



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

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Excellent Well Results – Upper Montney – Painted Pony

Highlights:

- Painted Pony Energy Ltd reports positive well results, >2,000 boe/d, proximal to Calima Lands;
 - Test results provide further confirmation of the high liquids content and yield potential of the Montney Formation in the vicinity of the Calima Lands.
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Calima Energy Limited (ASX:CE1) (“Calima” or the “Company”) operates 72,014 acres of drilling rights over acreage (the Calima Lands) in British Columbia, considered to be prospective for the Montney Formation.

Painted Pony Energy Ltd (Painted Pony) recently reported⁽¹⁾ that it drilled an Upper Montney horizontal test well to a vertical depth of 1,800 meters and a lateral length of 2,267 meters on the Beg Block, 40 km south of the Calima Lands (Figure 1). Measuring the last eight hours of the test period, the well averaged >2,000 boe/d which was comprised of 10 MMcf/d of gas and 360 bbl/d of liquids. Of the liquids production, 60% was condensate with the balance being other natural gas liquids (NGLs).

Painted Pony advised that the initial clean-up and flow test produced results significantly above expectations and management believe the well was still cleaning up at the conclusion of the test period. In respect of Calima’s work program, the permitted well testing is in excess of that generally mandated by the regulations. This will enable better calibration against offset production and should serve to confirm the value of the Calima Lands.

In the final 24 hours of the test, production was estimated at >1,900 boe/d including 9.5 MMcf/d of gas and ~340 bbl/d of liquids (60% condensate). Only trace amounts of H₂S were detected. Preliminary estimates of liquids-to-gas ratio point to a range of 35 to 40 bbls/MMcf. Based on the positive results of the well and offset industry production, Painted Pony management anticipates all 36 sections of the Beg Block to be prospective for development.



The Beg Block was acquired as part of a wider transaction between Painted Pony and Unconventional Resources Canada, L.P. (URC), in March 2017, in which Painted Pony added more than 69,000 net acres east of their existing acreage at a reported average cost of ~C\$3,300 per acre. The bulk of the acquired lands, including the Beg Block, are situated within the interpreted liquids-rich zone, along trend of the Calima Lands.

Commenting on Painted Pony's Beg well results, the Bank of Montreal (BMO) said "*Condensate yields seem decent, so we see the company prioritizing this block over less economical areas.*"

The positive well results from Painted Pony follow ConocoPhillips's recent acquisition of 35,000 acres of Montney drilling rights only 65 km south of the Calima Lands at a cost of C\$4,400 per acre (Figure 1).

Alan Stein, Calima's Managing Director commented:

"These impressive well results from acreage just 40km south of the Calima Lands provide further encouragement regarding the potential of the Montney Formation in this area. The high-liquids-yields reported by Painted Pony should result in this acreage being prioritised for development in the near future. All of the offset activity in the area provides positive indicators regarding the prospectivity of the Calima Lands.

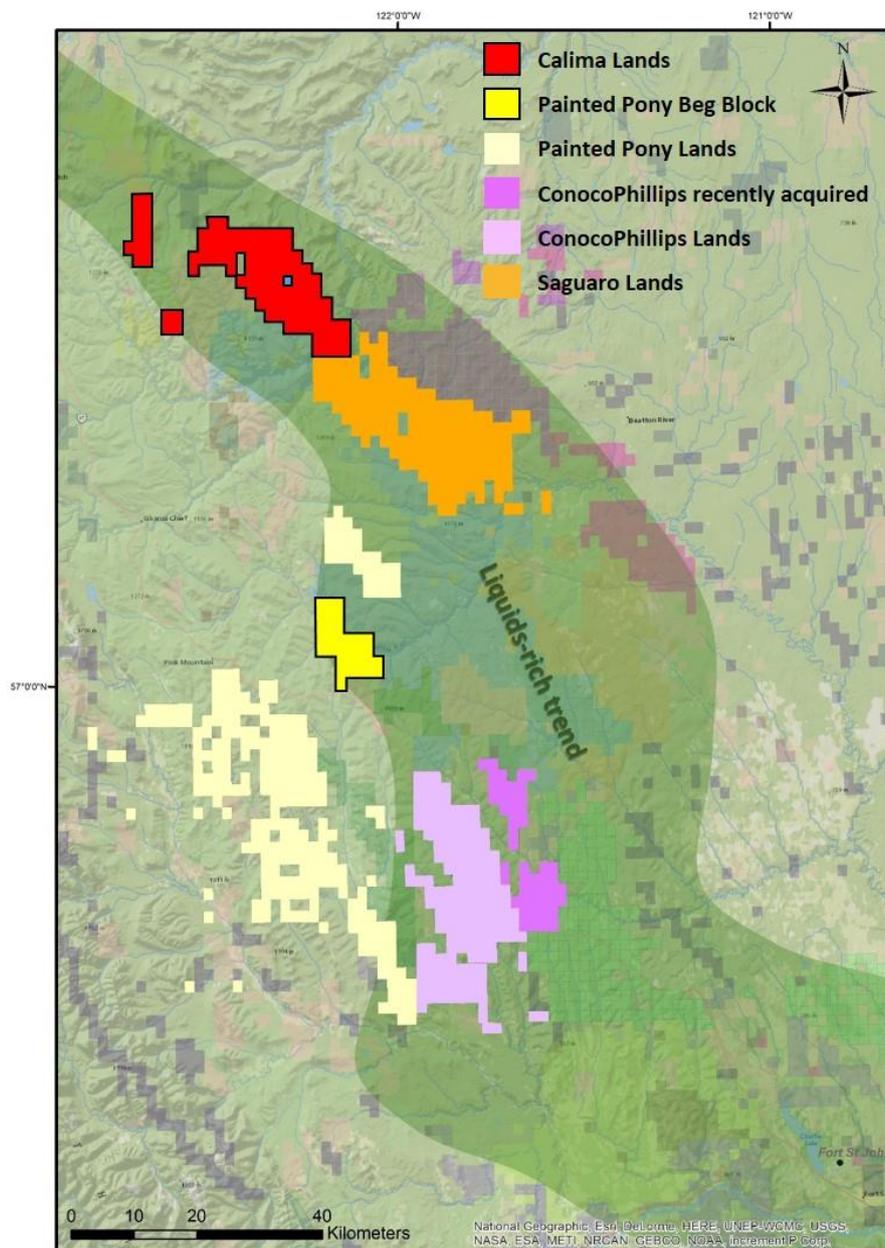


Figure 1. Location of Painted Pony's Beg Block, within the liquids-rich zone, along trend of the Calima Lands. Selected Operators noted.

- (1) <http://paintedpony.ca/investors/news-releases/news-releases-details/2018/Painted-Pony-announces-discovery-well-test-results-on-Beg-block-in-northeast-British-Columbia/default.aspx>



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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.