

Quarterly Activities Report – 30 June 2019

Calima Energy Limited
ABN: 17 117 227 086

ASX Code: CE1

Calima Energy Limited is an international oil and gas company with more than 72,000 acres of drilling rights prospective for the Montney Formation in British Columbia, the most active oil and gas play in Canada.

1,616,445,045 fully paid ordinary shares (quoted)

55,790,194 Escrowed to 28-8-19

Directors

Glenn Whiddon
(Chairman)

Alan Stein
(Managing Director)

Jonathan Taylor
(Technical Director)

Neil Hackett
(Non-Executive Director)

Joint Company Secretary

Neil Hackett
James Bahen

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Calima is listed on the ASX (ASX:CE1). The principal activity of Calima is investing in oil and gas exploration and production projects internationally. Calima’s core asset lies within a liquids-rich sweet-spot of the Montney Play in Northeast British Columbia, Canada

Calima Energy Limited (ASX: CE1) (Calima or the Company) is pleased to provide shareholders with the following summary of its activities during the June 2019 quarter.

Key Activities and Highlights

Operations

Calima’s Q2 operations focused on completion and analysis of its drilling campaign that validated the prospectivity of the Montney Formation in the Company’s 72,000-acre lease holdings in Northeast British Columbia (**Calima Lands**). The results of this analysis has led to a significant resource increase for the Calima Land’s and confirmed the Lands contain high value liquid hydrocarbons.

Significant Resource Increase for Calima Lands

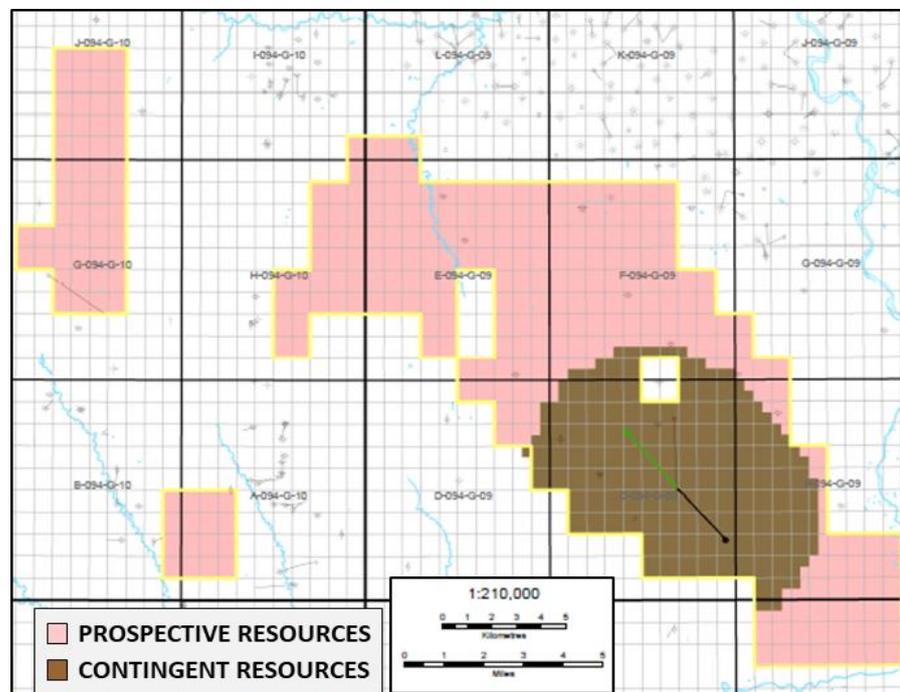


Figure 1 - Map of Calima Lands defining the areas of Prospective (pink) and Contingent (brown) Resources.

McDaniel’s Best Estimates of total un-risked contingent and prospective resources within the Calima Lands are summarised in Tables 1A/1B and

Figure 1 and these were released to the market subsequent to the end of the quarter (refer to ASX announcement 8 July 2019) ¹.

| 1A Gross Unrisked Contingent Resources ⁴ (2C) based upon 124 wells over 20,549 acres | | |
|---|---------------------|---------|
| Natural Gas (mmcf) | Gross | 904,897 |
| | Net after Royalties | 730,359 |
| Condensate (mdbl) | Gross | 20,115 |
| | Net after Royalties | 16,912 |
| Natural Gas Liquids ¹ (mdbl) | Gross | 25,136 |
| | Net after Royalties | 21,133 |
| TOTAL LIQUIDS ² (mdbl) | Gross | 45,251 |
| | Net after Royalties | 38,045 |
| TOTAL mmboc ³ | Gross | 196.1 |
| | Net after Royalties | 159.8 |

| 1B Gross Unrisked Prospective Resources ⁵ (2U) based upon 314 wells over 51,488 acres | | |
|--|---------------------|-----------|
| Natural Gas (mmcf) | Gross | 2,295,070 |
| | Net after Royalties | 1,795,581 |
| Condensate (mdbl) | Gross | 51,017 |
| | Net after Royalties | 42,355 |
| Natural Gas Liquids ¹ (mdbl) | Gross | 63,752 |
| | Net after Royalties | 52,928 |
| TOTAL LIQUIDS ² (mdbl) | Gross | 114,769 |
| | Net after Royalties | 95,283 |
| TOTAL mmboc ³ | Gross | 497.3 |
| | Net after Royalties | 394.4 |

Table 1A – Best estimate Unrisked Contingent (2C) Resources and Table 1B - Prospective (2U) Resources of the Calima Lands as estimated by McDaniel & Associates effective 1 July, 2019

Notes to accompany Tables 1A & 1B

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

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

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

(4) Contingent Resources (2C) - Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.

¹ McDaniel & Associates (McDaniel), the leading independent geological consulting firm with extensive experience of the Montney Formation, was commissioned by the Company to prepare an evaluation of the crude oil, natural gas and natural gas products prospective resources of the Calima Lands to 2018 PRMS standards.

Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. Contingent resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status. The Contingent Resources (2C) in Tommy Lakes have been sub-classified as a "Development on Hold" as the accumulation is well defined and does represent a viable drilling target. The prospective resources have also been classified using a deterministic method of petroleum reserves estimation having an evaluation date of 1 July 2019.

(5) Prospective resources (2U) are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbon. The Prospective Resources (2U) in Tommy Lakes have been sub-classified as a "Prospect" as the accumulation is well defined and does represent a viable drilling target. The prospective resources have also been classified using a deterministic method of petroleum reserves estimation having an evaluation date of 1 July 2019.

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

Full details of method of preparation, resource classification, methodology, original gas in-place and reservoir parameters resource estimates and qualified petroleum reserves and resources evaluator statement are outlined in the ASX announcement 8 July 2019.

Corporate

Placement and Rights Issue

Subsequent to the end of the quarter, the Company announced a \$12.7 million (before costs) capital raising to be completed by way of a \$4 million placement (Placement) and \$8.7 million fully underwritten entitlement offer (Entitlement Offer) both at \$0.018 per share.

Petra Capital and Euroz Securities acted as joint lead managers and joint bookrunners to the Placement and Entitlement Offer and joint underwriters of the Entitlement Offer.

The Company received firm commitments from sophisticated and professional investors to raise \$4 million (before costs) under the placement at \$0.018 per share and this has now settled with funds being received by the Company and shares being allotted.

The Entitlement Offer provided Eligible Shareholders with the opportunity to acquire 1 new share for every 3 shares held on the Record Date at \$0.018 per share, the same price as the Placement, with the Entitlement offer having closed on 29 July 2019.

In accordance with the Entitlement Offer timetable, the funds will be received and the shares will be allotted and tradeable by the Company on or around 5 August 2019.

Sale of Namibia PEL 90

During the quarter Calima announced that it had entered into a formal sale and purchase agreement to sell its interest in the Namibia PEL 90 license (Block 2813B) to Tullow Namibia Limited (Tullow), a subsidiary of Tullow Oil plc, a leading deep-water operator with an outstanding track record in Africa. The transfer of title contemplated by the agreement is subject to customary Government and partner approvals relating to the assignment of interest and transfer of Operatorship.

Calima will receive US\$2 million on completion. Success bonuses totaling US\$10 million will be paid in two equal tranches (US\$5 million) following the grant of a production license and then upon the commencement of commercial production.

Annual General Meeting

All resolutions put to shareholders at the Company's Annual General Meeting on 30 May 2019 carried on a show of hands.

Forward Looking Statements

This release may contain forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "anticipate", "believe", "intend", "estimate", "expect", "may", "plan", "project", "will", "should", "seek" and similar words or expressions containing same.

These forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. These include, but are not limited to, risks or uncertainties associated with the discovery and development of oil and natural gas reserves, cash flows and liquidity, business and financial strategy, budget, projections and operating results, oil and natural gas prices, amount, nature and timing of capital expenditures, including future development costs, availability and terms of capital and general economic and business conditions. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Calima, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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About Calima Energy

Calima Energy Limited (ASX: CE1) is an international oil and gas company with more than 72,000 acres of drilling rights prospective for the Montney Formation in British Columbia, the most active oil and gas play in Canada. Calima's neighbours in the Montney play include international operators Shell, ConocoPhillips and PETRONAS, as well as Canadian producers Black Swan Energy, Saguro Resources and Painted Pony Energy. The region's liquids-rich hydrocarbon reserves are being targeted for LNG export alongside domestic and international oil market opportunities.

Appendix One - Schedule of Interest in Tenements and Capital Structure

| COUNTRY | BLOCK ID | LOCATION | WORKING INTEREST |
|----------------|----------|----------|------------------|
| CANADA | 65276 | Onshore | 100% |
| CANADA | 65277 | Onshore | 100% |
| CANADA | 65350 | Onshore | 100% |
| CANADA | 65355 | Onshore | 100% |
| CANADA | 65391 | Onshore | 100% |
| CANADA | 65393 | Onshore | 100% |
| CANADA | 65450 | Onshore | 100% |
| CANADA | 65452 | Onshore | 100% |
| CANADA | 65454 | Onshore | 100% |
| CANADA | 65537 | Onshore | 100% |
| CANADA | 65539 | Onshore | 100% |
| CANADA | 65556 | Onshore | 100% |
| CANADA | 65557 | Onshore | 100% |
| CANADA | 65558 | Onshore | 100% |
| CANADA | 65559 | Onshore | 100% |
| CANADA | 65591 | Onshore | 100% |
| CANADA | 65635 | Onshore | 100% |
| CANADA | 65636 | Onshore | 100% |
| CANADA | 65659 | Onshore | 100% |
| CANADA | 65662 | Onshore | 100% |
| CANADA | 65663 | Onshore | 100% |
| CANADA | 65691 | Onshore | 100% |
| CANADA | 65733 | Onshore | 100% |
| CANADA | 65735 | Onshore | 100% |
| CANADA | 66255 | Onshore | 100% |
| CANADA | 66256 | Onshore | 100% |
| CANADA | 66312 | Onshore | 100% |
| CANADA | 66313 | Onshore | 100% |
| CANADA | 66338 | Onshore | 100% |
| CANADA | 66386 | Onshore | 100% |
| CANADA | 66419 | Onshore | 100% |
| CANADA | 66420 | Onshore | 100% |
| CANADA | 66421 | Onshore | 100% |
| CANADA | 66422 | Onshore | 100% |
| CANADA | 66440 | Onshore | 100% |
| CANADA | 66441 | Onshore | 100% |
| CANADA | 66442 | Onshore | 100% |
| CANADA | 66443 | Onshore | 100% |
| CANADA | 66479 | Onshore | 100% |
| CANADA | 66480 | Onshore | 100% |
| CANADA | 66481 | Onshore | 100% |
| CANADA | 66515 | Onshore | 100% |
| CANADA | 66550 | Onshore | 100% |
| CANADA | 66581 | Onshore | 100% |
| WESTERN SAHARA | Daora | Offshore | 50% |
| WESTERN SAHARA | Haouza | Offshore | 50% |
| WESTERN SAHARA | Mahbes | Offshore | 50% |
| WESTERN SAHARA | Mijek | Offshore | 50% |
| NAMIBIA | 2813B | Offshore | 56% |

Capital Structure

Securities on Issue as at 31 July 2019:

- 1,616,445,045 fully paid ordinary shares (quoted)
- 55,790,194 Fully paid ordinary shares escrowed to 28 August 2019
- 19,450,000 performance rights escrowed to 28 August 2019
- 16,081,866 performance shares escrowed to 28 August 2019
- 10,000,000 options exercisable at \$0.09 on or before 25 August 2022
- 10,000,000 options exercisable at \$0.12 on or before 25 August 2022
- 10,000,000 options exercisable at \$0.045 on or before 25 August 2022
- 2,000,000 options exercisable at \$0.07 on or before 31 December 2019
- 750,000 options exercisable at \$0.07 on or before 6 November 2021

In relation to the Performance rights:

- a) No performance rights were issued during the period.
- b) 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).
- c) No performance rights were converted or redeemed during the period.
- d) The milestone for the performance rights was not met during the period.

In relation to the Performance Shares:

- a) No Performance Shares were issued during the period.
- b) Class A and Class C Performance Shares will vest and convert on a one for one basis into a share on achievement of either of the following milestones:

Class A – Milestone A

- any of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) commencing and taking effect in accordance with the applicable Assurance Agreement with the SADR Government; or
- the Company selling all or part of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) for an amount greater than A\$0.132 million.

Class C – Milestone C

- a) spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari; or
- b) the Company selling the Bahari Shares for an amount greater than A\$1.32m.
- c) Class B performance shares were converted during the period based on the milestone being met in the previous quarter
- d) No Milestones for the performance shares were met during the period.