



16 October, 2019

Calima Shareholder Update

Calima Energy Limited (ASX:CE1) ("Calima" or the "Company") is pleased to provide the following letter to shareholders from Managing Director, Alan Stein. The letter will also be made available on the Company's website: <http://www.calimaenergy.com/>

Message from the Managing Director:

Dear Shareholders,

Following completion of the Company's recent \$12.8 million capital raising (completed by way of a \$4 million placement and \$8.7 million fully underwritten entitlements offer, before costs) I would like to take this opportunity to welcome new shareholders to the register and to thank existing investors for their continued support.

The Company is now in a robust financial position having paid out its outstanding drilling creditors from its first drilling campaign in the Calima Lands and recently received ~AUD\$400,000 in GST refunds. The Company imminently expects to receive funds of US\$2 million from the sale of its interest in the Namibia PEL 90 license (Block 2813B) to Tullow Namibia Limited (Tullow), a subsidiary of Tullow Oil plc and a GST refund of ~AUD\$1.2 million is to be received in the first half of 2020.

The Company has undertaken costs savings measures including a 50% reduction in headcount plus reductions in overheads. Mark Freeman, who was previously in a part-time role assisting with Business Development, has stepped up to also take the role of Chief Financial Officer.

The Canadian E&P space remains challenging with equity valuations touching 20-year lows and after an encouraging period during 2018 M&A activity in Q1 2019 recording 30-year lows. This short-term weakness is largely attributed to pipeline congestion and weak policy direction from Federal and State Governments. The pipeline construction issues are being addressed through investment in new and existing pipelines (C\$10 billion) and the construction of LNG export facilities (C\$40 Billion). The upcoming Federal election in October has the potential to be a positive catalyst if it provides the industry with some clarity on energy policy. Production from the Montney is increasing year on year and is predicted to reach the 10 Bn cfe/d milestone at some point this year. To put the future growth potential



in context the combination of LNG exports, coal-to-gas conversion, Trans Mountain Pipeline expansion and NGL exports have the capacity to add a further 10 bn cfe/d of demand over the next 4-5 years.

Against this encouraging macro backdrop the Board is resolved to continue with its strategy to secure the building blocks for a 10,000 bco/d development that can be put in place with limited additional investment utilising existing wells, infrastructure and a debt facility and through implementing a structured process to evaluate and progress investment interest and/or partnerships, this will create a path way to shareholder value.

I look forward to keeping you up to date as the Company progresses. For those that have not already done so I would encourage you to register for updates via our web page and to consider joining some of the Company's social media platforms which provide access to the activities of your Company.

Calima Energy has a presence on Twitter, LinkedIn, Facebook and Instagram all of which can be accessed via our web page at www.calimaenergy.com.

Kind regards,

Alan Stein
Managing Director
Calima Energy Limited

For further information visit www.calimaenergy.com or contact

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