



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

March 28, 2018

Portfolio Assets – Project Update

Highlights:

Calima holds various portfolio assets as investments which provide excellent upside and optionality over some high-quality acreage in emerging oil and gas provinces. These assets are maintained in good standing with minimal allocation of capital (<\$200,000 pa) and require limited management focus.

Western Sahara

- Calima has exploration rights in Western Sahara in Northwest Africa which is a disputed territory claimed by both the Saharawi Arab Democratic Republic (SADR) and the Kingdom of Morocco.
- Oil and gas exploration activity in Northwest Africa has increased sharply in recent years due to deep-water success in Mauritania and Senegal with BP and Kosmos and Woodside, Petronas and CNOOC all acquiring acreage positions.
- Calima's exploration agreements, issued by the SADR, have recently been renewed for another term until June 2022.
 - European Court of Justice recently ruled that Western Sahara is not part of Morocco, which further reinforces an earlier International Court of Justice ruling.
 - High Court of South Africa recently ruled that minerals extracted from Western Sahara rightfully belong to the SADR.

Comoros

- Calima owns 10% of Bahari Resources, which in turn owns exploration rights in the Republic of the Comoros, East Africa off the coast of Tanzania and Mozambique
- The acreage is immediately adjacent to the giant gas discoveries made by ENI and Anadarko in Mozambique.
- Bahari recently received approval from the Government of Comoros to enter the second exploration period of the Agreements.
- A farmout process is under-way, with several companies short-listed to enter the second stage of the due diligence process.



Pursuant to the transaction with Havoc Partners LLP announced on 1 May 2017 the company acquired portfolio assets in Africa. These investments provide optionality over some high quality emerging oil and gas provinces which can be maintained in good standing with minimal allocation of capital (<\$200,000 pa) and management time.

Alan Stein, Calima's Managing Director commented:

"These assets provide Calima with optionality and great leverage over two of the most successful global exploration provinces of the 21st Century with minimal capital requirements and with further improvements in the market and regional exploration success and interest from the majors in these basins, provide great upside for Calima shareholders."

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 (Figure 1). Calima is the operator of the PSCs. The four PSCs, Daora, Hauza, Mahbes and Mijek cover an area of more than 70,000 km².

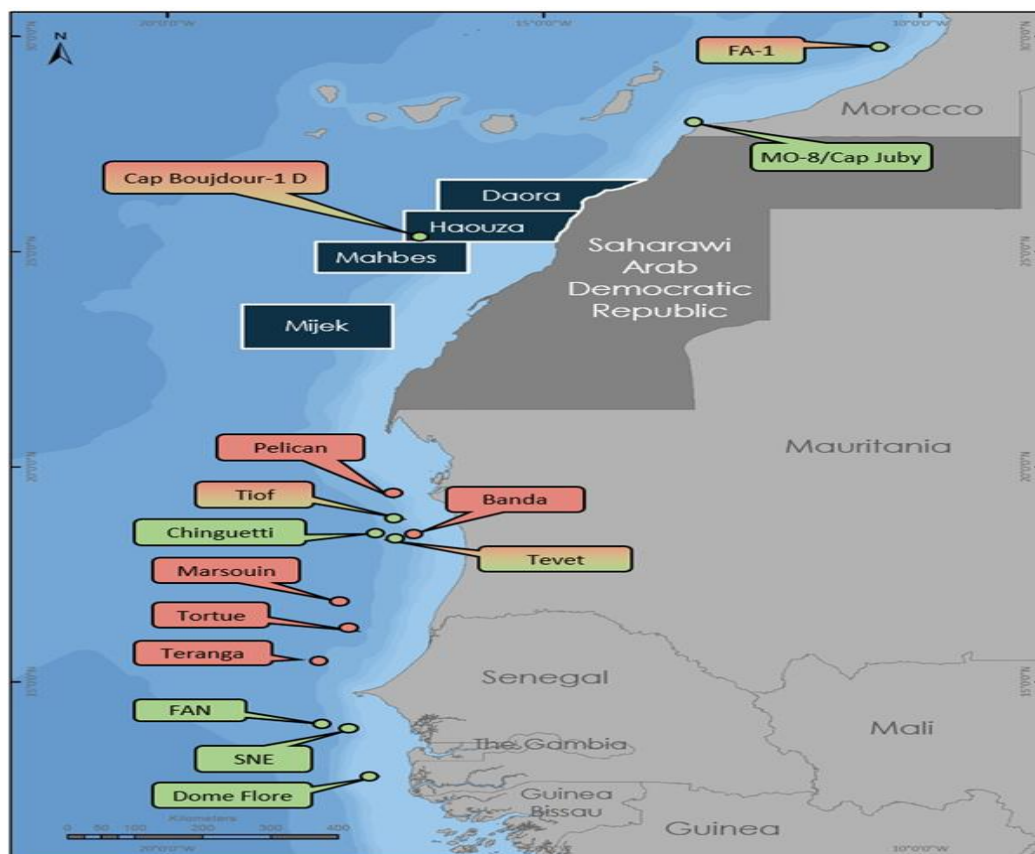


Figure 1 – Calima's exploration areas offshore Western Sahara, Mijek, Mahbes, Hauza and Daora cover an area in excess of 70,000 km². Oil discovery wells are labelled in green and gas discoveries in red. The Cap-Boujdour-1 well in the Hauza PSC was a non-commercial gas condensate discovery drilled by Kosmos.



The Calima management team were the founders of Fusion Oil & Gas plc which was involved in the first oil and gas discoveries offshore Mauritania (2000-2003) and have extensive experience along the Northwest African margin as the management of Fusion and subsequently Ophir Energy plc which had interests in Senegal, Gambia, Guinea Bissau and Western Sahara.

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.

Some recent court rulings in relation to the ownership and exploitation of natural resources in Western Sahara are regarded as positive for the SADR and should result in progress towards implementation of the UN Security Council Resolution calling for a referendum on self-determination for Western Sahara. This is a necessary step in converting Calima's rights into active Production Sharing Contracts.

In a recent relevant ruling on an agreement between Morocco and the EU regarding fishing rights the European Court of Justice stated that *"taking account of the fact that the territory of Western Sahara does not form part of the territory of the Kingdom of Morocco, the waters adjacent to the territory of Western Sahara are not part of the Moroccan fishing zone referred to in the Fisheries Agreement"*.

In another recent and also relevant ruling the High Court of South Africa determined that a cargo of phosphate shipped from that part of Western Sahara under Moroccan occupation rightfully belongs to the SADR.

These recent court rulings in relation to the exploitation of natural resources in Western Sahara are regarded a positive step towards resolution of the sovereignty dispute.

Morocco awarded offshore exploration rights for an area that partially overlapped the Calima rights to Kosmos Energy and Cairn Energy however in February both companies withdrew from these overlapping exploration permits.

Recent exploration success in Senegal and Mauritania has resulted in increased industry interest in Northwest Africa as evidenced by recent transactions by BP, Petronas and CNOOC, who have all acquired acreage positions. The late 2016 BP acquisition of an interest in the region, including the giant gas discoveries made by Kosmos (>15TCF) on the Senegal/Mauritania border, at a cost of nearly \$1bn is particularly notable.



Comoros – Calima owns 10% of Bahari Resources Limited which owns 40% of a Production Sharing Contract covering an area of more than 18,000 km² which is outboard of and on trend with Rovuma Offshore Areas 1 and 4, in Mozambique (Figure 2).

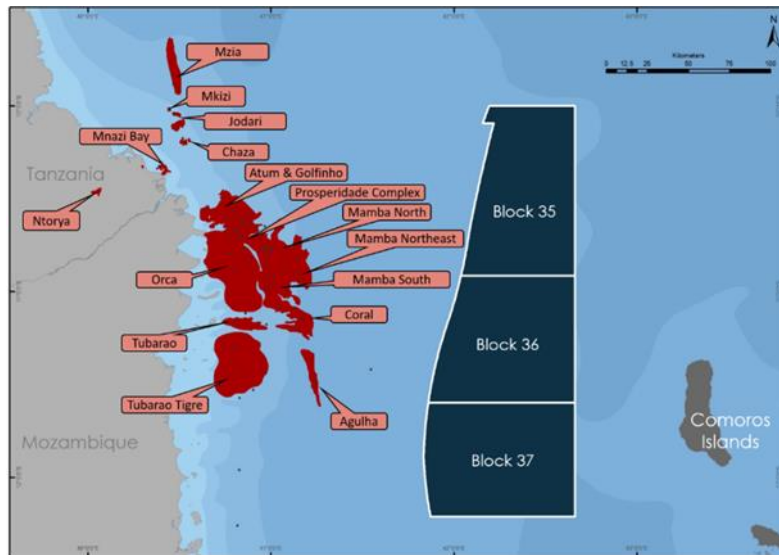


Figure 2 – Bahari's exploration area in Comoros, Blocks 35, 36 and 37 covers an area in excess of 18,000 km². Gas discoveries in Mozambique and Tanzania are labelled in red.

Areas 1 and 4 are operated respectively by Anadarko Petroleum Corporation (US) and Eni SpA (Italy) and are approaching a combined 175 TCF in place of gas discoveries. Existing 2D seismic data indicates the extension of Rovuma basin floor fans continuing into the Comoros PSC licence area.

The Calima management team were the founders of Ophir Energy plc, which was involved, as Operator, in the first gas discoveries offshore Tanzania (2010-2013) immediately to the northwest of Comoros. The Ophir JV has gone on to discover more than 15Tcf of gas reserves and the project is now operated by Shell.

In a recent update to shareholders Bahari advised that they had fulfilled their investment obligations for the initial four-year term of the PSC and that the Government had approved entry into the second exploration period for a period of four years through to March 2022.

Bahari also advised continuing progress with a farmout campaign being run by GMP First Energy in London with several companies being short-listed to enter the second phase of the due diligence process.



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About Calima Energy

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