

## Quarterly Activities Report - 31 December 2018

### Calima Energy Limited

ABN: 17 117 227 086

ASX Code: CE1

Calima Energy Limited 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.

1,237,262,750 fully paid ordinary shares (quoted)

51,842,834 Escrowed to 28-8-19

155,779,486 Escrowed to 30-4-19

### Directors

Glenn Whiddon  
(Chairman)

Alan Stein  
(Managing Director)

Jonathan Taylor  
(Technical Director)

Neil Hackett  
(Non-Executive Director)

### Joint Company Secretary

Neil Hackett  
James Bahen

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**Calima is 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 December 2018 quarter.

## Key Activities and Highlights

### Operations

Calima's Q4 operations were focused on preparations for a three well programme to test the prospectivity of the Montney Formation in the Company's 72,000-acre lease holdings in Northeast British Columbia (**Calima Lands**), considered to be prospective for the Montney Formation.

### Calima Lands – Road and Civil Construction

Calima completed construction of the road allowing heavy equipment to access the drilling site during the quarter. The completion of the access road allowed for the commencement of drilling site construction operations ahead of the drilling. This is a long-term asset for Calima going forward.

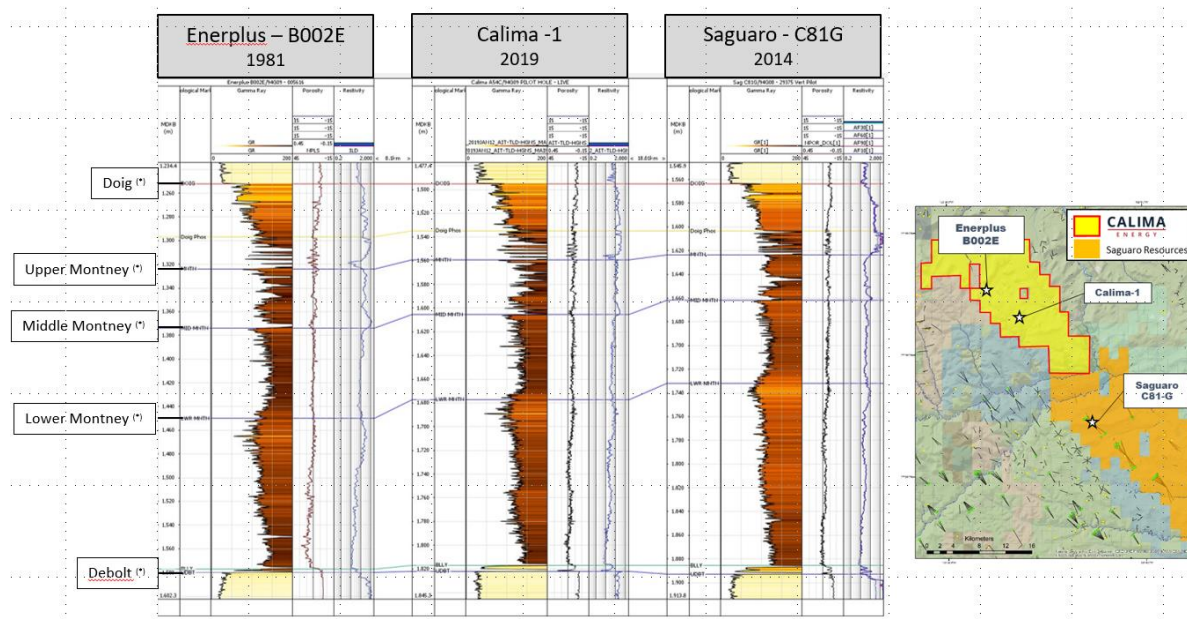
### Calima Lands - Rig Contract Award and Arrival of Rig

Calima awarded contracts for drilling and directional services to Precision Drilling Corporation ("Precision") and received delivery of the Precision Drilling Rig PD379 in late December.

Subsequent to the end of the quarter, the Company advised the spud of the first two wells of a three well programme. The Calima-1 vertical well reached a total depth of 1,872.5m<sup>(\*)</sup>. The top of the Montney Formation was encountered at 1,559.5m against a prognosis of 1,562.2m and it is 256.5m thick against a prognosis of 257.3m. Core data was collected over 90% of the Montney interval. This is one of the most complete cores cut through the Montney interval in British Columbia.

Wireline log data acquired after completion of coring demonstrate very close similarities with other wells in the area (Figure 1). Quantitative analysis of the logs suggests that hydrocarbon saturations and porosity measurements

throughout the Montney in Calima-1 are comparable with wells that are currently producing in adjacent acreage<sup>1</sup>.



**Figure 1** – The log data acquired from the Calima-1 borehole are clearly correlateable with other wells drilled in the area. The Enerplus well, 8 km to the NW, was drilled to test a deeper target at a time before the Montney was known to be productive. The Saguario well, 18 km to the SE, was a vertical pilot hole drilled from a pad where several horizontal wells were subsequently drilled and brought into production.

Analyses of the log and core data from Calima-1 have demonstrated the presence of natural gas and natural gas condensate. The presence of condensate is particularly encouraging because it is commonly priced slightly above crude oil (WTI) and Montney acreage rich in condensate generally attracts premium pricing.

Calima-1 operations have now been successfully completed and the Calima-2 well, which has a 2,508m horizontal section, has been spudded and now reached total depth (TD). A second horizontal well, Calima-3, which will also have a 2,500 m horizontal section, will be drilled immediately after the Calima-2 well. Drilling operations, which should be completed during February, will be followed by production testing to determine the rate at which hydrocarbons will flow and the relative abundance of gas vs condensate.

<sup>1</sup> ASX announcement – Calima-1 vertical well – log and core data results positive

Aerial view



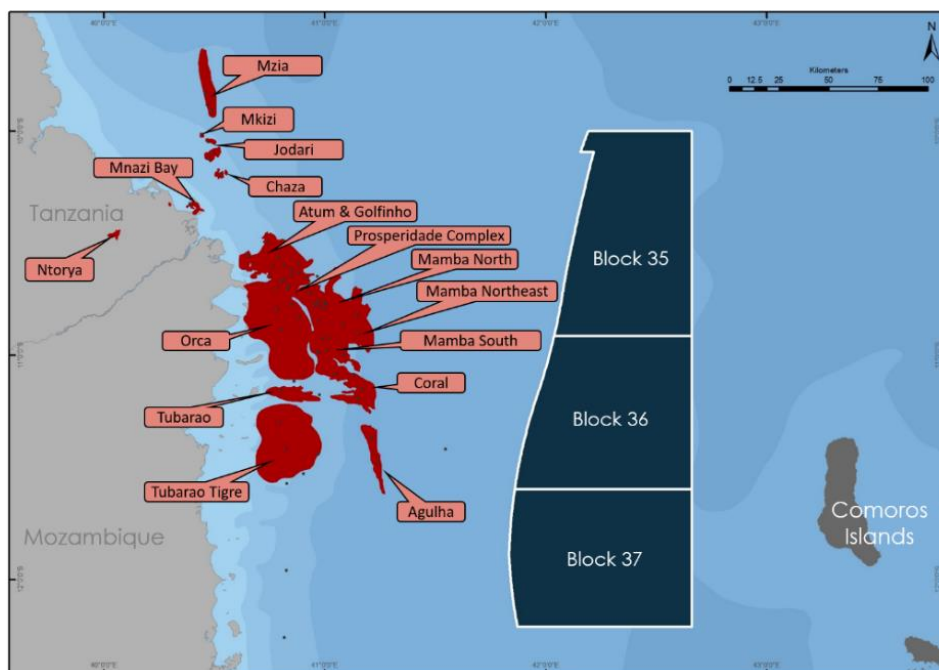
*Figure 2 – Drilling Pad A, Calima Lands*

(\*) All reference depths and thickness are reported with respect to True Vertical Depth (TVD) after correction for the planned slight deviation on the vertical well.

### **Corporate**

#### **Discover Exploration acquires Calima's interest in Comoros and Farms Down to Tullow**

The Company owns an 8.5% interest in Bahari Holding Company Limited which, through its wholly owned subsidiary Bahari Resources Limited ("Bahari"), owns a 40% interest in a Production Sharing Contract covering Blocks 35,36 and 37 offshore the Union of the Comoros in the Indian Ocean. Bahari is in a joint venture with UK-based Discover Exploration Limited ("Discover") who owns the remaining 60%.



**Figure 3 - Location of the Bahari interests offshore Comoros**

The shareholders of Bahari Holding Company have agreed to sell the entire share capital of Bahari Resources Limited to Discover in exchange for shares in Discover. Simultaneously Bahari and Discover have agreed to farmout a 35% interest in the Comoros PSC to Anglo-Irish company Tullow Oil plc (“Tullow”).

As part of the transaction, Tullow will become the operator, and will partly carry Discover for a 3D seismic survey and the first exploration well. Both transactions are subject to governmental consent.

The Discover shares will be held by Bahari Holding Company Limited for up to two years before being distributed to shareholders.

**About Discover** - Discover is a private company based in London which is majority-owned by Carlyle International Energy Partners, a \$2.5 billion fund associated with the Carlyle Group, a \$200 billion global asset manager. Discover is led by the same executive team that founded, developed and sold Cove Energy plc (“Cove”) in 2009-2012. The team has strong expertise in upstream oil and gas across Africa, Europe, Asia and the Middle East.

Cove held an 8.5% non-operated working interest in Rovuma Area 1 offshore Mozambique, where operator Anadarko Petroleum Corp. discovered c. 75 trillion cubic feet (TCF) of recoverable gas. In 2012, Cove was acquired by PTT Exploration and Production (PTTEP) for US\$1.9 billion.

**About Tullow** - Tullow is an Anglo-Irish company founded in 1985. It is one of the 250 biggest listed companies in the United Kingdom and is listed on both the London and Dublin stock exchanges. It is Africa’s leading independent oil & gas company with 85 exploration, development and production licences in 16 countries in East Africa (Kenya, Uganda and Zambia), West Africa (Côte d’Ivoire, Equatorial Guinea, Gabon, Ghana and Namibia), South America, Europe and Asia. In 2017, Tullow produced c. 95,000 barrels of oil equivalent per day (net) and had gross revenues of US\$ 1.7 billion.



**About the Comoros PSC** - The Comoros PSC covers a deepwater area of 16,063 km<sup>2</sup> (c. 4 million acres) and is outboard of c. 200 TCF of gas-in-place discovered in Rovuma Areas 1 and 4, offshore Mozambique. The joint venture partners of Rovuma Areas 1 and 4 include Anadarko Petroleum Corp., China National Offshore Oil Corp. (CNOOC), Eni S.p.A., ExxonMobil Corp., Mitsui & Co. and PTTEP.

In a Competent Persons Report prepared for Discover dated August 2018, ERCE, the UK-based independent energy consulting group, estimates that two partly stacked prospects in Comoros blocks 35, 36 & 37 together contain gross mean unrisked prospective resources of c. 7.1 billion barrels of oil (+1.1 TCF of associated gas) in an oil case or 49 TCF of non-associated gas (+2.3 billion barrels of condensate) in a gas case.

For further information visit [www.calimaenergy.com](http://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, 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 play include international operators Shell, ConocoPhillips and PETRONAS, 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.

## Appendix 1 - Schedule of Interest in Tenements and Capital Structure

COUNTRY	BLOCK ID	LOCATION	WORKING INTEREST
CANADA	65276	Onshore	100%
CANADA	65277	Onshore	100%
CANADA	65350	Onshore	100%
CANADA	65355	Onshore	100%
CANADA	65391	Onshore	100%
CANADA	65393	Onshore	100%
CANADA	65450	Onshore	100%
CANADA	65452	Onshore	100%
CANADA	65454	Onshore	100%
CANADA	65537	Onshore	100%
CANADA	65539	Onshore	100%
CANADA	65556	Onshore	100%
CANADA	65557	Onshore	100%
CANADA	65558	Onshore	100%
CANADA	65559	Onshore	100%
CANADA	65591	Onshore	100%
CANADA	65635	Onshore	100%
CANADA	65636	Onshore	100%
CANADA	65659	Onshore	100%
CANADA	65662	Onshore	100%
CANADA	65663	Onshore	100%
CANADA	65691	Onshore	100%
CANADA	65733	Onshore	100%
CANADA	65735	Onshore	100%
CANADA	66255	Onshore	100%
CANADA	66256	Onshore	100%
CANADA	66312	Onshore	100%
CANADA	66313	Onshore	100%
CANADA	66338	Onshore	100%
CANADA	66386	Onshore	100%
CANADA	66419	Onshore	100%
CANADA	66420	Onshore	100%
CANADA	66421	Onshore	100%
CANADA	66422	Onshore	100%
CANADA	66440	Onshore	100%
CANADA	66441	Onshore	100%
CANADA	66442	Onshore	100%
CANADA	66443	Onshore	100%
CANADA	66479	Onshore	100%
CANADA	66480	Onshore	100%
CANADA	66481	Onshore	100%
CANADA	66515	Onshore	100%
CANADA	66550	Onshore	100%
CANADA	66581	Onshore	100%
WESTERN SAHARA	Daora	Offshore	50%
WESTERN SAHARA	Haouza	Offshore	50%
WESTERN SAHARA	Mahbes	Offshore	50%
WESTERN SAHARA	Mijek	Offshore	50%
NAMIBIA	2813B	Offshore	56%

### Capital Structure

Securities on Issue as at 30 January 2019:

- 1,237,262,750 fully paid ordinary shares (quoted)
- 51,842,834 Fully paid ordinary shares escrowed to 28 August 2019
- 155,779,486 Fully paid ordinary shares escrowed to 30 April 2019
- 19,450,000 performance rights escrowed to 28 August 2019

- 20,029,226 performance shares escrowed to 28 August 2019
- 10,000,000 options exercisable at \$0.09 on or before 25 August 2022
- 10,000,000 options exercisable at \$0.12 on or before 25 August 2022
- 10,000,000 options exercisable at \$0.045 on or before 25 August 2022
- 2,000,000 options exercisable at \$0.07 on or before 31 December 2019
- 750,000 options exercisable at \$0.07 on or before 6 November 2021

In relation to the Performance rights:

- a) No performance rights were issued during the period.
- b) The Performance Rights will vest, subject to completion of a minimum of 18 months' continuous service, on satisfaction of at least two of the following three conditions:
  - The VWAP for Calima shares for any period of 30 consecutive trading days being above \$0.15;
  - Calima raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and
  - Calima's market capitalisation exceeding \$50 million (based on the VWAP for Calima shares for any period of 30 consecutive trading days).
- c) No performance rights were converted or redeemed during the period.
- d) The milestone for the performance rights was not met during the period.

In relation to the Performance Shares:

- a) No Performance Shares were issued during the period.
- b) Class A, Class B and Class C Performance Shares will vest and convert on a one for one basis into a share on achievement of either of the following milestones:

Class A – Milestone A

- any of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) commencing and taking effect in accordance with the applicable Assurance Agreement with the SADR Government; or
- the Company selling all or part of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) for an amount greater than A\$0.132 million,

Class B – Milestone B

- spudding of an exploration well in any of the lands licenced by the Montney JV before 1 March 2019; or
- the Company selling the TMKM Shares for an amount greater than A\$0.394m on or before the Expiry Date,

Class C – Milestone C

- spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari; or
  - the Company selling the Bahari Shares for an amount greater than A\$1.32m,
- c) No performance shares were converted during the period.
  - d) No milestones for the performance shares was not met during the period.