

Quarterly Activities Report - 30 June 2018

Calima Energy Limited

ABN: 17 117 227 086

ASX Code: CE1

Securities on Issue as at 30 July 2018:

774,085,299 fully paid ordinary shares (quoted)

51,842,834 Escrowed to 28 August 2018

155,779,486 Escrowed to 30 April 2019

20,029,226 Performance Shares, refer to Prospectus

19,450,000 Performance Rights, refer to Prospectus

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

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

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

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Calima is a public company listed on the ASX (ASX:CE1). The principal activity of Calima is investing in oil and gas exploration and production projects internationally. Calima's core asset lies within a liquids-rich sweet-spot of the Montney Play in Northeast British Columbia.

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

Key Activities and Highlights

Operations

Calima's Q2 operations focused on the Company completing its acreage position in Northeast British Columbia, considered to be prospective for the Montney Formation (Calima Lands) and the award of a Petroleum Agreement for offshore Block 2813B in Namibia.

Calima Lands

Calima has completed its core acreage acquisition strategy through the acquisition and now holds 72,014 acres of drilling rights (105 sections) over acreage considered to be highly prospective for the Montney Formation.

No additional drilling rights were acquired during the June 2018 quarter with technical activity focused primarily on well planning and in-country logistics in readiness for the 2018/2019 winter drilling campaign.

Namibia – New Portfolio Asset

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

Namibia has recently experienced a significant upsurge in industry interest following some encouraging drilling results which demonstrated the presence

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

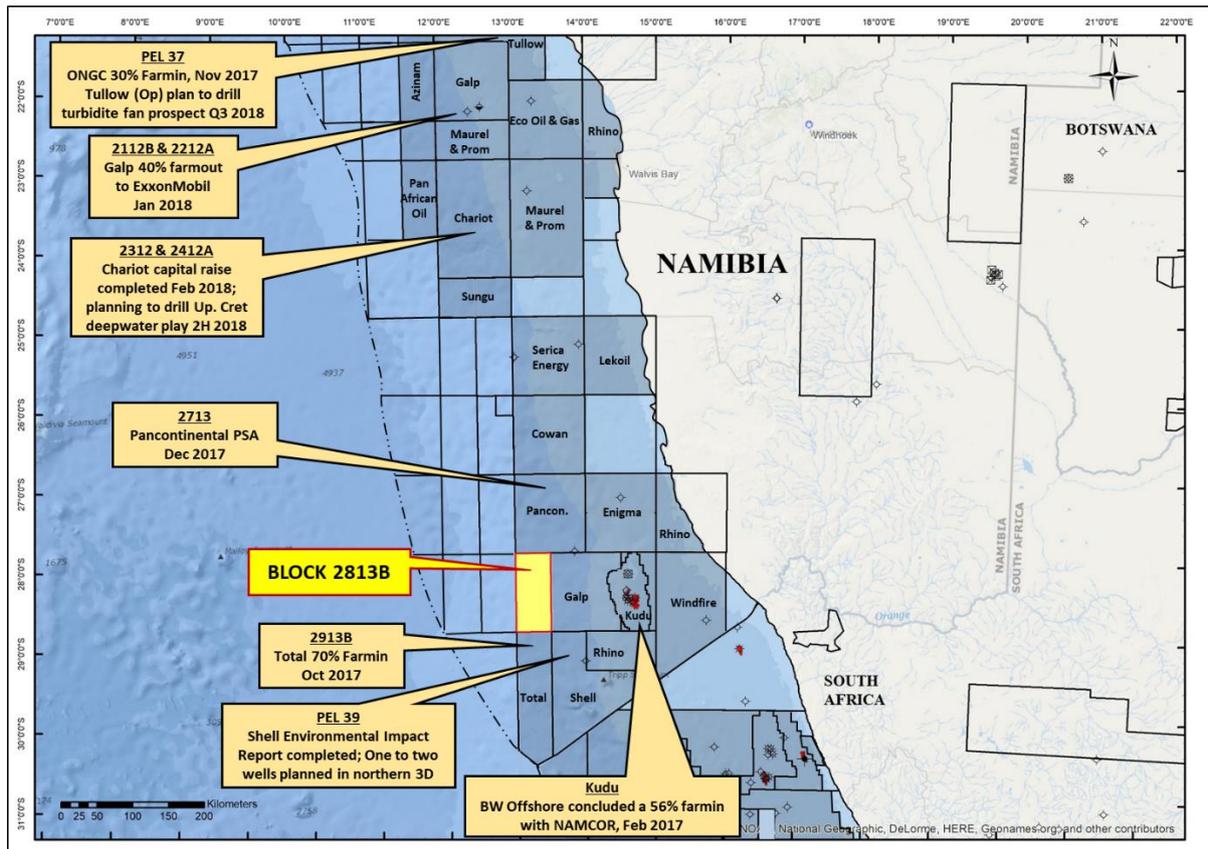


Figure 1 – Map of offshore Namibia showing selected recent and planned exploration activity.

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

The interests in the Block 2813B Petroleum Agreement are:

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

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

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

Corporate

During the quarter, the Company signed two separate Bid Implementation Agreements (**BIAs**) to acquire the issued capital of TSV Montney Limited (**TSVM**) and TMK Montney Limited (**TMKM**), both unlisted public companies (collectively, the Transaction). The purpose of the Transaction was to consolidate 100% of the Montney Project, comprising of approximately 72,000 gross acres prospective for the Montney formation in British Columbia, Canada (**Montney Project**).

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

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

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

Under the terms of the Transaction with TSVM:

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

Under the terms of the Transaction with TMKM:

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

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

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

As at the date of this announcement, the Company has acquired 98.08% of TMKM's and 92.93% of TSVM's shares on issue and, as a result, has moved to compulsorily acquire the remaining shares it does not already own in both companies.

At the end of the quarter, the Company has approximately \$3.3 million in cash. TMKM and TSVM have a combined cash balance of approximately \$1.4 million. On completion of the TMKM and TSVM takeovers, the combined cash balance will be approximately \$4.7 million.

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About Calima Energy

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

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

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

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