



(formerly Azonto Petroleum Limited)

ABN 17 117 227 086

FINANCIAL REPORT

For the year ended 31 December 2017

Directors

Alan Stein	Managing Director
Glenn Whiddon	Chairman
Neil Hackett	Non-Executive Director
Jon Taylor	Non-Executive Director

Company Secretary

Neil Hackett
James Bahen

Registered office – Perth Australia

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Facsimile: +61 (0) 8 9380 3275
Website: www.calimaenergy.com

Auditors

BDO Audit (WA) Pty Limited
38 Station Road
Subiaco WA 6008

Bankers

National Australia Bank
226 Main Street
Osborne Park WA 6017

The Royal Bank of Scotland
Queen's Cross Branch
40 Albyn Place
Aberdeen AB10 1YN

Share registry

Computershare Investor Services Pty Ltd
Level 11, 172 St. Georges Terrace Perth WA 6000
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Stock exchange listing

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

Home branch: Perth, Western Australia

ASX Code: CE1

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The Directors present their report on Calima Energy Limited and its subsidiaries (the “Group”) for the year ended 31 December 2017. All amounts are in Australian dollars (“\$”) unless stated otherwise.

Principal activities

The principal activity of the Group is investing in oil and gas exploration and production projects internationally.

Results

The Group’s revenue for the year ended 31 December 2017 was \$118,957 (2016: \$103,254). The net loss after tax was \$2,449,932 (2016: \$1,274,284). Net cash used in operations for the year to 31 December 2017 was \$1,570,548 (2016: \$1,249,071).

Dividends

No dividend has been paid since the end of the financial year and no dividend is recommended for the current period (2016: nil).

Corporate

On 31 August 2017, Calima Energy Limited (Formally Azonto Petroleum Limited) commenced trading on the ASX. This coincided with the completion of farm-in arrangements to the liquids-rich Montney play in Northeast British Columbia, the acquisition of non-controlling shareholdings in Bahari Holding Company Limited and TMK Montney Limited, as well as certain PSCs issued by the Saharawi Arab Democratic Republic (“SADR”), from Havoc Partners LLP (“Havoc”) and importantly the addition of the Havoc team as shareholders and management of Calima Energy Limited.

Two Havoc members, Mr Alan Stein and Jon Taylor, joined the board and management of Calima in the capacity of Managing Director and Technical Director respectively. Other key members of the Havoc team, being Richard Higgins, Justin Norris and Mark Sofield also joined the management team as consultants.

Overview of Montney Project and Farm-in Agreement

The Farm-in Agreement gave Calima the right to acquire a working interest of up to 55% in the Montney Project and Operatorship.

The Montney Project is comprised of approximately 72,000 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. The joint operating agreement that applies to the Montney JV is based on and incorporates the standard joint operating agreement terms published by the Canadian Association of Petroleum Landmen.

Under the Farm-in Agreement, the Company 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

The Company became the Operator of the Montney Project with effect from commencement of the Farm-in. The lands the subject of the Montney JV are subject to a 1% royalty under an existing royalty agreement. Should the Montney JV move into production, the Company will be liable for its working interest share of this royalty (55% if the Company completes all three stages of the Farm-in).

Overview of Calima

Calima was 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 PSCs issued by the SADR from Ophir Energy in November 2014 in consideration for the payment of a 2.5% net profits interest to Ophir in respect of petroleum produced from lands covered by the PSCs.

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 km² extending from the coast out to water depths greater than 2,000m. Should petroleum be produced from the Mahbes, Mijek, Haouza and Daora PSCs, the Company will be liable for its 50% participating interest share of the 2.5% net profits interest to Ophir. The SADR PSCs are supplemented by Assurance Agreements executed by the SADR Government, which provide that the SADR PCS's are effective from and commence upon recognition of the sovereign status of the SADR by the United Nations and the SADR Government passes necessary tax and petroleum titles legislation (the Assurance Agreements).

The Assurance Agreements were issued for an initial term of 10 years, which expired in 2016. The Assurance Agreements have recently been extended by the SADR Government for a further term until June 2022.

TMK Montney Limited, 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 TSVM. The working interests of TMKM and TSV Montney will be diluted as the Company proceeds with the Farm-in referred to above.

Bahari Holding Company Limited, a private Guernsey registered company, is focused on frontier exploration in under explored provinces in Sub-Saharan Africa and the Western Indian Ocean. Bahari owns 40% of a PSC covering approximately 18,000 km² which is outboard of and on trend with Rovuma Offshore Areas 1 and 4, in Mozambique.

Pubic Offer

To assist with funding the initial spends of the stage 1 work program in the Montney Project, the Company raised \$2.25M under a public offer pursuant to the Company's Prospectus dated 30 June 2017 and Supplementary Prospectus dated 28 July 2017.

Consolidation

In connection with the farm-in agreement, Calima undertook a consolidation of its existing share capital (including existing shares and Performance Rights on Issue) on a 1 for 3 basis.

Unmarketable Parcel Sale

The Board of Calima received an offer to purchase all the unmarketable parcels of shares in the Company for \$0.55 per share. At record date of 18 September 2017, over 650 of the Company's approximate 1,590 shareholders held unmarketable parcels, making up approximately 0.44% of the companies fully paid ordinary shares on issue.

Operating activities

Since the Company Prospectus and the commencement of trading, Calima's operations have focused on the core Montney Play project in Northeast British Columbia, which is reportedly the most active oil and gas play in Canada. The area over which the Company holds drilling rights, referred to as the "Calima Lands" (or the Greater Caribou area in the Company Prospectus), is interpreted to be located within a liquids-rich part of the play, where breakeven costs are amongst the most competitive in North America, delivering excellent returns at current prices.

Following the completion of the farm-in arrangements with the Montney JV, the Company took Operatorship and immediately began to build upon the existing acreage position. Since taking Operatorship the Company has been awarded 20,559 acres of drilling rights in Government auctions, representing a 40% addition to the Calima Lands, since the farm-in. The addition of these targeted sections, located adjacent to the existing Calima Lands, provides a swathe of contiguous acreage, which at the end of 2017 covered an area of 72,014 acres (Figure 1).

Following the farm-in, and continuing through the year, Calima built upon the existing extensive regional well database, adding new wells as they were released by the Government. The database includes more than 60 wells located within 35km of the Calima Lands. Calima supplemented the database by licensing 60sqkm of 3D seismic over the core area of the Calima Lands. The Company subsequently completed an extensive sub-surface evaluation integrating the seismic and well data in, and immediately adjacent to, the Calima Lands. Results of the studies were used to confirm the locations of sections to be bid for, and that were awarded, during the year.

In June, the company commissioned McDaniel & Associates Ltd (McDaniel), a leading independent geological consulting firm with extensive experience and knowledge of the Montney Formation, to complete an independent geological audit and review of the Calima Lands. The McDaniel Report (ASX release; 30 June 2017) confirmed the prospectivity of the Montney Formation with logs from a well within the Calima Lands comparing favourably to the developments immediately to the south where Saguario Resources Limited had invested more than C\$500 million.

The company subsequently commissioned McDaniel to undertake an independent resource assessment of the Montney Formation in the Calima Lands. The work commenced in Q4 2017 with results announced to the market during March 2018. McDaniel estimates gross un-risked prospective resource of Calima Lands to be 2.1 Tcf of gas and 114.4 MMbbl of condensate and other natural gas liquids.

Well planning studies were initiated with a view to drilling during the winter of 2018/19. To supplement operational capacity in country, the Company engaged with CWL Energy Management Limited (CWL), a highly-regarded local consultancy with access to a full-suite of oil-field services, leveraging local knowledge and expertise. Soon after the engagement, CWL coordinated reconnaissance team, including visiting Calima Management to investigate and understand infrastructure and surface logistics and requirements ahead of the drilling activities.

The Company subsequently entered into agreements with CWL to provide project management services to support the drilling operations planned for the Calima Lands.

Activities other than those related to the Montney Project included the Company reviewing various new venture opportunities. A number of projects have been high-graded for further evaluation and negotiation.

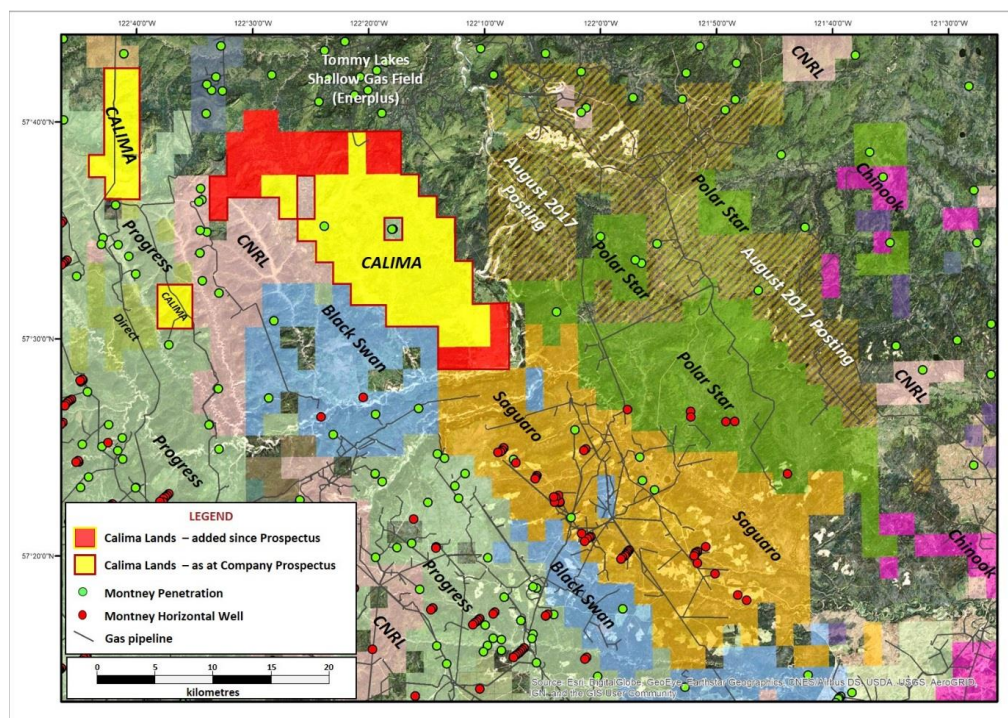


Figure 1 – Montney Drilling Rights with Operators annotated. The Calima Lands cover 72,014 acres. The land position at the time of the Company Prospectus is shown in yellow with acreage awarded since then shown in red.

Directors

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

A. Stein	Managing Director (appointed 25 August 2017)
G. Whiddon	Executive Chairman
J. Taylor	Technical Director – (appointed 25 August 2017)
N. Hackett	Independent Non-Executive Director
R. Downey	Non-executive Director – (resigned 25 August 2017)

Mr Alan Stein – Managing Director – Appointed 25 August 2017

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

Mr Stein has no other current listed company directorships.

Mr Glenn Whiddon –Chairman

Mr Glenn Whiddon is based in Australia and a significant shareholder in the Company. Mr. Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with a specific focus on natural resources. Mr Whiddon holds a degree in Economics and has extensive corporate and management experience. He is currently Director of a number of Australian and international public listed companies in the resources sector.

Other current listed company directorships

Auroch Minerals Limited (formerly Terranova Minerals NL) – appointed 15 January 2013

Statesman Resources Limited – appointed 26 May 2004

Fraser Range Metals Group Limited – appointed 3 March 2016

Jonathan Taylor - Technical Director - Appointed 25 August 2017

Mr Taylor has more than 30 years' experience in the international oil and gas industry. He started his career with Amerada Hess in the UK before moving to Clyde Petroleum plc where he was involved in international exploration including postings to Yemen and Myanmar. 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. Following the sale of Fusion, Mr Taylor, together with Dr Alan Stein, was one of the two founding executive directors of Ophir Energy plc serving initially as its Technical Director.

Other current listed company directorships

Octant Energy PLC

Neil Hackett – Independent Non-Executive Director

Mr. Neil Hackett holds a Bachelor of Economics from the University of Western Australia, post-graduate qualifications in Applied Finance and Investment, and is a Graduate (Order of Merit) with the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia. He is currently Non-Executive Chairman of Australian Securities Exchange listed entity Ardiden Limited and company secretary of Metalicity Ltd and Steel Blue Footwear. Mr. Hackett is also Chairman of non-listed company Westcycle Inc. Mr. Hackett's previous West African experience includes company secretary at Ampella Mining Limited, Sundance Resources Limited and work with the Australian Securities and Investment Commission.

Other current listed company Directorships

Ardiden Limited – appointed 5 June 2011

Former listed company Directorships in last 3 years

Modun Resources Limited – appointed 31 January 2014, resigned 11 March 2015

African Chrome Fields Limited – appointed 9 June 2011, resigned 12 February 2015

Rob Downey – Independent Non-Executive Director - Resigned 25 August 2017

Mr Downey is a corporate resources solicitor and company director. He has worked extensively in all areas of resources law with a particular focus on oil and gas projects in a variety of offshore jurisdictions. Mr Downey has specialised in advising publicly listed oil and gas and mining companies in relation to a variety of legal issues including capital markets, structuring, mergers and acquisitions and listings on ASX, AIM and TSX. Mr Downey also established a corporate advisory business during 2005 and was involved in a number of IPO and listing various resources companies as well as asset acquisitions and divestments. Mr Downey has held a number of public company directorships. Mr Downey is currently a non-executive director of Laconia Resources Ltd, Kairiki Energy Limited, Instinct Energy Limited and Minex Resources NL. In July 2016, Mr Downey established Dominion Legal where he acts for a select group of public companies, high net worth individuals and several South East Asian large private conglomerates

Other current listed Directorships

Kairiki Energy Limited – appointed 15 February 2013

Instinct Energy Limited – appointed 13 April 2010

Minex Resources NL – appointed 8 September 2014

Laconia Resources Limited – appointed 18 October 2016

Former listed company Directorships in last 3 years

Mount Ridley Mines Limited – appointed 8 September 2014, resigned 31 August 2016

Meetings of Directors'

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

	Directors' meetings	Meetings of committees	
		Remuneration	Audit
Number of meetings held	2	-	2
Number of meetings attended:			
G Whiddon	2	-	2
N Hackett	2	-	2
A Stein	1	-	-
J Taylor	1	-	-
R Downey	1	-	-

During the financial year the Board has held numerous face to face operational meetings to undertake due diligence into proposed new projects and to review existing operations. This has been facilitated by the reduced Board composition to three Directors and the geographical co-location of all Directors in Western Australia. Formal business during the period has been implemented via Circular Resolutions of the Board.

Directors' interests in the shares and options of the Company

As at the date of this report, the relevant interest of each Director in the shares, options and rights of Calima Energy Limited were:

Securities	G Whiddon(a)	N Hackett	A Stein	J Taylor	R Downey
Ordinary shares					
- Direct	11,222,522	735,556	22,390,837	12,674,654	-
- Indirect	23,881,794	-	10,367,041	-	-
Performance Shares - Class A					
- Direct	-	-	292,398	292,398	-
- Indirect	-	-	-	-	-
Performance Shares - Class B					
- Direct	-	-	1,233,550	1,233,550	-
- Indirect	-	-	-	-	-
Performance Shares - Class C					
- Direct	-	-	14,619,878	-	-
- Indirect	-	-	-	-	-
Performance rights					
- Direct	-	-	2,700,000	8,250,000	-
- Indirect	-	-	-	-	-
Management Options - Class A					
- Direct	-	-	3,300,000	3,300,000	-
- Indirect	-	-	-	-	-
Management Options - Class B					
- Direct	-	-	3,300,000	3,300,000	-
- Indirect	-	-	-	-	-

(a) Glenn Whiddon: Please note that the indirect holdings are only included for good corporate governance purposes. Mr. Whiddon does not control the indirect holdings. They are held independently of Mr. Whiddon. Mr. Whiddon has no relevant interest in the indirect holdings.

Joint Company Secretary

Mr Neil Hackett and Mr James Bahen are Joint Company Secretary of the Company. Mr Hackett's details are detailed in the Directors section above.

James Bahen – Joint Company Secretary

Mr Bahen holds a Graduate Diploma of Applied Finance and a Bachelor of Commerce degree majoring in Accounting and Finance. He commenced his career in audit and assurance with a Chartered Accounting firm and has worked in a corporate advisory firm providing company secretarial support to a number of listed companies that operate in the resource sector. Mr Bahen is company secretary of Auroch Minerals Limited.

Significant changes in the state of affairs

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

Significant events after reporting date

On 27 March 2018, the company announced it had raised A\$3,517,625 (before costs) through an over-subscribed private placement to various sophisticated and professional investors.

The placement was completed through the issue of 63,956,820 fully paid ordinary shares in the company at an issue price of \$0.055 per share. The placement of shares was issued within the Company's placement capacity under ASX listing Rule 7.1

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group in future financial years.

Likely future developments, prospects and expected results

The consolidated entity will continue exploration activity in the Montney play for the foreseeable future.

Environmental regulation and performance

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

Share options

At the date of the report the Company has 30,000,000 options. No options have been converted to ordinary shares since the end of the financial period to the date of the report.

Number of Options	Exercise price	Vesting date
10,000,000	0.045	29-Aug-20
10,000,000	0.09	29-Aug-22
10,000,000	0.12	29-Aug-22
30,000,000		

Performance rights

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

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

The Performance Rights granted in the year to 31 December 2017 will vest subject to completion of a minimum of 18 months' continuous service, and on satisfaction of at least two of the following three conditions:

- The VWAP for Calima shares for any period of 30 consecutive trading days being above \$0.15;
- Calima raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and
- Calima's market capitalisation exceeding \$50 million (based on the VWAP for Calima shares for any period of 30 consecutive trading days).

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

Officers' indemnities and insurance

The Group has, during the financial year, entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

During the financial year, the Group has paid premiums in respect of a contract insuring all the Directors and Officers of Calima Energy Limited against costs incurred in defending proceedings except for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid in the year was \$64,412 (2016: \$52,744,).

Indemnification of auditors

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

Remuneration report (Audited)

The Directors and key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration levels for Directors and key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and executives.

The Board is responsible for remuneration policies and practices. The Remuneration Committee assesses the appropriateness of the nature and amounts of remuneration of officers and employees on a periodic basis and makes recommendations to the Board. The Remuneration Committee, where appropriate, seeks independent advice on remuneration policies and practices, including remuneration packages and terms of employment. No independent advice was received in the current year. The Group's securities trading policy regulates dealings by Directors, officers and employees in securities issued by the Group. The policy imposes trading restrictions on all Directors, key management personnel and employees of the Group and their related companies who possess inside information.

The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.

The Group has in place the following incentive plans:

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

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

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

New Performance Rights Plan

The Plan is open to any eligible persons who are full-time or permanent part time employees of the Company, or a related body corporate which includes directors, the company secretary and officers or other such persons as the Board determines to be eligible to receive grants of Performance Rights under the Plan. Subject to the satisfaction of the vesting conditions given to eligible participants, each Performance Right vest to one Share.

The Performance Rights are issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights. Vesting conditions, if any, are determined by the Board from time to time and set out in individual offers for the grant of Performance Rights. Shares issued upon vesting may be freely transferred subject to compliance with the Group's securities trading rules.

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

The Performance Rights granted in the year to 31 December 2017 will vest subject to the satisfaction of certain performance criteria. The Performance Rights will vest, subject to completion of a minimum of 18 months' continuous service, on satisfaction of at least two of the following three conditions:

- The VWAP for Calima shares for any period of 30 consecutive trading days being above \$0.15;
- Calima raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and
- Calima's market capitalisation exceeding \$50 million (based on the VWAP for Calima shares for any period of 30 consecutive trading days).

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

Management Options

The management options have been granted to the new management team incoming providing long term equity incentives vesting on the certain continuous employment conditions.

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

The Class A Management Options are exercisable at \$0.09 per Option once vested. The Class B Management Options are exercisable at \$0.12 per Option once vested. All of the Management Options expire five years from grant date.

The Management Options will vest, subject to completion of 18 months' continuous service, on satisfaction of at least two of the following three conditions:

- The VWAP for Shares for any period of 30 consecutive trading days being above \$0.09;
- The Company raising more than \$5 million at an average price of \$0.09; and
- The Company's market capitalisation exceeding \$50 million (based on the VWAP for Shares for any period of 30 consecutive trading days).

The Management Options will vest immediately on a Change of Control that occurs at an average price per share greater than \$0.09

Short Term Incentive Plan

The Short-Term Incentive Plan provides for the payment of discretionary cash bonuses to Executive Directors, full time or part time employees or contractors of the Group annually in respect of their performance and the overall performance of the Group during the previous financial year. The Plan establishes maximum bonus levels as a percentage of salary by grade of employee and a guideline framework for calibrating the actual bonus against the maximum according to certain parameters of individual and corporate performance. However, all bonus payments are entirely at the discretion of the Board and there are no contractual bonus entitlements under the Plan.

Non-executive Directors

The fixed fees for the Non-Executive Directors were last reviewed by PWC in late 2013. There are no termination or retirement benefits for non-executive Directors (other than statutory superannuation). The maximum available pool of fees is set by shareholders in general meeting and is currently \$350,000 per annum.

Fixed remuneration for executives

Fixed remuneration for executives consists of base remuneration (which is calculated on a total cost basis and includes any Fringe Benefit Tax charges related to employee benefits), as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Board where applicable. The process consists of a review of Group and individual performance, length of service, relevant comparative remuneration internally and externally and market conditions.

Service contracts

Remuneration and other terms of employment for Executive Directors and other key management personnel are formalised in service agreements and letters of employment (conditions of employment). All parties continue to be employed until their employment is terminated. Employment contracts can be terminated by either party by providing 3 months' written notice. The Company may make payment in lieu of notice.

Key management personnel are entitled to receive, on termination of employment, statutory entitlements of vested annual and long service leave, together with post-employment benefits. Any options or rights awarded but not vested at the time of resignation will be cancelled unless the Board advises otherwise at its own discretion.

Employment contracts do not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year with consideration of employment market conditions, changes in the scope of the role performed by the employee and changes in remuneration policy set by the Remuneration Committee.

Remuneration

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

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

- Glenn Whiddon
- Alan Stein Appointed 25 August 2017
- Jon Taylor Appointed 25 August 2017
- Neil Hackett
- Robert Downey Resigned 25 August 2017

The cash bonus and share-based payment rights detailed in the table below are performance related. Share-based payment options are related to ongoing service conditions with the Company. While options issued have no performance conditions, they were issued at an exercise price out of the money at grant date, which encourages employees to remain with the Company and work towards achieving share price growth. The value of options and rights shown in the tables below represent the vesting expense, measured in accordance with Australian Accounting Standards, for awards granted in the current or previous financial years.

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings, performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five-year financial summary to 31 December 2017:

	Dec-17 12 months	Dec-16 12 months	Dec-15 12 months	Dec-14 12 months	Dec-13 6 months
Net loss after tax	(2,449,932)	(1,274,284)	(27,159,057)	(19,601,654)	(6,148,466)
EPS (cents) Basic	(0.58)	(0.33)	(2.34)	(1.30)	(0.58)
Year-end share	0.05	0.008	0.0001	0.01	0.03

Following is the table of remuneration for the year ended 31 December 2017:

Name	Short-term benefits (salaries & fees) \$	Share-based payments (b) (options and performance rights) \$	Total \$	Performance Related %
Directors				
G Whiddon (a)	213,371	-	213,371	-
N Hackett	36,000	29,650	65,650	45.2
A Stein	86,786	5,664	92,450	6.1
J Taylor	86,786	11,316	98,103	11.5
R Downey	24,000	-	24,000	-
Total	446,943	46,630	493,573	

(a) Mr Whiddon received \$61,667 for Director's fees and \$151,704 for consulting fees.

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

Following is the table of remuneration for the year ended 31 December 2016:

Name	Short-term benefits (salaries & fees) \$	Share-based payments (c) (performance rights) \$	Total \$	Performance Related %
Directors				
Glenn Whiddon (a)	186,364	-	186,364	-
N Hackett (b)	44,000	30,830	74,830	41.2
R Downey	36,000	-	36,000	-
Total	266,364	30,830	297,194	

(a) Mr Whiddon received \$80,000 for Director's fees and \$106,364 for consulting fees.

(b) Mr Hackett received \$36,000 for Directors' fees and \$8,000 for services as Company Secretary.

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

Bonuses

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

Employee share benefits plan

At the end of the financial year the following share-based payment arrangements were in existence.

The Performance Rights granted in the period to 31 December 2017 will vest subject to the satisfaction of certain performance criteria as disclosed above.

The Management Options granted in the period to 31 December 2017 will vest subject to the satisfaction of certain performance criteria as disclosed above.

Performance rights

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

Reference number	Grant date	Grant date fair value	Vesting dates
1	29-Aug-2017	0.015	29-Aug-22

The following grants of share-based payment compensation, being performance rights to Directors and senior management, were awarded or vested during the current financial year:

Name	Financial year granted	Granted ref number	Number	No. granted during year	No. vested during year	No. vested to date	% vested during year	% vested to date	Maximum value yet to vest \$
Executives									
A Stein	2017	1	2,700,000	2,700,000	-	-	-	-	37,750
J Taylor	2017	1	8,250,000	8,250,000	-	-	-	-	115,346

Following is the table of rights holdings for the year ended 31 December 2017:

31 December 2017	Balance 1 January 2017	Consolidation 1:3	Granted as remuneration	Exercised	Net change Other (i)	Balance 31 December 2017	Vested at 31 December 2017	Vested and Exercisable at 31 December 2017	Vested and un-exercisable at 31 December 2017
Direct interest									
Directors									
A Stein	-	-	2,700,000	-	-	2,700,000	-	-	-
J Taylor	-	-	8,250,000	-	-	8,250,000	-	-	-
N Hackett	6,501,179	2,167,057	-	-	(2,167,057)	-	-	-	-
	6,501,179	2,167,067	10,950,000	-	(2,167,057)	10,950,000	-	-	-

(i) Expiry of old rights

Management Options

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

Reference number	Grant date	Grant date fair value	Vesting dates
1	29-Aug-2017	0.008	29-Aug-22
2	29-Aug-2017	0.005	29-Aug-22

The following grants of share-based payment compensation, being Management Options to Directors, were awarded or vested during the current financial year:

Name	Financial year granted	Granted ref number	Number	No. granted during year	No. vested during year	No. vested to date	% vested during year	% vested to date	Maximum value yet to vest \$
Executives									
A Stein	2017	1	3,300,000	3,300,000	-	-	-	-	24,607
J Taylor	2017	1	3,300,000	3,300,000	-	-	-	-	24,607
A Stein	2017	2	3,300,000	3,300,000	-	-	-	-	15,380
J Taylor	2017	2	3,300,000	3,300,000	-	-	-	-	15,380

Following is the table of rights holdings for the year ended 31 December 2017:

31 December 2017	Balance 1 January 2017	Consolidation 1:3	Granted as remuneration	Exercised	Net change Other	Balance 31 December 2017	Vested at 31 December 2017	Vested and Exercisable at 31 December 2017	Vested and un-exercisable at 31 December 2017
Direct interest									
Directors									
A Stein	-	-	6,600,000	-	-	6,600,000	-	-	-
J Taylor	-	-	6,600,000	-	-	6,600,000	-	-	-
	-	-	13,200,000	-	-	13,200,000	-	-	-

Shareholdings

Following is the table of shareholdings for the period ended 31 December 2017:

31 December 2017	Balance 1 January	Consolidation 1:3	Net change Other (ii)	Balance 31 December
Direct interest				
Directors				
G Whiddon	28,167,568	9,389,189	1,166,666	10,555,855
N Hackett	706,667	235,556	500,000	735,556
A Stein	-	-	22,390,837	22,390,837
J Taylor	-	-	12,674,924	12,674,924
R Downey	-	-	-	-
	28,874,235	9,624,745	36,732,157	46,356,902
Indirect interest (i)				
Directors				
G Whiddon	98,645,382	32,881,794	666,665	33,548,459
A Stein	-	-	10,367,041	10,367,041
	98,645,382	32,881,794	11,033,706	43,915,500

(i) Indirect interests are shareholdings that the director has a relevant interest in but is not the registered holder.

(ii) The balance for Mr Whiddon and Mr Hackett represents amounts acquired on market. The balance for Mr Stein comprises 22,390,837 consideration shares issued in relation to the assets acquired from Havoc Partners, 10,000,375 shares issued to A Stein in relation to the settlement of a Convertible Note and 366,666 shares already held prior to his becoming a Director. The balance for Mr Taylor comprises 2,454,641 consideration shares issued in relation to the assets acquired from Havoc Partners, 10,000,375 shares issued in relation to the settlement of a Convertible Note and 219,638 shares already held prior to his becoming a Director.

Other Transaction with Key Management Personnel

On 20 April 2017, Calima Jersey wrote a Convertible Loan Note Alan Stein and Jon Taylor to provide interim funding pending the completion of the transaction with the Company with Havoc Partners, The Convertible Note had a Face Value of \$400,015. The Convertible Note was subsequently assigned to Calima Energy Limited and settled through the issue of 20,000,750 ordinary shares in that company to Alan Stein (10,000,375 shares) and Jon Taylor (10,000,375 shares).

Voting of shareholders at last year's annual general meeting

The Company received more than 98.5% of "yes" votes on its remuneration report for the 2016 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of audited remuneration report

Non-audit services

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

Details of the amount paid or payable to the auditor for audit services provided during the year are set out in Note 21.

Other non-audit services were provided during the year with those being an Investigating Accountants Report and tax advisory in relation to the transaction with Havoc Partners. Amounts paid or payable for the non-audit services provided during the year the year are set out in Note 21.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'G. Whiddon', written in a cursive style.

Glenn Whiddon
Chairman

29 March 2018

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 2017, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Calima Energy Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 29 March 2018

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	Notes	12 Month 31 December 2017 \$	12 Month 31 December 2016 \$
Profit and Loss			
Interest income		118,957	103,254
General and administrative expenses	3	(1,541,327)	(1,399,262)
Share-based payment in relation to Calima acquisition	9	(620,390)	
Foreign currency translation recycled to Profit and Loss		-	(10,333)
Foreign exchange (loss)/gain		(407,172)	33,696
Loss before income tax		(2,449,932)	(1,272,645)
Income tax (expense)	4	-	(1,639)
Loss for the year attributable to the owners of the parent		(2,449,932)	(1,274,284)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Foreign currency translation differences:			
Arising during the year		(4,954)	(10,333)
Recycled to the profit and loss on disposal of subsidiaries		-	10,333
Other comprehensive loss for the year, net of tax		(4,954)	-
Total comprehensive loss for the year attributable to the owners of the parent		(2,454,886)	(1,274,284)
Loss per share		Cents per share	Cents per share
Basic and diluted loss per share	13	(0.58)	(0.33)
-			

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

Consolidated statement of financial position

As at 31 December 2017

		31 December 2017	31 December 2016
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	2,394,364	6,416,195
Trade and other receivables	6	334,169	77,313
Total current assets		2,728,533	6,493,508
Non-Current Assets			
Property Plant and Equipment	7	16,721	-
Exploration and Evaluation expenditure	8	4,663,926	-
Investments	9	1,308,517	-
Total non - current assets		5,989,164	-
TOTAL ASSETS		8,717,697	6,493,508
LIABILITIES			
Current liabilities			
Trade and other payables	10	253,927	108,958
Total current liabilities		253,927	108,958
TOTAL LIABILITIES		253,927	108,958
NET ASSETS		8,463,770	6,384,550
EQUITY			
Issued capital	11	236,983,645	232,807,830
Performance shares	11(d)	-	9,994,250
Reserves	12 (b)	15,542,726	12,761,823
Accumulated losses	12 (a)	(244,062,601)	(249,179,353)
TOTAL EQUITY		8,463,770	6,384,550

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

Consolidated statement of changes in equity

As at 31 December 2017

2017	Share capital	Performance shares	Equity reserve	Share-based payment reserve	Foreign Exchange Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
At 1 January 2016	232,780,470	9,994,250	(2,427,566)	15,081,130	-	(247,905,069)	7,523,215
Loss for period	-	-	-	-	-	(1,274,284)	(1,274,284)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	(1,274,284)	(1,274,284)
Transactions with owners in their capacity as owners							
Issue of Share Capital	27,360	-	-	-	-	-	27,360
Share based payments	-	-	-	108,259	-	-	108,259
At 31 December 2016	232,807,830	9,994,250	(2,427,566)	15,189,389	-	(249,179,353)	6,384,550
At 1 January 2017	232,807,830	9,994,250	(2,427,566)	15,189,389	-	(249,179,353)	6,384,550
Loss for period	-	-	-	-	-	(2,449,932)	(2,449,932)
Exchange differences on foreign operations	-	-	-	-	(4,954)	-	(4,954)
Total comprehensive loss for the year	-	-	-	-	(4,954)	(2,449,932)	(2,454,886)
Transactions with owners in their capacity as owners							
Issue of Share Capital	4,175,815	-	-	-	-	-	4,175,815
Transfer of performance share reserve to accumulated losses upon expiry of Performance shares	-	(9,994,250)	-	-	-	9,994,250	-
Transfer of equity reserve to accumulated losses upon dissolution of subsidiaries	-	-	2,427,566	-	-	(2,427,566)	-
Share based payments	-	-	-	358,291	-	-	358,291
At 31 December 2017	236,983,645	-	-	15,547,680	(4,954)	(244,062,601)	8,463,770

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

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities			
Receipts from customers		-	34,385
Payments to suppliers and employees		(1,712,699)	(1,335,068)
Interest received		142,223	45,021
Interest paid		(72)	-
Income tax (paid)/recovered		-	6,591
Net cash flows used in operating activities	16	(1,570,548)	(1,249,071)
Cash flows from investing activities			
Payments for purchase of property, plant & equipment		(16,721)	-
Payments for exploration, evaluation and development expenditure		(4,376,267)	-
Payments for investments		(67,006)	-
Net cash flows from investing activities		(4,459,994)	-
Cash flows from financing activities			
Proceeds from issue of shares		2,650,095	27,280
Payments of Capital Raising costs		(243,584)	-
Net cash flows from financing activities		2,406,511	27,280
Net increase (decrease) in cash and cash equivalents		(3,624,031)	(1,221,791)
Net foreign exchange differences		(397,800)	6,217
Cash and cash equivalents at the beginning of the financial year		6,416,195	7,631,769
Cash and cash equivalents at end of the financial year	5	2,394,364	6,416,195

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

1. Corporate information

The consolidated financial report of Calima Energy Limited for the year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 29 March 2018.

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

2. Summary of significant accounting policies

Basis of preparation

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

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

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

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

a) Compliance statement

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

b) Going concern and basis of accounting

The consolidated financial statements have been prepared on a going concern basis as the Directors are of the opinion that the Group can meet its obligations as and when they fall due.

c) New accounting standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 January 2017. None of these standards required a restatement of comparative information and had no impact on the accounting policies of the Group.

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

Summary	Application date for Group
AASB 9 (issued December 2014) Financial Instruments AASB 9 amends the classification and measurement of financial assets: <ul style="list-style-type: none">Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL.All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss.	1 January 2018

Notes to the consolidated financial statements

For the year ended 31 December 2017

Summary	Application date for Group
<p>The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:</p> <ul style="list-style-type: none"> • Classification and measurement of financial liabilities, and • Derecognition requirements for financial assets and liabilities. <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p> <p>Impairment</p> <p>The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses.</p> <p>A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months.</p> <p>For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model.</p> <p>Hedge accounting</p> <p>Under the new hedge accounting requirements:</p> <ul style="list-style-type: none"> • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI • When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting. 	
<p>AASB 16 (issued February 2016) Leases</p> <p>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.</p> <p>There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.</p>	1 January 2019
<p>AASB 2016-5 (issued July 2016) Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions</p> <p>Clarifies three issues with respect to classification and measurement of share-based payment transactions as follows:</p> <p>Vesting and non-vesting conditions</p> <p>The measurement of a cash-settled share-based payment liability takes into account vesting and non-vesting conditions in a similar manner to equity-settled transactions.</p> <p>Net settlement feature for withholding tax obligations</p> <p>Tax laws in some countries require an entity to withhold an amount of equity instruments to settle the employee's withholding tax obligation, usually in cash. These transactions are classified as equity-settled in their entirety if, without the net settlement clause, it would have been classified as equity-settled, and the entity does not withhold instruments with a value that exceeds the employee's withholding tax obligation.</p> <p>Changing classifications from cash-settled to equity-settled</p> <p>Guidance has been added to clarify that the difference between the carrying amount of the cash-settled liability, and the fair value of the equity instruments granted, is recognised immediately in profit or loss when a share-based payment transaction changes from being cash-settled, to being equity-settled.</p>	1 January 2018

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Calima Energy Limited and its subsidiaries (as outlined in Note 20) (the Group) as at and for the period ended 31 December each year.

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

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

e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Translation of Group Companies' functional currency to presentation currency

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

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

f) Operating segments

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

g) Cash and cash equivalents

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

h) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the difference between the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

i) Exploration and evaluation expenditure

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

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

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

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

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

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

j) Investments and other financial assets

The Group determines the classification of its financial instruments at initial recognition.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Changes in fair value are either taken to profit and loss or Other Comprehensive Income.

Notes to the consolidated financial statements

For the year ended 31 December 2017

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques. The unlisted investments were fair-valued using recent transaction value.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the profit or loss.

k) Property, plant and equipment

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

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

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

Depreciation

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

- Plant and equipment over 2 to 20 years

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

Derecognition

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

l) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

m) Trade and other payables

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

n) Provisions and employee benefits

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

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

Termination benefits

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

o) Share-based payments

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

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

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

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

p) Contributed equity

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

q) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

- Interest income is recognised as it accrues using the effective interest method.

r) Income tax and other taxes

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

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

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

Other taxes

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

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

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

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

s) Earnings per share

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

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

t) Impairment of non-financial assets

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

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

u) Use of estimates and judgements

The preparation of financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes to the consolidated financial statements

For the year ended 31 December 2017

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and judgments

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

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 2(k). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit and loss.

Share based payments

The Group measures the cost of equity-settled share-based payments at fair value at the grant date, measured using a Binomial Barrier valuation method, taking into account the terms and conditions upon which the instruments were granted, refer to Note 19 for the inputs used.

Fair Value of Available for Sale Investments

The Available for Sale assets are held at fair value. Because these investments are not listed, there is no quoted market price, and therefore management have determined the fair value based on recent transactions. Refer to Note 9 for further details.

Foreign currency translation

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

3. General and administrative expenses

	2017 \$	2016 \$
Employee benefit and Director compensation expense	204,117	482,956
Share based payment expense	58,291	108,259
	262,408	591,215
Consultants expense	75,692	55,758
Corporate and travel expense	1,203,115	664,350
Establishment expense	-	63,919
Other	112	24,020
	1,541,327	1,399,262

4. Income tax expense

Major components of income tax expense for the periods ended 31 December 2017 and 2016:

Statement of comprehensive income

Current income tax

- Current income tax credit	-	-
- Adjustments in respect of current income tax of previous years	-	1,639

Deferred income tax

- Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in statement of comprehensive income	-	1,639

Reconciliation of income tax expense to prima facie tax:

Accounting loss before income tax	(2,449,932)	(1,272,645)
At the statutory income tax rate of 27.5% (31 December 2016: 30%)	(673,731)	(381,793)
- Expenditure not allowable for income tax purposes	325,786	186,621
- Share based payment expense	16,030	32,478
- Adjustments in respect of tax loss in prior years	-	(9,862)
- Temporary differences not recognised as deferred tax asset	(1,223,095)	(32,696)
- Current year losses not recognised as deferred tax asset	1,555,010	206,891
Income tax reported in statement of comprehensive income	-	1,639

Notes to the consolidated financial statements

For the year ended 31 December 2017

4. Income tax expense (continued)

Deferred income tax

Recognised on the statement of financial position

Deferred income tax at 31 December relates to the following:

Deferred income tax assets

- Foreign exchange	110,471	(63,736)
- Accrued expenditure	7,006	(10,810)
- Tax losses	6,480,539	(5,278,345)
- Exploration	(1,259,260)	-
- Other	(12,978)	-
- Deferred tax assets not recognised	(5,325,778)	(5,352,891)

Net deferred tax asset/(liability)

2017	2016
\$	\$
-	-
-	-

The deductible temporary differences and the tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise benefits. The Group has unrecognised tax losses of \$5,325,778 (31 December 2016: \$5,352,891). The unrecognised losses for 2017 all originate in Australia. All losses are revenue in nature.

Tax consolidation

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

5. Cash and cash equivalents

Cash at bank and on hand

Deposits at call

2017	2016
\$	\$
2,394,364	1,205,691
-	5,210,504
2,394,364	6,416,195

The weighted average interest rate for the year was 0.7%.

6. Trade and other receivables

Current

GST/VAT receivable

Prepayments

Bank guarantees

Other

Interest receivable

134,784	13,285
47,138	63,948
46,196	-
105,997	80
54	-
334,169	77,313

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

7. Property, Plant and Equipment

Office equipment

2017	2016
\$	\$
16,721	-
16,721	-

8. Exploration and Evaluation Expenditure

Balance at beginning of the year

Exploration expenditure incurred

2017	2016
\$	\$
-	-
4,663,926	-
4,663,926	-

During the year the Group signed an agreement to earn-in to the Montney Project. Under the Farm-in Agreement, the Company 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.

The future recoverability of capitalised exploration and evaluation expenditure is dependent upon successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

9. Investments

On 29 August 2017, the Group acquired the entirety of the share capital of Calima Energy Limited (incorporated in Jersey) ("Calima Jersey"). Calima Jersey held three main assets; minority interests in TMK Montney Limited and Bahari Holding Company Limited, and 50% of four PSCs issued by the SADR.

Details of the fair value of the net assets acquired are as follows:

Details of the fair value of the net assets acquired are as followed:

Purchase Consideration comprises:	No.	\$
Ordinary Shares Issued ("Consideration Shares")	28,508,751	1,282,894
Loss on Debt settlement (i)	-	500,019
Cash	-	66,991
Performance Shares	20,029,226	-
		1,849,904
Net assets acquired:	No.	\$
Value of Investments	-	1,240,334
Liabilities assumed	-	(10,820)
		1,229,514

Acquisition Expense recognised in the Profit and Loss (ii) 620,390

- (i) On 20 April 2017, Calima Jersey wrote a Convertible Loan Note to two Havoc Partners, with a Face Value of \$400,015. The Convertible Note was subsequently assigned to Calima Energy Limited and settled through the issue of 20,000,750 ordinary shares in that company. The difference between the face value of the notes, and the fair value of the ordinary shares used to settle the note (using a value of \$0.045 / share, being the price achieved at the Public Offer), is \$500,019.
- (ii) Represents unidentifiable goods and services received including the recruitment of key management personal and interest in the SADR PSCs which cannot be capitalised under the accounting standards.

Notes to the consolidated financial statements

For the year ended 31 December 2017

9. Investments (continued)

The transaction is not deemed a business combination as the assets acquired did not meet the definition of a business. When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset. The non-controlling interest is recognised at fair value.

10. Trade and other payables

Trade creditors and accruals (i)

2017	2016
\$	\$
253,927	108,958
253,927	108,958

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

11. Issued capital

(a) Share capital

Ordinary shares fully paid

Number	\$
490,440,656	236,983,645

(b) Movements in ordinary shares on issue

Balance at 1 January 2017

Issued ordinary shares for advisory services

Share issue costs

Consolidation 3:1(i)

Total subsequent to consolidation

1,162,795,125	232,807,830
3,000,000	33,000
-	(13,047)
(777,197,303)	-
388,597,822	232,827,783

Issue ordinary shares for public offer

Issue costs of public offer

Shares issued to advisors

Consideration securities issued to Havoc Partners (Note 9)

Shares issued to note holders (Note 9)

Balance at 31 December 2017

50,000,000	2,250,000
-	(427,066)
3,333,333	150,000
28,508,751	1,282,894
20,000,750	900,034
490,440,656	236,983,645

(i) A consolidation of shares at 3:1 was undertaken during the financial year

(c) Terms and conditions of issued capital

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

(d) Movements in performance shares

Balance 1 January 2017

Transfer to Accumulated losses

Balance at 31 December 2017

Number	\$
-	9,994,250
	(9,994,250)
-	9,994,250

Notes to the consolidated financial statements

For the year ended 31 December 2017

11. Issued capital (continued)

The performance shares arose on the acquisition of oil and gas assets that have now been sold. Under current accounting standards the value of the shares does not change. During the year, the Directors have determined to transfer the reserve to accumulated losses.

	2017	2016
(e) Movements in number of rights in issue	Number	Number
Balance 1 January	140,319,489	140,569,489
Consolidation 1:3	46,773,163	-
Share-based remuneration granted	19,450,000	-
Expired	(46,773,163)	(250,000)
Balance at 31 December	19,450,000	140,319,489

The performance rights were granted to senior management, and vest into ordinary shares upon the satisfaction of certain performance obligations. Please refer to Note 19 for further information.

	2017	2016
(f) Movements in number of options in issue	Number	Number
Balance 1 January	-	-
Firm commitment options granted	10,000,000	-
Share-based remuneration granted	20,000,000	-
Balance at 31 December	30,000,000	-

The performance rights were granted to senior management. Please refer to Note 19 for further information.

12. Accumulated losses and reserves

(a) Movements in accumulated losses were as follows:

	2017	2016
	\$	\$
Balance 1 January	249,179,353	247,905,069
Net loss attributable to members	2,449,932	1,274,284
Transfer of performance shares reserve to accumulated losses upon expiry of performance shares	(9,994,250)	-
Transfer of equity reserve to accumulated losses upon dilution of subsidiaries	2,427,566	-
Balance at 31 December	244,062,601	249,179,353

Notes to the consolidated financial statements

For the year ended 31 December 2017

12. Accumulated losses and reserves (continued)

(b) Other reserves

	Equity reserve	Foreign currency translation	Share based payment reserve	Total
	\$	\$	\$	\$
At 31 December 2015	(2,427,566)	-	15,081,130	12,653,564
Foreign currency translation	-	-	-	-
Share based payments	-	-	108,259	108,259
At 31 December 2016	(2,427,566)	-	15,189,389	12,761,823
Share based payments	-	-	358,291	358,291
Transfer of reserve to accumulated losses upon dissolution of subsidiaries	2,427,566	-	-	2,427,566
Foreign currency transition	-	(4,954)	-	(4,954)
At 31 December 2017	-	(4,954)	15,547,680	15,542,726

(c) Nature and purpose of reserves

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to employees, as part of their remuneration, and others, for services rendered.

Equity reserve

The equity reserve is used to record the excess value over the non-controlling interest that existed as at the date of either the acquisition of the controlling interests in the subsidiary companies or disposal of the non-controlling interests in subsidiary companies.

Foreign currency translation

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

13. Loss per share

Basic and diluted loss per share (i)

Losses attributable to ordinary equity holders of the parent used in calculating basic and diluted loss per share

Weighted average number of ordinary shares used in calculating basic and diluted loss per share

2017	2016
Cents per share	Cents per share
(0.58)	(0.33)
\$	\$
(2,449,932)	(1,274,284)
Number	Number
423,024,003	387,726,237

Notes to the consolidated financial statements

For the year ended 31 December 2017

- (i) Potential issued ordinary shares include 19,450,000 performance rights. As the Group is in a loss position, the performance rights are not included in calculating diluted loss per share as they are anti-dilutive.

14. Commitments

The Group has the following obligations in respect of non-cancellable operating rental lease commitments:

- Later than one year but no more than five years: \$140,236

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

- Later than one year but no more than five years: \$269,003

The company had no future commitments at the year end.

15. Segment reporting

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

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

All material interest revenue was earned in Australia.

16. Reconciliation of cash flows from operating activities

	2017 \$	2016 \$
Cash flows from operating activities		
Loss for the period	(2,449,932)	(1,274,284)
<i>Adjustments for:</i>		
Share based remuneration	58,291	108,259
Other share-based payments	150,000	
Foreign currency translation recycled to Profit and Loss	-	10,333
Expense recognised on acquisition	620,390	
Other non-cash items including exchange differences	162,590	(16,551)
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade receivables	(256,856)	7,514
Increase/(decrease) in trade creditors and accruals	144,969	(93,869)
Increase/(decrease) in income tax receivable/payable	-	9,527
Net cash used in operating activities	(1,570,548)	(1,249,071)

Notes to the consolidated financial statements

For the year ended 31 December 2017

17. Financial risk management objectives and policies

Overview

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

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

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

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

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

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

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses.

Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

Notes to the consolidated financial statements

For the year ended 31 December 2017

17. Financial risk management objectives and policies (continued)

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

31 December 2017	Weighted average effective interest rate	1 Year or Less	Over 1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
Financial assets					
Variable interest rate	1.00%	2,396,481	-	-	2,396,481
		2,396,481	-	-	2,396,481
Financial liabilities					
Non-interest bearing		248,938	-	-	248,938

31 December 2016	Weighted average effective interest rate	1 Year or Less	Over 1 to 5 years	More than 5 years	Total
	%	\$	\$	\$	\$
Financial assets					
Variable interest rate	0.70%	6,416,195	-	-	6,416,195
		6,416,195	-	-	6,416,195
Financial liabilities					
Non-interest bearing		108,958	-	-	108,958

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

31 December 2017	Carrying value at 31 December	Profit or loss	
		25 bp increase	25 bp decrease
	\$	\$	\$
Financial assets			
Cash and cash equivalents	2,396,781	10,145	(10,145)
Cash flow sensitivity (net)		10,145	(10,145)

31 December 2016	Carrying value at 31 December	Profit or loss	
		25 bp increase	25 bp decrease
	\$	\$	\$
Financial assets			
Cash and cash equivalents	6,416,195	7,825	(7,825)
Cash flow sensitivity (net)		7,825	(7,825)

Notes to the consolidated financial statements

For the year ended 31 December 2017

17. Financial risk management objectives and policies (continued)

Credit risk

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

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

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

Exposure to credit risk

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

	2017	2016
	\$	\$
Cash and cash equivalents	2,396,481	6,416,195
Receivables	-	-
	2,396,481	6,416,195

Impairment losses

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

Liquidity risk

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

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

The following are the contractual maturities of financial liabilities:

Consolidated – 31 December 2017	Carrying amount	Contractual cash flows	6 months or less	6 Months – 3 Years
	\$	\$	\$	\$
Trade and other payables	248,938	248,938	248,938	-
	248,938	248,938	248,938	-

Consolidated – 31 December 2016	Carrying amount	Contractual cash flows	6 months or less	6 Months – 3 Years
	\$	\$	\$	\$
Trade and other payables	108,958	108,958	108,958	-
	108,958	108,958	108,958	-

Notes to the consolidated financial statements

For the year ended 31 December 2017

17. Financial risk management objectives and policies (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 31 December 2017.

The capital structure of the Group consists of net debt (trade payables and Income tax (receivable)/payable detailed in Notes 11 and 6 offset by cash and bank balances detailed in Note 5) and equity of the Group (comprising issued capital, reserves, offset by retained losses detailed in Notes 12 and 13).

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

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

Fair value of financial assets and liabilities

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

Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's previous operating activities (when revenue or expenses is denominated in a different currency from the Group's presentation currency) and the Group's net investment in foreign subsidiaries. Due to previous operations, the majority of the cash held at 31 December 2017 was denominated in US Dollars

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

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

Financial assets

Cash and cash equivalents

Financial liabilities

Trade and other payables

	2017	2016
	\$	\$
Cash and cash equivalents	2,341,065	5,864,835
	2,341,065	5,864,835
Trade and other payables	-	-
	-	-

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

Profit or loss: + 15%
Profit or loss: - 15%

	2017	2016
	\$	\$
Profit or loss: + 15%	(305,356)	(764,978)
Profit or loss: - 15%	413,129	1,034,971

Notes to the consolidated financial statements

For the year ended 31 December 2017

18. Key management personnel disclosures

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

Directors

A Stein	Managing Director – Appointed 25 August 2017
G Whiddon	Executive Chairman
J Taylor	Technical Director - Appointed 25 August 2017
N. Hackett	Independent Non-Executive Director
R. Downey	Independent Non-Executive Director – Resigned 25 August 2017

(b) Key management personnel compensation

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

	2017	2016
	\$	\$
Short-term employee benefits	446,943	266,364
Equity compensation benefits	46,630	30,830
	493,573	297,194

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

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

A convertible note with the face value of \$400,015 was settled for shares to the value of \$900,015 to Directors Mr A. Stein and J. Taylor. This forms part of the charge of \$620,390 recognised in respect of the acquisition.

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

19. Share based payment

(i) Recognised share-based payment expenses

The expense recognised for employee services received during the period is shown in the table below:

	2017	2016
	\$	\$
Options	8,828	
Performance rights	49,463	108,259
Total expense arising from share-based payment transactions (Note 3)	58,291	108,259

Notes to the consolidated financial statements

For the year ended 31 December 2017

19. Share based payment (continued)

(ii) Types of share-based payment plans

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

Share option plan

Each employee share option converts into one ordinary share of Calima Energy Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights.

Performance rights plan

Each performance right converts into one ordinary share of Calima Energy Limited on vesting. No amounts are paid or are payable by the recipient on receipt of the performance right. The performance rights carry neither rights of dividends nor voting rights.

(iii) Summary of options granted under share option plan

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options issued during the year:

	31 December 2017		31 December 2016	
	Number	WAEP	Number	WAEP
Balance at beginning of the financial period	-	-	-	-
Expired during the period	-	-	-	-
Issued during the period	20,000,000	0.065	-	-
Outstanding at the end of the year	20,000,000	0.065	-	-

(iv) Option pricing model

The assessed fair values of the options were determined using a Binomial Barrier model. See below for the inputs used.

(v) Summary of performance rights granted under performance rights plan

The following table illustrates the number of, and movements in, performance rights issued during the period:

	31 December 2017	31 December 2016
	Number	Number
Balance at beginning of the financial year	140,319,489	140,569,489
Consolidation 3:1	46,773,163	
Granted during the period	19,450,000	-
Cancelled during the period	-	(250,000)
Expired during the period	(46,773,163)	-
Outstanding at the end of the period	19,450,000	140,319,489

The outstanding balance as at 31 December 2017 vest 29 August 2022 and is represented by:

Notes to the consolidated financial statements

For the year ended 31 December 2017

19. Share based payment (continued)

Grant date	Grant date fair value	Exercise price	Number of rights
29-Aug-17	\$0.015	n/a	19,450,000

(vi) Weighted average remaining contractual life

The weighted average contractual life for the performance rights outstanding as at 31 December 2017 is 4.66 years (2016: 0.96 years).

The weighted average contractual life for the options as at 31 December 2017 is 4.66 years (2016: n/a).

(vii) Weighted average fair value

The weighted average fair value of performance rights granted during the year was \$291,750 (2016: \$nil).

(viii) Performance rights pricing model

The assessed fair values of the rights were determined using a Binomial Barrier valuation model. Expected volatility was calculated based on the historic volatility of a peer group of Companies over a period commensurate with the expected life of the awards.

The inputs to the model for the period to 31 December 2017 for the Rights and the Options were:

Grant date: 29 August 2017	Rights	Options
Dividend yield (%)	-	-
Expected volatility (%)	40%	40%
Risk-free interest rate (%)	2.03%	2.03%
Expected life of options (yrs.)	5.0	5.0
Right's exercise price (\$)	-	\$0.09/\$0.12
Barrier Price	\$0.15	\$0.09
Share price at grant date (\$)	\$0.045	\$0.045
Fair value at grant date (\$)	\$0.015	\$0.015

N.B. the volatility is the 30-day VWAP volatility.

Notes to the consolidated financial statements

For the year ended 31 December 2017

20. Related party disclosures

(a) Subsidiaries

Name of entity	Country of incorporation	Equity interest	
		31 December 2017	31 December 2016
		%	%
Parent entity			
Calima Energy Limited	Australia		
Subsidiaries			
Rialto Energy (UK) Limited (i)	United Kingdom	-	100
Rialto Energy (Ghana) Pty Ltd (ii)	Australia	-	100
Calima Energy Inc	Canada	100	-
Calima Energy Limited (Jersey)	Jersey	100	-

(i) Company liquidated in 2017

(ii) Company liquidated in 2017

(b) Ultimate parent

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

(c) Key management personnel

Details relating to key management personnel, including remuneration paid are included in the Directors' Report and Note 18.

(d) Other transactions with Key management personnel

The Company entered into an agreement with MIMO Strategies Pty Ltd (a company controlled by the wife of Chairman Glenn Whiddon) for the provision of office space and office administration services. During the year ended 31 December 2017 the Company paid MIMO Strategies Pty Ltd \$9,889 for these services. The agreement was on a month-to-month basis and was terminated prior to the completion of the Acquisition of Calima Energy Limited (incorporated in Jersey) when the Company moved into new premises on 1 July 2017. The amount owed to MMO Strategies Limited as at 31 December 2017 was nil.

Notes to the consolidated financial statements

For the year ended 31 December 2017

21. Auditor's remuneration

Current auditors: BDO Audit (WA) Pty Ltd

	2017 \$	2016 \$
<i>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:</i>		
An audit or review of the financial report of the Group	34,675	25,215
Total remuneration for audit and other assurance services	34,675	25,215
Tax advice and related services	8,895	-
Total remuneration for taxation services	8,895	-
Consulting and other services	11,153	-
Total remuneration for other services	11,153	-
Total remuneration of BDO	54,723	25,215

22. Contingent assets and liabilities

At 31 December 2017, there were no contingent liabilities.

23. Events after the reporting date

On 27 March 2018, the company announced it had raised A\$3,517,625 (before costs) through an over-subscribed private placement to various sophisticated and professional investors.

The placement was completed through the issue of 63,956,820 fully paid ordinary shares in the company at an issue price of \$0.055 per share. The placement of shares was issued within the Company's placement capacity under ASX listing Rule 7.1

Notes to the consolidated financial statements

For the year ended 31 December 2017

24. Parent disclosure

	2017	2016
	\$	\$
Loss for the year	(2,329,634)	(1,007,334)
Other comprehensive income	-	-
Total comprehensive loss	(2,329,634)	(1,007,334)
Current assets	2,622,536	6,493,608
Non-current assets	6,220,414	
Total assets	8,842,950	6,493,608
Current liabilities	253,927	109,058
Total liabilities	253,927	109,058

	2017	2016
\$	\$	
Net assets	8,589,021	6,384,550
Issued capital	236,983,645	232,807,830
Performance shares	-	9,994,250
Reserves	15,748,617	15,390,327
Accumulated losses	(244,143,241)	(251,807,857)
Total shareholders' equity	8,589,023	6,384,550

Contingent liabilities of the parent entity

Refer to Note 22.

Commitments of the parent entity

Refer to Note 15.

Directors' declaration

The Directors of Calima Energy Limited declare that:

- (a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors report set out on pages 6 to 14, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance, for the financial period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial period ended 31 December 2016.

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

Signed in accordance with a resolution of the Directors.



Glenn Whiddon
Chairman

29 March 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Calima Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Calima Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for the Acquisition of Assets from Havoc Partners LLP

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year, the Group acquired Calima Energy Limited (incorporated in Jersey), formerly a subsidiary of Havoc Partners LLP. The company issued shares as consideration, and as a result, the transaction falls within the scope of AASB 2 Share Based Payment.</p> <p>This standard requires management to make complex judgements and estimates about the correct valuation and accounting. We considered this a key audit matter due to the extent to which management judgement was required. Please refer to Note 2(u) and 9 to the financial statements.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing relevant agreements to obtain an understanding of the contractual nature of the arrangements. • Assessing the appropriateness of management's judgements over the valuation of the share-based payments and fair value of the net assets acquired. • Engaged internal valuation experts to assess the appropriateness of the valuation. • Assessing the adequacy of the disclosures included in Note 9 to the financial report.

Carrying Amount of Exploration and Evaluation Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2017, the carrying amount of capitalised Exploration and Evaluation Expenditure on the Montney Project was \$4,663,926. The Group's accounting policy with respect to Exploration and Evaluation activity is disclosed in note 2(i) and 8.</p> <p>The carrying amount of the asset represents a substantial portion of the total assets of the group, and judgement is applied in considering whether facts and circumstances indicate that the asset should be tested for impairment. As a result, management were required to assess the asset for impairment indicators in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Critically evaluating management's assessment of each impairment trigger, and forming our own view over them. • Obtaining a schedule of areas of interest held by the group, and performing procedures to ensure that the joint-venture under which they operate had tenure rights. • Holding discussions with non-financial management in respect of the ongoing exploration programme in the Montney area. • Considering whether there were any other salient facts or circumstances that existed to indicate that impairment testing was required. • Assessing the adequacy of the disclosures included in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Calima Energy Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch

Director

Perth, 29 March 2018

Shareholders information

As at 27 March 2018

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 27 March 2018.

1. Distribution of equity securities

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

	Holders
1 - 1,000	92
1,001 - 5,000	38
5,001 - 10,000	83
10,001 - 100,000	577
100,001 and above	336
Total	<u>1,126</u>

The number of holders of less than a marketable parcel of ordinary fully paid shares is 141.

2. Substantial shareholders

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

	Number of shares	Percentage held
Pacific World Energy Ltd	33,500,000	6.04%

3. Voting rights

(a) Ordinary Shares

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

(b) Options & contractual rights

No voting rights

4. Quoted securities on issue

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

	Number
Ordinary fully paid shares	554,397,476

5. On-market buy back

There is no current on-market buy back.

Shareholders information

As at 27 March 2018

6. Top 20 Quoted Shareholders

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	46,601,250	8.41
2	PACIFIC WORLD ENERGY LTD	33,500,000	6.04
3	MR ALAN STEIN	22,390,837	4.04
4	6466 INVESTMENTS PTY LTD	19,066,327	3.44
5	MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C>	16,050,000	2.90
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	15,326,588	2.76
7	MR JONATHAN TAYLOR	12,455,016	2.25
8	CITICORP NOMINEES PTY LIMITED	11,744,167	2.12
9	MR GLEN BULL	11,640,000	2.10
10	NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	10,324,377	1.86
11	JUTLAND NOMINEES PTY LTD <ROBERT BROWN FAMILY A/C>	10,303,030	1.86
12	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	10,220,757	1.84
13	ROHAMA PTY LTD <THE STEIN FAMILY A/C>	10,000,375	1.80
14	MR JAY HUGHES + MRS LINDA HUGHES <INKESE SUPER A/C>	10,000,000	1.80
15	MR GLENN ROSS WHIDDON	9,389,189	1.69
16	NAUTICAL HOLDINGS WA PTY LTD <ABANDON SHIP S/F A/C>	9,000,000	1.62
17	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	7,962,728	1.44
18	INKESE PTY LTD	7,434,015	1.34
19	ARREDO PTY LTD	6,666,666	1.20
20	FLOTECK CONSULTANTS LIMITED	6,640,456	1.20
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		286,715,778	51.72