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ASX Limited
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CALIMA
ENERGY

ASX Code: CE1

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Calima-2 &-3 Successful Testing Results

Highlights:

- Increased condensate-to-gas ratio observed at Calima-2 through production testing
- Calima-3 (Upper Montney Target) test results tracking Calima-2 (Middle Montney Target) prior to cessation of testing operations
- End of operational activity concludes a highly successful and significant first drilling campaign on the Calima Lands
- McDaniel & Associates retained to complete an updated reserves auditor statement for the Calima Lands
- Analysis of log core and test data is ongoing with further results to be announced over the next 14 days

Calima Energy Limited (ASX:CE1) (“Calima” or the “Company”) is pleased to provide an update on production testing results for the Calima-2 and Calima-3 wells at the conclusion of an outstanding first drilling campaign on its 72,014 acre asset position in NE British Columbia, Canada.



Figure One – Gas Flaring from both horizontal wells during production testing: Calima-2 (left) and Calima-3 (right).

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This campaign has developed and confirmed a significant extension of the liquids-rich Montney fairway.

Continued production testing at Calima-2 has resulted in further increases in the rate of liquid recovery. During the final eight hours of production testing, the well achieved a condensate-gas-ratio (CGR) of 20.06 bbl/mmcf (plant recovery estimate 40.12 bbl/mmcf⁽¹⁾) with a peak hourly value of 22.15 bbl/mmcf (plant recovery estimate 44.30 bbl/mmcf⁽¹⁾) through a choke size of 38.1mm. The measured CGR continued to increase until testing operations were ceased. The Company anticipates further enhancement to liquids ratios once both wells are brought onto production and the water injected during stimulation operations is recovered. A number of Montney operators have observed substantial improvements both in total production rates and CGRs by allowing wells to sit for a period of time (typically 6-9 months) prior to being brought on production. This is commonly referred to as “soak time”⁽²⁾.

The Calima-3 well testing performed as expected until the arrival of an unseasonal early spring melt curtailed testing operations requiring a full decommissioning of the drill site over a short period of time. The Calima-3 test of the Upper Montney was flaring gas (Figure 1) in the early stage of unloading (recovery of water injected during stimulation) at rates in excess of 2.5mmcf/d. These rates are consistent with the early Calima-2 test rates and encouragingly were reached in a shorter period of time (Figure 2). Management is confident that with additional testing time Calima-3 would have achieved similar maximum flow rates to Calima-2. This is confirmed by preliminary core and log data analysis which give an indication of the productive potential of both wells. Further analysis of core and log data is underway and the Company intends to release further information over the next 14 days.

In common with many areas in the Montney, early stage drilling is done during the winter when frozen ground allows the movement of heavy equipment on undeveloped access tracks. This includes the use of snow bridges over creeks. When the frozen ground begins to melt in the spring it is no longer possible to move heavy equipment and drilling operations cease. In the future, as development progresses, all weather roads can be constructed which allow year round operations.

Through the cumulative drilling of 9,353m over the campaign, the Company has now earned the right to convert ~35,000 acres of drilling licences to 10-year production leases. This corresponds to approximately 60% of the central area of the Calima Lands (Figure 3). The remainder of the central area is retained under drilling licences that are valid until 2021.



Alan Stein, Calima’s Managing Director commented:

“Our first drilling campaign in this world-class play has been an outstanding success. The three wells provide unequivocal confirmation of the extension of the liquids-rich fairway through the Calima Lands in both the Upper and Middle Montney targets. We are extremely proud to have met all our drilling objectives on schedule and without any reportable HSE incidents. This has meant, despite the unseasonably warm weather, that the Company now has the necessary data to enable our reserve auditors to complete a new independent reserves and resources statement that should be available in May 2019. I should like to note the Boards appreciation of the support of our shareholders and the outstanding effort from the Calima teams in Canada and Australia which has brought this project to fruition with such excellent results. There will be a lot more information to be won from their efforts over the coming weeks and I look forward to sharing it with you as it becomes available.”

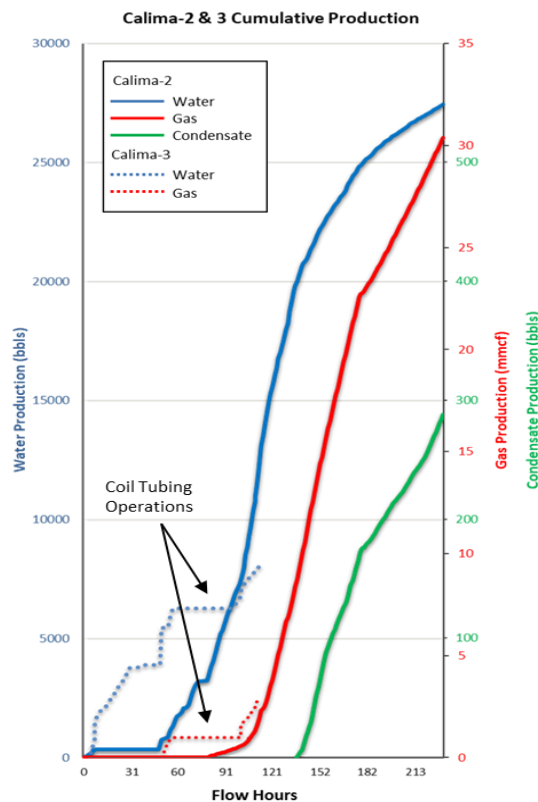


Figure Two – Comparison of cumulative production for Calima-2 and Calima-3 wells.

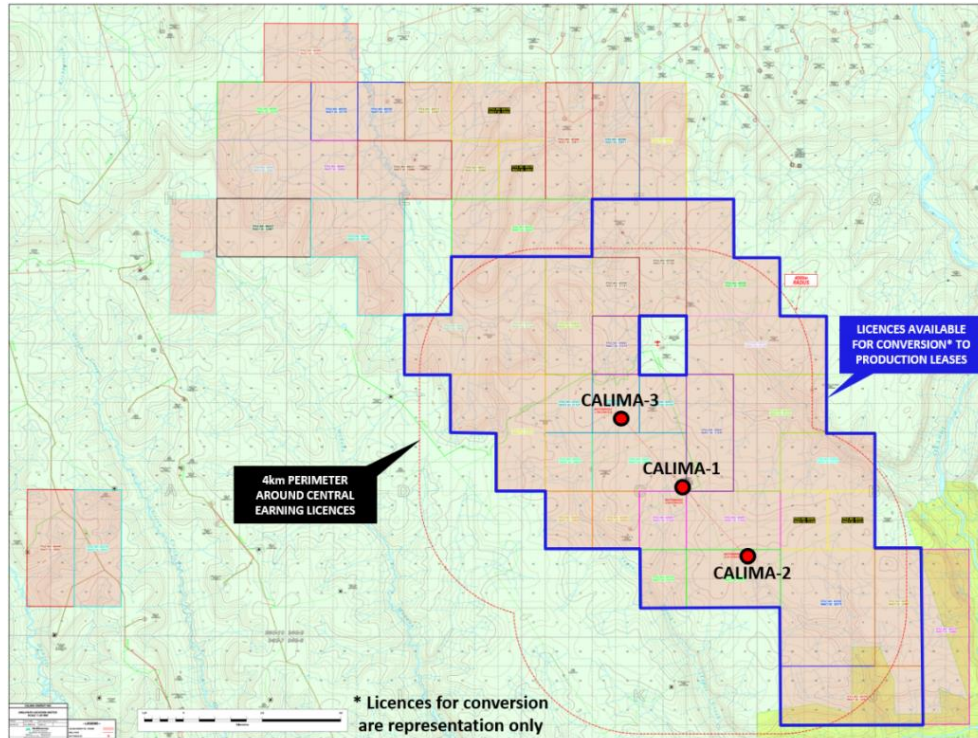


Figure Three – Location map of earning licences as a result of 2018/19 drilling campaign [Bottom hole locations of wells indicated]

Appendix One

Calima-2 (Middle Target)

Name & Type	Calima 02 Hz Tommy a-054-C/094-G-09 (Horizontal)
Location	NE British Columbia, Canada
Working Interest	100%
Rock Type	Montney Formation - siltstone
Vertical Depth / Lateral Length	1683m TVD / 2508m
Test Type & Duration	Production test – 48 hours
Hydrocarbon phases recovered	Gas and Light Oil/Condensate
Other recoveries	Stimulation water
Completion Stages	92 stages at 30m spacing with 1.5t/m proppant loading
Choke size	38.1mm



Calima-3 (Upper Target)

Name & Type	Calima Hz Tommy a-A054-C/094-G-09 (Horizontal)
Location	NE British Columbia, Canada
Working Interest	100%
Rock Type	Montney Formation - siltstone
Vertical Depth / Lateral Length	1606m TVD / 2561m
Test Type & Duration	Initial clean-up and flow back – 48 hours (interrupted by coil operations)
Hydrocarbon phases recovered	Gas
Other recoveries	Stimulation water
Completion Stages	92 stages at 30m spacing with 1.5t/m proppant loading
Choke size	38.1mm

For further information visit www.calimaenergy.com or contact

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



Notes

(1) *The numbers of barrels recovered at the well-head is not indicative of the total number of barrels typically won from production. Based on expected deep cut recoveries through standard processing facilities in the area the liquids recoveries would be expected to increase by more than 100% after treatment.*

(2) *Source Pipestone Corporation March 20 2019 – Operations Update.*

[https://pipestonecorp.com/news/2019/3/20/pipestone-energy-corp-announces-progress-on-its-development-program-and-a-significant-increase-in-the-value-of-its-reserves-and-resources.](https://pipestonecorp.com/news/2019/3/20/pipestone-energy-corp-announces-progress-on-its-development-program-and-a-significant-increase-in-the-value-of-its-reserves-and-resources)

Forward Looking Statements

This release may contain forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "anticipate", "believe", "intend", "estimate", "expect", "may", "plan", "project", "will", "should", "seek" and similar words or expressions containing same.

These forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. These include, but are not limited to, risks or uncertainties associated with the discovery and development of oil and natural gas reserves, cash flows and liquidity, business and financial strategy, budget, projections and operating results, oil and natural gas prices, amount, nature and timing of capital expenditures, including future development costs, availability and terms of capital and general economic and business conditions. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Calima, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.