

## **Bid Implementation Agreement**

**Calima Energy Limited ACN 117 227 086**

Bidder

**TSV Montney Ltd ACN 607 451 310**

Target

## Table of Contents

| Clause   | Page No   |
|--|-----------|
| <b>1. Definitions, Interpretation and Governing Law.....</b> | <b>1</b>  |
| 1.1 Definitions.....   | 1         |
| 1.2 Interpretation .....                                     | 6         |
| <b>2. The Takeover Bid.....</b>                              | <b>7</b>  |
| 2.1 Making the Takeover Bid .....                            | 7         |
| 2.2 Bidder may use related body corporate .....              | 7         |
| 2.3 Directors' recommendation and acceptance .....           | 7         |
| 2.4 Shares issued during the Offer Period .....              | 7         |
| 2.5 Option Offer.....  | 8         |
| 2.6 Fractional entitlements.....                             | 8         |
| <b>3. Public Announcement of Takeover Bid .....</b>          | <b>8</b>  |
| <b>4. Facilitating the Offer.....</b>                        | <b>8</b>  |
| 4.1 Bidder's Statement and Target's Statement.....           | 8         |
| 4.2 Dispatch of Offer .....                                  | 8         |
| 4.3 Access to information .....                              | 9         |
| 4.4 Promoting the Takeover Bid .....                         | 9         |
| 4.5 Conduct of Target during Offer Period .....              | 9         |
| 4.6 Conduct of Bidder during Offer Period .....              | 10        |
| 4.7 Notification .....                                       | 11        |
| 4.8 Permitted conduct .....                                  | 11        |
| 4.9 Bid Conditions .....                                     | 11        |
| 4.10 No independent expert.....                              | 12        |
| 4.11 Other Bidder permitted activities .....                 | 12        |
| 4.12 Implementation assistance by Target.....                | 12        |
| <b>5. Takeover Bid – Variation and Waiver .....</b>          | <b>13</b> |
| 5.1 Variation.....   | 13        |
| 5.2 Waiver of Bid Conditions and extension.....              | 13        |
| <b>6. Exclusivity .....</b>                                  | <b>13</b> |
| 6.1 No existing discussions .....                            | 13        |
| 6.2 No shop.....   | 13        |
| 6.3 Matching right.....                                      | 13        |
| 6.4 Cease discussions.....                                   | 14        |
| 6.5 Provision of information .....                           | 14        |
| <b>7. Company representation on Bidder Board .....</b>       | <b>14</b> |
| <b>8. Confidentiality.....</b>                               | <b>15</b> |
| 8.1 Confidentiality Agreement.....                           | 15        |
| 8.2 Survival of obligations.....                             | 15        |
| <b>9. Warranties .....</b>                                   | <b>15</b> |
| 9.1 Mutual warranties .....                                  | 15        |
| 9.2 Target warranties.....                                   | 16        |

## Table of Contents

| Clause   | Page No   |
|--|-----------|
| 9.3 Bidder warranties.....                           | 16        |
| 9.4 Reliance on representations and warranties.....  | 17        |
| 9.5 Notification .....                               | 17        |
| 9.6 Release of officers.....                         | 17        |
| <b>10. Termination.....</b>                          | <b>18</b> |
| 10.1 Termination rights .....                        | 18        |
| 10.2 Target specific termination rights.....         | 18        |
| 10.3 Effect of termination.....                      | 18        |
| <b>11. GST.....</b>                                  | <b>19</b> |
| 11.1 Interpretation .....                            | 19        |
| 11.2 GST gross up.....                               | 19        |
| 11.3 Reimbursements and indemnifications .....       | 19        |
| 11.4 Tax invoice .....                               | 19        |
| <b>12. General .....</b>                             | <b>19</b> |
| 12.1 Notices .....                                   | 19        |
| 12.2 Governing law and jurisdiction .....            | 20        |
| 12.3 Duty, costs and expenses.....                   | 21        |
| 12.4 Invalidity and enforceability .....             | 21        |
| 12.5 Waivers and variation .....                     | 21        |
| 12.6 Assignment of rights .....                      | 21        |
| 12.7 Further assurances.....                         | 21        |
| 12.8 Counterparts .....                              | 21        |
| 12.9 Severability.....                               | 22        |
| 12.10 Attorneys .....                                | 22        |
| 12.11 Time of the essence .....                      | 22        |
| 12.12 Entire understanding .....                     | 22        |
| 12.13 Relationship of parties.....                   | 22        |
| <b>Schedule 1 – Agreed Bid Terms .....</b>           | <b>23</b> |
| <b>Schedule 2 – Indicative Timetable.....</b>        | <b>28</b> |
| <b>Schedule 3 – Target’s Capital Structure .....</b> | <b>29</b> |
| <b>Schedule 4 – Form of ASX Announcement .....</b>   | <b>30</b> |
| <b>Schedule 5 – Target Assets.....</b>               | <b>34</b> |
| <b>Schedule 6 – Bidder’s Capital Structure.....</b>  | <b>35</b> |
| <b>Schedule 7 – Bidder Assets.....</b>               | <b>36</b> |

**This Agreement** is made this                      day of

2018

**Parties**                      **Calima Energy Limited (ACN 117 227 086)** of 1A, 1 Alvan Street, Subiaco, WA, 6008, Australia (**Bidder**)

and

**TSV Montney Ltd (ACN 607 451 310)** of Level 7, 1008 Hay Street, Perth, WA, 6000, Australia (**Target**)

## **Recitals**

- A.        The Bidder is proposing to make a Takeover Bid for all the Shares and the Directors are proposing to recommend the Takeover Bid in the absence of a Superior Proposal.
- B.        The parties have agreed to implement the Takeover Bid on the terms and conditions set out in this agreement.

## **This Agreement provides**

---

# **1. Definitions, Interpretation and Governing Law**

## **1.1 Definitions**

In this Agreement the following terms shall bear the following meanings:

**Adviser Shares** means the issue of Bidder Shares in accordance with the Euroz Mandate to act as corporate adviser to the Bidder in respect of the Takeover Bid.

**Agreed Bid Terms** means the terms and conditions set out in Schedule 1.

**Announcement Date** means the date of the announcement of the Offer by the Bidder.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to this agreement.

**ASX** means ASX Limited ABN 98 008 624 691 or the exchange operated by it, as the context requires.

**Bid Conditions** means the conditions to the Takeover Bid included in section 3 of Schedule 1.

**Bidder Assets** means the assets specified in Schedule 7.

**Bidder Board** means the board of directors of the Bidder as constituted from time to time.

**Bidder Group** means the Bidder and its Related Bodies Corporate.

**Bidder Material Adverse Change** means between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs:

- (a)        an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;

- (b) information is disclosed or announced by the Bidder concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or
- (c) information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to the Target (whether or not becoming public),

(each of (a), (b) and (c) a **Bidder Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:

- (d) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Bidder Group, taken as a whole; or
- (e) without limiting the generality of paragraph (d) above, the effect of a diminution in the value of the consolidated net assets of the Bidder Group, taken as a whole, by at least \$3,000,000 against what it would reasonably have been expected to have been but for such Bidder Specified Event,

other than:

- (f) an election by the Bidder under the Farm-in Agreement not to continue with the stage 2 farm-in;
- (g) an event, matter, change or circumstance caused, or materially contributed to, by the Target;
- (h) anything required or permitted to be done or not done under this agreement or otherwise required to be done in connection with the legal obligations for the implementation of the Takeover Bid;
- (i) any event, matter, change or circumstance:
  - (i) fairly disclosed by the Bidder to the Target or any Related Person of the Target;
  - (ii) disclosed in public filings by the Bidder to ASX or ASIC; or
  - (iii) otherwise known by the Target or any Related Person of the Target,at any time prior to the date of this agreement;
- (j) an event, matter, change or circumstance in or relating to:
  - (i) economic, business, regulatory or political conditions in general;
  - (ii) credit, financial or currency markets in general, or the state of securities markets in general (including any reduction in market indices);
  - (iii) any change affecting the oil and gas industry in which the Bidder operates generally;

- (k) the portion of any event, matter, change or circumstances which is as a consequence of losses, expenses, damages or other costs covered by insurance which the Bidder's insurers have agreed to pay; or
- (l) anything done with the prior written consent of the Target.

**Bidder Share** means an ordinary fully paid share in the capital of the Bidder.

**Bidder Shareholder** means a holder of one or more Bidder Shares.

**Bidder Shareholder Meeting** means a meeting of Bidder Shareholders to consider and (if thought fit) approve the issue of Bidder Shares pursuant to all Option Offers.

**Bidder's Statement** means the bidder's statement to be prepared by the Bidder in relation to the Takeover Bid in compliance with Part 6.5 of the Corporations Act.

**Board** means the board of Directors of the Target.

**Business Day** means a day on which banks are open for business in Perth and London, other than a Saturday, Sunday or public holiday.

**Calima Energy Inc.** means Calima Energy Inc., a wholly owned subsidiary of the Bidder being a body corporate having an office in the City of Calgary, in the Province of Alberta.

**Competing Proposal** means:

- (a) in relation to the Target, a bona fide proposal or offer that, if successfully completed, would result in a person other than the Bidder or its associates:
  - (i) directly or indirectly acquiring a Relevant Interest or an economic interest in 50.1% or more of the Shares or of the share capital of any of the Target's Related Bodies Corporate;
  - (ii) directly or indirectly acquiring Control of the Target;
  - (iii) directly or indirectly acquiring or becoming the holder of any interest in all or a substantial part of the business or assets of the Target or any of its Related Bodies Corporate; or
  - (iv) otherwise acquiring or merging with the Target; and
- (b) in relation to the Bidder, a bona fide proposal or offer that, if successfully completed, would result in a person other than the Target or its associates:
  - (i) directly or indirectly acquiring a Relevant Interest or an economic interest in 50.1% or more of the Bidder Shares or of the share capital of any of the Bidder's Related Bodies Corporate;
  - (ii) directly or indirectly acquiring Control of the Bidder;
  - (iii) directly or indirectly acquiring or becoming the holder of any interest in all or a substantial part of the business or assets of the Bidder or any of its Related Bodies Corporate; or
  - (iv) otherwise acquiring or merging with the Bidder,

whether by way of takeover offer, scheme of arrangement, shareholder-approved acquisition, capital reduction, buy back, sale or purchase of shares or assets, joint venture, dual listed company structure (or other synthetic merger) or other transaction or arrangement.

**Confidentiality Agreement** means the confidentiality agreement dated on or about 3 April 2018 between the Bidder and the Target.

**Control** has the meaning given in section 50AA of the Corporations Act.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Target.

**Encumbrance** means an interest or power:

- (a) reserved in or over an interest in an asset including, but not limited to, any retention of title; or
- (b) created or otherwise arising in or over an interest in an asset under a mortgage, charge, bill of sale, lien, pledge, trust or power,

by way of security for the payment of a debt, another monetary obligation or the performance of another obligation, and includes, but is not limited to, an agreement to grant or create any of the above.

**Euroz Mandate** means the advisory mandate between Euroz Securities Limited and the Bidder dated on or about the date of this Agreement.

**Exclusivity Period** means the period from the date of this agreement until the earlier of:

- (a) the end of the Offer Period; or
- (b) 31 July 2018.

**Farm-in Agreement** means the Montney Farm-in Agreement dated on or around 1 May 2017 entered into between the Joint Venture Parties.

**Government Agency** means any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.

**Joint Venture Parties** means Calima Energy Inc., Woma Energy Ltd. and Warren Energy Ltd..

**Listing Rules** means the official listing rules of ASX.

**Offer Period** means the period that the Offer is open for acceptance.

**Offer** means the Share Offer.

**Option** means an unlisted option, issued by the Target prior to the date of this agreement, to acquire by way of issue a Share in the Target.

**Option Offer** means the offer to each Optionholder by private agreement to acquire all of their Options in return for the issue of one Bidder Share for every one Option held.

**Optionholder** means a register holder of Options.

**Other Takeover Bid** means a takeover bid by the Bidder to acquire all the ordinary shares (which it does not already hold) in TMK Montney Limited ACN 607 112 710.

**Other Securities** means shares issued under the Other Takeover Bid and under any private treat arrangements referred to in the bid implementation agreement in respect of the Other Takeover Bid.

**Prescribed Occurrence Condition** means the condition in paragraph 3(i) of Schedule 1.

**Prescribed Occurrences** means those occurrences listed in section 652C of the Corporations Act, which the parties acknowledge and agree does not include an election by the Bidder under the Farm-in Agreement not to continue with the stage 2 farm-in.

**Record Date** means the date set by the Bidder pursuant to section 633(2) of the Corporations Act.

**Related Body Corporate** has the meaning given in section 50 of the Corporations Act.

**Related Person** means in relation to a party:

- (a) a Related Body Corporate;
- (b) its advisers or an adviser of a Related Body Corporate of that party; or
- (c) an officer or employee of any entity referred to in items 1 or 2 of this definition.

**Relevant Interest** has the meaning given in sections 608 and 609 of the Corporations Act.

**Security Interest** has the same meaning as in section 51A of the Corporations Act.

**Share** means an ordinary share in the capital of the Target.

**Share Offer** means each offer to acquire Shares made in connection with the Takeover Bid.

**Shareholder** means a registered holder of Shares.

**Subsidiary** has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

**Superior Proposal** means a Competing Proposal in relation to the Target that the Target's Board determines in good faith is:

- (a) reasonably capable of being valued and completed in a timely manner, taking into account all aspects of the Competing Proposal and the person making it; and
- (b) more favourable to Shareholders as a whole than the Offer, taking into account all the terms and conditions of the Competing Proposal.

**Takeover Bid** means a takeover bid by the Bidder that satisfies the requirements in clause 2.

**Target Assets** means the assets specified in Schedule 5.

**Target Group** means the Target and its Related Bodies Corporate.

**Target's Statement** means the target's statement to be prepared by the Target in relation to the Takeover Bid in compliance with Part 6.5 of the Corporations Act.



**Third Party** means a party other than the Target, the Bidder and any of their subsidiaries,

**Timetable** means the timetable set out in Schedule 2.

**Unacceptable Circumstances** has the meaning set out in section 657A of the Corporations Act.

**Unconditional** means, subject to the Bidder complying with clause 4 of this agreement, the Bidder issuing a notice in accordance with section 630(3) of the Corporations Act, declaring that a Takeover Bid is free or freed (as the case may be) from all defeating conditions otherwise applicable to the Takeover Bid other than the Prescribed Occurrence Condition, subject to compliance with section 650F(1)(a) of the Corporations Act.

## 1.2 Interpretation

In this Agreement:

- (a) headings are for convenience only and do not affect interpretation;
- (b) specifying anything after the words 'including', 'includes', 'for example' or any similar expression does not limit what else is included unless there is express wording to the contrary;

and unless the context indicates a contrary intention:

- (c) the expression 'person' includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (e) a reference to any document (including this Agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (h) references to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Agreement, and a reference to this Agreement includes any schedule, exhibit or annexure to this Agreement;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) the word 'includes' in any form is not a word of limitation;
- (k) a reference to '\$' or 'dollar' is to Australian currency;

- (l) if any day appointed or specified by this Agreement for the payment of any money or doing of any thing falls on a day which is not a Business Day, the day so appointed or specified shall be deemed to be the next Business Day.
- 

## **2. The Takeover Bid**

### **2.1 Making the Takeover Bid**

The Bidder agrees to make offers pursuant to an off-market takeover bid under Chapter 6 of the Corporations Act to acquire all the Shares on terms and conditions no less favourable to Shareholders than the Agreed Bid Terms.

### **2.2 Bidder may use related body corporate**

- (a) Subject to clause 2.2(b) and provided always that the securities to be issued in favour of the Shareholders under the Takeover Bid are Bidder Shares (shares of the ASX listed parent), the Bidder may satisfy its obligations under clause 2.1 by causing a subsidiary to perform the obligations referred to in clause 2.1, in which case references to:
  - (i) the Takeover Bid are references to the takeover bid by that subsidiary; and
  - (ii) the Bidder making the Takeover Bid are references to the Bidder causing that subsidiary to make the Takeover Bid.
- (b) The Bidder acknowledges and agrees that if, pursuant to clause 2.2(a), it elects to cause a subsidiary to perform its obligations under clause 2.1, the Bidder remains liable to the Target for the due performance of those obligations.

### **2.3 Directors' recommendation and acceptance**

The Target represents and warrants that:

- (a) the Board has met and considered the possibility of the Bidder agreeing to make the Takeover Bid; and
- (b) all of the Directors have informed the Target that, if the Bidder complies with clause 2.1, they will:
  - (i) unanimously recommend that Shareholders accept the Offer to be made to them under the Takeover Bid in the absence of a Superior Proposal; and
  - (ii) accept, or procure the acceptance of, the Offer in respect of any Shares that they, or their Associates, own or Control.

### **2.4 Shares issued during the Offer Period**

The Bidder agrees that, subject to section 617 of the Corporations Act, it will extend its Offer to all Shares that are issued as a result of the exercise of Options during the period from the Record Date to the end of the Offer Period.

## **2.5 Option Offer**

- (a) As soon as practicable after the Takeover Bids are announced, the Bidder must make an Option Offer to each Optionholder conditional only on the Offer becoming or being declared Unconditional and in respect of the Option Offer to Havoc Partners Bidder Shareholders approving the issue of the Bidders Shares under the Option Offer at the Bidders Shareholder Meeting.
- (b) Within 14 days after announcement of the Takeover Bid pursuant to clause 3, the Bidder must dispatch the notice of meeting to Bidder Shareholders calling the Bidder Shareholder Meeting, with such meeting to be held as soon as is reasonably practicable.

## **2.6 Fractional entitlements**

If the number of Shares held by a Shareholder means that their aggregate entitlement to Bidder Shares under the Offer is not a whole number, then any fractional entitlement will be rounded to the nearest whole number.

---

## **3. Public Announcement of Takeover Bid**

Immediately after the execution and exchange of this agreement, the Bidder must issue a public announcement concerning the Takeover Bid substantially in the form set out in Schedule 4, or as otherwise agreed between the parties.

---

## **4. Facilitating the Offer**

### **4.1 Bidder's Statement and Target's Statement**

- (a) The Bidder will ensure that the Bidder's Statement (including any documentation dispatched together with the Bidder's Statement) is consistent with the Agreed Bid Terms and complies with all applicable legal requirements.
- (b) The Bidder will, to the extent practicable, give the Target a reasonable opportunity to review an advanced draft of the Bidder's Statement at least 5 Business Days before the Bidder is required to lodge the Bidder's Statement with ASIC, and will consult in good faith with the Target with respect to any comments the Target may have.
- (c) The Target will ensure that the Target's Statement (including any documentation dispatched together with the Target's Statement) complies with all applicable legal requirements.
- (d) The Target will, to the extent practicable, give the Bidder a reasonable opportunity to review an advanced draft of the Target's Statement at least 5 Business Days before the Target is required to lodge the Target's Statement with ASIC, and will consult in good faith with the Bidder in relation to any comments the Bidder may have.

### **4.2 Dispatch of Offer**

- (a) The Target agrees that the Offer and accompanying documents to be sent by the Bidder under item 6 of section 633(1) of the Corporations Act may be sent on a date nominated by the Bidder that is earlier than the date prescribed by item 6 of section 633(1) of the Corporations Act.

- (b) Each party agrees to use reasonable endeavours to implement the Takeover Bid as quickly as reasonably permitted in the circumstances, having regard to the Timetable.
- (c) Provided that a Superior Proposal has not been received by the Target in the interim, each party agrees to use reasonable endeavours to send the Bidder's Statement and Target's Statement to Shareholders together.

#### **4.3 Access to information**

Each party agrees to provide the other party, on a timely basis, with information that may be reasonably required to assist in the preparation of the Bidder's Statement and the Target's Statement (as applicable).

#### **4.4 Promoting the Takeover Bid**

- (a) During the Offer Period, in the absence of a Superior Proposal, the Board will support the Takeover Bid and participate in efforts reasonably required by the Bidder to promote the merits of the Takeover Bid, including meeting with key Shareholders, analysts, management, customers and press if requested to do so by the Bidder, but only to the extent that the Board has determined, in good faith and acting reasonably after receiving written legal advice from external lawyers, that it can comply with this clause 4.4 without breaching the Directors' fiduciary or statutory duties.
- (b) During the Offer Period, in the absence of a Superior Proposal, the Target agrees:
  - (i) To include in all public statements relating to the Takeover Bid (following the initial announcement of the Takeover Bid made pursuant to clause 3), a statement to the effect that:
    - (A) the Directors unanimously recommend that Shareholders accept the Offer to be made to them in the absence of a Superior Proposal; and
    - (B) each Director intends to accept, or procure the acceptance of, the Offer made to them in respect of all Shares they own or Control;
  - (ii) not to make any public statement or take any other public action which would suggest that the Takeover Bid is not unanimously recommended by the Directors unless a Superior Proposal emerges; and
  - (iii) to procure that the Directors do not withdraw their recommendation subsequently unless a Superior Proposal emerges.

#### **4.5 Conduct of Target during Offer Period**

Until the end of the Offer Period:

- (a) the Target must, and must procure that each of its Related Bodies Corporate:
  - (i) conduct their business in its usual and ordinary course and on a basis consistent with past practice or as may be required in order to satisfy a specific requirement of a Government Agency; and

- (ii) preserve and maintain the value of their business and assets, and their relationships with customers, suppliers, employees and others with whom they have business dealings; and
- (b) the Target must not issue any Shares except as a consequence of the exercise of Options; and
- (c) the Target must:
  - (i) not sell, assign or dispose of any legal or beneficial interest in any of the Target Assets; or
  - (ii) not create or permit the creation of any Encumbrance over any of the Target Assets;
  - (iii) maintain and renew the Target Assets under applicable laws to the extent required to keep the Target Assets in good standing; and
  - (iv) promptly pass to Bidder any notice or communication from any Government Agency or third party in any way affecting or potentially affecting the Target Assets.

#### **4.6 Conduct of Bidder during Offer Period**

Until the end of the Offer Period:

- (a) the Bidder must comply during the Offer Period with its obligations under Part 6.9 of the Corporations Act;
- (b) the Bidder must, and must procure that each of its Related Bodies Corporate:
  - (i) conduct their business in its usual and ordinary course and on a basis consistent with past practice or as may be required in order to satisfy a specific requirement of a Government Agency; and
  - (ii) preserve and maintain the value of their business and assets, and their relationships with customers, suppliers, employees and others with whom they have business dealings;
- (c) the Bidder must not issue any securities except:
  - (i) as a consequence of the exercise of options or conversion of other securities on issue as at the date of this agreement;
  - (ii) the Adviser Shares and Other Securities;
- (d) between the Announcement Date and the end of the Offer Period (each inclusive), the Bidder must not, and must procure that each of its Related Bodies Corporate do not, incur or commit to incur an amount of capital expenditure in excess of \$300,000 other than:
  - (i) capital expenditure in the day to day operating activities of the business of the Bidder and its subsidiaries conducted in the same manner as before the Announcement Date;

- (ii) expenditure in accordance with agreed work programs under the Farm-in Agreement; or
  - (iii) as otherwise agreed in writing by the Target.
- (e) the Bidder must ensure that no Prescribed Occurrences occur in relation to any member of the Bidder Group; and
- (f) the Bidder must:
  - (i) not sell, assign or dispose of any legal or beneficial interest in any of the Bidder Assets; or
  - (ii) not create or permit the creation of any Encumbrance over any of the Bidder Assets;
  - (iii) maintain and renew the Bidder Assets under applicable laws to the extent required to keep the Bidder Assets in good standing; and
  - (iv) promptly pass to Target any notice or communication from any Government Agency or third party in any way affecting or potentially affecting the Bidder Assets; and
- (g) the Bidder must not announce, make, declare or pay any distribution to the Bidder Shareholders (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

#### **4.7 Notification**

Each party must promptly notify the other party in writing if it becomes aware of a matter which is a breach of or inconsistent with clause 4.5 or 4.6.

#### **4.8 Permitted conduct**

The obligations of the parties under clauses 4.5 and 4.6 do not apply in respect of:

- (a) any matter required to be done or procured by the other party pursuant to, or which is otherwise contemplated by, this agreement or the Takeover Bid;
- (b) any matter which is required to be done by law or by an order of a court or a Government Authority; and
- (c) any matter the undertaking of which the other party has approved in writing (which approval must not be unreasonably withheld or delayed).

#### **4.9 Bid Conditions**

- (a) Subject to clause 4.9(c), each party must use all reasonable endeavours to satisfy the Bid Conditions as soon as practicable after the date of this agreement.
- (b) Subject to clause 4.9(c), each party agrees not to do, or omit to do, anything which will, or is likely to, result in any of the Bid Conditions being breached.

- (c) Nothing in this clause 4.9 prevents the Target or the Board from taking, or failing to take, action where to do otherwise would, in the opinion of the Board (determined in good faith), constitute a breach of the Directors' fiduciary or statutory duties.
- (d) Each party must promptly notify the other if it becomes aware that any Bid Condition has been satisfied. If any event occurs or becomes apparent which would cause any of the Bid Conditions to be breached or cause satisfaction of them to be unreasonably delayed, each party must, to the extent that the party is actually aware of such information, immediately notify the other party of that event.
- (e) A reference in this clause 4.9 to a Bid Condition being breached includes a reference to the Bid Condition not being, or not being capable of being, satisfied.

#### **4.10 No independent expert**

The parties agree that an independent expert's report for the Target's Statement is not required by section 640 of the Corporations Act. The parties acknowledge and agree that the Target does not currently intend to commission the preparation of an independent expert's report for the Target's Statement.

#### **4.11 Other Bidder permitted activities**

(a) The parties acknowledge and agree that the Bidder intends to:

- (i) make the Other Takeover Bid and issue the Other Securities;
- (ii) issue the Adviser Shares; and
- (iii) conduct the activities contemplated in clause 4.11(b),

and, notwithstanding any provision of this agreement, these activities of the Bidder, any activities agreed in writing between the Bidder and the Target, and any other matter fairly disclosed in writing prior to signing this Agreement, will not constitute a Prescribed Occurrence or a Bidder Material Adverse Change, or otherwise cause a breach of this agreement or give rise to a right of the Target to terminate this agreement.

(b) The parties acknowledge and agree that the Bidder is currently considering alternatives for funding the 2018 drilling campaign on the drilling licenses held by the Montney Project joint venture, which includes the Bidder and Target, and the Bidder Target and other joint venture party may mutually agree a transaction in respect of such funding which may include debt or equity funding (or a combination of both) at parent company or operating subsidiary level or creation of an interest at the asset level whether by farmin or otherwise.

#### **4.12 Implementation assistance by Target**

The Target must:

- (a) provide all necessary information about the register of Shareholders and Optionholders in order to assist the Bidder to solicit acceptances under the Takeover Bid;
- (b) provide all necessary directions to its share register to provide any information that the Bidder reasonably requests in relation to the register of Shareholders and

Optionholders and, where reasonably requested by the Bidder, the Target must produce such information to be provided to the Target in such electronic form; and

- (c) undertake regular beneficial shareholder analysis and promptly exercise its powers under section 672A of the Corporations Act if requested to do so by the Bidder, subject to the Bidder meeting 100% of the costs of such services.

---

## **5. Takeover Bid – Variation and Waiver**

### **5.1 Variation**

The Bidder may vary the terms and conditions of the Takeover Bid in any manner which is permitted by the Corporations Act, provided that the varied terms and conditions are not less favourable to Shareholders than the Agreed Bid Terms.

### **5.2 Waiver of Bid Conditions and extension**

Subject to the Corporations Act, the Bidder may declare the Takeover Bid to be free from any Bid Condition or extend the Takeover Bid at any time.

---

## **6. Exclusivity**

### **6.1 No existing discussions**

Each party represents and warrants that, other than the discussions with the other party in respect of the Takeover bid, it is not as at the date of this agreement in negotiations or discussions in respect of any Competing Proposal with any person.

### **6.2 No shop**

During the Exclusivity Period, the each party must not, and must ensure that each of its Related Persons does not, directly or indirectly, solicit, invite, encourage or initiate any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or communicate to any person an intention to do anything referred to in this clause 6.2, but nothing in this clause 6.2 prevents either party from making normal presentations to brokers, portfolio investors and analysts in the ordinary course of business or promoting the merits of the Takeover Bid.

### **6.3 Matching right**

Without limiting clause 6.1 during the Exclusivity Period, the Target:

- (a) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, the Target or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Proposal; and
- (b) must use its best endeavours to procure that none of its Directors change their recommendation in favour of the Takeover Bid to publicly recommend an actual, proposed or potential Competing Proposal (or recommend against the Takeover Bid),

unless:



- (c) the Board acting in good faith and in order to satisfy what the members of the Board consider to be their statutory or fiduciary duties determines that the Competing Proposal would be or would be likely to be an actual, proposed or potential Superior Proposal;
- (d) the Target has provided the Bidder with the material terms and conditions of the actual, proposed or potential Competing Proposal, including price and the identity of the Third Party making the actual, proposed or potential Competing Proposal;
- (e) the Target has given the Bidder at least 2 Business Days after the date of the provision of the information referred to in clause 6.3(d) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and
- (f) the Bidder has not announced a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the 2 Business Day period in clause 6.3(e).

#### **6.4 Cease discussions**

Each party must cease any discussions or negotiations existing as at the date of this agreement relating to:

- (a) any actual, proposed or potential Competing Proposal; or
- (b) any transaction that would, or would reasonably be expected to, reduce the likelihood of success of the Takeover Bid.

#### **6.5 Provision of information**

During the Exclusivity Period, each party must as soon as possible provide the other party with:

- (a) in the case of written materials, a copy of; and
- (b) in any other case, a written statement of,

any material non-public information about its business or affairs disclosed or otherwise provided to any Third Party in connection with an actual, proposed or potential Competing Proposal that has not previously been provided to the other party.

---

## **7. Company representation on Bidder Board**

Subject to the Offer becoming or being declared Unconditional, the Bidder must, as soon as is practicable thereafter and in any event prior to any change in the board of the Target by the Bidder, take all actions necessary to ensure the appointment to the Bidder Board of one nominee director of the Target, to be agreed by the Bidder and the Target acting reasonably, subject only to the receipt of a consent from the individual to act as a director on the Bidder Board.

---

## **8. Confidentiality**

### **8.1 Confidentiality Agreement**

- (a) The Target releases the Bidder from its confidentiality obligations owed to the Target under the Confidentiality Agreement to the extent necessary for the Bidder to make the Takeover Bid provided always that the Bidder consults with the Target regarding the form and content of any proposed disclosure of Target confidential information and takes all reasonable steps to restrict that disclosure to the maximum extent possible.
- (b) The Bidder releases the Target from its confidentiality obligations owed to the Bidder under the Confidentiality Agreement to the extent necessary for the Target to issue the Target's Statement provided always that the Target consults with the Bidder regarding the form and content of any proposed disclosure of Bidder confidential information and takes all reasonable steps to restrict that disclosure to the maximum extent possible.
- (c) Each party acknowledges and agrees that, except as provided for in clauses 8.1(a) and 8.1(b) , it continues to be bound by the Confidentiality Agreement in respect of all information received by it from the other party before or after the date of this agreement.

### **8.2 Survival of obligations**

The rights and obligations of the parties under the Confidentiality Agreement survive termination of this agreement.

---

## **9. Warranties**

### **9.1 Mutual warranties**

Each party represents and warrants to the other that, as at the date of this agreement and until the close of the Offer Period:

- (a) it is validly incorporated, organised and subsisting under the laws of the place of its incorporation;
- (b) it has full power and capacity to enter into and perform its obligations under this agreement;
- (c) this agreement has been duly executed and is a legal, valid and binding agreement, enforceable against the party in accordance with its terms;
- (d) all necessary authorisations for the execution, delivery and performance by it of this agreement in accordance with its/their terms have been obtained;
- (e) it is not bound by any agreement that would prevent or restrict it from entering into and performing its obligations under this agreement or the transaction contemplated by it;
- (f) no resolutions have been passed or steps taken, and no petition or other process has been presented or threatened in writing against it, for winding-up or dissolution, and

no receiver, receiver and manager, liquidator, administrator or like official has been appointed, or is threatened or expected to be appointed, over the whole or any part of its assets; and

- (g) no regulatory action of any nature has been taken that would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement.

## **9.2 Target warranties**

- (a) In addition to the warranties set out in clause 9.1, the Target represents and warrants that, as at the date of this agreement:
  - (i) the information contained in Schedule 3 is complete and accurate, and there are no other securities on issue, or that might be issued as a result of the exercise of any options, convertible securities or other rights; and
  - (ii) it has, so far as it is aware, fairly disclosed to the Bidder all material information in relation to the Target and its business, and has not knowingly withheld any material information.
- (b) For the purposes of clause 9.2(a)(ii), the Target will be deemed to know or be aware of a particular fact, matter or circumstance if the Target or a Director or officer of the Target is actually aware of that fact, matter or circumstance as at the date of this agreement.

## **9.3 Bidder warranties**

- (a) In addition to the warranties set out in clause 9.1, the Bidder represents and warrants that, as at the date of this agreement:
  - (i) the Bidder Shares to be issued to Shareholders under the Takeover Bid will:
    - (A) be fully paid;
    - (B) be issued free of Encumbrances;
    - (C) rank equally in all respects with other Bidder Shares; and
    - (D) be freely tradeable on ASX subject only to any voluntary escrow deeds to be entered into;
  - (ii) other than the approvals referred to in defeating condition to the Agreed Bid Terms set out in paragraph 3(a) of Schedule 1 and the Bidder Shareholder approvals required at the Bidder Shareholder Meeting, no approvals are required to be obtained by the Bidder under any law, rule or regulation (including under the Listing Rules) to perform and observe its obligations under this agreement and to consummate the transaction contemplated by this agreement;
  - (iii) the information contained in Schedule 6 is complete and accurate, and there are no other securities on issue, or that might be issued as a result of the exercise of any options, convertible securities or other rights;

- (iv) it is not in breach of its continuous disclosure obligations under the Listing Rules; and
  - (v) it has, so far as it is aware, fairly disclosed to the Target all material information in relation to the Bidder and its business, and has not knowingly withheld any material information.
- (b) For the purposes of clause 9.3(a)(v), the Bidder will be deemed to know or be aware of a particular fact, matter or circumstance if the Bidder or one of its directors or officers is actually aware of that fact, matter or circumstance as at the date of this agreement.

#### **9.4 Reliance on representations and warranties**

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.
- (c) Each party acknowledges and confirms that clauses 9.4(a) and 9.4(b) do not prejudice any rights a party may have in relation to information which has been filed by the other party with ASIC or ASX.

#### **9.5 Notification**

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of any of the representations and warranties given by it under this clause 9.

#### **9.6 Release of officers**

- (a) Subject to the Corporations Act, none of the Directors or officers of the Target will be liable for anything done or purported to be done in connection with the Takeover Bid or any transaction contemplated by this agreement, but nothing in this clause excludes any liability that may arise from wilful misconduct, fraud, wilful misrepresentation (including by omission) or bad faith on the part of such a person. The Target receives and holds the benefit of this clause as agent for its Directors and officers.
- (b) Subject to the Corporations Act, none of the directors or officers of the Bidder will be liable for anything done or purported to be done in connection with the Takeover Bid or any transaction contemplated by this agreement, but nothing in this clause excludes any liability that may arise from wilful misconduct, fraud, wilful misrepresentation (including by omission) or bad faith on the part of such a person. The Bidder receives and holds the benefit of this clause as agent for its directors and officers.

---

## **10. Termination**

### **10.1 Termination rights**

A party may terminate this agreement by written notice to the other party if at any time after the date on which the Offer is announced under clause 3 and before the end of the Offer Period:

- (a) the Board changes its recommendation in relation to the Takeover Bid as a result of the Board determining that it has received a Superior Proposal;
- (b) the other party is in material breach of this agreement and, to the extent that the breach is capable of remedy, that breach is not remedied by that other party within 5 Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;
- (c) a representation or warranty given by the other party under clause 9 is or becomes untrue in any material respect and the breach of the representation or warranty is of a kind that, had it been disclosed to the first party before its entry into this agreement, could reasonably be expected to have resulted in that first party either not entering into this agreement or entering into it on materially different terms;
- (d) a court or Government Agency has issued an order, decree or ruling, or taken other action, that permanently restrains or prohibits the Takeover Bid, and the action is final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review; or
- (e) the Bidder withdraws the Takeover Bid or the Takeover Bid lapses for any reason, including non-satisfaction of a condition to the Takeover Bid.

### **10.2 Target specific termination rights**

The Target may terminate this agreement by written notice to the Bidder if at any time after the date of this agreement and before the end of the Offer Period, a Bidder Material Adverse Change occurs.

### **10.3 Effect of termination**

If this agreement is terminated by a party under this clause 10:

- (a) each party will be released from its obligations under this agreement, except its obligations under clauses 8.1(c), 10, 11 and 12;
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement; and
- (c) in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or effect, including, without limitation, any further obligations in respect of the Takeover Bid.

---

## **11. GST**

### **11.1 Interpretation**

In this clause 11, a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)* has the meaning given to it in that Act.

### **11.2 GST gross up**

- (a) Subject to clause 11.2(b), if a party makes a supply under or in connection with this agreement in respect of which GST is payable, the consideration for the supply but for the application of this clause 11.2 (GST exclusive consideration) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.
- (b) Clause 11.2(a) does not apply to any consideration that is expressed in this agreement to be inclusive of GST.

### **11.3 Reimbursements and indemnifications**

If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by any input tax credit the other party is entitled to for the loss, cost or expense, and then increased in accordance with clause 11.2.

### **11.4 Tax invoice**

A party need not make a payment for taxable supply made under or in connection with this agreement until it receives a tax invoice for the supply to which the payment relates.

---

## **12. General**

### **12.1 Notices**

- (a) Any notice or other communication including, but not limited to, any request, demand, consent or approval, to or by a party to this Agreement:

- (i) must be in legible writing and in English addressed as shown below:

- (A) if to the Bidder:

- Address: Calima Energy Limited  
1A, 1 Alvan Street  
Subiaco, WA 6008

- Attention: Company Secretary

- Facsimile: + 61 (0) 8 6500 3275

- Email: jbahen@calimaenergy.com

- with a copy to gpaterson@gtplegal.com

- (B) if to the Target:

Address: TSV Montney Ltd  
Level 7, 1008 Hay Street  
Perth, WA 6000

Attention: Mark Freeman

Facsimile: + 61 (0) 8 9389 2099

Email: MarkF@ver.com.au

with a copy to tony@fairweathercorporate.com.au

or as specified to the sender to the other party by notice;

- (ii) where the sender is a company, must be signed by an officer or under the common seal of the sender;
- (iii) is regarded as being given by the sender and received by the addressee:
  - (A) if by delivery in person, when delivered to the addressee;
  - (B) if by post, 3 Business Days from and including the date of postage;
  - (C) if by facsimile transmission, when a facsimile confirmation receipt is received indicating successful delivery; or
  - (D) if by email, when received by the addressee's server,but if the delivery or receipt is on a day that is not a Business Day or is after 5.00 pm (addressee's time) it is regarded as received at 9.00 am on the following Business Day; and
- (iv) can be relied on by the addressee and the addressee is not liable to any other person for any consequences of that reliance if the addressee believes it to be genuine, correct and authorised by the sender.

(b) A facsimile transmission is regarded as legible unless the addressee telephones the sender within 2 hours after the transmission is received or regarded as received under clause 12.1(a)(iii) and informs the sender that it is not legible.

(c) In this clause 12, reference to an addressee includes a reference to an addressee's officers, agents or employees.

## **12.2 Governing law and jurisdiction**

(a) This agreement is governed by the law in force in Western Australia.

(b) Each party irrevocably submits to the exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this agreement. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

### **12.3 Duty, costs and expenses**

- (a) The Bidder must pay all stamp duty in respect of the execution, delivery and performance of any transaction evidenced by this agreement.
- (b) Except as otherwise provided in this agreement, each party must pay its own legal costs and expenses in respect of the negotiation, preparation, execution, delivery and completion of this agreement.

### **12.4 Invalidity and enforceability**

- (a) If any provision of this agreement is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 12.4(a) does not apply where enforcement of the provision of this agreement in accordance with clause 12.4(a) would materially affect the nature or effect of the parties' obligations under this agreement.

### **12.5 Waivers and variation**

- (a) A provision of, or a right, discretion or authority created under, this agreement may not be:
  - (i) waived except in writing signed by the party granting the waiver; and
  - (ii) varied except in writing signed by the parties.
- (b) A failure or delay in exercise, or partial exercise, of a power, right, authority, discretion or remedy arising from a breach of, or default under this agreement does not result in a waiver of that right, power, authority, discretion or remedy.

### **12.6 Assignment of rights**

- (a) Rights arising out of or under this agreement are not assignable by a party without the prior written consent of the other party.
- (b) A breach of clause 12.6(a) by a party entitles the other party to terminate this agreement.
- (c) Clause 12.6(b) does not affect the construction of any other part of this agreement.

### **12.7 Further assurances**

Each party must do all things and execute all further documents necessary to give full effect to this agreement.

### **12.8 Counterparts**

This agreement may be executed in any number of counterparts including by electronic counterparts.



## **12.9 Severability**

Any provision in this agreement that is invalid or unenforceable in any jurisdiction is to be read down for the purpose of that jurisdiction, if possible, so as to be valid and enforceable, and otherwise shall be severed to the extent of the invalidity or unenforceability, without affecting the remaining provisions of this agreement or affecting the validity or enforceability of that provision in any other jurisdiction.

## **12.10 Attorneys**

Each of the attorneys executing this agreement (if any) states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.

## **12.11 Time of the essence**

Time is of the essence of this agreement.

## **12.12 Entire understanding**

- (a) This agreement and the Confidentiality Agreement contain the entire understanding between the parties as to the subject matter of this agreement. To the extent of any inconsistency between them, this agreement prevails.
- (b) All previous negotiations, understandings, representations, warranties, memoranda or commitments concerning the subject matter of this agreement are merged in and superseded by this agreement and are of no effect. No party is liable to any other party in respect of those matters.
- (c) No oral explanation or information provided by any party to another:
  - (i) affects the meaning or interpretation of this agreement; or
  - (ii) constitutes any collateral agreement, warranty or understanding between any of the parties.

## **12.13 Relationship of parties**

This agreement is not intended to create a partnership, joint venture or agency relationship between the parties.

## Schedule 1 – Agreed Bid Terms

### 1. Consideration

3.33 Bidder Shares for every Share held.

The Bidder will apply to the ASX for the quotation of Bidder Shares within 7 days of the commencement of the Offer Period.

### 2. Offer Period

One month from the date of the Offer.

### 3. Bid Conditions

#### (a) Regulatory approvals

Before the end of the Offer Period, all approvals or consents that are required by law, by any public authority, or by any other third party as are necessary to permit:

- (i) the Offer to be lawfully made to and accepted by the Shareholders;
- (ii) the transactions contemplated by the Bidder's Statement to be completed; and
- (iii) the Target to be in material compliance with each of its and its subsidiaries' contracts, permits, licences and other agreements,

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

#### (b) No regulatory action and consents

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
- (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (iii) no application is made to any Government Agency (other than by the Bidder or any Associate of the Bidder),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offer and the completion of any transaction contemplated by the Bidder's Statement or which requires the divestiture by the Bidder of any Shares or any material assets of the Target or any subsidiary of the Target.

(c) **Minimum acceptance**

At the end of the Offer Period, the Bidder has Relevant Interests in at least 90% of the Shares on issue.

(d) **Option Offer**

All Optionholders accepting an Option Offer in relation to their Options.

(e) **No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs:

- (i) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;
- (ii) information is disclosed or announced by the Target concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or
- (iii) information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to the Bidder (whether or not becoming public),

(each of (i), (ii) and (iii) a **Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:

- (iv) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Target Group taken as a whole; or
- (v) without limiting the generality of clause 3(e)(iv), the effect of a diminution in the value of the consolidated net assets of the Target Group, taken as a whole, by at least \$3,000,000 against what it would reasonably have been expected to have been but for such Specified Event,

other than:

- (vi) an event, matter, change or circumstance caused, or materially contributed to, by the Bidder;
- (vii) anything required or permitted to be done or not done under this agreement or otherwise required to be done in connection with the legal obligations for the implementation of the Takeover Bid;
- (viii) any event, matter, change or circumstance:
  - (A) fairly disclosed by the Target to the Bidder or any Related Person of the Bidder;
  - (B) disclosed in public filings by the Target to ASX or ASIC; or

(C) otherwise known by the Bidder or any Related Person of the Bidder,

at any time prior to the date of this agreement;

(ix) an event, matter, change or circumstance in or relating to:

(A) economic, business, regulatory or political conditions in general;

(B) credit, financial or currency markets in general, or the state of securities markets in general (including any reduction in market indices);

(C) any change affecting the oil and gas industry in which the Target operates generally;

(x) the portion of any event, matter, change or circumstances which is as a consequence of losses, expenses, damages or other costs covered by insurance which the Target's insurers have agreed to pay; or

(xi) anything done with the prior written consent of the Bidder.

(f) **Capital expenditures**

Between the Announcement Date and the end of the Offer Period (each inclusive), the Target does not incur or commit to incur an amount of capital expenditure in excess of \$25,000 other than:

(i) capital expenditure incurred on existing projects in which the Target has an interest as at the Announcement Date; or

(ii) capital expenditure in the day to day operating activities of the business of the Target and its subsidiaries conducted in the same manner as before the Announcement Date.

(g) **No litigation on foot or pending**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against the Target which may reasonably result in a judgment of \$500,000 or more is commenced, is threatened to be commenced, is announced, or is made known to the Bidder (whether or not becoming public) or the Target, other than that which is in the public domain as at the Announcement Date.

(h) **Equal access**

Between the Announcement Date and the end of the Offer Period, the Target promptly, and in any event within 2 Business Days, provides to the Bidder a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to the Target or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by the Target or any of its directors, officers, agents or representatives to any person other than the Bidder, other than in the ordinary course of ordinary business, for the purposes of soliciting, encouraging or facilitating any proposal with respect to:

- (i) a takeover bid for, or scheme of arrangement proposed by, the Target, under the Corporations Act;
- (ii) the acquisition by that person or an associate of substantially all the assets and operations of the Target; or
- (iii) any transaction having a similar economic effect.

(i) **No prescribed occurrences**

Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (i) the Target converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) the Target or a subsidiary of the Target resolving to reduce its share capital in any way;
- (iii) the Target or a subsidiary of the Target entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) the Target or a subsidiary of the Target making an issue of Shares (other than Shares issued as a result of the exercise of Options into Shares) or granting an option over the Shares or agreeing to make such an issue or grant such an option;
- (v) the Target or a subsidiary of the Target issuing, or agreeing to issue, convertible notes;
- (vi) the Target or a subsidiary of the Target disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (vii) the Target or a subsidiary of the Target granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (viii) the Target or a subsidiary of the Target resolving that it be wound up;
- (ix) the appointment of a liquidator or provisional liquidator of the Target or of a subsidiary of the Target;
- (x) the making of an order by a court for the winding up of the Target or of a subsidiary of the Target;
- (xi) an administrator of the Target or of a subsidiary of the Target being appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) the Target or a subsidiary of the Target executing a deed of company arrangement; or
- (xiii) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole,

or a substantial part, of the property of the Target or of a subsidiary of the Target.

(j) **No distributions**

Between the Announcement Date and the end of the Offer Period (each inclusive), the Target does not announce, make, declare or pay any distribution to its Shareholders (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

## Schedule 2 – Indicative Timetable

| <b>Event</b>   | <b>Date</b>  |
|--|--------------|
| Joint announcement of Takeover Bid   | 1 May 2018   |
| Bidder lodges Bidder's Statement with ASIC and serves it on Target                                   | 10 May 2018  |
| Target lodges Target's Statement with ASIC and serves it on Bidder                                   | 10 May 2018  |
| Offer Period commences (begin dispatch of Bidder's Statement and Target's Statement to Shareholders) | 17 May 2018  |
| Completion of joint dispatch of Bidder's Statement and Target's Statement to Shareholders            | 18 May 2018  |
| Bidder to issue notice under section 630(3) (unless Offer Period extended beforehand)                | 12 June 2018 |
| End of Offer Period  | 19 June 2018 |

### Schedule 3 – Target’s Capital Structure

| <b>Number</b> | <b>Class</b>  |
|---------------|---|
| 80,681,731    | Shares  |
| 2,800,000     | \$0.21 options exercisable on or before 31 March 2019 |



## Schedule 4 – Form of ASX Announcement







## **Schedule 5 – Target Assets**

1. A 48% working interest in the Montney Project in British Columbia, Canada.
2. An interest in the Farm-in Agreement.
3. Cash.
4. 50% working interest in the Sun Oil lease in British Columbia, Canada

## Schedule 6 – Bidder’s Capital Structure

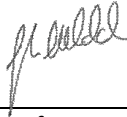
| Number      | Class   |
|-------------|---|
| 502,554,642 | Bidder Shares   |
| 51,842,834  | Bidder Shares escrowed until 31 August 2019   |
| 20,029,226  | Bidder performance shares (comprising 1,461,988 class A performance shares, 3,947,360 class B performance shares and 14,619,878 class C performance shares) which convert into Bidder Shares on a one for one basis on the satisfaction of various performance milestones by 31 December 2020. Escrowed until 31 August 2019.                                   |
| 19,450,000  | Bidder management performance rights subject to various vesting conditions and performance milestones escrowed until 31 August 2019   |
| 30,000,000  | <p>Bidder management options, comprising:</p> <p>(a) 20,000,000 unlisted options (50% exercisable at \$0.09 and 50% exercisable at \$0.12, all expiring 5 years from grant) subject to various vesting conditions); and</p> <p>(b) 10,000,000 unlisted options exercisable at \$0.045 and expiring 3 years from grant,</p> <p>escrowed until 31 August 2019</p> |

## Schedule 7 – Bidder Assets

1. A 20% working interest in the Montney Project in British Columbia, Canada.
2. An interest in the Farm-in Agreement.
3. Cash.
4. A 50% interest in four offshore production sharing contracts (Daora, HAUZA, Mahbes and Mijek) awarded by the Saharawi Arab Democratic Republic.
5. A shareholding of 11.2% of the issued capital of TMK Montney Limited.
6. A shareholding of 10% of the issued capital of Bahari Holding Company Limited.

**Executed** as an agreement.

**Executed by Calima Energy Limited ACN 117 227 086** in accordance with section 127 of the *Corporations Act*:



\_\_\_\_\_  
Signature of Director

Glenn Whiddon

\_\_\_\_\_  
Name of Director in full



\_\_\_\_\_  
Signature of Secretary/other Director

Neil Hackett

\_\_\_\_\_  
Name of Secretary/other Director in full

**Executed by TSV Montney Ltd ACN 607 451 310** in accordance with section 127 of the *Corporations Act*:



\_\_\_\_\_  
Signature of Director

Craig Burton

\_\_\_\_\_  
Name of Director in full



\_\_\_\_\_  
Signature of Secretary/ Director

Mark Freeman

\_\_\_\_\_  
Name of Secretary/other Director in full