



13 May 2019

Elizabeth Harris  
ASX Compliance Pty Ltd  
Level 40, Central Park  
152-158 St Georges Tce  
Perth WA 6000

By Email: Elizabeth.harris@asx.com.au

Dear Elizabeth

**Appendix 5B Query**

We refer to your letter dated 8 May 2019 (“**ASX Letter**”) and provide the following responses to the questions raised in the letter. We have responded to your questions as numbered in your letter.

**1. Does CE1 expect that it will continue to have negative operating cash flows from the time being and, if not, why not?**

As the Company is currently in the exploration/appraisal development phase with their major project, the Calima Lands being 72,000 acres in the Montney Basin in North BC, Canada, the Company expects that it will continue to have a negative operating cash flow for the time being. As announced to the market, the Company has just completed a milestone three well drilling campaign that has delivered exceptional results and proved up an extension to the north Montney basin with maximum initial gas rates in excess of 10 mmcf/d and 150 bbl/d of oil and natural gas liquids which based on an independent report has met the Company’s initial objectives in matching or exceeding the performance of adjacent wells (drilled by other Operators). This drilling program was the first major step in adding significant value to the acreage via proving up the hydrocarbon potential of the acreage position. As the Company has met its core objective of proving the hydrocarbon potential of the acreage, other than expenses from the drilling campaign, the Company does not currently anticipate any significant capital expenditure over the next quarter, but rather intends to add further value via updated reserve and resource reports, detailed analysis of gas and liquids gathered



from the test program and further engineering studies to provide egress solutions and offtake arrangements for the gas and liquids that would be produced from the Calima Lands.

A majority of the \$9.3m in estimated cash outflows for the next quarter detailed in the Appendix 5B relate to the payment of expenses incurred from latest three well drilling campaign. The cash balance as at 31 March, of \$6.3m plus cash in CWL trust account (Canadian operations manager) of \$3.7m (total \$10m) will cover estimated cash outflows for next quarter of \$9.3m, however further working capital will be required to continue with the Company's objective of building value from its acreage position.

**2. Has CE1 taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

Yes, as the Company is in the exploration/appraisal development phase with its projects, and like all companies at this stage of development, is consistently reviewing and evaluating a diversity of funding options available. These have included debt or equity funding, now that the Calima Lands in the Montney has been flow tested, or the potential to joint venture with regional players in the Montney. The sale or joint venture of non-core assets has also been considered and evaluated. These discussions are in-progress and ongoing in the ordinary course of business, but no new arrangements have been finalised at the date of this letter, however the Company is confident these discussions will succeed due to the quality of the Company's assets. The Company will update the market in accordance with its continuous disclosure obligations.

**3. Does CE1 expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

On the basis of the arrangements referred to in the response to Question 2 being completed in a timely manner, the Company expects to be able to continue its operations and to meet its business objectives.



- 4. Please confirm that CE1 is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to the ASX in accordance with that rule that has not already been released to the market.**

Yes, the Company confirms it is in compliance with the listing rules, and in particular Listing Rule 3.1.

- 5. Please confirm that CE1's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of CE1 with delegated authority from the board to respond to ASX on disclosure matters.**

The responses to the above questions have been approved by the Board.

Yours faithfully,

A handwritten signature in black ink, appearing to be "James Bahen".

James Bahen  
Company Secretary  
**Calima Energy Limited**



8 May 2019

Mr James Bahen  
Company secretary  
Calima Energy Ltd  
Unit 1A, 1 Alvan Street  
SUBIACO WA 6008

By email: [jbahen@calimaenergy.com](mailto:jbahen@calimaenergy.com)

Dear Mr Bahen

### **Calima Energy Ltd ('CE1'): Appendix 5B Query**

ASX refers to CE1's Appendix 5B quarterly report for the period ended 31 March 2019 lodged with ASX Market Announcements Platform on 18 April 2019 (the 'Appendix 5B').

ASX notes that CE1 has reported:

- negative net operating cash flows for the quarter of \$16,300,000;
- cash at the end of the quarter of \$6,353,000;
- the note in the Appendix 5B referring to the AUD equivalent of \$3,700,00 being held in a trust account with CE1's in-country management company CWL Energy Management Ltd for payment of exploration activities;
- estimated cash outflows for the next quarter of \$9,360,000.

It is possible to conclude, based on the information in the Appendix 5B that if CE1 were to continue to expend cash at the rate indicated by the Appendix 5B, CE1 may not have sufficient cash to continue funding its operations.

In view of that, ASX asks CE1 to respond separately to each of the following questions and requests for information:

1. Does CE1 expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has CE1 taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does CE1 expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that CE1 is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that CE1's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of CE1 with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3:00 PM AWST Tuesday, 14 May 2019**. If we do not have your response by then,

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ASX will have no choice but to consider suspending trading in CE1's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CE1's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1 and Listing Rule 3.1A**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to CE1's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CE1's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in CE1's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Enquiries**

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

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**Elizabeth Harris**  
Principal Adviser, Listings Compliance (Perth)