



Market Announcements Platform
ASX Limited
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CALIMA
ENERGY

ASX Code: CE1

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Analysis of Gas and Oil Confirms Montney Upside

Highlights:

- Recent results from condensate and gas analyses validate pre-drill predictions that the Calima Lands are located within a liquids-rich sweet spot.
 - Gas compositions are very similar to those of adjacent wells where approximately 70% of the liquids recovered, in association with the gas, are higher-value condensate or light oil, with the remainder being natural gas liquids (NGLs) such as ethane, propane and butane (pre-drill estimate 50%).
 - The condensates or light oils recovered from the Calima gas samples are also similar in terms of their physical and chemical characteristics to those recovered from adjacent wells.
 - The gas and liquids analyses will be a key input to the revised McDaniel and Associates reserves audit expected in May 2019.
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Calima Energy Limited (ASX:CE1) (“Calima” or the “Company”) is pleased to provide an update on analyses of gas samples from the Company’s successful drilling campaign in the liquids-rich Montney fairway in British Columbia.

Alan Stein, Calima’s Managing Director commented:

“The analyses of gas and liquids compositions have further validated our prediction that the Calima Lands are located within the sought after liquids-rich trend of the Montney. These results compliment the core and logging evaluations reported previously. It is particularly pleasing to note that this all matches the predictions that were the basis of our initial investment strategy back in 2014. At that time the Calima Lands were unlicensed and considered beyond the limits of the Montney play. This allowed us to acquire 72,000 acres of drilling rights with an average entry cost of C\$130 per acre and has given us a strong platform to create value for shareholders in one of the best resource plays in North America.”



Gas and Associated Liquids Compositions - Analyses of Calima's gas samples, conducted by AGAT Laboratories, a leading Calgary-based provider of laboratory services, has identified that compositions of the gas and additional liquids recovered from the gas (representative of liquids separated at the processing facility) are almost identical to the average of 33 wells drilled by an adjacent Operator (Figure 1).

The proportion of light oil or condensate (C5+) recovered relative to other natural gas liquids (NGLs) such as ethane, propane and butane (C2-C4) recovered from the offset 33 wells consistently exceeds 70% of the total liquids volumes⁽¹⁾. This is relevant to the economics because light oil is generally priced at, or close to, parity to WTI but the NGLs are priced at a variable but significant discount. Calima's pre-drill resource estimate, released on March 14, 2018⁽²⁾, was based on an approximately even (50/50) split of light oil or condensate and NGLs. The Company now believes that a 70/30 light oil/NGL split would be more appropriate, resulting in a significantly larger recovery of higher-value light oil or condensate from each well.

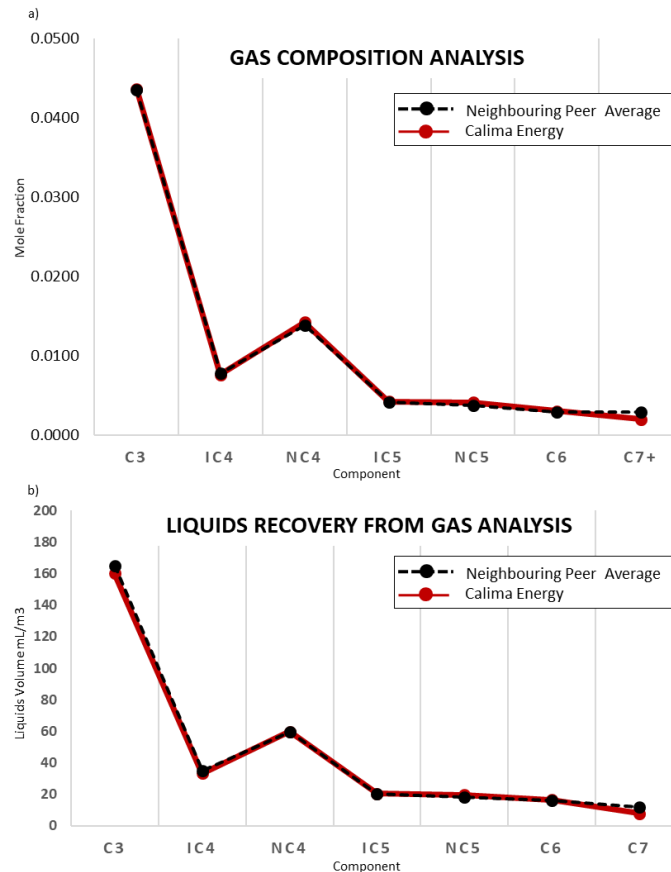


Figure 1. Calima gas and liquids composition against neighbouring peer average of 33 wells. a) Gas and b) Liquids recovery from gas.



The next phase of the AGAT laboratory work will focus on Pressure-Volume-Temperature (PVT) analyses that will supplement the data collected to date, to assist with the determination of the condensate gas ratio (CGR) to be applied during reserves and resource calculations.

2014 Prediction – Log, core, testing⁽³⁾ and gas analyses data from the recent drilling campaign validate the predictions made by the Company back in 2014 (Figures 2 and 3) that the Calima Lands are located within a liquids-rich sweet-spot of the Montney play fairway. In both Figures 2 and 3, dark green sections represent zones of predicted enhanced liquids potential.

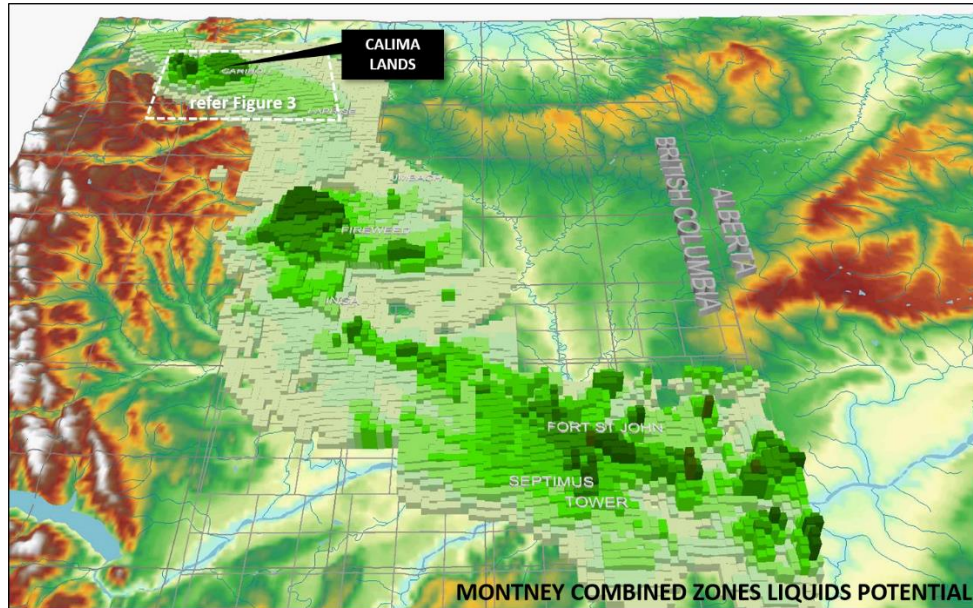


Figure 2 – Calima’s 2014 regional liquids-rich Montney sweet spot prediction for British Columbia co-rendered with topography. See Figure 3 for detail of the Calima Lands (source; Calgary GeoConvention technical paper, Cockerill, 2017).

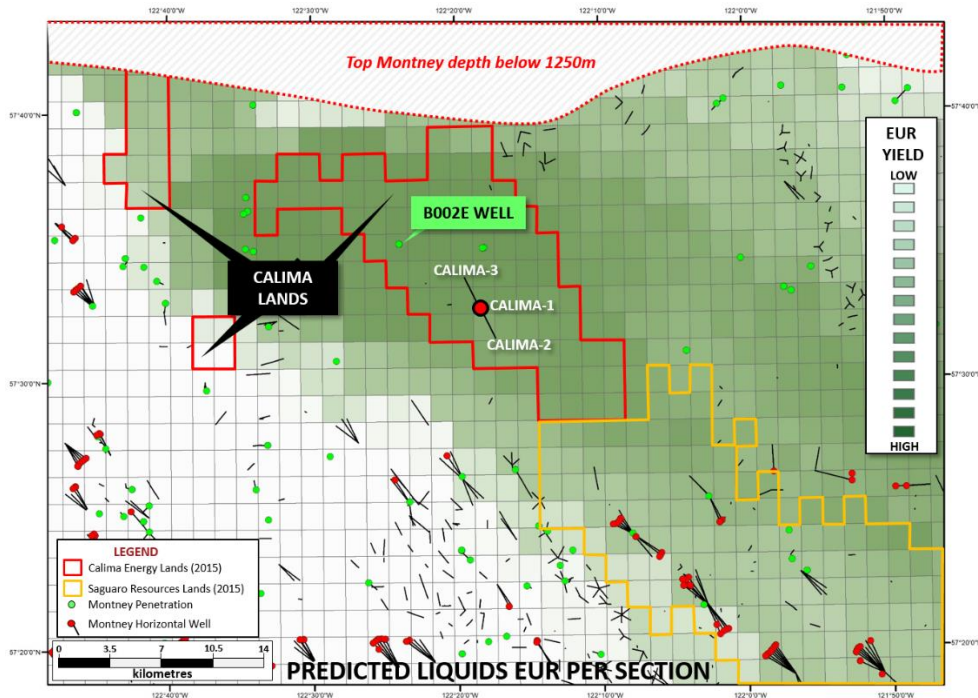


Figure 3 – Historical map of the Calima Lands with respect to the Company's 2014 EUR liquids prediction. Locations of the Calima-1, -2, -3 and B002E wells annotated.

These maps were used by the Company as the basis of the initial investment decision and to identify target areas during the acreage-building phase. At the time, the area now licensed by Calima was located beyond the limits of what was generally considered to be the Montney play and the Company was able to acquire the rights at auction for an average cost of C\$130 per acre, which is substantially below the average cost of proven Montney drilling rights.

The 1981 B-002E well (location annotated on Figure 3) was an important data point in the early analysis by the Company. Now that it can be calibrated against the outstanding results delivered from the recent drilling campaign, the B-002E location can be considered as a de-risked future well pad. The Company intends to provide a separate release about the B-002E well in the coming weeks.

McDaniel Reserves Report – the Company now looks forward to supplying the results from the ongoing analyses of hydrocarbons recovered during testing to McDaniel and Associates for input into the updated Reserves Audit, expected in May 2019.

- (1) *Saguaro Resources Corporate Presentation – April 2019 (page 2)*
- (2) *Calima Energy ASX release dated 14 March 2018 'Independent Resource Report – Calima Lands'*
- (3) *Calima Energy ASX release dated 8 April 2019 'Exceptional Results from Montney Core & Logging Analyses'*

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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.

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.