

# **CALIMA ENERGY LIMITED**

ACN 117 227 086

## **NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT**

**A non-renounceable pro rata fully underwritten offer of New Shares at the Offer Price of 1.8 cents each on the basis of (1) New Share for every (3) Shares held on the Record Date to raise up to approximately \$8.7 million.**

**This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares being offered by this document.**

**THE OFFER IS CURRENTLY SCHEDULED TO CLOSE AT 3.00PM WST / 5.00pm AEST ON 22  
JULY 2019**

**VALID APPLICATION FORMS MUST BE RECEIVED BEFORE THAT TIME.**

**Please read the instructions in this Rights Issue Offer Document and on the Entitlement and Acceptance Form regarding the acceptance of New Shares under the Offer.**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT  
SHOULD BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL  
FINANCIAL ADVISER BEFORE DECIDING TO ACCEPT OR DECLINE THE OFFER.**

**THE NEW SHARES OFFERED BY THIS RIGHTS ISSUE OFFER DOCUMENT SHOULD BE  
CONSIDERED SPECULATIVE IN NATURE.**

## **IMPORTANT INFORMATION**

This Rights Issue Offer Document is dated 1 July 2019. No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Rights Issue Offer Document. Any information or representation not so contained may not be relied on as having been authorised by Calima in connection with the Offer.

### **Eligibility**

Applications for New Shares by Eligible Shareholders can only be made on the original Entitlement and Acceptance Form, as sent with this Rights Issue Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

### **Privacy**

Calima collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in Calima.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that Calima may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes in this privacy disclosure statement and may disclose it for those purposes to the Registry, Calima's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities. If you do not provide the information required on the Entitlement and Acceptance Form, Calima may not be able to accept or process your application.

An Applicant has a right to gain access to the information that Calima holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to Calima's registered office.

### **Overseas Shareholders**

No Offer will be made to Shareholders resident outside Australia, New Zealand and the United Kingdom.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia, New Zealand and the United Kingdom may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Shareholders resident in Australia, New Zealand or the United Kingdom holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

### **New Zealand investors**

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 6D of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of this Rights Issue Offer Document and accompanying Entitlement and Acceptance Form are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act the regulations made under that Act set out how the Offer must be made. This Rights Issue Offer Document

is not a prospectus or investment statement under New Zealand law and has not been registered or filed with, or approved by, any New Zealand regulatory authority under or in accordance with the New Zealand Securities Act 1978 or any other relevant law in New Zealand.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

### **United Kingdom**

Neither the information in this document nor any other document relating to the Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members or creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended, or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

### **Notice to nominees and custodians**

Nominees and custodians may not distribute any part of this Rights Issue Offer Document or any Entitlement and Acceptance Form in any country outside Australia and New Zealand, and may not permit any beneficial shareholder to participate in the Offer, except with the consent of the Company and in such other country as the Company may determine it is lawful and practical to make the Offer. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those requirements.

**This document is not a prospectus.** It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares being offered by this document.

This document has been prepared in accordance with section 708AA of the Corporations Act and applicable *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84* which in general terms, permits

certain companies to undertake entitlement offers without being required to use or provide to shareholders a prospectus or other disclosure document.

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## 1. Details of Offer

### 1.1 Offer

#### Capital Raising

On 1 July 2019, Calima announced a \$12.7 million capital raising to be completed by way of a \$4 million placement to sophisticated or professional investors at 1.8 cents per share (**Placement**) and a \$8.7 million pro-rata offer, at the same price as the Placement. Shares under the Placement are intended to be issued on 5 July 2019 and these Shares will not give the holder a right to participate in the Offer.

Calima is also making a non-renounceable pro-rata offer of New Shares to Eligible Shareholders on the basis **of (1) New Share for every (3) Shares** held at the Record Date, each at the Offer Price of 1.8 cents (**Offer**). The Offer is fully underwritten by Petra Capital Pty Limited and Euroz Securities Limited (the **Underwriters**) on the basis that they are each severally responsible for a 50% proportion of the underwriting.

As at the Record Date, Calima will have on issue 1,450,013,017 Shares<sup>1</sup>. The Company expects that up to 483,337,677 New Shares will be issued under the Offer to raise up to approximately \$8.7 million (before costs of the Offer).

Calima will accept Entitlement and Acceptance Forms, including BPAY® acceptances, until 3.00pm WST / 5.00pm AEST on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the ASX Listing Rules and in agreement with the Underwriters.

Where the determination of the entitlement of Eligible Shareholders results in a fraction of a Share, such fraction will be rounded down to the nearest whole Share.

#### Applying under the Offer

Your Entitlement is shown on the personalised Entitlement and Acceptance Form accompanying this Rights Issue Offer Document. You may accept the Offer by:

- Paying Application Monies via BPAY® pursuant to the instructions that are set on the Entitlement and Acceptance Form so that your payment via BPAY® has been received by the Company by 3.00pm WST / 5.00pm AEST on the Closing Date; or
- Lodging your Entitlement and Acceptance Form, together with payment of Application Monies, by cheque, bank draft or money order so that it has been received by the Company by 3.00pm WST / 5.00pm AEST on the Closing Date.

Please refer to the instructions in Section 2 of this Right Issue Rights Offer Document for further information.

#### Top Up Facility

Eligible Shareholders may also apply for additional New Shares in excess of their Entitlement<sup>2</sup> at the same price of 1.8 cents per New Share. The Top Up Facility provides an opportunity for Eligible Shareholders to apply for additional New Shares over and above their Entitlement so that they may top up their holdings. Participation in the Top Up Facility is subject to compliance with the

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<sup>1</sup> Assuming the issue of Canadian Advisor Shares and Performance B Shares and no Options exercised prior to the Record Date.

<sup>2</sup> There is no guarantee regarding the number of New Shares (If any) that will be available to Eligible Shareholders under the Top Up Facility, in addition to their Entitlement under the Offer.

Corporations Act, Foreign Acquisitions and Takeovers Act 1975 (Cth) and other applicable laws. Allocation of New Shares under the Top Up Facility are at the absolute discretion of the Company.

### **Additional information**

The Underwriters have the right to procure subscriptions for any New Shares not subscribed for by Eligible Shareholders under the Offer or the Top Up Facility, at their discretion pursuant to the Underwriting Agreement. Details regarding the Underwriting Agreement are set out in Section 4.1.

Acceptance of a completed Entitlement and Acceptance Form by Calima creates a legally binding contract between the Applicant and Calima for the number of New Shares accepted or deemed to be accepted by the Applicant. When making a BPAY® payment you do not need to submit an Entitlement and Acceptance Form, however, you are deemed to have made the representations under the Entitlement and Acceptance Form. The Entitlement and Acceptance Form does not need to be signed by the Applicant to be legally binding. The Offer and contract formed on acceptance are governed by the laws of Western Australia.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

New Shares offered by this Rights Issue Offer Document are expected to be issued, and security holder statements dispatched, on the date specified in the timetable in Section 1.2.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

You should read this Rights Issue Offer Document in its entirety (including the Risks section in Section 3) before deciding to participate in the Offer.

## **1.2 Indicative Timetable**

Lodgment of Appendix 3B and s708AA notice	01-Jul-19
Notice to Shareholders	02-Jul-19
Existing Shares quoted on an "ex" basis	03-Jul-19
Record Date (5.00pm WST) / (7.00pm AEST)	04-Jul-19
Placement Settlement Date	04-Jul-19
Rights Issue Offer Document and Entitlement and Acceptance Form sent to Eligible Shareholders	08-Jul-19
Closing Date (3.00pm WST) / (5.00pm AEST)	22-Jul-19
Securities quoted on a deferred settlement basis	23-Jul-19
Company to notify ASX of under subscriptions (if any)	25-Jul-19
Anticipated date for the issue of the New Shares	29-Jul-19
Deferred settlement trading ends	29-Jul-19
Dispatch of Holding Statements	30-Jul-19

Subject to the ASX Listing Rules and agreement with the Underwriters, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the New Shares.

### 1.3 Use of Funds

It is proposed that the proceeds raised from the Offer be allocated as follows:

	\$ million
Opening Cash <sup>(1)</sup>	3.1
Receivables <sup>(2)</sup>	0.9
Namibian Sale Consideration <sup>(3)</sup>	2.8
Payables <sup>(4)</sup>	(11.4)
Funds raised from the Placement <sup>(5)</sup>	4.0
Funds raised from the Offer <sup>(6)</sup>	8.7
Costs of the issue	(0.8)
<b>Total funds available</b>	<b>7.3</b>
<b>Corporate overhead to 30 June 2020</b>	<b>1.35</b>
<b>Other project work</b>	<b>0.1</b>
<b>Montney project costs to 30 June 2020</b> <sup>(7)</sup>	<b>3.65</b>
<b>Testing Program <sup>(8)</sup></b>	<b>2.2</b>
<b>Total Funds Applied</b>	<b>7.3</b>

#### Notes

1. Cash as at 1 June 2019
2. Canadian GST refund of \$930,000
3. Sale of Namibian interests \$2,800,000. The receipt of proceeds from the sale of the Company's Namibian interests is subject to certain conditions precedent.
4. Payables as at 1st June 2019 reflects predominantly outstanding drilling costs from the 2019 Montney drill program and resource work.
5. As outlined in the capital raising announcement dated 1 July 2019 the Company has received firm commitments for a placement of 222,222,222 Shares (Placement Shares) to sophisticated investors, professional and other exempt investors under section 708 of the Corporations Act, each at an issue price of \$1.8 cents to raise \$4 million (before costs) (Placement). Settlement of the Placement funds is expected to occur on 4 July 2019 after the Record Date and holders of Placement Shares will not have an Entitlement to subscribe for New Shares under the Offer.
6. These costs reflect an estimate of project costs, including:
  - (i) due diligence on infrastructure
  - (ii) pipeline design and survey
  - (iii) core analysis and technical studies
  - (iv) land rentals and regulatory costs
  - (v) negotiations of marketing/sales and access to midstream infrastructure
  - (vi) maintenance of pad facilities
7. Test Program
  - (i) Reflect costs for 2 wells to use remaining permitted flare volume for both wells
8. If the sale of the Namibian interest does not proceed then the Test Program and activities constituting the Montney Project costs will be scaled back accordingly.

### 1.4 No Rights trading

The pro-rata offer of New Shares is non-renounceable, which means that Eligible Shareholders are not able to sell or transfer all or any part of their Entitlement to subscribe for Shares under the Offer. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse. The New Shares in your Entitlement that are not taken up by you will form part of the Top Up Shares or Shortfall Shares.

### 1.5 ASX quotation

Application will be made to ASX for the Official Quotation of the New Shares to be issued under the Offer. If permission is not granted by ASX for the Official Quotation of the New Shares to be issued

under the Offer, Calima will repay, as soon as practicable, without interest, all Application Monies received pursuant to the Offer.

## **1.6 Risk Factors**

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 3.

## **1.7 Underwriting**

The Offer is fully underwritten by the Underwriters on the terms of the Underwriting Agreement. Details regarding the Underwriting Agreement are set out in Section 4.1.

## **1.8 Top Up Facility and Shortfall**

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will be applied:

- First to the Top Up Facility (where other Eligible Shareholders may apply for additional New Shares in excess of their Entitlement); and
- Second to Shortfall Shares, which will revert to the Underwriters, including sub-underwriters.

If you take up your Entitlement in full, you may apply for additional New Shares in excess of your Entitlement (**Top Up Shares**) pursuant to the Top Up Facility (**Top Up Facility**) by:

- transferring Application Monies in relation to your Entitlement and any additional New Shares applied for under the Top Up Facility via BPAY®; or
- completing the relevant part of the Entitlement and Acceptance Form relevant to the Top Up Facility.

Refer to Section 2 for instructions as to how to apply for Top Up Shares.

Top Up Shares will only be available where there is a shortfall between Entitlement and Acceptance Form applications received from Eligible Shareholders and the number of New Shares proposed to be issued under the Offer. Decisions regarding the operation of the Top Up Facility and any necessary scale back will be made by the Company in its absolute discretion, in consultation with the Underwriters. The Participation in the Top Up Facility is also subject to compliance with the Corporations Act, Foreign Acquisitions and Takeovers Act 1975 (Cth) and other applicable laws.

Top Up Shares will be issued at the Offer Price of 1.8 cents per Top Up Share. Eligible Shareholders who apply for Top Up Shares may be allocated a lesser number of Top Up Shares than applied for, or may be allocated no Top Up Shares at all, in which case excess Application Monies will be refunded without interest.

To the extent any New Shares under the Offer or the Top Up Facility, remain unallocated, this will form the Shortfall Shares, the Underwriters will (subject to the terms of the Underwriting Agreement) be required to subscribe, or procure sub-underwriters to subscribe, for those Shortfall Shares at the Offer Price.

The Offer is fully underwritten. In the event the Underwriting Agreement is terminated and there are Shortfall Shares, the Directors reserve the right to place the Shortfall Shares at their discretion.

## 1.9 Effect of the Offer on control of the Company

The potential effect the Offer will have on each Shareholder's percentage interest in the total issued capital of the Company is as follows:

- (a) If all Eligible Shareholders take up their Entitlement, each Eligible Shareholder's percentage in the total issued Shares of the Company will remain the same and will not be diluted; and
- (b) If some but not all Eligible Shareholders take up their entitlement, and some or all of the Top Up Shares are taken up under the Top Up Facility and the Underwriting Agreement, the percentage interest in the total issued Shares of each Eligible Shareholder who does not take up their Entitlement will be diluted and the percentage interest of the total issued Shares of each Eligible Shareholder who does take up their Entitlement will remain the same.

It is not expected that the issue of the New Shares under the Offer will have any material impact on the control of the Company. In particular, no Shareholder will acquire an interest in 20% or more of the issued capital of the Company as a result of the Offer.

## 1.10 Effect on capital structure

Below is a table showing the Company's current capital structure and the capital structure upon completion of the Placement and Offer, assuming none of the existing Options are exercised prior to the Record Date.

	Shares	Options	Performance Shares	Performance Rights
Balance at the date of this Rights Issue Offer Document	1,444,885,070	32,750,000 <sup>(1)</sup>	20,029,226 <sup>(2)</sup>	19,450,000 <sup>(3)</sup>
Shares to be issued to Canadian Advisor and on conversion of Performance Shares B <sup>(5)</sup>	5,127,947		(3,947,360)	
New Shares to be issued under the Offer	483,337,672	0	0	0
Shares to be issued under the Placement <sup>(4)</sup>	222,222,222	0	0	0
Balance following completion of the Offer and Placement	2,155,572,912	32,750,000	16,081,886	19,450,000

- (1) Refer to the Unlisted Option table below for further details in respect to the terms of the Unlisted Options.
- (2) Refer to the Performance Shares table below for further details in respect to the terms of the Performance Shares.
- (3) Refer to the Performance Rights table below for further details in respect to the terms of the Performance Rights
- (4) As outlined in the capital raising announcement dated 1 July 2019 the Company has received firm commitments for a placement of 222,222,222 Placement Shares to sophisticated investors at the Offer Price of 1.8 cents to raise \$4 million (before costs). Settlement of the Placement funds is expected to occur on 5 July 2019. The Placement Shares are expected to be issued on 5 July 2019 (after the Record Date) and will not have an Entitlement to participate in the Offer.
- (5) 1,180,587 shares will be issued to the Canadian Advisor as approved by shareholders on the 30 May 2019 AGM, prior to the Record Date. 3,947,360 Performance Shares B have met their conversion requirements and these securities will be converted to ordinary shares prior to the Record Date.

### (a) Unlisted Options – Key Terms and Conditions

Unlisted Options	Exercise Price	Expiry	Number
Tranche 1 Options <sup>1</sup>	\$0.045	29/08/2020	10,000,000
Tranche 2 Options <sup>1</sup>	\$0.09	29/08/2022	10,000,000
Tranche 3 Options <sup>1</sup>	\$0.12	29/08/2022	10,000,000

Unlisted Options	Exercise Price	Expiry	Number
Tranche 4 Options	\$0.07	31/12/2019	2,000,000
Tranche 5 Options	\$0.07	06/11/2021	750,000
<b>Total</b>			<b>32,750,000</b>

(1) Options escrowed until 31 August 2019.

(b) **Performance Shares – Key Terms and Conditions**

Each Performance Share converts to one Share upon satisfaction of certain milestones. The Vesting Conditions, Milestone Date and Expiry Date of each class of Performance Share is referred to in the below table.

Performance Shares	Conversion Milestones	Expiry date	Number
Performance Shares A	i. any of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) commencing and taking effect in accordance with the applicable Assurance Agreement with the SADR Government 31 Dec 2020; or ii. sale of all or part of Calima's Production Sharing Contracts with the SADR Government for >A\$0.132 million by 31 Dec 2020.	31/12/2020	1,461,988
Performance Shares B*	i. spudding of an exploration well in any of the lands licensed by the Montney JV by 1 Mar 2019; or ii. sale of Calima's shares in TMKM for >A\$0.394m by 31 Dec 2020.	31/12/2020	3,947,360
Performance Shares C	i. spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari by 31 Dec 2020; or ii. sale Calima's shares in Bahari for >A\$1.32m by 31 Dec 2020.	31/12/2020	14,619,878

\* The conversion hurdle associated with Performance Shares B has been met and these securities will be converted to ordinary shares prior to the Record Date.

(c) **Performance Rights – Key Terms and Conditions**

Each Performance Share converts to one Share upon satisfaction of certain milestones. The Vesting Conditions, Milestone Date and Expiry Date of each class of Performance Share is referred to in the below table.

Performance Rights	Conversion Milestones	Vesting date	Number
Performance Rights	The Performance Rights will vest subject to completion of a minimum of 18 months' continuous service, and on satisfaction of at least two of the following three conditions: <ul style="list-style-type: none"> <li>• The VWAP for Calima shares for any period of 30 consecutive trading days being above \$0.15;</li> <li>• Calima raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and</li> <li>• Calima's market capitalisation exceeding \$50 million (based on the VWAP for Calima shares for any period of 30 consecutive trading days).</li> </ul> The Performance Rights will vest immediately on a change of control of Calima that occurs at a price per share greater than \$0.15.	29/08/2022	19,450,000

### **1.11 Market Price of Shares**

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale price of the Shares on ASX during the three months immediately preceding the date of release of this Rights Issue Offer Document is as follows:

	\$	Date
Highest	0.050	28 & 29 March 2019
Lowest	0.019	25 & 26 June 2019
Last	0.019	26 June 2019

### **1.12 Taxation implications**

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Rights Issue Offer Document. Calima, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Rights Issue Offer Document.

### **1.13 Overseas Shareholders**

The Offer will not be made to Shareholders resident outside of Australia, New Zealand and the United Kingdom. The Company has decided that it is unreasonable to make the Offer to Shareholders outside of Australia, New Zealand and the United Kingdom having regard to the small number of Shareholders with addresses in other jurisdictions, the small number and value of the Shares they hold and the cost of complying with the legal requirements and the requirements of regulatory authorities in those other jurisdictions and the amount to be raised under the Offer.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia, New Zealand and the United Kingdom may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Shareholders resident in Australia, New Zealand and the United Kingdom holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Notwithstanding the above, the Company may (in its absolute discretion) extend the Offer to certain shareholders who have registered addresses outside Australia, New Zealand and the United Kingdom in accordance with applicable law.

### **1.14 CHES and issuer sponsorship**

The Company participates in the Clearing House Electronic Subregister System, known as CHES. All trading on ASX in Shares will be settled through CHES. ASX Settlement, a wholly owned subsidiary of ASX, operates CHES in accordance with the Listing Rules and the ASX Settlement Rules.

The Registry operates an electronic issuer-sponsored sub-register and an electronic CHESSE sub-register. Both these sub-registers constitute the Company's principal register of Shareholders.

Holders of Shares will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored or other participant in CHESSE, ASX Settlement will send you a CHESSE statement. The CHESSE statement will set out the number of New Shares issued under this Rights Issue Offer Document, provide details of your holder identification number, and provide the participant identification number of the sponsor and the terms and conditions applicable to the New Shares, including a notice to exercise the New Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Registry and will contain the number of New Shares issued to you under this Rights Issue Offer Document and your security holder reference number.

A CHESSE statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

### **1.15 Continuous disclosure obligations**

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Rights Issue Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for New Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website [www.calimaenergy.com](http://www.calimaenergy.com) or the ASX [www.asx.com.au](http://www.asx.com.au).

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Rights Issue Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the nonexclusive jurisdiction of the courts of Western Australia.

### **1.16 Entitlement Offer Notice**

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company. This notice may be reviewed on the websites of the Company and ASX.

## 1.17 Enquiries

Enquiries concerning the Entitlement and Acceptance Form can be made by contacting the Shareholder Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) (8:30am – 5:00pm (Sydney time) on Business Days). The address for the Registry is:

**Mailing Address:**

GPO Box 505, Melbourne VIC 3001, Australia

General enquires in relation to Calima can be made to the company secretary by telephone on +61 (0) 8 6500 3270 and may also be obtained by visiting the Company's website at [www.calimaenergy.com](http://www.calimaenergy.com).

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## **2. Action Required**

### **2.1 Acceptance of New Shares under this Rights Issue Offer Document**

Should you wish to accept all of your Entitlement to New Shares, then applications for New Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY® payment, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque, bank draft or money order, please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, bank draft or money order in Australian dollars, for the Application Monies indicated on the Entitlement and Acceptance Form, crossed "Not Negotiable" and made payable to "CALIMA ENERGY LIMITED" and lodged and received at any time after the issue of this Rights Issue Offer Document and no later than 3.00pm (WST) / 5.00pm (AEST) on the Closing Date at the Registry (by post) at:

**By Post:**

GPO Box 505, Melbourne VIC 3001, Australia

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be received before 3.00pm (WST) / 5.00pm (AEST) on the Closing Date. Eligible Shareholders should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Shareholder to ensure that funds are submitted through BPAY® by the date and time mentioned above. Please read the instructions carefully.

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

### **2.2 Top Up Facility**

Eligible Shareholders who take up their Entitlement in full may apply for Top Up Shares on the Entitlement and Acceptance Form enclosed with this Rights Issue Offer Document. Top Up Shares will be offered at the Offer Price of 1.8 cents per Top Up Share which is the issue price at which the Offer has been made to Eligible Shareholders.

If you wish to apply for New Shares in excess of your Entitlement by applying for Top Up Shares you may do so by completing the relevant section of the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY® payment, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque, bank draft or money order, please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, bank draft or money order in Australian dollars, for the Application Monies indicated on the Entitlement and Acceptance Form, crossed "Not Negotiable" and made payable to "CALIMA ENERGY LIMITED" and lodged and received at any time after the issue of this Rights Issue Offer Document and no later than 3.00pm (WST) / 5.00pm (AEST) on the Closing Date at the Registry (by post) at:

**By Post:**

GPO Box 505, Melbourne VIC 3001, Australia

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® payment

by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be received before 3.00pm (WST) / 5.00pm (AEST) on the Closing Date. Eligible Shareholders should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Shareholder to ensure that funds are submitted through BPAY® by the date and time mentioned above. Please read the instructions carefully.

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

### **2.3 If you wish to take up part of your Entitlement**

Should you wish to only take up part of your Entitlement, then applications for New Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY® payment in respect of the portion of your Entitlement you wish to take up, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque, bank draft or money order, please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of New Shares you wish to accept and the Application Monies (calculated at 1.8 cents per New Share accepted). Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "CALIMA ENERGY LIMITED" and lodged and received at any time after the issue of this Rights Issue Offer Document and no later than 3.00pm (WST) / 5.00pm (AEST) on the Closing Date at the Registry (by post) at the address listed in Section 2.1.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be received before 3.00pm (WST) / 5.00pm (AEST) on the Closing Date. Eligible Shareholders should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Shareholder to ensure that funds are submitted through BPAY® by the date and time mentioned above. Please read the instructions carefully.

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

### **2.4 If you do not wish to take up your Entitlement**

If you do not wish to accept any of your Entitlement, you are not obliged to do anything and your Entitlement will automatically lapse. In that case, New Shares not accepted by the Closing Date will become Top Up Shares or Shortfall Shares and you will receive no benefit.

The number of Shares you hold and the rights attaching to those Shares will not be affected should you choose not to accept any part of your Entitlement, however your percentage holding in the capital of Calima will be diluted.

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### **3. Risk Factors**

This Section discusses some of the key risks associated with an investment in Shares. A number of risks and uncertainties, which are both specific to Calima and of a more general nature, may adversely affect the operating and financial performance or position of Calima, which in turn may affect the value of Shares and the value of an investment in Calima.

The risks and uncertainties described below are not an exhaustive list of the risks facing Calima or associated with an investment in Calima. Additional risks and uncertainties may also become important factors that adversely affect Calima's operating and financial performance or position.

Before investing in Calima, you should consider whether an investment in Calima is suitable for you. Potential investors should consider publicly available information on Calima (such as that available on the websites of Calima and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

#### **3.1 Specific Risks associated with the Company**

(a) **Commodity price volatility risk**

It is anticipated that any future revenues of the Company, other than sales of assets, will be derived from the sale of oil and/or natural gas. The demand for, and price of, oil and natural gas is dependent on a variety of factors beyond the control of the Company, including supply levels of the product, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

The market price of hydrocarbon products is volatile and outside the control of the Company. Oil and gas prices have fluctuated widely in recent years. If the price of hydrocarbons should drop significantly and remain depressed, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if significant quantities of hydrocarbon products are discovered, a profitable market may exist for their sale.

The marketability of hydrocarbons is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted. Restrictions on the Company's ability to market production from projects that the Company has an interest in may have a material adverse effect on the Company's overall financial performance.

(b) **Permit grant and maintenance risk**

The Company's exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, concessions, leases, permits and regulatory consents. The grant or maintenance of licences and obtaining renewals often depends on the Company being successful in obtaining the required regulatory approvals for its proposed activities. There can be no assurances that the Company will be successful in obtaining renewals of existing acreage in the future.

The lease, licences or permits might also contain conditions relating to operations including, but not limited to, environmental management issues, occupational health and safety, operating procedures and plant and equipment design specifications. Such conditions or regulations might be subject to change from time to time and might impact the cost base and hence profitability of a particular project.

The Montney Project drilling licences require the holder to meet certain drilling targets to retain the licences and/or convert them into production leases. The Company may

be prevented from achieving these drilling targets for unforeseen reasons outside the control of the Company. If this were to occur, the applicable licences may expire before the Company is able to renew or convert them into production leases, which may have a material adverse effect on the Company's overall financial performance.

(c) **Exploration and development risks**

Oil and gas exploration involves significant risks, including the risk that drilling will result in dry holes or not result in commercially feasible oil or natural gas productions. Selecting a drilling location is influenced by the interpretation of geological, geophysical and seismic data, which is a subjective science and has varying degrees of success. Other factors, including land ownership and regulatory rules, may impact the Company's decisions with respect to well locations. Further, no known technologies provide conclusive evidence prior to drilling a well that oil or natural gas is present or may be produced economically. New wells drilled may not be productive, or may not recover all or any portion of the Company's investment in such wells. Decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend, in part, on the evaluation of production data, engineering studies, and geological and geophysical analyses, the results of which are typically inconclusive or subject to varying interpretations. The costs of drilling, completing, equipping and operating wells is typically uncertain before drilling commences.

The Montney Project petroleum licences that the Company owns are at various stages of exploration. There can be no assurance that exploration of these licences, or any other licences that may be acquired in the future, will result in the discovery of an economic oil and gas deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

The value of the Company's Shares will likely be affected by the results obtained by other companies conducting exploration activities within close proximity of its projects. If the results obtained by other companies are positive then this will likely increase the value of the Company's Shares. Conversely, if the results obtained by other companies are negative then this will likely decrease the value of the Company's Shares.

Further, the Montney Project is an unconventional project that relies on horizontal well and fracture stimulation technologies to make hydrocarbons flow. There are complexities and additional risks with the development of these types of project which do not exist with conventional oil and gas plays. These complexities can affect the flow rates achieved from operations and the costs of conducting such operations and thereby effect the viability or profitability of such operations.

(d) **Drilling Risks**

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's drilling operations may be curtailed, delayed or cancelled due to a number of factors including weather conditions, mechanical difficulties, shortage or delays in the availability or delivery of rigs and/or other equipment and compliance with governmental requirements. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by the Company.

Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. While drilling may yield some hydrocarbons there can be no guarantee that the discovery will be sufficiently productive to justify commercial development or cover operating costs.

(e) **Hydraulic fracturing**

Public debate exists regarding the potential sub surface and surface impact of hydraulic fracturing, including concern about the impacts of hydraulic fracturing on drinking water. In addition, there are many regulatory requirements to be adhered to. Additionally, hydraulic fracturing requires large volumes of water (the availability and regulation of which may change over time) and there are costs associated with water disposal that may be required should the Company produce water in its wells. As more impacts of hydraulic fracturing are fully understood, it may be subject to additional regulations or restrictions from governmental authorities, resulting in increased compliance costs. Any modification to the current requirements may adversely impact the value of the Company's assets and future financial performance.

(f) **Infrastructure access**

The Company's future performance is likely to be impacted by its ability to access infrastructure, including various equipment and facilities required for the production, processing and commercialisation of the Company's assets and product transportation routes, including access to pipelines and associated infrastructure. The ability of the Company to access infrastructure economically or at all is largely outside of the control of the Company and therefore may have an adverse impact on the Company's future performance. Further, there can be no guarantees that the Company will have continued access to the infrastructure needed for the Company's activities or that such infrastructure will not be subject to unexpected issues which could adversely effect the operations and financial performance of the Company.

(g) **Commercialisation of Discoveries**

It may not always be possible for the Company to participate in the exploitation of successful discoveries made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. Such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

(h) **Additional requirements for capital**

Project expenditure estimates are based on certain assumptions with respect to the method and timing of these activities. By their nature, these estimates and assumptions are subject to significant uncertainties and accordingly, the actual costs may materially differ from these estimates. However, additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operational plans in the future or to take advantage of opportunities for acquisition, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The current financing is intended to cover outstanding costs incurred during the 2019 drilling campaign as well as to provide ongoing working capital to allow the Company to do the preliminary planning and feasibility work necessary to bring the Company's existing wells on production through a new pipeline. This includes; the design and planning of a tie-in pipeline, negotiation of commercial agreements to allow access to existing pipeline and processing infrastructure, offtake agreements for hydrocarbon products produced by the Company, engagement with prospective investors, financiers and partners through a strategic process with GMP First Energy and all the necessary activities with the various regulators that have oversight over oil and gas activities in British Columbia.

Subject to the successful sale of the Company's Namibian asset the Company will be in a position to complete the production testing of the Calima-2 and Calima-3 wells using

remaining permitted flaring volumes to provide further assurance with respect to reservoir deliverability.

The Company will need to secure additional investment by way of strategic partnerships, debt facility or equity issue to fund pad equipping (est. A\$8.3 million) and pipeline installation (est. A\$19 million).

There can be no assurance that additional finance will be available when needed. Any additional equity financing may be dilutive to the Company's existing Shareholders and any additional debt financing, if available, may be on terms that are not favourable to the Company or involve restrictive covenants, which limit the Company's operations and business strategy. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and/or indefinite postponement of the Company's activities and potential development programs.

(i) **Exchange rate fluctuation risk**

The Company's oil and gas projects are currently located in Canada, Namibia and in SADR. As a result, the majority of cash flows, expenses, capital expenditure and commitments will be denominated in Canadian dollars and various currencies used in SADR and Namibia. To the extent the Company may become involved in petroleum production, the revenue derived through the sale of commodities will expose the potential income of the Company to commodity price and exchange rate risks through the translation or repatriation of foreign currencies to Australian Dollars.

(j) **Environmental risks**

The Company's operations will be subject to environmental laws and regulations, including but not limited to, those governing the management of waste, the protection of water and air quality, the discharge of materials into the environment, and the preservation of natural resources which may impact and influence the Company's operations. The government and other authorities that administer and enforce environmental laws and regulations determine these requirements. The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable petroleum reserves.

If the Company fails to comply with environmental laws and regulations regarding the discharge of oil, gas, or other materials into the air, soil or water it may be subject to liabilities to the government and third parties, including civil and criminal penalties. The Company may also become liable for environmental damage caused by any previous owners of licence areas the Company will have an interest in.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment, including production activities. There is no assurance that such approvals will be obtained. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

The Company is unable to predict the effect of any new environmental laws, regulations or stricter enforcement policies, once implemented, including whether any such laws or regulations would increase the Company's cost of doing business or affect its operations in any area.

(k) **SADR non-sovereign status**

Under the Assurance Agreements, the SADR PSCs are effective from and commence upon recognition of the sovereign status of the SADR by the United Nations, and the SADR Government passing necessary tax and petroleum titles legislation. The SADR is the entity created by the indigenous people of Western Sahara following a unilateral declaration of independence in 1976. At present the territory of Western Sahara is regarded by the UN as being a Non-Self Governing Territory awaiting a process of decolonisation. Western Sahara was formerly a Spanish colony. Following Spain's withdrawal, Morocco invaded in 1975 and has since occupied the western part of the territory. In the same year, the International Court of Justice found that there were no ties of territorial sovereignty between Morocco and Western Sahara. No country in the world has ever recognised Morocco's claims over Western Sahara.

A 16-year armed conflict between Morocco and the Frente POLISARIO (the armed resistance of the indigenous Saharawi people of Western Sahara) ensued until the UN brokered a ceasefire in 1990. The terms of the ceasefire included an agreement to establish a UN Mission for the Referendum in Western Sahara (MINURSO) to: (i) organize and supervise a self-determination referendum to allow the Saharawi people to choose between independence and integration with Morocco; and (ii) to monitor the ceasefire.

However, the UN has since been unable to make the necessary arrangements for the holding of a referendum. It has been mandated by the UN Security Council to bring the parties together to negotiate a solution to the conflict "which will provide for the self-determination of the people of Western Sahara." Unfortunately, little progress has been made with Morocco maintaining an intransigent position proposing only autonomy for the territory whilst the Government of the SADR advocates a referendum with all options of self-determination.

There are currently overlapping claims to oil and gas exploration rights in both the onshore and offshore areas of occupied territories; that is, competing licence areas which have been issued by the SADR and Moroccan governments.

The UN has issued advice that "if further exploration and exploitation activities were to proceed in disregard to the interests and wishes of the people of Western Sahara, they would be in violation of the principles of international law applicable to mineral resource activities in Non-Self Governing Territories".

The Company will continue to monitor progress towards a political solution regarding the sovereign status of SADR. Until such time as there is a resolution of the political situation regarding sovereignty, the Company's 50% interest in the SADR PSCs should be regarded as highly speculative.

(l) **Potential acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies or assets. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

There are a number of uncertainties with the acquisition of interests in properties including, the amount of recoverable reserves, development and operating costs and potential environmental and other liabilities. Even with careful due diligence, it may be impossible to ascertain certain environmental or structural problems such as pipeline corrosion or hazardous spills. This risk could have a negative effect on future operations and the Company's financial position.

(m) **Hydrocarbon reserve estimates**

Hydrocarbon reserve estimates are expressions of judgment based on knowledge, experience, interpretation and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, then reserve estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations. Where possible, the Company will seek to have any such estimates verified or produced by an independent party with sufficient expertise in their chosen field.

(n) **Reliance on key personnel and key contractors**

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

Further, the Company relies on contractors, including its Canadian project operations manager CWL Energy Management Ltd, for the provision of services in relation to the Company's assets. Any delay in contractors completing work or encountering operational difficulties may lead to a loss of revenue and increased costs. The loss of one or more contracts with key contractors may lead to an increase in the Company's operational costs. The Company is unable to predict the risk of financial, managerial, operational or other failures by any of its contractors, any of which could have a material adverse effect on the operations and financial performance of the Company.

(o) **Regulation – General**

There are a number of Canadian federal and state policies and regulations that, if changed, may have a material impact on the financial and operational performance of the Company.

The risks relating to these policies and regulations to the Company's business include:

- (i) changes to the nature and extent of the regulation or licensing systems could result in a change in industry structure, which could adversely impact the growth opportunities for and profitability of the Company's business;
- (ii) changes to federal or state taxes or royalty structure, such as a change to the Royalty Rebate Schemes;
- (iii) changes to the state government legislation about drilling, fracking, or environmental approvals.

In addition, the Company may become subject to other regulations in Canada, Namibia or SADR, if the Company's Assurance Agreements convert into the SADR PSCs, which could increase its regulatory and compliance obligations. Any new regulatory restrictions or changes in government attitudes or policies in relation to any or all of the existing regulatory areas may adversely impact on the financial performance and position, and future prospects of the Company.

(p) **Regulation – Exploration and Production**

Oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state and local agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and gas industry increases the cost of doing business and affects profitability. Because such rules and regulations are frequently amended or

reinterpreted, the Company is unable to predict the future cost or impact of complying with such laws.

Permits are required in some of the areas in which the Company operates for drilling operations, drilling bonds and the filing of reports concerning operations and other requirements are imposed relating to the exploration and production of oil and gas. The Company will be required to comply with various federal and state regulations regarding plugging and abandonment of oil and natural gas wells, which will impose a substantial rehabilitation obligation on the Company, which may have a material adverse effect on the Company's financial performance.

(q) **Insurance**

Exploration, development and production operations on oil and gas properties involve a number of risks and hazards which are beyond the control of the Company including unexpected or unusual geological conditions, environmental hazards, technical and equipment failures, extended interruptions due to inclement or hazardous weather or other physical conditions, unavailability of drilling equipment, unexpected shortages of key personnel, labour, consumables or parts and equipment, fire, explosions and other incidents. It is not always possible to insure against all such risks or the Company may decide not to insure against certain risks because of high premiums or other reasons. Although the Company will have insurance in place at levels considered appropriate for its operations and in accordance with industry practice, in certain circumstances the Company's insurance may not cover, or be adequate to cover, the consequence of such events which could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company's Shares.

(r) **Claims by Indigenous Inhabitants**

The oil and gas assets of the Company may be subject to land claims by First Nations or indigenous people. Should this occur and be successful, the Company's ability to conduct exploration and/or development and production activities may be affected, which may have a material adverse effect on the Company's financial performance and the price at which its Securities trade.

The legal nature of aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Company's ownership interest in the properties leased or owned by the Company cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of aboriginal rights in the area in which the properties leased or purchased by the Corporation are located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Company's activities. Even in the absence of such recognition, the Company may at some point be required to negotiate with First Nations or other indigenous people in order to facilitate exploration and development work on the properties leased or owned by the Company.

Some of the Montney Project lands overlap Crown lands within the area claimed by the Treaty 8 First Nations. The Dene Tha' First Nation and Prophet River First Nation have advised that such areas are used for practicing their treaty rights. Practically speaking, this means that pre-engagement with those First Nations (letter of introduction outlining development plans) should occur prior to developing the lands to ensure that any concerns they may have are taken into account.

Other than as noted above, the Company is not currently aware of any land claims or potential claims by indigenous people in respect of its proposed exploration activities that could affect licence tenure or any future production operations.

(s) **Competition**

The Company operates in a competitive and dynamic market. The Company will compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities and respond to the introduction of new technologies or technological advancements relating to drilling or other relevant operations (common in the oil and gas industry).

Many of the Company's competitors not only explore for and produce oil and gas, but also carry out refining operations and market petroleum and other products on a worldwide basis. There can be no assurance that the Company will compete effectively with these companies and other industry participants and thereby be successful in acquiring additional oil and gas properties on reasonable commercial terms.

(t) **Substitution of oil and gas products as energy sources**

There are a number of alternative energy sources to energy sources from oil and gas products. These include renewable energy (i.e. wind, solar or hydroelectric), nuclear energy, geothermal and biomass. If the costs and commercial prices of such alternative energy sources fall or there is a significant shift in consumer sentiment towards such sources, this may have a significant effect upon the Company's overall financial performance and ability to operate in the oil and gas industry.

(u) **Liquidity risk**

A number of the Company's Shares are classified by ASX as restricted securities and/or are subject to voluntary escrow and will be required to be held in escrow for up to 24 months following the Company's reinstatement to trading on ASX in August 2017. In addition, certain existing Shareholders have agreed to voluntary escrow over the Shares they hold for a period of 24 months from reinstatement. Certain existing Shareholders who were previously shareholders of TSVM or TMKM have also agreed to voluntary escrow over the Shares they hold until 30 April 2019. During the period in which these Shares are escrowed, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

### 3.2 General Risks

(a) **Economic and government risks**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the oil and gas industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the interpretation of taxation laws by the relevant taxation authority differing from the Company's interpretation;
- (iv) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the oil and gas industry;
- (v) movement in, or outlook on, exchange rates, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (vi) natural disasters, industrial disputes, social upheaval or war in jurisdictions in which the Company operates.

(b) **Financial markets risks**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions may be affected by many factors including, but not limited to, the following:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) commodity price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general, and oil and gas securities in particular. Neither the Company, nor the directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Risk of litigation, claims and disputes**

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of claims by joint venture partners, personal injury and property damage claims, environmental and indemnity claims, employee claims and other litigation and disputes. There is a risk that such litigation, claims and disputes could materially and adversely affect the Company's operating and financial performance due to the cost of defending and/or settling such claims, and could affect the Company's reputation.

(d) **Investment risk**

An investment in the New Shares to be issued pursuant to this Rights Issue Offer Document should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value of the New Shares. The prices at which an investor may be able to trade the New Shares may be above or below the price paid for the Securities. Prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

### **3.3 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Rights Issue Offer Document. Therefore, the New Shares to be issued pursuant to this Rights Issue Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for New Shares pursuant to this Rights Issue Offer Document.

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## 4. Underwriting

### 4.1 Underwriting agreement

The Company and the Underwriters have entered into an underwriting agreement (Underwriting Agreement) pursuant to which the Underwriters agreed to fully underwrite the Underwritten Securities and undertake an institutional bookbuild under the Placement. The Underwriters' obligations are several under the Underwriting Agreement on the basis that they are each severally responsible for a 50% proportion of the underwriting.

The Company must pay to the Underwriters an underwriting and management fee of 6% of the full amount underwritten (with all fees and commissions due to sub-underwriters (if any) to be paid by the Underwriters). For the institutional bookbuild under the Placement the Company must pay the Underwriters a management and placement fee of 6% of the Placement proceeds. Additionally, the Company will reimburse the Underwriters for all reasonable costs and expenses of and incidental to the Offer. The Underwriting Agreement is conditional upon:

- (a) the Underwriter being satisfied with various materials, due diligence documentation, publications and ASX announcements relating to the Offer, including this Rights Issue Offer Document, cleansing statements and 3B Appendices;
- (b) the results of the Offer and Placement being announced to the ASX as specified in the timetable in the form and substance satisfactory to the Underwriters (acting reasonably);
- (c) receipt by the Underwriters of a shortfall notice setting out the number of Shortfall Shares; and
- (d) the Company allotting and issuing the Placement Shares in accordance with the Underwriting Agreement.

The Underwriting Agreement contains termination clauses that relieve the Underwriter of its obligations if certain events occur. The Termination events are as follows include:

- (a) (delisting) ASX announces that the Company will be removed from the official list or that its Shares will be delisted or suspended from quotation by ASX for any reason;
- (b) (market fall) the S&P/ASX 300 Index or the S&P/ASX Small Resources Index falls by 10% or more below its level as at the close of business on the trading day prior to the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - (i) for 2 consecutive trading days during any time after the date of the Underwriting Agreement; or
  - (ii) on the trading day immediately prior to the Placement Settlement Date, the Closing Date or the date the New Shares are issued;
- (c) (commodity price fall) the WTI falls by 15% or more below its level as at the close of business on the business day prior to the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - (i) for 2 consecutive business days during any time after the Underwriting Agreement; or
  - (ii) on the business day immediately prior to the Placement Settlement Date, the Closing Date or the date the New Shares are issued;
- (d) (quotation) ASX does not, or states that it will not, agree to grant official quotation of all the New Shares or Placement Shares on an unconditional basis (or on a conditional

basis provided such condition is acceptable to the Underwriters acting reasonably) by the Placement Settlement Date or the date the New Shares are issued, or if permission for the official quotation of the New Shares or Placement Shares, is granted before the date of allotment and issue of those Shares, the approval is subsequently withdrawn, qualified (other than by way of customary conditions) or withheld;

- (e) (delay) any event specified in the timetable is delayed for more than three business days, without the prior written consent of the Underwriters;
- (f) (unauthorised alterations) the Company alters its capital structure or amends its constitution in any material respect without the consent of the Underwriters;
- (g) (forecasts) the Rights Issue Offer Document includes any forecast, expression of opinion, belief, intention or expectation which is not based on reasonable grounds (including having regard to ASIC Regulatory Guide 170);
- (h) (withdrawal) the Company withdraws the Placement or the Offer or indicates that it does not intend to or is unable to proceed with the Placement or the Offer or any part of either of them;
- (i) (Certificate) any certificate which is required to be furnished by the Company under Underwriting Agreement is not furnished when required or a statement in that certificate is false, misleading, untrue or incorrect (including by omission);
- (j) (insolvency) any one of the following occurs:
  - (i) the Company (or any of its material subsidiaries):
    - (A) being or stating that it is unable to pay its debts as and when they fall due; or
    - (B) failing to comply with a statutory demand;
  - (ii) any step being taken which will or is likely to result in any of the following (except, in the case of matters affecting related bodies corporate of the Company, as part of restructuring in the ordinary course of the group's business):
  - (iii) the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other similar official in relation to, or to any property of, the Company (or any of its material subsidiaries); or
  - (iv) the Company (or any of its material subsidiaries) being wound up or dissolved or entering into a scheme, moratorium, composition or other arrangement with, or to obtain protection from, its creditors or any class of them or an assignment for the benefit of its creditors or any class of them;
  - (v) circumstances existing which would permit a presumption of insolvency in relation to the Company (or any of its material subsidiaries) under sub-section 459C(2) of the Corporations Act; or
  - (vi) anything analogous or having a substantially similar effect occurring in relation to the Company (or any of its material subsidiaries), including under the laws of any other jurisdiction;
- (k) \* (adverse change) there is an adverse change, or an event occurs which is likely to give rise to an adverse change, in the financial position, results, condition, operations or prospects of the Company, including a variation from expected resource or reserve study

results (or any of its material subsidiaries), from the position fairly disclosed by the Company to the Underwriters before the date of the Underwriting Agreement;

- (l) (force majeure) there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any government agency which makes it illegal for the Underwriters to satisfy an obligation under this agreement, or to market, promote, underwrite or settle the Offer or the Placement;
- (m) (Offer materials) a statement contained in the Rights Issue Offer Document or any of the ancillary documents required under the Offer or Placement is or becomes misleading or deceptive (including by omission) or likely to mislead or deceive, or those documents omit any material information they are required to contain (having regard to section 708AA of the Corporations Act and any other applicable requirements), or any expression of opinion or intention in those documents is not fairly and properly supportable or there are no reasonable grounds for the making of any statement in those documents relating to future matters;
- (n) (unapproved corrective statement) the Company gives ASX a notice in accordance with section 708AA(12)(a) of the Corporations Act (as included in the Corporations Act by ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84) or lodges with ASX any other form of supplementary document that has not been approved by the Underwriters in accordance with the Underwriting Agreement;
- (o) (waivers / modifications) ASX or ASIC withdraws or revokes any waivers or exemptions or ASX or ASIC amends in a materially adverse respect such waivers or exemptions;
- (p) (fraud) the Company, any of its directors, or senior management are found to have engaged in any fraudulent conduct or activity whether or not in connection with the Offer or Placement;
- (q) (indictable offence) a director of the Company is:
  - (i) charged with an indictable offence relating to financial or corporate matters relating to the Company or any regulatory body commences any public action against a director in his or her capacity as a director of the Company or announces that it intends to take any such action; or
  - (ii) is disqualified from managing a corporation under section 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act;
- (r) (change in management) a change in the board of directors or senior management of the Company occurs;
- (s) (investigation) any of the following:
  - (i) any person brings an application to the Takeovers Panel in relation to the Offer, Placement or the Company;
  - (ii) ASIC or any person, issues or threatens to issue proceedings in relation to the Offer or Placement or commences any formal inquiry or investigation into the Offer or Placement;
  - (iii) ASIC or any other government agency commences or gives notice of an intention to commence a prosecution of the Company or any director or employee of the Company; or
  - (iv) ASIC or any other government agency commences or gives notice of an intention to commence a hearing or investigation into the Company;

- (t) \* (breach) the Company is in breach of any terms and conditions of the Underwriting Agreement;
- (u) \* (representations) any representation or warranty is or becomes incorrect, untrue or misleading;
- (v) \* (information) any information supplied by or on behalf of the Company to the Underwriters for the purposes of due diligence, the Offer, the Placement is false, misleading or deceptive (including by omission), in each case when considered in its final form and in the light of all other information so supplied in writing to the Underwriters before the date of the Underwriting Agreement;
- (w) \* (Corrective Statement) an obligation arises on the Company to give ASX a notice in accordance with section 708AA(12)(a) of the Corporations Act (as included in the Corporations Act by ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84);
- (x) \* (change in law) there is introduced, or there is a public announcement of a proposal to introduce, in Australia, any State of Australia, the United States, Canada, Namibia, the European Union or any of its member states or the United Kingdom a new law, or the central bank or any government agency in any of those countries, adopts or announces a proposal to adopt a new policy;
- (y) \* (change of control) a scheme of arrangement or reconstruction is announced by the Company, or another offer to Shareholders is announced by another person, which, is bona fide and is reasonably capable of being completed and which, if implemented, may result in a person and their associates acquiring a beneficial interest in, or voting power of, 50% of more of the interests in the Company;
- (z) \* (charges) the Company (or any of its material Subsidiaries) charge, or agrees to charge, the whole or a material part of the Company's (or any of its material subsidiaries') respective businesses or property other than:
  - (i) in relation to debt facilities entered into to enable the Company to construct the pipeline as disclosed to the Underwriters prior to the date of the Underwriting Agreement or in relation to farm-out or joint venture arrangements relating to a portion of the Company's assets;
  - (ii) as disclosed in the Rights Issue Offer Document or any of the ancillary documents required under the Offer or Placement;
  - (iii) as disclosed to the Underwriters prior to the date of this agreement; or
  - (iv) as agreed with the Underwriters (acting reasonably);
- (aa) (contravention of law) either:
  - (i) \* a contravention by the Company of the Corporations Act, its constitution, any of the ASX Listing Rules, any other applicable law or regulation (as amended or varied) or order or request made by or on behalf of ASIC, ASX or any government agency;
  - (ii) \* any aspect of the Offer or Placement does not comply with the Corporations Act or the ASX Listing Rules any other applicable laws, or any ASX waivers; or
  - (iii) the Company is prevented from allotting and issuing the New Shares or the Placement Shares under the Listing Rules, applicable laws, an order of a court of competent jurisdiction or a government agency;

- (bb) (market disruption):
- (i) \* trading of all securities quoted on ASX, the Hong Kong Stock Exchange, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect;
  - (ii) \* a general moratorium on commercial banking activities in Australia, the European Union or any of its member states, Canada, Namibia, the People's Republic of China, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries or there is a material disruption in commercial banking or securities settlement or clearance services in any of those countries;
  - (iii) \* any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Hong Kong, the European Union or any of its member states, the United States of America, the United Kingdom or the international financial markets or any change in national or international political, financial or economic conditions; or
  - (iv) \* hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, Canada, Namibia, Iran, the People's Republic of China, Russia, Japan, North Korea, the United Kingdom or any member state of the European Union.
- (cc) (debt facilities):
- (i) any debt facility of the Company or Group Member is terminated by the lender or amended in a material respect without the Underwriters' prior written consent (such consent not to be unreasonably withheld or delayed), other than a termination which occurs solely because those debt facilities are replaced by new debt facility entered into to enable the Company to construct the pipeline as disclosed to the Underwriters prior to the date of the Underwriting Agreement;
  - (ii) a Company group member breaches, or defaults under, any provision, undertaking, covenant or ratio of a debt or financing arrangement or any related documentation to which that entity is a party; or
  - (iii) an event of default or review event has resulted in a lender or financier exercising its rights to accelerate or require repayment of the debt or financing or other similar event occurs under or in respect to any such debt or financing arrangement or related documentation

Termination events set out above and marked with an "\*" only entitle an Underwriter to exercise its rights if in the actual and reasonable opinion of that Underwriter, the event:

- (a) has, or is likely to have, individually or in the aggregate, a material adverse effect on the success or settlement of the Offer or Placement, the value of the Shares or the willingness of investors to subscribe;
- (b) has, or is likely to have, individually or in the aggregate, a material adverse effect on the business, financial position or prospects of the Company group; or
- (c) leads, or is likely to lead:
  - (i) to a contravention by an Underwriter of, or an Underwriter being involved in a contravention of, the Corporations Act or any other applicable law; or

- (ii) to a liability for an Underwriter under the Corporations Act or any other applicable law.

Subject to certain exceptions, the Company has agreed to indemnify the Underwriters, their affiliates and related bodies corporate, and each of their respective directors, officers, employees and partners (each an Indemnified Party) from and against (i) all losses directly or indirectly suffered or incurred by an Indemnified Party, and (ii) all claims made or awarded against an Indemnified Party, arising out of or in connection with the Offer and the Placement. The Underwriting Agreement also contains other covenants, warranties, representations and other terms usual for an agreement of this nature.

## 5. Directors' interests in Company securities

At the time of lodging this Rights Issue Offer Document all the Directors indicated that they intend to take up their full entitlements. The Directors or their nominees currently hold Shares, Options, Performance Shares and Performance Rights.

Set out in the table below are details of the Directors' relevant interests in Securities of the Company at the date of this Rights Issue Offer Document and their proposed participation in the Offer.

Director	No. of Shares Held <sup>(1)</sup>	No. of Performance Shares Held	No. of Performance Rights Held	No. of Options Held	Entitlement <sup>(2)</sup>	Entitlement and Sub-Underwriting Commitment
Alan Stein	34,666,428	14,912,275	2,700,000	6,600,000	11,555,476	17,000,000 <sup>(3)</sup>
Glenn Whiddon	11,222,521 <sup>(7)</sup>	0	0	0	3,740,840 <sup>(4)</sup>	3,740,840 <sup>(4)</sup>
Jon Taylor	14,583,204	292,398	8,250,000	6,600,000	4,861,068 <sup>(5)</sup>	4,861,068 <sup>(5)</sup>
Neil Hackett	735,556	0	0	0	245,185 <sup>(6)</sup>	245,185 <sup>(6)</sup>

- (1) Held directly or indirectly by the Director or a related party of the Director.
- (2) Entitlement under the Offer to subscribe for New Shares that will be held directly or indirectly by the Director.
- (3) Alan Stein has entered into a sub-underwriting agreement with the Underwriters pursuant to which he has committed to sub-underwrite up to a maximum of 17,000,000 New Shares which is 5,444,524 New Shares in excess of his full Entitlement under the Offer. Mr Stein will receive a fee of \$1,960 for his sub-underwriting commitment. The number of Shares, Performance Shares and Entitlement of Mr Stein in the table above assumes the conversion of the Performance Share B held by Mr Stein prior to the Record Date.
- (4) At the time of lodging this Rights Issue Offer Document Glen Whiddon has indicated that he (or his nominees) intend to take up his full Entitlement under the Offer. Mr Whiddon has not entered into any sub-underwriting agreement with the Underwriters in this regard.
- (5) At the time of lodging this Rights Issue Offer Document Jon Taylor has indicated that he (or his nominees) intend to take up his full Entitlement under the Offer. Mr Taylor has not entered into any sub-underwriting agreement with the Underwriters in this regard. The number of Shares, Performance Shares and Entitlement of Mr Taylor in the table above assumes the conversion of the Performance Share B held by Mr Taylor prior to the Record Date.
- (6) At the time of lodging this Rights Issue Offer Document Mr Neil Hackett has that he (or his nominees) intend to take up his full Entitlement under the Offer. Mr Hackett has not entered into any sub-underwriting agreement with the Underwriters in this regard.
- (7) Please note that Mr Whiddon's wife, Jane Whiddon holds 39,631,793 Shares. They are held independently and Mr Whiddon has no relevant interest in these holdings. In addition, Mimo Strategies, an entity controlled by Mrs Whiddon, has underwritten 40,854,118 New Shares. Mimo Strategies will receive a fee of \$14,707 for this sub-underwriting commitment.

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## 6. Glossary of terms

**\$** means Australian dollars.

**AEST** means Australian Eastern Standard Time.

**Applicant** means a person who submits an Entitlement and Acceptance Form or who is deemed to have submitted an Entitlement and Acceptance Form by submitting a BPAY® payment.

**Application Monies** means the number of New Shares applied by an Applicant multiplied by the Offer Price.

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

**ASX** means ASX Limited (ACN 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

**ASX Settlement** means ASX Settlement Pty Ltd (ACN 008 504 532).

**Business Day** has the same meaning as in the Listing Rules.

**CHESS** means ASX Clearing House Electronic Subregister System.

**Closing Date** means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

**Company or Calima** means CALIMA ENERGY LIMITED (ACN 117 227 086).

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

**Directors** mean the directors of the Company as at the date of this Rights Issue Offer Document.

**Eligible Shareholder** means a person registered as the holder of Shares on the Record Date whose registered address is in Australia or New Zealand.

**Entitlement** means an Eligible Shareholder's entitlement to Shares under the Offer as determined on the Record Date.

**Entitlement and Acceptance Form** means the Entitlement and Acceptance Form accompanying this Rights Issue Offer Document.

**Issuer Sponsored** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

**Listing Rules** means the Listing Rules of ASX.

**New Share** means a Share proposed to be issued pursuant to the Offer, Top Up Facility or Shortfall Offer.

**Offer** has the meaning defined in Section 1.1

**Offer Price** means 1.8 cents per New Share.

**Official List** means the official list of ASX.

**Official Quotation** means quotation of New Shares on the Official List.

**Opening Date** means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

**Option** means an unlisted option to acquire a Share.

**Placement** is as defined in Section 1.1.

**Placement Shares** means the Shares issued under the Placement.

**Record Date** means 5.00pm (WST) / 7.00pm (AEST) on the date identified as such in the indicative timetable in Section 1.2, or such other date as announced to ASX by the Company.

**Registry** means the Company's share registry, Computershare Investor Services Pty Limited (ABN 48 078 279 277).

**Rights** means the right to an Entitlement.

**Rights Issue Offer Document** means this document.

**SADR** means Saharawi Arab Democratic Republic commonly known as Western Sahara.

**Section** means a section of this Rights Issue Offer Document.

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

**Shareholder** means a holder of Shares.

**Shortfall Offer** means the offer of Shortfall Shares to the Underwriters, or the nominees of the Underwriters, as detailed in Section 1.8 of this Right Issue Offer Document.

**Shortfall Shares** means those New Shares for which valid applications under the Offer or the Top Up Facility, are not received by the Closing Date.

**TMKM** means TMK Montney Limited, a company acquired by Calima.

**Top Up Facility** means the offer of Top Up Shares to Eligible Shareholders who agree to take up their Entitlement in full as detailed in Section 1.8 of this Rights Issue Offer Document.

**Top Up Shares** means those New Shares available to Eligible Shareholders in excess of their Entitlement, where valid Applications for all Entitlements have not been received by the Closing Date.

**TSVM** means TSV Montney Limited, a company acquired by Calima.

**Underwriters** means Petra Capital Pty Limited (ACN 110 952 782) and Euroz Securities Limited (ACN 089 314 893).

**Underwritten Securities** means the number of New Shares offered under the Offer.

**WST** means Australian Western Standard Time.