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AZONTO REFOCUSED ON OIL AND GAS

To acquire up to 55% of MONTNEY PROJECT & 100% of CALIMA ENERGY

Appointment of highly credentialed Board members and management team

Azonto Petroleum Ltd (ASX:APY) (**Azonto** or **Company**) is pleased to announce it has entered into a farm-in agreement (**Farm-in Agreement**) in relation to oil and gas licenses prospective for the Montney Formation in British Columbia, Canada (**Montney Project**).

In conjunction with Azonto's entry into the Farm-in Agreement, Azonto has also entered into a binding term sheet (**Acquisition Agreement**) to acquire Calima Energy Ltd (**Calima**) from Havoc Partners LLP (**Havoc**) (**Calima Acquisition** and, together with the Farm-in Agreement, the **Proposed Transaction**).

The key terms of the Proposed Transaction are set out in Schedule 1 to this Announcement.

Highlights

- Azonto has entered into a conditional Farm-in Agreement giving it the right to acquire a working interest of up to 55% in the Montney Project and operatorship of the Project.

- Azonto to acquire Calima, which holds interests in petroleum permits in Saharawi Arab Democratic Republic and passive minority interests in TMK Montney Limited and Bahari Holding Company Limited.

- Azonto to undertake Capital Raising to raise between $2.25 million and $4.5 million by way of a prospectus offer.

- Azonto to reconstitute its Board and undertake a 1 for 3 consolidation of its share capital (**Consolidation**).

- Alan Stein and Jon Taylor to join the Azonto Board and management team.

- Azonto to change its name to Calima Energy Limited.

Overview of Montney Project and Farm-in Agreement

The Montney Project is comprised of 55,000 gross acres prospective for the Montney Formation in British Columbia, North America.

The Montney Formation is a pervasive hydrocarbon system over 100km wide that is rapidly emerging as one of North America's premier resource plays. The ultimate potential, commercial volumes of unconventional petroleum in the Montney Formation is estimated to be 449 tcf of natural gas, 14.5 bnbbls of natural gas liquids and 1.1 bnbbls of oil. The Montney Project joint venture (**Montney JV**) has a substantial acreage position in the Montney with plans to drill several wells to demonstrate productivity of the reservoirs. See below for further details on the Montney Project.

Under the Farm-in Agreement, Azonto will sole-fund and earn-in to the Montney Project in 3 Stages and has the right to earn a working interest of up to 55% in the Montney Project as follows:

Stage	**Expenditure Commitment**	**Working Interest earned (cumulative)**	**Latest Date**
1	C$5 million	20% (20%)	1 Aug 2018
2	C$7 million	17.5% (37.5%)	28 Feb 2019
3	C$13 million	17.5% (55%)	28 Feb 2020

Azonto will become the Operator of the Montney Project with effect from commencement of the Farm-in.

The Farm-in Agreement is conditional on the Company re-complying with Chapters 1 and 2 of the Listing Rules (see below for further details). Azonto paid a non-refundable deposit of C$500,000 to the Montney JV on execution of the Farm-in Agreement. Once the re-listing condition has been satisfied, this deposit will be applied towards Azonto's Stage 1 Farm-in commitment.

The other key terms of the Farm-In Agreement are summarised in Schedule 1.

Azonto intends to fund the Stage 1 contributions using available cash after completion of the Proposed Transaction and the Capital Raising (described in more detail below). Those Stage 1 Farm-in Contributions will be used to fund:

- licensing 3D seismic data relevant to the Montney Project;
- seismic interpretation and drill planning; and
- additional acreage acquisition.

Azonto will need to raise additional funds to fund the Stage 2 and 3 Farm-in contributions should it elect to proceed with those further earn-ins. If Azonto does not elect to proceed with Stages 2 and 3 of the Farm-in, it will be entitled to retain the working interest earned under Stage 1 of the Farm-in, and the joint venturers will then contribute to project expenditure on a pro rata basis.

Overview of Calima

Calima, a Jersey registered company, owns:

- a 50% interest in four production sharing contracts (Daora, Haouza, Mahbes and Mijek) with the Saharawi Arab Democratic Republic (**SADR PSCs**);
- a passive minority shareholding of approximately 11% of the issued shares in TMK Montney Limited (**TMKM**), which equates to a 4.5% effective interest in the Montney Project, pre Farm-in;
- a passive minority shareholding of approximately 10% of the issued shares in Bahari Holding Company Limited (**Bahari**); and
- approximately A$400,000 in cash.

Calima is 100% owned by Havoc. Havoc is a limited liability partnership registered in the United Kingdom, founded by Alan Stein, Jonathan Taylor, Richard Higgins, Justin Norris and Mark Sofield (the **Havoc Members**). Prior to founding Havoc, the Havoc Members had worked together as founders, board and management of Fusion Oil & Gas plc and Ophir Energy plc.

Calima acquired the 50% interest and operatorship in the four SADR PSCs in November 2014. The SADR is commonly referred to as Western Sahara. The four PSCs, Daora, Haouza, Mahbes and Mijek cover an area of more than 70,000 km^2 extending from the coast out to water depths greater than 2,000m. The PSCs are granted under individual Assurance Agreements executed by the SADR Government which convert automatically into PSCs upon recognition of the sovereign status of the SADR by the United Nations.

TMKM, an Australian public unlisted company demerged out of Tamaska Oil & Gas Limited (ASX: TMK) in October 2015, owns (through a subsidiary) a 40% working interest in the Montney Project. The remaining 60% working interest in the Montney Project is owned by TSV Montney Limited. The working interests of TMKM and TSV Montney will be diluted as Azonto proceeds with the Farm-in referred to above.

Bahari, a private Guernsey registered company, is focused on frontier exploration in an under explored basin in East Africa. Bahari owns 40% of a Production Sharing Contract (**PSC**) covering approximately 18,000 km^2 which is outboard of and on trend with Rovuma Offshore Areas 1 and 4, in Mozambique.

Material Terms of Calima Acquisition

Under the Acquisition Agreement:

- Subject to satisfaction of the conditions precedent (see Schedule 1 for details), Azonto will acquire 100% of Calima for the following consideration (on a post-Consolidation basis):
  - 28,508,751 fully paid ordinary shares (**Shares**);
  - 1,461,988 Class A Performance Shares;
  - 3,947,360 Class B Performance Shares; and
  - 14,619,878 Class C Performance Shares.

  Details of the terms of the Performance Shares (including the applicable performance milestones) are summarised in Schedule 1.

- Calima has issued convertible notes with a face value of $400,015 to certain Havoc Members. On completion of the Calima Acquisition, the debt under the convertible notes will be assigned to, and assumed by, Azonto and satisfied in full through the issue of a further 20,000,750 Shares, being the face value of the convertible note at a deemed issue price of $0.02 (all post-Consolidation).

- The Havoc Members have agreed to join the management team of Azonto with effect from completion of the Calima Acquisition. Also, Azonto will have a first and last right of refusal on future opportunities identified by, or offered to, Havoc or a Havoc Member.

The Calima Acquisition constitutes a significant change in the nature and scale of Azonto's activities which will require the approval of Azonto shareholders and re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Capital Raising

Contemporaneously with the Proposed Transaction, Azonto will conduct a capital raising under a prospectus to raise a minimum of $2.25 million by the issue of 50 million Shares each at an issue price of $0.045, with the provision for over-subscriptions for an additional 50 million Shares to raise an additional $2.25 million (all post-Consolidation) (**Capital Raising**).

The funds raised under the Capital Raising will be used to fund the Stage 1 work program under the Farm-in Agreement referred to above, and to provide general working capital. See the indicative use of funds table below for further details.

The Capital Raising will provide for a priority offer to be made to Azonto's existing shareholders.

Following completion of the Proposed Transaction and the Capital Raising, Azonto will have approximately $8,741,000 (net of costs) on completion of the re-compliance (based on the minimum subscription under the Capital Raising).

Euroz has been mandated to act as lead manager to the Capital Raising, and Corporate Adviser to Azonto in relation to the Proposed Transaction generally. Euroz will receive the following fees in relation to these roles:

- 3,333,333 Azonto shares; and

- a capital raising fee equal to 5% of the gross cash proceeds raised pursuant to the Capital Raising.

Consolidation

In connection with the Proposed Transaction, Azonto will undertake a consolidation of its existing share capital (including existing Shares and Performance Rights on issue) on a 1 for 3 basis. All numbers in this announcement are expressed on a post-Consolidation basis unless stated otherwise.

Indicative Capital Structure

The indicative share capital structure of Azonto post consolidation of the current Azonto securities on issue and completion of the Proposed Transaction and the Capital Raising is set out in Schedule 2.

The Company's market capitalisation on re-listing (at the Capital Raising price of $0.045) will be approximately $22.07 million assuming the minimum amount is raised under the Capital Raising.

Indicative Use of Funds

The below table sets out the indicative use of funds to be raised under the Capital Raising during the 12 month period from re-listing:

	Minimum Raising (A$'000)	**Maximum Raising (A$'000)**
SOURCE OF FUNDS		
Azonto available cash as at 31 Dec 16	6,416	6,416
Calima available cash	400	400
Gross proceeds from Capital Raising	2,250	4,500
TOTAL	**9,066**	**11,316**
USE OF FUNDS		
Montney Project expenditure:		
- acreage acquisition	4,000	4,000
- seismic	500	500
- seismic interpretation, drill planning	1,000	1,000
Capex sub-total	**5,500**	**5,500**
Corporate and administration costs (Azonto)	800	800
Corporate and administration costs (acquired assets)	650	650
Costs of the offer	325	438
Working Capital	1,791	3,929
TOTAL	**9,066**	**11,316**

Please note the above is subject to change as part of the finalising the prospectus for the Capital Raising.

Effect of the Proposed Transaction on the Company's consolidated total assets and total equity interests

The principal effects on the Company's consolidated statement of financial position will be:

- current assets will increase by approximately $2.325 million, comprised of the net proceeds of the Capital Raising (assuming only the minimum subscription amount is raised under the Capital Raising) and Calima's expected cash balance of approximately $400,000 as at completion of the Proposed Transaction;

- non-current assets will increase by approximately $1.5 million, comprised of the value of Calima's non-cash assets; and

- total equity interests will increase by a corresponding amount.

Effect of the Proposed Transaction on the Company's revenue, expenditure and profit before tax

The principal effects on the Company's consolidated statement of financial performance for the financial year ended 30 June 2018 will be:

- the Company does not expect to generate revenues from operations or asset sales during the relevant period – revenues may be increased by a small amount as a result of interest earned on the Company's cash balances;
- expenditure will be increased by approximately $6,150,000, comprised principally of expenses related to the Company's exploration expenditure on the Montney Project under the Farm-in Agreement ($5,500,000) and increased corporate and administration costs ($650,000); and
- net profit (loss) is expected to be in line with the increased expenditure outlined above, with a small increase in revenue as a result of interest earned on the Company's cash balances.

Board and Management Team

The Board of Azonto will be re-constituted from re-listing.

Havoc Members, being Dr. Alan Stein and Jon Taylor will join the board and management of Azonto with effect from completion of the Calima Acquisition as Managing Director and Technical Director respectively. Other key members of the Havoc team, being Richard Higgins, Justin Norris and Mark Sofield, will also join the Azonto management team initially as consultants. See Schedule 3 for a summary of the Havoc team's credentials.

Glenn Whiddon will remain as Executive Chairman, and Neil Hackett will remain as a non-executive director. All other existing directors will resign from the Board.

Azonto will issue 19,450,000 Performance Rights (**Performance Rights**) and 20,000,000 options over unissued Shares (50% exercisable at $0.09, 50% exercisable at $0.12 once vested and all expiring 5 years from grant) (**Management Options**) (all post-Consolidation) to the Havoc Members in connection with their ongoing management roles with Azonto post-completion of the Calima Acquisition. Details of the terms of the Performance Rights and Management Options (including the applicable vesting conditions) are summarised in Schedule 1.

Alan Stein – Managing Director

Alan has more than 25 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 Mauritania before being sold in 2003. Most of the team at Fusion moved on together to create Ophir Energy plc and Alan was appointed as its Managing Director upon inception. Ophir was involved in several discoveries offshore Equatorial Guinea and Tanzania discovering more than 20Tcf of gas.

When Ophir listed in London on the LSE in 2011 it was of the largest ever listings of an E&P company in the UK and it became a constituent of the FTSE-250 index. When Alan resigned from the Board in 2012 to pursue his own business interests Ophir had a market capitalisation of approximately £2 billion.

Alan, together with four of his colleagues from both Fusion and Ophir (being the other Havoc Members referred to above), established Havoc in 2014 as a natural resource investment partnership. Havoc has various interests involved in the exploration for oil and gas, rare gases, precious and base metals.

Alan is currently the Non-Executive Chairman of Hanno Resources Ltd and Sea Captaur Limited and is a Non-Executive Director of Bahari.

Mr Jonathan Taylor – Technical Director

Jon has more than 25 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. He 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 Mauritania before being sold in 2003. Most of the team at Fusion moved on together to create Ophir Energy plc and Jon once again took up the role of Technical Director. Ophir was involved in several discoveries offshore Equatorial Guinea and Tanzania ultimately discovering more than 20Tcf of gas.

When Ophir listed in London on the LSE in 2011 it was of the largest ever listings of an E&P company in the UK and it became a constituent of the FTSE-250 index. Jon resigned from the Board of Ophir in 2014 and, together with four of his colleagues from both Fusion and Ophir (being the other Havoc Members referred to above), established Havoc in 2014 as a natural resource investment partnership. Havoc has various interests involved in the exploration for oil and gas, rare gases, precious and base metals.

Jon is currently a non-executive director of Helium One Limited and Citra Partners Ltd.

Change of Name

With effect from completion of the Proposed Transaction, the Company proposes to change its name to "Calima Energy Limited". Shareholder approval will be sought for the change.

Timetable

An indicative timetable for the Proposed Transaction and associated events is set out below. This timetable is indicative only and may be subject to change.

Event	**Date (week ending)**
Dispatch Notice of Meeting to Azonto shareholders	12 May 2017
Lodge prospectus for Capital Raising and opening date of offer	26 May 2017
Azonto Shareholder Meeting and suspension of trading of Azonto Shares	16 June 2017
Closing date of prospectus offer	23 June 2017
Completion of Acquisition and re-compliance with Chapters 1 and 2	7 July 2017
Re-instatement to trading on ASX	14 July 2017

Canada – The Montney Formation Unconventional Play

Introduction

Havoc, through its wholly owned subsidiary Calima, acquired 11.2% of TMKM in 2014. TMKM owns a 40% working interest in the Montney Project as part of an unincorporated joint venture with TSV Montney Limited (**TSV** and the **Montney JV**).

As at 1 March 2017, the Montney JV had invested approximately C$10.4 million resulting in the acquisition of drilling permits covering approximately 55,000 acres of land in British Colombia (predominantly within the Caribou area), which is considered to be highly prospective for the Montney Formation.

Azonto will acquire an 11.2% interest in TMKM through its acquisition of Calima. Azonto can also acquire up to a 55% interest in the Montney JV through the three stage Farm-in Agreement described above (see Schedule 1 for further details of the Farm-in Agreement.

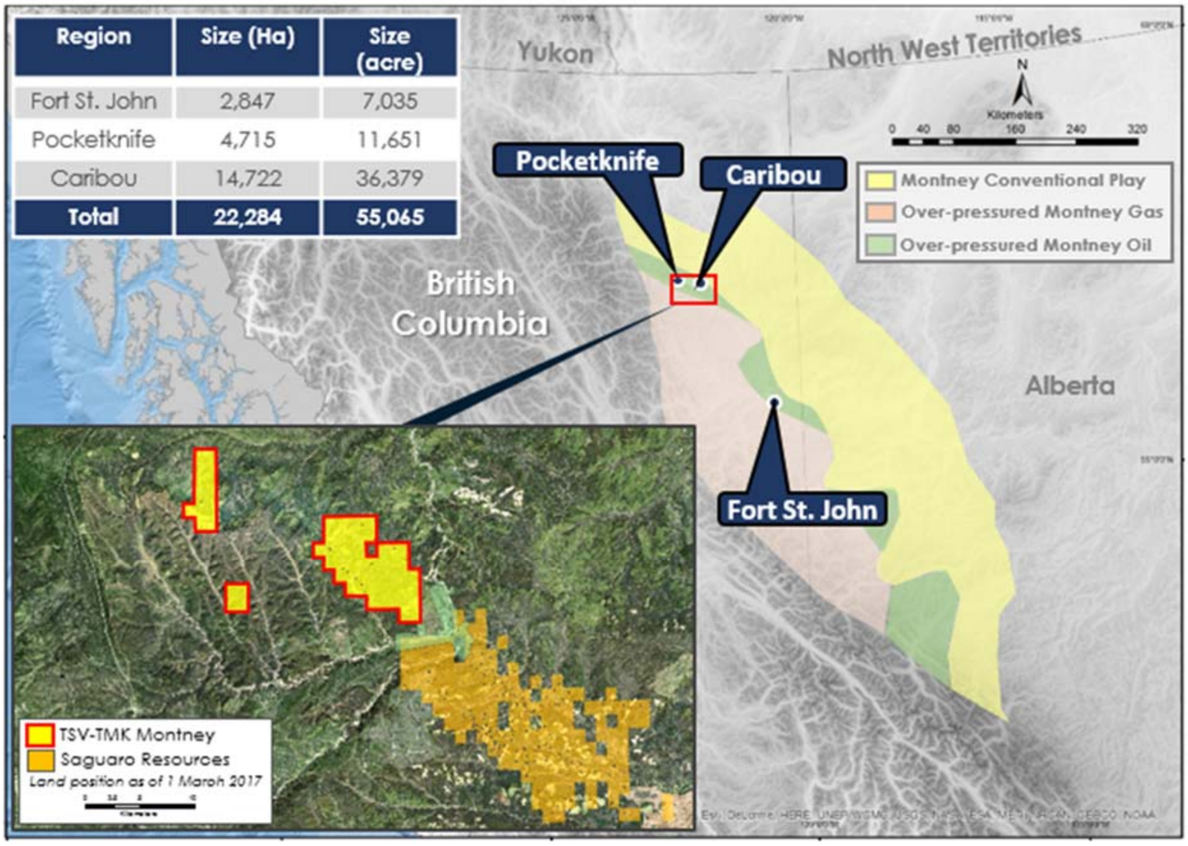

Figure 1 - The Montney JV invested c$10.4 million resulting in the acquisition of 65 sections of land in the Caribou area of British Colombia. Inset: Montney JV acreage as at 1 March 2017 in yellow adjacent to Saguaro Resources prolific Caribou/Laprise area).

A full page map, showing the location of the Montney JV's land holdings as at 1 March 2017 is set out in Schedule 4. Details of the Montney JV's land holdings as at 1 March 2017 are set out in Schedule 5.

The Montney Formation

The Montney Formation is an Early Triassic aged formation in the Western Canadian Sedimentary Basin extending over 180,000 square kilometers from north-east British Columbia to north-west Alberta (see Figure 2 below). The siltstones of the Montney Formation form part of the Western Canada 'Deep Basin' system, a pervasive hydrocarbon system of organic rich shales and siltstones where tight reservoirs exist in close proximity to matured hydrocarbon expelling source rocks.

Like the Eagle Ford, Utica Shale and other unconventional plays in North America, the Montney Formation has dry gas, liquids-rich gas, and oil windows. As the generated hydrocarbons are in-situ, or in very close proximity to the mature source rocks, the system becomes 'inverted' from the conventional sense so that water sits above the oil window, which in turn sits above increasingly dryer gas with depth (see Figures 2 and 3 below).

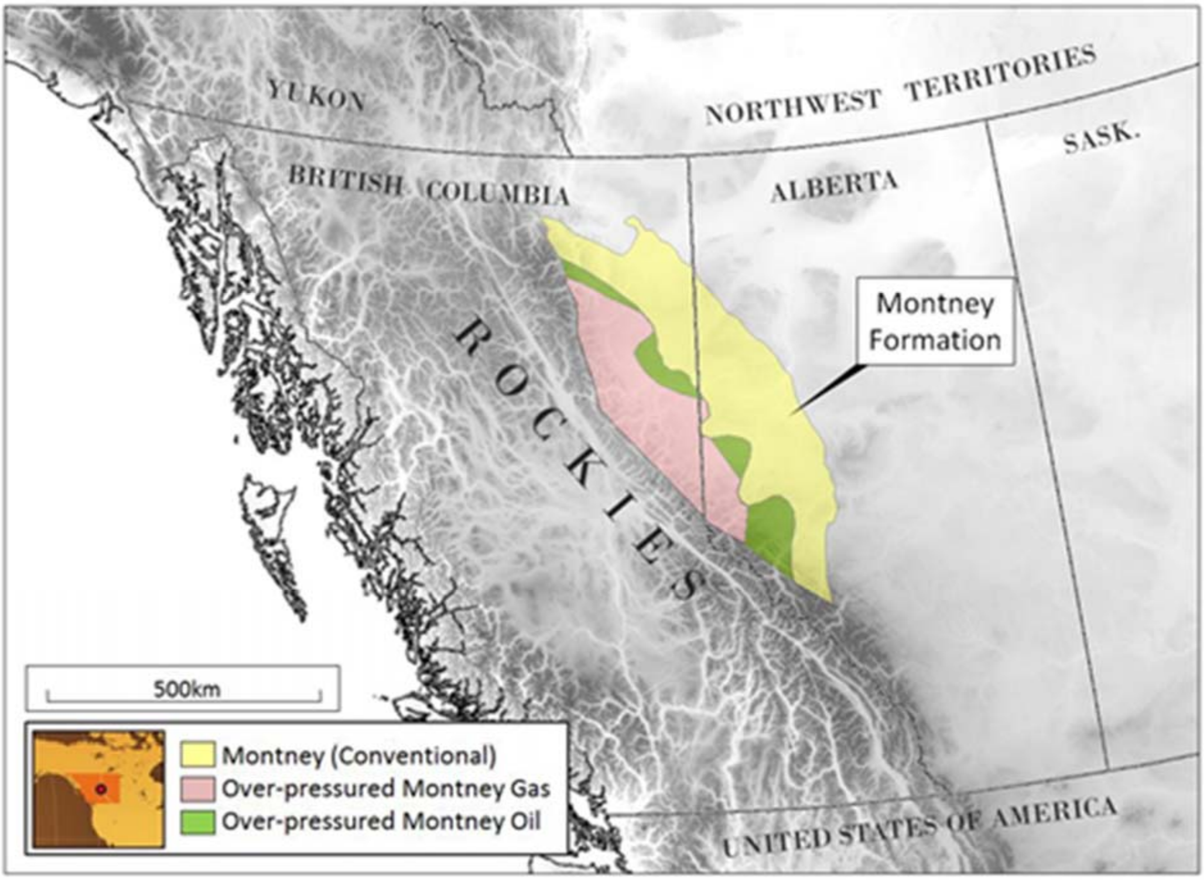

Figure 2 – Location of the Montney Siltstone Play (Western Canada)

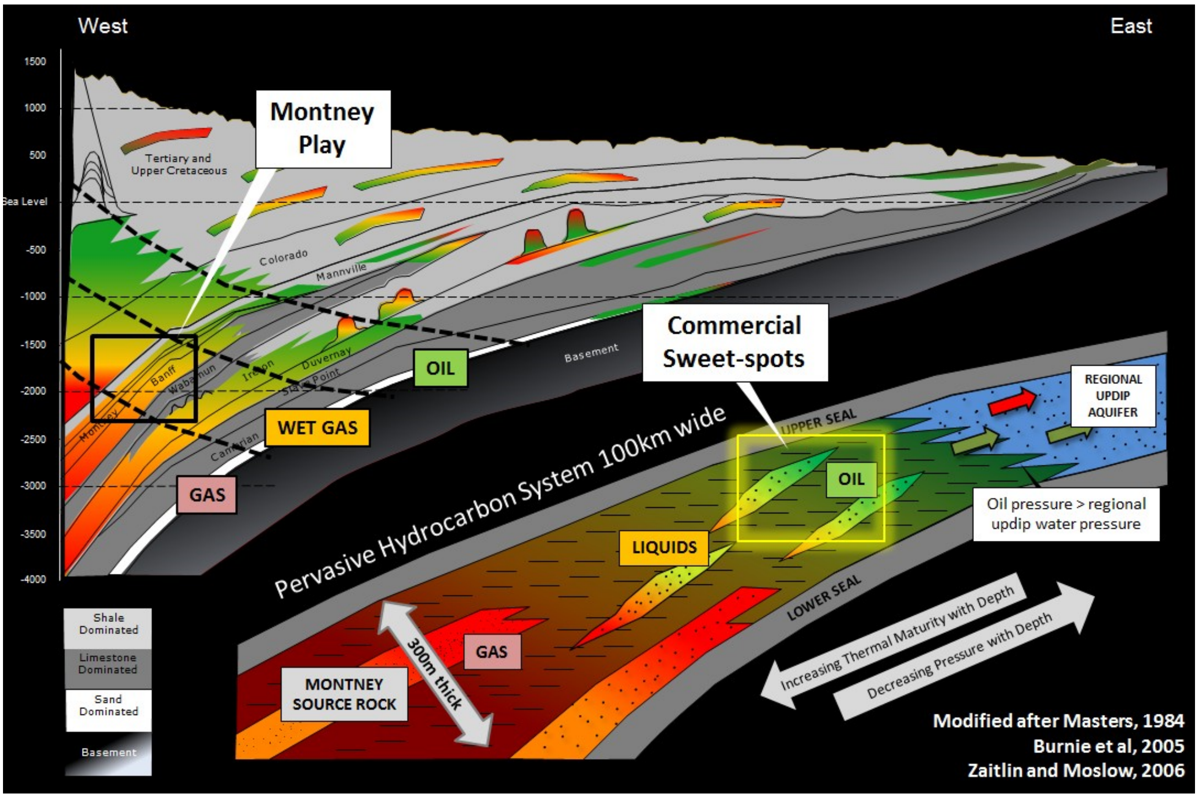

Figure 3 – Representative cross section across the Western Canadian Sedimentary Basin illustrating the 'Deep Basin' hydrocarbon system

Liquids-Rich Montney Play

The Montney JV has been particularly focused on areas in the Montney Formation which are rich in liquid hydrocarbons. The "liquids-rich" parts of the Montney Formation in north-east British Columbia emerged and began to be developed in late 2013 and 2014. Following some exceptional results in liquids-rich areas, the Montney Formation was thrust on to the scene as one of the most commercially attractive and compelling unconventional prospects in North America. A rush to find where new liquid-rich sweet-spots might emerge along the play ensued as existing and aspiring Montney Formation companies started assessing new areas for land acquisition.

Like other unconventional plays, the heterogeneous nature of reservoir quality and liquids content within the Montney Formation creates sweet-spots, both laterally and vertically. Using an extensive digital well-log dataset of over 10,000 existing public domain wells, the Montney JV aimed to identify potential new liquids sweet-spots in the play using a regional Common Risk Segment Mapping approach.

Recognition of critical play elements within the hydrocarbon system were 'stacked' to identify potential sweet-spots. Through calibration to existing production, Common Recovery Segment Maps were used to create detailed interpretations across the play.

Identifying the Liquids Rich Sweet-spots

The first step in understanding the play was to characterise and isolate the interpreted play components of the system. Studying the more than 3500 horizontal wells currently producing in the play allowed the Montney JV to develop an understanding of what the key components of the hydrocarbon system were. Proven and potential 'sweet-spots' became apparent as the play components were 'stacked'. Following the sweet-spot mapping process several areas were high-graded for targeted land acquisition (see Figure 4 below). This methodology is used commonly in international exploration but apparently has not been widely adopted in North America. This innovative approach to a data rich unconventional play was one of the criteria that influenced Havoc in making its initial investment.

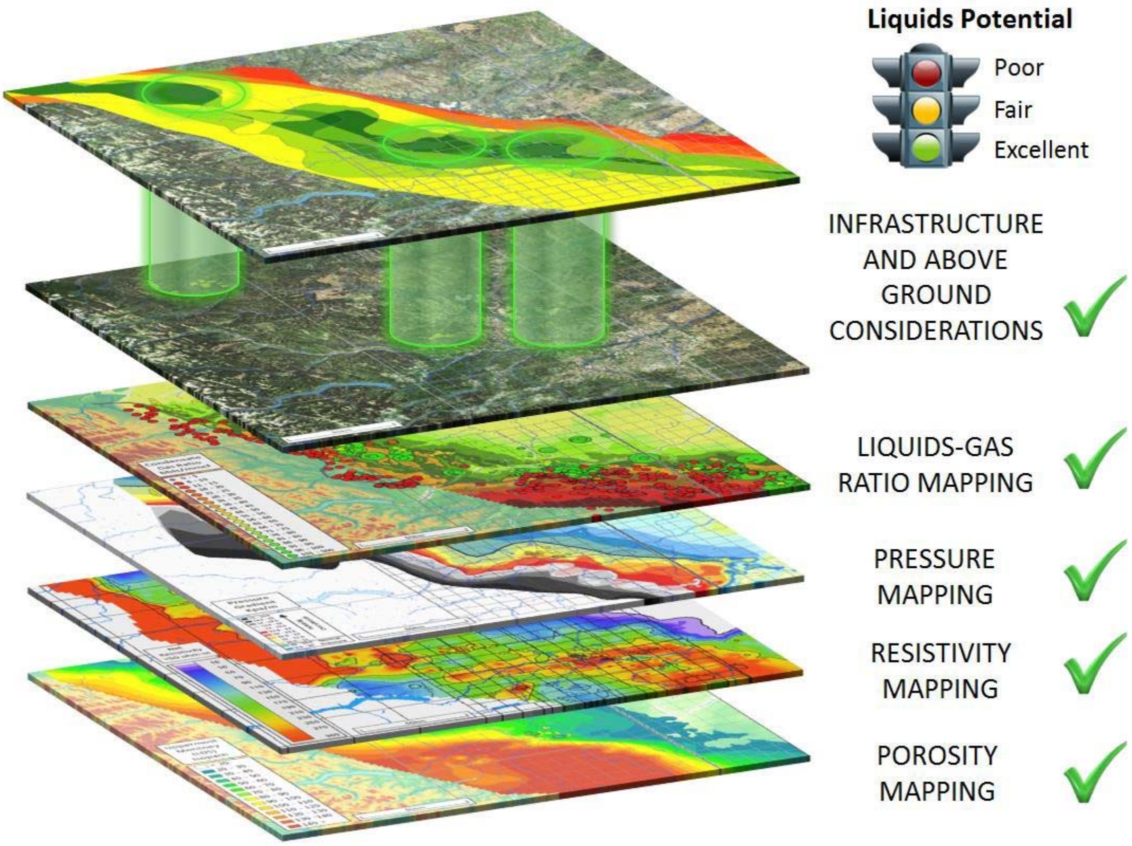

Figure 4 – Sweet-spot mapping for areas of high liquids potential. The key components mapped spatially included Porosity, Resistivity, Pressure, Liquids-Gas ratio and above ground considerations such as terrain and infrastructure. The resultant 'stacked' map identifies potential 'sweet-spots' within the play.

Following the detailed regional play fairway analysis the JV developed an acreage positon of 65 Land Sections (48,030 gross acres) in the greater Caribou area as of 1 March 2017 which offered a combination of attractive geology and unlicensed land. The Montney JV also holds some licenses in the Fort St John area but there is not enough running room to develop the play at that location so this area is considered to have lower priority than Caribou.

Adjacent Production Provides an Analogue

Saguaro Resources (**Saguaro**) is a private Canadian company founded in 2012 that has secured a strong footprint in the Caribou/Laprise area with a focus on the emerging Montney liquids rich play. The Saguaro leases are directly on-trend with the Montney JV leases (see Figure 5 below).

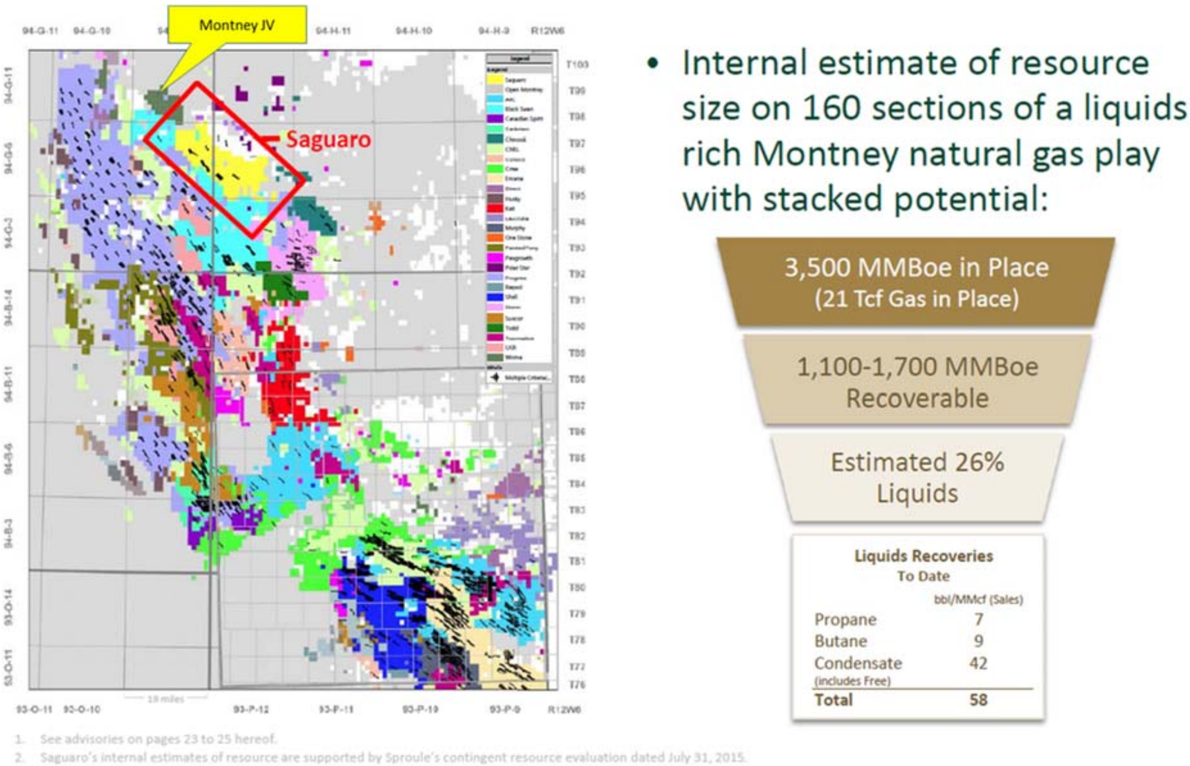

Figure 5 – The Saguaro acreage position is along trend from the Montney JV land position. The estimated resource potential shown here is for the Saguaro land position and is taken from a presentation released by the company in January 2017. The Montney JV currently has 65 sections but has identified further acquisitions to build the acreage position to approximately 100 sections by the end of 2017.

Saguaro's Q4 2016 production averaged 8,800 boed from 32 (horizontal wells) with peak production exceeding 12,000 boed. The average liquid yield from all wells drilled is 58 bbl/MMcf of which 72% is condensate.

Saguaro's 2016 drilling and completion costs with a 2,000m horizontal section were approximately C$5 million per well.

Based on vertical well penetrations of the Montney Formation in legacy wells the data layering methodology predicts that the Montney JV lands will be directly analogous to the Saguaro lands in terms of productivity and liquids yield.

Saguaro has identified more than 1,700 drilling locations across its portfolio which, based on a typical production profile delivering a 7 Bcf "type curve", has enabled them to release a resource estimate of more than 300 mmbbl of oil and 12 Tcf of gas. Using similar metrics the Montney JV has identified more than 730 locations, which the Company believes should result in a substantial oil & gas resource estimate.

Drilling Licenses and Petroleum and Natural Gas Leases

The drilling licenses held by the Montney JV provide the right to explore petroleum and natural gas by drilling. The key licenses in the Caribou and Pocketknife areas consist of 25 Drilling Licenses representing 65 Land Sections (48,030 acres) as at 1 March 2017 with a primary term of 4 years.

Each Montney Section in a Drilling License can be converted to a Petroleum and Natural Gas Lease (**Lease**) with the right to explore and produce petroleum and natural gas after drilling an earning well. The purpose of doing this is to extend the exploration term or obtain the right to produce.

The Caribou area can be converted to Leases at the rate of approximately 13 Land Sections per horizontal well (with a wellbore length greater than 3,001 meters).

Leases in these areas have a primary term of 10 years.

The Montney JV has agreed upon a drilling strategy that ensures maximum capture of production leases from the drilling of the first three wells.

Historical expenditure and work by the Montney JV

A number of exploration wells have been drilled in the lands held by the Montney JV however none of these wells were targeting the Montney Formation. Data from some of these wells have been used to calibrate the geological model. As of early 2017, the Montney JV had invested approximately C$10.4M in the acquisition of approximately 55,000 acres of drilling rights within the Montney unconventional play. Approximately 90% of the expenditure to date has been acreage acquisition costs paid to the Government. The portfolio was identified utilising a proprietary geoscience methodology to target liquids-rich sweet spots, the costs of which are included in the historical acquisition costs figure given above.

Using an extensive digital well-log dataset of over 1400 wells, the Montney JV has identified potential liquids sweet spots within the Montney Formation by implementing a regional Common Risk Segment Mapping approach. Calibrating these results against production wells provides a means to interpret an Estimated Ultimate Recovery along the entire play, which in turn enables the Montney JV to target land acquisitions in the most optimal locations.

Forward Plan

The Farm-in Agreement is based around a three stage work programme as follows:

- Stage One – Acquire and interpret 3D seismic, design and plan a well and acquire additional drilling licenses.
- Stage Two – Drill, complete and test one well to a depth of approximately 1,500m with a horizontal section of approximately 2,000m, design and plan two wells.
- Stage Three – Drill, complete and test two wells to a depth of approximately 1,500m with a horizontal section of approximately 2,000m.

After drilling the first 3 wells the Montney JV has agreed to work collectively to determine a forward strategy that delivers the optimum rate of return to shareholders. Based on data released in its corporate presentations Saguaro’s full development plan requires an investment of approximately C$7.7 billion and delivers an IRR of 24% with peak production of 650 MMcfd or 140,000 boepd including the liquids. Azonto does not propose to try and finance a full field development of its acreage position in the Montney.

Based on data released in its corporate presentations Saguaro invested C$117 million to acquire its first 109 Sections and to drill one horizontal well tied into infrastructure with a 2km pipeline. Based on historical costs and budget estimates the Montney JV will invest approximately C$40 million to acquire a similar acreage position and drill 3 horizontal wells tied into infrastructure with a 14km pipeline. Given the comparatively low cost of entry there is considerable scope for upside on an asset disposal.

Other Assets – 50% interest in SADR PSCs

As noted above, Calima owns 50% of four offshore Production Sharing Contracts (**PSCs**) awarded by the Saharawi Arab Democratic Republic (**SADR**), which is more commonly known as Western Sahara. Calima also has the operatorship of the PSCs. Calima acquired the interests in the PSCs from Ophir Energy in 2014.

The rights to the PSCs are held via Assurance Agreements executed by the SADR Government, which convert automatically into PSCs once the United Nations recognises the SADR as a sovereign state. At present a significant part of the SADR, including the offshore, is occupied by Morocco and until such time as there is a resolution to the sovereignty dispute, Calima cannot undertake exploration activity. See paragraph (j) in the Key risks and dependencies section below for further information on the political situation in the SADR.

Recent exploration success in Senegal and Mauritania has resulted in increased industry interest in Northwest Africa as evidenced by recent transactions by BP, Woodside and CNOOC, who have all acquired acreage positions.

The proposed new Azonto management team were involved in the first offshore oil discoveries in Mauritania and have extensive experience along the Northwest African margin.

The four PSCs are called the Daora, Haouza, Mahbes and Mijek permits, and cover an area in excess of 70,000 km^2.

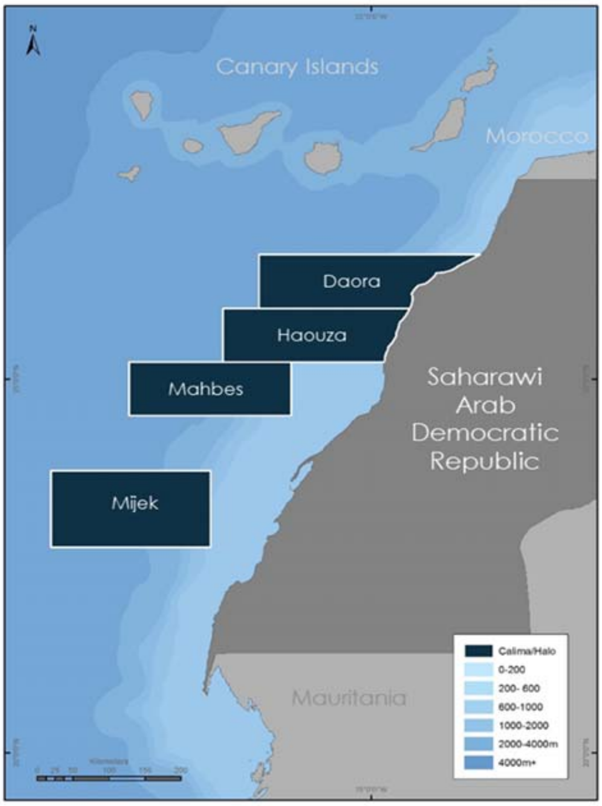

Figure 6: Calima Assurance Agreement areas – offshore Western Sahara

The principals of Havoc identified significant potential in offshore Western Sahara, following the completion of a detailed technical evaluation in 2003 while they were with Fusion Oil & Gas. The study lead to the identification of potential sweet spots within the basin, where mapped source, reservoir and potential trapping mechanisms (toe-of-slope anticline) coalesce.

The eventual licensing of four offshore permits by Ophir Energy in 2006 was based on in-depth knowledge of the basin and in particular, the previously identified sweet spots.

The potential of the area was highlighted with Kosmos Energy's drilling of the CB-1 well in 2015; a well located in a license granted by Morocco which overlaps Calima's Haouza permit. The well, which was targeting Cretaceous reservoirs within the toe-of-slope anticline, penetrated 14m of net gas and condensate pay in clastic reservoirs, over a gross hydrocarbon-bearing interval of 500m. While the discovery was deemed non-commercial, it significantly de-risked the basin and proved the presence of a working petroleum system.

Given this result and the vast expanse of the basin, coupled with the recent successes chasing Cretaceous plays along the margin, Calima believes significant potential exists in offshore Western Sahara.

Historical expenditure and work in SADR

Offshore exploration in Western Sahara started in the late 1960's and early 1970's with low resolution widely spaced 2D seismic acquisition in shallow water. Based on these seismic data, four offshore wells were drilled (Spansah 51 A-1, Spangoc-47 A-1 & 47 A-2, and Alisio 15 A-1), all of which were unsuccessful. Of these wells, Spansah 51 A-1 was drilled about 100km from the coast; relatively close to the edge of the continental shelf while the other three were in shallow waters within 30km of the coast.

Due to the occupation of Western Sahara by Morocco in the 1970s there was very little substantive exploration activity until the award of reconnaissance permits by the Moroccan Government in 2001 to Kerr McGee and TOTAL. In 2002 the Government of the SADR entered into a Technical Cooperation Agreement with Fusion Oil & Gas plc. The awards by Morocco and SADR overlapped. In 2006 the SADR held a licensing round in which Ophir Energy plc in partnership with Premier Oil & Gas plc was awarded four PSCs via Assurance Agreements. It is these licenses that were subsequently acquired by Calima. The reconnaissance licenses awarded by Morocco were converted to exploration licenses and ended up being owned in a joint venture by Kosmos Energy and Cairn Energy. They acquired 3D seismic and in 2015 drilled the CB-1 gas condensate discovery. The UN has stated that further exploration if undertaken with disregard to the interests of the Saharawi people would be illegal. The Government of the SADR has formally notified Kosmos and Cairn that their activities are not being undertaken in accordance with the wishes of the Saharawi people.

Until such time as there is a resolution to the sovereignty dispute it is not possible to undertake exploration activities under the agreement awarded by the SADR and so expenditure is limited to the payment of annual permit administration fees.

Key Risks and Dependencies

The key risks to the successful transformation of the Company can be summarized as follows:

(a) *Completion risk*

The Farm-in Agreement is conditional on the Company re-complying with Chapters 1 and 2 of the Listing Rules (see below).

Pursuant to the Acquisition Agreement (the key terms of which are summarized in Schedule 1), the Company has agreed to acquire 100% of Calima. Completion of the Calima Acquisition is subject to the satisfaction of certain conditions.

There is a risk that these conditions cannot be satisfied and, in turn that the Farm-in Agreement, and completion of the Calima Acquisition, will not proceed.

If the Proposed Transaction does not proceed, the Company will incur costs relating to advisers and other costs, with no material benefit being achieved.

(b) *Re-quotation of shares on ASX*

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. It is anticipated that the Company's Shares will be suspended from trading from the date of the general meeting convened to seek shareholder approval for the Proposed Transaction, and it is anticipated that the Shares will remain suspended until completion of the Calima Acquisition, the Capital Raising, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.

There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares will consequently remain suspended from quotation.

(c) *Liquidity risk*

On completion of the Proposed Transaction, the Company will issue Shares to the Calima vendors. The company understands that ASX will treat some of these securities as restricted securities in accordance with Chapter 9 of the Listing Rules. In addition, it is a term of the Acquisition Agreement that certain major shareholders in the Company agree to 12 months voluntary escrow over the Shares they hold.

This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(d) *Commodity and exchange rate fluctuation risk*

To the extent the Company may become involved in petroleum production, the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for petroleum products, technological advancements, forward selling activities and other macro-economic factors.

(e) *Financial markets risks*

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions may be affected by many factors including, but not limited to, the following:

(i) general economic outlook;

(ii) interest rates and inflation rates;

(iii) currency fluctuations;

(iv) commodity price fluctuations;

(v) changes in investor sentiment toward particular market sectors;

(vi) the demand for, and supply of, capital; and

(vii) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general, and oil & gas stocks in particular. Neither the Company, nor the directors warrant the future performance of the Company or any return on an investment in the Company.

(f) Permit grant and maintenance risks

The Company's exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licenses, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of licenses, obtaining renewals, or getting licenses granted, often depends on the Company being successful in obtaining the required regulatory approvals for its proposed activities and that the licenses, concessions, leases, permits or consents it holds will be renewed as and when required.

There can be no assurances that the Company will be successful in securing all or any of the additional acreage that it intends to apply for with the other Montney Project joint venturers as part of the Stage 1 Farm-in, or in obtaining renewals of existing acreage in the future.

(g) Exploration and development risks

The petroleum licenses that the Company will own or have the rights to exploit following completion of the Proposed Transaction are at various stages of exploration. There can be no assurance that exploration of these licenses, or any other licenses that may be acquired in the future, will result in the discovery of an economic petroleum reserve.

Petroleum exploration and production activities are subject to numerous risks, including the risk that drilling will result in dry holes or not result in commercial feasible oil or natural gas productions. Selecting a drilling location is influenced by the interpretation of geological, geophysical and seismic data, which is a subjective science and has varying degrees of success. Other factors, including land ownership and regulatory rules, may impact the Company's decisions with respect to well locations. Further, no known technologies provide conclusive evidence prior to drilling a well that oil or natural gas is present or may be produced economically. New wells drilled may not be productive, or may not recover all or any portion of the Company's investment in such wells. Decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend, in part, on the evaluation of production data, engineering studies, and geological and geophysical analyses, the results of which are typically inconclusive or subject to varying interpretations. The costs of drilling, completing, equipping and operating wells is typically uncertain before drilling commences.

(h) Environmental risks

The operations and proposed activities of the Company are subject to regulations concerning the environment. The government and other authorities that administer and enforce environmental laws determine these requirements. As with most oil & gas exploration and production, the Company's activities are expected to have an impact on the environment, particularly if any of the Company's projects proceeds to the production stage. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable petroleum reserves.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

(i) Economic and government risks

Changes in the general economic climate in which Company operates may adversely affect the financial performance of Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, include, but not are but not limited to:

(i) general economic conditions;

(ii) changes in government policies, taxation and other laws;

(iii) the strength of the equity and share markets in Australia and throughout the world;

(iv) movement in, or outlook on, exchange rates, interest rates and inflation rates;

(v) industrial disputes in Australia and overseas;

(vi) changes in investor sentiment toward particular market sectors;

(vii) financial failure or default by an entity with which the Company may become involved in a contractual relationship; and

(viii) natural disasters, social upheaval or war.

(j) SADR non-sovereign status

As noted above, Calima’s Assurance Agreements convert into PSCs following the recognition by the United Nations of SADR as a sovereign state. The SADR is the entity created by the indigenous people of Western Sahara following a unilateral declaration of independence in 1976. At present the territory of Western Sahara is regarded by the UN as being a Non-Self Governing Territory awaiting a process of decolonisation. Western Sahara was formerly a Spanish colony. Following Spain’s withdrawal, Morocco invaded in 1975 and has since occupied the western part the territory. In the same year, the International Court of Justice found that there were no ties of territorial sovereignty between Morocco and Western Sahara. No country in the world has ever recognised Morocco’s claims over Western Sahara.

A 16-year armed conflict between Morocco and the Frente POLISARIO (the armed resistance of the indigenous Saharawi people of Western Sahara) ensued until the UN brokered a ceasefire in 1990. The terms of the ceasefire included an agreement to establish a UN Mission for the Referendum in Western Sahara (MINURSO) to: (i) organize and supervise a self-determination referendum to allow the Saharawi people to choose between independence and integration with Morocco; and (ii) to monitor the ceasefire.

However, the UN has since been unable to make the necessary arrangements for the holding of a referendum. It has been mandated by the UN Security Council to bring the parties together to negotiate a solution to the conflict "which will provide for the self-determination of the people of Western Sahara." Unfortunately little progress has been made with Morocco maintaining an intransigent position proposing only autonomy for the territory whilst the Government of the SADR advocates a referendum with all options of self-determination.

There are currently overlapping claims to oil and gas exploration rights in both the onshore and offshore areas of occupied territories; that is, competing license areas which have been issued by the SADR and Moroccan governments. Calima currently has competing claims with Kosmos/Cairn JV over the majority of its areas and minor overlap with the New Age/Glencore JV. It has recently been reported that Total has not renewed its reconnaissance license. The Cap Boujdour-1 well drilled by Kosmos and Cairn in 2015 lies within Calima's Haouza permit.

The UN has issued advice that "if further exploration and exploitation activities were to proceed in disregard to the interests and wishes of the people of Western Sahara, they would be in violation of the principles of international law applicable to mineral resource activities in Non-Self Governing Territories".

The Assurance Agreements entered into between the SADR and Calima are compliant with the relevant international law.

Calima will continue to monitor progress towards a political solution regarding the sovereign status of SADR. Until such time as there is a resolution of the political situation regarding sovereignty, Calima's interest in the SADR PSCs should be regarded as highly speculative.

(k) Additional requirements for capital

The funds to be raised under the Capital Raising, together with the Company's and Calima's existing cash reserves, are considered sufficient to meet the Company's immediate objectives following completion of the Proposed Transaction. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operational plans in the future to take advantage of opportunities for acquisition, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional funding will be required.

Following the Capital Raising, the Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of the Company's activities and potential development programs. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company and might involve substantial dilution to shareholders.

(l) Reliance on key personnel

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

(m) JV partners and contractors

The Company is unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

The key dependencies influencing the viability of the Proposed Transaction are:

- the Company's capacity to re-comply with Chapters 1 and 2 of the Listing Rules to enable re-admission to quotation of the Company's securities following completion of the Proposed Transaction;

- satisfaction of the conditions precedent to the Farm-in Agreement and completion of the Calima Acquisition; and

- raising sufficient funds to carry out effective exploration activities on the acquired assets (including Stage 1 of the Farm-in Agreement to be funded from available cash following completion of the Proposed Transaction and the Capital Raising).

Calima's accounts

The Company's pro forma balance sheet as at 31 December 2016, based on audit reviewed 31 December 2016 accounts for the Company and audited 31 December 2016 accounts for Calima, is set out in Schedule 6.

Audited financial accounts for Calima for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 are contained in Schedule 7.

Recent issues of Azonto securities

The Company has issued 3,420,025 Shares (pre-Consolidation) in the six months prior to the date of this announcement.

These Shares were issued in November 2016 as consideration for advisory services provided to the Company unrelated to the Proposed Transaction (at a deemed issue price of $0.010 per Share (pre-Consolidation)). The Shares were issued for nil cash consideration and, accordingly, no funds were raised from this issue.

The Company has also agreed to issue (subject to shareholder approval) an additional 3,000,000 Shares (pre-Consolidation) as consideration for advisory services provided to the Company unrelated to the Proposed Transaction. Those Shares will be issued for nil consideration and, accordingly, no funds will be raised from this issue. Shareholder approval will be sought for the issue of these Shares at the Company's next Annual General Meeting on 31 May 2017.

The Company has not issued any other securities in the six months prior to the date of this announcement.

Recent issues of Calima securities

Other than the Convertible Notes referred to above, Calima has not issued any securities in the six months prior to the date of this announcement.

The Convertible Notes were issued to fund Calima's ongoing working capital requirements. As noted above, on completion of the Calima Acquisition, the debt under the Calima Convertible Notes will be assigned to, and assumed by, Azonto and satisfied in full through the issue of a further 20,000,750 Shares (post-Consolidation), being the face value of the convertible note at a deemed issue price of $0.02 (post-Consolidation).

Re-compliance with ASX Listing Rules Chapters 1 and 2

As the Proposed Transaction will result in a significant change to the scale of the Company's activities, the Proposed Transaction will require approval of Azonto shareholders under Listing Rule 11.1.2 and will also require Azonto to re-comply with Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3.

Shareholder Approvals

A notice of meeting seeking shareholder approval for the resolutions required to give effect to the Proposed Transaction will be sent to Azonto shareholders in due course. It is anticipated that Azonto will convene a general meeting in late May 2017 to facilitate shareholder approval for matters in respect of the Proposed Transaction. Those approvals will include:

- the change in the nature and scale of the Company's activities;
- consolidation of the Company existing equity capital on a 1 for 3 basis;
- creation of a new class of share in the form of Performance Shares;
- the Calima Acquisition and the issue of Shares and Performance Shares to the Havoc Members;
- the issue of Shares on conversion of the Convertible Notes;
- the issue of Shares in connection with the Capital Raising;
- the issue of Performance Rights and Options to key management personnel;
- the issue of Shares to Euroz (or its nominee);
- the appointment of new directors; and
- the change of the Company's name to "Calima Energy Limited".

Details of the numbers of securities proposed to be issued under the transaction are detailed above.

ASX Listing Rule Waivers

The Company intends to seek from ASX a waiver of Listing Rules 1.1 (Condition 11) and 2.1 (Condition 2) to enable it to issue securities at a price below the 20 cents stipulated in those rules.

Regulatory Notices

Investors should take account of the following uncertainties in deciding whether or not to buy or sell the Company's securities:

- the Proposed Transaction requires shareholder approval under the ASX Listing Rules and therefore may not proceed if that approval is not forthcoming;

- the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Proposed Transaction may not proceed if those requirements are not met; and

- ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Proposed Transaction may not proceed if ASX exercises that discretion.

The Company confirms that it is in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1.

ASX takes no responsibility for the contents of this announcement.

Azonto Petroleum Limited

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Schedule 1 – Key Terms and Conditions of Farm-In Agreement and Acquisition Agreement, and Performance Rights and Management Options

Farm-In Agreement

The key terms and conditions of the Farm-In Agreement are as follows:

- TMKM and TSV Montney Limited (through subsidiaries) are partners in an unincorporated joint venture (**JV**) with the following working interests in the Montney Project:
  - TSV Montney Limited – 60%; and
  - TMKM – 40%.
- Azonto will sole-fund and earn-in to the Montney Project in 3 stages as follows:

Stage	Expenditure Commitment	Working Interest earned (cumulative)	Latest Date
1	C$5 million	20% (20%)	1 Aug 2018
2	C$7 million	17.5% (37.5%)	28 Feb 2019
3	C$13 million	17.5% (55%)	28 Feb 2020

- Azonto will become the operator of the Montney Project with effect from commencement of the Farm-in.
- The Farm-in Agreement is conditional on the Company re-complying with Chapters 1 and 2 of the Listing Rules (see above for further details) on or before 31 August 2017.
- Azonto paid a non-refundable deposit of C$500,000 to the Montney JV on execution of the Farm-in Agreement. Once the re-listing condition has been satisfied, this deposit will be applied towards Azonto's Stage 1 Farm-in commitment.
- If Azonto does not elect to proceed with Stages 2 and 3 of the Farm-in:
  - it will be removed as operator of the JV;
  - it will be entitled to retain the working interest earned under Stage 1 of the Farm-in; and
  - the joint venturers will then contribute to project expenditure on a pro rata basis.

Acquisition Agreement (Calima Acquisition)

The key terms and conditions of the Acquisition agreement are as follows:

- Azonto will acquire 100% of the issued share capital of Calima.
- The consideration for the acquisition will be the issue to the Havoc shareholders of an aggregate 28,508,751 Shares and 20,029,226 Performance Shares (comprising 1,461,988 Class A Performance Shares, 3,947,360 Class B Performance Shares and 14,619,878 Class C Performance Shares (post-Consolidation)).

The Performance Shares will convert into Shares on a one for one basis on satisfaction of the following performance milestones:

Class	**Performance Milestone**
Class A	Either: • any of Calima's Assurance Agreements with the SADR (or a replacement title) converts to Production Sharing Agreements before 31 December 2020; or • sale of all or part of Calima's Assurance Agreements with the SADR (or a replacement title) for an amount greater than $0.132m on or before 31 December 2020.
Class B	Either: • spudding of an exploration well in any of the lands licensed by the Montney JV before 1 March 2019; or • Azonto selling the TMKM shares for an amount greater than $0.394m on or before 31 December 2020.
Class C	Either: • spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari before 31 December 2020; or • Azonto selling the Bahari shares for an amount greater than $1.32m on or before 31 December 2020.

The Performance Shares will all have an expiry date of 31 December 2020, and will convert on a change of control of Azonto prior to that date (subject to a cap of 10% of shares on issue as required by ASX policy). The Performance Shares will otherwise be on customary terms.

- The Calima Acquisition is conditional upon satisfaction of a number of conditions by 31 August 2017, including:
    - Azonto completing its financial, technical and legal due diligence on Calima and its assets, undertakings and business operations, and being satisfied with the results (in its sole and absolute discretion);
    - Azonto having obtained all necessary shareholder approvals required for the Potential Acquisition;
    - Azonto achieving the minimum level of subscriptions under the Capital Raising;
    - the parties obtaining any necessary consents or waivers from third parties that may be required as a result of the change in ownership to Azonto; and
    - the parties obtaining any necessary regulatory approvals on terms acceptable to the parties as are required to give effect to the Calima Acquisition.
- On completion of the Calima Acquisition, the debt under convertible notes issued by Calima with a face value of $400,015 will be assigned to, and assumed by, Azonto and satisfied in full through the issue of 20,000,750 Shares, being the face value of the convertible note at a deemed issue price of $0.02 (all post-Consolidation).

- All of the Havoc Members have agreed to join the management team of Azonto with effect from completion of the Calima Acquisition on a part-time and non-exclusive consulting basis.

- Azonto will be granted a first and last right of refusal on future opportunities identified by, or offered to, Havoc or a Havoc Member for the duration of the consulting arrangements referred to above (or any replacement employment agreement entered into with the Havoc Member).

- Havoc and the Havoc Members have given warranties and representations in favour of Azonto which are customary for a transaction of this nature.

The Acquisition Agreement is otherwise on customary terms for a transaction of this nature.

Terms of Performance Rights and Management Options

- The following management incentive securities will be issued to the Havoc Members in connection with their ongoing management roles with Azonto post-completion of the Calima Acquisition:
  - 19,450,000 Performance Rights will each convert into a Share for no consideration on exercise by the holder once vested, prior to the expiry date 5 years from grant); and
  - 20,000,000 Options expiring 5 years from grant with the following exercise prices:
    - 10,000,000 exercisable at $A0.09 once vested; and
    - 10,000,000 exercisable at $A0.12 once vested,

  (all on a post-Consolidation basis).

- 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:
  - Azonto share price to be above $0.15 (post-Consolidation) for 30 consecutive days;
  - Azonto raising more than $5 million (not including the Capital Raising referred to above) at an average price of $0.15 (post-Consolidation); and
  - Azonto's market capitalisation exceeding $50 million for more than 30 consecutive days.

  The Performance Rights will vest immediately on a change of control of Azonto that occurs at a price per share greater than $0.15 (post-Consolidation). The Performance Rights will otherwise be on standard terms and conditions.

- The Management Options will vest, subject to completion of 18 months' continuous service, on satisfaction of at least two of the following three conditions:
  - Azonto share price to be above $0.09 (post-Consolidation) for 30 consecutive days
  - Azonto raising more than $5 million (not including the Capital Raising referred to above) at an average price of $0.09 (post-Consolidation); and
  - Azonto's market capitalisation exceeding $50 million for more than 30 consecutive days.

The Management Options will vest immediately on a change of control of Azonto that occurs at a price per share greater than $0.09 (post Consolidation). The Management Options will otherwise be on standard terms and conditions.

Schedule 2 – Indicative Capital Structure

	Shares		Performance Shares	Performance Rights	Options
	Minimum Subscription	Maximum Subscription			
Shares currently on issue	1,162,795,125	1,162,795,125			
Historical Performance Rights issued to previous management team – Tranche 1[1]				46,589,916	
Historical Performance Rights issued to previous management team – Tranche 2[2]				93,729,573	
Shares to be issued to adviser (unrelated to the Proposed Transaction)	3,000,000	3,000,000			
Balance following Consolidation	**388,598,375**	**388,598,375**	-	**46,773,163[3]**	-
Securities issued to vendors pursuant to Calima Acquisition	28,508,751	28,508,751	20,029,226[4]		
Securities issued to key management personnel				19,450,000[5]	20,000,000[6]
Shares issued on conversion of Calima Convertible Notes[7]	20,000,750	20,000,750			
Capital Raising - Min Subscription	50,000,000				
Capital Raising - Max Subscription		100,000,000			
Shares issued to Lead Manager	3,333,333	3,333,333			
Total following completion of Acquisition and Capital Raising	**490,441,209**	**540,441,209**	**20,029,226**	**66,223,163**	**20,000,000**

Notes:

1. Performance Rights vesting on achievement of three strategic milestones within 4 years of grant. The first milestone, completion of the sale of Vitol of 65% of the Company's subsidiary in Cote dÍvoire (now Vioco) was achieved in 2013. The remaining strategic milestones are as follows:
   a. all government and partner approvals, offtake, supply and service contracts, financings and other necessary conditions for the Gazelle field development provide to proceed having been obtained and agreed and Vioco having taken the Final Investment Decision to proceed with the project; and
   b. the first delivery of gas from the Gazelle field to the Cote dÍvoire state electricity company (or other agreed purchaser) having been made under stabilised flow rate conditions.

   The development of the Gazelle field has been suspended and it is unlikely that these Performance Rights will vest.
2. Performance Rights vesting on achievement of Share price hurdles within 4 years of grant subject to the Board being satisfied with the overall financial, strategic and HSE performance of the Company over the vesting period. The Share price hurdles are as follows:
   a. 25% vest if the Company's Shares reach a price of $0.15;
   b. 25% vest if the Company's Shares reach a price of $0.21; and
   c. 50% vest if the Company's Shares reach a price of $0.27.
3. Comprising Tranche 1 Performance Rights and Tranche 2 Performance Rights.
4. Details of the terms of the Performance Shares (including the applicable performance milestones) are provided in Schedule 1.
5. Details of the terms of the Performance Rights (including the applicable vesting conditions) are provided in Schedule 1.
6. 50% exercisable at $0.09 and 50% exercisable at $0.12, all expiring 5 years from grant. Details of the other terms of the Management Options (including the applicable vesting conditions) are provided in Schedule 1.
7. Calima currently has $400,015 worth of Convertible Notes on issue. As noted above, the obligation to repay this debt will be assigned to, and assumed by, the Company with effect from completion of the Acquisition, and then satisfied by the issue of Shares equal to the face value of the Convertible Notes (at a deemed issue price of $0.02 per Share).

Schedule 3 – Havoc credentials

Havoc Partners LLP is a partnership established by five geoscientists who have worked together for a considerable number of years. Two of the partners, Alan Stein and Richard Higgins, first worked together at the geoscience consultancy IKODA Limited where Stein was one of the founding Directors. The whole team came together at Fusion Oil & Gas plc and then continued to work together at Ophir Energy plc before forming Havoc in 2014.

Havoc's credentials are established via the key role the individuals played in building these two operating companies from the ground up and in the case of Ophir Energy plc to becoming a deepwater drilling operator, safely completing many projects in challenging frontier deepwater locations (often on behalf of larger joint venture partners. It is the combination of company building and financing experience as well as operational skills that makes the Havoc team unique.

Fusion Oil & Gas plc evolved from a service-for-equity deal where IKODA invested approximately £130,000 of professional time to earn equity interests offshore Mauritania. These interests along with others acquired subsequently were vended into Fusion Oil & Gas plc in exchange for approximately 10 million shares which at IPO in 2000 were worth £5 million.

Fusion was established in 1998 and raised £2 million of seed capital by way of a share issue priced between 4-5 pence. Fusion raised a further £15 million at IPO by the issue of shares at 50 pence. Seed capital investors made a greater than 10X on their investment over a 2 year period. At IPO Fusion was valued at £45 million and at its peak in mid-2001 following the Chinguetti discovery was worth £68 million. Seed capital investors could have realised a 15X return on their investment over a 3 year period and IPO investors a 1.5X return in less than 1 year.

Fusion built a substantial portfolio of interests across West Africa and participated in several oil and gas discoveries offshore Mauritania. The Company drilled an onshore well in Ghana as operator and acquired numerous offshore 2D and 3D seismic surveys. The company was commended by a UN agency for its drilling operations in an environmentally sensitive area in Ghana.

Fusion was sold to Sterling Energy plc in late 2003 for £40 million. In total Fusion raised £19 million through the issue of shares and realised £7.5 million from the sale of assets. The sale price implies a ROCE of 1.5.

Ophir was started with a seed capital round in 2004 raising £5 million via the issue of shares at 25 pence. This was followed by a fully subscribed rights issue raising a further £5 million in 2005 via the issue of shares at 80 pence. Seed capital investors therefore contributed £10 million at an average price of 38 pence.

Over the period 2007-2009 Ophir raised approximately £280 million via the issue of shares priced between £2.00 and £2.50. At IPO in 2011 Ophir raised £230 million via the issue of new shares at £2.50 giving Ophir a valuation of £800 million. At IPO the implied ROCE was 1.4 and seed capital investors had realised a 6.6X return on their investment over 7 years.

In March 2012 when Ophir raised £150 million via the placing of shares at £4.90 IPO investors could have realised a 2X return on their investment over 9 months (seed capital 12.8X). The ROCE immediately prior to the March placing was 3.0.

Ophir acquired an extensive portfolio of interests with involvement in eight jurisdictions and by 2008 was the fifth largest deepwater acreage holder in Africa. Ophir drilled its first deepwater wells as Operator in 2008 making gas discoveries in Equatorial Guinea and in 2010 made further gas discoveries offshore Tanzania with

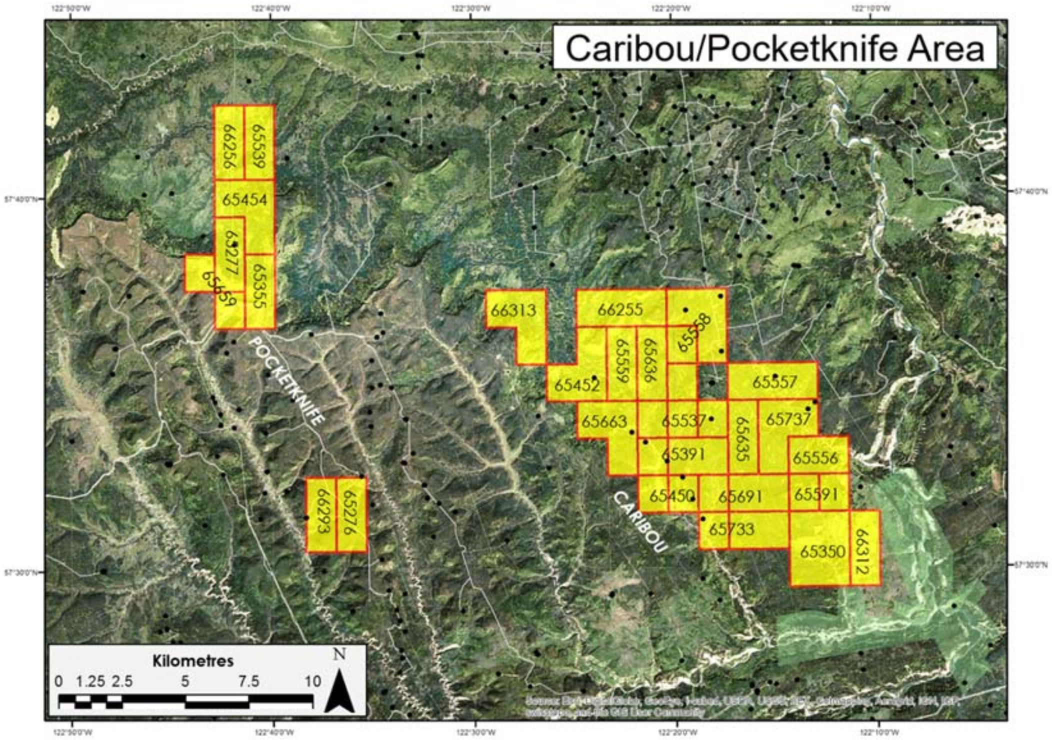
BG as the non-operating JV partner. All these wells were drilled without incident and with top quartile performance.

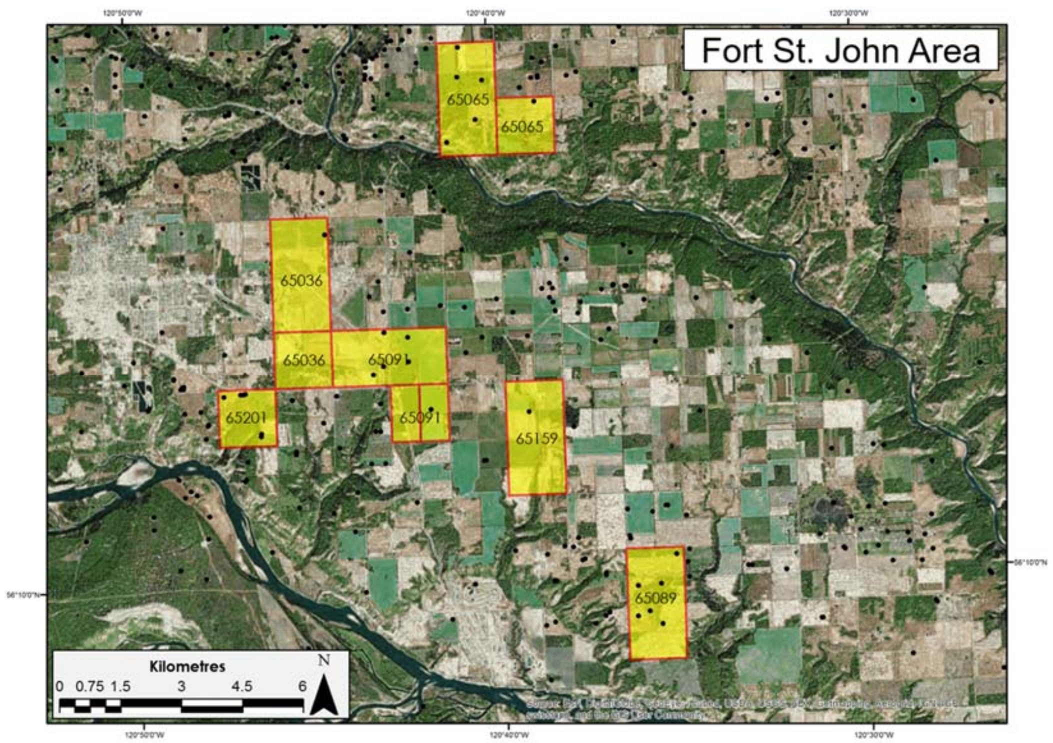
Over the period 2008-2013 Ophir drilled 13 deepwater wells as Operator and had participated as partner in the drilling of 6 more. Of the wells drilled 14 were either discoveries or successful appraisals. The Tanzania and Equatorial Guinea projects, acquired and managed by the Havoc team, have gone on to discover 20 Tcf of gas in Tanzania and 3 Tcf of gas in Equatorial Guinea.

At its peak in 2012,Ophir shares were trading above £6.00 and the company was worth in excess of £2Bn. IPO investors could have realised a 2.4X return on their investment over a period of only 1 year.

The Havoc team were the founders and leaders of both Fusion and Ophir with responsibility ranging across all aspects of the business from technical and operations to commercialisation and corporate.

Schedule 4 – Map showing location of Montney JV land holdings as at 1 March 2017





Schedule 5 – Details of Montney JV land holdings as at 1 March 2017

By Area	Sections	Hectares	Acres
Fort St John	14	3624	8,955
Pocketknife	17	4715	11,651
Caribou	53	14,722	36,379
	84	23,061	56,985

Details with Rights

Award Date	Parcel	Area	Type	Legal Description	Rights	Ha
26-Mar-14	**65036**	Fort St John	DL (3 yrs)	**Tract 1:** 083-18W6: 34 084-18W6: 3 **Tract 2:** 083-18W6: 27	**Tract 1:** All PNG **Tract 2:** All PNG, excluding NG to base Pardonet-Baldonnel	777
23-Apr-14	**65065**	Fort St John	DL (3 yrs)	**Tract 1:** 084-17W6: 17 **Tract 2:** 084-17W6: 18, 19	**Tract 1:** PNG below base Cadomin-Dunlevy-Kikanassin **Tract 2:** All PNG below base Charlie Lake	777
21-May-14	**65089**	Fort St John	DL (3 yrs)	082-17W6: 33 083-17W6: 3	Petroleum below base Charlie Lake. Natural Gas below base Basal Montney Lag-Belloy-Taylor Flat.	507
21-May-14	**65091**	Fort St John	DL (3 yrs)	**Tract 1:** 083-18W6: E24 **Tract 2:** 083-18W6: W24 **Tract 3:** 083-18W6: 25, 26	**Tract 1:** All PNG **Tract 2:** PNG below base Charlie Lake **Tract 3:** PNG below base Artex-Halfway-Doig	781
16-Jul-14	**65159**	Fort St John	DL (3 yrs)	083-17W6: 17, 20	ALL PNG	521
13-Aug-14	**65201**	Fort St John	DL (3 yrs)	083-18W6: 21	ALL PNG, excluding NG TB Montney-Belloy-Stoddart	261
12-Sep-14	**65276**	Pocketknife	DL (4 yrs)	094-G-10 BLK A Units 18, 19, 28, 29, 38, 39, 48, 49	All PNG	556
12-Sep-14	**65277**	Pocketknife	DL (4 yrs)	094-G-10 BLK G Units 56, 57, 66, 67, 76, 77, 86, 87	All PNG	554
10-Oct-14	**65350**	Caribou	DL (4 yrs)	094-G-08 BLK J Units 96-99	All PNG	1113

Award Date	Parcel	Area	Type	Legal Description	Rights	Ha
				094-G-09 BLK B Units 6-9, 16-19, 26-29		
10-Oct-14	**65355**	Pocketknife	DL (4 yrs)	094-G-10 BLK G Units 34, 35, 44, 45, 54, 55, 64, 65	All PNG	555
7-Nov-14	**65391**	Caribou	DL (4 yrs)	**Tract 1:** 094-G-09 BLK C Units 54-57, 64-67 **Tract 2:** 094-G-09 BLK C Units 58, 59, 68, 69	**Tract 1:** All PNG **Tract 2:** PNG BB Artex-Halfway-Doig	834
8-Nov-14	**65393**	Pocketknife	DL (4 yrs)	094-G-10 BLK A Units 20, 30, 40, 50 094-G-10 BLK B Units 11, 21 31 41	All PNG	556
12-Dec-14	**65450**	Caribou	DL (4 yrs)	**Tract 1:** 094-G-09 BLK C Units 38, 39, 48, 49 **Tract 2:** 094-G-09 BLK C Units 36, 37, 46, 47	**Tract 1:** All PNG **Tract 2:** PNG BB Artex-Halfway-Doig	556
12-Dec-14	**65452**	Caribou	DL (4 yrs)	094-G-09 BLK D Units 92-95 094-G-09 BLK E Units 2-5, 12, 13, 22, 23	All PNG	833
12-Dec-14	**65454**	Pocketknife	DL (4 yrs)	094-G-10 BLK G Units 74, 75, 84, 85, 94-97 094-G-10 BLK J Units 4-7	All PNG	831
27-Feb-15	65537	Caribou	DL (4 yrs)	**Tract 1:** 094-G-09 BLK C Units 76, 77, 86, 87 **Tract 2:** 094-G-09 BLK C Units 74, 75, 78, 79, 84, 85, 88, 89	**Tract 1:** All PNG **Tract 2:** PNG BB Artex-Halfway-Doig	**833**
27-Feb-15	65539	Pocketknife	DL (4 yrs)	094-G-10 BLK J Units 14, 15, 24, 25, 34, 35, 44, 45	All PNG	**554**
27-Mar-15	65556	Caribou	DL (4 yrs)	094-G-09 BLK B Units 56-59, 66-69	All PNG	556
27-Mar-15	65557	Caribou	DL (4 yrs)	094-G-09 BLK B Units 98-100 094-G-09 BLK C Units 91-93 094-G-09 BLK F Units 1-3 094-G-09 BLK G Units 8-10	PNG BB Artex-Halfway-Doig	833
27-Mar-15	65558	Caribou	DL (4 yrs)	**Tract 1:** 094-G-09 BLK F Units 16, 17, 26, 27 **Tract 2:** 094-G-09 BLK F Units 14, 15, 24, 25, 34-37, 44-47	**Tract 1:** All PNG **Tract 2:** PNG BB Artex-Halfway-Doig	1110
27-Mar-15	65559	Caribou	DL (4 yrs)	094-G-09 BLK C Units 100 094-G-09 BLK D Units 91 094-G-09 BLK E Units 1, 11, 21	All PNG	555

Award Date	Parcel	Area	Type	Legal Description	Rights	Ha
				094-G-09 BLK F Units 10, 20, 30		
23-Apr-15	65591	Caribou	DL (4 yrs)	**Tract 1:** 094-G-09 BLK B Units 38,39,48,49 **Tract 2:** 094-G-09 BLK B Units 36, 37, 46, 47	**Tract 1:** All PNG **Tract 2:** ALL PNG BB ARTEX-HALFWAY-DOIG	556
17-Jun-15	65635	Carabou	DL (4 yrs)	094-G-09 BLK C Units 52, 53, 62, 63, 72, 73, 82, 83	PNG BB Artex-Halfway-Doig	556
17-Jun-15	65636	Carabou	DL (4 yrs)	094-G-09 BLK C Units 98, 99 094-G-09 BLK F Units 8, 9, 18, 19, 28, 29	All PNG	555
16-Jul-15	65659	Pocketknife	DL (4 yrs)	094-G-10 BLK G Units 36, 37, 46, 47, 58, 59, 68, 69	All PNG	555
16-Jul-15	65662	Caribou	DL (4 yrs)	094-G-09 BLK C Units 96, 97 094-G-09 BLK F Units 6, 7	All PNG	278
16-Jul-15	65663	Caribou	DL (4 yrs)	094-G-09 BLK C Units 60, 70, 80, 90 094-G-09 BLK D Units 51, 61, 71-73, 81-83	All PNG	833
12-Aug-15	**65691**	Caribou	DL (4 yrs)	**Tract 1:** 094-G-09 BLK B Units 40, 50 094-G-09 BLK C Units 31-33, 41-43 **Tract 2:** 094-G-09 BLK C Units 34, 35, 44, 45	**Tract 1:** All PNG **Tract 2:** PNG BB Artex-Halfway-Doig	834
9-Sep-15	**65733**	Caribou	DL (4 yrs)	**Tract 1:** 094-G-09 BLK B Units 20, 30 094-G-09 BLK C Units 11-13, 21-23 **Tract 2:** 094-G-09 BLK C Units 14, 15, 24, 25	**Tract 1:** All PNG **Tract 2:** PNG BB Artex-Halfway-Doig	834
9-Sep-15	**65735**	Caribou	DL (4 yrs)	094-G-09 BLK B Units 60, 70, 78-80, 88-90 094-G-09 BLK C Units 51, 61, 71, 81	PNG BB Artex-Halfway-Doig	833
18-Jan-17	**66255**	Caribou	DL (4 yrs)	094-G-09 BLK E Units 31-33, 41-43 094-G-09 BLK F Units 38-40, 48-50	All PNG	832
18-Jan-17	**66256**	Pocketknife	DL (4 yrs)	094-G-10 BLK J Units 16, 17, 26, 27, 36, 37, 46, 47	All PNG	554
22-Mar-17	**66312**	Caribou	DL (4 yrs)	**Tract 1:** 094-G-08, BLK J Units 94, 95 **Tract 2:** 094-G-09, BLK B Units 4, 5, 14, 15, 24, 25	All PNG	556
22-Mar-17	**66313**	Caribou	DL (4 yrs)	094-G-09 BLK E Units 16, 17, 26, 27, 36-39, 46-49	All PNG	832
Total						**23,061**

Schedule 6 – Azonto Pro Forma Balance Sheet

	Azonto Audited as at 31-Dec-16 A$	Calima Adjusted as at 31-Dec-16 [1] A$	Adjustments A$	Notes	Pro Forma A$
CURRENT ASSETS					
Cash and cash equivalents	6,416,195	400,017	1,925,000	2,3,4	8,741,212
Trade and other receivables	13,365	-	-	-	13,365
Other assets	63,948	-	-	-	63,948
TOTAL CURRENT ASSETS	**6,493,508**	**400,017**	**1,925,000**		**8,818,525**
NON CURRENT ASSETS					
Available for sale investment	-	1,240,334	256,713	2	1,497,047
Other assets	-	2	-		2
TOTAL NON CURRENT ASSETS	**-**	**1,240,336**	**256,713**		**1,497,049**
TOTAL ASSETS	**6,493,508**	**1,640,352**	**2,181,713**		**10,315,573**
CURRENT LIABILITIES					
Trade and other payables	108,958	-	-	-	108,958
Other current liabilities	-	1,807,352	(1,640,349)	2,3	167,003
TOTAL CURRENT LIABILITIES	**108,958**	**1,807,352**	**(1,640,349)**		**275,961**
NON CURRENT LIABILITIES					
Financial liabilities	-	-	-	-	-
TOTAL NON CURRENT LIABILITIES	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES	**108,958**	**1,807,352**	**(1,640,349)**		**275,961**
NET ASSETS	**6,384,550**	**(167,000)**	**3,822,062**		**10,039,612**
EQUITY					
Issued capital	232,807,830	3	3,805,059	2,3,4, 5, 6	236,612,892
Reserves	9,994,250	-	-		9,994,250
Foreign currency translation reserve	12,761,823	(23,741)	23,741		12,761,823
Accumulated losses	(249,179,353)	(143,262)	(6,738)	5	(249,329,353)
TOTAL EQUITY	**6,384,550**	**(167,000)**	**3,822,062**		**10,039,612**

Notes:

1. Calima's balance sheet has been adjusted as at 31 December 2016 for the following post-balance date events:
   - Calima has issued convertible notes with a face value of $400,015 to certain Havoc Members (Convertible Notes). On Completion, the debt under the Convertible Notes will be assigned to, and assumed by, Azonto and satisfied in full through the issue of a further 20,000,750 Shares, being the face value of the Convertible Notes at a deemed issue price of $0.02.
   - Calima has entered into an agreement to acquire 150 fully paid ordinary shares in Bahari (approximately 10% of the issued shares in Bahari) for a consideration of $875,598.
   - Calima has entered into an agreement to acquire 8,000,000 fully paid ordinary shares in in TMKM (approximately 11% of the issued shares in TMKM) for a consideration of $364,736.

2. The Calima Acquisition is accounted for as an asset acquisition as Calima has been deemed not to be a business under AASB 3 Business Combinations. The value of the share based consideration payable by Azonto is calculated as $1,282,894, being 25,508,751 Shares at a price of $0.045 (the Capital Raising price per Share). The difference between the value of Calima's shares in TMKM and Bahari ($1,240,334 in the adjusted balance sheet of Calima) and the consideration paid ($1,282,894) has been recognised as an adjustment in the pro-forma balance sheet.

3. As the debt under the Convertible Notes will be assigned to, and assumed by, Azonto on Completion, adjustments have been made to remove the amount payable by Calima to the Havoc Members pursuant to the Convertible Note and to account for the Azonto Shares which will be issued to the Havoc Members to satisfy the Convertible Note.

4. Assumes the minimum subscription of $2,250,000 is raised under the Capital Raising (net of $325,000 of estimated costs of the Capital Raising). If the maximum subscription is achieved under the Capital Raising, an additional $2,250,000 will be raised and the costs of the Capital Raising are estimated to increase by $112,500.

5. Euroz has been mandated to act as lead manager to the Capital Raising and Corporate Advisor to Azonto in relation to the Proposed Transaction generally. Euroz will receive 3,333,333 Shares as part of its fee for these services, which have been valued at a deemed issue price of $0.0045 per Share (the Capital Raising price).

6. No adjustment has been made to account for:

   - the Management Options and Performance Rights to be issued to Havoc Members in connection with their ongoing management roles with Azonto post-completion of the Calima Acquisition as they are subject to vesting conditions and the vesting period has not yet commenced; and

   - the Performance Shares to be issued to Havoc as consideration for the Acquisition as they are subject to non-market based vesting conditions (and, accordingly, management has discretion to expense the value of the Performance Shares over an estimated vesting period) and none of the Performance Shares have converted to Shares.

Schedule 7 – Calima Financial Statements

Calima Energy Ltd
Annual Financial Report
For the year ended 31 December 2016

Calima Energy Ltd
Annual Financial Report
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Calima Energy Ltd
Directors Report
For the period ended 31 December 2016

The directors present their report together with the financial report of Calima Energy Limited for the period ended 31 December 2016 and the auditor's report thereon.

Directors
The directors at any time during or since the end of the financial period are:

Name and qualifications	*Experience and responsibilities*
Jonathon Mark Taylor BSc MSc	25 years Oil Industry experience. Technical/Operational/Corporate
Tobias Mathews BA	English Solicitor with 30 years experience in the oil and gas industry and complex commercial structuring

Company Particulars
Calima Energy Limited was incorporated 7 March 2014 in Jersey (Company No. 115159). The address of the registered office is:

Portman House
Hue Street
Jersey
JE4 5RP
United Kingdom

Principal activities
The principal activity of the company during the financial period was retention of Western Sahara license interests (inactive)

Review of operations
The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs
There were no significant changes in the company's state of affairs that occurred during the financial period.

After balance date events
On 20 April 2017 the Company entered into transactions as follows:

i) Raised $400,015 in funding through issue of a convertible note facility;
ii) Acquired approximately 11% of TMK Montney Limited (TMKM) via purchase of 8,000,000 fully paid ordinary shares; and
iii) Acquired approximately 10% of Bahari Holding Company Limited via purchase of 150 fully paid ordinary shares.

There has not arisen in the interval between the end of the financial period and the date of this report any further items, transactions or events to the above, of a material and unusual nature likely, in the opinion of the directors of the group, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments and expected results of operation
The company expects to maintain the present status and level of operations.

Director's Meetings
The following directors' meetings (including meetings of committees of directors) were held during the period and the number of meetings attended by each of the directors during the period were:

Director	Directors' meetings eligible to attend	Directors' meetings attended
Jonathan Taylor	1	1
Tobias Mathews	1	1

Environmental regulation
The company's operations are not regulated by any significant environmental regulation under a law.

Dividends paid, recommended and declared
No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

Indemnification of officers
No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an officer of the Company.

Indemnification of auditors
No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the Company.

Auditor's independence declaration
The auditor's independence declaration is set out on page 11 and forms part of the directors' report for the financial year ended 31 December 2016.

Dated at Jersey, Channel Islands 24th of April 2017.

Signed in accordance with a resolution of the directors:

Tobias Mathews
Director

Calima Energy Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016

	2016 GBP $	2015 GBP $
Expenses		
Annual Surface Rental Fees	(29,607)	(26,166)
Social Contribution Fund Expense	(14,803)	(13,083)
Profit/(loss) before income tax	**(44,410)**	**(39,250)**
Income tax expense	-	-
Profit/(loss) for the year	**(44,410)**	**(39,250)**
Other comprehensive income		
Foreign exchange gain / (loss)	(12,644)	(1,220)
Other comprehensive income/(loss) for the year	**(12,644)**	**(1,220)**
Total comprehensive income/(loss) for the year	**(57,054)**	**(40,470)**

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

Calima Energy Ltd
Statement of Financial Position
As at 31 December 2016

	Note	2016 GBP $	2015 GBP $
ASSETS			
Current assets			
Cash and cash equivalents		1	1
Total current assets		**1**	**1**
Non-current assets			
Other receivable		1	1
Total non-current assets		**1**	**1**
Total assets		**2**	**2**
LIABILITIES			
Current liabilities			
Other liabilities	2	97,524	40,470
Total current liabilities		**97,524**	**40,470**
Total liabilities		**97,524**	**40,470**
Net assets / (liabilities)		**(97,522)**	**(40,468)**
EQUITY			
Issued Capital		2	2
Accumulated Losses		(83,660)	(39,250)
Reserves	7	(13,864)	(1,220)
Total equity		**(97,522)**	**(40,468)**

The above statement of financial position should be read in conjunction with the accompanying notes.

Calima Energy Ltd
Statement of Changes in Equity
For the year ended 31 December 2016

	Issued Capital GBP $	Accumulated Losses GBP $	Foreign Currency Translation Reserve GBP $	Total GBP $
Balance at 1 January 2015	**2**	**-**	**-**	**2**
Net profit/(loss) for the year	-	(39,250)	-	(39,250)
Other comprehensive income / (loss)	-	-	(1,220)	(1,220)
Total comprehensive income for the year	**-**	**(39,250)**	**(1,220)**	**(40,470)**
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2015	**2**	**(39,250)**	**(1,220)**	**(40,468)**
Balance at 1 January 2016	**2**	**(39,250)**	**(1,220)**	**(40,468)**
Net profit/(loss) for the year	-	(44,410)	-	(44,410)
Other comprehensive income / (loss)	-	-	(12,644)	(12,644)
Total comprehensive income for the year	**-**	**(44,410)**	**(12,644)**	**(57,054)**
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2016	**2**	**(83,660)**	**(13,864)**	**(97,522)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Calima Energy Ltd
Statement of Cash Flows
For the year ended 31 December 2016

	2016 GBP $	2015 GBP $
Cash flows from operating activities	-	-
Net cash inflow/(outflow) from operating activities	**-**	**-**
Cash flows from investing activities	-	-
Net cash inflow/(outflow) from investing activities	**-**	**-**
Cash flows from financing activities	-	-
Net cash inflow/(outflow) from financing activities	**-**	**-**
Net increase/(decrease) in cash held	-	-
Cash and cash equivalents at beginning of the financial year	2	2
Cash and cash equivalents at end of the financial year	**2**	**2**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New, revised or amending Accounting Standards and Interpretations adopted
The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

(b) Basis of Preparation
In the officers' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of complying with the *Corporations Act 2001* . The officers have determined that the accounting policies adopted are appropriate to meet the needs of the members of Calima Energy Limited.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of:

- AASB 101 'Presentation of Financial Statements';
- AASB 107 'Statement of Cash Flows';
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors';
- AASB 1048 'Interpretation of Standards'; and
- AASB 1054 'Australian Additional Disclosures'.

Historical cost convention
The financial statements have been prepared on an accruals basis under the historical cost convention.

(c) Functional and Presentation Currency
The financial statements have been presented in Great British Pounds, which is the Company's functional currency.

Foreign currency transactions are translated into Great British Pounds using the exchange rates prevalling at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(d) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(e) Impairment of assets
Non-current assets 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 to sell 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 which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term high liquid investments with original maturities of three months of less and bank overdrafts.

(g) Trade and Other Payables
Trade and other payables represent liabilities for goods and services provided to the entity prior to the period end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Contributed Equity

Units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

(i) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not yet been applied in the financial report. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations (listed below).

- AASB 9 *Financial Instruments* . Date of application: 1 January 2018. Application date of company (year ended): 31 December 2019;
- AASB 15 *Revenue from contracts with customers* . Date of application: 1 January 2018. Application date of company (year ended): 31 December 2019; and
- AASB 16 *Leases* . Date of application: 1 January 2019. Application date of company (year ended): 31 December 2020.

NOTE 2 OTHER LIABILITIES

	2016 GBP $	2015 GBP $
Annual Surface Rental Fee	65,016	26,980
Social Contribution Fund	32,508	13,490
Total Other Liabilities	**97,524**	**40,470**

The above liabilities relate to annual surface rental fees and contribution funds payable to the Sawahari Arab Democratic Republic in regards to the 50% interest held by the Company in several petroleum licences.

NOTE 3 CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2015 and 31 December 2016.

NOTE 4 COMMITMENTS

Commitments of the company were as follows:

	2016 GBP $	2015 GBP $
Less than one year	48,762	40,470
Between one and five years	195,048	161,880
Total Commitments	**243,810**	**202,350**

The above commitments relate to annual surface rental fees and contribution funds payable to the Sawahari Arab Democratic Republic in regards to the 50% interest held by the Company in several petroleum licences.

NOTE 5 EVENTS AFTER THE REPORTING PERIOD

On 20 April 2017 the Company entered into transactions as follows:

i) Raised $400,015 in funding through issue of a convertible note facility;
ii) Acquired approximately 11% of TMK Montney Limited (TMKM) via purchase of 8,000,000 fully paid ordinary shares;
iii) Acquired approximately 10% of Bahari Holding Company Limited via purchase of 150 fully paid ordinary shares.

No further matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

NOTE 6 COMPANY DETAILS

Calima Energy Limited is incorporated in Jersey (Company No. 115159). The address of the registered office is:

Portman House
Hue Street
Jersey
JE4 5RP
United Kingdom

NOTE 7 RESERVES

	2016 GBP $	2015 GBP $
Foreign currency translation reserve	(13,864)	(1,220)
Total Reserves	**(13,864)**	**(1,220)**

Calima Energy Ltd
Directors Declaration
For the year ended 31 December 2016

The directors have determined that Calima Energy Limited is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001*

   (a) comply with Accounting Standards as described in Note 1 to the financial statements; and
   (b) give a true and fair view of the group's and company's financial position as at 31 December 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed for on behalf of the directors by:

Tobias Mathews
Director
24th April 2017

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Australia

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, which comprises the statement of financial position as at 31 December 2016, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the 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 Calima Energy Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the company's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards to the extent described in Note 1, 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 auditor independence requirements of 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* (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.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

http://www.auasb.gov.au/auditors_files/ar3.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 24 April 2017

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PO Box 700 West Perth WA 6872
Australia

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 2016, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 24 April 2017

Calima Energy Ltd
Annual Financial Report
For the year ended 31 December 2015

Calima Energy Ltd
Annual Financial Report
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Calima Energy Ltd
Directors Report
For the period ended 31 December 2015

The directors present their report together with the financial report of Calima Energy Limited for the period ended 31 December 2015 and the auditor's report thereon.

Directors
The directors at any time during or since the end of the financial period are:

Name and qualifications	*Experience and responsibilities*
Jonathon Mark Taylor BSc MSc	25 years Oil Industry experience. Technical/Operational/Corporate
Tobias Mathews BA	English Solicitor with 30 years experience in the oil and gas industry and complex commercial structuring

Company Particulars
Calima Energy Limited was incorporated 7 March 2014 in Jersey (Company No. 115159). The address of the registered office is:

Portman House
Hue Street
Jersey
JE4 5RP
United Kingdom

Principal activities
The principal activity of the company during the financial period was retention of Western Sahara license interests (inactive)

Review of operations
The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs
There were no significant changes in the company's state of affairs that occurred during the financial period.

After balance date events
On 20 April 2017 the Company entered into transactions as follows:

i) Raised $400,015 in funding through issue of a convertible note facility;
ii) Acquired approximately 11% of TMK Montney Limited (TMKM) via purchase of 8,000,000 fully paid ordinary shares; and
iii) Acquired approximately 10% of Bahari Holding Company Limited via purchase of 150 fully paid ordinary shares.

There has not arisen in the interval between the end of the financial period and the date of this report any further items, transactions or events to the above, of a material and unusual nature likely, in the opinion of the directors of the group, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments and expected results of operation
The company expects to maintain the present status and level of operations.

Director's Meetings
The following directors' meetings (including meetings of committees of directors) were held during the period and the number of meetings attended by each of the directors during the period were:

Director	Directors' meetings eligible to attend	Directors' meetings attended
Jonathan Taylor	2	2
Tobias Mathews	2	2

Environmental regulation
The company's operations are not regulated by any significant environmental regulation under a law.

Dividends paid, recommended and declared
No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

Indemnification of officers
No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an officer of the Company.

Indemnification of auditors
No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the Company.

Auditor's independence declaration
The auditor's independence declaration is set out on page 11 and forms part of the directors' report for the financial year ended 31 December 2015.

Dated at Jersey, Channel Islands 24th of April 2017.

Signed in accordance with a resolution of the directors:

Tobias Mathews
Director

Calima Energy Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

	2015 GBP $	2014 GBP $
Expenses		
Annual Surface Rental Fees	(26,166)	-
Social Contribution Fund Expense	(13,083)	-
Profit/(loss) before income tax	**(39,250)**	**-**
Income tax expense	-	-
Profit/(loss) for the year	**(39,250)**	**-**
Other comprehensive income		
Foreign exchange gain / (loss)	(1,220)	-
Other comprehensive income/(loss) for the year	**(1,220)**	**-**
Total comprehensive income/(loss) for the year	**(40,470)**	**-**

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

Calima Energy Ltd
Statement of Financial Position
As at 31 December 2015

	Note	2015 GBP $	2014 GBP $
ASSETS			
Current assets			
Cash and cash equivalents		1	1
Total current assets		**1**	**1**
Non-current assets			
Other receivable		1	1
Total non-current assets		**1**	**1**
Total assets		**2**	**2**
LIABILITIES			
Current liabilities			
Other liabilities	2	40,470	-
Total current liabilities		**40,470**	**-**
Total liabilities		**40,470**	**-**
Net assets / (liabilities)		**(40,468)**	**2**
EQUITY			
Issued Capital		2	2
Accumulated Losses		(39,250)	-
Reserves	7	(1,220)	-
Total equity		**(40,468)**	**2**

The above statement of financial position should be read in conjunction with the accompanying notes.

Calima Energy Ltd
Statement of Changes in Equity
For the year ended 31 December 2015

	Issued Capital GBP $	Accumulated Losses GBP $	Foreign Currency Translation Reserve GBP $	Total GBP $
Balance at 7 March 2014	**2**	**-**	**-**	**2**
Net profit/(loss) for the year	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2014	**2**	**-**	**-**	**2**
Balance at 1 January 2015	**2**	**-**	**-**	**2**
Net profit/(loss) for the year	-	(39,250)	-	(39,250)
Other comprehensive income / (loss)	-	-	(1,220)	(1,220)
Total comprehensive income for the year	**-**	**(39,250)**	**(1,220)**	**(40,470)**
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2015	**2**	**(39,250)**	**(1,220)**	**(40,468)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Calima Energy Ltd
Statement of Cash Flows
For the year ended 31 December 2015

	2015 GBP $	2014 GBP $
Cash flows from operating activities	-	-
Net cash inflow/(outflow) from operating activities	**-**	**-**
Cash flows from investing activities	-	1
Net cash inflow/(outflow) from investing activities	**-**	**1**
Cash flows from financing activities	-	1
Net cash inflow/(outflow) from financing activities	**-**	**1**
Net increase/(decrease) in cash held	-	2
Cash and cash equivalents at beginning of the financial year	2	-
Cash and cash equivalents at end of the financial year	**2**	**2**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New, revised or amending Accounting Standards and Interpretations adopted

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

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

(b) Basis of Preparation

In the officers' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of complying with the *Corporations Act 2001*. The officers have determined that the accounting policies adopted are appropriate to meet the needs of the members of Calima Energy Limited.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of:

- AASB 101 'Presentation of Financial Statements';
- AASB 107 'Statement of Cash Flows';
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors';
- AASB 1048 'Interpretation of Standards'; and
- AASB 1054 'Australian Additional Disclosures'.

Historical cost convention

The financial statements have been prepared on an accruals basis under the historical cost convention.

(c) Functional and Presentation Currency

The financial statements have been presented in Great British Pounds, which is the Company's functional currency.

Foreign currency transactions are translated into Great British Pounds using the exchange rates prevalling at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(e) Impairment of assets

Non-current assets 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 to sell 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 which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term high liquid investments with original maturities of three months of less and bank overdrafts.

(g) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the entity prior to the period end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Contributed Equity
Units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

(i) New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not yet been applied in the financial report. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations (listed below).

- AASB 9 *Financial Instruments* . Date of application: 1 January 2018. Application date of company (year ended): 31 December 2019;
- AASB 15 *Revenue from contracts with customers* . Date of application: 1 January 2018. Application date of company (year ended): 31 December 2019; and
- AASB 16 *Leases* . Date of application: 1 January 2019. Application date of company (year ended): 31 December 2020.

NOTE 2 OTHER LIABILITIES

	2015 GBP $	2014 GBP $
Annual Surface Rental Fee	26,980	-
Social Contribution Fund	13,490	-
Total Other Liabilities	**40,470**	**-**

The above liabilities relate to annual surface rental fees and contribution funds payable to the Sawahari Arab Democratic Republic in regards to the 50% interest held by the Company in several petroleum licences.

NOTE 3 CONTINGENT LIABILITIES
The company had no contingent liabilities as at 31 December 2015 and 31 December 2014.

NOTE 4 COMMITMENTS
Commitments of the company were as follows:

	2015 GBP $	2014 GBP $
Less than one year	40,470	38,624
Between one and five years	161,880	154,498
Total Commitments	**202,350**	**193,122**

The above commitments relate to annual surface rental fees and contribution funds payable to the Sawahari Arab Democratic Republic in regards to the 50% interest held by the Company in several petroleum licences.

NOTE 5 EVENTS AFTER THE REPORTING PERIOD
On 20 April 2017 the Company entered into transactions as follows:

i) Raised $400,015 in funding through issue of a convertible note facility;
ii) Acquired approximately 11% of TMK Montney Limited (TMKM) via purchase of 8,000,000 fully paid ordinary shares;
iii) Acquired approximately 10% of Bahari Holding Company Limited via purchase of 150 fully paid ordinary shares.

No further matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

NOTE 6 COMPANY DETAILS
Calima Energy Limited is incorporated in Jersey (Company No. 115159). The address of the registered office is:

Portman House
Hue Street
Jersey
JE4 5RP
United Kingdom

NOTE 7 RESERVES

	2015 GBP $	2014 GBP $
Foreign currency translation reserve	(1,220)	-
Total Reserves	**(1,220)**	**-**

Calima Energy Ltd
Directors Declaration
For the year ended 31 December 2015

The directors have determined that Calima Energy Limited is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001*

(a) comply with Accounting Standards as described in Note 1 to the financial statements; and
(b) give a true and fair view of the group's and company's financial position as at 31 December 2015 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed for on behalf of the directors by:

Tobias Mathews
Director
24th April 2017

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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, which comprises the statement of financial position as at 31 December 2015, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the 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 Calima Energy Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards to the extent described in Note 1, 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 auditor independence requirements of 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* (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.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

http://www.auasb.gov.au/auditors_files/ar3.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 24 April 2017

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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 2015, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 24 April 2017

Calima Energy Ltd
Financial Report
For the period ended 31 December 2014

Calima Energy Ltd
Financial Report
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Calima Energy Ltd
Directors Report
For the period ended 31 December 2014

The directors present their report together with the financial report of Calima Energy Limited for the period ended 31 December 2014 and the auditor's report thereon.

Directors
The directors at any time during or since the end of the financial period are:

Name and qualifications	*Experience and responsibilities*
Jonathon Mark Taylor BSc MSc	25 years Oil Industry experience. Technical/Operational/Corporate
Tobias Mathews BA	English Solicitor with 30 years experience in the oil and gas industry and complex commercial structuring

Company Particulars
Calima Energy Limited was incorporated 7 March 2014 in Jersey (Company No. 115159). The address of the registered office is:

Portman House
Hue Street
Jersey
JE4 5RP
United Kingdom

Principal activities
The principal activity of the company during the financial period was retention of Western Sahara license interests (inactive)

Review of operations
The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs
There were no significant changes in the company's state of affairs that occurred during the financial period.

After balance date events
On 20 April 2017 the Company entered into transactions as follows:

i) Raised $400,015 in funding through issue of a convertible note facility;
ii) Acquired approximately 11% of TMK Montney Limited (TMKM) via purchase of 8,000,000 fully paid ordinary shares; and
iii) Acquired approximately 10% of Bahari Holding Company Limited via purchase of 150 fully paid ordinary shares.

There has not arisen in the interval between the end of the financial period and the date of this report any further items, transactions or events to the above, of a material and unusual nature likely, in the opinion of the directors of the group, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments and expected results of operation
The company expects to maintain the present status and level of operations.

Director's Meetings
The following directors' meetings (including meetings of committees of directors) were held during the period and the number of meetings attended by each of the directors during the period were:

Director	Directors' meetings eligible to attend	Directors' meetings attended
Jonathan Taylor	5	5
Tobias Mathews	5	5

Environmental regulation
The company's operations are not regulated by any significant environmental regulation under a law.

Dividends paid, recommended and declared
No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

Indemnification of officers
No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an officer of the Company.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the Company.

Auditor's independence declaration

The auditor's independence declaration is set out on page 11 and forms part of the directors' report for the financial period ended 31 December 2014.

Dated at Jersey, Channel Islands 24th of April 2017.

Signed in accordance with a resolution of the directors:

Tobias Mathews
Director

Calima Energy Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the period ended 31 December 2014

	2014 GBP $
Expenses	
Annual Surface Rental Fees	-
Social Contribution Fund Expense	-
Profit/(loss) before income tax	-
Income tax expense	-
Profit/(loss) for the year	-
Other comprehensive income	
Foreign exchange gain / (loss)	-
Other comprehensive income/(loss) for the year	-
Total comprehensive income/(loss) for the year	-

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

Calima Energy Ltd
Statement of Financial Position
As at 31 December 2014

	Note	2014 GBP $
ASSETS		
Current assets		
Cash and cash equivalents		1
Total current assets		**1**
Non-current assets		
Other receivable		1
Total non-current assets		**1**
Total assets		**2**
LIABILITIES		
Current liabilities		
Other liabilities		-
Total current liabilities		-
Total liabilities		-
Net assets / (liabilities)		**2**
EQUITY		
Issued Capital		2
Accumulated Losses		-
Reserves		-
Total equity		**2**

The above statement of financial position should be read in conjunction with the accompanying notes.

Calima Energy Ltd
Statement of Changes in Equity
For the period ended 31 December 2014

	Issued Capital GBP $	Accumulated Losses GBP $	Foreign Currency Translation Reserve GBP $	Total GBP $
Balance at 7 March 2014	2	-	-	2
Net profit/(loss) for the period	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2014	2	-	-	2

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Calima Energy Ltd
Statement of Cash Flows
For the period ended 31 December 2014

	2014 GBP $
Cash flows from operating activities	-
Net cash inflow/(outflow) from operating activities	**-**
Cash flows from investing activities	1
Net cash inflow/(outflow) from investing activities	**1**
Cash flows from financing activities	1
Net cash inflow/(outflow) from financing activities	**1**
Net increase/(decrease) in cash held	2
Cash and cash equivalents at beginning of the financial period	-
Cash and cash equivalents at end of the financial period	**2**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New, revised or amending Accounting Standards and Interpretations adopted

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

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

(b) Basis of Preparation

In the officers' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of complying with the *Corporations Act 2001*. The officers have determined that the accounting policies adopted are appropriate to meet the needs of the members of Calima Energy Limited.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of:

- AASB 101 'Presentation of Financial Statements';
- AASB 107 'Statement of Cash Flows';
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors';
- AASB 1048 'Interpretation of Standards'; and
- AASB 1054 'Australian Additional Disclosures'.

Historical cost convention

The financial statements have been prepared on an accruals basis under the historical cost convention.

(c) Functional and Presentation Currency

The financial statements have been presented in Great British Pounds, which is the Company's functional currency.

Foreign currency transactions are translated into Great British Pounds using the exchange rates prevalling at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(e) Impairment of assets

Non-current assets 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 to sell 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 which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term high liquid investments with original maturities of three months of less and bank overdrafts.

(g) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the entity prior to the period end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Contributed Equity

Units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

(i) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not yet been applied in the financial report. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations (listed below).

- AASB 9 *Financial Instruments* . Date of application: 1 January 2018. Application date of company (year ended): 31 December 2019;
- AASB 15 *Revenue from contracts with customers* . Date of application: 1 January 2018. Application date of company (year ended): 31 December 2019; and
- AASB 16 *Leases* . Date of application: 1 January 2019. Application date of company (year ended): 31 December 2020.

NOTE 2 CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2014.

NOTE 3 COMMITMENTS

Commitments of the company were as follows:

	2014 GBP $
Less than one year	38,624
Between one and five years	154,498
Total Commitments	**193,122**

The above commitments relate to annual surface rental fees and contribution funds payable to the Sawahari Arab Democratic Republic in regards to the 50% interest held by the Company in several petroleum licences.

NOTE 4 EVENTS AFTER THE REPORTING PERIOD

On 20 April 2017 the Company entered into transactions as follows:

i) Raised $400,015 in funding through issue of a convertible note facility;
ii) Acquired approximately 11% of TMK Montney Limited (TMKM) via purchase of 8,000,000 fully paid ordinary shares; and
iii) Acquired approximately 10% of Bahari Holding Company Limited via purchase of 150 fully paid ordinary shares.

No further matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

NOTE 5 COMPANY DETAILS

Calima Energy Limited was incorporated 7 March 2014 in Jersey (Company No. 115159). The address of the registered office is:

Portman House
Hue Street
Jersey
JE4 5RP
United Kingdom

Calima Energy Ltd
Directors Declaration
For the period ended 31 December 2014

The directors have determined that Calima Energy Limited is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001*

(a) comply with Accounting Standards as described in Note 1 to the financial statements; and
(b) give a true and fair view of the group's and company's financial position as at 31 December 2014 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed for on behalf of the directors by:

Tobias Mathews
Director
24th April 2017

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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, which comprises the statement of financial position as at 31 December 2014, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the 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 Calima Energy Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the company's financial position as at 31 December 2014 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards to the extent described in Note 1, 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 auditor independence requirements of 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* (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.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

http://www.auasb.gov.au/auditors_files/ar3.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 24 April 2017

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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 2014, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 24 April 2017