



ABN 17 117 227 086

FINANCIAL REPORT

For the year ended 31 December 2020

Directors

Glenn Whiddon	Chairman
Alan Stein	Non-Executive Director
Brett Lawrence	Non-Executive Director

Company Secretary
Mark Freeman

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Auditors

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Subiaco WA 6008

Australian Bankers
National Australia Bank
Level 14
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Canadian Bankers
Royal Bank of Canada
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Share registry

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Level 11, 172 St. Georges Terrace Perth WA 6000
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Stock exchange listing

The Company is listed on the ASX Limited ("ASX")

Home branch: Perth, Western Australia
ASX Code: CE1

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Chairman's Letter

Dear Shareholders

On behalf of the directors of Calima Energy Limited (Company), it is my pleasure to present this years' Financial Report.

Calima is pleased to be participating in a transformational combination with the Canadian energy company, Blackspur Oil Corp (Blackspur). Blackspur has been built from the ground up by a team of young, energetic oil and gas professionals with an impressive track record as resource locators, and effective developers. The Blackspur team has assembled and de-risked their assets through a combination of drilling and acquisitions over the past 8 years. The team remains dedicated to pursuing synergistic growth opportunities across the top tier Western Canadian Sedimentary Basin and to advancing the Montney assets held by Calima in a rising gas market.

The Blackspur team, supported by the existing Calima team, is well positioned to take advantage of strengthening fundamentals in both oil & gas commodity markets in Canada. In addition to the first-class oil-focused assets within Blackspurs' portfolio, our combined team will be poised to unlock value from the Calima Montney Lands and buoyed by pending demand from the completion of Canada's first LNG export facility, LNG Canada, as well as the improved pipeline capacity providing increased access to US markets and an expanding industrial base in Canada.

The junior energy sector in Canada has been starved for capital in recent years and is ripe for an active consolidator with available capital. This merger will create a mid-tier, ASX listed company, with strong cash flow from highly economic oil assets that have been undercapitalised in recent years. With the expertise of the Blackspur team, this combination also creates a foundation for the future development of the massive undeveloped resource portfolio in the Montney that Calima holds. This compelling mix of portfolio strength, strong production growth with cashflow along with Blackspurs' experience at efficiently developing oil plays shall propel the Company forward in parallel with rising commodity prices that we are experiencing as we enter a new cycle for oil and gas.

Finally, Blackspurs' environmental commitment and focus on increased ESG performance provides a pathway for top quartile performance amongst peers in the Canadian oil and gas sector.

These last few months have been very exciting times for the Calima team, and we look forward to navigating forward with all our committed shareholders, to create an entity that we can all be proud owners of.

We anticipate closing the transaction at the end of April 2021 and have A\$37 million of funds committed to the raise.

The Prospectus continues to be live and we encourage shareholders to participate. The Board appreciates the continued support of our existing shareholders in the retail offering. Shareholders will need to log onto the website (link below) to complete the application process in order to guarantee your application is received in time.

<https://CE1offer.thereachagency.com>

Investors should consider the Prospectus (and any supplementary or replacement prospectus issued by the Company) carefully and seek independent professional advice, if necessary, before deciding whether to apply for Shares pursuant to the Prospectus.

To apply for Shares in the Company pursuant to the Prospectus, you should visit the above link and follow the instructions to access the Prospectus, read it carefully, and complete an online application form that will accompany the Prospectus. Once you have completed your online application, you should make your application payment via BPAY®. Alternatively, you may contact the Company at info@calimaenergy.com to obtain a paper copy of the Prospectus and you may apply for Shares pursuant to the Prospectus by completing the paper application form that will accompany the Prospectus.

The Blackspur acquisition has been competently executed by our phenomenal team both in Canada and Australia. I would like to thank our Board, management, legal and commercial advisors and our brokers with their dedicated attention towards a transaction that took the Company significant time and energy to put together during a challenging time.

Jordan Kevol, Blackspurs' CEO, will assume the role of Managing Director of the consolidated Company. We look forward to Jordan and his dedicated Blackspur team joining our ranks and Micheal Dobovich, our Canadian President together with Aaron Bauer will work together to become an integrated team.

We are confident that the energy sector is showing signs of an impending boom and we expect it will deliver outstanding returns to investors over the coming years. We believe that jurisdictions like Western Canada with proven reserves and

significant infrastructure in place will outperform. All the signs point to a complete market reset with increased demand and price rises following:

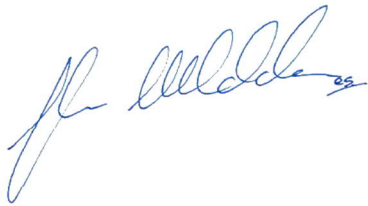
- Substantial declines in global exploration;
- Majors investing in renewable energy;
- Increasing US regulatory pressures
- Widespread Covid-19 inoculations;
- Unprecedented fiscal stimulation; and
- Low interest rates

With markets seeing an increase in oil demand we have witnessed the oil price rise from sub \$40 to over US\$60 per barrel and some analysts are predicting oil above US\$80/bbl. Pricing at US\$60 per barrel creates significant cashflow for the new entity, however, should US\$80 oil become a reality, the impact will be incredibly positive on our future core production at Brooks and Thorsby.

Blackspurs' low-cost oil producing assets provide recurring cash flow stream and exposure to improving oil prices, while the significant resource base of the Calima Lands in the Montney provide upside to both improving oil and gas prices along with LNG development in Canada.

Our mission would not be possible without support of our shareholders in what has been a challenging, yet exciting environment.

We look forward to a successful 2021 year.



Glenn Whiddon
Executive Chairman

Directors Report

The Directors of Calima Energy Limited ("Calima" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of Calima Energy Limited and its controlled entities (the "Group") for the financial year ended 31 December 2020.

Directors

The names and details of the Company's directors and key management personnel in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

G. Whiddon	Executive Chairman
A. Stein	Non-Executive Director
J. Taylor	Technical Director (resigned 20 January 2020)
N. Hackett	Independent Non-Executive Director (resigned 11 November 2020)
B. Lawrence	Non-Executive Director

Glenn Whiddon	- Executive Chairman, appointed 2 June 2015
Qualifications	- BCom
Experience	- Mr Whiddon is based in Australia and is a significant shareholder of the Company. 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.

Interest in securities - Direct 31,482,987 Shares, Indirect 75,484,746 shares

Directorships held in listed entities - Other current listed company directorships
Minrex Resources Ltd appointed 5 June 2020
Former listed company Directorships in last 3 years
Auroch Minerals Limited – resigned 31 October 2019
Fraser Range Metals Group Limited – resigned 20 June 2019
Doriemus PLC – resigned 30 July 2018
Hear Me Out Limited – appointed 11 September 2017, delisted

* Glenn Whiddon: Please note that Mr Whiddon only has a control in 888,888 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.

Alan Stein - Non-Executive Director appointed 25 August 2017

Qualifications - BSc, PhD

Experience - Dr Stein has more than 30 years' experience in the international oil and gas industry. He was one of the founding partners of the geoscience consultancy IKODA Limited based in London and Perth and was the founding Managing Director of Fusion Oil & Gas plc and Ophir Energy plc. Fusion was listed on the UK AIM market in 2000 and made several discoveries offshore of Mauritania before being sold in 2003. In early 2004, following the sale of Fusion, Dr Stein, together with Mr Jonathan Taylor, were one of the two founding executive directors of Ophir Energy plc. Dr Stein held the position of Managing Director until 2011. Ophir was involved in several discoveries in offshore Equatorial Guinea and Tanzania, discovering more than 18 trillion cubic feet of gas.

Interest in securities:
Shares - Direct 24,640,526, Indirect 31,452,019
Performance rights - 2,700,000 expire on or before 29 August 2021
Class A Options - 3,300,000 expire on or before 25 August 2022 and exercisable @\$0.09
Class B Options - 3,300,000 expire on or before 25 August 2022 and exercisable @\$0.12

Directorships held in listed entities - Other current listed company directorships - Nil
Former listed company Directorships in last 3 years - Nil

Brett Lawrence	-	Non-Executive Director, appointed 29 October 2019
Qualifications	-	MPetEng., BEng., BCom.
Experience	-	Mr Brett Lawrence has 16 years of diverse experience in the oil and gas industry. Mr Lawrence worked with Apache Energy for over eight years, performing roles in drilling engineering, reservoir engineering, project development and commercial management before seeking new venture opportunities with ASX listed companies.
Interest in securities	-	Indirect 7,172,681 shares
Directorships held in listed entities	-	Other current listed company directorships Tamaska Oil and Gas Limited (ASX:TMK) - appointed 1 February 2015 Former listed company Directorships in last 3 years Acacia Coal Ltd (ASX: AJC) - appointed 2 August 2016, resigned 20 November 2020
Neil Hackett		Non-Executive Director, resigned 11 November 2020
Qualifications	-	BCom, F.Fin
Experience	-	Neil works closely with ASX boards, directors, CEO's, government enterprises and private boards on strategic and corporate governance requirements. Neil has project-managed multiple corporate transactions, including public equity capital raisings, debt financing, corporate takeovers, and business acquisitions. Neil has 25 years' ASX company expertise.
Interest in securities	-	Nil
Directorships held in listed entities	-	Other current listed company directorships Ardiden Limited – appointed 5 June 2011 Hastings Technology Metals Limited – appointed 19 November 2018 Intelcare Ltd – Appointed 18 October 2019 Former listed company Directorships in last 3 years - Nil
Jonathan Taylor	-	Non-Executive Director, resigned 20 January 2020
Qualifications	-	BSc, MSc
Experience		Mr Taylor has more than 30 years' experience in the international oil and gas industry. He started his career with Amerada Hess in the UK before moving to Clyde Petroleum plc where he was involved in international exploration including postings to Yemen and Myanmar. Mr Taylor relocated to Perth in 1998 to take up the role of Technical Director at Fusion Oil & Gas plc, which built an extensive portfolio focused on Northwest and West Africa. Fusion was listed on the UK AIM market in 2000 and made several discoveries offshore of Mauritania before being sold in 2003. Following the sale of Fusion, Mr Taylor, together with Dr Alan Stein, was one of the two founding executive directors of Ophir Energy plc serving initially as its Technical Director.
Interest in securities	-	Nil
Directorships held in listed entities	-	Other current listed company directorships - Nil Former listed company Directorships in last 3 years - Nil
Mark Freeman	-	Company Secretary, Appointed 7 May 2020
Qualifications	-	CA, F.Fin
Experience	-	Mr Freeman is a Chartered Accountant and has more than 21 years' experience in corporate finance and the resources industry. He has experience in project acquisitions and management, strategic planning, business development, M&A, asset

commercialisation, and project development. Prior experience with Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources Ltd and Matra Petroleum Plc.

Meetings of Directors'

The following Directors' meetings were held during the year and the number of meetings attended by each of the Directors during the year was:

	Meetings of committees		
	Directors' meetings	Remuneration	Audit
Number of meetings held	3	-	1
Number of meetings attended:			
G Whiddon	3	-	1
N Hackett	3	-	-
A Stein	3	-	1
B Lawrence	3	-	1
J Taylor	-	-	-

During the financial year the Board has held numerous face to face and conference call operational meetings to review existing operations. Formal business during the period has also been implemented via Circular Resolutions of the Board.

Principal Activities

The principal activity during the year of the Company was oil and gas exploration and the continued review of opportunities available to the Company.

REVIEW AND RESULTS OF OPERATIONS

During the year, the Company continued its principal activities in British Columbia, Canada. An overview of the Montney assets is provided below followed by a summary of significant activities.

Montney Acreage and Assets

The Company owns and operates over 61,000 acres of drilling and production rights for the Montney Formation in British Columbia ("Calima Lands"). The Company secured an initial interest in the Montney acreage in 2017 as part of an acquisition with Havoc Partners. Subsequently in May 2018 the Company executed agreements to acquire the remaining interest to hold 100% through the acquisition's of TSV Montney Ltd and TMK Montney Ltd. At the end of 2018 the Company undertook a \$25m raising which financed the majority of the 2019 three well drilling campaign.

Calima subsequently drilled one vertical well and two horizontal wells on the Calima Lands, of which two horizontal wells were completed and tested. The upper and middle horizontal wells were completed and tested and McDaniel & Associates Consultants Ltd. ("McDaniel") prepared a report on the contingent and prospective resources of the Calima Lands based upon the well results. This was a significant upgrade to Calima's resource estimates.

Summary of 2020 activities

Tommy Lakes

On 15 April 2020, Calima acquired compression facilities, associated pipelines and related infrastructure at Tommy Lakes, British Columbia from Enerplus Corp. ("Enerplus") in an asset acquisition, for a nominal transaction fee (the "Tommy Lakes Acquisition"). The Tommy Lakes Acquisition included three (3) compressor stations, approximately 30 km of pipeline, a camp, sales gas meter (the "Tommy Lakes Facility").

The Tommy Lakes Facility is currently shut-in but may be brought back online pending a final investment decision. The Tommy Lakes Facility processes gas and condensate and has an estimated replacement value of \$80 million. Calima's Montney lands are now considered to be ready-for-development with all permits and authorisations in place, allowing production to commence as early as 6 months from an FID and winter construction season.

The Facilities provide cost-efficient access to North River Midstream pipeline, Jedney processing facility and access to regional markets via major pipeline networks including NGTL, Alliance and T-North. The Tommy Lakes Infrastructure includes gathering pipelines, compression facilities and associated facilities capable of transporting up to 50 Mmcf/d of gas and 1,500-2,000 bbls/d of well-head condensate.

The Tommy Lake infrastructure continues to be maintained by Sproule and Associates with their local field operations staff. Work was completed throughout the summer to ensure winterisation of camp facilities and preservation of infrastructure. The solar power generation units that were installed utilised very little external fuel to generate electricity over the summer months. The units are required to maintain cathodic protection on the pipeline and facilities to prevent corrosion by inducing an electrical current. These units offset the use of diesel generators that would otherwise consume more than 50,000l of fuel annually.

Calima has obtained the necessary regulatory approvals to tie-in its wells to the Tommy Lakes Facility. In December 2020, Calima elected not to exercise the option to acquire the gas wells from Enerplus after receiving notice of an accelerated timeline from Enerplus to abandon the wells.

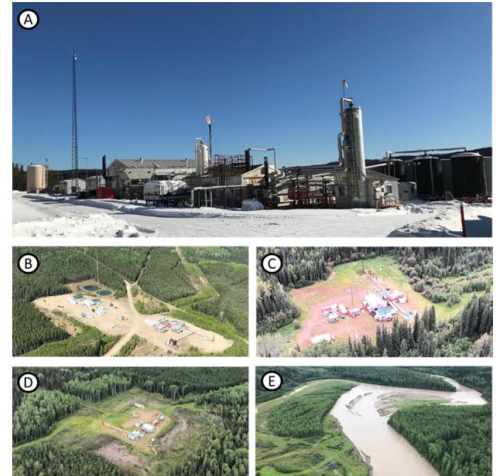


Figure Two – Tommy Lakes Field A. Tank storage, liquids handling facility and West 1 compressor. B. Field office, control room and camp facility. C. West 2 Compressor. D. West 1 Compressor. E. Location where the Tommy Lakes pipeline crosses underneath the Sikanni Chief River.

Wellsite Production Facility Approval

The Company retains a permit from the OGC to construct a production facility at its Montney pad location. The facilities include tankage, electrical generation metering and a control centre. The construction design is modular, allowing for the construction off-site in a controlled environment only final tie-ins once placed on pre-set foundations at site. This ensures an efficient, cost-effective installation within the winter.

While the initial approval is for the existing two liquids rich Montney wells drilled at the beginning of 2019, it is envisaged that additional modules would be added to the pad site to accommodate a 20 well pad.

10-year Continuation Lease granted over Calima Lands

As a result of the 2019 drilling campaign, the Company converted 49 sections (33,643 acres) into 10 year Continuation Lease. This represented 56% of Calima's Core Lands. Importantly, there is no obligation to drill any further wells to hold the Lease until 2029. The remainder of the Calima Lands are held under 5-year drilling licenses which require drilling to enable further conversions to be made. Most of the remaining licences over the Core Lands mature in 2022.

Field Development Plan & Final Investment Decision

Completion of the Tommy Lakes acquisition is a necessary component of the Field Development Plan ("FDP"); elevating the Calima Lands to being a project ready-for-development. Calima does not intend to undertake further development work until a Final Investment Decision ("FID") has been taken. Calima's strategy is to develop its Montney acreage position through a strategic partnership or funding arrangement. Calima continues to seek strategic partnership and looks towards a final investment decision for project development within the next 18 months.

Independent Resource Report

On 14 July 2020 the Company announced that McDaniel's had following the acquisition of Tommy Lakes advised that 248.9 billion cubic feet of gas and 12.4 million barrels of light oil and natural gas liquids of Contingent Resources had been upgraded to Development Pending. The Company now regards a significant portion its Montney acreage as being development ready subject only to securing the necessary funding to construct a tie-in pipeline. Upon the Company securing funding then according to the reporting standards these Development Pending resources could be classified as 2P reserves.

McDaniel have evaluated crude oil, natural gas and natural gas products prospective resources of the Calima Lands according to 2018 PRMS standards. McDaniel's Best Estimates of total un-risked contingent and prospective resources within the Calima Lands are summarised in Tables 1A/1B and Figure 1. In comparison the 2019 assessment (ASX announcement 8 July 2019) contained only Contingent Development on Hold (2C) and Prospective (2U) resources (Table 1A & 1B)).

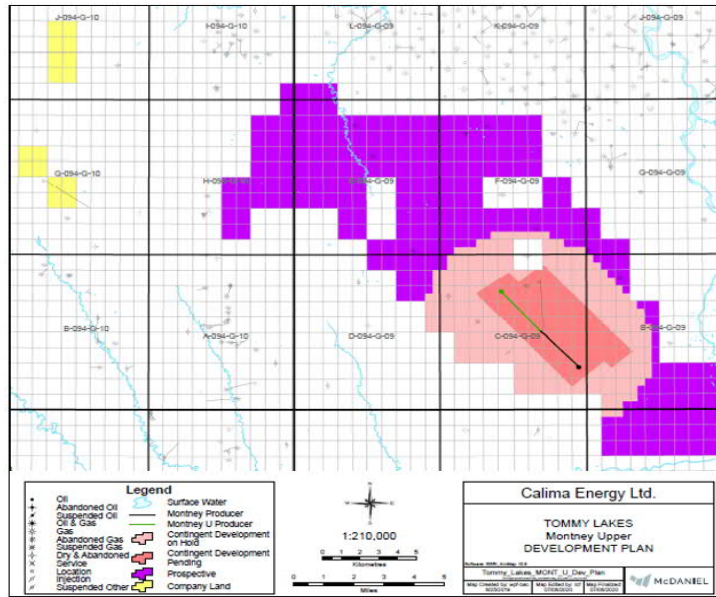


Figure 1 - Map of Calima Lands defining the areas of Prospective (purple) and Contingent Development on hold (light pink) and Contingent Development pending (dark pink) Resources.

1A Gross Unrisked Contingent Resources ⁴ (2C) based upon 124 wells over 20,517 acres		Development on hold	Development Pending	Total 2C
Natural Gas (mmcf)	Gross	639,208	248,904	888,113
	Net after Royalties	551,779	217,618	769,397
Condensate (mdbl)	Gross	14,201	5,542	19,743
	Net after Royalties	12,244	4,814	17,058
Natural Gas Liquids ¹ (mdbl)	Gross	17,746	6,926	24,672
	Net after Royalties	15,301	6,016	21,317
TOTAL LIQUIDS ² (mdbl)	Gross	31,947	12,468	44,414
	Net after Royalties	27,545	10,830	38,375
TOTAL mboe ³	Gross	138,481	53,952	192,433
	Net after Royalties	119,509	47,100	166,608

1B Gross Unrisked Prospective Resources ⁵ (2U) based upon 234 wells over 58,974 acres		
Natural Gas (mmcf)	Gross	1,680,391
	Net after Royalties	1,416,083
Condensate (mdbl)	Gross	37,356
	Net after Royalties	31,850
Natural Gas Liquids ¹ (mdbl)	Gross	46,680
	Net after Royalties	39,800
TOTAL LIQUIDS ² (mdbl)	Gross	84,036
	Net after Royalties	71,650
TOTAL mboe ³	Gross	364,101
	Net after Royalties	307,664

Table 1A – Best estimate Unrisked Contingent (2C) Resources and Table 1B - Prospective (2U) Resources of the Calima Lands as estimated by McDaniel & Associates effective 31 March 2020

Notes to accompany Tables 1A & 1B

(1) Natural Gas Liquids refers to the product recovered after processing. Approximately 10 bbl/MMcf of the product recovered after processing is also condensate (C5) see also Note 2.

(2) Sum of Condensate and Natural Gas Liquids. Based on Company drilling results public domain data and the results of wells drilled on adjacent land McDaniel estimate that the average condensate to gas ratio for wells in the Calima Lands would be 22.5 bbl/MMcf (wellhead condensate/gas ratio) for the Middle Montney and 17.5bbl/MMcf for the Upper Montney. Additional liquids 25bbl/MMCF would be stripped from the gas upon processing comprising 6 bbl/MMcf of C3, 9 bbl/MMcf of C4, and 10 bbl/MMcf of C5+ (Condensate).

(3) Barrels of Oil Equivalent based on 6:1 for Natural Gas, 1:1 for Condensate and C5+, 1:1 for Ethane, 1:1 for Propane, 1:1 for Butanes. BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

(4) Contingent Resources (2C) - Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. Contingent resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status. The Contingent Resources (2C) in Tommy Lakes have been sub-classified as a "Development on Hold" and "Development Pending" as the accumulation is well defined and does represent a viable drilling target. The Contingent Resources have been classified using a deterministic method of estimation having an evaluation date of 31 March 2020.

(5) Prospective resources (2U) are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbon. The Prospective Resources (2U) in Tommy Lakes have been sub-classified as a "Prospect" as the accumulation is well defined and does represent a viable drilling target. The prospective resources have also been classified using a deterministic method having an evaluation date of 31 March 2020.

(6) Pre-Development – A pre-development study is an intermediate step in the development of a project scenario. The amount of information that is available for the reservoir of interest is greater than for a conceptual study. In particular, the petroleum initially in place has been reasonably well defined and the remaining uncertainty lies largely in the recovery factor and the economic viability.

(7) The resources have been calculated on a reduced land position of 58,981 acres in which Calima Energy holds a 100% working interest. This includes 33,643 acres (49 sections) held under a 10-year Continuation Lease (valid to 2029) and the balance held leases that expiring in 2021/2.

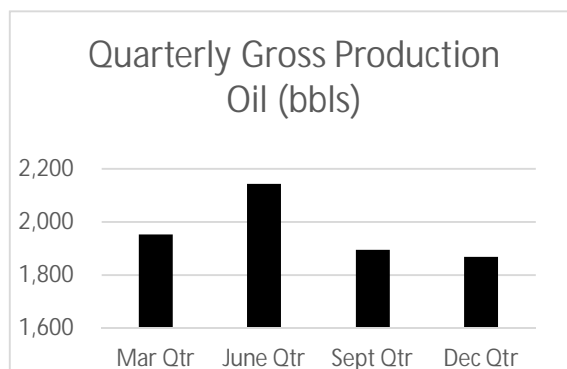
Paradise Well (100% WI)

The Paradise well (Official designation; Boundary 5-1-86-15 00/11-01-08615W6/0) is located 40 kilometres to the northeast of Fort St John and 180 km to the southeast of the Company's extensive Montney interests in northeast British Columbia.

Calima undertook the installation of additional oil storage at this location in September 2020 in advance of winter. This additional 800bbl of oil storage on location will ensure a higher number of days on production, as the well will not be shut in due to poor weather. The poor weather results in road conditions that are unfavourable to the transport of oil, and creates damage to the access roads that is costly to repair.

The well was placed on production in January 2019. In March 2019 the Company, announced that it has forward sold CAD1,200,000 of net production revenue from the Paradise well for the consideration of CAD1,000,000. The forward sale facility will be repaid monthly from net well production payments over a period of 36 months maturing 1 April 2022. The Balance owing on the facility is C\$~810,821, and in March 2021 both parties agreed to convert the balance of the loan to equity subject to shareholder approval and completion of the Blackspur acquisition.

The well produced a total of 6,318 barrels of oil during the year ended 2020 averaging ~23barrels of oil per producing day. Quarterly production is summarised below.



Merger with Blackspur Oil Corp

On 25 February 2021 Calima announced that it had entered into a binding agreement to acquire 100% of the issued share capital of Blackspur Oil Corp. ("Blackspur"), a privately held Canadian company owning producing oil and natural gas assets in two core areas within Alberta, at Brooks and Thorsby ("the Acquisition").

Blackspur's planned organic growth increases production to over 5,500 boe/d by drilling 24 low risk proven undeveloped (PUD) wells by year end 2022¹. In the 3rd Quarter 2018 Blackspur averaged production of 4,400 boe/d and peaked over 5,000 boe/d. With a significant drilling inventory of greater than 60 booked PUD¹ locations we believe these production targets are achievable and funded through cash flow at current pricing.

¹ Refer Calima announcement dated 25 February 2021

Blackspurs' existing investment in regenerative, proprietary H₂S removal technology also positions Calima with the ability to lower its CO₂ emission rates versus peers and offers a number of positive economic & environmental benefits vs. traditional technology.

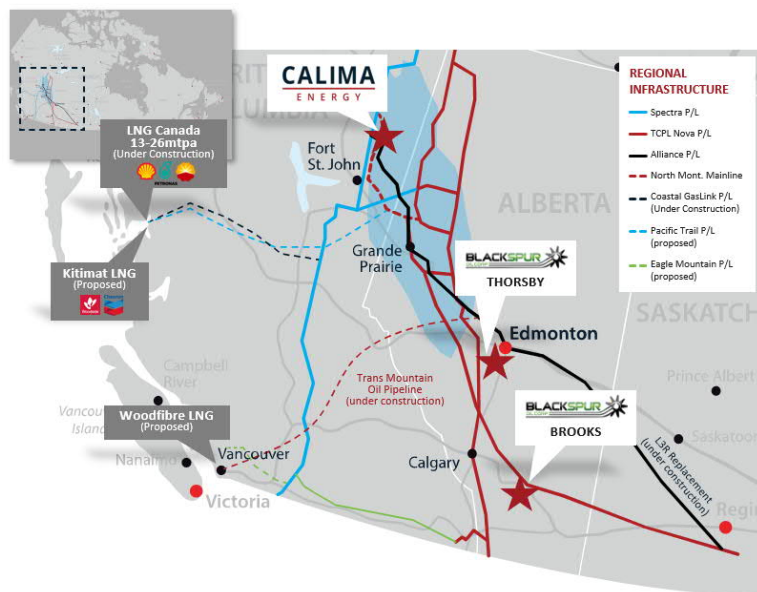
The deal is valued at C\$60,000,000 (inclusive of C\$43,000,000 in debt) plus working capital adjustments and includes all assets, reserves, production and the management team of Blackspur. Blackspur has invested over C\$200 million acquiring and developing its assets while creating inventory and infrastructure to accommodate growth to over 10,000 boe/d.

The base consideration payable to Blackspur shareholders is C\$17 million, comprised of no less than C\$12.1 million in Calima equity and up to C\$4.9 million in cash. The agreement also includes contingent consideration component of up to C\$4.5 million in Calima shares based on the net debt position of Blackspur upon closing (currently this adjustment is estimated to be -C\$3.2 million following reduced net debt as a result of improved Blackspur cashflows).

In addition to paying the cash consideration to Blackspur shareholders, the funds raised will be used to reduce Blackspur's credit facilities with National Bank of Canada from C\$43 million to approximately C\$13 million on a C\$20 million revolving credit facility; providing an undrawn bank capacity of C\$7 million to achieve strategic goals.

Calima has signed binding agreements with Blackspur and has received support agreements from over 73% of Blackspur shareholders to date, which is sufficient to meet regulatory hurdles for completion. The transaction was subject to a minimum funding of C\$33.5 million. On 16 March 2021 the Company confirmed that it had A\$37m of funding commitments. In addition, Calima has placed C\$1 million in escrow to secure the transaction and has undertaken extensive due diligence on the Blackspur assets. Closing is expected in late-April 2021, pending both the Company and Blackspur shareholder and regulatory approvals and satisfaction of the other conditions of the Acquisition. The ASX has confirmed that Listing Rules 11.1.2 and 11.1.3 do not apply to the Acquisition. A summary of the material terms of the Acquisition is set out in the Prospectus dated 10 March 2021.

Overview of Blackspur and its Assets



Blackspur's operations include high quality, producing assets in Alberta Canada with an oil weighted reserve base:

Net Reserves ²	<ul style="list-style-type: none"> • PDP: 5.4 MMboe – 3.29 MMbbl oil and 12.83 Bcfg • TP (1P): 16.7 MMboe - 11.0 MMbbl oil and 33.95 Bcfg • TPP (2P): 22.5 MMboe - 14.7 MMbbl oil and 47.01 Bcfg
Acquisition Metrics	<ul style="list-style-type: none"> • EV/Production: C\$23,077/boe • PDP: C\$11.06/boe

² Refer Calima announcement dated 25 February 2021

	<ul style="list-style-type: none"> • TP (1P): C\$3.59/boe • TPP (2P): C\$2.66/boe
Production	<ul style="list-style-type: none"> • 2020 Q4 average production: ~2,600 boe/d (70%) • Average 2021 forecast production: ~3,000 boe/d (65% oil) • Estimated Dec 2021 production: ~3,400 boe/d (65% oil) • Low-cost production: US\$26/bbl WTI break-even cost

The successful merger with Blackspur will transform Calima to a high margin oil & gas producer leveraged to WTI pricing targeting > 5,500 boe/d by December 2022 plus exposure to rising natural gas prices via its strategic holdings in the Montney Formation.

Blackspur was formed in 2012 and has since drilled 59 oil wells on its asset base. In Q3 2018, Blackspur reached peak production of over 5,000 boe/d. Blackspur has two core production areas in Alberta; Thorsby and Brooks. The Brooks asset produced in Q4 2020 ~1,860 boe/d and Thorsby ~740 boe/d. The combined assets have a liquids ratio of 70% and has a peer leading Liability Management Ratio (LMR) rating of ~4.63 with undiscounted ARO estimated at ~\$14.2 million.

Brooks

Blackspur has established a core position of land (~83 net sections) and significant infrastructure that creates a foundation for growth and expansion with year-round access. Blackspur has drilled 48 wells to date.

Brooks production comes from the Sunburst and Glauconitic formations. The Sunburst Formation can be developed at low cost (<C\$1m/well) delivering economic rates of return. Blackspur's existing infrastructure has capacity to process up to 7,000 bbl/d of oil.

As part of Blackspur's strategic plan to increase production to 3,400 boe/d by year end, Blackspur completed the drilling of a three well program (two new horizontal wells, and one horizontal re-entry well) targeting the Sunburst Formation in the Brooks area in March 2021. The new wells were drilled to an average total depth of 2,021 m with an average horizontal leg length of 770 m.

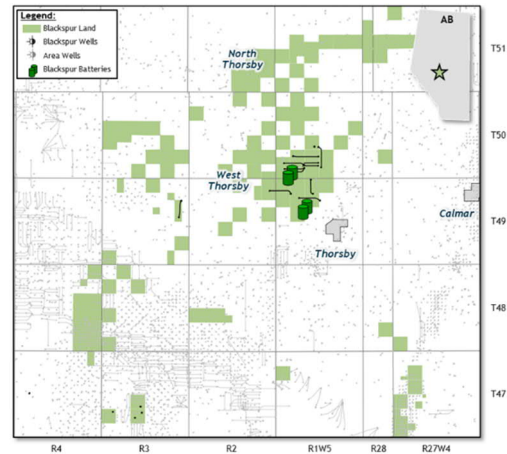
The Sunburst Formation wells are typically drilled in 7 days due to the shallow nature of the target interval and the conventional nature of the wells. The first well was spudded on March 3, 2021 and the drilling of the three wells was completed March 21, 2021. All wells were drilled under budgeted time and cost. As one well in the program was classified as a re-entry, the three well budget was only C\$2.4 million.

Downhole pressure gauges have been placed in the wells, and over the coming weeks, Blackspur will perform completion procedures for the three wells, followed by the equipping and tie-in process. Due to the conventional nature of the interval with high porosity and permeability, the completion process for a Sunburst well does not require hydraulic fracturing, acidizing, or any stimulation.

Each of the wells is considered an "on lease tie-in", meaning they have been drilled from existing well sites that are already tied into Blackspurs' extensive infrastructure with available capacity and thus do not require any long pipelines or any additional oil processing facilities.

As is customary, the three wells will be in the "clean up" stage when they are first brought on, producing water and drilling fluid at the beginning of the flow back period. Initial production rates after 45 days, (IP45) for the three wells will be known in early May 2021.

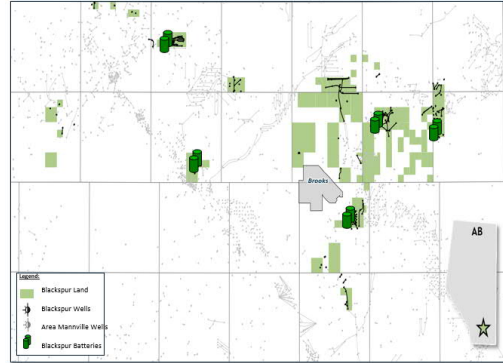
Future growth from the Brooks asset will come from the 147 net locations that have already been identified. These locations include the booked 16 Sunburst and 17 Glauconitic PUDs. Additional reserves are expected to be realized through implementation of enhanced oil recovery projects. Blackspur recently initiated a waterflood in the Countess J2J Pool which is expected to show results in the near term.



Thorsby

Thorsby provides a consolidated land base of ~108 net sections that will be efficiently developed through a network of multi-well pads. The Thorsby asset has year-round access and Blackspur has drilled 11 wells to date in the Sparky Formation.

Blackspur has spent over C\$5 million building infrastructure in the Thorsby area and has existing oil processing capacity of 3,000 bbl/d oil. Thorsby has a large inventory of wells to drill with 89 Sparky Formation and 12 Nisku Formation wells identified, which includes 28 Sparky PUD locations. Additionally, upside exists in 66 net sections of Duvernay Formation lands that are included in the merger.



Significant changes in the state of affairs

There were no changes in the state of affairs of the Group other than those referred to elsewhere in this report of the financial statements or notes thereto.

Significant events after reporting date

- On 25 February 2021, the Company announced it has entered into a binding agreement to acquire 100% of the issued share capital of Blackspur Oil Corp. acquisition, a privately held Canadian company which owns producing oil and natural gas assets in two core areas within Alberta, at Brooks and Thorsby.
- On 11 March 2021 the Company issued its Notice of Meeting, requesting shareholder approval for:
 - Acquisition of Blackspur
 - Approval to issue up to \$38m of Shares to fund the acquisition and working capital
 - Issue up to 127 million shares convert all debt owing on the parade well
 - Issue 38.5 million shares to consultants in lieu of fees associated with the transaction
 - Issue 98 million performance rights to management and directors
- On 16 March 2021 the Company confirmed that it had A\$37m of funding commitments meeting the minimum funding obligation to proceed with the Blackspur acquisition of C\$33.5 million.
- On 24 March 2021 the Company provided an update on the drilling of 3 Sunburst wells by Blackspur.

COVID-19 Pandemic

- The World Health Organisation announced that the new coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown at this stage.
- The full impact of COVID-19 outbreak continues to evolve as at the date of this report. As such the company is unable to estimate the effects of the COVID-19 outbreak on the Group's financial position, liquidity and operations in the financial year 2021.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in this interim report that have significantly, or may significantly affect the operations, results or state of affairs of the Group.

Likely future developments, prospects and expected results

Calima's strategy is to complete the merger with Blackspur and grow production from the Brooks and Thorsby assets to > 5,500 boe/d by December 2022. In addition, the Company will continue to develop its Montney acreage position through a strategic partnership or funding arrangement. Calima continues to seek strategic partnership and looks towards a final investment decision for project development within the next 18 months.

Environmental regulation and performance

There are no particular and significant environmental regulations that have affected the performance of the Group's operations.

Share options

At the date of the report the Company has 20,750,000 options on issue. No options have been converted to ordinary shares since the end of the financial period to the date of the report.

Number of Options	Exercise price	Expiry date
10,000,000	0.09	29-Aug-22
10,000,000	0.12	29-Aug-22
750,000	0.07	6-Nov-21
20,750,000		

Performance rights

At the date of the report the Company has 19,450,000 performance rights. No performance rights have been converted to ordinary shares since the end of the financial period to the date of the report.

Number of rights	Exercise price	Expiry date
19,450,000	-	29-Aug-22
19,450,000		

The Performance Rights will vest subject to completion of a minimum of 18 months' continuous service, 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 \$0.15;
- Calima raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and
- Calima's market capitalisation exceeding \$50 million (based on the VWAP for Calima shares for any period of 30 consecutive trading days).

The Performance Rights will vest immediately on a change of control of Calima that occurs at a price per share greater than \$0.15.

Performance Shares

On 31 December 2020, the Class A and Class C Performance Shares expired.

Officers' indemnities and insurance

The 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 as a result of work completed in their respective capabilities.

During the financial year, the Group has 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 \$49,350 (2019: \$66,138).

Indemnification of auditors

The Group has agreed to indemnify its Auditors, BDO Audit (WA) Pty Ltd, to the extent permitted by law, against any claim by a third party arising from Calima Energy Limited's breach of their agreement. The indemnity stipulates that Calima Energy Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Remuneration report (Audited)

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 Remuneration Committee 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 Remuneration Committee, 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 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.

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 Group has in place the following incentive plans:

- A Short-Term Incentive Plan providing for cash bonuses to be paid annually based on a combination of individual and corporate performance over the previous year.
- Management options providing long term equity incentives vesting on the certain continuous employment conditions; and
- A Performance Rights Plan (the "ASIC Relief Plan") for directors and employees

A summary of these Plans is set out below. The Board is of the opinion that these incentive plans achieve the following outcomes:

- Alignment of the interests of the Group's employees with that of shareholders;
- Retention of staff and management to pursue the Group's strategy and goals;
- Fair and reasonable reward for past individual and Group performance; and
- Incentive to deliver future individual and Group performance.

Performance Rights Plan

The Plan 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 grants of Performance Rights under the Plan. Subject to the satisfaction of the vesting conditions given to eligible participants, each Performance Right vest to one Share.

The Performance Rights are issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights. 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. Shares issued upon vesting may be freely transferred subject to compliance with the Group's securities trading rules.

As part of the merger acquisition of Blackspur, it is proposed that 96,000,000, 100% of the Performance Rights will vest following continued service of the holder as a consultant or employee of the Company for a period of 2 years from the date of their appointment, but to the extent that has not been achieved the Incentive Performance Rights will vest as follows: 48,000,000 Class A performance rights (which vest upon the VWAP of Calima Shares trading on the ASX being at least 1.0 cents over 20 consecutive trading days (on which Calima Shares have actually traded)) and 48,000,000 Class B performance rights (which vest upon the VWAP of Shares trading on the ASX being at least 1.5 cents over 20 consecutive trading days (on which Calima Shares have actually traded)).

It is proposed that Messrs. Whiddon, Lawrence and Stein will be issued 20,000,000, 10,000,000 and 6,000,000 Performance Rights respectively, subject to Calima Shareholder approval at the Calima General Meeting on 15 April 2021.

The vesting conditions applicable to all of the outstanding unvested Rights are set out below:

The Performance Rights will vest, subject to completion of a minimum of 18 months' continuous service, 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 \$0.15;
- Calima raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and
- Calima's market capitalisation exceeding \$50 million (based on the VWAP for Calima shares for any period of 30 consecutive trading days).

The Performance Rights will vest immediately on a change of control of Calima that occurs at a price per share greater than \$0.15 and expire regardless on or before 29 August 2021.

Management Options

The management options were granted to the management team and provided long term equity incentives vesting on the certain continuous employment conditions in 2017.

The Management Options were issued for nil cash consideration in two classes, Class A and Class B.

The Class A Management Options are exercisable at \$0.09 per Option once vested. The Class B Management Options are exercisable at \$0.12 per Option once vested. All of the Management Options expire 25 August 2022.

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 \$0.09;
- The Company raising more than \$5 million at an average price of \$0.09; 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 vest immediately on a Change of Control that occurs at an average price per share greater than \$0.09.

Short Term Incentive Plan

The Short-Term Incentive Plan provides for the payment of discretionary cash bonuses to Executive Directors, full time or part time employees or contractors of the Group annually in respect of their performance and the overall performance of the Group during the previous financial year. The Plan 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 Plan.

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.

Fixed remuneration for executives

Fixed remuneration for executives consists of base remuneration (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.

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. Employment contracts can be terminated by either party by providing 3 months' written 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 Remuneration Committee.

Remuneration

Details of the remuneration of the Directors of the Company and key management personnel are set out in the following tables.

The key management personnel of the Company include the following Directors and executive officers:

- Glenn Whiddon
- Alan Stein
- Brett Lawrence
- Neil Hackett - resigned 11 November 2020
- Jon Taylor - resigned 20 January 2020
- Mark Freeman - appointed 7 May 2020

The cash bonus and share-based payment rights detailed in the table below are performance related. Share-based payment options are related to ongoing service conditions with the Company. While options issued have no performance conditions, they were issued at an exercise price out of the money at grant date, which encourages 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 Company's remuneration policy to contain a discussion of the Company's earnings, performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five-year financial summary to 31 December 2020:

	Dec-20 12 months	Dec-19 12 months	Dec-18 12 months	Dec-17 12 months	Dec-16 12 months
Net loss after tax	(6,394,743)	(1,583,603)	(3,127,298)	(2,449,932)	(1,274,284)
EPS (cents) Basic	(0.29)	(0.10)	(0.40)	(0.58)	(0.33)
Year-end share price	\$0.008	\$0.007	\$0.055	\$0.05	\$0.008

Following is the table of remuneration for the year ended 31 December 2020:

Name	Short-term benefits (salaries & fees) ^(e)	Share-based payments ^(b) (options)	Share-based payments ^(b) (performance rights)	Total \$	Performance Related %
Directors					
G Whiddon ^(a)	150,860	-	-	150,860	-
N Hackett ^(c)	32,940	-	-	32,940	-
A Stein	104,759	8,599	8,118	121,476	13.8
B Lawrence	48,410	-	-	48,410	-
J Taylor ^(d)	25,919	8,599	24,804	59,322	56.3
Executives					
Mark Freeman	159,421	-	-	159,421	-
Total	522,309	17,198	32,922	572,429	

(a) Mr Whiddon received \$36,000 for Director's fees and \$114,860 for consulting fees.

(b) Vesting expense for the fair value of share-based payment awards determined at grant date in accordance with Australian Accounting Standards.

(c) Mr Hackett resigned 11 November 2020

(d) Mr Taylor resigned 20 January 2020

(e) \$268,753 of short-term benefits were paid in shares.

Following is the table of remuneration for the year ended 31 December 2019:

Name	Short-term benefits (salaries & fees)	Share-based payments ^(b) (options) \$	Share-based payments ^(b) (performance rights)	Total \$	Performance Related %
Directors					
G Whiddon ^(a)	107,302	-	-	107,302	-
N Hackett	36,000	-	-	36,000	-
A Stein	244,056	8,575	8,096	260,728	6.4
B Lawrence	5,000	-	-	5,000	-
J Taylor	128,017	8,575	24,736	161,328	20.6
Total	520,375	17,150	32,832	570,358	

(a) Mr Whiddon received \$36,000 for Director's fees and \$71,302 for consulting fees.

(b) Vesting expense for the fair value of share-based payment awards determined at grant date in accordance with Australian Accounting Standards.

Bonuses

The payment of bonuses is at the discretion of the Board, having regard to the overall performance of the Company and the performance of the individual. At the end of the financial year no bonuses were paid.

Employee share benefits plan

At the end of the financial year the following share-based payment arrangements were in existence. The Performance Rights will vest subject to the satisfaction of certain performance criteria as disclosed above. The Management Options will vest subject to the satisfaction of certain performance criteria as disclosed above.

Performance shares

Following is the table of performance shareholdings for the year ended 31 December 2020:

31 December 2020	Balance 1 January 2020	Exercised	Expired	Balance 31 December 2020
Direct interest				
Directors				
G Whiddon	-	-	-	-
A Stein	14,912,276	-	(14,912,276)	-
B Lawrence	-	-	-	-
J Taylor*	292,398	-	(292,398)	-
N Hackett	-	-	-	-
Executives				
Mark Freeman	-	-	-	-
	15,204,674	-	(15,204,674)	-

* J Taylor resigned on 20 January 2020.

Performance rights

The table below represents performance rights issued still in existence at the end of the financial year:

Grant date	Grant date fair value	Vesting dates	Total valuation (\$)	% vested to date
29-Aug-2017	0.015	29-Aug-22	164,250	67%

Following is the table of rights holdings for the year ended 31 December 2020:

31 December 2020	Balance 1 January 2020	Granted as remuneration	Exercised	Net change Other (i)	Balance 31 December 2020	Vested at 31 December 2020
Direct interest						
Directors						
G Whiddon	-	-	-	-	-	-
A Stein	2,700,000	-	-	-	2,700,000	-
B Lawrence	-	-	-	-	-	-
J Taylor	8,250,000	-	-	(8,250,000)	-	-
N Hackett	-	-	-	-	-	-
Executives						
Mark Freeman	-	-	-	-	-	-
	10,950,000	-	-	(8,250,000)	2,700,000	-

Management Options

The table below represents Management Options issued still in existence at the end of the financial year:

Tranche number	Grant date	Grant date fair value	Vesting dates	Total value (\$)	% vested to date
1	29-Aug-2017	0.008	29-Aug-22	52,800	67%
2	29-Aug-2017	0.005	29-Aug-22	33,000	67%

Following is the table of rights holdings for the year ended 31 December 2020:

31 December 2020	Balance 1 January 2020	Granted as remuneration	Exercised	Net change Other	Balance 31 December 2020	Vested at 31 December 2020
Directors						
G Whiddon	-	-	-	-	-	-
A Stein	6,600,000	-	-	-	6,600,000	-
B Lawrence	-	-	-	-	-	-
J Taylor	6,600,000	-	-	(6,600,000)	-	-
N Hackett	-	-	-	-	-	-
Executives						
Mark Freeman	-	-	-	-	-	-
	13,200,000	-	-	(6,600,000)	6,600,000	-

Shareholdings

Following is the table of shareholdings for the period ended 31 December 2020:

31 December 2020	Balance 1 January	Acquired	Disposed Other	Granted as compensation	Balance 31 December
Direct interest					
Directors					
G Whiddon	14,074,472	-	-	10,273,057	24,347,529
N Hackett (resigned 11 Nov 20)	314,073	-	(4,380,217)	4,066,144	-
A Stein	31,499,182	-	(12,041,466)	6,864,226	26,321,942
B Lawrence	-	-	-	-	-
J Taylor (resigned 20 Jan 20)	18,251,421	-	(18,251,421)	-	-
Executives					
Mark Freeman	-	-	-	-	-
	64,139,148		(34,673,104)	21,203,427	50,669,471

Indirect interest (i)					
Directors					
G Whiddon (ii)	68,240,732	10,000,000	-	-	78,240,732
A Stein	13,333,833	12,041,091	-	-	25,374,924
N Hackett(resigned 11 Nov 20)	666,666	-	(666,666)	-	-
J Taylor(resigned 20 Jan 20)	-	-	-	-	-
B Lawrence	1,540,217	-	-	5,632,464	7,172,681
Executives					
Mark Freeman	-	-	555,555	1,719,670	2,275,225
	83,781,448	22,041,091	(111,111)	7,352,134	113,063,562

- (i) Indirect interests are shareholdings that the director has a relevant interest in but is not the registered holder.
- (ii) Glenn Whiddon: Please note that Mr Whiddon only has a control in 888,888 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.

Other Transaction with Key Management Personnel

During the year ended 31 December 2020, the Company had a consulting agreement with Havoc Partner Services (Havoc), under which five Havoc members are engaged as members of the Company's management team. The member includes Director Alan Stein, Technical Director Jon Taylor and senior geoscientists Mark Sofield, Richard Higgins and Justin Norris. Payments made to Havoc during the relevant period were \$61,957 (2019: \$361,796). The amounts owed to Havoc as at 31 December 2020 was nil (2019: \$20,277). The services performed were on commercial terms and at arms lengths.

Voting of shareholders at last year's annual general meeting

The Company received more than 99.75% of "yes" votes on its remuneration report for the 2019 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of audited remuneration report

Non-audit services

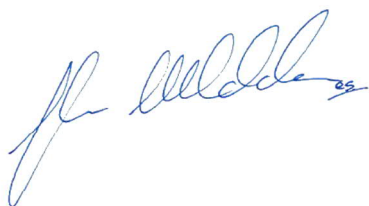
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important. The Board of Directors are satisfied that the provision of the non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of the amount paid or payable to the auditor for audit services provided during the year are set out in Note 23.

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 21.

Signed in accordance with a resolution of the Directors.



Glenn Whiddon
Chairman
31 March 2021

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF CALIMA ENERGY LIMITED

As lead auditor of Calima Energy Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2021

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Notes	12 Month 31 December 2020 \$	12 Month 31 December 2019 \$
Profit or Loss			
Net Proceeds from the Paradise Oil Well		261,998	233,276
Profit on sale of Namibian assets		-	1,427,343
Other income		17,924	48,780
Interest income		1,028	11,383
Interest expense		(154,753)	(180,639)
General and administrative expenses	3	(1,633,501)	(3,123,746)
Site rehabilitation expense		(1,853,761)	-
Impairment - Investment		(1,076,402)	-
Impairment - Exploration		(1,957,275)	-
Loss before income tax		(6,394,743)	(1,583,603)
Income tax	4	-	-
Loss for the year attributable to the owners of the parent		(6,394,743)	(1,583,603)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(2,221,704)	2,129,754
Other comprehensive loss for the year, net of tax		(2,221,704)	2,129,754
Total comprehensive income/(loss) for the year attributable to the owners of the parent		(8,616,447)	546,151
Loss per share		Cents	Cents
Basic and diluted loss per share	15	(0.29)	(0.10)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

As at 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,697,087	3,661,879
Trade and other receivables	6	91,763	1,834,451
Total Current Assets		1,788,849	5,496,330
Non-Current Assets			
Other Assets	7	534,563	-
Property, plant and equipment		480,977	12,121
Right of use asset	11	649,975	27,150
Exploration and evaluation expenditure	8	60,267,588	62,862,296
Investments	9	-	1,126,089
Total Non-Current Assets		61,933,104	64,027,656
TOTAL ASSETS		63,721,954	69,523,986
LIABILITIES			
Current Liabilities			
Trade and other payables	10	504,461	201,456
Other liabilities		138,458	-
Lease liabilities	11	209,423	29,104
Borrowings	11	857,212	-
Total Current Liabilities		1,709,554	230,560
Non-Current Liabilities			
Borrowings	11	-	851,248
Lease Liabilities	11	460,569	-
Restoration provisions	12	4,676,261	3,255,663
Total Non-Current liabilities		5,136,830	4,106,911
TOTAL LIABILITIES		6,846,384	4,337,471
NET ASSETS		56,875,569	65,186,515
EQUITY			
Issued capital	13	296,329,242	296,108,276
Reserves	14 (b)	15,714,572	17,851,741
Accumulated losses	14 (a)	(255,168,245)	(248,773,502)
TOTAL EQUITY		56,875,569	65,186,515

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

As at 31 December 2020

	Share capital	Share-based payment reserve	Foreign Exchange Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
At 1 January 2019	284,246,600	15,652,075	(14,392)	(247,189,899)	52,694,384
Loss for period	-	-	-	(1,583,603)	(1,583,603)
Other comprehensive income/(loss)	-	-	2,129,754	-	2,129,754
Total comprehensive loss for the year	-	-	2,129,754	(1,583,603)	546,151
Transactions with owners in their capacity as owners					
Issue of Share Capital	12,700,067	-	-	-	12,700,067
Less cost of the offer	(930,694)	-	-	-	(930,694)
Converted performance shares	71,052	-	-	-	71,052
Issue of shares to advisors	21,251	-	-	-	21,251
Share based payments	-	84,304	-	-	84,304
At 31 December 2019	296,108,276	15,736,379	2,115,362	(248,773,502)	65,186,515
At 1 January 2020	296,108,276	15,736,379	2,115,362	(248,773,502)	65,186,515
Loss for period	-	-	-	(6,394,743)	(6,394,743)
Exchange differences on foreign operations	-	-	(2,221,704)	-	(2,221,704)
Total comprehensive loss for the year	-	-	(2,221,704)	(6,394,743)	(8,616,447)
Transactions with owners in their capacity as owners					
Shares issued to advisors	25,000	-	-	-	25,000
Share based payments – refer Note 21	195,966	84,535	-	-	280,501
At 31 December 2020	296,329,242	15,820,914	(106,342)	(255,168,245)	56,875,569

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

		31 December 2020	31 December 2019
	Notes	\$	\$
Cash flows from operating activities			
Net receipts from operations of oil well		184,573	274,805
Payments to suppliers and employees		(846,618)	(2,411,241)
Interest received		1,028	10,073
Net cash flows used in operating activities	18	(661,017)	(2,126,363)
Cash flows from investing activities			
Payments for exploration, evaluation and development expenditure		(2,156,331)	(31,296,767)
Proceeds from the sale of exploration and evaluation assets		-	2,912,862
GST /PST Refund		1,366,502	-
Net cash flows used in investing activities		(789,829)	(28,383,905)
Cash flows from financing activities			
Proceeds from issue of shares		-	12,700,067
Payments of Capital Raising costs		-	(930,694)
Investment Loan		-	1,063,123
Payment of lease liabilities		(259,488)	-
Payments of borrowings		(232,431)	(244,601)
Net cash flows used in financing activities		(491,919)	12,587,895
Net increase (decrease) in cash and cash equivalents		(1,942,765)	(17,922,373)
Net foreign exchange differences		(22,027)	112,848
Cash and cash equivalents at the beginning of the financial year		3,661,879	21,471,404
Cash and cash equivalents at end of the financial year	5	1,697,087	3,661,879

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2020

1. Corporate information

The consolidated financial report of Calima Energy Limited for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 31 March 2021.

Calima Energy Limited is a Company limited by shares incorporated in Australia by shares which are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Summary of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncement of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where stated.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed where appropriate.

For the purpose of preparing the consolidated financial statements, the Group is a for-profit entity.

Except as disclosed the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and by all entities in the consolidated entity.

a) Compliance statement

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

b) Adoption of new and revised Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

c) Going concern and basis of accounting

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors are of the opinion that the Group can meet its obligations as and when they fall due.

For the year ended 31 December 2020 the Group recorded a loss of (\$6,394,743) (2019: \$1,583,603) and had net cash outflows from operating activities of \$661,017 (2019: \$2,126,363). The statement of financial position displays a net working capital surplus of \$79,295 (2019: \$5,265,770). Included within this is cash on hand of \$1,697,087 (2019: \$3,661,879).

The ability of the Group to continue as a going concern is dependent on it completing the \$37m raising as part of the Blackspur acquisition or undertaking additional alternative fundraisings.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have reasonable grounds to believe that the Group will continue as a going concern due to the firm commitments in place for \$37m as part of the Blackspur acquisition and as announced on 16 March 2021.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that may be necessary should the Group be unable to continue as a going concern.

Notes to the consolidated financial statements

For the year ended 31 December 2020

d) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Calima Energy Limited and its subsidiaries (as outlined in Note 21) (the Group) as at and for the period ended 31 December each year.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvements with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions have been eliminated in full.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

f) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Calima Energy Limited is Australian dollars (\$). The Canadian subsidiary functional currency is Canadian Dollars and the United Kingdom subsidiary functional currency is Great British Pounds which are translated to the presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the average exchange rate prevailing in the period of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency

The results of the Canadian and United Kingdom subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction, or the average exchange rate over the year. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity until the net investment is disposed, at which time, the cumulative amount is reclassified to the profit and loss.

g) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating result are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Notes to the consolidated financial statements

For the year ended 31 December 2020

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

i) Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences/permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the profit and loss component of the consolidated statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (r)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to oil and gas property and development assets within property, plant and equipment.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

j) Investments

Investments are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

The Group's unlisted investment is held as a financial asset at fair value through profit or loss, whereby fair value movements are recognised in profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2020

k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment over 2 to 20 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Derecognition

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit and loss in the period the item is derecognised.

l) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

m) Provisions and employee benefits

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognised termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Notes to the consolidated financial statements

For the year ended 31 December 2020

n) Share-based payments

The Group provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares. The fair value of equity instruments granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the equity instruments.

The fair value of the performance rights and share options granted is measured using appropriate valuation methodology. These models take into account the terms and conditions upon which the rights and options were granted and the probability of achieving each required milestone.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on straight-line basis from the grant date to the date on which the relevant employees become fully entitled to the award ("vesting date"). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding equity instruments is reflected as additional share dilution in the computation of earnings per share.

o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p) Income tax and other taxes

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Other taxes

Revenues, expenses and assets are recognised net of the amount of Government Sales Tax ("GST") except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payable are stated with the amount of GST included

The net amount of GST recoverable from the taxation authority is included as part of the receivables in the statement of financial position. The amount of GST payable to the taxation authority is included as part of the payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Notes to the consolidated financial statements

For the year ended 31 December 2020

q) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted Earnings Per Share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

r) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

s) Accounting for the Borrowings associated with the Paradise Well

On 20 March 2019, the company announced that it had forward sold C\$1,200,000 of net production revenue from the Paradise well. Calima owns 100% of the Paradise well (Official designation; Boundary 5-1-86-15 00/11-01-08615W6/0), located 40 km to the northeast of Fort St John and 180 km to the southeast of the Company's extensive Montney interests in northeast British Columbia. The forward sale facility will be repaid monthly from net well production payments over a period of 36 months.

This transaction is accounted for as a borrowing which has been in part been set-off by the carrying amount of the oil and gas property (which has thus been derecognised). Net proceeds from the operation of the well are recognised as a single line item in Profit and Loss. The borrowing is accounted for as a financial liability at amortised cost with an interest expense being calculated based on the effective interest rate. The effective interest rate was the rate that exactly discounts the carrying amount of the borrowing and the expected payments against it over the life of the loan.

Significant accounting estimates and judgments

In the process of applying the Group's accounting policies, management has made judgements that have significant effects on the amounts recognised in the financial statements. In additions, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The judgements and estimates which have the most significant effect on the amounts recognised in the financial statements are as follows:

Asset acquisition

The asset acquisition of the Tommy Lakes Infrastructure does not meet the definition of a business combination and as such the transaction has been accounted for as an asset acquisition. Purchase prices related to asset acquisitions are allocated to the underlying acquired assets and liabilities based on cost and/or their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocated impact Calima Energy Limited's reported assets and liabilities, future net earnings due to the impact of future depreciation and amortisation expense and impairment tests. No goodwill or deferred tax implications will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

Rehabilitation provision

As part of the acquisition the consolidated entity acquired the related environmental and rehabilitation liabilities. A provision has been made for the present value of anticipated costs for future rehabilitation of the facilities. The consolidated entity's exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of facility estimates and discount rates could affect the carrying amount of this provision.

Equity investments

The investment related to a shareholding of 8.5% interest in Bahari Holding Company Limited. In light of the current economic and low oil price environment the company has taken a prudent view to impair its interest in Bahari Holding Company Limited.

Notes to the consolidated financial statements

For the year ended 31 December 2020

Foreign currency translation

Under the Accounting Standards, each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. In arriving at this determination, management gives priority to the currency that influences the labour, materials and other costs of exploration activities as they consider this to be a primary indicator of the functional currency.

Income and associated taxes

The Group estimates the existence and amount of its tax liabilities based on its understanding of the tax laws in the relevant jurisdictions. In the case where the final tax outcomes are different from amounts initially assessed, such differences will impact the amount of current and deferred tax liabilities and assets recorded. At 31 December 2020, no liability has been recorded in respect of income or other associated tax obligations.

Notes to the consolidated financial statements

For the year ended 31 December 2020

	2020	2019
	\$	\$
3. General and administrative expenses		
Employee benefit and Director compensation expense	375,893	318,373
Directors' share based payment expense	280,501	84,304
	656,393	402,676
Other share based payments	25,000	92,303
Corporate overheads	899,218	2,509,147
Depreciation of property plant and equipment	52,890	119,620
	1,633,501	3,123,746
4. Income tax expense		
Major components of income tax expense for the periods ended 31 December 2020 and 2019:		
Statement of comprehensive income		
Current income tax		
- Current income tax credit	-	-
- Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
- Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in statement of comprehensive income	-	-
Reconciliation of income tax expense to prima facie tax:		
Accounting loss before income tax	(6,394,743)	(1,583,603)
At the statutory income tax rate of 30% (31 December 2019: 27.5%)	(1,918,423)	(435,491)
- Expenditure not allowable for income tax purposes	123,557	363,423
- Share based payment expense	25,360	48,567
- Temporary differences not recognised as deferred tax asset	(37,184)	(210,157)
- Current year losses not recognised as deferred tax asset	1,352,988	257,458
- Foreign tax rate differential	453,702	(23,800)
Income tax reported in statement of comprehensive income	-	-
Deferred income tax		
Recognised on the statement of financial position		
Deferred income tax at 31 December relates to the following:		
Deferred income tax assets		
- Foreign exchange	(35,477)	6,934
- Accrued expenditure	13,500	6,325
- Tax losses	12,597,972	6,665,618
- Exploration	(5,641,342)	(559,648)
- Other	503,758	335,514
- Deferred tax assets not recognised	(7,438,411)	(6,454,744)
	-	-
Net deferred tax asset/(liability)	-	-

Notes to the consolidated financial statements

For the year ended 31 December 2020

The deductible temporary differences and the tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise benefits. The Group has unrecognised tax losses of \$7,438,411 (31 December 2019: \$6,454,744). The unrecognised losses for 2020 all originate in Australia. All losses are revenue in nature.

Tax consolidation

For the purposes of income taxation, the Group and its 100% controlled Australian entity have not elected to form a tax consolidated group.

	2020	2019
	\$	\$
5. Cash and cash equivalents		
Cash at bank and on hand	1,697,087	3,661,879
	1,697,087	3,661,879

	2020	2019
	\$	\$
6. Trade and other receivables		
GST/VAT receivable	5,479	1,384,195
Prepayments	86,005	375,866
Bank guarantees	-	47,992
Other	279	26,398
	91,763	1,834,451

Trade and other receivables are neither past due nor impaired. These are non-interest bearing and generally have repayments between 30-90 days. Their carrying values approximate their fair value.

	2020	2019
	\$	\$
7. Other Assets		
Balance at beginning of the year	-	-
Deposits	534,563	-
	534,563	-

(i) LMR Security Deposits with BC Oil & Gas Commission

	2020	2019
	\$	\$
8. Exploration and Evaluation Expenditure		
Balance at beginning of the year	62,862,296	32,438,808
Exploration expenditure incurred	1,665,483	30,053,809
(Disposal)/Acquisition of Namibian assets	-	(1,485,519)
Impairment ⁽ⁱ⁾	(1,957,275)	-
Foreign exchange movements	(2,302,916)	1,855,198
	60,267,588	62,862,296

(i) The Company is not capitalising any additional Exploration and Evaluation Expenditure associated with its Canadian Business.

Notes to the consolidated financial statements

For the year ended 31 December 2020

9. Investments

	2020	2019
	\$	\$
Balance at the beginning of the period	1,126,089	1,080,852
Impairment of investment	(1,076,402)	-
Foreign exchange movement	(49,687)	45,237
	-	1,126,089

The investment related to a shareholding of 8.5% interest in Bahari Holding Company Limited. In light of the current economic and low oil price environment the company has taken a prudent view to impair its interest in Bahari Holding Company Limited.

10. Trade and other payables

Trade creditors and accruals

	2020	2019
	\$	\$
	504,461	201,456
	504,461	201,456

Trade creditors are non-interest bearing and are normally settled on 30-day terms

11. Loans & Lease Liabilities

Loan⁽ⁱ⁾

Loan amount

Offset against Oil and Gas property

Opening balance of loan

Payments

Interest Expense

Depletion

Foreign exchange movement

Lease Liabilities⁽ⁱⁱ⁾

	2020	2019
	\$	\$
	851,248	1,055,893
	-	(173,074)
	851,248	882,818
	(196,912)	(244,601)
	157,846	180,639
	52,890	-
	(7,860)	32,392
	857,212	851,248
	669,992	-

(i) During the previous year, the Group entered into an arrangement to borrow CAD1,000,000. This facility, inclusive of CAD200,000 cash interest, is repayable through monthly remittance of net cash flows from the Paradise Well (official designation: Boundary 5-1-86-15 00/11-01-08615W6/0, located 40km north-east of Fort St. John and 180km southeast of the Group's core interests in the Montney) to the lender, over a maximum period of thirty-six (36) months to 1 April 2022. At the end of the term, any sum that has not been settled through the net cash flows from the well are payable in cash upon maturity.

Additionally, the loan contains a conversion feature. At any time between the 1 October 2021 and 1 April 2022, the lender may convert the outstanding balance of the loan into shares in Calima Energy Limited (at a price of the 20-day VWAP prior to such election), subject to shareholder approval. Furthermore, at any time, the lender may take ownership of the Well in full and final settlement of any liability under this agreement.

Notes to the consolidated financial statements

For the year ended 31 December 2020

(ii) The Statement of Financial Position shows the following amounts relating to leases:

	2020	2019
Right-of use assets	\$	\$
Equipment	649,975	-
	649,975	-
Lease Liabilities		
Current	209,423	-
Non-current	460,569	-
	669,992	-

On 7 August 2020 the Company entered into a lease to buy agreement with New Wave Energy Services in respect of the 4 C-Rings on location at the Calima Lands. The agreement has an effective date of 1 January 2020 and requires monthly rental payments of C\$20,000 plus taxes payable. The acquisition price of the C-Rings is set at C\$960,000 with any lease payments offset against the acquisition price. As at 31 December 2020, the remaining lease to buy balance is C\$720,000. In the event the Company's subsidiary in Canada, Calima Energy Inc, undertakes a fundraising greater than C\$5,000,000 an acquisition and payment of the remaining balance is required.

12. Restoration Provisions

	2020	2019
	\$	\$
Opening Balance	3,255,663	43,873
Additional provision	-	3,181,635
Restoration obligations assumed from acquisition	1,853,761	
Fair value movement in restoration provision for existing wells	(216,013)	-
Foreign exchange movement	(217,151)	30,155
	4,676,261	3,255,663

Calima estimates for abandonment and remediation for the current Calima assets sits at a combined total of CAD 4,591,153. The majority of this estimate relates to the cost of reclamation of the Montney padsite.

Calima Energy Inc currently holds the license to 3 wells in NE British Columbia as summarised below:

Paradise Well

The first of these wells is a producing oil well with a single well facility license associated with it. All of this equipment is contained within a single surface lease at 5-1-86-15 W6M. This location is on flat ground and required minimal earth movement during construction.

Montney wells and Pad

The second and third wells are the Montney gas wells located at A-54-C/94-G-9. These wells were drilled from one pad. Adjacent to this pad is a water storage facility that houses 4 X 6,500m³ C-rings in a clay lined engineered berm. Two of these C-rings currently contain produced flow back water from the wells and the other two have an inventory of fresh water.

Notes to the consolidated financial statements

For the year ended 31 December 2020

13. Issued capital

	Number	\$
(a) Share capital		
Ordinary shares fully paid	2,191,938,208	296,329,242
(b) Movements in ordinary shares on issue		
Balance at 1 January 2020	2,155,572,225	296,108,276
Issued for services rendered to the Company – 14 July 2020 ⁽ⁱ⁾	11,902,002	59,742
Issued for services rendered to the Company – 18 September 2020	3,500,000	25,000
Issued for services rendered to the Company – 14 October 2020 ⁽ⁱ⁾	20,963,981	136,224
Costs associated for issuing shares in public offers	-	-
Balance at 31 December 2020	2,191,938,208	296,329,242
Balance at 1 January 2019	1,444,885,070	284,246,600
Conversion of Class B Performance Shares – 2 July 2019	3,947,360	71,052
Issued for services rendered to the Company – 2 July 2019	1,180,598	21,251
Issue of ordinary shares - 8 July 2019	222,222,222	4,000,000
Issue of ordinary shares - 5 August 2019	131,963,716	2,375,347
Issue of ordinary shares – 5 August 2019	351,373,270	6,324,719
Costs associated for issuing shares in public offers	-	(930,693)
Balance at 31 December 2019	2,155,572,225	296,108,276

i) At the Annual General Meeting dated 29 May 2020 as per the AGM results lodged in ASX, shareholder approval was received for each of the Directors to receive Shares in lieu of 100% of Director's fees and consultancy fees payable to them in the period 1 April 2020 to 31 March 2021 as part of the Company's strategy to sustain its business in the current volatile commodity price environment. Consultants will also receive Shares in lieu of a portion of the consultancy fees payable to them on similar terms as the Directors.

(c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held.

(d) Movements in number of performance shares on issue

	2020	2019
	Number	Number
Balance 1 January	16,081,866	20,029,226
Vested and converted into ordinary shares	-	(3,947,360)
Performance shares expired	(16,081,866)	-
Balance at 31 December	-	16,081,866

(e) Movements in number of performance rights on issue

	2020	2019
	Number	Number
Balance 1 January	19,450,000	19,450,000
Balance at 31 December	19,450,000	19,450,000

The performance rights were granted to senior management, and vest into ordinary shares upon the satisfaction of certain performance obligations. Please refer to Note 21 for further information.

Notes to the consolidated financial statements

For the year ended 31 December 2020

	2020	2019
(f) Movements in number of options on issue	Number	Number
Balance 1 January	30,750,000	32,750,000
Options Expired	(10,000,000)	(2,000,000)
Balance at 31 December	20,750,000	30,750,000

	2020	2019
14. Accumulated losses and reserves	\$	\$
(a) Movements in accumulated losses were as follows:		
Balance 1 January	248,773,502	247,189,899
Net loss attributable to members	6,394,743	1,583,603
Balance at 31 December 2020	255,168,245	248,773,502

(b) Other reserves

	Foreign currency translation	Share based payment reserve	Total
	\$	\$	\$
At 31 December 2018	(14,392)	15,652,075	15,637,683
Foreign currency translation	2,129,754	-	2,129,754
Share based payments	-	84,304	84,304
At 31 December 2019	2,115,362	15,736,379	17,851,741
Share based payments	-	84,535	84,535
Foreign currency transition	(2,221,704)	-	(2,221,704)
At 31 December 2020	(106,342)	15,820,914	15,714,572

Nature and purpose of reserves

Share-based payment reserve

The share-based payment reserve is used to record the value of equity instruments other than ordinary shares provided to employees, as part of their remuneration, and others, for services rendered.

Foreign currency translation

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	2020	2019
15. Loss per share		
Basic and diluted loss per share (cents per share)	(0.29)	(0.10)
Losses attributable to ordinary equity holders of the parent used (\$):	(6,394,743)	(1,583,603)
Weighted average number of ordinary shares used (Number):	2,166,692,490	1,752,526,058

As the Group is in a loss-making position, the potential ordinary shares, which include the Performance Shares, the Performance Rights, and the Options, are not included in calculating diluted loss per share as they are anti-dilutive.

Notes to the consolidated financial statements

For the year ended 31 December 2020

16. Commitments

Land Rentals

The Group has the following obligations in respect of non-cancellable land rental over drilling rights

- Later than one year but no more than five years: \$140,924 (2019: \$137,340)

The Company had no other commitments at the year-end that have not been disclosed elsewhere in this report.

17. Segment reporting

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group's activities related to oil and gas exploration.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

18. Reconciliation of cash flows from operating activities

	2020	2019
	\$	\$
Cash flows from operating activities		
Profit/(Loss) for the period	(6,394,743)	(1,583,603)
Adjustments for:		
Depreciation	52,890	119,620
Share based remuneration	280,501	84,304
Other share-based payments	25,000	92,303
Interest expense	154,753	180,639
Site rehabilitation expenses	1,853,761	-
Impairment - investment	1,076,402	-
Impairment - exploration	1,957,275	-
Changes in assets and liabilities		
Decrease/(increase) in trade receivables	(79,215)	(300,198)
Increase/(decrease) in trade creditors and accruals	412,359	(719,428)
Net cash used in operating activities	(661,017)	(2,126,363)

19. Financial risk management objectives and policies

Overview

The Group have exposure to the following risks from their use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Notes to the consolidated financial statements

For the year ended 31 December 2020

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's principal financial instruments are cash, short-term deposits, receivables and payables.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances. The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

31 December 2020	Weighted average effective interest rate	1 Year or Less	Over 1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
Financial assets					
Variable interest rate	1.00%	1,697,087	-	-	1,697,087
		1,697,087	-	-	1,697,087
Financial liabilities					
Non-interest bearing		642,919	-	-	642,919
31 December 2019					
Financial assets					
Variable interest rate	1.00%	3,661,879	-	-	3,661,879
		3,661,879	-	-	3,661,879
Financial liabilities					
Non-interest bearing		230,560	-	-	230,560

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown in the following.

31 December 2020	Carrying value at 31 December	Profit or loss	
		25 bp increase	25 bp decrease
	\$	\$	\$
Financial assets			
Cash and cash equivalents	1,697,087	4,243	(4,243)
Cash flow sensitivity (net)		4,243	(4,243)
		Profit or loss	

Notes to the consolidated financial statements

For the year ended 31 December 2020

31 December 2019	Carrying value at 31 December	25 bp increase	25 bp decrease
	\$	\$	\$
Financial assets			
Cash and cash equivalents	3,661,879	9,155	(9,155)
Cash flow sensitivity (net)		9,155	(9,155)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents.

The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to credit risk is the carry value of the receivable, net of any allowance for doubtful debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group does not place funds on terms longer than 120 days and has the facility to place the deposit funds with more than one bank.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2020	2019
	\$	\$
Cash and cash equivalents	1,697,087	3,661,879
Trade and other receivables	91,763	1,834,451
	1,788,849	5,496,330

The Group is not significantly exposed to credit risk from its operating activities, however the Board constantly monitors customer receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Group does not hold collateral as security. No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to financial instruments and cash deposits. Credit rating of cash is A+; all funds are held by Royal Bank of Canada and NAB which have government guarantees on deposits.

Impairment losses

None of the Group's receivables are past due. The Group's trade receivables are all current at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility.

The following are the contractual maturities of financial liabilities:

Consolidated – 31 December 2020	Carrying amount	Contractual cash flows	6 months or less	6 Months – 3 Years
	\$	\$	\$	\$
Trade and other payables	504,461	504,461	504,461	-
Loan	857,212	1,081,135	-	1,081,135
	1,361,673	1,585,596	504,461	1,081,135

Notes to the consolidated financial statements

For the year ended 31 December 2020

Consolidated – 31 December 2019	Carrying amount	Contractual cash flows	6 months or less	6 Months – 3 Years
	\$	\$	\$	\$
Trade and other payables	201,456	201,456	201,456	-
Loan	851,248	1,081,135	-	1,081,135
	1,052,704	1,282,591	201,456	1,081,135

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 31 December 2020.

The capital structure of the Group consists of net debt (trade payables and Income tax (receivable)/payable detailed in Notes 10 and 4 offset by cash and bank balances detailed in Note 5) and equity of the Group (comprising issued capital, reserves, offset by retained losses detailed in Notes 13 and 14).

The Group is not subject to any externally imposed capital requirements.

The Group's Board of Directors reviews the capital structure on an ongoing basis. As part of this review the Board considers the cost of capital and the risks associated with each class of capital. In order to maintain the capital structure, the Group may issue fresh equity, return capital to shareholders or farm out part of its assets.

Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group approximate their carrying value.

Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's previous operating activities (when revenue or expenses is denominated in a different currency from the Group's presentation currency) and the Group's net investment in foreign subsidiaries. Due to previous operations, the majority of the cash held at 31 December 2020 was denominated in Canadian Dollars

As a result of significant cash balance denominated in Canadian Dollars (CAD\$), the Group's statement of financial position can be affected significantly by movements in the CAD\$ / A\$ exchange rates.

The Group had the following exposure to CAD\$ foreign currency:

	2020	2019
Financial assets	\$	\$
Cash and cash equivalents	1,408,828	1,060,017
Trade and other receivables	29,100	1,685,027
	1,437,928	2,745,044
Financial liabilities		
Trade and other payables	376,411	15,402
Loan	857,212	851,248
	1,233,623	866,650

The Group is mainly exposed to CAD\$. The following table details the Group's sensitivity to a 15% increase and decrease in the Australian dollar against the CAD\$. Management continually monitor exchange rate forecasts and assess the impact of possible changes in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusted their translation at the period end of a 15% change in foreign currency rates. A positive number indicates a decrease in loss where the Australian dollar weakens against the Canadian Dollar.

Notes to the consolidated financial statements

For the year ended 31 December 2020

	2020	2019
	\$	\$
Profit or loss: + 15%	(142,313)	(281,759)
Profit or loss: - 15%	142,313	281,759

20. Key management personnel disclosures

- (a) The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

A Stein	Managing Director
G Whiddon	Executive Chairman
J Taylor	Technical Director (resigned 20 Jan 2020)
N Hackett	Independent Non-Executive Director (resigned 11 Nov 2020)
B Lawrence	Non-Executive Director
M Freeman	Company Secretary

- (b) Key management personnel compensation

The key management personnel compensation included in employee benefit and Director compensation expenses are as follows:

	2020	2019
	\$	\$
Short-term employee benefits	291,928	520,375
Equity compensation benefits	280,501	49,983
	572,429	570,358

- (c) Other transactions with key management personnel and their related parties

Information regarding individual Directors and executive's compensation is provided in the Remuneration Report section of the Directors' Report.

During the year ended 31 December 2020, the Company had a consulting agreement with Havoc Partner Services (Havoc), under which Director Alan Stein and Technical Director Jon Taylor(resigned), Havoc members are engaged as members of the Company's management team. Payments made to Havoc during the relevant period was \$61,957 (2019: \$361,796). The amounts owed to Havoc as at 31 December 2020 was nil (2019: \$20,277).

Apart from details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Notes to the consolidated financial statements

For the year ended 31 December 2020

21. Share based payment

(i) Recognised share-based payment expenses

The expense recognised for share based payments during the period is shown in the table below:

	2020	2019
	\$	\$
Management Options	26,057	25,986
Performance Rights	58,478	58,318
Conversion of Performance Shares	-	71,052
Ordinary shares issued	195,966	21,251
Total Share Based Payments	280,501	176,607

(ii) Types of share-based payment plans

Share based payments are provided to Directors, employees, consultants and other advisors. The issue to each individual Director, consultant or advisor is controlled by the Board and the ASX Listing Rules. Terms and conditions of the payments, including the grant date, vesting date, exercise price and expiry date are determined by the Board, subject to shareholder approval where required.

Management Options

20,000,000 Management Options were granted on 29 August 2017, in two equally sized tranches with an exercise price of \$0.09 and \$0.12 per share respectively. The Management Options vest upon the meeting of certain criteria. Each Management Option converts into one ordinary share of Calima Energy Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the Management Option, and they carry neither rights of dividends nor voting rights. The expense recognised in the year relates to spreading the fair value (measured at grant date) of these Management Options over the expected vesting period.

Performance Rights

19,450,000 Performance Rights were granted on 29 August 2017. The Performance Rights vest upon the meeting of certain criteria. Each performance right converts into one ordinary share of Calima Energy Limited on vesting. No amounts are paid or are payable by the recipient on receipt of the performance right. The performance rights carry neither rights of dividends nor voting rights. The expense recognised in the year relates to spreading the fair value (measured at grant date) of these Performance Rights over the expected vesting period.

Other options

On 6 November 2018, 2,750,000 options were granted to consultants for services rendered, with an exercise price of \$0.07 per share. Of these, 2,000,000 expired unexercised on 31 December 2019. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights.

Ordinary Shares issued in consideration for services rendered

On 2 October 2020, 3,500,000 shares were issued at \$0.00714 each to a Stocksdigital in lieu of marketing services valued at \$25,000. The Group considered this it is not possible to fair value the services rendered, and therefore the expense recognised is equal to the fair value of the instruments granted.

At the Annual General Meeting dated 29 May 2020 as per the AGM results lodged in ASX, shareholder approval was received for each of the Directors to receive Shares in lieu of 100% of Director's fees and consultancy fees payable to them in the period 1 April 2020 to 31 March 2021 as part of the Company's strategy to sustain its business in the current volatile commodity price environment. Consultants will also receive Shares in lieu of a portion of the consultancy fees payable to them on similar terms as the Directors.

The expense recognised for share based payments during the period is shown in the table below:

	Number	\$
Ordinary shares issued – 14 July 2020	11,902,002	59,742
Ordinary shares issued – 14 October 2020	20,963,981	136,224
	32,865,983	195,966

Notes to the consolidated financial statements

For the year ended 31 December 2020

Valuation

The assessed fair values of the rights were determined using a Binomial Barrier valuation model. Expected volatility was calculated based on the historic volatility of a peer group of Companies over a period commensurate with the expected life of the awards. The inputs to the model for the period to 31 December 2020 for the Rights and the Options were:

	Performance Rights	Management Options	Other Options
Number	19,450,000	20,000,000	750,000
Valuation model	Binomial Barrier	Binomial Barrier	Black-Scholes ⁽ⁱ⁾
Grant Date	29-Aug-2017	29-Aug-2017	06-Nov-2018
Expiry Date	29-Aug-2022	29-Aug-2022	06-Nov-2021
Dividend yield (%)	-	-	-
Expected volatility (%)	40%	40%	50%
Risk-free interest rate (%)	2.03%	2.03%	2.24%
Expected life of options (yrs.)	5.0	5.0	3.0
Right's exercise price (\$)	-	\$0.09/\$0.12	\$0.07
Barrier Price	\$0.15	\$0.09	\$0.07
Share price at grant date (\$)	\$0.045	\$0.045	\$0.05
Fair value at grant date (\$)	\$0.015	\$0.008/\$0.005	\$0.012

(i)The Company used Black-Scholes to value the options due to not being able to value the service.

22. Related party disclosures

(a) Subsidiaries

Name of entity	Country of incorporation	Equity interest	
		31 December 2020	31 December 2019
		%	%
Parent entity			
Calima Energy Limited	Australia		
Subsidiaries			
Calima Energy Inc	Canada	100	100
Calima Energy Limited (Jersey)	Jersey	100	100
Calima Energy (Namibia) Ltd	United Kingdom	100	100

(b) Ultimate parent

Calima Energy Limited is the ultimate Australian parent entity and ultimate parent entity of the Group.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid are included in the Directors' Report and Note 20.

Notes to the consolidated financial statements

For the year ended 31 December 2020

23. Auditor's remuneration

Current auditors: BDO Audit (WA) Pty Ltd

	2020	2019
	\$	\$
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
An audit or review of the financial report of the Group	53,717	49,512
Tax advice and related services	5,150	5,100
Total remuneration of BDO	58,867	54,612

24. Contingent assets and liabilities

At 31 December 2020, there were no contingent assets or liabilities.

25. Events after the reporting date

- On 25 February 2021, the Company announced it has entered into a binding agreement to acquire 100% of the issued share capital of Blackspur Acquisition, a privately held Canadian company which owns producing oil and natural gas assets in two core areas within Alberta, at Brooks and Thorsby.
- On 11 March 2021 the Company issued its Notice of Meeting, requesting shareholder approval for:
 - Acquisition of Blackspur
 - Approval to issue up to A\$38m of Shares to fund the acquisition and working capital
 - Issue up to 127 million shares convert all debt owing on the parade well
 - Issue 38.5 million shares to consultants in lieu of fees associated with the transaction
 - Issue 98 million performance rights to management and directors
- On 16 March 2021 the Company confirmed that it had A\$37m of funding commitments meeting the minimum funding obligation to proceed with the Blackspur acquisition of C\$33.5 million.
- On 24 March 2021 the Company provided an update on the drilling of 3 Sunburst wells by Blackspur.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in this interim report that have significantly, or may significantly affect the operations, results or state of affairs of the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2020

26. Parent disclosure

	2020	2019
	\$	\$
Profit/(Loss) for the year	(9,138,934)	(172,425)
Total comprehensive loss	(9,138,934)	(172,425)
Current assets	1,569,353	3,682,826
Non-current assets	56,301,829	63,024,888
Total assets	57,871,182	66,707,712
Current liabilities	(226,520)	(174,941)
Non-current liabilities	(1,021,976)	(957,767)
Total liabilities	(1,248,496)	(1,137,708)
Net assets	56,622,686	65,570,004
Issued capital	296,329,242	296,015,973
Performance shares	-	-
Reserves	15,702,711	15,819,114
Accumulated losses	(255,409,267)	(246,265,081)
Total shareholders' equity	56,622,686	65,570,004

Contingent liabilities of the parent entity

Refer to Note 24. The parent entity has not provided any guarantees to its subsidiaries.

Directors' declaration

The Directors of Calima Energy Limited declare that:

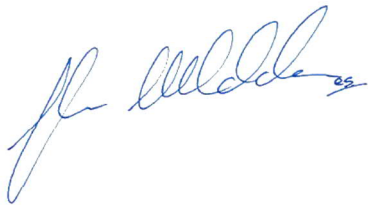
- (a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors report set out on pages 5 to 20, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance, for the financial period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
- (c) 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(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial period ended 31 December 2020.

This declaration is made in accordance with a resolution of the directors.

Signed in accordance with a resolution of the Directors.



Glenn Whiddon
Chairman
31 March 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Calima Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Calima Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 2(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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 of the current period. These 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. In addition to the matters described *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of Exploration and Evaluation Expenditure

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 8 of the financial report, the carrying value of capitalised exploration and evaluation expenditures represents a significant asset of the Group.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> (“AASB 6”), the recoverability of exploration and evaluation expenditure requires significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Critically evaluating management’s impairment indicator assessment; • Obtaining a schedule of areas of interest held by the group, and agreeing these to <i>Title Information Reports</i> from the Province of British Columbia Ministry of Energy, Mines and Low Carbon Innovation database; • Assessing the ability to finance any planned future exploration and evaluation activity; • Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Holding discussions with management to obtain an understanding of the nature of the impairment expense during the year; • Considering whether there were any other salient facts or circumstances that existed to indicate that further impairment testing was required; and • Assessing the adequacy of the related disclosures included in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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, 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 has 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 this 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 (<http://www.auasb.gov.au/Home.aspx>) 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

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Calima Energy Limited, for the year ended 31 December 2020, 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.

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch

Director

Perth, 31 March 2021

Stock Exchange Information

As at 23 March 2021

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 23 March 2021.

1. Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Holders
1 - 1,000	167
1,001 - 5,000	132
5,001 - 10,000	217
10,001 - 100,000	1,106
100,001 and above	888
Total	<u>2,510</u>

2. Substantial shareholders

Substantial shareholders (i.e. shareholders who hold 5% or more of the issued capital):

	Number of shares	Percentage held
Craig Ian Burton	217,905,043	9.87%

3. Voting rights

(a) Ordinary Shares

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative of attorney will have one vote on a show of hands and on a poll, one vote for each share held.

(b) Options & contractual rights

No voting rights

4. Quoted securities on issue

The number of quoted shares and options issued by the Company are set out below:

	Number
Ordinary fully paid shares	2,207,124,112

5. On-market buy back

There is no current on-market buy back.

Stock Exchange Information

As at 23 March 2021

Top 20 Quoted Shareholders

Rank	Name	Units	% Units
1	CRAIG IAN BURTON <CI BURTON FAMILY A/C>	182,550,043	8.27
2	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	103,395,713	4.68
3	WESTLAND GROUP HOLDINGS PTY LTD	77,829,650	3.53
4	BART SUPERANNUATION PTY LIMITED <4F INVESTMENTS SUPERFUND A/C>	48,947,378	2.22
5	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	48,876,024	2.21
6	MR GLEN BULL	48,320,000	2.19
7	CITICORP NOMINEES PTY LIMITED	46,460,464	2.11
8	GURRAVEMBI INVESTMENTS PTY LTD	40,000,000	1.81
8	MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C>	40,000,000	1.81
10	AVIEMORE CAPITAL PTY LTD	35,355,000	1.60
11	JUTLAND NOMINEES PTY LTD <ROBERT BROWN FAMILY A/C>	34,346,067	1.56
12	MR ADONIS KIRITSOPOULOS + MS JENNIFER ANNE FORD	34,000,000	1.54
13	PETO PTY LTD <1953 SUPER FUND A/C>	32,520,000	1.47
14	6466 INVESTMENTS PTY LTD	32,175,724	1.46
15	FLOTECK CONSULTANTS LIMITED	31,973,790	1.45
16	NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	31,000,000	1.40
17	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	28,333,334	1.28
18	MR ALAN MCKELLAR STEIN <AM STEIN A/C>	26,321,942	1.19
19	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,082,438	1.18
20	INKESE PTY LTD	25,000,000	1.13
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		973,487,567	44.11
Total Remaining Holders Balance		1,233,636,545	55.89

6. Unquoted Securities

Class	Quantity
Performance rights escrowed to 28 August 2019	19,450,000
Options exercisable at \$0.09 on or before 25 August 2022	10,000,000
Options exercisable at \$0.12 on or before 25 August 2022	10,000,000
Options exercisable at \$0.045 on or before 25 August 2022	10,000,000
Options exercisable at \$0.07 on or before 6 November 2021	750,000

7. Holders of Unquoted Securities (holding more than 20% of each equity security class)

Performance Rights

Name	Number	%
MR JONATHAN TAYLOR	8,250,000	42%
MR ALAN STEIN	2,700,000	14%
MR MARK SOFIELD + MS REBECCA SOFIELD <M&R SOFIELD FAMILY A/C>	2,700,000	14%
DECBEL PTY LTD <THE NORRIS FAMILY A/C>	2,700,000	14%
MR RICHARD HIGGINS <THE RICHARD HIGGINS FAMILY A/C>	2,700,000	14%

Stock Exchange Information

As at 23 March 2021

Unlisted Options exercisable at \$0.09 on or before 25 August 2022

Name	Number	%
MR ALAN STEIN	3,300,000	33%
MR JONATHAN TAYLOR	3,300,000	33%
MR MARK SOFIELD + MS REBECCA SOFIELD <M&R SOFIELD FAMILY A/C>	1,333,334	11.3%
DECBEL PTY LTD <THE NORRIS FAMILY A/C>	1,333,333	11.3%
MR RICHARD HIGGINS <THE RICHARD HIGGINS FAMILY A/C>	1,333,333	11.3%

Unlisted Options exercisable at \$0.12 on or before 25 August 2022

Name	Number	%
MR ALAN STEIN	3,300,000	33%
MR JONATHAN TAYLOR	3,300,000	33%
MR MARK SOFIELD + MS REBECCA SOFIELD <M&R SOFIELD FAMILY A/C>	1,333,334	11.3%
DECBEL PTY LTD <THE NORRIS FAMILY A/C>	1,333,333	11.3%
MR RICHARD HIGGINS <THE RICHARD HIGGINS FAMILY A/C>	1,333,333	11.3%

Unlisted Options exercisable at \$0.045 on or before 25 August 2022

Name	Number	%
MED BRAVO SA\C	3,300,000	33%
PACIFIC WORLD ENERGY LTD	6,700,000	67%

Unlisted Options exercisable at \$0.07 on or before 6 November 2021

Name	Number	%
EUROSWISS CAPITAL PARTNERS INC	750,000	100%

Petroleum Leases

As at 23 March 2021

8. Petroleum Lease Interests

PNG File Number	Type	Expiry Date	acres
65101	Drilling Licence	NA - Paradise well	326
67111	PNG Lease	NA - Paradise well	326
66481	Drilling Licence	September 21, 2021	684
67050	PNG Lease	June 18, 2029	684
67048	PNG Lease	June 18, 2029	687
66256	Drilling Licence	January 19, 2021	1,369
66386	Drilling Licence	June 22, 2021	1,369
66420	Drilling Licence	July 27, 2021	1,369
66421	Drilling Licence	July 27, 2021	1,369
66441	Drilling Licence	August 24, 2021	1,369
66442	Drilling Licence	August 24, 2021	1,369
66480	Drilling Licence	September 21, 2021	1,369
66515	Drilling Licence	October 19, 2021	1,369
66550	Drilling Licence	November 16, 2021	1,369
66581	Drilling Licence	December 14, 2021	1,369
66422	Drilling Licence	July 27, 2021	1,371
66443	Drilling Licence	August 24, 2021	1,371
67044	PNG Lease	June 18, 2029	1,371
67045	PNG Lease	June 18, 2029	1,371
67047	PNG Lease	June 18, 2029	1,371
67035	PNG Lease	June 18, 2029	1,374
67046	PNG Lease	June 18, 2029	1,374
67028	PNG Lease	August 13, 2029	1,374
67029	PNG Lease	August 13, 2029	1,374
66479	Drilling Licence	September 21, 2021	2,053
66255	Drilling Licence	January 19, 2021	2,056
66313	Drilling Licence	March 23, 2021	2,056
66338	Drilling Licence	April 20, 2021	2,056
67036	PNG Lease	June 18, 2029	2,058
67042	PNG Lease	June 18, 2029	2,058
67043	PNG Lease	June 18, 2029	2,058
67049	PNG Lease	June 18, 2029	2,058
67032	PNG Lease	August 13, 2029	2,058
67027	PNG Lease	August 13, 2029	2,061
67030	PNG Lease	August 13, 2029	2,061
67031	PNG Lease	August 13, 2029	2,061
66419	Drilling Licence	July 27, 2021	2,063
67033	PNG Lease	August 13, 2029	2,063

Petroleum Leases

As at 23 March 2021

67034	PNG Lease	August 13, 2029	2,063
67026	PNG Lease	August 13, 2029	2,750