the commodity price environment having been experienced over the past year since that time, following a global demand recovery from the COVID-19 pandemic. Looking ahead, we believe our investments have provided shareholders with great exposure to the Canadian oil and natural gas sector and an opportunity for strong returns on these oil-weighted assets.

In 2021, our focus was on our core inventory of Mannville Formation targets, with four Sunburst wells drilled at Brooks and three Sparky wells drilled at Thorsby. Blackspur also brought on stream three Sunburst wells just prior to the Acquisition. Despite a number of challenges experienced during the year, the Company was able to successfully execute the program by the end of the year. The three Sunburst wells at Brooks have since paid out, and production from the Thorsby program has ramped up significantly during the first quarter of 2022. We continue to de-risk our plays through the drill bit, and the learnings from the 2021 development activities are expected to provide meaningful efficiencies on future programs.

Safe production is paramount to our business. Calima has continued to build upon the strong safety performance exhibited by Blackspur both before and after the Acquisition. We are proud to report that our 10-well capital investment program in 2021 was completed with zero lost time incidents or injuries occurring during the year.

The Company approved a H1 2022 capital budget of C$19.5 million for continued development of the Brooks and Thorsby asset areas. The 7 (6.5 net) well program targeted development of the Glauconitic and Sunburst Formations at Brooks. Additionally, the Company extended its prospective Sparky Formation by stepping out to the North end of our Thorsby land position with a joint 50% net well. These programs are expected to greatly contribute to our production growth in 2022 and expand our inventory of high-graded drilling locations and reserves. Capital discipline and execution is a key focus for Calima in 2022. We are selective and purposeful in the locations we choose to drill and have continued to employ a rigorous geological and geophysical program aimed at reducing formation uncertainty prior to development.

Our strategy is about flexibility. We intend to grow production while still providing the Company an opportunity to generate free cash flow for the reduction of debt, acquire new assets, and return capital to shareholders through share buybacks or dividends. The Calima Group is seeking to take advantage of the current commodity price environment by investing in a combination of core formation targets that will help grow the business in a profitable manner.

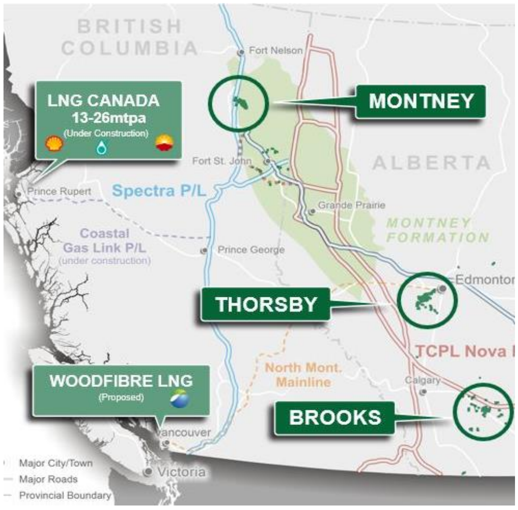
Calima is committed to pursuing a number of ESG initiatives aimed at reducing GHG emissions, reclaiming inactive well sites and reducing our impact to the environment. We are committed operating safely, being a good neighbour and a being a good corporate citizen. We are committed to establishing and maintaining strong corporate governance practices that will lead the organisation to a long-term sustainable future.

Thank you for your continued support.

Glenn Whiddon
Executive Chairman

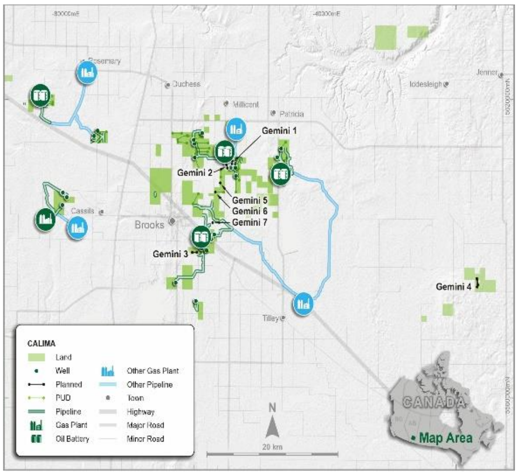
Jordan Kevol
CEO & Managing Director

ABOUT CALIMA ENERGY LIMITED



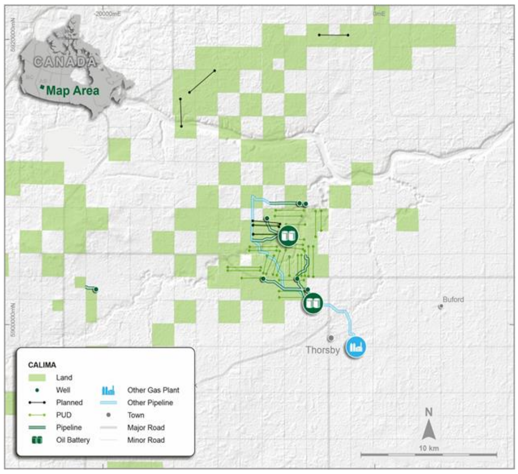
Calima is a production-focused energy company pursuing the exploration and development of oil and natural gas assets in the Western Canadian Sedimentary Basin. The Company is currently developing its oil plays at Brooks and Thorsby in southern and central Alberta. Additionally, Calima owns a significant 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



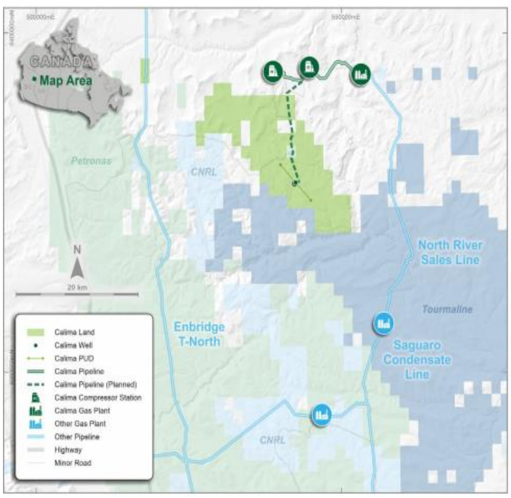
The Company's Brooks assets consist of a core land position of >40,000 acres primarily targeting the Sunburst and Glauconitic formations. The Brooks assets currently has over 60 wells producing >2,300 boe/d. The Sunburst Formation does not require hydraulic fracture stimulation and can be developed at low cost (C$1M-$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 year-round access. Blackspur's existing infrastructure across the entire Brooks area can process up to 8,200 bbl/d oil, 26,700 barrels per day of water and 12 MMcf/d. The Glauconitic Formation is a shallower (younger) formation than Calima's core Sunburst conventional play and requires hydraulic fracture 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 >62,000 acres primarily targeting the Sparky Formation. The Thorsby asset currently has 14 wells producing >1,800 boe/d. Thorsby has a large well inventory with 86 Sparky Formation and 12 Nisku Formation wells identified, including 20 Sparky PUD locations. The Company's existing Sparky Formation wells are characterised by low base decline rates, which is expected to average 22% (average over 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 4,000 bbl/d oil (subject to emulsion water cut volumes at the battery).

Tommy Lakes Montney



Calima currently owns and operates more than 33,600 acres of continuing Montney rights (Calima Lands) in northeast British Columbia (NEBC), Canada under a 10-year PNG lease over 49 contiguous sections resulting from the successful 2019 drilling program. The Tommy Lakes field facilities owned by Calima lies immediately to the north of the Calima Lands. The facilities are fully permitted and have been preserved for future recommissioning. Approval to construct and operate a multi-well production facility has been received, which includes a permit to construct a pipeline to connect the Calima well-pad with regional pipeline and processing infrastructure. The pipeline will connect existing and future Calima wells to the Company's Tommy Lakes infrastructure with capacity to transfer up to 50 MMcf/d of wet gas and 2,500 bbl/d of wellhead condensate through to the North River Midstream sales line, providing access to the Canadian and US markets to AECO, Alliance and T-North/Station 2. Calima continues to evaluate strategies with respect to the Calima Lands to unlock shareholder value through development, partnerships, farm-out or outright sale.

OPERATIONAL AND FINANCIAL RESULTS
For the year ended 31 December 2021 and 2020

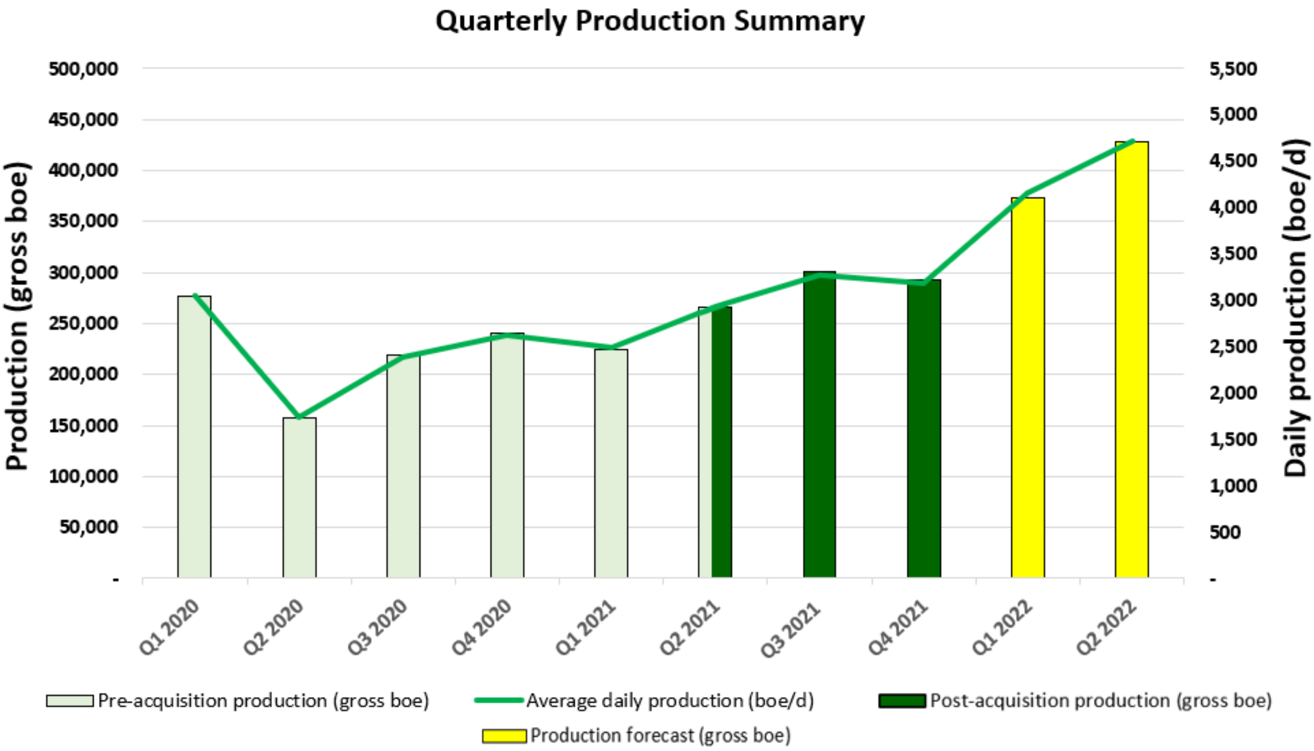
Production and sales

Sales volumes	Three months ended 31 December 2021	Year ended 31 December 2021	Year ended 31 December 2020
Oil (bbl)	193,425	497,195	6,038
Natural gas (Mcf)	571,942	1,597,906	-
Natural gas liquids (bbl)	5,813	16,058	-
Total sales volume (boe)	294,561	779,570	6,038
Average daily sales volume (boe/d)[(1)]	3,202	3,182	16
Liquids percentage	68%	66%	100%

(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.

Production in 2021 primarily relates to Calima's two core development areas at Brooks and Thorsby Alberta that were acquired in the Blackspur Acquisition on 30 April 2021. The production split for 2021 was approximately 70% Brooks and 30% Thorsby. For the year ended 31 December 2021, the Calima Group produced 779,570 boe of oil and natural gas (3,182 boe/d, averaged over 245 days) during the months of May through December. Volumes produced by Blackspur prior the Acquisition have not been included Calima's consolidated results.

The following table summarises the historical production of Blackspur before and after the Acquisition as well the Company's expected production forecast for H1 2022:



Blackspur's unconsolidated production during the year ended 31 December 2020 averaged 2,446 boe/d. Growth in production from the Blackspur assets in 2021 was primarily due to seven Sunburst Formation wells at Brooks brought on stream during the year. The Company also reactivated a select number of wells during the year which had been suspended in response to a low commodity price environment stemming from the COVID-19 pandemic.

Calima's fourth quarter production of 3,202 boe/d was in line with average daily production for the year and the Company exited the fourth quarter at ~3,500 boe/d, as preliminary volumes from the three Sparky wells at Thorsby (Leo drill program) late in the quarter were offset by production shut-ins of existing Thorsby wells during the Leo completion activities and natural declines on base production. Additionally, extreme cold weather in December (minus 35°C and colder), together with holiday periods and limited-service availability, restricted well and facility operations during the month which impacted the Company's fourth quarter volumes. Despite these conditions and a resurgence of COVID-19, Calima was able to successfully complete workover activities on the wells in December and early January with all three wells back on stream by mid-January, however, production was deferred during this period. The Company expects run-times on the three Leo wells to improve in 2022 as they continue to clean up from their fracture stimulations. As of March 2022, the Calima Group is producing over 4,000 boe/d.

In 2021, the Calima Group produced 6,038 bbls (16 boe/d) of light oil from a single producing oil well in Northeastern BC, south of the Company's Tommy Lakes Montney asset.

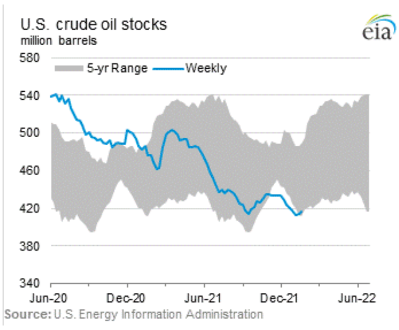
Commodity prices

Benchmark prices and exchange rates	Three months ended 31 December 2021	Eight months Ended(1) 31 December 2021	Year ended 31 December 2021	Year ended 31 December 2020
WTI (US$/bbl) – US Dollars	$ 77.19	$ 72.47	$ 67.90	$ 39.25
WTI (C$/bbl) – Canadian Dollars	97.20	90.56	85.10	52.68
WCS (C$/bbl) - Canadian Dollars	78.71	73.67	68.74	35.40
AECO (C$/Mcf) - Canadian Dollars	4.41	3.73	3.50	2.25
Foreign exchange (USD/CAD)	1.26	1.25	1.25	1.34
Foreign exchange (AUD/CAD)	$ 1.09	$ 1.08	$ 1.06	$ 1.08

(1) Figures have been presented for the eight months ended 31 December 2021 in order to provide users of this report with better comparability to the Company's actual realised prices and revenues for the 12 months ended 31 December 2021, substantially all of which was incurred subsequent to the Blackspur Acquisition on 30 April 2021.

The price of West Texas Intermediate (WTI) at Cushing, Oklahoma is the primary benchmark for crude oil pricing in North America. The price that Calima receives for its oil production is primarily based on the Western Canadian Select (WCS) benchmark price, which is driven by the price of WTI and local supply and demand, adjusted for changes in foreign exchange rates, transportation and quality differentials. The majority of the Company's oil production is delivered and sold in central and southern Alberta at local oil terminals near the Brooks and Thorsby assets.

During the fourth quarter of 2021, WCS pricing averaged C$78.71 per bbl, compared to C$71.79 per bbl during the third quarter of 2021 and C$66.99 per bbl during the second quarter. Crude oil prices continued to strengthen throughout 2021 driven by the global rollout of COVID-19 vaccines. Northern American crude oil inventories were drawn down for much of the year, particularly in the second and third quarters, as a result of higher demand for oil as government restrictions were lifted and economies re-opened. The foreign oil supply policy applied by OPEC+ has also resulted in strengthening oil prices during the year. Despite these improvements, the oil markets continued to experience volatility late in the year from the continued spread of COVID-19 variant strains and rising tensions in the Middle East and Eastern Europe.



Oil prices during the year ended 31 December 2020 were lower primarily due to reduced demand stemming from global lockdown measures imposed by Governments in response to the COVID-19 pandemic.

The Calima Group sells its natural gas into the local NGTL system in southern Alberta. Accordingly, the AECO price is the primary benchmark for the Company's natural gas sales. The Calima Group's natural gas is processed primarily at third-party shallow-cut facilities. Accordingly, the Company generally receives a premium for its natural gas relative to the AECO benchmark which is largely due to a higher concentration of liquids in the gas stream and, therefore, has a higher relative heat content compared to the quoted benchmark price (as natural gas is sold by the gigajoule).

Average natural gas prices increased to C$4.41 per Mcf during the fourth quarter of 2021, compared to C$3.41 per Mcf during the third quarter and C$3.07 per Mcf during the second quarter, primarily due to colder seasonal weather which led to higher demand for heating. Natural gas fundamentals have remained strong throughout 2021 with prices averaging C$3.73/Mcf during the eight months ended 31 December 2021. Increasing oil sands production, the phase-out of coal energy in the Western Canada, an expanding petrochemical industry and increased power generation has led to higher local demand for natural gas. Lower overall gas supplies as a result of curtailed North American investments in natural gas developments in response to COVID-19, combined with continued strong LNG exports out the southern United States, are expected to be constructive for natural gas benchmark prices in the near term.

Realised prices and sales

	Three months ended 31 December 2021	Year ended 31 December 2021	Year ended 31 December 2020
Realised prices			
Oil (A$/bbl)	$ 84.52	$ 79.78	$ 58.96
Natural gas (A$/Mcf)	5.34	4.44	-
Natural gas liquids (A$/bbl)	$ 70.70	$ 59.66	$ -
Oil and natural gas sales (A$ thousands)			
Oil	$ 16,348	$ 39,668	$ 356
Natural gas	3,055	7,087	-
Natural gas liquids	411	958	-
Total oil and natural gas sales	$ 19,814	$ 47,713	$ 356

Adjusted EBITDA

(A$ thousands)	Three months ended 31 December 2021	Year ended 31 December 2021	Year ended 31 December 2020
Oil and natural gas sales	$ 19,814	$ 47,713	$ 356
Royalties	(3,823)	(9,136)	(31)
Operating expenses	(3,952)	(10,079)	(32)
Transportation	(1,193)	(2,700)	(31)
General and administrative expenses	(1,463)	(4,241)	(1,450)
Other income	-	-	19
Adjusted EBITDA[1]	$ 9,383	$ 21,557	$ (1,169)

(1) Refer to Advisories and Guidance on page 56 for additional information regarding the Company's GAAP and non-GAAP measures.

Adjusted EBITDA was $21.6 million compared to ($1.2) million in 2020. The increase in adjusted EBITDA was primarily due to the Blackspur operating results since the date of the Acquisition on 30 April 2021. Adjusted EBITDA in 2020 primarily related to Calima's corporate overhead expenses and operating costs incurred on the inactive Montney assets.

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

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

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

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

Net income (loss)

For the year ended (A$ thousands)	Three months ended 31 December 2021	Year ended 31 December 2021	Year ended 31 December 2020
Adjusted EBITDA[(1)]	$ 9,383	$ 21,557	$ (1,169)
Financing and interest	(326)	(804)	(155)
Deferred income tax (expense) recovery	(1,491)	169	-
Depletion and depreciation	(4,399)	(7,531)	(261)
Exploration expense	(11,131)	(10,927)	-
Impairment loss	(37,628)	(37,628)	(4,710)
Realised loss on risk management contracts	(3,222)	(7,210)	-
Unrealised gain on risk management contracts	4,323	816	-
Gain on acquisition (net)	-	11,438	-
Transaction costs	(112)	(1,032)	-
Share-based compensation	(169)	(919)	(85)
Foreign exchange and other	13	91	(15)
Net loss	$ (44,759)	$ (31,980)	$ (6,395)

(1) Refer to Advisories and Guidance on page 56 for additional information regarding the Company's GAAP and non-GAAP measures.

During the year ended 31 December 2021, the Calima Group recognised a net loss of $32.0 million compared to a net loss of $6.4 million in 2020. The net loss in 2021 was primarily due to asset write-downs taken in respect of the Tommy Lakes Montney assets, partially offset by a net gain on acquisition recognised as part of the Blackspur Acquisition and Blackspur earnings realised subsequent to the Acquisition. Losses recognised in 2020 primarily consisted of the Calima Group's corporate overhead expenses as well as impairment losses related to other E&E expenditures incurred during the year.

In the fourth quarter of 2021, the Calima Group recognised land expiry losses of $10.9 million, primarily in respect of the Company's prospective Montney acreages for which there were no drilling plans in the near term that were necessary to extend the license tenure in the prospective northern region of the play.

Following a strategic review of the assets during the fourth quarter of 2021, the Calima Group determined that indicators of impairment were present for the residual carrying value of the Montney assets and the Company completed a test for impairment. The results of the impairment test indicated that the net book value of the assets may exceed its recoverable value and the Calima Group recognised an impairment loss provision of $37.6 million. The impairment loss primarily consists of the costs related to pad construction, drilling and completion expenditures associated with Calima's two-well Montney exploration program in 2019. The impairment loss could be reversed in future if circumstances indicated a material improvement in the recoverable value.

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. The Company also must maintain minimum hedging requirements under the terms of the Credit Facility. During the year ended 31 December 2021, Calima recognised a $6.4 net loss on risk management contracts primarily due to rising commodity prices, particularly for oil (WTI), relative to the Company's fixed contract positions.

As a result of the Blackspur Acquisition, Calima recognised a net gain on acquisition $11.4 million, reflecting the fair market value of assets acquired and the recognition of associated deferred income tax assets, in excess of the consideration paid. The Company also recognised $1.0 million in transaction costs associated with the Acquisition.

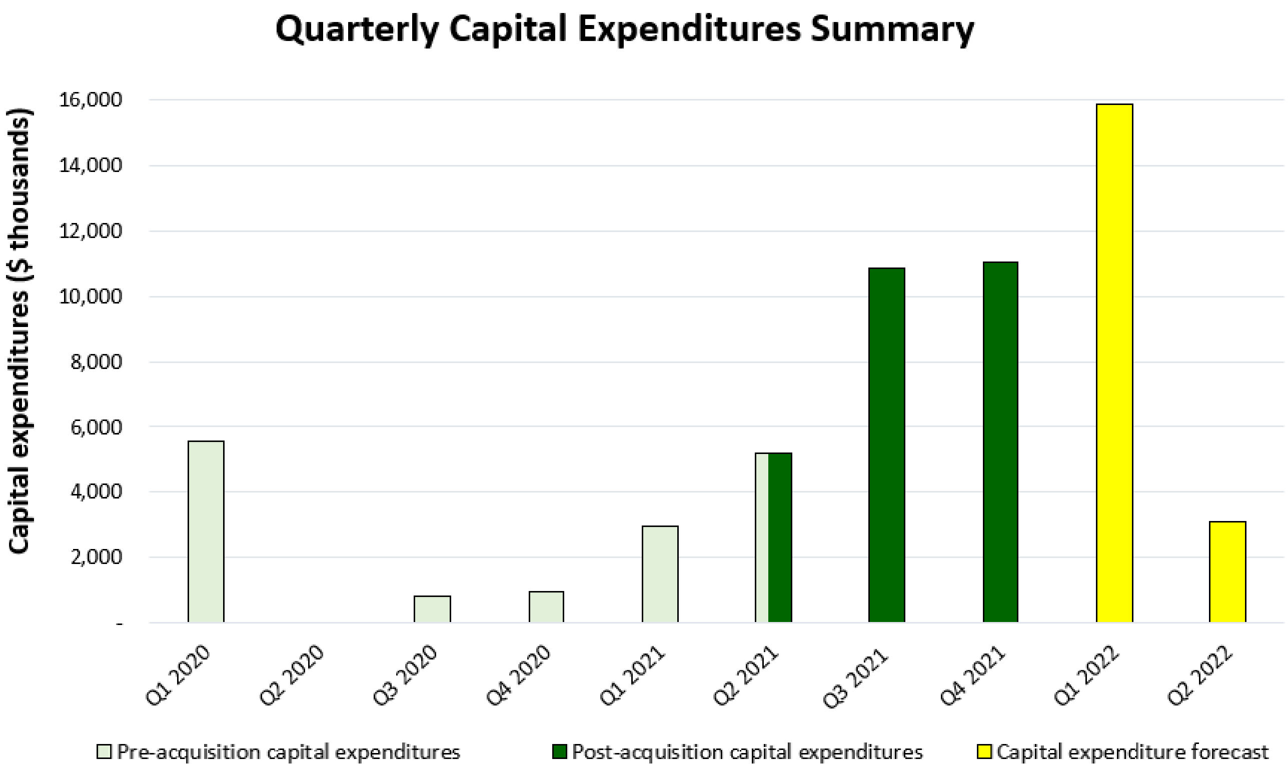
Depletion and depreciation in 2021 reflects the development cost of Calima's oil and gas investments which are initially capitalised and then amortised to net income over their estimated useful lives. The majority of the Company's PP&E is depleted using the unit-of production method based on the estimated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

Calima recognised share-based compensation expense of $0.9 million during 2021 primarily due to the issuance of incentive-based performance rights and stock options that were granted to the personnel of Calima and Blackspur, respectively.

Development update

(A$ thousands)		Three months Ended 31 December 2021		Year ended 31 December 2021		Year ended 31 December 2020
Drilling and completion	$	7,817	$	19,651	$	-
Equipping, tie-in and facilities		2,338		4,934		516
Land and other[(1)]		862		2,245		1,640
Total investment in oil and natural gas assets	$	11,017	$	26,830	$	2,156

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



The Calima Group commenced the 2021 drilling program with the development of four Sunburst Formation wells that were drilled, completed, and brought on production in the Brooks area (Gemini #1-#4). Two of the four wells were on stream in late June with the other two wells completed and brought on stream in July. During the second half of the year, the Company drilled, completed and brought on stream three Leo wells targeting the Sparky Formation in the Thorsby area. Not included in the Company's consolidated 2021 capital expenditures are the cost of three Sunburst Formation wells at Brooks that were drilled and brought on stream by Blackspur prior to the Acquisition.

Capital investments in 2020 primarily relate to the acquisition of the Tommy Lakes Montney infrastructure, surface and mineral lease rentals on undeveloped acreage and other carrying costs related to the Tommy Lakes Montney exploration assets.

In December, the Company elected to accelerate its H1 2022 drilling program. 2021 capital investments include A$3.1 million invested primarily to drill two Glauconitic Formation wells at Brooks (Pisces #1 and #2) as well as pre-spends for H1 2022 drilling and completion activities. The two Pisces wells were completed and commenced flowback at the end of January 2022. A third Glauconitic well, Pisces #3, along with one vertical and two horizontal Sunburst wells (Gemini #5-#7) were drilled in January and were brought on stream during the first quarter of 2022.

Including the acceleration of the 2022 winter drilling program of A$3.1 million, the Company deployed A$26.8 million of capital expenditures for the full year ended 31 December 2021. The original 2021 capital program was substantially completed by the end of November with actual costs coming in at A$23.7 million, or approximately 10% higher than the original budget of A$21.5 million.

The following tables summarise the results of the Company's original seven well program as at 31 December 2021 and commencement of the 2022 drilling program:

Area	Well name & unique location identifier	Target formation	Spud Date	Drill days	Lateral length (m)	On Production	Status
Brooks	Gemini #1 - 02/10-29-19-13W4	Sunburst	31/5/21	10	837	26/6/21	Producing
Brooks	Gemini #2 - 03/04-29-19-13W4	Sunburst	8/6/21	5	482	24/6/21	Producing
Brooks	Gemini #3 - 00/03-22-18-14W4	Sunburst	19/6/21	7	622	16/7/21	Producing
Brooks	Gemini #4 - 03/06-06-18-09W4	Sunburst	27/6/21	9	1,864	28/7/21	Producing
Thorsby	Leo #1 - 02/07-07-050-01W5	Sparky	28/7/21	29	2,253	16/11/21	Producing
Thorsby	Leo #2 - 02/06-07-050-01W5	Sparky	27/8/21	11	2,055	18/11/21	Producing
Thorsby	Leo #3 - 00/14-06-050-01W5	Sparky	7/9/21	17	2,153	08/11/21	Producing

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	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
Thorsby	Leo #4 - 00/16-11-051-02W5	Sparky	19/01/22	12	2,473	-	Awaiting completion

* Vertical well

Strategic infrastructure development

On 31 January 2022 the Company announced an agreement with Pivotal Energy Partners, a strategic infrastructure and midstream company, to finance 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 expands the Calima Group's gathering system significantly and provides for the ability to economically grow the core area while providing relative short tie-in options for future drilling locations. The Calima Group shall be 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 estimated fixed monthly payments of approximately C$76,000 based on the estimated cost of the pipeline project of C$4.3 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. Current transport costs of ~C$55,000 per month are expected to be displaced once the pipeline becomes fully operational.

The pipeline is also expected to reduce operating costs from the displacement of emulsion hauling and equipment rentals and most importantly provide egress for many future drilling locations in the Sunburst, Ellerslie and Glauconitic Formations which will improve 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 as opposed to the allowable flare limits under current regulations.

Calima continues to evaluate strategies with respect to the Calima Lands to unlock shareholder value through development, partnerships, farm-out or outright sale. A consolidation of the Montney in northeast British Colombia has occurred and with rising gas prices, currently above US$4 mcf in North America, the Calima Lands provide significant optionality.

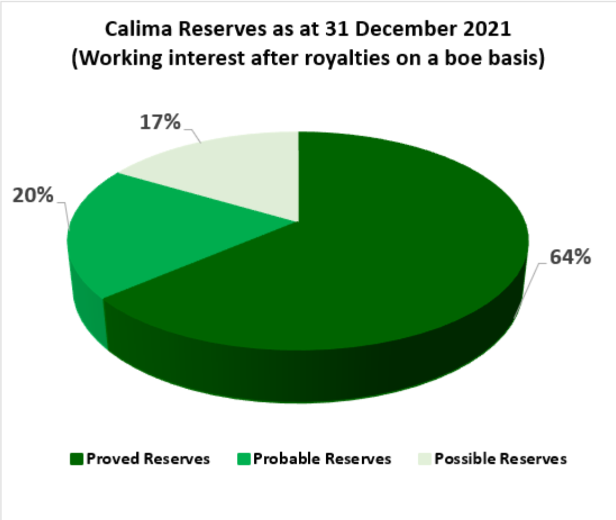
Reserves update

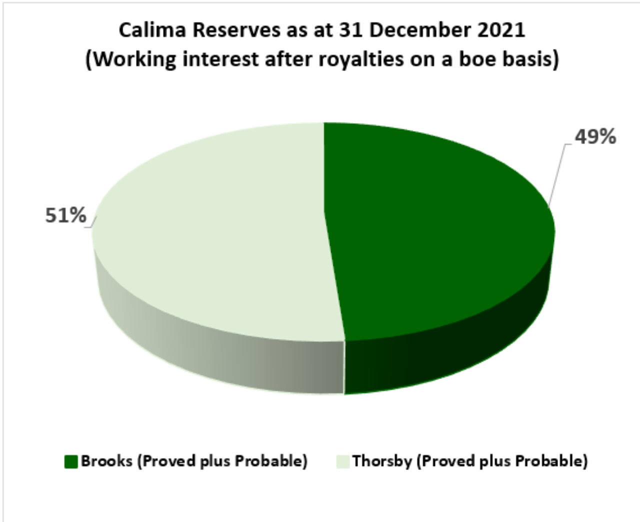
		31 December 2021		30 June 2021
Reserves (Working interest after royalties)(1)(2)	Oil and liquids (Mboe)	Natural gas (MMcf)	Oil Equivalent (Mboe)	Oil Equivalent (Mboe)
Proved development producing	3,279	11,136	5,135	5,167
Proved developed not producing	77	332	132	176
Proved undeveloped	6,767	21,186	10,297	10,723
Total proved	10,122	32,654	15,564	16,066
Probable	2,993	10,984	4,824	5,368
Total proved plus probable	13,115	43,638	20,388	21,434
Possible	2,521	9,067	4,032	4,280
Total proved plus probable plus possible	15,635	52,705	24,420	25,714

(1) Refer to Calima's announcement dated 28 March 2022 ("Brooks and Thorsby Reserves Update 2022") (www2.asx.com.au).
(2) Table may not add due to rounding.

During the year ended 31 December 2021, 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 and an additional 4.0 million boe of possible reserves in place (24.4 mmboe total)[1]. The Company proved plus probable reserves remained relatively consistent, declining by approximately 5% compared to the 30 June 2021 reserve report, primarily due to production in the second half of 2021 and moderate technical revisions following the 2021 development program.

On a boe basis, 10 million boe of proved plus probable reserves are located at Brooks and 10.4 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)	Natural gas (MMcf)	31 December 2021 Oil Equivalent (Mboe)	31 December 2020 Oil Equivalent (Mboe)
Contingent Resources (2C)				
Development on hold	25,644	535,193	114,842	117,050
Development pending	10,137	213,295	45,686	46,217
Total contingent resources	35,780	748,488	160,528	163,267
Prospective Resources (2U)	28,240	588,109	126,258	300,781

(1) Refer to Calima's announcement dated 28 March 2022 ("Montney Resource Update 2022") (www2.asx.com.au).
(2) Table may not add due to rounding.

During the year ended 31 December 2021, the Calima Group's independent reserve engineers completed an updated evaluation of the Tommy Lakes Montney assets. The Company has confirmed 160.5 million boe of contingent resources (un-risked) and an additional 126.3 million boe of prospective resources in place[1].

The Company's prospective resources declined by 58% in 2021 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.

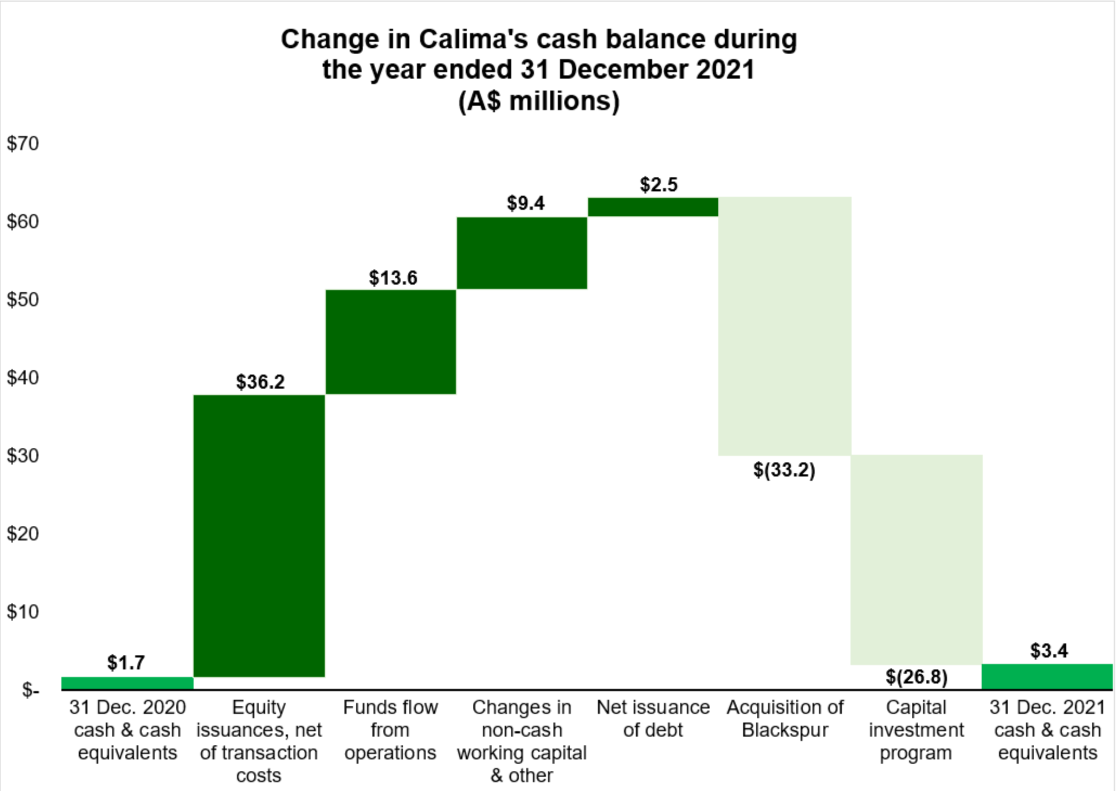
The estimated quantities of hydrocarbons that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal is required to determine 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 28 March 2022 ("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.

Liquidity and capital resources

The following table summarises the change in the Company's cash balance during the year ended 31 December 2021:



Proceeds from the second quarter equity fundraising were utilised primarily to acquire Blackspur and fund a portion of the Company's capital investment program subsequent to the Acquisition, along with funds flow from operations generated during the year.

The Calima Group holds a C$27.0 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). A borrowing base review was completed during the fourth quarter of 2021 and, based on the Lenders' updated interpretation of the Company's reserves and future commodity prices, the Credit Facility was increased by C$2.0 million. The Credit Facility is scheduled for its next borrowing base review on or before 31 May 2022.

As at 31 December 2021, the Calima Group had available funding of A$1.7 million which primarily consisted of available credit under Credit Facility, partially offset by the Company's working capital deficit at the end of the quarter:

As at (A$ thousands)	31 December 2021	31 December 2020
Available funding		
Adjusted working capital(1)	$ (5,801)	$ 936
Undrawn Credit Facility capacity	7,459	-
Available funding(1)	1,658	936
Net debt		
Credit facility draws	(21,739)	-
Other indebtedness	-	(857)
Long-term portion of lease liability	(265)	(461)
Adjusted working capital(1)	(5,801)	936
Net debt(1)	$ (27,805)	$ (382)

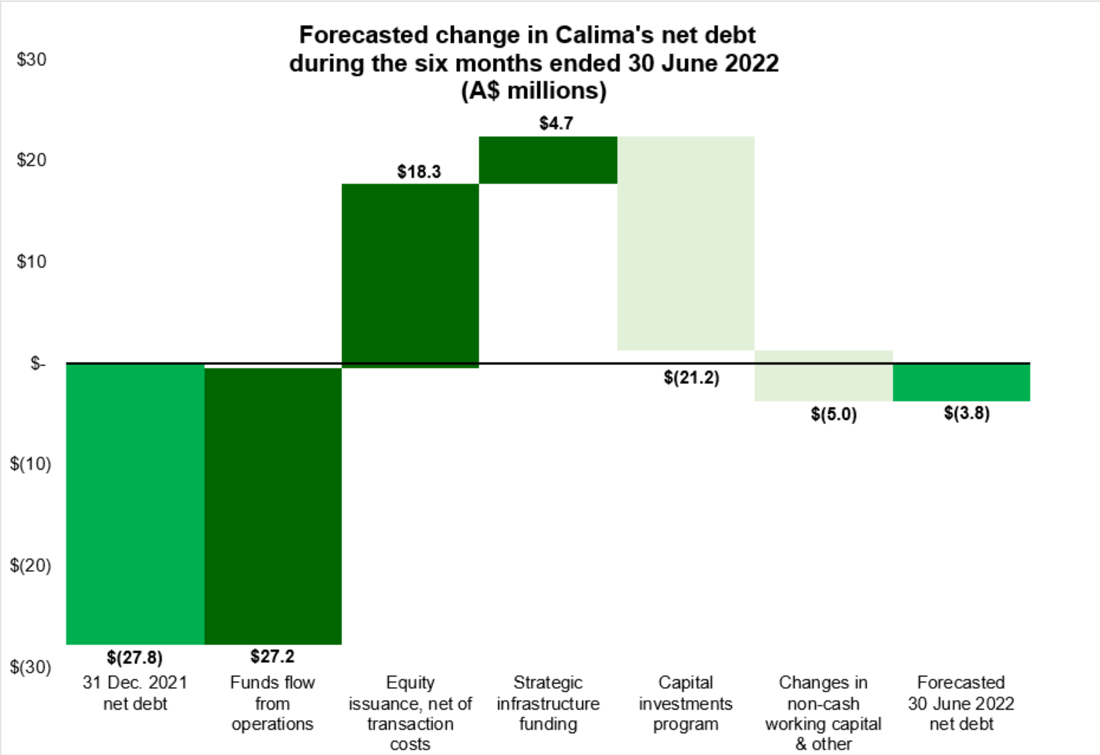
(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures. As at 31 December 2021, adjusted working capital is calculated as current assets of $11.3 million less accounts payable and accrued liabilities of $17.1 million. As at December 31, 2020, adjusted working capital is calculated as current assets of $1.8 million less accounts payable and accrued liabilities of $0.9 million.

The Company's net debt at 31 December 2021 was A$27.8 million compared to previous 2021 exit guidance of A$19.4 million. Growth in the Company's net debt during the fourth quarter of 2021 was due to capital cost increases in the Leo drilling program, delays in start-up of the three Leo wells, the acceleration of the 2022 drilling program at Brooks to drill Pisces #1 and #2 wells in December, as well as additional pipe inventory purchased for drilling Gemini #5-7 and Pisces #3.

While the Leo wells were recovering water and frac fluid in September and October, actual oil and gas production from the Leo wells did not commence until mid-November and the two Pisces wells were brought on stream in late January 2022. Further, two of the Leo wells required well interventions in order to optimize subsurface pumping systems and this was compounded by extremely cold weather in December which restricted well and facility operations during the month, which impacted the Company's fourth quarter volumes.

On 17 February 2022, the Calima Group completed a private-placement equity financing arrangement with investors for gross proceeds of A$20.0 million. The Company plans to utilise the majority of the proceeds to reduce the amounts drawn under the Credit Facility and complete the H1 2022 capital investment program. Combined with anticipated free cash flows during the first half of 2022, the Company is now expecting to exit June 2022 with net debt of C$2-5 million, including the impact of the financing arrangement under the Pipeline Agreement.

The following table summarises the projected change in the Company's net debt during six months ended 30 June 2022:



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, ensure a sufficient level of cash flows to service debt obligations and ensure capital is available to fund the Company's development and operational programs.

The Company's risk management contracts consisted of the following position as at 31 December 2021:

	C$ WTI Swaps		C$ WCS/WTI Differential Swaps		C$ AECO Swaps	
Term(1)	bbl/d	C$/bbl	bbl/d	C$/bbl	Gj/d	C$/Gj
2022 (January – December)	800	$ 84.16	875	$ (17.98)	1,670	3.10

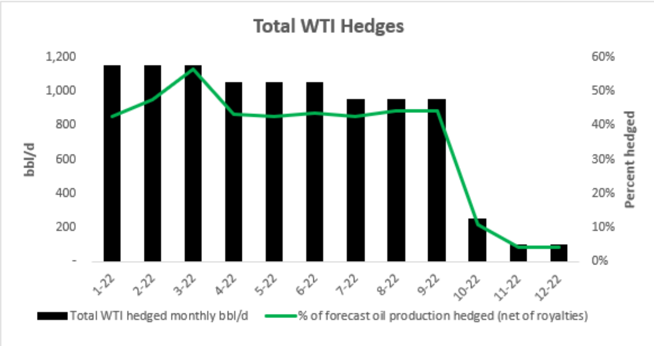
(1) Weighted average volumes and prices are presented over the number days in the year (365 days in 2022).

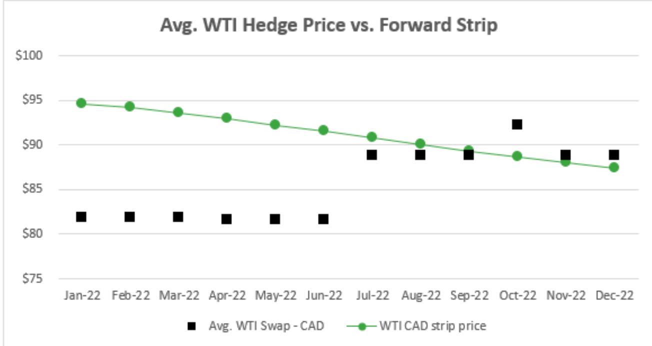
Further hedges (and put contracts) have been layered on in January 2022 to minimise exposure to volatility and ensure debt reduction targets are achieved. In the current energy price cycle, it is intended that post payout production will be unhedged and provide exposure to commodity price volatility, subject to the lender's requirement to hedge 50% of volumes (net of royalties) for the forward 12-month period should drawdowns exceed 50% over an extended period.

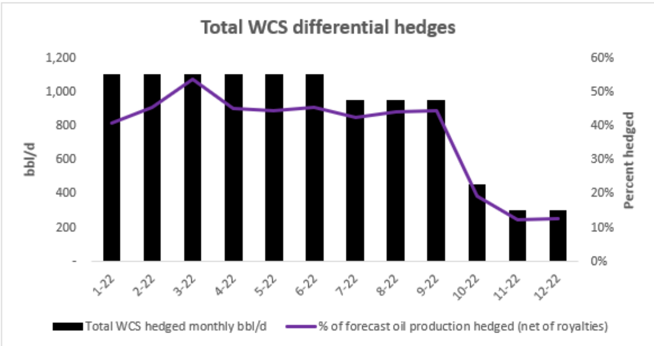
In a rising energy cycle, hedging losses will occur on that portion of the production hedged; however, with hedges set on a staggered basis as capital is committed, the Company views this strategy as an appropriate safeguard for the balance sheet to limit downside risk. Calima generally hedges oil price exposure on a forward rolling one year basis. The Company's current policy is to generally hedge ~50% of forecast oil production (net of royalties) for the upcoming four quarters. Upon committing capital to drill a well, the Company will hedge sufficient volume (~5 - 7 months) to secure pay-out of the well.

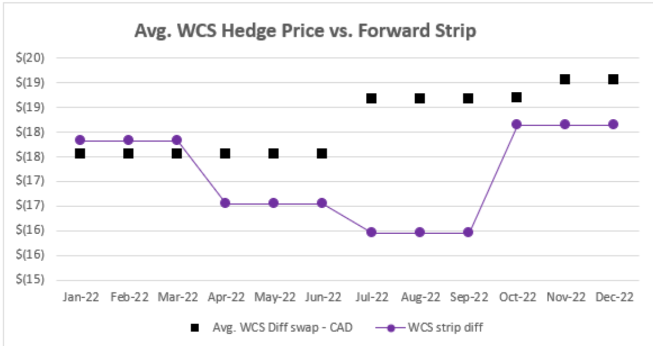
The Company had ~45% of forecast production volumes (net of royalty volumes) hedged for Q1-Q3 2022 on a WTI and WCS differential basis, leaving the opportunity to layer on additional WTI and WCS hedges as wells are drilled and production comes on stream. Going forward, as production increases and as drilling locations are committed to, additional WTI and WCS differential hedges will be layered in to reduce the impact of the WCS differential widening, or the price of WTI decreasing.

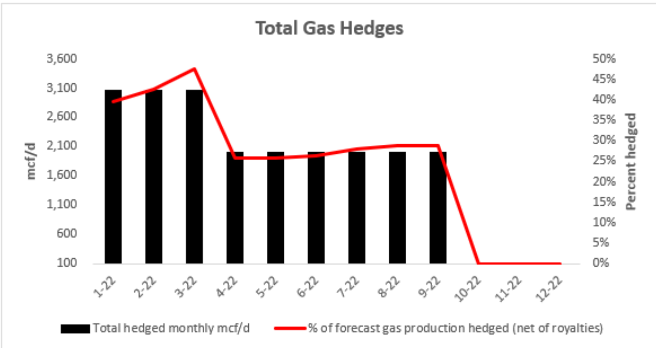
The following tables summarise the Company's hedge positions over time, based on outstanding contracts in place as 31 December 2021:

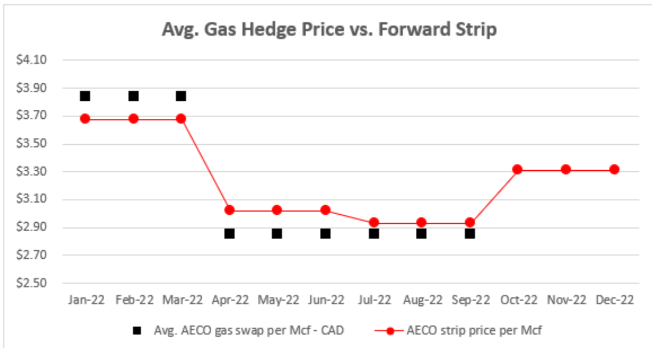












OUTLOOK

The Company has sanctioned an H1 2022 capital budget of A$19 million for 6.5 net wells in the Brooks and Thorsby areas:

- Three horizontal Glauconitic development wells (Pisces #1-#3) (Pisces #1 and #2 were drilled in December)
  - All three wells were brought on stream during the first quarter of 2022
- Three Sunburst wells (Gemini #5-#7) (one vertical stratigraphic test well, two horizontal Sunburst appraisal wells)
  - All three wells were brought on stream during the first quarter of 2022
- One horizontal Sparky well (0.5 net) in the North Thorsby area (Leo #4)
  - The well was drilled in the first quarter of 2022; completion and tie-in is scheduled for H2

The Sunburst wells are conventional oil wells and therefore do not require fracture stimulation. The stratigraphic vertical test well (Gemini #5) confirmed the existence of Sunburst sand within a previously undeveloped portion of the field and its objective was to delineate further drilling locations for future work programs. The Company pipeline connected these wells into the Company's field infrastructure network via the new Pipeline during the first quarter of 2022 and the production is being processed at the 2-29 oil battery.

The Calima Group holds a 50% working interest in the prospective North Thorsby area adjacent to the Company's core Thorsby development area in central Alberta. The Company spudded the Leo #4 (50% net well) in the North Thorsby area on 20 January 2022 and reached TD on 27 January 2022.

The following table summarises the Company's current outlook for the six months ended 30 June 2022:

Forecast		H1 2022(2)
Average Daily Production (boe/d)(1)		4,000 – 5,000
Adjusted EBITDA (C$ millions)(2)(3)	$	28 – 33
Capital expenditures (C$ millions)	$	18 – 20
Exit net debt(3) (C$ millions)	$	2 – 5

(1) H1 2022 average production range of 4,000 – 5,000 boe/d is based on current PDP plus forecasted production from Pisces #1-3 and Gemini #5-#7. Assumes US$80/bbl WTI, -US$13.50 WTI/WCS differential, C$3.50/Gj AECO, 1.25 CAD/USD for the first half of 2022.

(2) EBITDA is adjusted for Jan-June 2022 expected realised hedging losses of C$4 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 2022.

(3) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP financial measures. The net debt range included in the table above includes the anticipated impact of the first quarter equity fundraising and the strategic infrastructure financing arrangement.

Calima anticipates production in H1 2022 will be between 4,000 – 5,000 boe/d. Growth in production compared to 2021 is primarily the result of volumes from the three Sparky Formation wells at Thorsby (Leo #1-3) and 6 of the 6.5 wells drilled during December and January 2022.

The Company expects to generate Adjusted EBITDA of C$28-C$33 million for the six months ended 30 June 2022 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, proceeds from the first quarter equity financing and funding under the Company's Credit Facility.

Included in the capital budget is the cost of the new Pipeline (C$4.3 million) which is borne by the Company's midstream capital provider under the terms of the Pipeline Agreement. The cost of the Pipeline is expected to be offset by the savings related to the elimination of trucking of emulsion from some wells, and the elimination of other rental costs related to single well batteries; the real benefit will accrue from the production growth afforded in the Brooks area and reduction in future operating costs together with the ESG benefits obtained.

Including the impact of net proceeds received from the first quarter equity financing, anticipated free cash flow and the arrangement under the H1 2022 strategic infrastructure development, the Calima Group's net debt is expected to decline to C$2-C$5 million by mid-year 2022 following completion of the H1 22 capital development program.

DIRECTORS' REPORT
For the year ended 31 December 2021

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 2021. This Director's Report primarily includes the financial results of Calima and its two wholly-owned Canadian subsidiaries, Blackspur Oil Corp. ("Blackspur") and Calima Energy Inc. (collectively, the "Calima Group"). Dollar figures are expressed in Australian currency unless otherwise indicated.

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 2021, the following significant changes in the entity's state of affairs occurred:

- On April 28, 2021, the Company completed an equity financing for gross proceeds of A$38.0 million before transaction costs, issuing 5.4 billion shares at $0.007 per share ($0.14/share on a 20:1 post share consolidation basis). Funds raised from the equity financing were primarily utilised to complete the plan of arrangement associated with the Blackspur Acquisition, which included a reduction of Blackspur's net debt by A$28.0 million.
- On 30 April 2021, met the conditions precedent to finalise a plan of arrangement with Blackspur to acquire 100% of its issued and outstanding common shares for total cash and share consideration of A$22.4 million in a transaction valued at approximately A$65.9 million, inclusive of net debt. On 10 May 2021 to satisfy the share component of the acquisition, the Company issued 2.46 million shares to legacy shareholders of Blackspur Oil Corp.
- On May 20, 2021, Calima approved a C$20 million capital budget for the eight months ended 31 December 2021 primarily to complete a seven well drilling program in the Brooks and Thorsby asset areas (four sunburst formation wells at Brooks and three Sparky formation wells at Thorsby). All seven wells were brought onto production in 2021.
- During the year, the Company issued the following equity securities:
  - 222.8 million shares to creditors - Shares were issued in lieu of payment for $1.55 million of amounts owing in respect of Director and Management fees, outstanding indebtedness and service provider billings. The issuance of these shares occurred during the first half of 2021 prior to the 20:1 share consolidation.
  - 96.0 million Class A/B Performance Rights - The Class A/B Performance Rights were vested in 2021 and do not carry an exercise price, for a term of up to five years (4.8 million units issued on a post share consolidation basis).
  - 50.0 million Class C Performance Rights – The Class C Performance Rights will vest following the Calima Shares reaching AUD $0.015 per share for over 20 consecutive trading days, during a term of up to five years (2.5 million units exercisable after achieving AUD$0.30/share, on a post share consolidation basis).
  - 362.5 million Executive Employee Incentive Options - The incentive options vest over three equal annual tranches, with an exercise price of $0.01 per unit, during a term of up to five years (18.125 million units exercisable at $0.20/share, on a post share consolidation basis).
  - 50.0 million Broker Incentive Options - The incentive options became vested in 2021, with an exercise price of $0.01 per unit, during a term of up to three years (2.5 million units exercisable at $0.20/share, on a post share consolidation basis).
  - 381.0 thousand shares to creditors - Shares were issued in lieu of payment for $82 thousand of amounts owing in respect of service provider billings. The issuance of these shares occurred during the second half of 2021 subsequent to the 20:1 share consolidation.
- On 30 August 2021, shareholders of Calima approved a 20:1 consolidation of capital. The post consolidation capital structure is set out below:

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

- On 1 September 2021 the Company announced updated reserve estimates for Blackspur's Brooks and Thorsby assets as at 30 June 2021.
- On 1 December 2021, the Board approved a H1 2022 capital budget of C$19.5 million primarily to complete a 6.5 well (net) drilling program in the Brooks and Thorsby asset areas. The Company commenced its 2022 winter drilling program early in December 2021. Fourth quarter investments include the drilling of the first two Glauconitic Formation wells at Brooks (Pisces #1 and #2). A third Glauconitic well (Pisces #3) and three Sunburst wells (Gemini #5-#7) were drilled in January. The wells are expected to be on production by the end of first quarter of 2022. An additional step-out Sparky well (Leo #4) was also drilled in January.

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 2021 has been presented on pages 6 through 16.

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 2021.

Events after the reporting period

The following events occurred subsequent to the year ended 31 December 2021:

- On 31 January 2022 the Company announced an agreement with Pivotal Energy Partners, a strategic infrastructure and midstream company, to finance the construction of a C$4.3 million 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.
- On 17 February 2022, the Calima Group completed a private-placement equity financing arrangement with investors for gross proceeds of A$20.0 million. The Company plans to utilise a portion of the proceeds to reduce the amounts drawn under the Credit Facility and complete the H1 2022 capital investment program.
- During the first quarter of 2022, the Company issued 1.35 million stock-options to employees of Blackspur. 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. There were also 1.0 million of performance rights that were exercised and converted to common shares.
- On 28 March 2022, the Company announced updated reserves and contingent resource estimates for the Company's Brooks, Thorsby and Tommy Lakes Montney assets.

Since the year ended 31 December 2021, 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 2022, 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 6 through 16.

Dividends

No dividend has been paid or declared by the Company to shareholders since the end of the previous 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 2021	Number of unit holders	Number of unlisted units (thousands)	Date of expiry
Stock options – exercisable at $0.20 per share (employees)	15	14,250	May 2026
Stock options – exercisable at $0.20 per share (broker options)	6	2,500	Feb. 2024
Stock options – exercisable at $1.80 per share	5	500	Aug. 2022
Stock options – exercisable at $2.40 per share	5	500	Aug. 2022
Performance rights – August 2017 grant	5	973	Aug. 2022
Class A/B Performance rights – February 2021 grant (fully vested)	6	4,800	Feb. 2026
Class C Performance rights – May 2021 grant	2	2,500	May 2026

Additional details regarding the Company's outstanding stock 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 2021.

Indemnification of officers and insurance

The Calima Group has, during the financial year, entered into an agreement with the Directors and certain officers to indemnify these individuals 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 $98,312 (2020: $49,350).

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. 2021 ▪ Direct shares 885,841 ▪ Indirect shares(1) 12,940,132 ▪ Performance rights 1,000,000 (vested) ▪ Performance rights 1,500,000 (unvested) Other directorships held in listed entities ▪ Minrex Resources Ltd (since 5 June 2020) ▪ Auroch Minerals Ltd. (resigned 31 Oct 2019) ▪ Fraser Range Metals Group Limited (resigned 20 June 2019) ▪ Doriemus PLC (resigned 30 July 2018) ▪ Hear Me Out Limited (since 11 September 2017, entity has since delisted)
 **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. 2021 ▪ Direct shares 3,569,400 ▪ Indirect shares 319,359 ▪ Stock options 2,500,000 Other directorships held in listed entities ▪ Source Rock Royalties Ltd. (entity became publicly listed on 2 March 2022)
 **Brett Lawrence** MpetEng., Beng., Bcom Non-Executive Director	Mr. Lawrence is a 15-year veteran of the oil and gas industry and holds a Master of Petroleum Engineering, a Bachelor of Engineering (Mining) and Bachelor of Commerce (Finance) from Curtin University in Western Australia. Mr. Lawrence worked with Apache Energy for over eight years, performing roles in drilling engineering, reservoir engineering, project development and commercial management and has held senior roles in the commercial, financial and corporate arenas with various ASX listed public companies.	Appointment to the Board ▪ 29 May 2019 Interest in Securities at 31 Dec. 2021 ▪ Direct shares - ▪ Indirect shares 436,992 ▪ Performance rights 300,000 (vested) Other directorships held in listed entities ▪ Tamaska Oil and Gas Ltd. (since 1 Feb. 2015) ▪ Acacia Coal Ltd (ASX: AJC) (resigned 20 November 2020)

 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. 2021 ▪ Direct shares - ▪ Stock options 300,000 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. 2021 ▪ Direct shares - ▪ Indirect shares 130,598 ▪ Performance rights 1,000,000 (vested) ▪ Performance rights 1,000,000 (unvested) Other directorships held in listed entities ▪ Grand Gulf Energy Ltd – since 27 October 2010 ▪ Pursuit Minerals Ltd – since 1 April 2020 ▪ Roquefort Therapeutics PLC – 18 October 2021
 Braydin Brosseau CPA,CA VP Finance & CFO, Canada	Braydin is a Chartered Professional Accountant, Chartered Accountant with 15 years of experience in finance, accounting, treasury, tax, strategic planning, and M&A. Mr. Brosseau has worked with a number of public and private E&P and Asset Management companies and been the Chief Financial Officer of Blackspur Oil Corp. since September 2014. Previous experience gained was at West Valley Energy Corp., Aston Hill Financial Inc., and PwC LLP. Mr. Brosseau holds a Bachelor of Commerce (Distinction) from the University of Saskatchewan.	Appointment to the Board ▪ N/A Interest in Securities at 31 Dec. 2021 ▪ Direct shares 621,170 ▪ Stock options 2,250,000 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 23 June 2021, Alan Stein resigned from the Board as a Non-Executive Director. Mr. Stein was appointed to the Board of Directors on 25 August 2017 and served as Director until his resignation on 23 June 2021.

Director meetings

	Directors' Meetings
Number of meetings held	4
Meeting attendance:	
Glenn Whiddon	4 of 4
Jordan Kevol	2 of 2
Brett Lawrence	4 of 4
Lonny Tetley	2 of 2
Mark Freeman	4 of 4
Alan Stein	2 of 2

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.

During the second quarter of 2021, Calima's Board approved 18.1 million stock options for grant to certain Canadian Officers, Directors and employees of Calima and Blackspur following the closing of the Blackspur Acquisition (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. As at 31 December 2021, the Calima Group recognised 2.3 million forfeitures under the SOP in respect of departing staff members.

The Calima Group also had 1.0 million stock options outstanding from previous incentive grants issued in 2017 (on a post consolidation basis). The Management Options were issued for nil cash consideration in two classes, Class A and Class B. The Class A Stock Options are exercisable at $1.80 per unit once vested and the Class B stock options are exercisable at $2.40 per unit once vested. The Management Options will vest, subject to completion of 18 months' continuous service, on satisfaction of at least two of the following three conditions:

- The VWAP for Shares for any period of 30 consecutive trading days being above $1.80;
- The Company raising more than $5 million at an average price of $1.80; and
- The Company's market capitalisation exceeding $50 million (based on the VWAP for Shares for any period of 30 consecutive trading days).

The Management Options will also vest immediately following a change of control that occurs at an average price per share greater than $1.80/share. All unvested stock option grants issued in 2017 on expire on 25 August 2022.

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 2021, Calima approved 7.3 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:

- 4.8 million Class A/B rights become vested and exercisable following continued service of the holder for a period of two years retroactively from the date of their appointment. As at December 31, 2021, all of the units were vested. Should these performance rights not have immediately vested due to the continued service condition, they would have vested subject to a VWAP of shares trading on the ASX at least 1.0 cent over the 20 consecutive trading days (on days in which shares actually traded).
- 2.5 million Class C 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 December 31, 2021, all of the units were unvested.

The Calima Group also had 973,000 performance rights outstanding from previous incentive grants issued in 2017 (on a post 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 (excluding the Public Offer) 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).

The vesting conditions for the units were not met in 2021 and no performance rights were redeemed during the year. The 2017 performance rights expire in August 2022 should the vesting conditions not be achieved.

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 2021 included the following executive directors and non-executive officers:

KMP	Role at Calima	2021 Update
Glenn Whiddon	Executive Chairman	-
Mark Freeman	Finance Director & Company Secretary	Appointed 23 June 2021
Brett Lawrence	Non-Executive Director	-
Alan Stein	Non-Executive Director	Resigned 23 June 2021
P.L. (Lonny) Tetley	Non-Executive Director	Appointed on 28 May 2021
Jordan Kevol	CEO & Managing Director	Appointed on 30 April 2021 & 28 May 2021
Braydin Brosseau	VP Finance & CFO, Canada	Appointed on 30 April 2021

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 2021:

As at and for the year ended December 31,	2021	2020	2019	2018	2017
Adjusted EBITDA(1)	21,557	(1,169)	(2,582)	(3,020)	(1,364)
Net loss	(31,980)	(6,395)	(1,584)	(3,127)	(2,450)
Earnings (loss) per share (diluted)(2)	(0.08)	(0.06)	(0.02)	(0.07)	(0.12)
Working capital surplus (net debt)(1)	(27,805)	(382)	4,415	19,033	2,475
December 31 share price	0.21	0.16	0.14	0.86	1.08

(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.

Growth in the Company's Adjusted EBITDA and share price in 2021 was primarily due to the Blackspur Acquisition and an improved global commodity price environment, particularly for crude oil. Net losses sustained in 2020 and 2021 were primarily related to impairment losses recognised on certain investments in undeveloped exploration and evaluation assets made prior to 2020. Growth in Calima's net debt in 2021 primarily relates to Credit Facility draws that were acquired as part of Blackspur Acquisition and the utilisation of that financing arrangement to fund the Company's 2021 capital program.

The following tables summarise the remuneration accrued to KMP during the year ended 31 December 2021 and 2020:

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)	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.

KMP	Salaries, fees & benefits	Bonuses	Perf. rights(1)	Stock options(1)	Total	Performance related (%)
Glenn Whiddon	$ 150,860	$ -	$ -	$ -	$ 150,860	-
Brett Lawrence	48,410	-	-	-	48,410	-
Neil Hackett(2)	32,940	-	-	-	32,940	-
Alan Stein	104,759	-	8,118	8,599	121,476	14%
Jon Taylor(3)	25,919	-	24,804	8,599	59,322	56%
Mark Freeman	159,421	-	-	-	159,421	-
Total	$ 522,309	$ -	$ 32,922	$ 17,198	$ 572,429	9%

(1) Vesting expense for the fair value of share-based awards determined at grant date in accordance with Australian Accounting Standards.
(2) Mr. Hackett resigned on 11 November 2020
(3) Mr. Taylor resigned on 20 January 2020

The following table summarises the equity compensation units granted to directors and key management personnel during the year ended 31 December 2021:

KMP	Performance rights Class A/B(1)	Performance rights Class C(2)	Stock Options(3)	Exercise price	Year of expiry
Glenn Whiddon	1,000,000	1,500,000	-	-	2026
Mark Freeman	1,000,000	1,000,000	-	-	2026
Brett Lawrence	300,000	-	-	-	2026
Alan Stein	500,000	-	-	-	2026
P.L. (Lonny) Tetley	-	-	300,000	$ 0.20	2026
Jordan Kevol	-	-	2,500,000	$ 0.20	2026
Braydin Brosseau	-	-	2,250,000	$ 0.20	2026

(1) The Class A and Class B performance 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 December 31, 2021, all of the units were vested. Should these performance rights not have immediately vested due to the continued service condition, they would have vested subject to a VWAP of shares trading on the ASX at least 1.0 cent over the 20 consecutive trading days (on days in which shares actually traded).
(2) The Class C performance 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 at December 31, 2021, all of the units were unvested.
(3) 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. As at December 31, 2021, all of the units were unvested.

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. Bonuses paid in 2021 were issued following the successful closing of the Blackspur Acquisition. There were no bonuses paid in 2020.

Calima awarded Class A/B performance rights to certain members of the organisation during the first quarter of 2021. The awards all became vested in 2021 primarily in satisfaction of previous employment services rendered and for the recognition of growth in the Company's share price since 2019, following the execution of the Blackspur Acquisition.

The Class C performance rights and stock options that were issued to Management and the Board in 2021 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 2021:

Valuation input assumptions[(1)]	Stock Options[(2)]			Performance Rights[(2)]					
KMP	Jordan Kevol	Braydin Brosseau	Lonny Tetley	Glenn Whiddon		Mark Freeman		Brett Lawrence	Alan Stein
Equity unit type	Stock options	Stock options	Stock options	Class A/B	Class C	Class A/B	Class C	Class A/B	Class A/B
Units granted to KMP	2,500,000	2,250,000	300,000	1,000,000	1,500,000	1,000,000	1,000,000	300,000	500,000
Grant date	30 Aug. 2021	10 May 2021	30 Aug. 2021	16 Apr. 2021	30 Aug. 2021	9 Feb. 2021	10 May 2021	16 Apr. 2021	16 Apr. 2021
Expiry date	30 Apr. 2026	30 Apr. 2026	30 Apr. 2026	9 Feb. 2026	30 Apr. 2026	9 Feb. 2026	30 Apr. 2026	9 Feb. 2026	9 Feb. 2026
Valuation model	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Binomial barrier	Black Scholes	Binomial barrier	Black Scholes	Black Scholes
Share price at grant date ($)	0.18	0.18	0.18	0.14	0.18	0.18	0.18	0.14	0.14
Exercise price ($/share)	0.20	0.20	0.20	-	-	-	-	-	-
Barrier price ($/share)	-	-	-	-	0.30	-	0.30	-	-
Volatility (%)	75	75	75	75	75	75	75	75	75
Risk-free rate (%)	0.3	0.3	0.3	0.1	0.6	0.1	0.7	0.1	0.1
Expected life (years)	3.5	3.5	3.5	3.0	5.0	3.0	5.0	3.0	3.0
Fair value ($/share)	$ 0.09	$ 0.09	$ 0.09	$ 0.14	$ 0.16	$ 0.18	$ 0.17	$ 0.14	$ 0.14

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.
2) Units granted to Mr. Kevol, Mr. Whiddon and Mr. Tetley were all subject to shareholder approval.

The following tables summarise the changes in performance rights and stock options held by KMP during the year ended December 31, 2021:

KMP Performance rights[(1)]	Balance Jan. 1, 2021	Units granted	Units Exercised	Units expired	KMP resignation[(2)]	Balance Dec. 31, 2021	Units Vested
Glenn Whiddon	-	2,500,000	-	-	-	2,500,000	1,000,000
Mark Freeman	-	2,000,000	-	-	-	2,000,000	1,000,000
Brett Lawrence	-	300,000	-	-	-	300,000	300,000
Alan Stein	135,000	500,000	-	-	(635,000)	-	500,000
P.L. (Lonny) Tetley	-	-	-	-	-	-	-
Jordan Kevol	-	-	-	-	-	-	-
Braydin Brosseau	-	-	-	-	-	-	-
Total	135,000	5,300,000	-	-	(635,000)	4,800,000	2,800,000

(1) 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.
(2) Mr. Stein resigned from the Board on 23 June 2021. Mr. Stein's stock options are still issued and outstanding but have been excluded from the KMP table disclosure as at 31 December 2021.

KMP Stock options[(1)]	Balance Jan. 1, 2021	Units granted	Units Exercised	Units expired	KMP resignation[(2)]	Balance Dec. 31, 2021	Units vested
Glenn Whiddon	-	-	-	-	-	-	-
Mark Freeman	-	-	-	-	-	-	-
Brett Lawrence	-	-	-	-	-	-	-
Alan Stein	330,000	-	-	-	(330,000)	-	-
P.L. (Lonny) Tetley	-	300,000	-	-	-	300,000	-
Jordan Kevol	-	2,500,000	-	-	-	2,500,000	-
Braydin Brosseau	-	2,250,000	-	-	-	2,250,000	-
Total	330,000	5,050,000	-	-	(330,000)	5,050,000	-

(1) 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.
(2) Mr. Stein resigned from the Board on 23 June 2021. Mr. Stein's stock options are still issued and outstanding but have been excluded from the KMP table disclosure as at 31 December 2021.

The following tables summarise the changes in shareholdings of KMP during the year ended December 31, 2021:

KMP Direct interest(1)	Balance Jan. 1, 2021	Shares acquired(2)	Shares Disposed	Shares Issued in lieu of fees	KMP resignation(3)	Balance Dec. 31, 2021
Glenn Whiddon	1,217,376	-	(1,000,000)	668,465	-	885,841
Mark Freeman	-	-	-	-	-	-
Brett Lawrence	-	-	-	-	-	-
Alan Stein(3)	1,316,097	-	-	-	(1,316,097)	-
P.L. (Lonny) Tetley	-	-	-	-	-	-
Jordan Kevol	-	3,569,409	-	-	-	3,569,409
Braydin Brosseau	-	621,170	-	-	-	621,170
Total	2,533,473	4,190,579	(1,000,000)	668,465	(1,316,097)	5,076,420

(1) 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.
(2) Calima shares acquired by Mr. Kevol and Mr. Brosseau, as disclosed in the table above, includes units that were received in respect of the share consideration paid by Calima to acquire the issued and outstanding shares of Blackspur Oil Corp., as part of the Acquisition.
(3) Mr. Stein resigned from the Board on 23 June 2021. Accordingly, Mr. Stein's shareholdings have been excluded from the KMP table disclosure as at 31 December 2021.

KMP Indirect interest(1)	Balance Jan. 1, 2021	Shares acquired	Shares Disposed	Shares Issued in lieu of fees	KMP resignation(2)	Balance Dec. 31, 2021
Glenn Whiddon(3)	4,512,037	8,428,095	-	-	-	12,940,132
Mark Freeman	113,761	16,837	-	-	-	130,598
Brett Lawrence	358,634	-	-	78,358	-	436,992
Alan Stein	1,268,746	-	-	404,870	(1,673,616)	-
P.L. (Lonny) Tetley	-	-	-	-	-	-
Jordan Kevol	-	319,359	-	-	-	319,359
Braydin Brosseau	-	-	-	-	-	-
Total	6,253,178	8,764,291	-	483,228	(1,673,616)	13,827,081

(1) 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.
(2) Mr. Stein resigned from the Board on 23 June 2021. Accordingly, Mr. Stein's indirect shareholdings have been excluded from the KMP table disclosure as at 31 December 2021.
(3) 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.

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 25. For the year ended 31 December 2021, there were no non-audit related services provided by the Company's successor auditor, PwC. In 2021, the Calima Group engaged its predecessor auditor, BDO, for non-assurance services of $10,370 thousand related primarily to the preparation of the Company's Australian tax compliance filings.

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 60. 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
29 March 2022

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

For the year ended	Notes		31 December 2021		31 December 2020
Revenue					
Oil and natural gas sales		$	47,713	$	356
Royalties expense			(9,136)		(31)
	18		38,577		325
Risk management contracts					
Realised loss	11		(7,210)		-
Unrealised gain	11		816		-
Other income			-		19
			32,183		344
Expenses					
Operating	19		10,079		32
Transportation	20		2,700		31
Depletion and depreciation	8		7,531		261
Exploration expense	8		10,927		-
Impairment loss	8		37,628		4,710
General and administrative	21		4,241		1,450
Transaction costs	5		1,032		-
Financing and interest	10		804		155
Share-based compensation	22		919		85
Foreign exchange (gain) loss			(96)		15
			75,765		6,739
Net loss before the following			(43,582)		(6,395)
Gain on acquisition (net)	5		11,438		-
Loss on equity investment			(5)		-
Net loss before income taxes			(32,149)		(6,395)
Deferred income tax recovery	9		(169)		-
Net loss			(31,980)		(6,395)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit and loss					
Gain (loss) on foreign currency translations	24		5,794		(2,221)
Total comprehensive loss		$	(26,186)	$	(8,616)
Net loss per share					
Basic	15	$	(0.08)	$	(0.06)
Diluted	15	$	(0.08)	$	(0.06)

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 2021		31 December 2020
Assets					
Current assets					
Cash and cash equivalents	6	$	3,363	$	1,697
Accounts receivable	7		7,186		92
Deposits and prepaid expenses			766		-
			11,315		1,789
Oil and natural gas assets	8		128,709		61,399
Long-term deposits			614		535
Investments			537		-
Deferred income tax asset	9		12,154		-
			153,329		63,723
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities			17,116		853
Credit facility	10		21,739		-
Risk management contracts	11		2,941		-
Other indebtedness	12		-		857
			41,796		1,710
Long-term portion of lease liabilities	8		265		461
Restoration provisions	13		25,428		4,676
			67,489		6,847
Shareholders' equity					
Share capital	14		350,461		296,329
Share-based payments	22		16,839		15,821
Foreign currency translations	24		5,688		(106)
Accumulated losses			(287,148)		(255,168)
			85,840		56,876
		$	153,329	$	63,723

See accompanying notes to the consolidated financial statements.

Subsequent events (Note 28)

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

For the year ended	Notes	31 December 2021	31 December 2020
Operating activities			
Net loss		$ (31,980)	$ (6,395)
Items not affecting operating related cash flows:			
Gain on acquisition (net)	5	(11,438)	-
Impairment loss	8	37,628	4,710
Exploration expense	8	10,927	-
Depletion and depreciation	8	7,531	261
Unrealised gain on risk management contracts	11	(816)	-
Deferred income tax recovery	9	(169)	-
Share-based compensation	22	919	85
Accretion of liabilities		350	-
Non-cash expenses and other	14	602	220
Funds flow from operations		13,554	(1,119)
Changes in non-cash working capital	26	2,970	458
Cash provided by (used in) operating activities		16,524	(661)
Financing activities			
Issuance of common shares	14	36,178	-
Increase in credit facility	10	3,342	-
Repayment of other indebtedness	12	(874)	(232)
Lease payments		(216)	(260)
Cash provided by (used in) financing activities		38,430	(492)
Investing activities			
Acquisition of Blackspur Oil Corp.	5	(33,162)	-
Investments in oil and natural gas assets	8	(20,013)	(790)
Contributions to equity investments		(108)	-
Exploration expense		(58)	-
Cash used in investing activities		(53,341)	(790)
Impact of foreign exchange translations		53	(22)
Increase (decrease) in cash and cash equivalents		1,666	(1,965)
Cash and cash equivalents, beginning of year		1,697	3,662
Cash and cash equivalents, end of year	6	$ 3,363	$ 1,697

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 2021		31 December 2020
Share capital					
Balance, beginning of year		$	296,329	$	296,108
Issuance of common shares, net	14		54,132		25
Share-based compensation	22		-		196
Balance, end of year			350,461		296,329
Share-based payments reserve					
Balance, beginning of year			15,821		15,736
Share-based compensation	22		1,018		85
Balance, end year			16,839		15,821
Foreign currency translation reserve					
Balance, beginning of year			(106)		2,115
Other comprehensive income (loss)	24		5,794		(2,221)
Balance, end of year			5,688		(106)
Accumulated losses					
Balance, beginning of year			(255,168)		(248,773)
Net loss			(31,980)		(6,395)
Balance, end of year		$	(287,148)	$	(255,168)
Shareholders' equity, beginning of year		$	56,876	$	65,186
Shareholders' equity, end of year		$	85,840	$	56,876

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". These audited consolidated financial statements for the year ended 31 December 2021 (the "annual financial statements") were approved and authorised by Calima's Board of Directors on March 29, 2022.

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. 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 December 31, 2020, 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.

Certain comparative figures in these annual financial statements have been adjusted to conform with current period presentation. Effective January 1, 2021, the Company revised its accounting policy to present the consolidated statement of cash flows using the indirect method, a change from the direct method previously applied. The indirect method provides more relevant information on items not affecting cash and a reconciliation of net income from continuing operations to net cash flows from operating activities directly on the statement. The change in accounting policy was adopted retrospectively, therefore, the comparative periods are presented using the indirect method. There were no changes to the Company's total cash flows arising from operating, investing and financing related activities as a result of the presentation changes.

The Company has reclassified certain comparative profit or loss and financial position account groupings in order to conform with current period presentation. The Company disaggregated $0.3 million in oil and gas operating results on the income statement to provide users more detail regarding the components of operating results. The Calima Group also elected to aggregate its oil and natural gas related assets on the statement of financial position by function in order to streamline the statement of financial position presentation. A detailed breakdown of the components of oil and natural gas assets is included in the notes (see Note 8 for further details). The Company has also rounded the comparative information to the nearest thousand of dollars in order to conform with current period presentation. There were no changes to the Company's asset and liability balances or net income (loss) as a result of these presentation modifications.

The functional currency of Calima is the Australian dollar and the functional currency of both Blackspur and Calima Energy Inc. is the Canadian dollar. All amounts reported have been in presented in Australian dollars (A$ or AUD) unless otherwise noted. References to C$ denotes Canadian dollars and US$ denotes United States dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

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).

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. Transaction costs related to business combinations are expensed.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, risk management contracts, accounts payable, accrued liabilities, other indebtedness, investments 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 2	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
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 relates to the sale of oil, natural gas and natural gas liquids ("NGLs") in Canada from the Company's Brooks and Thorsby assets. The products are classified and presented in the financial statements based on the physical characteristics of the hydrocarbons at the time of sale. Liquids extracted from the natural gas stream are presented as NGLs. Revenues from liquids, natural gas and NGL sales are presented net of third-party royalty interests held by private entities or government authorities.

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 of 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

As at 31 December 2021, the Calima Group's net debt was A$27.8 million (Note 16). The Company also had a net working capital deficiency of $30.5 million (current liabilities of $41.8 million in excess of current assets of $11.3 million), which included C$20.0 million drawn under a C$27.0 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility").

Borrowings under the Credit Facility incur interest at a market-based interest rate plus an applicable margin which varies depending on Blackspur's net debt to cash flow ratio. As a demand facility, the Credit Facility does not have a specific maturity date which means that the lender could demand repayment of all outstanding indebtedness or a portion thereof at any time. If such an event were to occur, the 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. Based on current cash flow forecasts which utilise the Company's reserves, and the continued support of the Lender since the inception of the Credit Facility in April 2015, the Calima Group expects to discharge its liabilities in the normal course of business, the Credit Facility will remain available for the foreseeable future and the lender will not demand repayment of the amount drawn under Credit Facility.

A borrowing base review was completed by the Company's lender during the fourth quarter of 2021 and, based on updated interpretation of the Company's reserves and future commodity prices, the Credit Facility was increased by 8%, or $2.0 million from the previous borrowing base of $25.0 million. On 17 February 2022, the Calima Group also completed a private-placement equity financing arrangement with investors for gross proceeds of A$20.0 million. Proceeds from the transaction effectively reduced the Company's net debt to approximately A$13.5 million as at 28 February 2022. The Company utilized the majority of the proceeds to reduce amounts drawn under the Credit Facility and complete the first half 2022 capital investment program.

Based on these events, the Directors have reasonable grounds to believe that the Calima Group will continue as a going concern. The Credit Facility is scheduled for its next annual borrowing base review on or before 31 May 2022 and is expected to be based on the Lenders' interpretation of the Group's reserves and future commodity prices, consistent with prior years.

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

Oil and natural gas assets

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

Reserve estimates are primarily based on the Calima Group's reserve reports prepared by an independent third-party engineering firm. The reports include estimates for the quantity of oil and natural gas volumes, recovery factors, production rates, future commodity prices, discount rates, and future royalty, operating and capital costs. These estimates were prepared by experts in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook but are still subject to measurement uncertainty. The Calima Group may also utilise observable third-party land transactions adjacent to the Company's assets for estimating the value of undeveloped exploration acreage. 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 $28.0 million (the "Blackspur Acquisition"). The following table summarises the allocation of the consideration to the assets acquired and liabilities assumed by Calima:

Purchase price allocation(1)	Note		30 April 2021
Consideration paid			
Cash paid to Blackspur shareholders		$	5,158
Common shares issued to Blackspur shareholders (2.46 billion shares at $0.007/share)	14		17,222
Repayment of Blackspur credit facility draws	10		28,004
			50,384
Net assets acquired			
Accounts receivable	7		5,423
Deposits and prepaid expenses			269
Oil and natural gas assets	8		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 the finance the Acquisition, Calima completed an equity fundraising by issuing 5.43 billion common shares at $0.007/share for gross proceeds of $38.0 million before transaction costs (Note 14). Blackspur shareholders received $22.4 million of cash and share consideration. Pursuant to the terms of the Acquisition, Blackspur also issued a share subscription to Calima for total proceeds to Blackspur of $28.0 million. The proceeds from Calima were 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 January 1, 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 2021, the Calima Group held cash and cash equivalents of $3.4 million (31 December 2020 - $1.7 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 2021		31 December 2020
Oil and natural gas sales	$	6,475	$	29
Joint venture billings		517		-
GST and other		194		63
Accounts receivable	$	7,186	$	92

The Calima Group is exposed to collection risk from receivables associated with the Company's oil and natural gas sales. The customer base primarily consists of integrated oil and natural gas producers, midstream and downstream companies and energy traders. The Company manages credit risk by principally transacting with high-quality counterparties.

As at 31 December 2021, credit risk from outstanding accounts receivable was considered low given the history of collections and because greater than 80% of outstanding 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 2021 or 2020.

8. OIL AND NATURAL GAS ASSETS

Continuity schedule (A$ thousands)	PP&E assets	E&E assets	ROU assets	Total
Investments in capital assets				
Balance, 31 December 2019	$ 20	$ 62,862	$ 83	$ 62,965
Capital investments	502	1,654	-	2,156
Non-cash capitalised costs	-	1,637	920	2,557
Impact of foreign currency translations	(29)	(2,303)	(53)	(2,385)
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
Non-cash capitalised costs(1)	2,082	(412)	-	1,670
Release of collateralised assets (Note 12)	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
Accumulated depletion and depreciation				
Balance, 31 December 2019	(8)	-	(56)	(64)
Depletion and depreciation	(4)	-	(257)	(261)
Impairment losses	-	(3,634)	-	(3,634)
Impact of foreign currency translations	-	52	13	65
Balance, 31 December 2020	(12)	(3,582)	(300)	(3,894)
Release of collateralised assets (Note 12)	(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)
Net book value				
Balance, 31 December 2019	$ 12	$ 62,862	$ 27	$ 62,901
Balance, 31 December 2020	$ 481	$ 60,268	$ 650	$ 61,399
Balance, 31 December 2021	$ 111,593	$ 16,896	$ 220	$ 128,709

(1) During the year ended 31 December 2021, the Calima Group recognised non-cash capitalised costs of $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.

During the year ended 31 December 2021, the Calima Group recognised land expiry losses of $10.9 million, primarily 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.

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)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Thereafter
WTI (US$/bbl	65.03	66.33	67.65	69.01	70.39	71.79	73.23	74.69	76.19	77.71	79.27	+2% per year
Edm light (C$/bbl)	74.91	76.40	77.93	79.49	81.08	82.70	84.36	86.04	87.76	89.52	91.31	+2% per year
AECO (C$/GJ)	2.97	3.02	3.08	3.15	3.21	3.27	3.34	3.41	3.47	3.54	3.61	+2% per year
FX (US$ 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 two percent 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.

Calima's outstanding right-of-use assets ("ROU asset") relates to the leasing of four storage tanks that service produced water and flowback at the Company's Montney exploration well sites in North-eastern BC. The four-year lease agreement commenced on January 1, 2020 and Calima recognised a right-of-use asset and corresponding lease liability on the consolidated 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 December 31, 2021, the undiscounted cash flows required to settle Calima's lease liability was $0.48 million.

As at 31 December 2021, $17.9 million of oil and natural gas assets, primarily consisting of E&E, were not subject to depletion and depreciation as they were not ready for use in the manner intended (2020 - $60.7 million).

9. DEFERRED INCOME TAXES

(A$ thousands)	31 December 2019	Change in tax position	31 December 2020	Change in tax position	31 December 2021
Non-capital losses	$ 6,666	$ 5,932	$ 12,598	$ 13,586	$ 26,184
Oil and natural gas assets	(1,455)	(5,283)	(6,738)	3,426	(3,312)
Restoration provisions	895	180	1,075	4,930	6,005
Investments	-	-	-	302	302
Risk management contracts	-	-	-	677	677
Share issuance costs	-	-	-	747	747
Tax credits and other	349	154	503	237	740
	6,455	983	7,438	23,905	31,343
Unrecognised deferred tax assets	(6,455)	(983)	(7,438)	(11,751)	(19,189)
Deferred income tax asset	$ -	$ -	$ -	$ 12,154	$ 12,154

As at 31 December 2021, the Calima Group recognised a deferred income tax asset of $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 $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 year ended 31 December 2021:

Continuity schedule (A$ thousands)	31 December 2021	31 December 2020
Deferred income tax asset, beginning of year	$ -	$ -
Deferred income tax asset from the Blackspur Acquisition (Note 5)	11,438	-
Deferred income tax recovery recognised through profit or loss	169	-
Impact of foreign exchange translations	547	-
Deferred income tax asset, end of year	$ 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 2020 – 30%):

For the year ended (A$ thousands)		31 December 2021		31 December 2020
Net loss before income taxes	$	(32,149)	$	(6,395)
Statutory income tax rate		30%		30%
Expected income tax recovery		(9,645)		(1,918)
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		8,683		1,315
Changes in tax rates		1,953		454
Share-based compensation		276		25
Impact of foreign exchange translations and other		(342)		124
Deferred income tax recovery	$	(169)	$	-

10. CREDIT FACILITY

As at (A$ thousands)	Financial Covenant		31 December 2021		31 December 2020
Credit facility details:					
Credit facility draws		$	21,739	$	-
Issued letters of credit			150		-
Undrawn capacity			7,459		-
Credit facility capacity		$	29,348	$	-
Credit Facility maturity date			On demand		-
Effective annual interest rate on revolving draws			3.4%		-
Covenants[1]:					
Working capital ratio	1:1		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 2021, the Calima Group held a C$27.0 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). A borrowing base review was completed during the fourth quarter of 2021 and, based on the Lenders' updated interpretation of the Company's reserves and future commodity prices, the Credit Facility was increased by 8%, or C$2.0 million from the previous borrowing base of C$25.0 million in place as at 30 April 2021. The Credit Facility is scheduled for its next borrowing base review on or before 31 May 2022.

Borrowings under the Credit Facility incur interest at a market-based interest rate plus an applicable margin which varies depending on Blackspur's net debt to cash flow ratio. Interest charges are between 150 bps to 350 bps on Canadian bank prime borrowings and between 275 bps and 475 bps on Canadian dollar bankers' acceptances. Any undrawn portion of the demand facility is subject to a standby fee in the range of 20 bps to 45 bps. Security for the credit facility is provided by a $150.0 million demand debenture. A 1% change in the interest rate under the Credit Facility would result in higher annualised interest expense of $0.2 million based the balance outstanding as at 31 December 2021.

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

The following table summarises the change in the Credit Facility during the year ended 31 December 2021:

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

11. RISK MANAGEMENT CONTRACTS

For the year ended (A$ thousands)		31 December 2021
Derivative liability, beginning of year	$	-
Derivative liability acquired with Blackspur (Note 5)		(3,595)
Realisation of derivative losses		7,210
Net unrealised decrease in fair value		(6,394)
Impact of foreign currency translations		(162)
Derivative liability, end of year	$	(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 current policy is to hedge 50% of forecasted oil production for the upcoming four quarters.

The Company's risk management portfolio consists of instruments that are intended to mitigate the Calima Group's exposure to commodity price risks in the Western Canadian Sedimentary Basin consisting primarily of the US$ WTI benchmark price and the C$ WCS differential to US$ WTI.

The Company's risk management contracts consisted of the following positions as at 31 December 2021:

Contract	Reference	Remaining term	Volume		Price per unit (C$/unit)		Value (A$ thousands)
SWAP	CAD WTI	Jan 2022 - Jun 2022	300	$	75.85	$	(1,009)
SWAP	CAD WTI	Jan 2022 - Jun 2022	300		74.20		(1,103)
SWAP	AECO 5A	Jan 2022 - Sept 2022	500		2.70		(68)
SWAP	CAD WCS basis	Jan 2022 - Jun 2022	300		(18.00)		(25)
SWAP	CAD WCS basis	Jan 2022 - Jun 2022	300		(17.20)		21
SWAP	AECO 5A	Jan 2022 - Sept 2022	1,400		2.70		(189)
SWAP	CAD WCS basis	Jan 2022 - Jun 2022	400		(17.20)		28
SWAP	CAD WTI	Jan 2022 - Mar 2022	100		85.20		(88)
SWAP	CAD WTI	Jan 2022 - Sept 2022	100		85.15		(210)
SWAP	CAD WTI	Jan 2022 - Sept 2022	100		90.70		(51)
SWAP	CAD WTI	Jan 2022 - Oct 2022	150		94.40		109
SWAP	CAD WCS basis	Oct 2022 - Oct 2022	150		(17.85)		(1)
SWAP	AECO 5A	Jan 2022 - Mar 2022	500		5.40		79
SWAP	CAD WCS basis	July 2022 - Sept 2022	450		(19.20)		(154)
SWAP	AECO 5A	Jan 2022 - Mar 2022	500		5.44		80
SWAP	CAD WCS basis	July 2022 - Dec 2022	200		(19.30)		(93)
SWAP	CAD WCS basis	July 2022 - Sept 2022	200		(16.85)		(23)
SWAP	CAD WTI	July 2022 - Sept 2022	200		88.00		(46)
SWAP	CAD WTI	July 2022 - Sept 2022	200		88.00		(46)
SWAP	CAD WCS basis	Jan 2022 - Dec 2022	100		(18.55)		(51)
SWAP	CAD WTI	Jan 2022 - Dec 2022	100		88.80		(101)
Total						$	(2,941)

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 2021 and 2020:

	31 December 2021						31 December 2020					
(A$ thousands)		Asset		Liability		Net		Asset		Liability		Net
Current liability	$	317	$	(3,258)	$	(2,941)	$	-	$	-	$	-
Net position	$	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 contracts in place as at 31 December 2021, following a change in future commodity prices:

As at 31 December 2021 (A$ thousands)		Gain (loss)
10% increase in WTI price	$	(2,915)
10% decrease in WTI price		2,650
10% increase in WCS price differential		590
10% decrease in WCS price differential		(530)
10% increase in AECO price		(215)
10% decrease in AECO price	$	195

12. OTHER INDEBTEDNESS

In 2019, the Calima Group entered into a three-year debt arrangement to borrow C$1.0 million. The facility incurred C$0.2 million of interest over the term and was repayable through monthly remittance of net cash flows from the Company's Paradise Well (official designation: Boundary 5-1-86-15 00/11-01-08615W6/0). At the end of the term, any residual amount not settled through net cash flows from the well was payable in cash upon maturity. During the second quarter of 2021, the outstanding loan balance of A$0.9 million was extinguished through the issuance of 124.8 million Calima common shares to the lender (6.24 million common shares issued on a post share consolidation basis) (Note 14).

13. RESTORATION PROVISIONS

As at (A$ thousands)		31 December 2021		31 December 2020
Restoration provision, beginning of year	$	4,676	$	3,256
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		1,400		-
Accretion		325		-
Changes in estimate and other		218		1,637
Restoration expenses		(94)		-
Government funded restoration		(288)		-
Impact of foreign exchange translations		1,209		(217)
Restoration provision, end of year	$	25,905	$	4,676
Presented as:				
Accounts payable and accrued liabilities		477		-
Restoration provisions		25,428		4,676

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 2021, the total estimated undiscounted, uninflated cash flows required to settle the Calima Group's asset retirement obligations was approximately $24.9 million (31 December 2020 – $4.1 million). These liabilities are anticipated to be incurred over the next 30 years.

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

As at 31 December 2020, the Company valued the restoration provision by utilising a risk-free rate of 1.8% (31 December 2020 – 0.25%) and an inflation rate of 2.0% (31 December 2020 – 0.7%). A 100-basis point (1%) increase in the discount rate reduces the Company's restoration provision by $(3.8) million (1% decrease: $4.7 million).

14. SHARE CAPITAL

Equity unit continuity (thousands)	31 December 2021 Shares		31 December 2021 Amount	31 December 2020 Shares		31 December 2020 Amount
Balance, beginning of year	2,191,938	$	296,329	2,155,572	$	296,108
Shares issued in respect of private placement	5,399,028		37,822	-		-
Shares issued to acquire Blackspur (Note 5)	2,460,243		17,222	-		-
Shares issued to repay other indebtedness (Note 12)	124,821		874	-		-
Shares issued in lieu of cash (pre-consolidation)	98,025		676	36,366		221
Share consolidation (20:1)	(9,760,352)		-	-		-
Shares issued in lieu of cash (post-consolidation)	381		82	-		-
Share issuance costs	-		(2,544)	-		-
Balance, end of year	514,084	$	350,461	2,191,938	$	296,329

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

On 30 April 2021, Calima issued legacy Blackspur shareholders 2.46 billion 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 12). 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 22)	21,663	433,250
Performance Rights (Note 22)	8,273	165,450

15. PER SHARE AMOUNTS

For the year ended (thousands)[(1)]		31 December 2021		31 December 2020
Weighted average number of common shares – basic		382,653		108,334
Dilutive effect of outstanding equity compensation units[(2)]		-		-
Weighted average number common shares - diluted		382,653		108,334
Net loss	$	(31,980)	$	(6,395)
Net loss per share (basic and diluted)	$	(0.08)	$	(0.06)

(1) 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 (Note 14).
(2) Equity compensation units were anti-dilutive in 2020 and 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 2.0 for the 12 months ended December 31, 2021. The Company requires a period of allocating free cash flow to net debt reduction for the Company to reach this target.

Management believes the Company has sufficient funding to meet near-term liquidity requirements. As at December 31, 2021, the Calima Group had A$7.5 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$20.0 million (Note 28). 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 December 31, 2021:

As at (A$ thousands)	31 December 2021	31 December 2020
Credit facility draws	$ (21,739)	$ -
Other indebtedness	-	(857)
Long-term portion of lease liability	(265)	(461)
Current assets	11,315	1,789
Other current liabilities	(20,057)	(853)
	(30,746)	(382)
Exclude: current portion of risk management assets	2,941	-
Net debt	$ (27,805)	$ (382)

For the year ended (A$ thousands)	31 December 2021	31 December 2020
Funds flow from operations (per cash flow statement)	$ 13,554	$ (1,119)
Cash related transaction costs	617	-
Adjusted funds flow from operations	$ 14,171	$ (1,119)

The Company utilises net debt as an important measure to assess the Company's liquidity by incorporating long-term debt, lease liabilities 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)	2022	2023	Total
Credit facility draws	$ 21,739	$ -	$ 21,739
Accounts payable and accrued liabilities	17,116	-	17,116
Risk management contract liabilities	2,941	-	2,941
Long-term portion of lease liabilities	140	125	265
Contractual cash outflows reflected on the statement of financial position	41,936	125	42,061
Interest on credit facility draws(1)	739	-	739
Total contractual cash outflows	$ 42,675	$ 125	$ 42,800

(1) Estimated interest expense in 2022 based on amounts drawn as at the statement of financial position date using an effective interest of 3.4% prescribed under the Credit Facility.

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

In the fourth quarter of 2021, the Calima Group sanctioned a first half 2022 capital budget of C$19.5 million for continued development of the Brooks and Thorsby asset areas. The program commenced in December 2021.

The Calima Group is currently involved in legal claims of up to $1.0 million arising in the normal course of business. While the final outcome of such events cannot be predicted with certainty, the Company does not currently anticipate that these events will have a material impact on the consolidated financial position or results of operations.

18. OIL & NATURAL GAS REVENUES

For the year ended (A$ thousands)		31 December 2021		31 December 2020
Oil	$	39,668	$	356
Natural gas		7,087		-
Natural gas liquids		958		-
Oil and natural gas sales		47,713		356
Royalties		(9,136)		(31)
Oil and natural gas revenues	$	38,577	$	325

19. OPERATING EXPENSES

For the year ended (A$ thousands)		31 December 2021		31 December 2020
Chemicals, power and fuel	$	2,644	$	-
Staff and contractor costs		1,865		9
Hauling, processing and disposal		2,112		15
Equipment and maintenance		1,679		-
Taxes, rentals and other		1,779		8
Operating expenses	$	10,079	$	32

20. TRANSPORTATION

For the year ended (A$ thousands)		31 December 2021		31 December 2020
Crude oil and emulsion hauling	$	2,454	$	31
Pipeline tariffs and other		246		-
Transportation expenses	$	2,700	$	31

21. GENERAL & ADMINISTRATIVE

For the year ended (A$ thousands)		31 December 2021		31 December 2020
Personnel	$	2,449	$	607
Professional fees		1,878		714
Information technology, office costs and other		372		129
Gross general and administrative costs		4,699		1,450
Capitalised general and administrative costs		(458)		-
General and administrative expense	$	4,241	$	1,450

22. STOCK-BASED COMPENSATION

For the year ended (A$ thousands)		31 December 2021		31 December 2020
Stock options	$	259	$	26
Performance rights		759		59
Gross stock-based compensation cost		1,018		85
Capitalised stock-based compensation		(99)		-
Stock-based compensation expense	$	919	$	85

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

Equity unit continuity (thousands)(1)	Stock options	Performance rights	Total
Balance, 31 December 2019	1,538	973	2,511
Units expired	(500)	-	(500)
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

(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 August 30, 2021 at a conversion rate of 20:1 (Note 14). As at December 31, 2020, there were 40.2 million units outstanding on a pre-consolidation unit basis.

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)
2021 grants	$	0.20	16,750	4.0	2,500	2.3
August 2017		1.80	500	0.7	500	0.7
August 2017		2.40	500	0.7	500	0.7
	$	0.31	17,750	3.8	3,500	1.9

(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 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 1.0 million stock options granted in August 2017 that were issued and outstanding as at 31 December 2020 and 2021. The units are exercisable at $1.80 per share and $2.40 per share and expire 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)
February 2021(2)	$	-	4,800	4.1	4,800	4.1
May 2021(3)		-	2,500	4.3	-	-
August 2017(3)		-	973	0.7	-	-
	$	-	8,273	3.8	4,800	4.1

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).
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 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 December 31, 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 December 31, 2021, all of the units were unvested.

With respect to the 1.0 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).

The vesting conditions for the units were not met in 2020 or 2021 and no performance rights were redeemed during the year. There was no change in the balance of performance rights outstanding in 2020.

The following table summarises the weighted average assumptions utilised to value equity compensation grants during the year ended 31 December 2021:

Weighted average valuation assumptions(1)		Stock options		Performance rights		
Valuation model		Black Scholes		Black Scholes		Binomial Barrier
Number of units granted (thousands)		20,625		4,800		2,500
Share price at grant date ($)		0.18		0.17		0.18
Exercise price ($/share)		0.20		-		-
Barrier price ($/share)		-		-		0.30
Volatility (%)		75		75		75
Risk-free rate (%)		0.3		0.12		0.64
Expected life (years)		3.4		3.0		5.0
Fair value ($/share)	$	0.08	$	0.17	$	0.16

3) 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).

23. 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 December 31, 2021 and 2020 were as follows:

For the year ended (A$ thousands)		31 December 2021		31 December 2020
Salaries, benefits and other short-term compensation	$	952	$	522
Stock-based compensation		670		50
Total remuneration paid to directors and officers	$	1,622	$	572

Prior to April 2021, all directors received a significant portion of their remuneration in shares to preserve cash balances. 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 during the quarter, the Company secured firm commitments on an arms-length basis from a number of parties to in respect of the $6 million retail component of the capital raising. Lagral Strategies Pty Ltd ITF Lagral Family Trust[1] provided firm commitments for the amount of $1.5 million. The fee to these parties was 6%, resulting in Lagral being paid $90,000. 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.

24. OTHER COMPREHENSIVE INCOME

Continuity schedule (A$ thousands)		31 December 2021		31 December 2020
Foreign currency reserve, opening	$	(106)	$	2,115
Unrealised gain (loss) recognised through other comprehensive income		5,794		(2,221)
Foreign currency reserve, ending	$	5,688	$	(106)

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.

A 10% increase in the Canadian dollar relative to the Australian dollar results in an overall unrealised gain in other comprehensive income of approximately A$8.5 million relating to net assets of the subsidiaries (10% decrease: unrealised loss of A$7.7 million). A 10% increase in the Canadian dollar relative to the Australian dollar results in an unrealised loss in other comprehensive income of approximately A$3.2 million relating to the financial instruments held by the subsidiaries (10% decrease: unrealised gain of A$2.9 million).

25. AUDITOR REMUNERATION

For the year ended (A$)		31 December 2021		31 December 2020
Audit and assurance related services[1]	$	180,805	$	53,717
Tax and other non-assurance related services		-		5,150
Total remuneration of external auditors	$	180,805	$	58,867

(1) 2021 audit and assurance related services includes A$125,725 payable to PricewaterhouseCoopers Canada and A$55,080 payable to PricewaterhouseCoopers Australia. Total remuneration of A$58,867 was paid to BDO Audit (WA) Pty Ltd. during the year ended 31 December 2020.

In 2021, the Calima Group selected PricewaterhouseCoopers Australia to be the Company's external auditors for the year ended December 31, 2021. BDO Audit (WA) Pty Ltd. was the Company's external auditor for the year ended December 31, 2020.

26. SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended (A$ thousands)		31 December 2021		31 December 2020
Changes in non-cash working capital:				
Accounts receivable	$	(7,094)	$	1,426
Deposits and prepaid expenses		(766)		(218)
Accounts payable and accrued liabilities		16,263		622
		8,403		1,830
Working capital acquired from Blackspur (Note 5)		2,034		-
Change in current portion of restoration provisions (Note 13)		(477)		-
Impact of foreign exchange translations and other		(173)		(6)
		9,787		1,824
Related to:				
Operating activities		2,970		458
Financing activities		-		-
Investing activities	$	6,817	$	1,366
Other cash flow information:				
Cash interest paid	$	455	$	155
Cash taxes paid	$	-	$	-

27. PARENT COMPANY FINANCIAL INFORMATION

As at and for the year ended (A$ thousands)		31 December 2021		31 December 2020
Statement of financial position				
Current assets	$	1,529	$	1,569
Non-current assets		84,599		56,302
Total assets		86,128		57,871
Current liabilities		(254)		(227)
Non-current liabilities		-		(1,022)
Net assets		85,874		56,622
Share capital		350,461		296,329
Share-based payments		16,839		15,821
Foreign currency translations		(118)		(119)
Accumulated losses		(281,308)		(255,409)
Total shareholders' equity	$	85,874	$	56,622
Statement of profit or loss				
Net loss	$	(25,899)	$	(9,139)
Total comprehensive loss	$	(25,899)	$	(9,139)

28. SUBSEQUENT EVENTS

Strategic infrastructure development

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 pipeline was completed and brought on stream during the first quarter of 2022.

Construction of the pipeline is being financed by Pivotal and the estimated cost of the project is C$4.3 million. Blackspur shall be 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 monthly payments of approximately C$76,000, to be finalised based on total installed costs of the pipeline as determined once the pipeline is commissioned and in service. Blackspur retains the right to payout the financing on 180 days written notice starting on the third anniversary of the agreement, subject to an early termination penalty provision.

Equity fundraising

On 17 February 2022, the Calima Group completed a private-placement equity financing arrangement with investors for gross proceeds of A$20.0 million. The Company expects to have incurred approximately $1.3 million in share issuance costs in respect of the equity fundraising and will be capitalised to share capital in accordance with the Company's accounting policy. The Company plans to utilise a portion of the proceeds to reduce the amounts drawn under the Credit Facility and complete the H1 2022 capital investment program.

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 21 to 50, 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 2021 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 2021.

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

On behalf of the Board of Directors:

Glenn Whiddon
Executive Chairman

29 March 2022

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 2021 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 2021
- 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 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$1,530,000, 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. As at 31 December 2021, Blackspur has drawn C$20.0 million (A$21.7 million) of a C$27.0 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). As a demand facility, the Credit Facility does not have a specific maturity date which means that the lender could demand repayment of all outstanding indebtedness or a portion thereof at any time. If such an event were to occur, the Group would be required to source alternative sources of capital or sell assets to repay the indebtedness. As described in Note 4, the Group expects that the Credit Facility will remain available for the foreseeable future and the lender will not demand repayment of the amount drawn under the Credit Facility. 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 and historical cash outflows, • 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*

Acquisition of Blackspur Oil Corp
Refer to Note 5, 8
 	
On 30 April 2021, Calima Energy Limited completed the acquisition of Blackspur Oil Corp (Blackspur) for consideration of A$22.4 million paid to Blackspur shareholders and a A$28.0 million requisite reduction of Blackspur's Credit Facility.
 	
The acquisition was a key audit matter because it was a significant transaction for the year given the financial and operating impact on the Group. In addition, the Group made complex judgements when accounting for the acquisition including identifying all assets and liabilities of the newly acquired subsidiaries and estimating the fair value of each item for initial recognition by the Group, particularly the oil and natural gas assets.
	We performed the following procedures, amongst others:
	
	• obtained the board approved purchase contract to develop an understanding of the nature of the acquisition and the consideration payable.
	
	• considered how the Group estimated the fair value of the assets and liabilities in the acquisition. In particular, we focused on significant judgements made by the Group in assessing the identification and fair value of oil and gas natural assets acquired, over which we performed the following procedures:
	
	    • considered the competence and capabilities of the Group's experts and together with PwC valuation experts evaluated the methods, significant assumptions and data used to estimate the reserves acquired.
	
	    • evaluated the appropriateness of the method used in determining the fair value of oil and natural gas assets acquired by reference to Australian Accounting Standards.
	
	    • evaluated the appropriateness of significant assumptions used in determining the fair value of oil and natural gas assets. This included:
	
	        • comparing forecast benchmark commodity prices with third party industry forecasts.
	
	        • together with PwC valuation experts, comparing the discount rates applied in the model used to estimate the fair value of oil and natural gas assets to other third-party transactions.

Key audit matter	*How our audit addressed the key audit matter*
	- compared the underlying data used by the Group in the determination of the fair value of oil and natural gas assets to the internally and externally prepared reserve reports. - tested the mathematical accuracy of the model used to estimate the fair value of oil and natural gas assets. • evaluated the reasonableness of the disclosures made in Note 5 to the financial statements in light of the requirements of Australian Accounting Standards.
Carrying value of exploration and evaluation assets *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 2021, the Group concluded that there were impairment indicators for the Tommy Lakes Montney cash generating unit (CGU). Impairment testing was undertaken as outlined in Note 8, resulting in land expiry losses of A$10.9 million, primarily in respect of acreages for which there were no drilling plans in the near term, and an impairment to the CGU of A$37.6 million, calculated utilising after-tax discounted future cash flows derived from the CGU's contingent resources to estimate the recoverable amount of the Tommy Lakes Montney CGU. Key assumptions, judgements and estimates, used in the formulation of the Group's impairment testing of the oil and gas properties are disclosed in Note 8.	We evaluated the Group's consideration of internal and external sources of information in assessing whether indicators of impairment or reversal of impairment existed. We performed the following procedures, amongst others: • examined lease expiries in the Tommy Lakes Montney CGU and recalculated the land expiry loss recognised by the Group. • 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 contingent resource report used by the Group to determine the recoverable amount of the CGU. • tested how the Group determined the recoverable amount of the Tommy Lakes Montney CGU, which included the following: - Evaluated the appropriateness of the methods used by the Group in making these estimates by reference to Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*

The assessment of indicators of impairment and the impairment testing process are complex and highly judgemental and are based on assumptions which are impacted by expected future performance and market conditions.
 	
Accordingly, this matter was considered to be a key audit matter.
	• Compared the underlying data used by the Group in the determination of the recoverable amount of the CGU to the externally prepared contingent resource reports.
	
	• Evaluated the appropriateness significant assumptions used in developing the underlying estimates, including:
	
	  • comparing forecast benchmark commodity prices with third party industry forecasts.
	
	  • together with PwC valuation experts, comparing the discount rates applied in the impairment testing model to other third-party transactions.
	
	• assessed whether the impairment charge recorded in the financial statements agreed to the Group's underlying impairment testing model.
	
	• evaluated the reasonableness of the disclosures made in Note 8, including those regarding the significant assumptions and sensitivities to changes in such assumptions, 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 2021 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 21 to 26 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of Calima Energy Limited for the year ended 31 December 2021 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

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
29 March 2022

Auditor's Independence Declaration

As lead auditor for the audit of Calima Energy Limited for the year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(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.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
29 March 2022

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Liability limited by a scheme approved under Professional Standards Legislation.

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 21 March 2022:

Distribution of equity securities

Equity holders by size of holding of ordinary shares	Number of Holders	Number of shares on issue
1 to 1000	807	331,038
1,001 to 5,000	818	2,350,686
5,001 to 10,000	368	2,893,245
10,001 to 100,000	1,051	40,755,775
100,001 and above	531	568,753,484
Total[(1)]	3,575	615,084,228

(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.

Substantial shareholders

Shareholders who hold greater than 5% issued capital	Number of shares held	% of shares held
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	69,002,108	11.22
CITICORP NOMINEES PTY LIMITED	32,416,520	5.27
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED - A/C 2	32,098,840	5.22
Total	133,517,468	21.71

Twenty largest shareholders

Shareholder	Number of shares held	% of shares held
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	69,002,108	11.22
CITICORP NOMINEES PTY LIMITED	32,416,520	5.27
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED - A/C 2	32,098,840	5.22
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	23,943,753	3.89
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	21,037,010	3.42
PETERS & CO LIMITED	17,730,509	2.88
BNP PARIBAS NOMS PTY LTD <DRP>	15,171,155	2.47
BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	12,000,000	1.95
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	10,932,157	1.78
MR CRAIG IAN BURTON <CI BURTON FAMILY A/C>	10,127,503	1.65
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	9,368,889	1.52
ARROCHAR PTY LTD	6,241,063	1.01
COMPUTERSHARE INVESTOR SERVICES INC <BLACKSPUR UNEXCHANGED A/C>	5,731,119	0.93
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	4,761,902	0.77
MR CUNTONG CHENG	4,512,500	0.73
ARREDO PTY LTD	4,278,872	0.70
MR JOHN PHILIP DANIELS	4,244,999	0.69
MR FREDERICK BART	4,190,000	0.68
BOND STREET CUSTODIANS LIMITED <TRYLAN - D83486 A/C>	4,000,000	0.65
MRS NICOLE ZDUN	4,000,000	0.65
Top 20 holders of common shares	295,788,899	48.09
Total remaining holders balance	319,295,329	51.91
Total common shares outstanding	615,084,228	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	26	18,100	2026
Stock options – exercisable at $1.80 per share	5	500	2022
Stock options – exercisable at $2.40 per share	5	500	2022
Performance rights – August 2017 grant	5	973	2022
Performance rights – February 2021 grant (fully vested)	5	3,800	2026
Performance rights – May 2021 grant	2	2,500	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 $1.40 on or before 25 August 2022 (unvested)		
Alan Stein	165,000	33%
Jonathan Taylor	165,000	33%
Unlisted stock options exercisable at $1.80 on or before 25 August 2022 (unvested)		
Alan Stein	165,000	33%
Jonathan Taylor	165,000	33%
Unlisted Class A/B performance rights issued in 2021 (fully vested)		
Aaron Bauer	1,000,000	26%
Glenn Whiddon	1,000,000	26%
Mark Freeman	1,000,000	26%
Unlisted Class C performance rights issued in 2021 (unvested)		
Glenn Whiddon	1,500,000	60%
Mark Freeman	1,000,000	40%
Unlisted legacy performance rights issued in 2017 (unvested)		
Jonathan Taylor	412,500	42%

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 2021 Reserves Report. InSite is a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta. These reserves were subsequently reviewed by Mr. Graham Veale who is the VP Engineering with Blackspur Oil Corp. The InSite 31 December 2021 Reserves Report and the values contained therein are based on InSite's 31 December 2021 price deck (https://www.insitepc.com/pricing-forecasts). Mr. Veale holds a BSc. in Mechanical Engineering from the University of Calgary (1995) and is a registered member of the Alberta Association of Professional Engineers and Geoscientists of Alberta (APEGA). He has over 25 years of experience in petroleum and reservoir engineering, reserve evaluation, exploitation, corporate and business strategy, and drilling and completions. InSite and Mr. Veale have consented to the inclusion of the petroleum reserves 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 2021 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 28 March 2022 ("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.

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 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 2021

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 M058621 HERITAGE	88%
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%
CANADA	FH PET M115656 HERITAGE	100%
CANADA	CR PNG 124433	81%
CANADA	CR PNG 28705	81%
CANADA	CR PNG 121449	49%
CANADA	FH PNG M056870 HERITAGE	100%
CANADA	FH PNG M056871 HERITAGE	100%

Country	Lease name & number	Working interest
CANADA	CR PNG 0417040004	100%
CANADA	CR PNG 0417040005	100%
CANADA	CR PNG 0417040006	100%
CANADA	CR PNG 0417040196	50%
CANADA	FH PNG HELM, JEFFREY	100%
CANADA	FH PNG HELM, CRAIG	100%
CANADA	CR PNG 0417050094	100%
CANADA	CR PNG 0417060132	100%
CANADA	CR PNG 0417060139	100%
CANADA	CR PNG 0496020408	45%
CANADA	CR PNG 0417070138	100%
CANADA	CR PNG 0417070139	100%
CANADA	CR PNG 0417070142	100%
CANADA	CR PNG 0417080003	100%
CANADA	CR PNG 0417080004	100%
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CANADA	FH PNG KELSEY, CLIFFORD	100%
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CANADA	CR PNG 0418100101	100%
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CANADA	FH PNG WURBAN, LAWRENCE	100%
CANADA	FH PNG WURBAN, KENNETH	100%
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Country	Lease name & number	Working interest
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CANADA	FH PNG NORRIS, PAUL J.	50%
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 COVEY, W.	50%
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CANADA	FH PET M115359 HERITAGE	100%
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Country	Lease name & number	Working interest
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Country	Lease name & number	Working interest
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WESTERN SAHARA	MAHBES	50%
WESTERN SAHARA	MIJEK	50%