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15 May 2018

Calima Energy Limited – Receipt of TSV Montney Ltd's Target's Statement

The Board of **Calima Energy Limited (ASX:CE1)** ("Calima" or the "Company") advises that a copy of TSV Montney Ltd's ("TSVM") Target's Statement is attached in relation to the Company's off-market takeover bid to acquire 100% of the issued voting shares in TSVM, which was announced to the market on 2 May 2018.

ENDS

For and on behalf of the Board of Calima Energy Limited

Alan Stein,

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**TSV Montney Limited
(ACN 607 451 310)**

TARGET'S STATEMENT

This Target's Statement is issued in response to the off-market takeover bid by Calima Energy Limited (ACN 117 227 086) to acquire ALL the ordinary shares in TSV Montney Limited.

ACCEPT

Your Directors unanimously recommend that you **ACCEPT** the takeover offer from Calima in the absence of a Superior Proposal.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read all of the document. If you are in doubt as to what you should do, you should consult your professional adviser.

IMPORTANT NOTICES

Nature of this document

This document is a Target's Statement given by TSV Montney Limited (ACN 607 451 310) (**TSVM**) under Part 6.5 of Chapter 6 of the Corporations Act. This Target's Statement is given in response to the off-market takeover bid by Calima for all the ordinary shares in TSVM.

This Target's Statement is dated 15 May 2018 and was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation, tax position, or particular needs. It does not contain personal advice. It is important that you read all of this Target's Statement before making any investment decision and any decision about the Offer. You may wish to seek independent professional advice before making a decision whether or not to accept the Offer.

Defined terms and interpretation

A number of defined terms are used in this Target's Statement. Unless expressly specified otherwise, defined terms have the meaning given in Section 10. Section 10 also sets out some rules of interpretation which apply to this Target's Statement.

Disclaimer as to forward looking statements

This Target's Statement may include forward-looking statements. These forward-looking statements are only predictions and are subject to inherent risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from the expectations and predictions, express or implied, in such forward-looking statements. Those risks and uncertainties include factors and risks specific to the industry in which TSVM operates as well as general economic conditions.

None of TSVM, its officers and employees, nor any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) that any forward-looking statements will occur. The forward-looking statements in this Target's Statement reflect views held only at the date of this Target's Statement.

Disclaimer as to Calima and the Merged Entity information

The information in this Target's Statement about Calima and the Merged Entity has been prepared using publicly available information, including the Bidder's Statement and has not been independently audited or verified by TSVM or its advisers. Risks may exist in relation to Calima of which TSVM is unaware. Accordingly, subject to any applicable law, TSVM makes no representation or warranties, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulations of foreign jurisdictions. Persons who come into possession

of this Target's Statement should seek advice and observe these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared having regard to Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if the Target's Statement had been prepared in accordance with laws and regulations outside of Australia.

The entitlements of TSVM Shareholders who are located outside Australia are set out in Section 11.18 of the Bidder's Statement and Section 8 of Annexure A to the Bidder's Statement.

Privacy

TSVM has collected your information from the TSVM register of shareholders (including name, contact details and holding details) to provide you with this Target's Statement. Your information may be disclosed on a confidential basis to external service providers (such as TSVM's share registry) and may be required to be disclosed to regulators (such as ASIC). If you would like details of information about you held by TSVM, please contact TSVM.

Internet sites

TSVM and Calima each maintain internet sites. The URL location for Calima is www.calimaenergy.com and for TSVM is www.tsvm.com.au. Information contained in or otherwise accessible through those internet sites is not part of this Target's Statement. All references to these sites in this Target's Statement is for information purposes only.

Further information

Further information relating to the Offer can be obtained from TSVM's website at www.tsvm.com.au and from the Calima website www.calima.com.au.

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KEY DATES

| | |
|---|----------------------------|
| Announcement of Offer | 2 May 2018 |
| Date of Calima's Bidder's Statement | 15 May 2018 |
| Date of this Target's Statement | 15 May 2018 |
| Calima's Offer opens | 21 May 2018 |
| Calima's notice of status of conditions due | 12 June 2018* |
| Calima's Offer closes | 5.00pm (WST) 22 June 2018* |

*Unless the Offer Period is extended, or the Offer is withdrawn in accordance with the Corporations Act.

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CHAIRMAN'S LETTER

15 May 2018

Dear Shareholders,

On 2 May 2018 Calima announced that it had signed a Bid Implementation Agreement with TSVM in relation to a proposed off-market takeover bid for all issued shares in TSVM.

Under the Offer, Calima is offering to issue you with 3.33 Calima Shares in consideration for every 1 of your TSVM Shares. The Bidder's Statement sent to you by Calima sets out the full terms of the Offer.

As a reminder, you received 1 TSVM Share for every 10 Transerv Energy Limited (now Whitebark Energy Limited) shares you held on 2 October 2015 (being the demerger record date), so the Offer equates to 0.333 Calima Shares for each original Transerv Energy Limited share held.

This Target's Statement sets out your Directors' formal response to the Offer. It contains your Directors' unanimous recommendation to **ACCEPT** the Calima Offer in the absence of a Superior Proposal being received, the reasons for the recommendation and other important information you should consider in deciding whether or not to accept the Offer.

The two Directors holding TSVM Shares intend to accept the Offer in respect of all their TSVM Shares that they own or control in the absence of a Superior Proposal.

The reasons for your Directors' unanimous recommendation include:

- Calima is listed on the ASX. The Offer provides TSVM Shareholders with an opportunity to hold shares quoted on a securities exchange rather than an unlisted company (the current position).
- The Offer provides for TSVM Shareholders to become a shareholder in a larger capitalised company with improved access to capital.
- Consolidation of the joint venture interests in the Montney Project, which enables more efficient management and assists access to capital.
- The Offer is supported by the Directors of TSVM and the major TSVM Shareholders.
- No Superior Proposal has emerged.

I encourage you to read this Target's Statement in full.

If you are in any doubt about whether to accept the Offer, you should seek your own independent professional advice. If you have any questions about the Offer, please contact TSVM.

Yours sincerely



Craig Burton
Executive Chairman

1. FREQUENTLY ASKED QUESTIONS

This Section answers some frequently asked questions about Calima's Offer. It is not intended to address all issues relevant to Shareholders. This Section should be read together with other parts of the Target's Statement and the Bidder's Statement.

| Question | Answer |
|---|---|
| 1. Who is Calima? | <p>Calima is an Australian company listed on the ASX (ASX:CE1). It is the bidder making an offer to acquire all your TSVM Shares.</p> <p>Calima, TSVM and TMKM (each through their wholly owned subsidiaries) are joint venture partners in the Montney Project.</p> <p>See Sections 3, 4 and 10 of the Bidder's Statement for more information about Calima, its business and assets and the risks that may apply to Calima.</p> |
| 2. What is the merger transaction that is being proposed? | <p>Calima and TSVM have signed a Bid Implementation Agreement to document a merger transaction between Calima and TSVM, whereby Calima will seek to acquire all the issued capital in TSVM.</p> <p>Calima is offering to acquire all the securities in TSVM by:</p> <ul style="list-style-type: none">• the Offer being an off-market takeover offer by Calima to TSVM Shareholders to acquire all of the ordinary shares in TSVM; and• entering into private treaty arrangements with TSVM Optionholders in respect of TSVM Options. <p>It is a condition of the Offer that all TSVM Optionholders accept an offer by Calima to acquire their Options.</p> <p>See Section 11.6 of the Bidder's Statement for more information about the arrangements with TSVM Optionholders.</p> <p>There is also a separate independent merger transaction proposal by which Calima proposes to acquire all the issued capital of TMKM. See Section 7 of the Bidder's Statement for more information about the transaction with TMKM.</p> |

| Question | Answer |
|--|--|
| 3. What is the Bidder's Statement? | <p>The Bidder's Statement is the document setting out the terms of the off-market takeover offer by Calima for TSVM Shares. The Bidder's Statement was lodged by Calima with ASIC on 15 May 2018 and has been sent to you in accordance with the Corporations Act.</p> |
| 4. What is Calima offering for my TSVM Shares? | <p>Calima is offering to buy all of your Shares.</p> <p>Calima is offering 3.33 Calima Shares for every 1 TSVM Share.</p> <p>The Offer is made for all TSVM Shares.</p> <p>If you are an Ineligible Foreign Shareholder, you will not be entitled to receive Calima Shares as consideration for your TSVM Shares. In these circumstances, Calima will arrange for those Calima Shares to be sold and remit the sale proceeds to you.</p> <p>See Annexure A of the Bidder's Statement for full terms of the Offer. See also Sections 5.6 and 6.11 of this Target's Statement.</p> |
| 5. What is the value of the Offer? | <p>The implied value of the Offer is A\$0.1798 (17.98 cents) per TSVM Share. This is based on Calima's closing share price on 1 May 2018, (being the last day Calima's Shares traded on ASX before the Announcement Date) of A\$0.054 (5.4 cents).</p> <p>The value of the Offer may change as a consequence of changes in the market price of Calima Shares.</p> <p>See Section 4.2 of the Bidder's Statement for further information about the implied value of the Offer. See also Section 5.6 of this Target's Statement.</p> |
| 6. What is the Target's Statement? | <p>This Target's Statement has been prepared by the Directors and provides TSVM's response to the Offer, including the recommendations of the Directors.</p> |
| 7. What choices do I have as a TSVM Shareholder? | <p>In respect of the Offer, you can:</p> <ul style="list-style-type: none"> • accept the Offer for all your TSVM Shares; or • reject the Offer by doing nothing <p>Refer to Section 4 of this Target's Statement for further details.</p> |

| Question | Answer |
|---|---|
| | <p>Outside of the Offer, you may seek to sell some or all of your TSVM Shares. However, as TSVM Shares are not listed on any securities exchange, this may be difficult.</p> <p>If you are in any doubt about what to do, the Directors recommend that you consult with your professional adviser.</p> |
| <p>8. What are the Directors recommending?</p> | <p>Each of the TSVM Directors recommend that you ACCEPT the Offer, in the absence of a Superior Proposal.</p> <p>The reasons why the Directors recommend that you ACCEPT the Offer are set out in Section 2 of this Target's Statement.</p> |
| <p>9. What do the TSVM Directors intend to do with their TSVM Securities?</p> | <p>The two TSVM Directors holding TSVM Shares (Craig Burton and Stephen Keenihan) intend to ACCEPT the Offer in respect of all the TSVM Shares that they own or control in the absence of a Superior Proposal.</p> <p>The only TSVM Director holding TSVM Options (Ian Cockerill) intends to agree to a private treaty arrangement with Calima to be issued with Calima Shares on the same basis as all other TSVM Optionholders.</p> |
| <p>10. What is Calima's interest in TSVM Shares?</p> | <p>Calima does not hold any TSVM Shares at the date of this Target's Statement.</p> <p>However, Calima has entered into pre-bid acceptance agreements with certain TSVM Shareholders in respect of their TSVM Shares, representing 19.99% of TSVM Shares.</p> <p>As a result, Calima has a relevant interest in 19.99% of TSVM Shares at the date of this Target's Statement.</p> <p>See Section 11.8 of the Bidder's Statement for more information.</p> |
| <p>11. Did TSVM engage an independent expert to evaluate the Offer?</p> | <p>TSVM is not required under the Corporations Act to commission an independent expert report in connection with the Offer.</p> <p>In deciding not to engage an independent expert to assess the merits of the Offer, the Directors considered a range of factors including:</p> |

Question**Answer**

- The Directors understanding the value of TSVM's prospects and the fact that the Offer provides TSVM Shareholders with the ability to retain exposure to TSVM's existing assets.
- The Directors understanding of the Montney Project, to which TSVM and Calima are joint venturers.
- Calima is listed on ASX with a fully informed and more liquid market for its shares.
- One of the key reasons for the merger is to consolidate the Montney Project joint venture interests.

Given these factors the Directors of TSVM decided not to engage an independent expert to assist them in assessing the Offer and have recommended that TSVM Shareholders accept the Offer in the absence of a Superior Proposal for the reasons set out in Section 2 of this Target's Statement.

12. Is TSVM unlisted and what is TSVM's available financial information?

Yes, TSVM is unlisted and therefore TSVM Shares do not trade on a securities exchange.

TSVM is an unlisted Australian registered public company that is subject to various reporting and disclosure obligations.

TSVM was incorporated on 4 August 2015 for the purpose of effecting the demerger of the Canadian assets of Whitebark Energy Limited (formerly Transerv Energy Limited) through the transfer of 100% of the shares of Woma Energy Ltd (Whitebark Energy Limited's subsidiary) to TSVM and the in-specie distribution of TSVM Shares to Whitebark Energy Limited shareholders.

TSVM has not undertaken a capital raising since incorporation and the in specie distribution.

TSVM's most recent audited financial statements are for the financial year ended 31 December 2017 which are included in the 2017 Annual Report dated 29 March 2018. The financial statements include a statement of financial position. This Annual Report is available on TSVM's website (www.tsvm.com.au).

| Question | Answer |
|---|---|
| | <p>Other than the Offer, the Directors of TSVM are not aware of any material matter affecting the operations or financial position of TSVM since the 2017 Annual Report.</p> <p>See Section 7.3 of this Target's Statement and Section 5.7 of the Bidder's Statement.</p> |
| <p>13. What are the conditions of the Offer?</p> | <p>Calima's Offer is subject to conditions. These include:</p> <ul style="list-style-type: none"> • Minimum acceptance of 90% of the TSVM Shares. • All TSVM Optionholders accepting the private treaty offer by Calima for their TSVM Options. • No material adverse change (as defined in the conditions to the Offer) occurring in relation to TSVM or its assets. • TSVM not incurring or committing to incur capital expenditure in excess of \$25,000 other than on TSVM's existing projects or on day-to-day operating activities. • TSVM providing Calima with access to the same information as may be made available to third parties for the purposes of facilitating any Competing Proposal. • No prescribed occurrence (as defined in the conditions to the Offer) occurring in relation to TSVM. • Other customary conditions including no regulatory intervention which restrains or prohibits the Offer being made. <p>This is only a summary of the conditions of Calima's Offer. See Section 9 of Annexure A to the Bidder's Statement which sets out the conditions to the Offer in full.</p> |
| <p>14. What happens if the conditions of the Offer are not satisfied or waived?</p> | <p>If the Offer closes and the conditions are not satisfied or waived, the Offer will lapse, and your acceptance will be void. You will continue to hold your TSVM Shares.</p> <p>Calima is required to announce whether the conditions have been satisfied or waived during the Offer Period in accordance with the Corporations Act.</p> |

| Question | Answer |
|---|--|
| 15. How do I accept the Offer? | <p>To accept the Offer, you must complete the Acceptance Form that is enclosed with the Bidder's Statement and return it, together with any other documents required, to the address on the form so that it is received before the Offer closes.</p> <p>See your Acceptance Form enclosed with the Bidder's Statement. Instructions on how to accept Calima's Offer are set out in Section 4 of Annexure A to the Bidder's Statement and the Acceptance Form provided to you by Calima.</p> |
| 16. Can I accept the Offer for only some of my Shares? | No, you must accept the Offer for all of your TSVM Shares. |
| 17. If I accept the Offer, can I withdraw my acceptance? | <p>You only have limited rights to withdraw your acceptance of the Offer.</p> <p>You may withdraw your acceptance if Calima varies the Offer in a way that postpones for more than one month the time that Calima must meet its obligations under the Offer. For example, if Calima extends the Offer for more than one month while the Offer remains subject to conditions</p> <p>See Annexure A to the Bidder's Statement for more information about the circumstances in which you may validly withdraw your acceptance of the Offer.</p> |
| 18. When will I be issued with Calima Shares if I accept the Offer? | <p>Other than Ineligible Foreign Shareholders (referred to below), if you accept the Offer, (subject to you providing any other documents required), Calima will issue you Calima Shares as consideration for your TSVM Shares on or before the earlier of:</p> <ul style="list-style-type: none"> • One month after you have validly accepted the Offer or the contract resulting from its acceptance becomes unconditional (whichever is later); or • 21 days after the end of the Offer Period, provided that the Offer has become unconditional. <p>See Annexure A to the Bidder's Statement for more information about when your new Calima Shares will be issued to you.</p> |

| Question | Answer |
|--|--|
| <p>19. What if I am an Ineligible Foreign Shareholder?</p> | <p>TSVM Shareholders who are Ineligible Foreign Shareholders will not be entitled to receive Calima Shares as consideration for their TSVM Shares pursuant to the Offer.</p> <p>Ineligible Foreign Shareholders will be dealt with as set out in Section 11.18 of the Bidder's Statement and Section 8 of Annexure A to the Bidder's Statement.</p> <p>Thereby, if you are an Ineligible Foreign Shareholder who has accepted the Offer, Calima will arrange for the Calima Shares (which would otherwise have been issued to you) to be sold and will remit the sale proceeds less any transaction costs to you by cheque in Australian dollars.</p> <p>See also Section 6.11 of this Target's Statement.</p> |
| <p>20. When do I have to make a decision?</p> | <p>The Offer is scheduled to close at 5.00pm (WST) on 22 June 2018. However, Calima can extend the Offer Period in certain circumstances.</p> <p>Please be aware that there is no guarantee that Calima will extend the Offer Period beyond 22 June 2018. Accordingly, the Directors recommend that you should assume that the Offer Period will not be extended beyond this date.</p> <p>See Section 2 of Annexure A to the Bidder's Statement which contains more information about the circumstances in which the Offer Period can be extended.</p> |
| <p>21. What are the risks if I accept the Offer?</p> | <p>If you accept the Offer and it becomes unconditional, you will be issued with new Calima Shares. There are risks in holding Calima Shares. The financial and operational performance of Calima's business, and the value and trading prices for Calima Shares will be influenced by a range of risks. Many of these risks are beyond the control of Calima's board and management.</p> <p>Some of risks associated with the Offer are set out in Section 5.8 of this Target's Statement.</p> <p>Section 10 of the Bidder's Statement has more information about the risks including:</p> <ul style="list-style-type: none"> • Risks relating to the Offer. • Risks that are specific to Calima and TSVM as the Merged Entity. |

| Question | Answer |
|--|--|
| | <ul style="list-style-type: none"> • General risks relating to Calima and the Merged Entity. |
| <p>22. Will I need to pay transaction costs if I accept?</p> | <p>You will not have to pay any brokerage fees or duty if you accept the Offer.</p> <p>If you are an Ineligible Foreign Shareholder, the proceeds you will receive from the sale of your Calima Shares will be net of any costs including brokerage charges.</p> <p>See Annexure A to the Bidder's Statement and Section 11.18 of the Bidder's Statement for more information. See also the instructions on the Acceptance Form enclosed with the Bidder's Statement.</p> |
| <p>23. What happens if I do nothing?</p> | <p>If you do nothing (and thereby reject the Offer) you will remain a TSVM Shareholder and will not receive any Calima Shares.</p> <p>However, Calima has stated that if it becomes entitled to compulsorily acquire your TSVM Shares, it intends to do so. This means that Calima may be able to acquire your TSVM Shares even if you did not accept the Offer. If this occurs you will still receive the Calima Shares by way of consideration but at a later date than you would have received it if you had accepted the Offer.</p> <p>See Section 8.4 of the Bidder's Statement for more information about Calima's intentions if it acquires a relevant interest in at least 90% of the TSVM Shares.</p> <p>See Section 8.5 of the Bidder's Statement for more information about Calima's intentions if it acquires control but less than a relevant interest of 90% of the TSVM Shares.</p> |
| <p>24. What happens if Calima improves the Offer?</p> | <p>If Calima improves the Offer Consideration of the Offer, all the TSVM Shareholders who accept the Offer (whether or not they accepted the Offer before or after the improvement) will be entitled to the benefit of the improved Offer Consideration, if the Offer becomes unconditional.</p> <p>See Annexure A to the Bidder's Statement for more information about the Offer.</p> |

| Question | Answer |
|--|---|
| <p>25. What are the tax implications of accepting the Offer?</p> | <p>Accepting the Offer will result in tax consequences for you.</p> <p>A general summary of each of the Australian and Canadian tax consequences for TSVM Shareholders who accept the Offer is set out in Section 9 of the Bidder's Statement.</p> <p>This summary is expressed in general terms only and is not intended to be specific tax advice for your personal circumstances. You should seek your own tax advice about the Offer.</p> <p>See also Section 5.11 of this Target's Statement.</p> |
| <p>26. What is the effect of the Offer on TSVM Options?</p> | <p>The Offer relates to TSVM Shares only.</p> <p>Calima is offering separate private treaty arrangements with TSVM Optionholders.</p> |
| <p>27. What is the TMKM Acquisition?</p> | <p>Calima, TSVM and TMKM are (each through their wholly owned subsidiaries) joint venture partners in the Montney Project.</p> <p>Calima is making the TMKM Acquisition at the same time as making the Offer to TSVM Shareholders.</p> <p>The TMKM Acquisition comprises an off-market takeover offer by Calima to acquire all of the ordinary shares in TMKM it does not currently hold and private treaty arrangements in respect of TMKM Options. It is a separate and <u>independent</u> offer. The Offer to TSVM Shareholders is not conditional on the success of the TMKM Acquisition.</p> <p>However, successful completion of both the Offer and the TMKM Acquisition will consolidate 100% of the joint venture partners working interests in the Montney Project into a single entity (Calima).</p> <p>See Sections 3.1 and 7.3 of the Bidder's Statement for more information about the TMKM Acquisition.</p> |

| Question | Answer |
|--|---|
| 28. Is the Offer and the TMKM Acquisition conditional on each other? | <p data-bbox="643 309 1358 439">No. Successful completion of the TMKM Acquisition is not a condition of the Offer. If the Offer is successful, Calima has indicated it will proceed with the Offer regardless of the outcome of the TMKM Acquisition.</p> <p data-bbox="643 477 1321 539">Similarly, successful completion of the Offer is not a condition of the TMKM Acquisition.</p> <p data-bbox="643 573 1310 636">See Section 3.1 of the Bidder's Statement for more information.</p> |

2. REASONS YOU SHOULD ACCEPT CALIMA'S OFFER

The Board has considered the merits of the Offer and weighed up the factors for and against acceptance. The Directors unanimously recommend that you **ACCEPT** the Offer made to you in the absence of a Superior Proposal for the reasons set out below.

The Directors acknowledge there are risks associated with accepting the Offer, which are highlighted in Section 5.8 of this Target's Statement.

1. Offer Consideration is ASX quoted shares

TSVM is not listed on any securities exchange and there is no liquid market for TSVM Shares. The Offer provides TSVM Shareholders with an opportunity to own tradeable securities on the ASX. Calima is offering to issue you with Calima Shares as consideration for your TSVM Shares. Calima is listed on the ASX and you will be able to trade the Calima Shares that you receive as Offer Consideration (subject to any trading restrictions that may apply to your Calima Shares).

2. Larger capitalised company with improved access to capital

The proposed merger of Calima and TSVM will result in an enhanced balance sheet and improved access to capital (whether by way of equity and/or debt) including for funding the work programme for the Montney Project. The Merged Entity will be in a stronger financial position than TSVM on a standalone basis to fund the growth of the Merged Entity's assets. This improved financial position is expected to assist the Merged Entity to progress the expenditure commitments on the Montney Project.

This reason why you should accept the Offer (being a larger capitalised company with improved access to capital) applies where both the Merged Entity is Calima and TSVM alone (single merger) as well as where the Merged Entity is Calima, TSVM and TMKM (combined merger). In this later circumstance, there is a greater benefit of an enhanced balance sheet and improved access to capital.

Currently TSVM faces a greater funding risk as an unlisted company.

3. Consolidation of Montney Project

Calima, TSVM and TMKM are joint venture partners (via their wholly owned subsidiaries) who jointly own the Montney Project. Calima has a current 20% interest in the Montney Project and has farm-in rights to earn up to a 55% interest. TSVM currently has a 48% interest in the Montney Project and TMKM currently has a 32% interest.

If the Offer is successful and the Merged Entity is Calima and TSVM alone (single merger) then the Merged Entity will hold a combined 68% interest in the Montney Project. If the TMKM Acquisition also succeeds then the Merged Entity of Calima, TSVM and TMKM (combined merger) will hold a 100% interest in the Montney Project. The Merged Entity with a greater interest in the Montney Project is expected to attract greater market interest in the project.

The Directors consider that the Montney Project has the potential to create significant value for TSVM Shareholders and the Offer allows exposure to the Montney Project to be retained.

The Merged Entity with a greater interest in the Montney Project will further provide an opportunity to remove duplicated technical and administrative costs and thereby create synergies. A simplified ownership and management structure with strong board and management team should enable an acceleration of the exploration and development of the Montney Project. Further details of Calima's board is set out in Section 3.2 of the Bidder's Statement.

The TSVM Shareholders interest in the capital structure of the Merged Entity if only the Offer is successful (single merger) and if both the Offer and the TMKM Acquisition are successful (combined merger) is set out in Section 7.7 of the Bidder's Statement.

4. The Offer is supported by your Directors and major shareholders

The Directors unanimously recommend that you accept the Calima Offer in the absence of a Superior Proposal.

Two of the Directors, Craig Burton and Stephen Keenihan, hold TSVM Shares. They each intend to accept the Offer in respect of all the Shares that they hold or control, in the absence of a Superior Proposal. Details of the Directors' relevant interests in TSVM Securities are set out in Section 8.1 of this Target's Statement.

Calima has entered into pre-bid acceptance agreements with TSVM Shareholders representing 19.99% of TSVM Shares as follows:

- Mr Charles Morgan – 7,210,029 TSVM Shares (8.94%).
- Russell Stephenson and Pamela Stephenson <Stephenson super fund a/c> - 3,979,049 TSVM Shares (4.93%).
- Villemarette Nominees Pty Ltd <Villemarette Family a/c> - 4,939,200 TSVM Shares (6.12%).

Each of these Shareholders have agreed to accept the Offer in respect of the number of TSVM Shares set out above within 5 business days after commencement of the Offer Period.

By reason of the pre-bid acceptance agreements, Calima has a relevant interest of 19.99% in TSVM Shares at the date of this Target's Statement.

5. No duty or brokerage

There will be no Australian duty or brokerage charges payable on the sale of TSVM Shares under the Offer.

6. The Directors are not aware of Superior Proposal

The proposed merger transaction was announced to the ASX on 2 May 2018. As at the date of this Target's Statement, no Superior Proposal or Competing Proposal has emerged.

7. Risk of becoming a minority shareholder

If you do not accept and Calima gains effective control of TSVM but is not entitled to proceed to compulsory acquisition of the outstanding TSVM Shares, then you will remain a minority shareholder of TSVM. If only a limited number of minority

shareholders remain then it is possible that the market for your TSVM Shares will become less liquid, making it more difficult to sell your TSVM Shares in the future.

Further details of the consequences of remaining a minority shareholder in TSVM are set out in Section 5.7 of this Target's Statement. Further details of Calima's intentions if it gains control over management and operations of TSVM but less than 90% of TSVM shares is set out in Section 8.5 of the Bidder's Statement.

3. DIRECTORS' RECOMMENDATIONS AND INTERESTS

3.1 Directors' recommendation

In assessing Calima's Offer, your Directors have taken into account many considerations including the information set out in the Bidder's Statement and in this Target's Statement. Based on this assessment, and the reasons set out in Section 2 of this Target's Statement, each of your Directors recommends that Shareholders **ACCEPT** the Offer in the absence of a Superior Proposal.

In considering whether you wish to follow your Directors' recommendation, you should:

- read the Bidder's Statement and this Target's Statement in full;
- consider your individual risk profile, investment strategy, tax position and financial circumstances; and
- consider the future prospects of Calima and TSVM as a merged entity compared to the future prospects of TSVM (as a separate entity).

3.2 Intention of the Directors

Two of the Directors, Craig Burton and Stephen Keenihan, hold TSVM Shares. They each intend to accept the Offer in respect of all the Shares that they hold or control, in the absence of a Superior Proposal.

The only TSVM Director holding TSVM Options (Ian Cockerill) intends to agree to a private treaty arrangement with Calima to be issued with Calima Shares on the same basis as all other TSVM Optionholders.

Details of the Directors' relevant interests in TSVM Securities are set out in Section 8.1 of this Target's Statement.

3.3 Further developments

Your Directors will keep you informed of any material developments with respect to Calima's Offer and any Competing Proposal that may emerge.

4. YOUR CHOICES AS A TSVM SHAREHOLDER

The Board encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your TSVM Shares. The Bidder's Statement contains important information which Shareholders are urged to read carefully.

As TSVM Shares are not listed on any securities exchange, selling some or all of your TSVM Shares outside of the Offer may be difficult.

In respect of the Offer, as a Shareholder, you have two choices available to you.

4.1 Accept Calima's Offer

You may choose to accept Calima's Offer. This is the approach recommended by your Directors.

Instructions on how to accept Calima's Offer are set out in Section 4 of Annexure A to the Bidder's Statement and the Acceptance Form provided to you by Calima.

You will receive 3.33 Calima Share for every 1 of your TSVM Shares if you accept Calima's Offer. You will only receive that consideration if the conditions of Calima's Offer are all satisfied or waived. Calima's Offer is subject to a 90% minimum acceptance condition and other limited conditions. Refer to Section 9 of Annexure A to the Bidder's Statement for full details of the conditions of the Offer.

There are particular arrangements that apply to TSVM Shareholders whose address is in a place outside Australia. These arrangements are explained in Section 8 of Annexure A to the Bidder's Statement.

The consequences of accepting Calima's Offer are discussed in Section 6.7 of this Target's Statement. If you accept Calima's Offer, you cannot withdraw your acceptance except in limited circumstances. These circumstances are set out in Section 6.8 of this Target's Statement.

You should be aware that the market price of Calima Shares may fall after you have accepted the Offer.

If you accept Calima's Offer, you may be liable for capital gains tax or income tax as a result of your acceptance. An overview of the Australian and Canadian tax consequences for Shareholders selling their Shares is provided in Section 9 of the Bidder's Statement.

4.2 Do nothing (Reject the Offer)

If you do not wish to accept the Offer, you should take no action. Simply disregard the documents sent to you by Calima about the Offer.

Shareholders should note that if Calima acquires 90% of the Shares at the end of the Offer Period, Calima will be entitled to compulsorily acquire the Shares it does not already own. Calima intends to exercise this right (refer to Section 6.12 of this Target's Statement for further information regarding compulsory acquisition).

5. IMPORTANT MATTERS FOR TSVM SHAREHOLDERS TO CONSIDER

5.1 Calima's Offer

Calima announced its intention to make an off market takeover bid for TSVM on 2 May 2018. The key features of the Offer are summarised in Section 6 of this Target's Statement.

Annexure A of the Bidder's Statement sets out the full terms of the Offer.

The Offer is open for acceptance until 5.00pm (WST) on 22 June 2018 (unless the Offer is withdrawn or extended).

5.2 Information about Calima

Calima is an Australian public company that was listed on the ASX on 28 July 2006 (ASX code: CE1). Calima is an oil and gas exploration company.

Calima, TSVM and TMKM (each through wholly owned Canadian subsidiaries) are joint venture partners in relation to oil and gas licences over part of the Montney formation in British Columbia, Canada.

On about 1 May 2017 TSVM (through its wholly owned Canadian subsidiary) entered into a farm-out of the Montney Project to Calima. The farm-out provides for Calima to earn up to a 55% working interest in the Montney Project by sole funding the next C\$25 million (Canadian dollars) of investment by 28 February 2020. These funds are to be directed towards the drilling, fracking and testing of three wells with 2,000m horizontal sections and the acquisition of additional acreage.

Calima became the operator of the Montney Project with effect from commencement of the farm-out. On 7 March 2018 Calima announced that it had completed stage one of its farm-in rights by spending C\$5 million to earn a 20% working interest in the Montney Project.

At the date of this Target's Statement, the Montney Project is held by Calima (20%), TSVM (48%) and TMKM (32%) (each through their wholly owned Canadian subsidiaries).

The primary assets of Calima are its interest in the Montney Project (20% interest, operator and further earn-in rights under the Farm-In Agreement) and its cash of approximately \$4.65 million at 31 March 2018. Calima's other assets are:

- a 50% interest in four production sharing contracts in the Saharwai Arab Democratic Republic;
- a shareholding of 8,000,000 TMKM Shares (approximately 11.2% of the issued share capital in TMKM);
- a shareholding of approximately 10% of the shares in Bahari Holding Company Limited, which owns exploration rights in the Republic of Comoros, East Africa off the coast of Tanzania; and
- a 56% interest in, and operatorship of, a petroleum agreement in the Orange River Basin in Namibia.

Further information about the profile of Calima and the Montney Project are set out in Section 3 of the Bidder's Statement.

5.3 Relationship with TSVM

- **Joint venture partner** - Calima, TSVM and TMKM are joint venture partners in the Montney Project (through wholly owned Canadian subsidiaries).

At the date of this Target's Statement, none of the Calima directors have any interest in TSVM Securities.

5.4 Proposed consolidation of the joint venture interests in the Montney Project

Calima is seeking to consolidate 100% of the joint venture partners' interests in the Montney Project by separate and independent merger transactions with each of TSVM and TMKM.

In relation to TSVM, Calima is making the Offer to acquire all of the TSVM Shares. Contemporaneous with the Offer, Calima is seeking to acquire all of the TSVM Options by way of private treaty with TSVM Optionholders. The consideration for both the Offer and the private treaty arrangements are Calima Shares.

In relation to TMKM, Calima is making a separate off-market takeover bid to acquire all of the issued capital in TMKM that it does not already own and is seeking to acquire all of the TMKM Options by way of private treaty with TMKM Optionholders. The consideration for TMKM Acquisition are Calima Shares.

5.5 Offer Consideration

The Offer Consideration comprises Calima Shares. The Calima Shares are fully paid ordinary shares in the capital of Calima and from the date of issue, will rank equally with other Calima Shares. The rights and liabilities attaching to Calima Shares are governed by the constitution of Calima, the Corporations Act, the ASX Listing Rules and the general law.

Section 4.4 of the Bidder's Statement sets out more information about the rights and liabilities of Calima Shares.

5.6 Value of the Offer

The consideration being offered by Calima under the Offer is 3.33 Calima Shares for every one TSVM Share held.

As a reminder, you received 1 TSVM Share for every 10 Transerv Energy Limited (now Whitebark Energy Limited) shares you held on 2 October 2015 (being the demerger record date), so the Offer equates to 0.333 Calima Shares for each original Transerv Energy Limited share held.

If you accept the Offer made to you, the value of the consideration you will receive will depend on the price of Calima Shares at the time those shares are issued to you under the Offer.

Based on the closing price of Calima Shares on ASX on the day before the announcement of the Offer (1 May 2018) of A\$0.054 (5.4 cents), the implied value of the Offer Consideration is A\$0.1798 (17.98 cents) per TSVM Share. Section 4.2 of the

Bidder's Statement contains information about the recent share price performance of Calima Shares.

You should be aware that the implied value of the Offer will fluctuate with the market price of Calima Shares.

The Directors have not obtained independent advice as to the value of the Offer, and Shareholders are urged to carefully read the Bidder's Statement.

5.7 **Minority ownership consequences**

Calima has stated in its Bidder's Statement that if it becomes entitled under the Corporations Act to compulsorily acquire the remaining shares in TSVM, it intends to do so. If at the end of the Offer Period, Calima becomes entitled to, and does, compulsorily acquire all remaining TSVM Shares, then TSVM will become 100% owned by Calima and no minority shareholder will remain.

However, if, at the end of the Offer Period, Calima is not entitled to proceed to compulsory acquisition the TSVM Shares acquired by Calima under the Offer will reduce the number TSVM Shares that are available for sale.

Calima's Offer is currently subject to a minimum acceptance condition which, if satisfied (and all other conditions are satisfied or waived) will entitle it to compulsorily acquire all outstanding TSVM Shares.

If Calima frees the Offer from this condition, but acquires the majority of the TSVM Shares, there may be a number of possible implications for TSVM shareholders, including:

- Calima will be in a position to cast the majority of votes at a general meeting of TSVM. This will enable it to control the composition of the TSVM Board and senior management, determine TSVM's dividend policy and control the strategic direction of the businesses of TSVM and its subsidiaries.
- The value perceived in TSVM Shares may be significantly reduced as potential investors may prefer to acquire an interest in Calima which will control TSVM and offer the liquidity of ASX quotation.
- The liquidity of TSVM Shares may be minimal, if at all.
- If Calima acquires 75% or more of the TSVM Shares it will be able to pass a special resolution of TSVM. This will enable Calima to, among other things, change TSVM's constitution.

If Calima does proceed to compulsory acquisition, then TSVM Shareholders who do not accept the Offer will still be entitled to receive the Offer consideration. However, as a result of the need to complete the compulsory acquisition procedures in the Corporations Act, there is likely to be a delay of at least one month in the provision of that consideration, and therefore in the earliest date on which Calima shares could be traded.

5.8 Risks

Conditions of the Offer

The Offer is subject to a number of conditions, which have not yet been satisfied at the date of this Target's Statement. The full terms of these conditions are set out in Section 9 of Annexure A to the Bidder's Statement. The conditions must be either satisfied or waived by Calima before accepting TSVM Shareholders can receive the consideration under the Offer.

If you accept the Offer while it remains subject to conditions then subject to any withdrawal rights that may be available to you (see Section 6.8 of this Target's Statement) you will no longer be able to sell your TSVM Shares or withdraw your acceptance of the Offer. You should be aware that the Calima share price may fall below the implied price under the Offer during this time.

If you accept the Offer and any of the conditions remain unsatisfied at the end of the Offer Period and are not otherwise waived by Calima, there is no obligation on Calima to issue Calima Shares as consideration for TSVM Shares. In those circumstances any acceptances of the Offer will be cancelled and you will then be free to deal with your TSVM Shares.

Possibility of a Superior Proposal emerging

You may consider that a third party may emerge with a Superior Proposal. Once you have accepted the Offer, you will not be able to accept into any Superior Proposal that may emerge unless the Offer lapses or you are able to withdraw your acceptance due to extension to the Offer Period.

Risks of holding Calima Shares

If you accept the Offer and it becomes unconditional, you will be issued with new Calima Shares and become a Calima shareholder. There are risks in holding Calima Shares. The financial and operational performance of Calima's business, and the value and trading prices for Calima Shares will be influenced by a range of risks. Many of these risks are beyond the control of Calima's board and management.

Calima's key project is the Montney Project. As a TSVM Shareholder you are already exposed to the risks associated with this project.

Section 10 of the Bidder's Statement set outs.

- Risks relating to the Offer.
- Risks that are specific to Calima and TSVM as the Merged Entity.
- General risks relating to Calima and TSVM as the Merged Entity.

You are urged to read this Section of the Bidder's Statement when considering the Offer.

Risks of continuing to hold TSVM Shares

There are various risks in continuing to hold TSVM Shares that you should be aware of before deciding whether or not to accept the Offer. As the primary asset of TSVM is its working interest in the Montney Project, many of the risks are similar to those you

are likely to face when investing in Calima Shares, which also has a working interest in the Montney Project.

Risk of becoming a minority shareholder

If you do not accept the Offer during the Offer Period (and the Offer becomes unconditional) you may remain as a minority TSVM Shareholder. Section 5.7 of this Target's Statement outlines some of the risks associated with being a minority shareholder in TSVM.

Risks relating to the outcome of the Offer

If you do not accept the Offer maintaining your investment in TSVM may also involve the following risks, depending on the outcome of the Offer.

- The TSVM Shares acquired by Calima under the Offer will reduce the number of Shares that can be expected to be available for sale. This may adversely affect any price at which such a TSVM Shareholder may seek to sell TSVM Shares (to which there is no liquid market).
- If Calima acquires control of TSVM it will have enhanced capacity to influence the manner in which TSVM's business is conducted. Calima's intentions for TSVM are described in Section 8 of the Bidder's Statement but those intentions may change.
- If you choose not to accept the Offer and Calima subsequently exercises compulsory acquisition rights you are likely to be paid later than Shareholders who accept the Offer.

5.9 Dividend issues for TSVM Shareholders

TSVM has not paid a dividend to Shareholders since incorporation. As an exploration company, the Directors consider it unlikely that TSVM will pay dividends in the foreseeable future if TSVM continues as a stand-alone entity with its current business composition.

5.10 Other alternatives to the Offer

At the date of this Target's Statement, no offers (other than Calima's Offer) have been made to acquire your TSVM Shares.

5.11 Taxation considerations

Accepting the Offer will result in tax consequences for you.

A general summary of each of the Australian and Canadian tax consequences for TSVM Shareholders who accept the Offer is set out in Section 9 of the Bidder's Statement.

You should consult your own tax adviser for advice tailored to your particular circumstances. You should not solely rely on Section 9 of the Bidder's Statement in relation to the tax implications of accepting the Offer.

6. KEY FEATURES OF CALIMA'S OFFER

6.1 Consideration payable to TSVM Shareholders who accept the Offer

Calima is offering to acquire all of your TSVM Shares, including any rights attaching to those Shares. Under the Offer, the consideration payable by Calima is 3.33 Calima Shares for every one TSVM Share.

6.2 Conditions to the Offer

Overview of the Offer conditions

Calima's Offer is subject to a number of conditions, which are set out in full in Section 9 of Annexure A to the Bidder's Statement. In summary, the conditions include:

- Calima has a relevant interest in at least 90% of TSVM Shares at the end of the Offer Period (minimum acceptance condition).
- All TSVM Optionholders accept the private treaty offer by Calima for their TSVM Options.
- All necessary regulatory approvals for the Offer to proceed are granted.
- No regulatory action restrains, prohibits, impedes or materially impacts on the Offer.
- No TSVM material adverse change (as defined in the conditions to the Offer) during the Offer Period.
- No incurring or committing to incur capital expenditure by TSVM during the Offer Period in excess of \$25,000 other than on existing projects or day to day operating activities.
- No material litigation proceeding or threatened against TSVM during Offer Period.
- TSVM provides Calima with access to the same information as may be made available to third parties for the purposes of facilitating any Competing Proposal.
- No TSVM prescribed occurrences (as defined in the conditions of the Bidder's Statement) during the Offer Period.
- No TSVM distribution or dividend to TSVM Shareholders during the Offer Period.

Consequences of conditions not being satisfied

You should be aware that, even if the conditions of Calima's Offer are not satisfied (or triggered as relevant), they may be waived by Calima. If any condition is unsatisfied (or has not been triggered), and has not been waived, Calima will have an option as to whether to proceed with the acquisition of the Shares or allow its Offer to lapse. If the Offer lapses, all acceptances of the Offer will be void and of no effect.

As at the date of this Target's Statement, TSVM is not aware that any of the conditions have been satisfied or triggered (as the case may be).

Unless otherwise disclosed in this Target's Statement, TSVM is not aware of any act, omission, fact or event that would result in any of the conditions to the Offer not being fulfilled by the end of the Offer Period.

Notice of Status of Conditions

Section 11 of Annexure A to the Bidder's Statement states that Calima will give a Notice of Status of Conditions on 12 June 2018 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

Calima is required to set out in its Notice of Status of Conditions:

- whether its Offer is free of any or all of the conditions;
- whether, so far as Calima knows, any of the conditions have been fulfilled; and
- Calima's voting power in TSVM at that time.

If the Offer Period is extended before the time by which the Notice of Status of Conditions is to be given, the date that Calima must give its Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Calima is required, as soon as reasonably practicable after the extension, to notify the ASX and TSVM of the new date for the giving of the Notice of Status of Conditions.

In addition, if a condition of the Offer is fulfilled during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Calima must, as soon as practicable, give ASX and TSVM a notice stating that the particular condition has been fulfilled.

6.3 Offer Period and acceptance

The Offer is open for acceptance during the Offer Period, which commences on 21 May 2018 and ends at 5.00pm (WST) on 22 June 2018, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act.

If you choose to accept the Offer, then your acceptance must be received by Calima before the end of the Offer Period. Instructions on how to accept the Offer are set out in Calima's Bidder's Statement and on the Acceptance Form enclosed with the Bidder's Statement. If you want to accept the Offer, you should follow those instructions carefully to ensure that your acceptance is valid.

6.4 Extension of the Offer Period

Calima may extend the Offer Period at any time before giving the Notice of Status of Conditions.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- Calima improves the consideration offered under the Offer; or
- Calima's voting power in TSVM increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

6.5 Withdrawal of Offer

Calima may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Calima may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

6.6 Lapse of Offer

Calima's Offer will lapse if, at the end of the Offer Period, any conditions of the Offer are not satisfied or waived. If this occurs, then acceptances given by Shareholders will be void. Shareholders will continue to own the TSVM Shares and will be free to deal with them as they choose.

6.7 Effect of acceptance

The effect of acceptance of the Offer is explained in Section 6 of Annexure A to the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Shares and the representations and warranties that you are deemed to give to Calima by accepting of the Offer.

6.8 Withdrawal rights

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if Calima varies the Offer in a way that postpones, for more than one month, the time when Calima needs to meet its obligations under the Offer. This will occur if Calima extends the Offer Period by more than one month and the Offer is still subject to conditions.

6.9 When you will receive your consideration if you accept the Offer

Other than Ineligible Foreign Shareholders (referred to in Section 6.11 below), you will be issued your consideration on or before the earlier of:

- one month after this Offer becomes unconditional; or
- 21 days after the end of the Offer Period.

However, there are exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are in Section 7 of Annexure A of the Bidder's Statement.

6.10 Effect of improvement in consideration on Shareholders who have accepted the Offer

If Calima improves the consideration offered under the Offer, all TSVM Shareholders, (whether or not they have accepted the Offer before that improvement in consideration) will be entitled to the benefit of that improved consideration.

6.11 Ineligible Foreign Shareholders

TSVM Shareholders who are Ineligible Foreign Shareholders will not be entitled to receive Calima Shares as consideration for their TSVM Shares pursuant to the Offer.

Ineligible Foreign Shareholders will be dealt with as set out in Section 11.18 of the Bidder's Statement and Section 8 of Annexure A to the Bidder's Statement.

Thereby, if you are an Ineligible Foreign Shareholder who has accepted the Offer, Calima will arrange for the Calima Shares (which would otherwise have been issued to you) to be sold and will remit the sale proceeds less any transaction costs to you by cheque in Australian dollars.

6.12 Compulsory acquisition

If Calima acquires a relevant interest in 90% or more of the TSVM Shares under the Offer and so becomes entitled to proceed to compulsory acquisition of outstanding TSVM Shares in accordance with Part 6A.1 of the Corporations Act, Section 8.4 of the Bidder's Statement describes Calima's intentions including the intention to compulsorily acquire any outstanding TSVM Shares.

It is possible that, even if Calima is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition as a then holder of 90% of the TSVM Shares under Part 6D.2 of the Corporations Act (for example, as a result of acquisitions of TMKM Shares in reliance on the "3% creep" exception in item 9, the rights issue exception in item 10 or the underwriting exception in item 13 of Section 611 of the Corporations Act). If so, Calima has stated in Section 8.4 of its Bidder's Statement that it intends to exercise those compulsory acquisition rights.

7. INFORMATION ABOUT TSVM

7.1 Overview of TSVM

TSVM is an unlisted Australian public company. TSVM is an oil and gas exploration company.

TSVM was incorporated on 4 August 2015 for the purpose of effecting the demerger of the Canadian assets of Whitebark Energy Limited (formerly Transerv Energy Limited) through the transfer of 100% of the shares of Woma Energy Ltd (Whitebark Energy Limited's subsidiary) to TSVM and in-specie distribution of TSVM Shares to Whitebark Energy Limited shareholders.

TSVM's primary asset is its 48% working interest in the Montney Project (held by its wholly owned Canadian subsidiary, Woma Energy Limited). This interest is subject to dilution under the Farm-In Agreement. The Montney Project is currently sole funded by Calima pursuant to the Farm-In Agreement. Section 3.3 of the Bidder's Statement contains an overview of the Montney Project.

In addition TSVM has a 50% interest in a section of the Paradise area of British Columbia (Sun Oil lease) and cash of approximately \$1,490,000 at 31 March 2018. Section 5.6 of the Bidder's Statement contains a summary of TSVM's interest in the Sun Oil lease.

7.2 TSVM Board

The Board comprises the following members as at the date of this Target's Statement:

| Name | Position |
|------------------|--------------------|
| Craig Burton | Executive Chairman |
| Ian Cockerill | Managing Director |
| Stephen Keenihan | Director |
| Mark Freeman | Executive Director |

A summary of the qualifications and experience of the Directors is set out in the TSVM 2017 Annual Report.

7.3 Financial position

TSVM was incorporated on 4 August 2015.

TSVM's last published audited financial statements are for the financial year ended 31 December 2017, which are included in the 2017 Annual Report. A copy of this document was lodged with ASIC.

A copy of the 2017 Annual Report may be obtained from the TSVM's website – www.tsvm.com.au – or is available from TSVM on request.

Section 5.7 of the Bidder's Statement sets out the following financial information for TSVM, which has been extracted from the audited financial statements of TSVM:

- Statement of financial position for the most recent financial year 31 December 2017.
- Statements of comprehensive income of TSVM for the financial years 31 December 2016 (for the period from incorporation) and the financial year 31 December 2017.
- Statements of cash flows of TSVM for the financial years 31 December 2016 (for the period from incorporation) and the financial year 31 December 2017

So far as the TSVM Directors are aware:

- The financial position of TSVM has not materially changed since the date of the annual Report for the financial year ended 31 December 2017; and
- There has not been any matter or circumstance, other than those referred to in the annual report for the year ending 31 December 2017 and this Target's Statement that has significantly affected or may significantly affect the operations of the financial position of TSVM, the results of operations of TSVM or the state of affairs of TSVM in future financial years.

7.4 Capital structure

As at the date of this Target's Statement, TSVM has the following securities on issue:

| Security | Number |
|----------|------------|
| Shares | 80,681,731 |
| Options | 2,800,000 |

The Shares are fully paid ordinary shares.

The Options are exercisable for A\$0.21 (21 cents) on or before 31 March 2019.

7.5 Substantial shareholders

The following persons have notified TSVM that they hold substantial holdings (within the meaning of the Corporations Act) in TSVM as at the date of this Target's Statement.

| Shareholder | Number of Shares | % of Shares on issue |
|--|------------------|----------------------|
| Craig Ian Burton and his interests | 10,071,111 | 12.48% |
| Stephen Keenihan and Sheridan Keenihan <SL & SJ Keenihan SF a/c> | 7,294,733 | 9.04% |
| Charles Waite Morgan | 7,210,029 | 8.94% |

| | | |
|--|-----------|-------|
| Russell Stephenson and Pamela Stephenson <Stephenson super fund> | 5,016,123 | 6.22% |
| Villemarette Nominees Pty Ltd <Villemarette Family a/c> | 4,939,200 | 6.12% |

7.6 **TSVM website**

TSVM maintains a website – www.tsvm.com.au – which contains further information about TSVM and its operations.

7.7 **Publicly available information about TSVM**

TSVM is an Australian registered public company and is subject to various reporting and disclosure obligations. TSVM is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by TSVM may be obtained from, or inspected at ASIC.

TSVM regularly updates its website with announcements by Calima (as the operator) in respect of the Montney Project.

8. INFORMATION ABOUT TSVM DIRECTORS

8.1 Directors interests in TSVM Securities

As at the date of this Target's Statement, the Directors have relevant interests (directly and indirectly) in the following TSVM Securities.

| Director | Number of Shares | % issued capital | Options |
|------------------|------------------|------------------|-----------|
| Craig Burton | 10,071,111 | 12.48% | 0 |
| Ian Cockerill | 0 | 0% | 2,400,000 |
| Stephen Keenihan | 7,294,733 | 9.04% | 0 |
| Mark Freeman | 0 | 0% | 0 |

8.2 Dealings in Calima securities

As at the date of this Target's Statement:

- no Director has a relevant interest in any Calima securities; and
- no Director has acquired or disposed of a relevant interest in any Calima securities in the four month period immediately preceding the date of this Target's Statement.

8.3 Benefits and agreements

- No benefit (other than a benefit permitted under sections 200E or 200F of the Corporations Act) is proposed to be given to a TSVM Director (or anyone else) in connection with the Director's retirement as a director or executive of TSVM.
- There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of TSVM Shares or TSVM Options.
- None of the Directors has agreed to receive, or is entitled to receive, any benefit from any member of the Calima Group which is conditional on, or is related to, the Offer other than in their capacity as a holder of TSVM Shares or TSVM Options.
- None of the Directors has any interest in any contract with any member of the Calima Group other than in their capacity as a holder of TSVM Shares or TSVM Options.

Two of the Directors, Craig Burton and Stephen Keenihan, hold TSVM Shares. They each intend to accept the Offer in respect of all the Shares that they hold or control, in the absence of a Superior Proposal.

A voluntary escrow agreement has been executed by Craig Burton interests in respect of all the Calima Shares to be issued to his interests as a result of the successful Offer.

These Calima Shares are restricted from sale or transfer from their date of issue until 30 April 2019 subject to customary merger exceptions.

A voluntary escrow agreement has been executed by Stephen Keenihan interests in respect of all the Calima Shares to be issued to his interests as a result of the successful Offer. These Calima Shares are restricted from sale or transfer from their date of issue until 30 April 2019 subject to customary merger exceptions.

Additionally, Ian Cockerill as the only Director holding TSVM Options, intends to agree to a private treaty arrangement with Calima to be issued with Calima Shares (on the same basis as all other TSVM Option holders) in consideration for the transfer of his TSVM Options).

9. ADDITIONAL INFORMATION

9.1 Bid Implementation Agreement

On 1 May 2018 Calima and TSVM entered into the Bid Implementation Agreement under which Calima agreed to make an off-market takeover bid for TSVM Shares.

A copy of the Bid Implementation Agreement was lodged with ASX on 2 May 2018 and can be obtained from TSVM's website at www.tsvm.com.au or under the Calima's profile on www.asx.com.au.

9.2 Potential impact of Calima's Offer on TSVM's material contracts

To the best of TSVM's knowledge, none of the material contracts to which TSVM is a party contains a change of control provision that may be triggered if Calima acquires TSVM Shares as a result of the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of TSVM.

9.3 Material litigation

As at the date of this Target's Statement, TSVM has no knowledge of, nor any expectation of, any litigation or dispute that is material.

9.4 Consents

Fairweather Corporate Lawyers has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as legal advisers to TSVM in the form and context in which it is named. Fairweather Corporate Lawyers has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

Each TSVM Director has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to the making of statements in this Target's Statement in the form and context in which they appear.

As permitted by ASIC Class Order 13/521, this Target's Statement includes statements which are made, or based on statements made, in documents lodged with ASIC. Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement. Any Shareholder who would like to receive a copy of any of those documents may obtain a copy free of charge by contacting TSVM.

Additionally, as permitted by ASIC Corporations (Consent to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements fairly representing a statement by an official person or from a public official document or a published book, journal or comparable publication as well as ASX share price trading information sourced from ASX without its consent.

9.5 No other material information

There is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment on whether to accept the Offer, being information which:

- is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and
- is known to any of TSVM's Directors.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the TSVM Shares; and
- the matters which Shareholders may reasonably be expected to know, including information contained in the Bidder's Statement, information contained in TSVM's 2017 Annual Report, documents previously sent to Shareholders and information available from public sources such as ASX, ASIC or TSVM's website at www.tsvm.com.au.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

10. DEFINITIONS AND INTERPRETATION

10.1 Definitions

The following definitions apply in this Target's Statement, unless the context requires otherwise.

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| Acceptance Form | means the acceptance form enclosed with the Bidder's Statement. |
| Announcement Date | means 2 May 2018, being the date the Offer was announced on ASX. |
| ASIC | means Australian Securities and Investment Commission. |
| associate | has the meaning given in section 12 of the Corporations Act. |
| ASX | means ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange |
| Bid Implementation Agreement | means the bid implementation agreement entered into between TSVM and Calima dated on or about 1 May 2018, under which Calima agreed to make the Offer and the TSVM Directors agreed to recommend the Offer in the absence of a Superior Proposal. |
| Bidder's Statement | means the bidder's statement dated 15 May 2018 lodged by Calima with ASIC in relation to the Offer. |
| Board | means the board of directors of TSVM from time to time. |
| Calima | means Calima Energy Limited (ACN 117 227 086). |
| Calima Group | means Calima and its subsidiaries. |
| Calima Share | means a fully paid ordinary share in the capital of Calima. |
| Competing Proposal | means a bona fide proposal or offer that, if successfully completed, would result in a person other than Calima or its associates: <ul style="list-style-type: none">(a) directly or indirectly acquiring a relevant interest or an economic interest in 50.1% or more of the TSVM Shares or of the share capital or any of the TSVM's related bodies corporate;(b) directly or indirectly acquiring control of TSVM;(c) directly or indirectly acquiring or becoming the holder of any interest in all or a substantial part of the business or assets of TSVM or any of its related bodies corporate; or(d) otherwise acquiring or merging with TSVM. |

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| Constitution | means the constitution of TSVM as amended from time to time. |
| Corporations Act | means the <i>Corporations Act 2001</i> (Cth). |
| Director or TSVM Director | means a director of TSVM. |
| Farm-In Agreement | means the Montney farm-in agreement dated on about 1 May 2017 as described in the Bidder's Statement. |
| Ineligible Foreign Shareholder | has the meaning given in the Bidder's Statement. |
| Merged Entity | means Calima and its subsidiaries, including any subsidiaries following the acquisition by Calima of any TSVM Securities or TSVM Securities. |
| Montney Project | means oil and gas licences prospective for the Montney formation in British Columbia, Canada that are held by Calima, TSVM and TMKM as partners in an unincorporated joint venture as described in Section 3 of the Bidder's Statement. |
| Notice of Status of Conditions | means Calima's notice disclosing the status of the conditions of the Offer, which is required to be given under section 630(3) of the Corporations Act. |
| Offer | means Calima's offer to acquire all of the TSVM Shares by way of an off-market takeover bid, pursuant to the Bidder's Statement. |
| Offer Consideration | means the consideration offered by Calima for each TSVM Share, pursuant to the Bidder's Statement, being 3.33 Calima Shares for each 1 TSVM Share. |
| Offer Period | means the period within which the Offer is open for acceptance in accordance with the Bidder's Statement and the Corporations Act. |
| relevant interest | has the meaning given in sections 608 and 609 of the Corporations Act. |
| Superior Proposal | means a Competing Proposal in relation to TSVM that the Board of TSVM determines in good faith is: <ul style="list-style-type: none"> (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 TSVM Shareholders as a whole than the Offer, taking into account all the terms and conditions of the Competing Proposal. |

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| Target's Statement | means this document, being the statement of TSVM under Part 6.5 of the Corporations Act in relation to Calima's Offer. |
| TMKM | means TMK Montney Limited (ACN 607 112 710) |
| TMKM Acquisition | means the separate takeover bid and private treaty arrangements made by Calima to acquire all of the issued TMKM securities as described in Section 7 of the Bidder's Statement. |
| TSVM Securities | means the fully paid ordinary shares in TSVM and options to acquire fully paid ordinary shares in TSVM. |
| TSVM or Company | means TSV Montney Limited (ACN 607 451 310) |
| TSVM Option or Option | means an option to acquire a TSVM Share. |
| TSVM Optionholder | means a holder of TSVM Options. |
| TSVM Securities | means TSVM Shares and TSVM Options. |
| TSVM Share or Share | means a fully paid ordinary share in TSVM. |
| TSVM Shareholder or Shareholder | means a person who is registered as the holder of a Share in the TSVM register of members. |

10.2 Interpretation

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The following rules apply unless the context requires otherwise:
 - (i) The singular includes the plural, and the converse all applies.
 - (ii) A gender includes all genders.
 - (iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
 - (iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
 - (v) A reference to a Section or Schedule is a reference to a Section of, or Schedule to, this Target's Statement.
 - (vi) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Listing Rules (as is appropriate to the context).


- (vii) A reference to an agreement or document (including this Target's Statement) is to the agreement or document as amended, supplemented, novated, or replaced.
- (viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).
- (ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it, and a regulation, or statutory instruments issued under it.
- (x) A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).
- (xi) A reference to A\$, \$ or dollars is to Australian currency.
- (xii) A reference to time is to Western Standard Time, Australia, unless otherwise noted.

11. AUTHORISATION

This Target's Statement has been approved by a resolution passed by the Directors of TSVM. Each Director of TSVM approved the resolution authorising this Target's Statement.

Dated: 15 May 2018

SIGNED for and on behalf of TSVM:

A handwritten signature in black ink, appearing to read 'M Freeman', written over a horizontal line.

Mark Freeman
Executive Director