



ABN 17 117 227 086

FINANCIAL REPORT

For the year ended 31 December 2018

Directors

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

Company Secretary

Neil Hackett
James Bahen

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Auditors

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38 Station Road
Subiaco WA 6008

Bankers

National Australia Bank
226 Main Street
Osborne Park WA 6017

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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Directors Report

The Directors present their report on Calima Energy Limited and its subsidiaries (the “Group”) for the year ended 31 December 2018. 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 2018 was \$279,323 (2017: \$118,957). The net loss after tax was \$3,127,298 (2017: \$2,449,932). Net cash used in operations for the year to 31 December 2018 was \$1,864,669 (2017: \$1,570,548).

Dividends

No dividend has been paid since the end of the financial year and no dividend is recommended for the current period (2017: nil).

Corporate

Acquisition of TSV Montney and TMK Montney

On 1 May 2018, Calima Energy Limited announce it had signed two separate Bid Implementation Agreements (BIAs) to acquire the issued capital of TSV Montney Limited (TSVM) and TMK Montney Limited (TMKM), both unlisted public companies (collectively, the Transaction). The purpose of the Transaction was to consolidate 100% ownership of the Montney Project, comprised of approximately 72,000 gross acres prospective for the Montney Formation in British Columbia, Canada (Calima Lands).

The purpose of the Transaction was to consolidate ownership of the Calima Lands, with the key benefits including, but not limited to:

- Consolidation of a 100% interest in a single entity is likely to attract greater market interest;
- The enhanced structure will likely provide improved access to capital to fund the forward work program and removes any risk associated with TSVM and/or TMKM funding its share of development costs;
- Removes any potential impediments or misalignment of separate JV interests; and
- Additional synergies include the removal of duplicated technical and administrative costs.

The Transaction was effected by two separate all-scrip off-market takeover offers by Calima for:

- the entire issued capital of TSVM (none of which was owned by Calima); and
- the issued capital of TMKM, which Calima did not already own (noting that Calima already owned 8,000,000 shares in TMKM, representing approximately 11.2% of the shares on issue).

The transaction had the unanimous support and recommendation of each of the respective boards of directors and TSVM and TMKM directors also indicated that they intended to accept, or procure the acceptance of, the respective takeover bid made to them in respect of all TSVM or TMKM shares they or their associates owned or controlled (as applicable).

Under the terms of the Transaction with TSVM:

- Calima made a takeover bid for all the shares in TSVM (Takeover Bid) and private treaty offers to all optionholders (Option Offers) for 100% of the issued capital of TSVM.
- A total consideration of 271,470,207 Calima shares were issued comprising 268,670,207 Calima shares for the 80,681,731 TSVM shares on issue; and 2,800,000 Calima shares for the 2,800,000 TSVM options on issue.

Under the terms of the Transaction with TMKM:

- Calima made a takeover bid for all the shares in TMKM that it did not already own (Takeover Bid) and private treaty offers to all optionholders (Option Offers) for 100% of the issued capital of TMKM that it did not already own (Calima currently owns 8,000,000 shares in TMKM).
- A total consideration of 149,339,984 Calima shares would be issued comprising 133,139,984 shares for the 63,399,990 TMKM shares on issue that it did not already own; and 16,200,000 Calima shares for the 18,000,000

TMKM options on issue. The Takeover Bids for each of TSVM and TMKM were not inter-conditional on the other completing.

Discover Exploration acquires Calima's interest in Comoros

Calima owns an 8.5% interest in Bahari Holding Company Limited which, through its wholly owned subsidiary Bahari Resources Limited ("Bahari"), owns a 40% interest in a Production Sharing Contract covering Blocks 35, 36 and 37 offshore the Union of the Comoros in the Indian Ocean (Figure 1). Bahari is in a joint venture with UK-based Discover Exploration Limited ("Discover") who owns the remaining 60%.

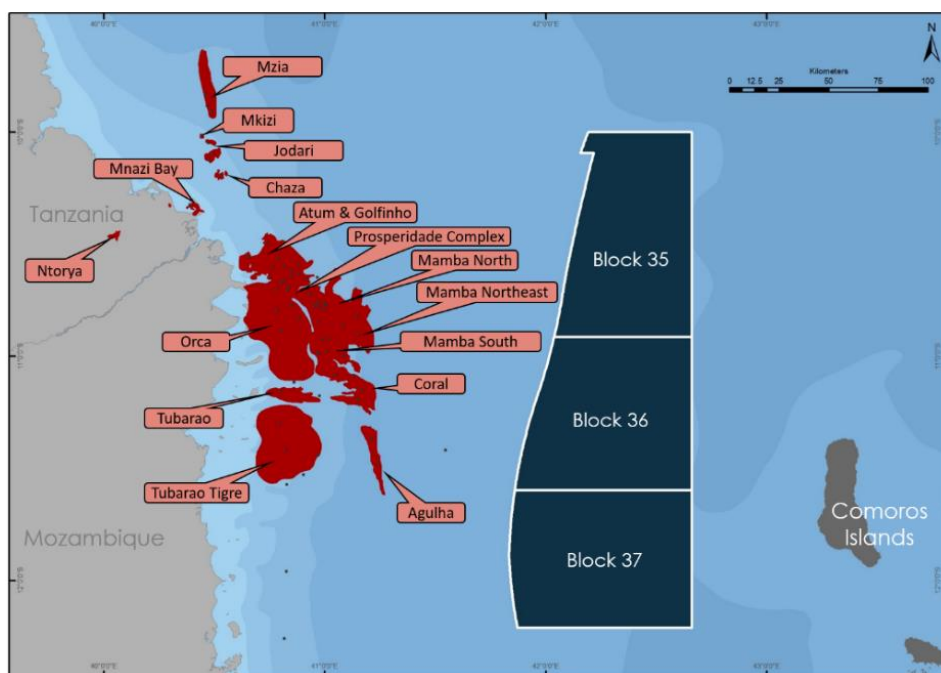


Figure 1 - Location of the Bahari interests offshore Comoros

The shareholders of Bahari Holding Company agreed to sell the entire share capital of Bahari Resources Limited to Discover in exchange for shares in Discover. Simultaneously Bahari and Discover have agreed to farmout a 35% interest in the Comoros PSC to Anglo-Irish company Tullow Oil plc ("Tullow").

As part of the transaction, Tullow will become the operator, and will partly carry Discover for a 3D seismic survey and the first exploration well. Both transactions are subject to governmental consent.

The Discover shares will be held by Bahari Holding Company Limited for up to two years before being distributed to shareholders.

Public Offer of Shares

To assist with funding the initial spends of the stage 1 work program in the Calima Lands, the Company raised A\$3.5M (before costs) through the issue of 63,956,820 fully paid ordinary shares at A\$0.055 per share via a placement to sophisticated and institutional investors on 16 March 2018.

Calima completed a private placement for the total of A\$25M (before costs) through the issue of 462,962,963 fully paid ordinary shares at A\$0.054 per share (Placement) on 8 October 2018.

The Placement was over-subscribed, with support received from sophisticated and professional investors reflecting the strong interest in Calima and its high-class Montney oil and gas acreage (Calima Lands) in British Columbia, Canada.

Proceeds from the Placement have been used to fund the drilling of three wells on the Calima Lands.

Tribeca Investment Partners (Tribeca) were the cornerstone investor of the Placement. Tribeca's appointment, and any subsequent financing, is subject to the usual due diligence reviews with terms to be negotiated and agreed between the parties.

Operating activities

Calima Lands

The Company's main focus during the year was preparing for its maiden three well drilling campaign in the Calima Lands, proven to be prospective for the Montney Formation. This included completing the acquisition of its acreage position, completion of an Independent Resource Report, gaining key regulatory and permitting approvals, the establishment of an in-country management team, appointment of engineering firms, completion of construction of the road to allow heavy equipment to access the drilling site, drilling completions review, preparation of the drilling pad and awarding contracts for drilling and directional services.

Calima Lands - Core Acreage Acquisition Completed

Calima completed its core acreage acquisition strategy through successful bids in Government land auctions. The Calima Lands comprises of 72,014 acres (105 sections) of drilling rights over acreage considered to be highly prospective for the Montney Formation (Figure 2).

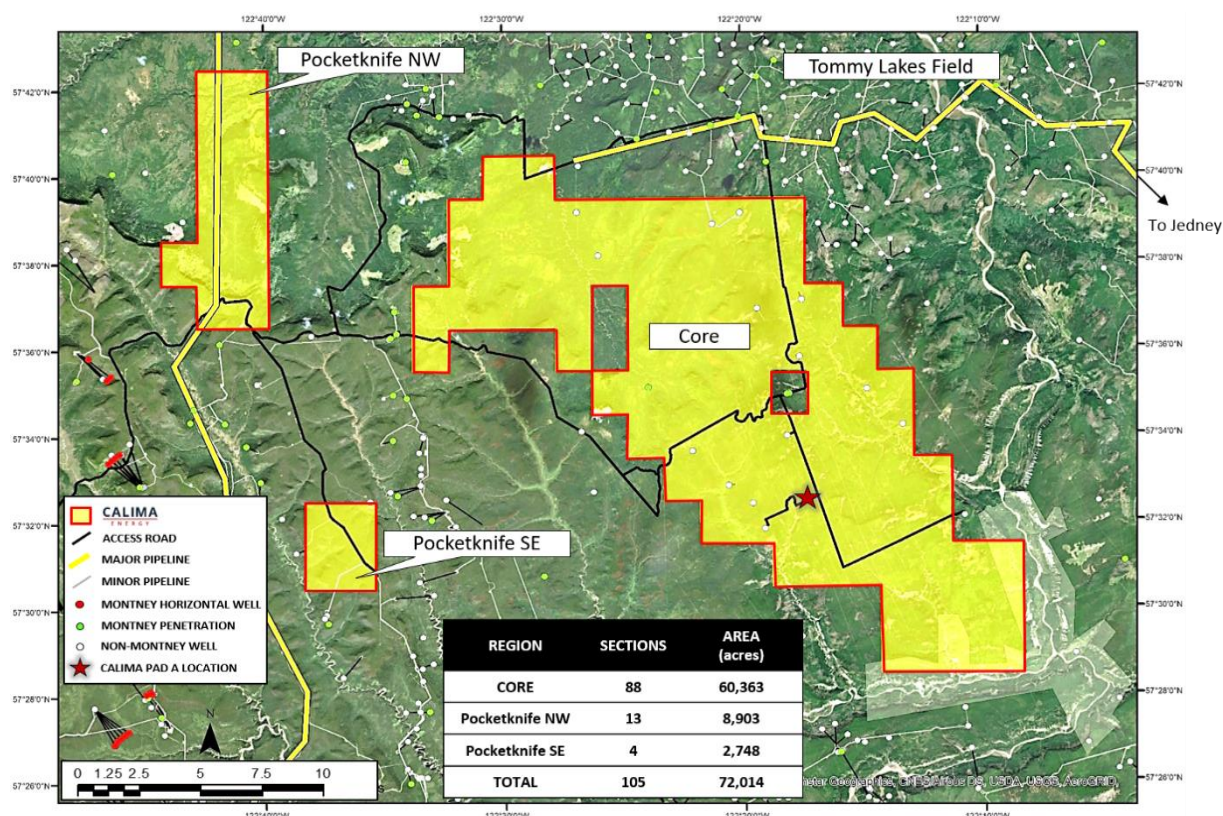


Figure 2 – The Calima Lands as at 31 December 2018 covers 72,014 acres.

Calima Lands - Independent Resource Report

The Company commissioned McDaniel & Associates (McDaniel), a leading independent geological consulting firm with extensive experience of the Montney Formation, to prepare an evaluation of the natural gas, condensate and natural gas liquids prospective resources of the Calima Lands.

McDaniel's best estimate of total unrisks prospective resources within the Calima Lands is summarised in Table 1.

Table 1 – Best estimate of total unrisks prospective resources of the Calima Lands as estimated by McDaniel & Associates, effective 31 December 2017¹.

	Calima Lands -Gross	Calima Lands - Net
Natural Gas (Tcf)	2.16	1.69
Condensate (Mmbbl)	54.20	45.30
Natural Gas Liquids (Mmbbl) ²	60.22	48.88
Total Liquids (Mmbbl) ³	114.42	95.20
TOTAL (Mmboe) ⁴	475.79	376.76

Notes:

- (1) ASX announcement dated March 14th 2018 - McDaniel & Associates Resource Report
- (2) Natural Gas Liquids (propane and butane) volumes do not include Condensate.
- (3) Sum of Condensate and Natural Gas Liquids. Based on 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 23 bbl/MMcf (wellhead condensate/gas ratio). Additional liquids would be stripped from the gas upon processing.
- (4) 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.
- (5) Prospective resources 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 discover and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The project maturity sub-class is Prospect which means that the project is regarded as sufficiently well defined to 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 December 31st, 2017.

The prospective resources estimate was prepared and presented in accordance with the Canadian standards set out in the Canadian Oil and Gas Evaluation Handbook (COGEH) and National Instrument 51-101 (NI 51-101) and were classified in accordance with the Society of Petroleum Engineers' Petroleum Resources Management System (SPE-PRMS) and reported in the most specific resource class in which the prospective resource can be classified under SPE-PRMS.

Calima Lands - Regulatory Approvals

Key regulatory and permitting approvals secured from the British Columbia Oil and Gas Commission during year by Calima included the following:

- Authorisation to drill and test up to three wells (two horizontal / one vertical);
- Authorisation to construct, maintain and operate an oil and gas road into the Calima Lands; and
- Authorisation to access water from local sources and store water on the Calima Lands.

Calima Lands – Canadian Operations Management

The Company appointed CWL Energy Ltd. (CWL Energy) to provide localised and regional project management services to support its activities in the Calima Lands. CWL Energy have a significant amount of local knowledge, experience and relationships relevant to the Calima Lands' operation.

Two highly-regarded Canadian engineering firms, Ramdar Resource Management (Ramdar) and Trialta Projects were also appointed during the year. They have extensive experience within the Montney Play, having worked with many of the leading operators active in the area.

Calima Lands – Drilling Completions Review

Calima completed a review of more than 500 horizontal Montney wells drilled within a 75km radius of the Calima Lands. The review benchmarked the Company's proposed well design and completion strategy against all the leading Operators in the region to ensure the wells to be drilled by Calima are comparable to the best performing wells in the play. At the end of December, the Company was prepared spudded the first (vertical) well, which was followed by two horizontal wells (Figure 3).

The vertical well provided stratigraphic calibration and has been cored to recover samples of rock for measurement and analyses. The horizontal wells were stimulated with hydraulic fractures and put on a production test. This is a well-established technique in the Montney with more than 8,000 horizontal wells having been drilled to date. It is worth noting that less than 2% of these wells are non-productive¹ which is indicative of the pervasive hydrocarbon saturation within the Montney Formation.

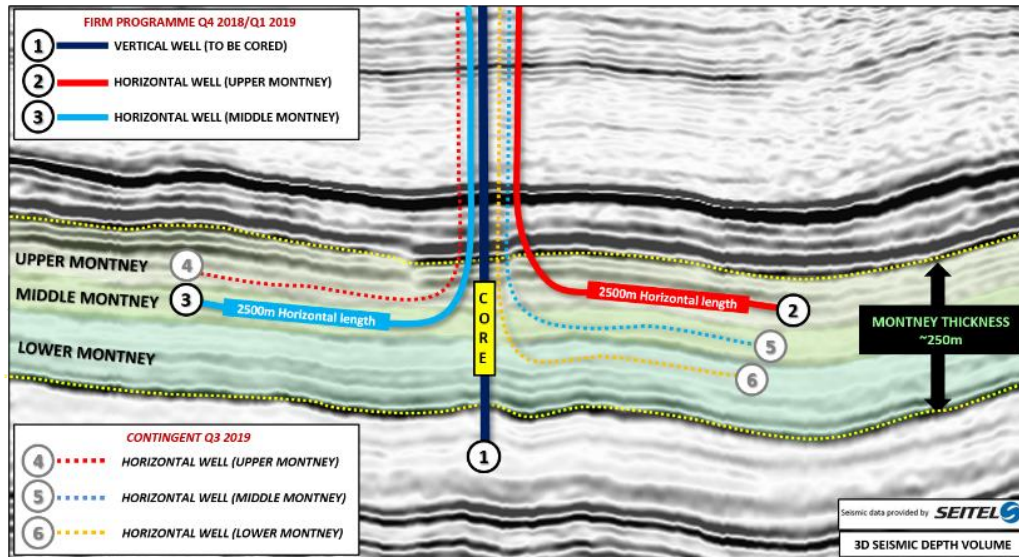


Figure 3 – Seismic image across the planned well paths.

Calima Lands – Road and Civil Construction

Calima completed construction of an access road to allow heavy equipment to access the drilling site late in the year. This enabled the commencement of drilling site construction operations ahead of the drilling.

Calima Lands - Rig Contract Award and Arrival of Rig

Calima awarded contracts for drilling and directional services to Precision Drilling Corporation (“Precision”) and received delivery of the Precision Drilling Rig PD379 in late December.

Namibia

During the year the Company expanded its asset portfolio in Africa through the award of a Petroleum Agreement for offshore Block 2813B (PEL 90), covering an area of 5,433 km² in the Orange River Basin of Namibia (Figure 4), adjacent to other deepwater blocks operated by super-majors including Shell and Total. Calima holds a 56% working interest and Operatorship of PEL 90. The award was made following an application to the relevant authorities representing the Government of Namibia. The agreement has an initial investment term of four years. During the first year of the initial term the Company has licensed ~1,300km of 2D seismic data and undertaken an evaluation of the existing data in, an around, the block. Over the four years of the initial term Calima has committed to acquire 3D seismic data and undertake a detailed prospectivity review.

Calima completed a regional review and interpretation of its 2D seismic database covering PEL 90 (Block 2813B). Several, very-large depositional fairways, expected to possess excellent reservoir properties, have been identified and mapped, lying above interpreted, rich, source rock intervals with demonstrable access to charge. The depositional fairways are interpreted to consist of Lower and Upper Cretaceous turbidite channels and fans along with a large Lower Cretaceous carbonate build-up. The sizes of the mapped fairways are large enough to contain giant petroleum accumulations.

Previous drilling has proven two regional, excellent-quality, oil-prone source rock intervals offshore Namibia. In the Orange Basin, the Aptian-Barremian source rock interval was encountered in the nearby Kudu field (~100km to the east of PEL 90), however, it is buried to gas-mature depths, or greater, in the Kudu area and is reportedly responsible for the bulk of the

¹ Refer to ASX announcement 10 August 2018

gas and condensate in that field. It was also intersected in the Moosehead-1 well (34km to the east of PEL 90), however, was found to be only marginally mature at that location.

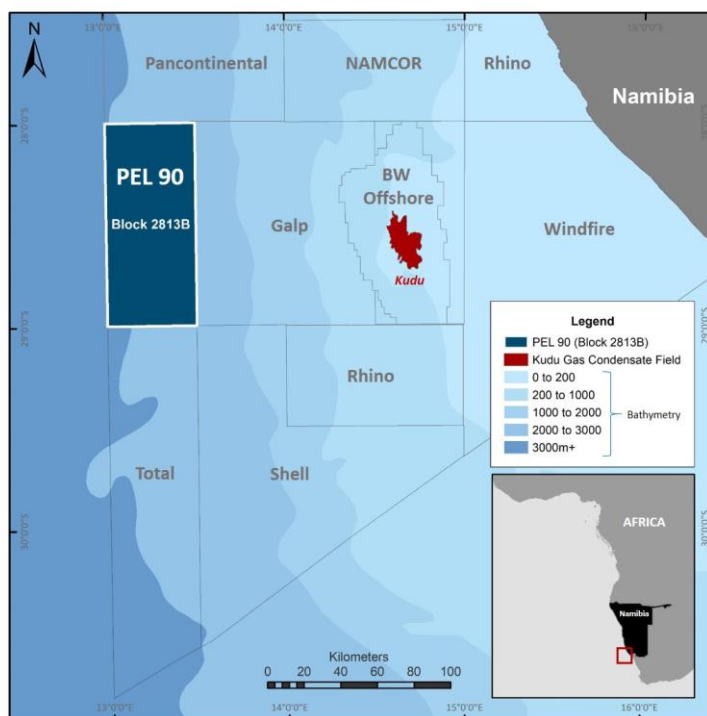


Figure 4 – Namibia PEL 90 (Block 2813B) location with neighbouring operators.

Western Sahara

Calima owns 50% of four offshore PSCs awarded by the Saharawi Arab Democratic Republic (SADR), which is more commonly known as Western Sahara. Calima is the operator of the PSCs. The four PSCs, Daora, Haouza, Mahbes and Mijek cover an area of more than 70,000 km².

The PSCs are supplemented by Assurance Agreements executed by the SADR Government, which provide that the PSCs are effective from, and commence, once the United Nations recognises the SADR as a sovereign state, and the SADR Government passes necessary tax and petroleum titles legislation. At present a significant part of the SADR, including the offshore, is claimed by Morocco and until such time as there is a resolution to the sovereignty dispute, Calima cannot undertake exploration activity.

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. Until such time as there is a resolution to the sovereignty dispute respecting the status of the SADR the Company is not able to undertake any exploration activities in the area.

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
G. Whiddon	Executive Chairman
J. Taylor	Technical Director
N. Hackett	Independent Non-Executive Director

Mr Alan Stein – Managing Director

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 – appointed 15 January 2013

Fraser Range Metals Group Limited – appointed 3 March 2016

Hear Me Out Limited – appointed 11 September 2017

Former listed company Directorships in last 3 years

Doriemus PLC – resigned 30 July 2018

Jonathan Taylor - Technical Director

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.

No Other current listed company directorships

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

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:

	Meetings of committees		
	Directors' meetings	Remuneration	Audit
Number of meetings held	3	-	1
Number of meetings attended:			
G Whiddon	3	-	1
N Hackett	3	-	1
A Stein	3	-	1
J Taylor	3	-	-

During the financial year the Board has held numerous face to face and conference call operational meetings to review existing operations. Formal business during the period has also 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
Ordinary shares				
- Direct	10,555,855	735,556	23,065,837	12,674,654
- Indirect	33,549,460	-	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 Mr Whiddon only has a control in 666,666 shares in the indirect holdings. Mr. Whiddon does not control the remaining indirect holdings. They are held independently of Mr. Whiddon and are only included for good corporate governance purposes. 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

Initial Production Testing

Subsequent to the end of the year, the Company completed its planned three well drilling programme in Canada. All three wells were drilled on schedule, within budget and without any health, safety or environmental incidents.

The Calima-1 vertical well reached a total depth of 1,872.5m. The top of the Montney Formation was encountered at 1,559.5m against a prognosis of 1,562.2m and it is 256.5m thick against a prognosis of 257.3m. Core data was collected over 90% of the Montney interval. This is one of the most complete cores cut through the Montney interval in British Columbia.

The Calima-2 well was drilled to a target depth of 4,425m, including a 2,508m horizontal section. The second horizontal well, Calima-3 has a 2,561m horizontal section. Each of the horizontal sections was prepared for production testing using a stimulation technique commonly referred to as “Hydraulic Fracturing” where the rocks are fractured by the injection of predominantly water and sand at high pressure. Once the pressure is released the sand grains keep the fractures open allowing hydrocarbons and formation fluids to flow out of the rock into the well-bore. The horizontal sections of the well bore were divided into 92 almost equal sections and each section is treated individually and hydraulically isolated from the other stages in the well bore. In each of the wells the Company was successful in being able to deliver the planned proppant loading of 1.5 tonnes per metre to almost every stage.

Once stimulations were finished the wells were flowed back through production testing equipment.

The first phase of the Calima-2 production test which recovers the load water injected during reservoir stimulation has been completed. As the water rate decreased the flow of gas increased and eventually light oil and other natural gas liquids were recovered. During the final stages of the clean-up phase the well was flowing at a calculated rate of 1,640 boe/d² comprised of ~9 mmcf/d of gas and ~143 bbl/d³ of light oil and natural gas liquids. Based on the latest production numbers collected immediately prior to the installation of production tubing the condensate to gas ratio (CGR) had climbed to 17.6 bbl/mmcft. Assuming typical plant recoveries for the area this equates to a final CGR of 35.2 bbl/mmcft⁴

The Calima-3 well testing results performed as expected until the arrival of an unseasonal early spring melt that has now curtailed testing operations. The test of the Upper Montney was flaring gas with rates consistent with the Calima-2 test results.

Forward Sales of Paradise Oil

On 20 March 2019, the company announced that it had forward sold C\$1,200,000 of net production revenue from the Paradise well. Calima owns 100% of the Paradise well (Official designation; Boundary 5-1-86-15 00/11-01-08615W6/0), located 40 km to the northeast of Fort St John and 180 km to the southeast of the Company’s extensive Montney interests in northeast British Columbia. The forward sale facility will be repaid monthly from net well production payments over a period of 36 months.

Likely future developments, prospects and expected results

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

² Barrel of oil equivalent (boe); All boe conversions in the text are derived by converting gas to oil at the ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent. A Boe conversion rate of 1 Boe:6Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas, based on current prevailing prices, is significantly different than the energy equivalency ratio of 1Boe:6Mcf, utilising a conversion ratio may be misleading if used in isolation.

³ The numbers of barrels recovered at the well-head is not indicative of the total number of barrels typically won from production. Based on expected deep cut recoveries through standard processing facilities in the area the liquids recoveries would be expected to increase by more than 100% after treatment.

⁴ The numbers of barrels recovered at the well-head is not indicative of the total number of barrels typically won from production. Based on expected deep cut recoveries through standard processing facilities in the area the liquids recoveries would be expected to increase by more than 100% after treatment.

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
2,000,000	0.07	31-Dec-19
750,000	0.07	6-Nov-21
32,750,000		

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 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 wilful breach of duty; or
- 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 \$66,138 (2017: \$64,412,).

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 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
- Jon Taylor
- Neil Hackett

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 2018:

	Dec-18 12 months	Dec-17 12 months	Dec-16 12 months	Dec-15 12 months	Dec-14 12 months
Net loss after tax	(3,127,298)	(2,449,932)	(1,274,284)	(27,159,057)	(19,601,654)
EPS (cents) Basic	(0.40)	(0.58)	(0.33)	(2.34)	(1.30)
Year-end share	0.05	0.05	0.008	0.0001	0.01

Following is the table of remuneration for the year ended 31 December 2018:

Name	Short-term benefits (salaries & fees)	Share-based payments (b) (options)	Share-based payments (b) (performance rights)	Total	Performance Related
	\$	\$	\$	\$	%
Directors					
G Whiddon	135,000	-	-	135,000	-
N Hackett	36,000	-	-	36,000	-
A Stein	148,776	8,575	8,096	165,447	10.1
J Taylor	148,776	8,575	24,736	182,088	18.3
Total	468,552	17,151	32,832	518,535	

(a) Mr Whiddon received \$36,000 for Director's fees and \$99,000 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 2017:

Name	Short-term benefits (salaries & fees) \$	Share-based payments (b) (options) \$	Share-based payments (b) (performance rights) \$	Total \$	Performance Related %
Directors					
G Whiddon	213,371	-	-	213,371	-
N Hackett	36,000	-	29,650	65,650	45.2
A Stein	86,786	2,913	2,750	92,450	6.1
J Taylor	86,786	2,913	8,404	98,103	11.5
R Downey	24,000	-	-	24,000	-
Total	446,943	5,827	40,804	493,573	

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

(d) 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 will vest subject to the satisfaction of certain performance criteria as disclosed above.

The Management Options 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	Total valuation n (\$)	% vested to date
1	29-Aug-2017	0.015	29-Aug-22	164,250	27%

Following is the table of rights holdings for the year ended 31 December 2018:

31 December 2018	Balance 1 January 2018	Granted as remuneration	Exercised	Net change Other (i)	Balance 31 December 2018	Vested at 31 December 2018	Vested and Exercisable at 31 December 2018	Vested and un-exercisable at 31 December 2018	Amount yet to be expensed (\$)
<i>Direct interest</i>									
Directors									
G Whiddon	-	-	-	-	-	-	-	-	-
A Stein	2,700,000	-	-	-	2,700,000	-	-	-	29,654
J Taylor	8,250,000	-	-	-	8,250,000	-	-	-	90,610
N Hackett	-	-	-	-	-	-	-	-	-
	10,950,000	-	-	-	10,950,000	-	-	-	120,264

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	Total value (\$)	% vested to date
1	29-Aug-2017	0.008	29-Aug-22	52,800	27%
2	29-Aug-2017	0.005	29-Aug-22	33,000	27%

Following is the table of options holdings for the year ended 31 December 2018:

31 December 2018	Balance 1 January 2018	Granted as remuneration	Exercised	Net change Other	Balance 31 December 2018	Vested at 31 December 2018	Vested and Exercisable at 31 December 2018	Vested and un-exercisable at 31 December 2018
<i>Direct interest</i>								
Directors								
G Whiddon								
A Stein	6,600,000	-	-	-	6,600,000	-	-	-
J Taylor	6,600,000	-	-	-	6,600,000	-	-	-
N Hackett	-	-	-	-	-	-	-	-
	13,200,000	-	-	-	13,200,000	-	-	-

Shareholdings

Following is the table of shareholdings for the period ended 31 December 2018:

31 December 2018	Balance 1 January	Net change Other (ii)	Balance 31 December
Direct interest			
Directors			
G Whiddon	10,555,855	-	10,555,855
N Hackett	735,556	-	735,556
A Stein	22,390,837	675,000	23,065,837
J Taylor	12,674,654	-	12,674,654
	46,356,902	675,000	47,031,902
Indirect interest (i)			
Directors			
G Whiddon (ii)	33,548,460	-	33,548,460
A Stein	10,367,041	-	10,367,041
	43,915,501	-	43,915,501

- (i) Indirect interests are shareholdings that the director has a relevant interest in but is not the registered holder.
- (ii) Glenn Whiddon: Please note that Mr Whiddon only has a control in 666,666 shares in the indirect holdings. Mr. Whiddon does not control the remaining indirect holdings. They are held independently of Mr. Whiddon and are only included for good corporate governance purposes. Mr. Whiddon has no relevant interest in the indirect holdings.

Other Transaction with Key Management Personnel

During the period ended 31 December 2018, the Company had a consulting agreement with Havoc Partner Services (Havoc), under which five Havoc members are engaged as members of the Company's management team. The member includes Director Alan Stein, Technical Director Jon Taylor and senior geoscientists Mark Sofield, Richard Higgins and Justin Norris. Payments made to Havoc during the relevant period was \$642,468 (2017: \$321,234) The amounts owed to Havoc as at 31 December 2018 was nil (2017: nil).

Voting of shareholders at last year's annual general meeting

The Company received more than 97.3% of "yes" votes on its remuneration report for the 2017 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.

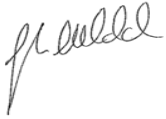
Details of the amount paid or payable to the auditor for audit services provided during the year are set out in Note 21.

Other non-audit services were provided during the year with those being tax advisory in relation to the takeovers of TMK Montney Limited and TSV Montney Limited. 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 18.

Signed in accordance with a resolution of the Directors.

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

Glenn Whiddon
Chairman

29 March 2019

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 2018, 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 2019

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Notes	12 Month 31 December 2018 \$	12 Month 31 December 2017 \$
Profit and Loss			
Interest income		55,931	118,957
Fair Value movement on equity investments	9	113,609	-
Other revenue		109,781	-
General and administrative expenses	3	(3,406,621)	(1,541,327)
Share-based payments in relation to acquisition		-	(620,390)
Foreign exchange (loss)/gain		-	(407,172)
Loss before income tax		(3,127,298)	(2,449,932)
Income tax (expense)	4	-	-
Loss for the year attributable to the owners of the parent		(3,127,298)	(2,449,932)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Foreign currency translation differences:			
Arising during the year		(9,438)	(4,954)
Other comprehensive loss for the year, net of tax		(9,438)	(4,954)
Total comprehensive loss for the year attributable to the owners of the parent		(3,136,736)	(2,454,886)
Loss per share		Cents per share	Cents per share
Basic and diluted loss per share	13	(0.40)	(0.58)

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 2018

		31 December 2018	31 December 2017
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	21,471,404	2,394,364
Trade and other receivables	6	1,534,253	334,169
Total current assets		23,005,657	2,728,533
Non-Current Assets			
Property, plant and equipment	7	185,577	16,721
Exploration and evaluation expenditure	8	32,438,808	4,663,926
Financial assets at fair value through profit or loss	9	1,080,852	1,308,517
Total non - current assets		33,705,237	5,989,164
TOTAL ASSETS		56,710,894	8,717,697
LIABILITIES			
Current liabilities			
Trade and other payables	10	3,972,637	253,927
Total current liabilities		3,972,637	253,927
Non-Current Liabilities			
Restoration provisions		43,873	-
Total non-current liabilities		43,378	-
TOTAL LIABILITIES		4,016,510	253,927
NET ASSETS		52,694,384	8,463,770
EQUITY			
Issued capital	11	284,246,600	236,983,645
Reserves	12 (b)	15,637,683	15,542,726
Accumulated losses	12 (a)	(247,187,899)	(244,062,601)
TOTAL EQUITY		52,694,384	8,463,770

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 2018

2017	Share capital	Performance shares	Equity reserve	Share-based payment reserve	Foreign Exchange Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
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)
Other comprehensive income/(loss)	-	-	-	-	(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
At 1 January 2018	236,983,645	-	-	15,547,680	(4,954)	(244,062,601)	8,463,770
Loss for period	-	-	-	-	-	(3,127,298)	(3,127,298)
Exchange differences on foreign operations	-	-	-	-	(9,438)	-	(9,438)
Total comprehensive loss for the year	-	-	-	-	(9,438)	(3,127,298)	(3,136,736)
Transactions with owners in their capacity as owners							
Issue of Share Capital	28,357,156	-	-	-	-	-	28,357,156
Less cost of the offer	(1,656,311)	-	-	-	-	-	(1,656,311)
Issue of shares to advisors	363,722	-	-	-	-	-	363,722
Issue of Shares in relation to TMKM and TSVM takeovers	20,198,388	-	-	-	-	-	20,198,388
Share based payments	-	-	-	104,395	-	-	104,395
At 31 December 2018	284,246,600	-	-	15,652,075	(14,392)	(247,189,899)	52,694,384

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 2018

	Notes	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities			
Receipts from customers		62,020	-
Payments to suppliers and employees		(1,982,099)	(1,712,699)
Interest received		55,409	142,223
Interest paid		-	(72)
Net cash flows used in operating activities	16	(1,864,669)	(1,570,548)
Cash flows from investing activities			
Payments for purchase of property, plant & equipment		-	(16,721)
Payments for exploration, evaluation and development expenditure		(7,455,764)	(4,376,267)
Payments for investments		-	(67,006)
Cash obtained in acquisition of subsidiaries		1,509,755	-
Net cash flows from investing activities		(5,946,009)	(4,459,994)
Cash flows from financing activities			
Proceeds from issue of shares		28,357,156	2,650,095
Payments of Capital Raising costs		(1,302,811)	(243,584)
Net cash flows from financing activities		27,054,344	2,406,511
Net increase (decrease) in cash and cash equivalents		19,243,666	(3,624,031)
Net foreign exchange differences		(166,626)	(397,800)
Cash and cash equivalents at the beginning of the financial year		2,394,364	6,416,195
Cash and cash equivalents at end of the financial year	5	21,471,404	2,394,364

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 2018

1. Corporate information

The consolidated financial report of Calima Energy Limited for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 29 March 2019.

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) Adoption of new and revised Accounting Standards

A number of new or amended Standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of AASB 9 Financial Instruments.

The new accounting policies are disclosed below. The impact of these standards and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

Investments and other Financial Assets - classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on our business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The group reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the consolidated financial statements

For the year ended 31 December 2018

Investments and other Financial Assets - measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Investments and other Financial Assets - impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

c) 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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

d) New accounting standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 January 2018. 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 16 (issued February 2016) Leases 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. 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.	1 January 2019
AASB 2018-1 (issued February 2018) Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle Non-urgent but necessary changes to standards	1 January 2019
AASB 2017-7 (issued December 2017) Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures Clarifies that the impairment loss model included in AASB 9 Financial Instruments is applied to loans advanced to an associate or joint venture which, in substance, form part of the net investment in the associate or joint venture, before applying the loss allocation and impairment requirements of AASB 128 ('incurred loss model').	1 January 2019

e) 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 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.

f) 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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

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.

g) 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

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.

h) 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.

i) Trade and other receivables

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

j) 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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

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.

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) Income tax and other taxes

Notes to the consolidated financial statements

For the year ended 31 December 2018

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.

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.

r) 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.

s) 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).

Notes to the consolidated financial statements

For the year ended 31 December 2018

t) 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.

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(j). 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.

Equity investments

The investment in Bahari Holding Company Limited is held at fair value. Because these investments are not listed, there is no quoted market price, and therefore management have used a different method to determine 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.

Income and associated taxes

As a result of the corporate-level transaction activity in Canada with the acquisition of TMK Montney Limited and TSV Montney Limited, significant judgement is required in determining the impacts of global income and associated taxes. The Group estimates the existence and amount of its tax liabilities based on its understanding of the tax laws in the relevant jurisdictions. In the case where the final tax outcomes are different from amounts initially assessed, such differences will impact the amount of current and deferred tax liabilities and assets recorded. At 31 December 2018, no liability has been recorded in respect of income or other associated tax obligations.

Notes to the consolidated financial statements

For the year ended 31 December 2018

3. General and administrative expenses

	2018 \$	2017 \$
Employee benefit and Director compensation expense	318,388	204,117
Share based payment expense	104,395	58,291
	422,783	262,408
Consultants expense	556,197	75,692
Corporate and travel expense	2,425,567	1,203,115
Depreciation of property plant and equipment	2,073	-
Other	-	112
	3,406,621	1,541,327

4. Income tax expense

Major components of income tax expense for the periods ended 31 December 2018 and 2017:

Statement of comprehensive income

Current income tax

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

Deferred income tax

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

Reconciliation of income tax expense to prima facie tax:

Accounting loss before income tax	(3,127,298)	(2,449,932)
At the statutory income tax rate of 27.5% (31 December 2017: 27.5%)	(860,007)	(673,731)
- Expenditure not allowable for income tax purposes	328,167	325,786
- Share based payment expense	28,709	16,030
- Temporary differences not recognised as deferred tax asset	442,022	(1,223,095)
- Current year losses not recognised as deferred tax asset	77,240	1,555,010
- Foreign tax rate differential	(16,131)	-
Income tax reported in statement of comprehensive income	-	-

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	(35,506)	110,471
- Accrued expenditure	7,700	7,006

Notes to the consolidated financial statements

For the year ended 31 December 2018

4. Income tax expense (continued)

	2018	2017
	\$	\$
- Tax losses	7,978,365	6,480,539
- Exploration	674,686	(1,259,260)
- Other	146,251	(12,978)
- Deferred tax assets not recognised	(8,771,496)	(5,325,778)
	-	-
<i>Net deferred tax asset/(liability)</i>	-	-

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 \$7,978,365 (31 December 2017: \$5,325,778). The unrecognised losses for 2018 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

	2018	2017
	\$	\$
Cash at bank and on hand	21,471,404	2,394,364
Deposits at call	-	-
	21,471,404	2,394,364

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

6. Trade and other receivables

Current

GST/VAT receivable	455,416	134,784
Prepayments	90,989	47,138
Bank guarantees	46,772	46,196
Other	941,076	105,997
Interest receivable	-	54
	1,534,253	334,169

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 2018

7. Property, Plant and Equipment

Balance at the beginning of the year
Plant, property and equipment acquired during the year
Less accumulated depreciation

2018	2017
\$	\$
16,721	16,721
170,929	-
(2,073)	-
185,577	16,721

As part of the TSV Montney Limited (TSVM) acquisition, TSVM has a 50% interest in a section in the Paradise area of British Columbia. A well in this section (100/11-86-15W6) produces oil from the Boundary Lake interval. Production from this well was relatively constant at 15-20 bopd (gross) for the 4 years prior to being shut in by the BC regulator. Subsequent to the end of the year and following a desk top feasibility study, the Company acquired the remaining 50% interest in the well and production has recommenced.

8. Exploration and Evaluation Expenditure

Balance at beginning of the year
Exploration expenditure incurred
Acquisition of Namibian assets
Acquired in the acquisition of TSVM and TMKM

2018	2017
\$	\$
4,663,926	-
7,370,558	4,663,926
1,460,463	-
18,943,861	-
32,438,808	4,663,926

9. Investments

Investments

Balance at the beginning of the period
Investments made during the period
Transferred upon full acquisition of TMKM (Note 23)
Gains on fair value movement
Foreign exchange movement

2018	2017
\$	\$
1,308,517	-
-	1,308,517
(396,677)	-
113,609	-
55,393	-
1,080,852	1,308,517

10. Trade and other payables

Trade creditors and accruals (i)

2018	2017
\$	\$
3,972,637	253,927
3,972,637	253,927

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

Notes to the consolidated financial statements

For the year ended 31 December 2018

11. Issued capital

(a) Share capital

Ordinary shares fully paid

Number	\$
1,444,885,070	284,246,600

(b) Movements in ordinary shares on issue

Balance at 1 January 2018

490,440,656 236,983,645

Shares issued to advisors

6,714,440 363,722

Issue of shares to TMKM and TSVM shareholders

420,810,191 20,198,388

Issue of ordinary shares for public offers

526,919,783 28,357,156

Costs associated for issuing shares in public offers

- (1,656,311)

Balance at 31 December 2018

1,444,885,070 284,246,600

Balance at 1 January 2017

1,162,795,125 232,807,830

Issued ordinary shares for advisory services

3,000,000 33,000

Share issue costs

- (13,047)

Consolidation 3:1(i)

(777,197,303) -

Total subsequent to consolidation

388,597,822 232,827,783

Issue ordinary shares for public offer

50,000,000 2,250,000

Issue costs of public offer

- (427,066)

Shares issued to advisors

3,333,333 150,000

Consideration securities issued to Havoc Partners (Note 9)

28,508,751 1,282,894

Shares issued to note holders (Note 9)

20,000,750 900,034

Balance at 31 December 2017

490,440,656 236,983,645

(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.

(e) Movements in number of rights in issue

Balance 1 January

19,450,000 140,319,489

Consolidation 1:3

- 46,773,163

Share-based remuneration granted

- 19,450,000

Expired

- (46,773,163)

Balance at 31 December

19,450,000 19,450,000

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

11. Issued capital (continued)

	2018	2017
(f) Movements in number of options in issue	Number	Number
Balance 1 January	30,000,000	-
Firm commitment options granted	-	10,000,000
Share-based remuneration granted	2,750,000	20,000,000
Balance at 31 December	32,750,000	30,000,000

12. Accumulated losses and reserves

(a) Movements in accumulated losses were as follows:

	2018	2017
	\$	\$
Balance 1 January	244,062,601	249,179,353
Net loss attributable to members	3,127,298	2,449,932
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 2018	247,189,899	244,062,601

(b) Other reserves

	Foreign currency translation	Share based payment reserve	Total
	\$	\$	\$
At 31 December 2016	-	15,189,389	15,189,389
Foreign currency translation	(4,954)	-	(4,954)
Share based payments	-	358,291	358,291
At 31 December 2017	(4,954)	15,547,680	15,542,726
Share based payments	-	104,395	104,395
Foreign currency transition	(9,438)	-	(9,438)
At 31 December 2018	(14,392)	15,652,075	15,637,683

(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

Notes to the consolidated financial statements

For the year ended 31 December 2018

12. Accumulated losses and reserves (continued)

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

2018 Cents per share	2017 Cents per share
(0.40)	(0.58)
\$	\$
(3,127,298)	(2,449,932)
Number	Number
867,507,889	423,024,003

- (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

Rental Lease

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: \$108,570

Land Rentals

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: \$306,002

Namibia – Exploration Work

The Group has the following obligations in respect of non-cancellable initial exploration work program over Block 2813B

- Later than one year but no more than five years: US\$2,000,000

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.

Segment information relating to the reportable segments being exploitation and evaluation expenditure and property plant and equipment in Australia, Canada and Namibia is outlined below.

Notes to the consolidated financial statements

For the year ended 31 December 2018

15. Segment reporting (continued)

	Australia \$	Canada \$	Namibia \$	Total \$
Exploration and evaluation expenditure	-	30,978,345	1,460,463	32,438,808
Property, plant and equipment	15,216	170,361	-	185,577

16. Reconciliation of cash flows from operating activities

	2018 \$	2017 \$
Cash flows from operating activities		
Loss for the period	(3,127,298)	(2,449,932)
<i>Adjustments for:</i>		
Depreciation	2,073	-
Share based remuneration	104,395	58,291
Other share-based payments	-	150,000
Revaluation of financial instruments	(161,358)	-
Expense recognised on acquisition	-	620,390
Other non-cash items including exchange differences	-	162,590
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade receivables	286,731	(256,856)
Increase/(decrease) in trade creditors and accruals	1,020,565	144,969
Net cash used in operating activities	(1,874,892)	(1,570,548)

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.

For the year ended 31 December 2018

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

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.

[illegible]

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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

17. Financial risk management objectives and policies (continued)

31 December 2018	Carrying value at 31 December	Profit or loss	
		25 bp increase	25 bp decrease
	\$	\$	\$
Financial assets			
Cash and cash equivalents	21,471,404	536,7855	(536,785)
Cash flow sensitivity (net)		536,7855	(536,785)

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)

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:

	2018	2017
	\$	\$
Cash and cash equivalents	21,471,404	2,396,481
Receivables	-	-
	21,471,404	2,396,481

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

17. Financial risk management objectives and policies (continued)

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 2018	Carrying amount	Contractual cash flows	6 months or less	6 Months – 3 Years
	\$	\$	\$	\$
Trade and other payables	2,396,481	2,396,481	2,396,481	-
	2,396,481	2,396,481	2,396,481	-

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	-

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 2018.

The capital structure of the Group consists of net debt (trade payables and Income tax (receivable)/payable detailed in Notes 10 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 2018 was denominated in Canadian Dollars

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

Notes to the consolidated financial statements

For the year ended 31 December 2018

17. Financial risk management objectives and policies (continued)

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

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	13,472,332	2,341,065
Trade and other receivables	1,071,897	-
	14,544,229	2,341,065-
Financial liabilities		
Trade and other payables	2,856,414	-
	2,856,414	-

The Group is mainly exposed to CAD\$. The following table details the Group's sensitivity to a 15% increase and decrease in the Australian dollar against the CAD\$. 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 Canadian Dollar.

	2018	2017
	\$	\$
Profit or loss: + 15%	(1,584,387)	(305,356)
Profit or loss: - 15%	2,143,583	413,129

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
G Whiddon	Executive Chairman
J Taylor	Technical Director
N. Hackett	Independent Non-Executive Director

(b) Key management personnel compensation

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

	2018	2017
	\$	\$
Short-term employee benefits	468,552	446,943
Equity compensation benefits	49,983	46,630
	518,535	493,573

Notes to the consolidated financial statements

For the year ended 31 December 2018

18. Key management personnel disclosures (continued)

(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.

During the period ended 31 December 2018, the Company had a consulting agreement with Havoc Partner Services (Havoc), under which five Havoc members are engaged as members of the Company's management team. The member includes Director Alan Stein, Technical Director Jon Taylor and senior geoscientists Mark Sofield, Richard Higgins and Justin Norris. Payments made to Havoc during the relevant period was \$642,468 (2017: \$321,234) The amounts owed to Havoc as at 31 December 2018 was nil (2017: nil).

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:

	2018	2017
	\$	\$
Options	20,092	8,828
Performance rights	84,303	49,463
Total expense arising from share-based payment transactions (Note 3)	104,395	58,291

(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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

19. Share based payment (continued)

(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 2018		31 December 2017	
	Number	WAEP	Number	WAEP
Balance at beginning of the financial period	20,000,000	0.065	-	-
Issued during the period	-	-	20,000,000	0.065
Outstanding at the end of the year	20,000,000	0.065	20,000,000	0.065

In addition, 2,750,000 unlisted options exercisable at \$0.07 were issued to consultants during the year.

(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 2018	31 December 2017
	Number	Number
Balance at beginning of the financial year	19,450,000	140,319,489
Consolidation 3:1	-	46,773,163
Granted during the period	-	19,450,000
Cancelled during the period	-	-
Expired during the period	-	(46,773,163)
Outstanding at the end of the period	19,450,000	19,450,000

The outstanding balance as at 31 December 2018 vest 29 August 2022 and is represented by:

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 2018 is 3.66 years (2017: 4.66 years).

The weighted average contractual life for the options as at 31 December 2018 is 3.66 years (2017: 4.66 years).

Notes to the consolidated financial statements

For the year ended 31 December 2018

19. Share based payment (continued)

(vii) Weighted average fair value

The weighted average fair value of performance rights granted during the year was \$291,750 (2017: \$291,750).

(viii) Performance rights and options 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 2018 for the Rights and the Options were:

	Rights	Options	Options	Options
Number	19,450,000	20,000,000	750,000	2,000,000
Grant Date	29-Aug-2017	29-Aug-2017	06-Nov-2018	06-Nov-2018
Dividend yield (%)	-	-	-	-
Expected volatility (%)	40%	40%	50%	50%
Risk-free interest rate (%)	2.03%	2.03%	2.24%	2.24%
Expected life of options	5.0	5.0	3.0	1.2
Right's exercise price (\$)	-	\$0.09/\$0.12	\$0.07	\$0.07
Barrier Price	\$0.15	\$0.09	\$0.07	\$0.07
Share price at grant date (\$)	\$0.045	\$0.045	\$0.05	\$0.05
Fair value at grant date (\$)	\$0.015	\$0.015	\$0.012	\$0.005

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

Notes to the consolidated financial statements

For the year ended 31 December 2018

20. Related party disclosures

(a) Subsidiaries

Name of entity	Country of incorporation	Equity interest	
		31 December 2018	31 December 2017
		%	%
Parent entity			
Calima Energy Limited	Australia		
Subsidiaries			
Calima Energy Inc	Canada	100	100
Calima Energy Limited (Jersey)	Jersey	100	100
Calima Energy (Namibia) Ltd	United Kingdom	100	-
TMK Montney Limited	Australia	100	11
TSV Montney Limited	Australia	100	-
Woma Energy Limited	Canada	100	-
Warren Energy Limited	Canada	100	-

(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.

21. Auditor's remuneration

Current auditors: BDO Audit (WA) Pty Ltd

	2018	2017
	\$	\$
<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	53,403	34,675
Total remuneration for audit and other assurance services	53,403	34,675
Tax advice and related services	17,297	8,895
Total remuneration for taxation services	17,297	8,895
Consulting and other services	5,217	11,153
Total remuneration for other services	5,217	11,153
Total remuneration of BDO	75,917	54,723

Notes to the consolidated financial statements

For the year ended 31 December 2018

22. Contingent assets and liabilities

At 31 December 2018, there were no contingent liabilities.

23. Acquisition of TSVM and TMKM

On May 1 2018, the Company signed two separate Bid Implementation Agreements (BIAs) to acquire the issued capital of TSV Montney Limited (TSVM) and TMK Montney Limited (TMKM). As at 30 June 2018, the Company had advised that, in relation to the off-market takeover bid to acquire 100% of the issued voting shares in both TSV Montney (TSVM) and TMK Montney (TMKM), its voting power in both TSVM and TMKM had risen above 90%. The Company exercised its right to Compulsory acquire the remaining shares in TSVM and TMKM that it did not already have a relevant interest in.

The following table outlines the assets that have been acquired by the company as at 31 December 2018

	Fair value \$
ASSET ACQUISITION	
Purchase consideration comprises:	
Carrying amount of investment previously held in TMKM	396,677
Share consideration (420,810,143 ordinary shares valued at \$0.048 per share):	20,198,887
Total consideration	20,595,564
 Net assets acquired	
Cash at Bank	1,509,755
Other Receivables	109,075
Exploration and Evaluation	18,943,861
Property, plant and equipment	168,582
Accounts Payable	(92,368)
Provisions	(43,341)
Total net assets acquired	20,595,564

Critical accounting estimate or judgement:

The transaction is accounted for as an asset acquisition, as neither TSVM or TMKM meets the definition of a “business”.

24. Events after the reporting date

Initial Production Testing

Subsequent to the end of the year, the Company completed its planned three well drilling programme in Canada. All three wells were drilled on schedule, within budget and without any health, safety or environmental incidents.

The Calima-1 vertical well reached a total depth of 1,872.5m. The top of the Montney Formation was encountered at 1,559.5m against a prognosis of 1,562.2m and it is 256.5m thick against a prognosis of 257.3m. Core data was collected over 90% of the Montney interval. This is one of the most complete cores cut through the Montney interval in British Columbia.

The Calima-2 well was drilled to a target depth of 4,425m, including a 2,508m horizontal section. The second horizontal well, Calima-3 has a 2,561m horizontal section. Each of the horizontal sections was prepared for production testing using a stimulation technique commonly referred to as “Hydraulic Fracturing” where the rocks are fractured by the injection of predominantly water and sand at high pressure. Once the pressure is released the sand grains keep the fractures open allowing hydrocarbons and formation fluids to flow out of the rock into the well-bore. The horizontal sections of the well bore were divided into 92 almost equal sections and each section is treated individually and hydraulically isolated from the

Notes to the consolidated financial statements

For the year ended 31 December 2018

24. Events after the reporting date (continued)

other stages in the well bore. In each of the wells the Company was successful in being able to deliver the planned proppant loading of 1.5 tonnes per metre to almost every stage.

Once stimulations were finished the wells were flowed back through production testing equipment.

The first phase of the Calima-2 production test which recovers the load water injected during reservoir stimulation has been completed. As the water rate decreased the flow of gas increased and eventually light oil and other natural gas liquids were recovered. During the final stages of the clean-up phase the well was flowing at a calculated rate of 1,640 boe/d⁵ comprised of ~9 mmcf/d of gas and ~143 bbl/d⁶ of light oil and natural gas liquids. Based on the latest production numbers collected immediately prior to the installation of production tubing the condensate to gas ratio (CGR) had climbed to 17.6 bbl/mmcft. Assuming typical plant recoveries for the area this equates to a final CGR of 35.2 bbl/mmcft⁷

The Calima-3 well testing results performed as expected until the arrival of an unseasonal early spring melt that has now curtailed testing operations. The test of the Upper Montney was flaring gas with rates consistent with the Calima-2 test results.

Forward Sales of Paradise Oil

On 20 March 2019, the company announced that it had forward sold C\$1,200,000 of net production revenue from the Paradise well. Calima owns 100% of the Paradise well (Official designation; Boundary 5-1-86-15 00/11-01-08615W6/0), located 40 km to the northeast of Fort St John and 180 km to the southeast of the Company's extensive Montney interests in northeast British Columbia. The forward sale facility will be repaid monthly from net well production payments over a period of 36 months.

⁵ Barrel of oil equivalent (boe); All boe conversions in the text are derived by converting gas to oil at the ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent. A Boe conversion rate of 1 Boe:6Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas, based on current prevailing prices, is significantly different than the energy equivalency ratio of 1Boe:6Mcf, utilising a conversion ratio may be misleading if used in isolation.

⁶ The numbers of barrels recovered at the well-head is not indicative of the total number of barrels typically won from production. Based on expected deep cut recoveries through standard processing facilities in the area the liquids recoveries would be expected to increase by more than 100% after treatment.

⁷ The numbers of barrels recovered at the well-head is not indicative of the total number of barrels typically won from production. Based on expected deep cut recoveries through standard processing facilities in the area the liquids recoveries would be expected to increase by more than 100% after treatment.

Notes to the consolidated financial statements

For the year ended 31 December 2018

25. Parent disclosure

	2018	2017
	\$	\$
Loss for the year	(1,949,415)	(2,329,634)
Other comprehensive income	-	-
Total comprehensive loss	(1,949,415)	(2,329,634)
Current assets	20,385,202	2,622,536
Non-current assets	34,397,737	6,220,414
Total assets	54,949,144	8,842,950
Current liabilities	(942,188)	253,927
Total liabilities	(942,188)	253,927
Net assets	54,006,955	8,589,021
Issued capital	284,246,600	236,983,645
Performance shares	-	-
Reserves	15,853,013	15,748,617
Accumulated losses	(246,092,656)	(244,143,241)
Total shareholders' equity	54,006,955	8,589,021

Contingent liabilities of the parent entity

Refer to Note 22.

Commitments of the parent entity

Refer to Note 14.

Directors' declaration

The Directors of Calima Energy Limited declare that:

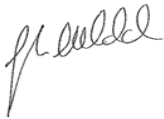
- (a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors report set out on pages 6 to 14, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 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 2018.

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 2019

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 2018, 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 2018 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.

Carrying value of exploration and evaluation expenditure

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 8, the carrying value of capitalised exploration and evaluation expenditures represents a significant asset of the Group.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the recoverability of E&E expenditure required significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</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 group holds the relevant rights to tenure. • 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.

Accounting for the acquisitions of TSVM and TMKM

Key audit matter	How the matter was addressed in our audit
<p>On the first of May 2018, the company signed two separate Bid Implementation Agreements (BIAs) to acquire the issued capital of TSV Montney Limited and TMK Montney Limited (TMKM). The purpose of the transaction was to consolidate 100% of the Montney Project.</p> <p>Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment including whether the acquisition should be classed as an asset or business acquisition, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration. In addition, there are also potential foreign tax implications to the transaction.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing the key executed transaction documents to understand the key terms and conditions of the acquisition; • Evaluating management's determination of the accounting acquirer and whether the transaction constituted a business or an asset acquisition; • Challenging the methodology and assumptions utilised to identify and determine the fair value of the assets and liabilities acquired; • Assessing managements determination of total consideration by agreeing amounts to underlying data including contracts and settlement statements; • Relying on the independent expert engaged by management to determine any potential tax implications; and • Assessing the adequacy of the Group's disclosures of the acquisition.

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 2018, 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 11 to 16 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Calima Energy Limited, for the year ended 31 December 2018, 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

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line. Above the signature, the letters 'BDO' are handwritten in a small, light font.

Phillip Murdoch

Director

Perth, 29 March 2019

Shareholders information

As at 26 March 2019

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 26 March 2019.

1. Distribution of equity securities

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

	Holdings	Holdings
1 - 1,000		170
1,001 - 5,000		151
5,001 - 10,000		254
10,001 - 100,000		1,246
100,001 and above		864
Total		2,685

2. Substantial shareholders

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

	Number of shares	Percentage held
Tribeca Investment Partners Pty Ltd	149,353,899	10.34%
Craig Ian Burton	81,116,800	5.61%

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	1,444,885,070

5. On-market buy back

There is no current on-market buy back.

Shareholders information

As at 26 March 2019

6. Top 20 Quoted Shareholders

Rank	Name	Units	% of Units
1.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	115,839,980	8.02
2.	CITICORP NOMINEES PTY LIMITED	111,557,659	7.72
3.	UBS NOMINEES PTY LTD	74,113,993	5.13
4.	HSBC CUSTODY NOMINEES <AUSTRALIA>	54,259,857	3.76
5.	CRAIG IAN BURTON <CI BURTON FAMILY A/C>	45,761,800	3.17
6.	AVIEMORE CAPITAL PTY LTD	35,355,000	2.45
7.	MR GLEN BULL	25,250,000	1.75
8.	MR STEPHEN LESLIE KEENIHAN + MRS SHERIDAN JAY KEENIHAN <SL & SJ KEENIHAN S/F A/C>	24,291,461	1.68
9.	MR CHARLES WAITE MORGAN	24,009,397	1.66
10.	NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	23,287,340	1.61
11.	ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD <ACUITY CAPITAL HOLDINGS A/C>	23,000,000	1.59
12.	MR ALAN STEIN	22,390,837	1.55
13.	HOPERIDGE ENTERPRISES PTY LTD	17,220,000	1.19
14.	ZERO NOMINEES PTY LTD	17,218,333	1.19
15.	MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C>	17,000,000	1.18
16.	JUTLAND NOMINEES PTY LTD <ROBERT BROWN FAMILY A/C>	16,768,993	1.16
17.	RUSSELL STEPHENSON + PAMELA STEPHENSON <STEPHENSON SUPER FUND A/C>	16,703,690	1.16
18.	VILLEMARETTE NOMINEES PTY LTD <VILLAMARETTE FAMILY A/C>	16,447,536	1.14
19.	MR DAVID RONALDSON	15,140,238	1.05
20.	CHARLES WAITE MORGAN	12,894,000	0.89
Totals: Top 20 holders of ORDINARY SHARES-IC CLASSES		708,510,114	49.04
Total Remaining Holders Balance		736,374,956	50.96

7. Unquoted Securities

Class	Quantity
Performance rights escrowed to 28 August 2019	19,450,000
Performance shares escrowed to 28 August 2019 (Class A, Class B and Class C)	20,029,226
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	10,000,000
Options exercisable at \$0.07 on or before 31 December 2019	2,000,000
Options exercisable at \$0.07 on or before 6 November 2021	750,000

8. Holders of Unquoted Securities (holding more than 20% of each equity security class)

Performance Rights

Name	Number	%
MR JONATHAN TAYLOR	8,250,000	42%

Shareholders information

As at 26 March 2019

8. Holders of Unquoted Securities (holding more than 20% of each equity security class) (continued)

Class A Performance Shares

Name	Number	%
DECBEL PTY LTD <THE NORRIS FAMILY A/C>	292,397	20%
MR ALAN STEIN	292,398	20%
MR JONATHAN TAYLOR	292,398	20%
MR MARK SOFIELD & MS REBECCA SOFIELD <M&R SOFIELD FAMILY A/C>	292,397	20%
MR RICHARD HIGGINS <THE RICHARD HIGGINS FAMILY A/C>	292,398	20%

Class B Performance Shares

Name	Number	%
MR ALAN STEIN	1,233,550	31%
MR JONATHAN TAYLOR	1,233,550	31%

Class C Performance Shares

Name	Number	%
MR ALAN STEIN	14,619,878	100%

Unlisted Options exercisable at \$0.09 on or before 25 August 2022

Name	Number	%
MR ALAN STEIN	3,300,000	33%
MR JONATHAN TAYLOR	3,300,000	33%

Unlisted Options exercisable at \$0.12 on or before 25 August 2022

Name	Number	%
MR ALAN STEIN	3,300,000	33%
MR JONATHAN TAYLOR	3,300,000	33%

Unlisted Options exercisable at \$0.045 on or before 25 August 2022

Name	Number	%
MED BRAVO SA\C	3,300,000	33%
PACIFIC WORLD ENERGY LTD	6,700,000	67%

Unlisted Options exercisable at \$0.07 on or before 31 December 2019

Name	Number	%
MR MARK FREEMAN <MARK FREEMAN FAMILY A/C>	2,000,000	100%

Unlisted Options exercisable at \$0.07 on or before 6 November 2021

Name	Number	%
EUROSWISS CAPITAL PARTNERS INC	750,000	100%