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Market Announcements Platform
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

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Independent Geological Report on Calima Lands

Highlights:

- **Independent Geologist's Report confirms prospectivity of the Montney Formation in the Calima Lands**
- **The Upper and Middle Montney reservoirs compare favourably to the developments currently underway immediately to the south where Saguaro Resources Limited have invested more than C$400 million.**

Calima Energy Limited (ASX:CE1) currently operates drilling rights over 63,800 acres (Calima Lands). McDaniel & Associates Ltd (McDaniel), a leading independent geological consulting firm with extensive experience and knowledge of the Montney Formation, was commissioned to prepare an independent geological audit and review of offsetting production for the Montney Formation. Key conclusions from the McDaniel review are:

- *The Middle and Upper Montney reservoirs on Calima acreage compare favourably to what has recently and is currently being developed by Saguaro to the south.*
- *Pay thickness and average porosity are both higher in the Caribou Area.*
- *The biggest difference between the Caribou and Laprise areas is the reservoir depth, the Montney Formation at Laprise is roughly 300 metres deeper than Caribou, which would explain the difference in porosity as the zone is at a lower burial depth and likely has seen less compaction.*

The review compared well data between the Calima Lands (Figure 1), in the Caribou area, and lands immediately to the south, in the Laprise area, operated by Saguaro Resources Limited (Saguaro).

Alan Stein, Calima's Managing Director commented:

"The McDaniel report confirms our view that the Montney Formation in the Calima Lands could be equally as productive as that being developed in the offset acreage immediately to the south where leading Canadian independent Saguaro Resources has invested more than $400 million in drilling wells and building facilities

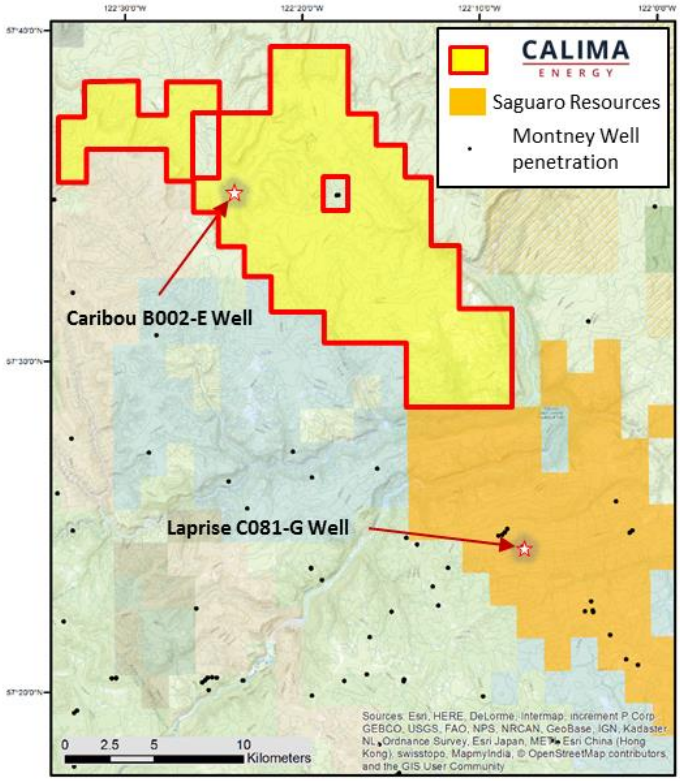

Figure 1 – The Calima Lands cover 63,800 acres, immediately adjacent and along geological trend of Saguaro Resources' land position (shown in Orange). Locations of comparison wells shown.

Upper Montney

Well ID	Top (m)	Pay (m)	Porosity (%)	Water Sat. (%)	Gradient (kPa/m)	Temperature (Celsius)	Pressure (kPa)	Compressibility (Z-factor)	Illustrative GIP (Bcf/sq mile)
Calima B002-E	1332.6	55.5	5.2	15	11.5	42	15,209	0.764	40.0
Saguaro C081-G	1622.7	26.4	4.2	17	13	52	21,096	0.805	19.2

Middle Montney

Well ID	Top (m)	Pay (m)	Porosity (%)	Water Sat. (%)	Gradient (kPa/m)	Temperature (Celsius)	Pressure (kPa)	Compressibility (Z-factor)	Illustrative GIP (Bcf/sq mile)
Calima B002-E	1391.2	63.3	4.5	15	11.5	45	15,998	0.771	40.9
Saguaro C081-G	1680.9	37.1	4.1	16	13	54	21,851	0.814	27.1

Lower Montney

Well ID	Top (m)	Pay (m)	Porosity (%)	Water Sat. (%)	Gradient (kPa/m)	Temperature (Celsius)	Pressure (kPa)	Compressibility (Z-factor)	Illustrative GIP (Bcf/sq mile)
Calima B002-E	1496.5	21.2	4.3	26	11.5	48	17,209	0.780	12.0
Saguaro C081-G	1788.4	16.1	3.5	23	13	57	23,249	0.830	9.5

Table 1 – Comparison of reservoir parameters between a well in the Calima Lands (B002-E) and a well in the Saguaro Lands (C081-G) as used by McDaniel in the Independent Geologist's Report. The Illustrative single well gas-in-place values for the respective vertical wells (highlighted) have been calculated using a simple volumetric method. This calculation is useful for comparing reservoir parameters between the wells using one square mile as a drainage area but are not representative of total discovered or undiscovered initial gas in-place.

For further information visit www.calimaenergy.com or contact:

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About Calima Energy

Calima Energy Limited (ASX:CE1) is an international oil and gas company with interests in an area of British Columbia that is considered to be highly prospective for the Montney Formation.

The Montney play covers an extensive area (130,000 km^2) of British Columbia and Alberta. The National Energy Board of Canada has the estimated remaining resource potential in the unconventional play to be 449 trillion cubic feet of gas, 14.4 billion barrels of condensate and 1.1 billion barrels of oil(1). Wood Mackenzie recently estimated that the industry would invest more than C$5 billion in the Montney play during 2017, rising to more than C$7.5 billion by 2022. Daily production of 4.9 billion cubic feet of gas and 247,000 barrels of condensate and other liquids per day is predicted to double by 2022(2).

From a cashflow perspective breakeven costs in the liquids-rich window of the Montney are around US$1.70/mcfe, **which is amongst the most competitive in North America** delivering excellent returns at current prices.

(1) The Ultimate Potential for Unconventional Petroleum from the Montney Formation of British Columbia and Alberta, National Energy Board, November 2013.

(2) Wood Mackenzie Unconventional Service. Montney Key Play April 2017.