

## Quarterly Activities Report - 30 September 2018

**Calima Energy Limited**

ABN: 17 117 227 086

ASX Code: CE1

**Securities on Issue as at 30 October 2018:**

1,237,048,310 fully paid ordinary shares (quoted)

51,842,834 Escrowed to 28 August 2019

155,779,486 Escrowed to 30 April 2019

20,029,226 Performance Shares, refer to Prospectus

19,450,000 Performance Rights, refer to Prospectus

10,000,000 options exercisable at \$0.09 on or before 25/08/2022

10,000,000 options exercisable at \$0.12 on or before 25/08/2022

10,000,000 options exercisable at \$0.045 expiring 25/08/2020

**Directors**Glenn Whiddon  
(Chairman)Alan Stein  
(Managing Director)Jonathan Taylor  
(Technical Director)Neil Hackett  
(Non-Executive Director)**Joint Company Secretary**Neil Hackett  
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**Calima is a public company listed on the ASX (ASX:CE1). The principal activity of Calima is investing in oil and gas exploration and production projects internationally. Calima's core asset lies within a liquids-rich sweet-spot of the Montney Play in Northeast British Columbia.**

Calima Energy Limited (ASX: CE1) (Calima or the Company) is pleased to provide shareholders with the following summary of its activities during the September 2018 quarter.

### Key Activities and Highlights

#### Operations

Calima's Q3 operations were focused on preparations for an upcoming drilling campaign in its acreage in Northeast British Columbia (**Calima Lands**), considered to be prospective for the Montney Formation.

#### Calima Lands - Appointment of Leading Engineering Firms

Calima appointed two highly-regarded Canadian engineering firms, Ramdar Resource Management (Ramdar) and Trialta Projects, during the quarter that have extensive experience within the Montney Play, having worked with many of the leading operators active in the area, including Encana and Arc Resources.

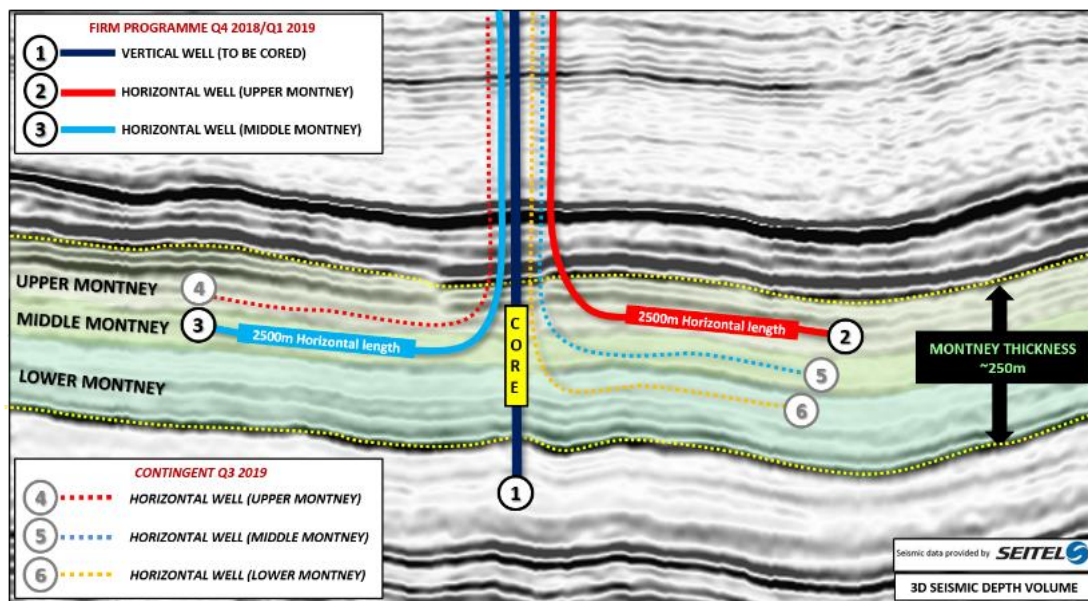
Ramdar specialise in wellsite and drilling engineering management. They have been involved in Montney drilling since the inception of the play in 2005 where they supported delineation drilling, prior to drilling the first horizontals within the play.

Trialta is actively involved in projects across British Columbia, Alberta and Saskatchewan. They will manage all of the engineering, procurement, construction and management services (EPCM) for the facilities and pipeline activities associated with the Calima Lands.

#### Calima Lands – Drilling Completions Review

Calima completed a review of more than 500 horizontal Montney wells drilled within a 75km radius of the Calima Lands. The review benchmarked the Company's proposed well design and completion strategy against all the leading Operators in the region to ensure the wells to be drilled by Calima are comparable to the best performing wells in the play. In December, the Company is proposing to drill one vertical well and then two horizontal wells (Figure 1).

The vertical well will provide stratigraphic calibration and will be cored to recover samples of rock for measurement and analyses. The horizontal wells will be stimulated with hydraulic fractures and put on an extended production test over a period of 4 to 6 weeks. This is a well-established technique in the Montney with more than 5,000 horizontal wells having been drilled to date. It is worth noting that less than 2% of these wells are non-productive<sup>(1)</sup> which is indicative of the pervasive hydrocarbon saturation within the Montney Formation

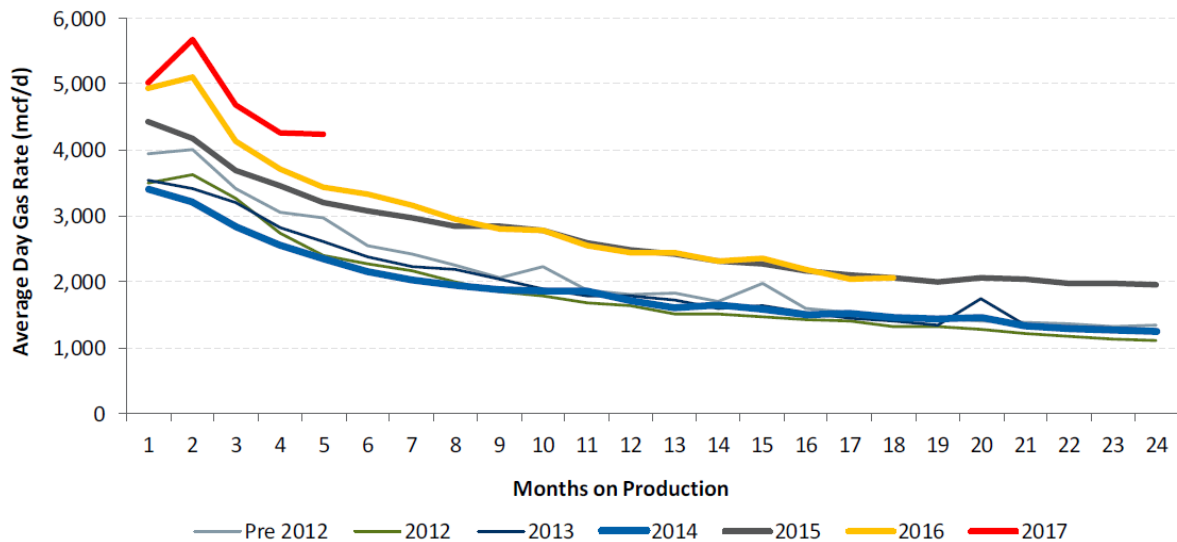


	NOV 18	DEC 18	JAN 19	FEB 19	MAR 19
ACCESS	[Solid black bar]				
LEASE CONSTRUCTION	[Solid black bar]				
DRILLING	Drill Inj Well		Drill Hz 1		
			Drill Hz 2		
WATER	C-ring Installation			Pumping Complete Hz 1	
COMPLETION		Complete Inj. Well		Complete Hz 2	Available Test Period

Figure 1 – Schematic and timeline of upcoming Calima drilling programme. Wells 1-3 are proposed for drilling during the northern winter (December-March). Wells 4-6 are part of a contingent programme planned for later in 2019.

<sup>1</sup> Refer to ASX announcement 10 August 2018

The productivity of wells drilled into the Montney has improved significantly year-on-year as Operators have optimised the completion techniques being adopted. The comparison of average daily gas production rate in Figure 2 shows the year-on-year increases in productivity in northern British Columbia.



**Figure 2 – Year-on-year comparison of average daily gas production rate from Montney wells in northern British Columbia (Source RBC – Oct 2017)**

The increases in productivity illustrated in Figure 2 can be attributed to improvements in completion techniques which, in simplistic terms, reflect increasing length of horizontal sections, an increase in the number of stages and an increase in the proppant loading per well.

Although full details of the completion design being proposed by Calima remain confidential it is proposed to drill 2,500 m horizontal sections with 85-90 stimulation stages and ~1.2-1.5 tonnes per metre of proppant loading.

## Corporate

### Takeover Offers

During the quarter, the Company completed the takeovers of TMK Montney Limited (**TMKM**) and TSV Montney Limited (**TSVM**), which was announced to the market on 2 May 2018.

Completion of the transactions will result in a number of key benefits, including, but not limited to:

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

Completion of the takeover offers and the compulsory acquisition of the remaining TSVM and TMKM shares resulted in the issue of approximately 420.8 million new Calima shares, with approximately 155 million of these new shares subject to escrow through to 30 April 2019.

## **\$25 Million Over-subscribed Placement**

The Company completed a private placement for the total of A\$25,000,000 (before costs) through the issue of 462,962,963 fully paid ordinary shares at \$0.054 per share (**Placement**).

The Placement was oversubscribed, with support received from sophisticated and professional investors reflecting the strong interest in Calima and its high-class Montney oil and gas acreage (Calima Lands) in British Columbia, Canada.

Proceeds from the Placement will be used by Calima to drill three wells on the Calima Lands as described above and illustrated in Figure 1, commencing in December 2018.

Tribeca Investment Partners (**Tribeca**) were the cornerstone investor of the Placement and also agreed to arrange project development finance facilities of up to \$40 million. Tribeca's appointment, and any subsequent financing, is subject to the usual due diligence reviews with terms to be negotiated and agreed between the parties.

Euroz Securities Limited (**Euroz**) and Morgans Corporate Limited (**Morgans**) acted as Joint Lead Managers to the Placement and RBC Capital Markets (**RBC**) were Co-Manager to the Placement. The shares were 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 issued the balance of the capital raising, comprising of 226,851,852 fully paid ordinary shares after shareholder approval was received on 3 October 2018.

For further information visit [www.calimaenergy.com](http://www.calimaenergy.com) or contact:

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## Appendix 1 - Schedule of Interest in Tenements

COUNTRY	BLOCK ID	LOCATION	WORKING INTEREST
CANADA	65276	Onshore	100%
CANADA	65277	Onshore	100%
CANADA	65350	Onshore	100%
CANADA	65355	Onshore	100%
CANADA	65391	Onshore	100%
CANADA	65393	Onshore	100%
CANADA	65450	Onshore	100%
CANADA	65452	Onshore	100%
CANADA	65454	Onshore	100%
CANADA	65537	Onshore	100%
CANADA	65539	Onshore	100%
CANADA	65556	Onshore	100%
CANADA	65557	Onshore	100%
CANADA	65558	Onshore	100%
CANADA	65559	Onshore	100%
CANADA	65591	Onshore	100%
CANADA	65635	Onshore	100%
CANADA	65636	Onshore	100%
CANADA	65659	Onshore	100%
CANADA	65662	Onshore	100%
CANADA	65663	Onshore	100%
CANADA	65691	Onshore	100%
CANADA	65733	Onshore	100%
CANADA	65735	Onshore	100%
CANADA	66255	Onshore	100%
CANADA	66256	Onshore	100%
CANADA	66312	Onshore	100%
CANADA	66313	Onshore	100%
CANADA	66338	Onshore	100%
CANADA	66386	Onshore	100%
CANADA	66419	Onshore	100%
CANADA	66420	Onshore	100%
CANADA	66421	Onshore	100%
CANADA	66422	Onshore	100%
CANADA	66440	Onshore	100%
CANADA	66441	Onshore	100%
CANADA	66442	Onshore	100%
CANADA	66443	Onshore	100%
CANADA	66479	Onshore	100%
CANADA	66480	Onshore	100%
CANADA	66481	Onshore	100%
CANADA	66515	Onshore	100%
CANADA	66550	Onshore	100%
CANADA	66581	Onshore	100%
WESTERN SAHARA	Daora	Offshore	50%
WESTERN SAHARA	Haouza	Offshore	50%
WESTERN SAHARA	Mahbes	Offshore	50%
WESTERN SAHARA	Mijek	Offshore	50%
NAMIBIA	2813B	Offshore	56%

### About Calima Energy

**Calima Energy Limited (ASX:CE1)** is an international oil and gas company with more than 72,000 acres of drilling rights prospective for the Montney Formation in British Columbia, the most active oil and gas play in Canada.

# CALIMA

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E N E R G Y

Calima, which features a board and management made up of some of the most successful oil and gas executives of recent years, is fast-tracking a major oil and gas opportunity in one of the world's most successful and sought after plays.

The Company is preparing to drill several wells close to existing infrastructure, including pipelines and processing facilities.

Calima's neighbours in the Montney play include international operators Shell, ConocoPhillips and PETRONAS, as well as Canadian producers Black Swan Energy, Saguaro Resources and Painted Pony Energy. The region's liquids-rich hydrocarbon reserves are being targeted for LNG export alongside domestic and international oil market opportunities.