
CALIMA ENERGY LIMITED

ACN 117 227 086

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00 am WST

DATE: 21 September 2022

PLACE: Suite 4, 246-250 Railway Parade, West Leederville 6007

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00 pm WST on 19 September 2022.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL OF THE PROPOSED CAPITAL RETURN

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

"That the issued share capital of the Company be reduced by up to \$2,500,000 in accordance with sections 256B and 256C of the Corporations Act, and that such capital reduction be effected, subject to the Board's discretion, by the Company paying each Shareholder the amount of up to 0.41 cents per Share on the terms and conditions set out in the Explanatory Statement."

Dated: 22 August 2022

By order of the Board

**Glenn Whiddon
Executive Chairman**

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

The Chair intends to vote undirected proxies on, and in favour of, Resolution 1.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

You may still attend the meeting and vote in person even if you have appointed a proxy. If you have previously submitted a Proxy Form, your attendance will not revoke your proxy appointment unless you actually vote at the meeting for which the proxy is proposed to be used, in which case, the proxy's appointment is deemed to be revoked with respect to voting on that resolution.

Please bring your personalised Proxy Form with you as it will help you to register your attendance at the meeting. If you do not bring your Proxy Form with you, you can still attend the meeting but representatives from Computershare will need to verify your identity. You can register on the day of the meeting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6500 3270.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolution.

1. RESOLUTION 1 – APPROVAL OF THE PROPOSED CAPITAL RETURN

1.1 Background

The Company has a wholly-owned subsidiary incorporated and tax resident in Canada, Blackspur Oil Corporation (**Blackspur**). Blackspur was acquired by way of a merger in April 2021 and holds the Brooks & Thorsby projects in Canada. These projects have commenced operation and is producing spare cash flow. As set out in its ASX announcement dated 23 May 2022 (**Announcement**), the Company intends to make a distribution to its Shareholders from this cash flow (**Proposed Capital Return**).

The Board estimates that the total amount of the Proposed Capital Return will be up to \$2,500,000 (0.41 cents per Share). However, the exact amount will be determined by the Board having regard to (without limitation) the precise amount of cash available to be distributed to Shareholders.

Subject to this Resolution 1, the Proposed Capital Return will be distributed by way of an equal return of capital to Shareholders pro rata to the number of Shares which they hold at on the Record Date (expected to be 5:00pm (WST) on 4 October 2022). The Record Date is subject to change and will be confirmed by the Company.

The Proposed Capital Return would be funded by way of a cash distribution from Blackspur to the Company (**Blackspur Distribution**). The Proposed Capital Return will be debited against the Company's share capital account. This constitutes a reduction in the Company's share capital and as such the Proposed Capital Return must be effected in accordance with sections 256B and 256C of the Corporations Act.

The purpose of this Resolution 1 is to obtain Shareholder approval for the purposes of sections 256B and 256C of the Corporation Act to undertake the Proposed Capital Return on the terms set out in this Explanatory Statement.

1.2 Indicative Timetable

It is proposed that the Proposed Capital Return will occur as follows:

Event	Date
Despatch of Notice of Meeting	Monday, 22 August 2022
Final time for lodgement of Proxy Forms and record date for voting at the Meeting	Monday, 19 September 2022
Meeting	Wednesday, 21 September 2022
Results of Meeting announced	Wednesday, 21 September 2022

Event	Date
Expected announcement of effective date of the Proposed Capital Return	Thursday, 29 September 2022
Expected effective date for the Proposed Capital Return	
Expected last day for trading of Shares entitled to participate in the Proposed Capital Return	Friday, 30 September 2022
Expected trading in Shares on an 'ex return of capital' and 'ex dividend' basis	Monday, 3 October 2022
Expected record date for the Proposed Capital Return (Record Date)	Tuesday, 4 October 2022
Expected date of payment of the Proposed Capital Return	Thursday, 13 October 2022

The timetable and the dates above (and the references to those dates throughout this Notice) are indicative only. The Company may vary those dates in accordance with the applicable laws in its absolute discretion and without prior notice.

Changes to the above dates will be announced to the ASX and notified on the Company's website.

To ensure you receive your entitlement to the Proposed Capital Return or any future dividend or distribution promptly, please check and update your banking instructions at www.computershare.com.au/easyupdate/ce1. If the Company's share registry does not have your banking details, any payment will be withheld.

1.3 Reasons to vote in favour of the Proposed Capital Return

As set out in the Announcement, the Company wishes to commence a half yearly distribution program due to the ongoing strong performance of its production assets and strong energy prices, both of which have positively impacted the Company's available cash reserves.

The primary advantage in approving the Proposed Capital Return is that it will enable the Company to repatriate capital to its Shareholders, which is in excess of its current and anticipated medium term requirements.

SUGGESTION: Future distributions under the half-yearly distribution program may be in the form of dividends, subject to the availability of profits and meeting the other Corporations Act requirements for the payment of dividends.

Also, Shareholders participating in the Proposed Capital Return will be able to do so without incurring transaction costs and the Proposed Capital Return will allow Shareholders to retain the same percentage of ownership in the Company.

1.4 Reasons to vote against the Proposed Capital Return

(a) **Shareholders may be concerned about the reduced capital base of the Company**

A disadvantage of the Proposed Capital Return is that following its implementation, the Company will have a reduced capital base from which to operate and may require additional funding in the future to meet its strategic and corporate objectives, which may otherwise not be the case if the Proposed Capital Return did not proceed. However, the Directors are of the opinion that the net cash reserves post-Proposed Capital Return along with cashflows from operations will be sufficient for their intended use to support the Company's operations in the medium term.

(b) **Shareholders may be concerned about the potential quantum of the Proposed Capital Return**

While the Board currently has no reason to consider that the Company's financial position will change materially prior to the time of the Proposed Capital Return, it is possible that this may occur and the amount of the Proposed Capital Return (and either component of it) may increase or decrease accordingly.

(c) **The Capital Return may not suit the current financial position of all Shareholders**

The Capital Return may not suit the current financial position of all Shareholders.

The Capital Return may have tax consequences for Shareholders and Calima Energy Ltd does not intend to apply for a class ruling from the Australian Taxation Office (ATO) in respect of the Capital Return.

1.5 Calculation of the Amount of the Proposed Capital Return

The Company estimates that the total amount available for the Proposed Capital Return will be up to \$2,500,000, which will be funded by the Blackspur Distribution.

The following table shows how the Company has calculated its estimate of the total amount available for the Proposed Capital Return.

Cash advanced to the Company under the Blackspur Distribution	\$2,500,000
Relevant number of Shares to participate in Proposed Capital Return	610,162,707
Estimated Total Proposed Capital Return per Share	0.41 cents

1.6 Legal Requirements

The Proposed Capital Return constitutes an equal reduction of the Company's share capital for the purposes of the Corporations Act. This is because it relates only to ordinary shares, it applies to each holder of ordinary shares in proportion to the number of Shares they hold as at the Record Date, and the terms of the reduction are the same for each holder of ordinary shares.

(a) Fair and Reasonable

Section 256B(1)(a) of the Corporations Act provides that a capital reduction must be fair and reasonable.

The Directors are of the opinion that the Proposed Capital Return is fair and reasonable to all Shareholders as it will apply to all Shareholders on the Record Date equally, in proportion to the number of Shares they hold as at that date.

(b) Company's ability to pay creditors

Section 256B(1)(b) of the Corporations Act provides that a capital reduction must not materially prejudice a company's ability to pay its creditors.

The Directors, having proposed the capital reduction, are of the opinion that it will not materially prejudice the Company's ability to pay its creditors. The Directors have also satisfied themselves as to the solvency of the Company following the Proposed Capital Return.

Please refer to Section 1.7(d) below for further information regarding the impact of the Proposed Capital Return on the Company's ability to pay its creditors.

(c) Shareholder approval

Resolution 1 will be passed as an ordinary resolution for the purposes of Section 256C(1) of the Corporations Act if more than 50% of the votes cast by Shareholders present and eligible to vote at the Meeting (whether in person (physically or virtually), by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) are in favour of it.

1.7 Effect on the Company

(a) Effect on the Company

The Proposed Capital Return is intended to be paid entirely from the Blackspur Distribution. Upon receipt of the Blackspur Distribution, the Company's cash resources will increase for a short period of time between receipt of the Blackspur Distribution and payment of the Proposed Capital Return.

(b) Effect on Capital Structure and Share Price

Following implementation of the Proposed Capital Return, the Company's share capital is estimated to reduce by up to \$2,500,000.

No Shares will be cancelled in connection with the Proposed Capital Return and no fractional entitlements will arise. The Proposed Capital

Return will therefore not impact the number of Shares held by each of the Shareholders.

Following implementation of the Proposed Capital Return, the Company's Shares are expected to trade at a lower share price than its then trading price immediately prior to the 'ex' date for the Proposed Capital Return. This is due to the payment/return of funds to Shareholders.

Given that the Company's Share price is below \$0.20 and is likely to decrease following the return of capital, a waiver of ASX Listing Rule 7.25 is required. A waiver has been granted by the ASX in relation to ASX Listing Rule 7.25 to the extent necessary to permit the Company to undertake the return of capital.

(c) **Effect on historical and pro-forma financial position**

The pro forma consolidated balance sheet of the Company for the half year ended 31 December 2021 is set out in Schedule 1 and the pro forma consolidated income statement for the half year ended 31 December 2021 is set out in Schedule 2 and show the effect of the Blackspur Distribution and Proposed Capital Return

(d) **Effect on Company's ability to pay its creditors**

The Company has assessed the impact of the Proposed Capital Return on the Company's ability to pay its creditors.

That review concluded that the payment to Shareholders of an amount equal to the Proposed Capital Return amount would not materially prejudice the Company's ability to pay its creditors and the Company will have sufficient cash reserves to pay its creditors (including current and reasonably foreseeable claimants) following payment of the Proposed Capital Return.

(e) **Tax implications for the Company**

No adverse tax consequences are expected to arise for the Company from implementing the Proposed Capital Return.

1.8 Director's Interests

No Director will receive a payment or benefit of any kind, as a result of the Proposed Capital Return, other than as a Shareholder of The Company.

The relevant interests of the Directors in securities of the Company as at the date of this Notice are set out below.

Director	Shares ¹	Options ²	Performance Rights
Glenn Whiddon	16,475,974 ³	Nil	4,300,000
Jordan Kevol	4,138,768	2,500,000	2,640,000
Mark Freeman	638,492	Nil	4,160,000
Lonny Tetley	180,000	300,000	600,000
Karl DeMong	Nil	Nil	600,000

Notes:

1. Fully paid ordinary shares in the capital of the Company (ASX: GE1).
2. Exercisable at \$0.20 on or before 30 June 2026.
3. Of these Shares, Mr Whiddon has no relevant interest in the 15,090,132 Shares held by 6466 Investments Pty Ltd, MIMO Strategies Pty Ltd, Lagral Strategies Pty Ltd, Nautical Holdings WA Pty Ltd. Jane Whiddon is the controller of these entities and Mr Whiddon is not a beneficiary.

1.9 Australian Tax Implications for Shareholders**(a) Introduction**

The following is a general summary of the Australian income tax implications arising for the Shareholders as a result of the Proposed Capital Return. It is based upon the Company's interpretation of Australian income tax law currently in force at the date of the issue of this Notice of Meeting and Explanatory Statement. The commentary below is general in nature and not intended to be comprehensive, it does not take into account the individual circumstances of each shareholder and does not constitute tax advice. As this summary is necessarily general in nature, Shareholders should consult with their professional tax adviser regarding their circumstances. Non-resident Shareholders should seek professional tax advice on the tax implications arising outside of Australia. The comments outlined below are not applicable to all Shareholders and in particular do not consider Shareholders who:

- (i) hold their Shares for the purpose of speculation or a business of dealing in securities (e.g. as trading stock or revenue assets);
- (ii) are partnerships or individuals who are partners of such partnerships;
- (iii) acquired their Shares pursuant to an employee share, option or rights plan;
- (iv) are under a legal disability;
- (v) are exempt from Australian income tax;
- (vi) are taken for CGT purposes to have acquired their Shares before 20 September 1985;
- (vii) are subject to the Investment Manager Regime under Subdivision 842-I of the Income Tax Assessment Act 1997 (Cth) in respect of their Shares;
- (viii) are subject to the taxation of financial arrangement rules in Division 230 of the Tax Act in relation to gains and losses on their Shares; or
- (ix) are foreign residents of Australia who hold their Shares in carrying on a business through a permanent establishment in Australia.

This tax summary does not address any tax consequences arising under the laws of jurisdictions other than Australia. It is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Notice of Meeting and Explanatory Statement.

The comments in this Section 1.9 are generally directed at Shareholders who are Australian residents and non-residents for Australian income tax purposes who do not hold their Shares at or through a permanent establishment in Australia.

(b) **Overview of the Proposed Capital Return**

The Board proposes to distribute up to \$2,500,000 of the net proceeds from the Blackspur Distribution to Shareholders through the Proposed Capital Return of up to 0.41 cents per Share).

No adverse tax consequences are expected to arise for the Company from the Proposed Capital Return.

(c) **Australian Residents**

These comments apply to the Shareholders who are residents of Australia for income tax purposes.

For Shareholders on the Record Date who continue to hold their Shares and receive the payment of the Proposed Capital Return:

- (i) If the Proposed Capital Return of up to 0.41 cents per Share is not more than the cost base of the Share, the cost base and reduced cost base of the Share will be reduced (but not below nil) by up to 0.41 cents (being the Proposed Capital Return amount);
- (ii) A Shareholder will make a capital gain at the time of the payment if the amount of the Proposed Capital Return is more than the cost base of the Share. The amount of the capital gain is equal to the excess; and
- (iii) If a Shareholder makes a capital gain from the Proposed Capital Return, the cost base and reduced cost base of the Share are reduced to nil. A Shareholder cannot make a capital loss from the Proposed Capital Return.

For Shareholders on the Record Date who no longer own Shares at the time of the payment of the Proposed Capital Return, a capital gain arises at the time of payment equal to the Proposed Capital Return amount in respect of each Share owned at the Record Date.

If the Share to which the Proposed Capital Return relates was acquired by a Shareholder who is an individual, trust or complying superannuation fund at least 12 months (not including the date of acquisition or date of distribution) before the payment, a capital gain arising may qualify as a discounted capital gain, provided other relevant conditions are satisfied. Any CGT discount will apply after the offset of any current year or carried forward capital losses. The amount of the capital gain remaining after the application of the CGT discount is included in the assessable income of the Shareholder.

(d) **Non-residents**

These comments apply to Shareholders who are not residents of Australia for income tax purposes.

A Shareholder who is not a resident of Australia for Australian tax purposes should be able to disregard any capital gain that would otherwise arise from the Proposed Capital Return unless their Shares constitute an 'Indirect Australian Real Property Interest', as defined for Australian income tax purposes, at the time of payment of the Proposed Capital Return.

Specifically, an Indirect Australian Real Property Interest includes interests held in the Company that satisfy both of the following tests:

- (i) non-portfolio interest test holdings, on an associate inclusive basis, in the Company of 10% or more at the time of the Proposed Capital Return (or throughout a 12 month period within the period commencing 24 months before the Proposed Capital Return); and
- (ii) principal asset test – where the sum of the market value of the Company's assets that are taxable Australian real property exceeds the sum of the market value of its assets that are not taxable Australian real property.

Any non-resident shareholders who own 10% or more of the shares in the Company (on an associate inclusive basis) should seek independent professional advice in relation to their own circumstances, including whether any protection will be available under a relevant double tax treaty applied in these circumstances.

Non-resident shareholders should seek independent professional advice in relation to their own circumstances in respect of taxation in the jurisdiction where they are resident.

(e) **Other Matters**

(i) **Goods and Services Tax (GST)**

GST should not be payable on the Proposed Capital Return.

Shareholders may be charged GST on costs they incur in relation to seeking advice on the Proposed Capital Return (e.g. tax, legal or other advisory fees). Certain Shareholders that are registered (or required to be registered) for GST may be entitled to claim input tax credits (or reduced input tax credits) in relation to GST incurred on these costs.

Shareholders should seek their own independent tax advice on the impact of GST having regard to their own circumstances.

(ii) **Stamp duty**

Shareholders should not be liable for any stamp duty in respect to the Proposed Capital Return.

1.10 Board Recommendation

The Directors are of the opinion that the proposed return of capital is fair and reasonable to all Shareholders and **unanimously recommend** that Shareholders vote in favour of Resolution 1.

Each Director intends to vote all Shares held or controlled by that Director, as shown in the table in Section 1.8, in favour of the Proposed Capital Return.

The Chairman of the Meeting also intends to vote undirected proxies in favour of Resolution 1.

GLOSSARY

\$ means Australian dollars.

Announcement has the meaning given in Section 1.1.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Blackspur means Blackspur Oil Corporation, the Company's wholly owned subsidiary.

Blackspur Distribution has the meaning given in Section 1.1.

Board means the current board of directors of the Company.

Chair means the chair of the Meeting.

Company means Calima Energy Limited (ACN 117 227 086).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Listing Rules means the Listing Rules of ASX.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proposed Capital Return has the meaning given in Section 1.1.

Proxy Form means the proxy form accompanying the Notice.

Record Date means the proposed eligibility record date for the Proposed Capital Return, being the date set out in the indicative timetable in Section 1.2.

Resolution means the resolution set out in the Notice.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – PRO FORMA BALANCE SHEET

As at	Unaudited 31 May 2022 \$	Pro Forma Changes \$	Pro-Forma 31 May 2022 \$
Assets			
Current assets			
Cash and cash equivalents	1,177	-	1,177
Accounts receivable	14,369	-	14,369
Deposits and prepaid expenses	796	-	796
	16,342	-	16,342
Oil and natural gas assets	141,586	-	141,586
Long-term deposits	622	-	622
Investments	544	-	544
Deferred income tax asset	12,016	-	12,016
	171,110	-	171,110
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14,926	-	14,926
Return of capital payable	-	2,500	2,500
Term loan	362	-	362
Credit facility	2,762	-	2,762
Risk management contracts	10,999	-	10,999
	29,049	2,500	31,549
Long-term portion of lease liabilities	159	-	159
Term loan	3,714	-	3,714
Restoration provisions	22,798	-	22,798
	55,720	2,500	58,220
Shareholders' equity			
Share capital	369,296	-	369,296
Contributed surplus	17,377	(2,500)	14,877
Foreign currency translations	7,006	-	7,006
Accumulated losses	(278,289)	-	(278,289)
	115,390	(2,500)	112,890
	171,110	-	171,110

Highlights:

1. Impact of distribution of capital return

SCHEDULE 2 – CONSOLIDATED INCOME STATEMENT

For the period ended	Unaudited 31 May 2022 \$	Pro Forma Changes \$	Pro-Forma 31 May 2022 \$
Revenue			
Oil and natural gas sales	56,425	-	56,425
Royalties expense	(10,559)	-	(10,559)
	45,866	-	45,866
Risk management contracts			
Realised loss	(10,235)	-	(10,235)
Unrealised loss	(7,935)	-	(7,935)
	27,606	-	27,606
Expenses			
Operating	7,025	-	7,025
Transportation	2,270	-	2,270
Depletion and depreciation	6,102	-	6,102
Exploration expense	23	-	23
General and administrative	2,154	-	2,154
Financing and interest	371	-	371
Share-based compensation	504	-	504
Foreign exchange loss	1	-	1
	18,450	-	18,450
Net income before income taxes	9,156	-	9,156
Current income tax	-	-	-
Deferred income tax expense	298	-	298
Net income	8,858	-	8,858
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Gain on foreign currency translations	1,318	-	1,318
Total comprehensive income	10,176	-	10,176