



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

**1 May 2018**

## **Consolidation of Montney Project – Takeover Bids for TSV Montney Limited and TMK Montney Limited**

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### **Highlights:**

- Agreed off-market all-scrip acquisition by Calima Energy Limited (**Calima** or the **Company**) of public unlisted companies and joint venture partners, TSV Montney Limited (**TSVM**) and TMK Montney Limited (**TMKM**) (collectively, the **Proposed Transaction**).
  - A separate Bid Implementation Agreement (**BIA**) has been signed with each of TSVM and TMKM under which the Board of each unanimously recommends that shareholders accept each offer, in the absence of a superior proposal.
  - Pre-bid acceptance agreements and voluntary escrow agreements have been entered into with several major shareholders. Additional shareholders have made shareholder intention statements, outlining their intention to accept the respective offer, in the absence of a superior proposal.
  - Completion of the acquisition of 100% of TSVM and TMKM would consolidate 100% of the Montney Project into Calima, creating a material Montney-focused exploration company.
  - The enhanced merged entity will likely gain increased market attention given 100% ownership of the project and benefit from other synergies including the removal of duplicated administrative and technical costs.
  - The Board and senior management of Calima comprise a highly successful and experienced team with a history of generating shareholder value.
  - Preparations are continuing for the commencement of a multi-well drilling campaign on the Montney Project in late 2018.
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The Board of **Calima Energy Limited (ASX:CE1)** (“Calima” or the “Company”) is pleased to announce it has signed two separate Bid Implementation Agreements (**BIAs**) to acquire the issued capital of TSV Montney Limited (**TSVM**) and TMK Montney Limited (**TMKM**), both unlisted public companies (collectively, the **Proposed Transaction**). The purpose of the Proposed Transaction is to consolidate 100% ownership of the Montney Project, comprised of approximately 72,000 gross acres prospective for the Montney formation in British Columbia, Canada (**Montney Project**).



The Proposed Transaction is to be effected by two separate all-scrip off-market takeover offers by Calima for:

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

Calima, TSVM and TMKM have completed legal and financial due diligence and the transaction has the unanimous support and recommendation of each of the respective boards of directors. All TSVM and TMKM directors have also indicated that they intend to accept, or procure the acceptance of, the respective takeover bid made to them in respect of all TSVM or TMKM shares they or their associates own or control (as applicable). If the Proposed Transaction is completed, TSVM and TMKM will become wholly owned subsidiaries of Calima and securityholders in TSVM and TMKM will become shareholders in Calima.

### Overview of Proposed Transaction

Under the terms of the Proposed Transaction with TSVM:

- Calima will make a takeover bid for all the shares in TSVM (**Takeover Bid**) and private treaty offers to all optionholders (**Option Offers**) for 100% of the issued capital of TSVM.
- A total consideration of 271,470,164 Calima shares would be issued comprising 268,670,164 Calima shares for the 80,681,731 TSVM shares on issue (representing a 3.33:1 ratio); and 2,800,000 Calima shares for the 2,800,000 TSVM options on issue (representing a 1:1 ratio). Based on Calima's closing share price of \$0.053 on 30 April 2018, the Takeover Bid values TSVM at approximately \$14.39 million.
- A copy of the BIA has been separately announced to the ASX.

Under the terms of the Proposed Transaction with TMKM:

- Calima will make a takeover bid for all the shares in TMKM that it does not already own (**Takeover Bid**) and private treaty offers to all optionholders (**Option Offers**) for 100% of the issued capital of TMKM that it does not already own (Calima currently owns 8,000,000 shares in TMKM).
- A total consideration of 149,339,979 Calima shares would be issued comprising 133,139,979 shares for the 63,399,990 TMKM shares on issue that it does not already own (representing a 2.1:1 ratio); and 16,200,000 Calima shares for the 18,000,000 TMKM options on issue (representing a 0.9:1 ratio). Based on Calima's closing share price of \$0.053 on 30 April 2018, the Takeover Bid values TMKM at approximately \$7.92 million.
- A copy of the BIA has been separately announced to the ASX.

The Takeover Bids for each of TSVM and TMKM are not inter-conditional on the other completing.

Havoc Partners, a limited liability partnership which is owned by five members, being Calima directors Alan Stein and Jonathan Taylor and three other members of Calima's management team, holds 2,400,000 TMKM



options. The consideration to be offered to Havoc Partners under the Proposed Transaction by way of an Option Offer will be the same as the consideration being issued to other TMKM optionholders and, accordingly, 2,160,000 Calima shares will be issued to the members of Havoc Partners (Havoc proposes to distribute the consideration received to its members at completion of the Proposed Transaction). Calima intends to seek shareholder approval for the issue of Calima shares to Alan Stein and Jonathan Taylor under Listing Rule 10.11.

### **Transaction Rational**

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

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

### **Alan Stein, Calima's Managing Director commented:**

*"Consolidating ownership of the Montney Project has been identified by many shareholders and prospective shareholders as a key milestone. This gives the Company significantly greater flexibility as to how it funds the project and increases the number of potential investors. Operationally the Company is ahead of schedule and under budget leading up to a multi-well drilling campaign later in the year. The recent acquisition of 35,000 acres of undeveloped Montney land 65 km to the south of our position by ConocoPhillips' for C\$4,400 per acre further demonstrates the significant appeal of the play".*

### **Completion**

Completion of the Proposed Transaction is subject to satisfaction of certain bid conditions (**Conditions**), including, but not limited to:

- Calima obtaining a relevant interest in at least 90% of the shares of TSVM or TMKM (as applicable) at the end of the offer period;
- All TSVM and TMKM optionholders accepting the Option Offer in relation to their options. Additional customary Conditions apply. Please refer to the BIAs for further details.

### **Pre-Bid Acceptance Agreements and Shareholder Intention Statements**

Major shareholders representing 19.9% of the shares of TSVM and 8.6% of the shares of TMKM (noting Calima already holds 11.2% in TMKM) have entered into pre-bid agreements with Calima agreeing to accept the respective Takeover Bids.



In addition, TSVM and TMKM have procured shareholders representing a further 16.9% of the shares of TSVM and 39.1% of the shares of TMKM to give shareholder intention statements, outlining their intention to accept the respective Takeover Bids, in the absence of a superior proposal within 21 days of the Takeover Bid offers opening.

### Voluntary Escrow Agreements

A number of shareholders of each of TSVM and TMKM, representing a minimum of 29.2% and 39.08% of the shares in TSVM and TMKM, respectively have also entered into voluntary escrow agreements in relation to the Calima shares they would be issued upon Completion of the Proposed Transaction being a total of a minimum of 137.03m Calima shares or 14% of Calima's issued capital post completion of the Proposed Transaction. These agreements will restrict the sale of Calima shares for a period commencing on the date of issue of the Calima shares and ending on 30 April 2019 (subject to usual carve outs in relation to accepting a takeover bid in respect of the Calima shares or transferring or cancelling the Calima shares as part of a scheme of arrangement).

### Board Additions

On the Takeover Bid for TSVM becoming unconditional, TSVM has the right to appoint one nominee director to the Board of Calima, with such nominee to be agreed between TSVM and Calima.

### Calima Pro-forma Capital Structure

Following completion of the Proposed Transaction, the indicative pro-forma capital structure of Calima is as follows:

	Shares	Performance Shares <sup>(1)</sup>	Performance Rights <sup>(2)</sup>	Options <sup>(3)</sup>
On issue as at the date of this Notice	554,397,476	20,029,226	19,450,000	30,000,000
To be issued pursuant to the Takeover Offers and Option Offers	420,810,143	-	-	-
Advisor shares to be issued <sup>(4)</sup>	4,500,000	-	-	-
<b>Balance at Completion</b>	<b>979,707,619</b>	<b>20,029,226</b>	<b>19,450,000</b>	<b>30,000,000</b>

(1) Comprises 1,461,988 Class A Performance Shares, 3,947,360 Class B Performance Shares and 14,619,878 Class C Performance Shares which convert into Shares on a one for one basis on the satisfaction of various performance milestones by 31 December 2020.

(2) Comprises 19,450,000 management performance rights subject to various vesting conditions and performance milestones.



- (3) Comprises: a) 20,000,000 unlisted Options (50% exercisable at \$0.09 and 50% exercisable at \$0.12, all expiring 5 years from grant) subject to various vesting conditions; and b) 10,000,000 unlisted Options exercisable at \$0.045 and expiring 3 years from grant.
- (4) The issue of 3,500,000 Shares to Euroz is contingent on Calima acquiring a beneficial interest in 90% or more of TSVM's shares and 90% or more TMKM's shares.

### Indicative Timetable

Event	Date
Joint announcement of Takeover Bid	1 May 2018
Bidder lodges Bidder's Statement with ASIC and serves it on Target	10 May 2018
Target lodges Target's Statement with ASIC and serves it on Bidder	10 May 2018
Offer Period commences (begin dispatch of Bidder's Statement and Target's Statement to Shareholders)	17 May 2018
Completion of joint dispatch of Bidder's Statement and Target's Statement to Shareholders	18 May 2018
Bidder to issue notice under section 630(3) (unless Offer Period extended beforehand)	12 June 2018
End of Offer Period	19 June 2018

### Advisors

Calima is being advised by Euroz Securities Limited as financial advisor and GTP Legal as legal advisor.

**ENDS**



For and on behalf of the Board of Calima Energy Limited

**Alan Stein,**

**Managing Director**

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

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