



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

CALIMA
ENERGY

ASX Code: CE1

March 4, 2019

Reservoir Stimulation Operations Commenced

Highlights:

- Coiled tubing successfully run in-hole.
- Reservoir stimulation operations initiated.
- Production testing scheduled to commence mid-March 2019.

Calima Energy Limited (ASX:CE1) (“Calima” or the “Company”) is pleased to advise that reservoir stimulation operations at the Calima-2 and Calima-3 wells have been initiated.

Each well has a horizontal length of approximately 2,500 m (8,200 ft) and the completion is being done in 92 stages using NCS Multistage’s sliding sleeve completions technology. The coiled tubing and pumping equipment required for this style of completion were installed without any complications. CalFrac Well Services have commenced reservoir stimulation operations with each well expected to take 5-6 days. Production testing will commence immediately after both wells have been stimulated.

Reservoir stimulation is the process commonly referred to as “Hydraulic Fracturing” where the rocks are fractured by the injection of predominantly water and sand at high pressure. Once the pressure is released the sand grains keep the fractures open allowing hydrocarbons and formation fluids to flow out of the rock into the well-bore. The horizontal sections of the well bore are divided into 92 almost equal sections and each section is treated individually and hydraulically isolated from the other stages in the well bore. Once stimulations are finished the well will be flowed back through production testing equipment. Most of the water injected into the reservoir will flow back to the surface and will be collected in storage tanks to be recycled for future use. As the initial flush of water begins to subside it is replaced by hydrocarbons.

Based on the analysis of the core recovered from the vertical well it is expected that both of the Calima horizontal wells will produce a mixture of high value oil products (condensate and other natural gas liquids) and natural gas,. The natural gas will be flared while the liquid hydrocarbons will be collected and sold locally.

The Company has a permit to flare approximately 105 mmcf of gas from each well. This will be enough gas volume to clean up the well, establish an initial flow rate and then to run a step rate production test.

Calima Energy Ltd ACN 117 227 086
1A/1 Alvan St, Subiaco Perth WA 6008: +61 8 6500 3270 Fax: + 61 8 6500 3275
Email: info@calimaenergy.com.au www.calimaenergy.com.au

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Step rate production testing is a series of tests at various flow rates and pressures which will evaluate turbulence effects acting on the gas as it enters the well bore. This will determine a sustainable rate of production and more importantly it will determine the optimal flow rate to deliver the best condensate gas ratio (CGR).

The Company will make a further announcement on completion of each of the reservoir stimulation operations.

Alan Stein, Calima's Managing Director commented:

We continue to be delighted with the operational progress being delivered by the team in Canada and we are excited to be approaching the production testing phase of the project which will commence in the next week or so. The production tests will be a major milestone for the Company and for the Montney in northeast British Columbia."

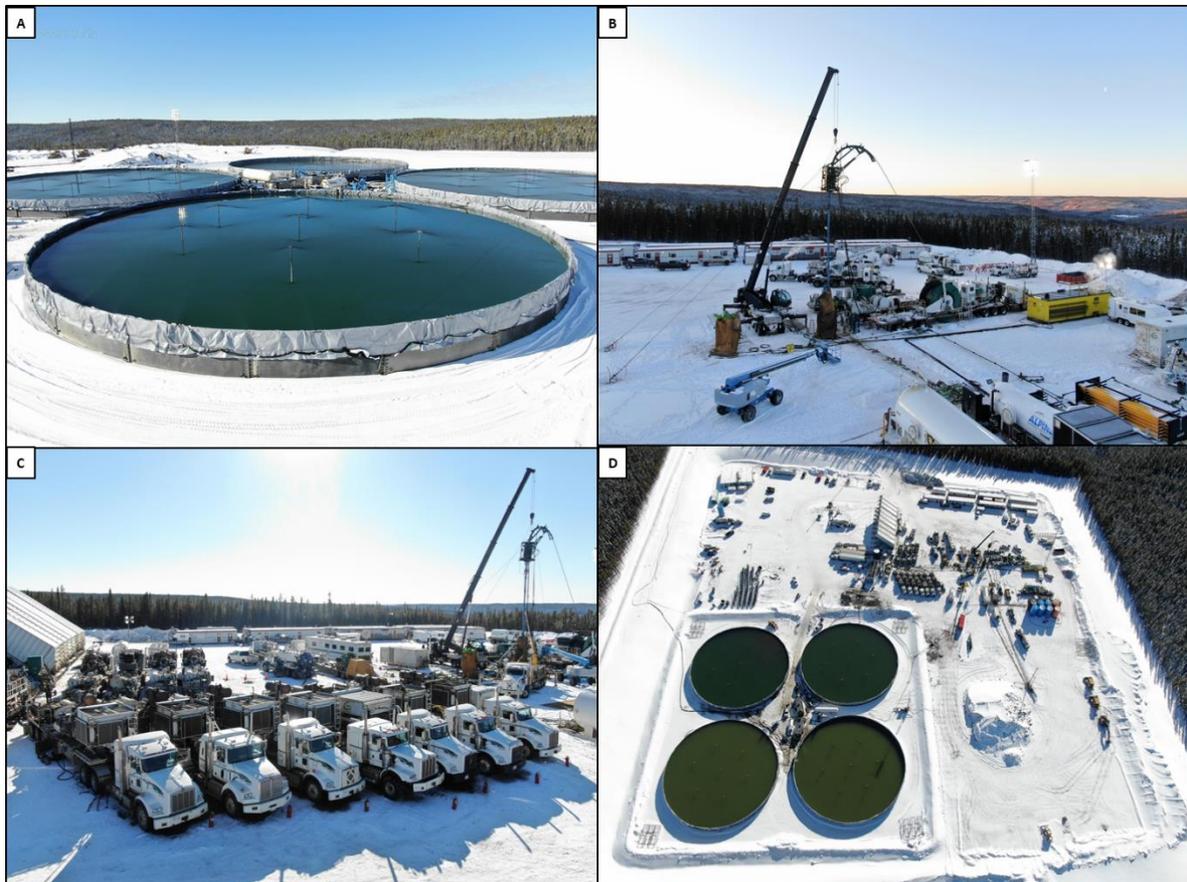


Figure One – A) On-site water storage with water sourced from the Sikanni Chief River. B) Installation of coiled tubing and NCS Multistage tool. C) Calfrac equipment including sandstorm units, pumps, blenders and monitoring units in position. D) Well site set-up and ready for reservoir stimulation operations.

For further information visit www.calimaenergy.com or contact



Alan Stein

Managing Director

E: astein@calimaenergy.com

T: +61 8 6500 3270

Jonathan Taylor

Technical Director

E: jtaylor@calimaenergy.com

T+ 44 77391 77805

Glenn Whiddon

Chairman

E: glenn@lagral.com

T: +61 0 410 612 920

David Tasker

Chapter One Advisors

E: dtasker@chapteroneadvisors.com.au

T: +61 433 112 936

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's neighbours in the Montney include international operators Shell, ConocoPhillips and Petronas Canada, 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.