



ABN 17 117 227 086

**Half-Year Financial Report
30 June 2018**

Corporate Directory

Directors

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

Company Secretary

Neil Hackett
James Bahen

Registered Office – Perth Australia

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Auditors

BDO Audit (WA) Pty Limited
38 Station Road
Subiaco WA 6008

Bankers

National Australia Bank
226 Main Street
Osborne Park WA 6017

Share Registry

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Securities Exchange Listing

The Company is listed on the ASX Limited (ASX).

Home branch: Perth, Western Australia
ASX Code: **CE1**

CALIMA ENERGY LIMITED – HALF YEAR REPORT

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CALIMA ENERGY LIMITED – HALF YEAR REPORT

Directors' Report

Your Directors submit their report on Calima Energy Limited for the half-year ended 30 June 2018.

Directors

The names of the directors of Calima Energy Limited ("Calima" or "Company") in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Glenn Whiddon
Alan Stein
Jon Taylor
Neil Hackett

Review and Results of Operations

Results

The net loss for the half year ended 30 June 2018 was \$1,147,036 (2017: \$1,271,777).

Principal Activity

The principal activity of the Group is oil and gas exploration.

Operations

Calima's operations focused during the period on the Company completing the acquisition of its acreage position in Northeast British Columbia, considered to be prospective for the Montney Formation (Calima Lands), completion of the Independent Resource Report, gaining key regulatory and permitting approvals and the establishment of an in-country management team to provide localised, regional project management services to support the Calima Lands and the award of a Petroleum Agreement for offshore Block 2813B in Namibia.

Calima Lands - Core Acreage Acquisition Completed

Calima completed its core acreage acquisition strategy through the acquisition of a further acres as a consequence of successful bids in Government land auctions. The Calima Lands now comprises of 72,014 acres of drilling rights (105 sections) over acreage considered to be highly prospective for the Montney Formation (Figure 1).

Calima Lands - Independent Resource Report

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

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

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Table 1 – Best estimate of total unrisks prospective resources of the Calima Lands as estimated by McDaniel & Associates, effective 31 December 2017.¹

		Unrisks Prospective Resource	
		JV 100% W.I. ⁴	Calima 55% W.I. ^{4, 5}
Natural Gas (MMcf)	Gross	2,168,188	1,192,504
	Net after Royalties	1,689,323	929,127
Condensate (Mbbbl)	Gross	54,205	29,813
	Net after Royalties	45,327	24,930
Natural Gas Liquids¹ (Mbbbl)	Gross	60,227	33,125
	Net after Royalties	49,879	27,433
TOTAL LIQUIDS² (Mbbbl)	Gross	114,432	62,938
	Net after Royalties	95,206	53,363
TOTAL MMBOE³	Gross	475,797	261,688
	Net after Royalties	376,760	207,218

Notes:

(1) Natural Gas Liquids (propane and butane) volumes do not include Condensate.

(2) Sum of Condensate and Natural Gas Liquids. Based on public domain data and the results of wells drilled on adjacent land McDaniel estimate that the average condensate to gas ratio for wells in the Calima Lands would be 23 bbl/MMcf (wellhead condensate/gas ratio). Additional liquids would be stripped from the gas upon processing. The adjacent Operator, Saguaro, recovers more than 50 bbl/MMcf after processing and obtains more than 50% of its revenue from condensate and other natural gas liquids (Saguaro Resources Ltd. Investor Presentation, January 2018).

(3) Barrels of Oil Equivalent based on 6:1 for Natural Gas, 1:1 for Condensate and C5+, 1:1 for Ethane, 1:1 for Propane, 1:1 for Butanes. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

(4) Prospective resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The prospective resources have also been classified using a deterministic method of petroleum reserves estimation having an evaluation date of 31 December 2017.

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

Calima Lands - Regulatory Approvals

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

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

Calima Lands – Canadian Operations Management - CWL Energy Ltd.

The Company appointed CWL Energy Ltd. (**CWL Energy**) to provide localised and regional project management services to support its activities in the Calima Lands. CWL Energy currently deliver a significant amount of local knowledge, experience and relationships to the Calima Lands' operation ahead of the Company's drilling program scheduled to commence in late 2018.

¹ Refer to ASX announcement 14 March 2018

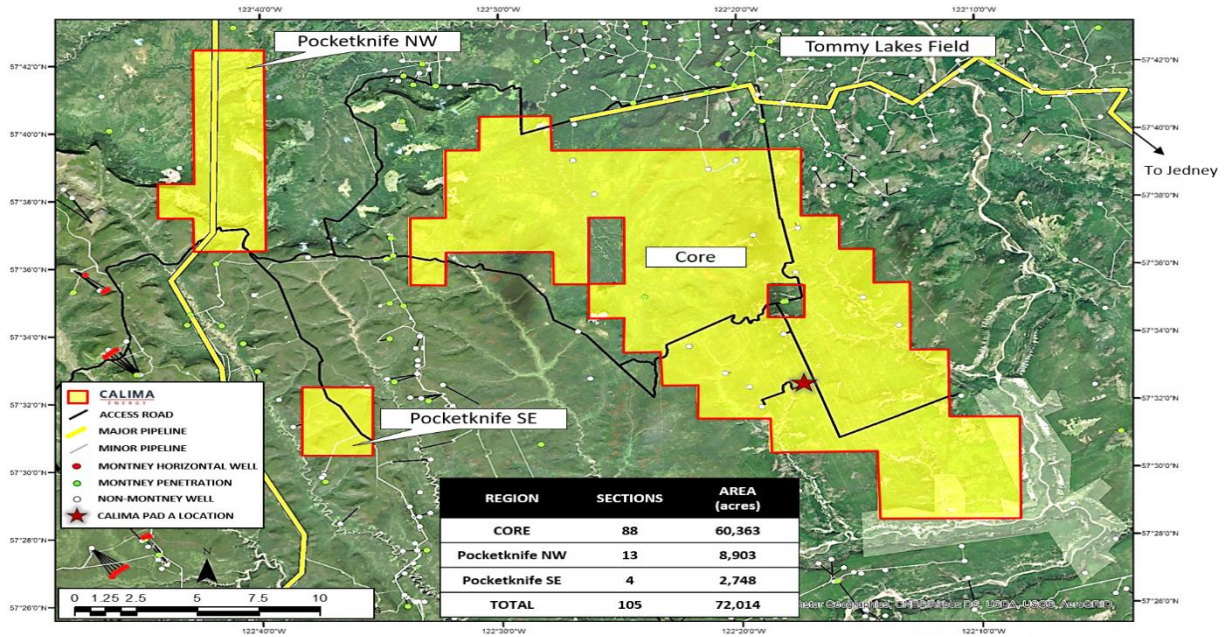


Figure 1 – The Calima Lands as at 30 June 2018 covers 72,014 acres.

Namibia – New Portfolio Asset

The Company expanded its asset portfolio in Africa through the award of a Petroleum Agreement for offshore Block 2813B, covering an area of 5,433 km² in the Orange River Basin of Namibia (Figure 1). The award was made following an application to the relevant authorities representing the Government of Namibia. The agreement has an initial investment term of four years. During the first year of the initial term the Company will undertake an evaluation of the existing data in, an around, the block. Over the four years of the initial term Calima has committed to acquire 2D or 3D seismic data and undertake a detailed prospectivity review. The investment obligations associated with the agreement are comfortably within the Company’s financial capabilities.

Namibia has recently experienced a significant upsurge in industry interest following some encouraging drilling results which demonstrated the presence of thick, oil-prone mature source rocks and high-quality sandstone reservoirs. In the past nine months Exxon, Total, Tullow, ONGC, Africa Energy Corporation and BW Offshore have all farmed-in to projects offshore Namibia and over the next twelve months at least four deepwater wells are expected to be drilled. Of direct relevance in supporting the value proposition offered by Block 2813B, Total farmed-in to the acreage immediately south in October 2017 and, over the next 12 months, Shell are reported to be drilling two wells in acreage immediately to the southeast.

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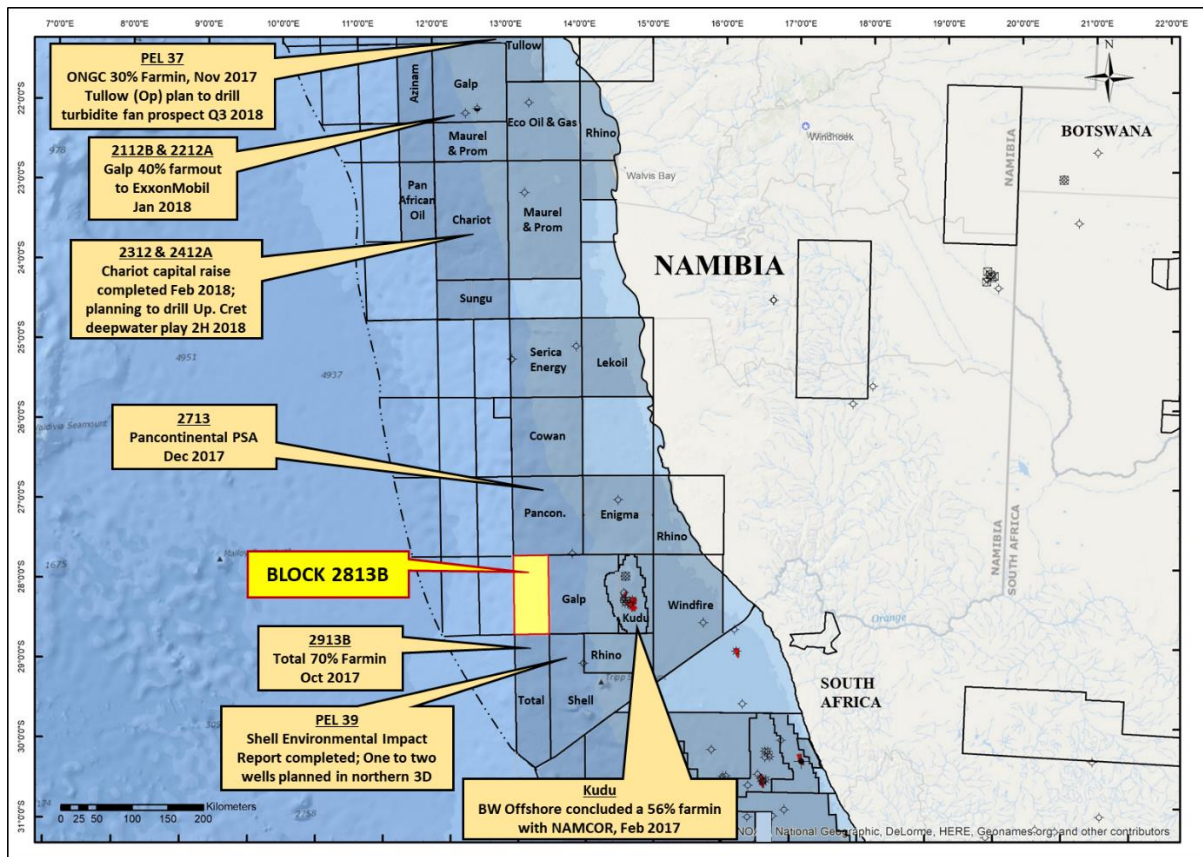


Figure 1 – Map of offshore Namibia showing selected recent and planned exploration activity.

This investment in Namibia provides shareholders with an interest in a high-profile emerging hydrocarbon province alongside major oil companies.

The interests in the Block 2813B Petroleum Agreement are:

- Calima Energy (Namibia) Ltd 56% (Operator)
- Trago Energy Pty Ltd 20%
- Harmattan Energy Ltd 14%
- NAMCOR 10%

Harmattan Energy Ltd (Harmattan) is a wholly-owned subsidiary of Havoc Partners LLP (Havoc). Havoc developed this opportunity using its existing knowledge and network of contacts in Africa and then, under the terms of the Management Services Agreement entered into between Havoc and the Company in June 2017, offered participation in the project to Calima.

During the initial four-year term of the Petroleum Agreement the minimum investment obligation is US\$2,000,000. Harmattan, NAMCOR and Trago Energy Pty Ltd are financially carried through the initial term.

Corporate

Director and Senior Management Appointments and Resignations

There were no director or senior management changes in the period.

Consolidation of the Montney Project

On May 1 2018, the Company signed two separate Bid Implementation Agreements (BIAs) to acquire the issued capital of TSV Montney Limited (**TSVM**) and TMK Montney Limited (**TMKM**), both unlisted public companies (collectively, the Transaction). The purpose of the Transaction was to consolidate 100% of the Montney Project,

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comprising of approximately 72,000 gross acres prospective for the Montney formation in British Columbia, Canada (**Montney Project**).

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

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

Calima, TSVM and TMKM completed legal and financial due diligence and the transaction has the unanimous support and recommendation of each of the respective boards of directors.

Under the terms of the Transaction with TSVM:

- Calima made a takeover bid for all the shares in TSVM (**Takeover Bid**) and private treaty offers to all optionholders (**Option Offers**) for 100% of the issued capital of TSVM.
- A total consideration of 271,470,164 Calima shares will be issued comprising 268,670,164 Calima shares for the 80,681,731 TSVM shares on issue (representing a 3.33:1 ratio); and 2,800,000 Calima shares for the 2,800,000 TSVM options on issue (representing a 1:1 ratio).

Under the terms of the Transaction with TMKM:

- Calima made a takeover bid for all the shares in TMKM that it does not already own (**Takeover Bid**) and private treaty offers to all optionholders (**Option Offers**) for 100% of the issued capital of TMKM that it does not already own (Calima currently owns 8,000,000 shares in TMKM).
- A total consideration of 149,339,979 Calima shares will be issued comprising 133,139,979 shares for the 63,399,990 TMKM shares on issue that it does not already own (representing a 2.1:1 ratio); and 16,200,000 Calima shares for the 18,000,000 TMKM options on issue (representing a 0.9:1 ratio).

The purpose of the Transaction is to consolidate ownership of the Montney Project, with the key benefits including, but not limited to:

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

Equity Issues

The Company announced on 16 March 2018 that it had received A\$3,517,625 (before costs) through an over-subscribed private placement (Placement) to various sophisticated and institutional investors. The Placement was completed through the issue of 63,956,820 fully paid ordinary shares at an issue price of \$0.055 per share. The Placement shares were issued within the Company's placement capacity under ASX Listing Rule 7.1.

The company also issued 3,000,000 ordinary shares to corporate advisors during the period in relation to the takeover offers of TSV Montney Limited) and TMK Montney Limited.

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Changes in State of Affairs

During the half year ended 30 June 2018 there was no significant change in the entity's state of affairs other than that referred to in this Directors' report, the half year financial statements or notes thereto.

Events after the reporting date

- The takeover offer periods closed for both TMK Montney Limited (TMKM) and TSV Montney Limited (TSVM) on the 6 July 2018 and 20 July 2018 respectively.
- On 13 July 2018, new Calima shares were issued to TMKM shareholders who accepted the offer.
- On the 16 July the Company moved to compulsorily acquire the remaining shares it did not already own in TMKM and TSVM as it had acquired 98.08% of TMMK's and 91.20% of TSVM's shares on issue at that date.
- On 27 July 2018, new Calima shares were issued to TSVM shareholders who accepted the offer.
- On 17 August 2018, the company raised \$25 Million via a placement of 462,962,963 shares at \$0.054 per share to sophisticated and institutional investors. The shares are to be issued in the following two tranches:
 - 1. Tranche 1 – 236,111,111 fully paid ordinary shares. The Company issued 138,888,889 fully paid ordinary shares under ASX Listing Rule 7.1 and 97,222,222 fully paid ordinary shares under ASX Listing Rule 7.1A on Friday 24 August 2018.
 - 2. Tranche 2 – 226,851,852 fully paid ordinary shares. The Company will issue the balance of the capital raising, comprising of 226,851,852 fully paid ordinary shares subject to shareholder approval, following a shareholder meeting called for the purpose of approving the share issue in early October.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, BDO, which is included on page 7.

Signed in accordance with a resolution of the Directors.



Glenn Whiddon
Executive Chairman

12 September 2018

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF CALIMA ENERGY LIMITED

As lead auditor for the review of Calima Energy Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Calima Energy Limited and the entities it controlled during the period.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 12 September 2018

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Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 30 June 2018

	Notes	For the half year ended 30 June 2018 \$	For the half year ended 30 June 2017 \$
Interest revenue		6,880	62,073
Other revenue		41,200	150
		48,080	62,223
General and administrative expenses	3	(1,225,371)	(981,992)
Foreign exchange gain/(loss)		-	(352,008)
Loss before income tax		(1,177,291)	(1,271,777)
Income tax expense		-	-
Net loss for the period		(1,177,291)	(1,271,777)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation:			
Arising during the half year		30,255	13,509
Other comprehensive income/(loss) for the period, net of tax		30,255	13,509
Total comprehensive loss for the period		(1,147,036)	(1,258,268)
Loss for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		(1,147,036)	(1,271,777)
		(1,147,036)	(1,271,777)
Other comprehensive loss for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		30,255	13,509
		30,255	13,509
Loss per share for the half year attributable to members of Calima Energy Limited		Cents per share	Cents per share
- basic loss per share attributable to owners of the parent		(0.20)	(0.11)
- diluted loss per share attributable to owners of the parent		(0.20)	(0.11)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 \$	31 December 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	4,809,700	2,394,364
Trade and other receivables	5	675,967	334,169
Total current assets		5,485,667	2,728,533
Non-Current Assets			
Property, plant and equipment	6	183,230	16,721
Exploration and Evaluation expenditure	7	25,702,750	4,663,926
Investments	8	952,279	1,308,517
Total non-current assets		26,838,259	5,989,164
TOTAL ASSETS		32,323,925	8,717,697
LIABILITIES			
Current liabilities			
Trade and other payables		1,028,920	253,927
Total current liabilities		1,028,920	253,927
Non-Current Liabilities			
Provisions		43,340	-
Total Non-Current Liabilities		43,340	-
TOTAL LIABILITIES		1,072,261	253,927
NET ASSETS		31,251,664	8,463,770
EQUITY			
Issued capital	10	260,669,188	236,983,645
Reserves		15,792,114	15,542,726
Accumulated losses		(245,209,638)	(244,062,601)
TOTAL EQUITY		31,251,664	8,463,770

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Consolidated Statement of Cash Flows For the half year ended 30 June 2018

	Notes	30 June 2018 \$	30 June 2017 \$
Cash flows from operating activities			
Receipts from customers		-	24,053
Payments to suppliers and employees		(765,304)	(405,262)
Interest received		6,884	62,073
Other		(48,756)	-
Net cash flows used in operating activities		(807,176)	(319,136)
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(4,201)
Payments for exploration and evaluation assets		(1,703,254)	(492,655)
Cash from acquisition of subsidiary		1,509,755	-
Net cash flows (used in)/from investing activities		(193,499)	(496,856)
Cash flows from financing activities			
Proceeds from issue of shares		3,517,625	33,080
Payments for capital raising		(180,969)	(816)
Investment loan		-	(375,000)
Net cash flows from/(used in) financing activities		3,336,656	(342,736)
Net decrease in cash and cash equivalents		2,335,981	(1,158,728)
Net foreign exchange differences		79,354	(353,957)
Cash and cash equivalents at beginning of the period		2,394,365	6,416,195
Cash and cash equivalents at end of the period	4	4,809,700	4,903,510

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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**Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2018**

	Share capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
At 1 January 2018	236,983,645	15,547,680	(4,954)	(244,062,601)	8,463,770
Loss for period	-	-	-	(1,147,036)	(1,147,036)
Exchange difference on foreign operations			207,579	-	207,579
Other comprehensive gain	-	-	-	-	-
Total comprehensive loss for the period	-	-	207,578	(1,147,036)	(939,459)
Transactions with owners in their capacity as owners					
Issue of share capital	3,517,625	-	-	-	3,357,625
Transaction costs of issuing shares	(180,969)	-	-	-	(180,969)
Issue of shares to advisors	150,000				150,000
Issue of shares to TMKM and TSVM shareholders	20,198,887				20,198,887
Share based payments	-	41,805	-	-	41,805
At 30 June 2018	260,669,188	15,589,485	202,625	(245,209,637)	31,251,664

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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**Consolidated Statement of Changes in Equity (continued)
For the half-year ended 30 June 2017**

	Share capital	Performance share	Employee equity benefits reserve	Equity reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
At 1 January 2017	232,807,830	9,994,250	15,189,389	(2,427,566)	-	(249,179,353)	6,384,550
Loss for period	-	-	-	-	-	(1,271,777)	(1,271,777)
Other comprehensive gain	-	-	-	-	13,509	-	13,509
Total comprehensive loss for the period	-	-	-	-	13,509	(1,271,777)	(1,258,268)
Transactions with owners in their capacity as owners							
Issue of share capital	33,000	-	-	-	-	-	33,000
Transaction costs of issuing shares	(13,047)	-	-	-	-	-	(13,047)
Share based payments	-	-	15,246	-	-	-	15,246
At 30 June 2017	232,827,783	9,994,250	15,204,635	(2,427,566)	13,509	(250,451,130)	5,161,481

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements

1. Corporate Information

The half year financial report of the Group for the six months ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 12 September 2018.

Calima Energy Limited is a for profit company incorporated and domiciled in Australia. It is listed on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

This half-year financial report for the period ended 30 June 2018 is a general purpose condensed financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2017 and considered together with any public announcements made by Calima Energy Limited during the half-year ended 30 June 2018 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) Adoption of new and revised Accounting Standards

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

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

Investments and other Financial Assets - classification

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

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

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

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

Investments and other Financial Assets - measurement

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

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

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Notes to the Consolidated Financial Statements (continued)

Debt instruments

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

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

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

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

Equity instruments

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

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

Investments and other Financial Assets - impairment

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

(c) Going Concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

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Notes to the Consolidated Financial Statements (continued)

3. Expenses

	For the half year ended 30 June 2018 \$	For the half year ended 30 June 2017 \$
General and administrative expenses		
Employee benefit and director compensation expense	68,850	156,455
Share based payments	41,805	15,246
	110,655	171,701
Corporate expenses	1,038,503	582,837
Consulting expenses	74,140	179,142
Establishment expenses	-	17,311
Other	-	31,001
Depreciation of property plant and equipment	2,073	-
	1,225,371	981,992

4. Cash and Cash Equivalents

For the purposes of the half-year statement of cash flow, cash and cash equivalents are comprised of the following:

	30 June 2018 \$	31 December 2017 \$
Cash and cash equivalents		
Cash at bank and on hand	4,809,700	2,394,364
	4,809,700	2,394,364

5. Trade and Other Receivables

	30 June 2018 \$	31 December 2017 \$
Trade and other receivables		
GST receivable	259,230	134,784
Prepayments	9,439	47,138
Bank guarantee	46,772	46,196
Other	360,477	105,997
Interest receivable	49	54
	675,967	334,169

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

6. Property Plant and Equipment

	30 June 2018	31 December 2017
	\$	\$
Property plant and equipment		
Balance at the beginning of the period	16,721	-
Property plant and equipment acquired during the period	168,582	16,721
Less: accumulated depreciation	(2,073)	-
	183,230	16,721

As part of the TSV Montney Limited (TSVM) acquisition, TSVM has a 50% interest in a section in the Paradise area of British Columbia. A well in this section (100/11-86-15W6) produces oil from the Boundary Lake interval. Production from this well was relatively constant at 15-20 bopd (gross) for the 4 years prior to being shut in by the BC regulator (see below). While the potential of this well is difficult to predict due to lack of decline, TSVM estimates it could yield a further 35,000-70,000 barrels of oil (gross)

The Operator of the well, Sun Oil Fund Ltd, received a non-compliance order to cease production from the Paradise well from the BC Oil and Gas Commission (BCOGC) on 5th August 2016. The operator with TSVM's assistance has been working to restore administrative breaches with in the BCOGC since this time, however, has yet to restore these matters. The breaches unfortunately include a deficit of the Operators sinking fund obligations towards their orphan well exposure on its entire lease position. This limits the assistance that TSVM can provide to help resolve the matter, however, the Company is hoping that it will have a resolution to the breaches within 2018.

7. Exploration and Evaluation Expenditure

	30 June 2018	31 December 2017
	\$	\$
Exploration and Evaluation Expenditure		
Balance at the beginning of the period	4,663,926	-
Expenditure incurred	1,140,035	4,663,926
Acquisition of Namibian assets	864,485	
Acquired in the acquisition of of TSVM and TMKM	18,943,862	
Foreign exchange movements	90,442	
	25,702,750	4,663,926

As at 30 June 2018, the Company had advised that, in relation to the off-market takeover bid to acquire 100% of the issued voting shares in both TSV Montney (TSVM) and TMK Montney (TMKM), its voting power in both TSVM and TMKM had risen above 90%. The Company exercised its right to Compulsory acquire the remaining shares in TSVM and TMKM that it did not already have a relevant interest in and hence having 100% control of TSVM and TMKM.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

8. Investments

	30 June 2018	31 December 2017
	\$	\$
Investments		
Balance at the beginning of the period	1,308,517	-
Investments made during the period	-	1,308,517
Investments capitalised as part of the acquisition (Note 15)	(396,677)	
Movement due to foreign exchange translation	40,436	-
	952,279	1,308,517

9. Commitments

The Company has the following commitments:

Rental lease

The Group has the following obligations in respect of non-cancellable operating rental lease commitments:

- Later than one year but not more than five years: \$113,602

Land Rentals

The Group has the following obligations in respect of non-cancellable land rental over drilling rights:

- Later than one year but not more than five years: \$269,003

Namibia – Exploration Work

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

- Later than one year but not more than five years: US\$2,000,000

10. Contributed Equity

	30 June 2018	31 December 2017
	\$	\$
(a) Share capital		
Ordinary shares fully paid	260,669,188	236,983,645
	Number	\$
(b) Movements in ordinary shares on issue		
Balance at 1 January 2018	490,440,656	236,983,645
Issue of share capital for advisory services	3,000,000	150,000
Issue of shares for placement	63,956,820	3,517,625
Share issue costs	-	(180,969)
Issue of shares to TMKM and TSVM shareholders	-	20,198,887
Balance at 30 June 2018	557,397,476	260,669,188

As at 30 June 2018, shares to be issued to TSVM and TMKM shareholder in relation to the acquisition had not been issued. Subsequent to the year end all shares in relation to the takeover been issued to the TSVM and TMKM shareholders.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

11. Share Based Payments

No performance rights or options were granted during the half years ended 30 June 2018.

12. Related Party Transactions

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 30 June 2018 as well as balances with related parties as at 30 June 2018:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Key management personnel of the group:	\$	\$	\$	\$
Havoc Services Pty Ltd	-	321,234	-	-

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

The Company entered into a consulting agreement with Havoc Services Pty Ltd (Havoc), under which five Havoc members were engaged as members of the Company's Management team. The members include Managing Director Alan Stein, Technical Director Jon Taylor and senior geoscientists Mark Sofield, Richard Higgins and Justin Norris.

13. Segment Reporting

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group's activities relate to oil and gas exploration.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

14. Contingent Assets and Liabilities

There are no contingent assets or liabilities as at 30 June 2018.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

15. Acquisition of TSVM and TMKM

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

The following table outlines the assets that have been acquired by the company as at 30 June 2018

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

Critical accounting estimate or judgement:

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

16. Events after the reporting date

- The takeover offer periods closed for both TMK Montney Limited (TMKM) and TSV Montney Limited (TSVM) on the 6 July 2018 and 20 July 2018 respectively.
- On 13 July 2018, new Calima shares were issued to TMKM shareholders who accepted the offer.
- On the 16 July the Company moved to compulsorily acquire the remaining shares it did not already own in TMKM and TSVM as it had acquired 98.08% of TMMK's and 91.20% of TSVM's shares on issue at that date.
- On 27 July 2018, new Calima shares were issued to TSVM shareholders who accepted the offer.
- On 17 August 2018, the company raised \$25 Million via a placement of 462,962,963 shares at \$0.054 per share to sophisticated and institutional investors. The shares are to be issued in the following two tranches:
 - 1. Tranche 1 – 236,111,111 fully paid ordinary shares. The Company issued 138,888,889 fully paid ordinary shares under ASX Listing Rule 7.1 and 97,222,222 fully paid ordinary shares under ASX Listing Rule 7.1A on Friday 24 August 2018.
 - 2. Tranche 2 – 226,851,852 fully paid ordinary shares. The Company will issue the balance of the capital raising, comprising of 226,851,852 fully paid ordinary shares subject to shareholder approval, following a shareholder meeting called for the purpose of approving the share issue in early October.

Notes to the Consolidated Financial Statements (continued)

17. Fair Value Measurement of Financial Instruments

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs (level 3)).

The fair value of the unlisted equity investment has been determined based upon indicative non-binding offers received from independent third parties to acquire certain assets of the investee. Due to the way the third party offers are structured, the fair value of the investment has been assessed as a Level 3 measurement as per the fair value hierarchy set out above.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Directors' Declaration

In accordance with a resolution of the directors of Calima Energy Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at 30 June 2018 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Glenn Whiddon
Executive Chairman

12 September 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Calima Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Calima Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

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

Phillip Murdoch

Director

Perth, 12 September 2018