CALIMA ENERGY

30 OCTOBER 2019

Quarterly Activities Report – 30 September 2019

Calima Energy Limited
ABN: 17 117 227 086

ASX Code: CE1

Calima Energy Limited is an international oil and gas company with more than 67,900 acres of drilling rights prospective for the Montney Formation in British Columbia, the most active oil and gas play in Canada.

2,155,572,225 fully paid ordinary shares (quoted)

Directors
Glenn Whiddon
(Chairman)

Alan Stein
(Managing Director)

Jonathan Taylor
(Technical Director)

Neil Hackett
(Non-Executive Director)

Brett Lawrence
(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 Formation in Northeast British Columbia, Canada

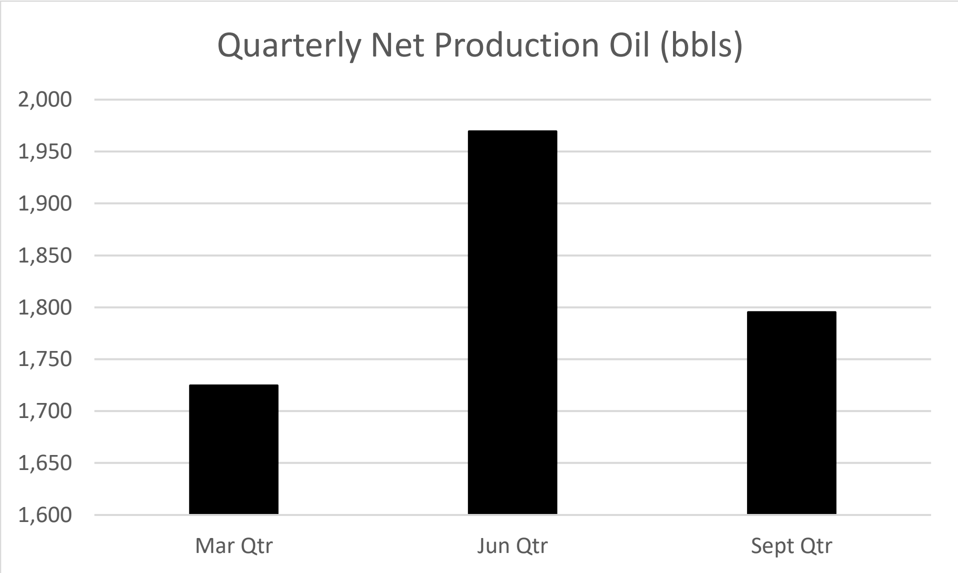
Calima Energy Limited (**ASX: CE1**) (**Calima** or the **Company**) is pleased to provide shareholders with the following summary of its activities during the September 2019 quarter.

KEY ACTIVITIES AND HIGHLIGHTS

- **Resource statement upgrade**
- **Rights issue and placement to realise $12.8m**
- **10-year lease awarded over 56% of Calima Core Lands**
- **Receipt of A$2.97m following sale of Namibia PEL 90 to Tullow**
- **Appointment of Brett Lawrence as a Director**

CAPITAL STRUCTURE AND FINANCIAL SNAPSHOT

ASX Code	*CE1*	***Cash @ 30/9***	*$2.2m*
Share Price	*1 cent*	***Net Rec/(creditors)[(1)]***	*$3.4m*
Shares	*2,155 m*	***Working Cap***	*$5.6m*
Market Cap	*21.5 m*	***Producing wells***	*1*
Quarterly Rev	*$156k*	***Quarterly Net BO***	*1,795*



1. Net receivables includes the $2.9m from the sale of PEL90 (received 23 October 2019), Canadian GST of $1.3m is due on or around Feb 2020. Balance is trade creditors.

OPERATIONS

Calima's Q3 operations focused on interpretation of data generated by the Company's drilling campaign earlier in the year. The ongoing evaluation of these data have further demonstrated that the Company's landholdings in British Columbia (**Calima Lands**) are highly prospective. This is reflected in the results of an independent resource audit that was released during the period. The Company is currently putting in place the various elements of a field development plan that makes the land position profitable at near-term pricing metrics.

Resource Statement Upgrade

During the period the Company commissioned McDaniel & Associates ("McDaniel") to update their assessment of the hydrocarbon resources contained within the Montney Formation in the Calima Lands. Their previous assessment, with an effective date of December 31st 2017, was released to the market March 14th 2018. The results of the updated evaluation, with an effective date of July 1st 2019, were released to the market on July 8th 2019. The updated evaluation was able to incorporate results obtained from the wells drilled by the Company earlier in the year and consequently some of the Company's resources in the vicinity of the wells were upgraded to the Contingent (2P) category.

McDaniel's Best Estimates of total un-risked contingent and prospective resources within the Calima Lands are summarised in Tables 1A/1B and Figure 1.

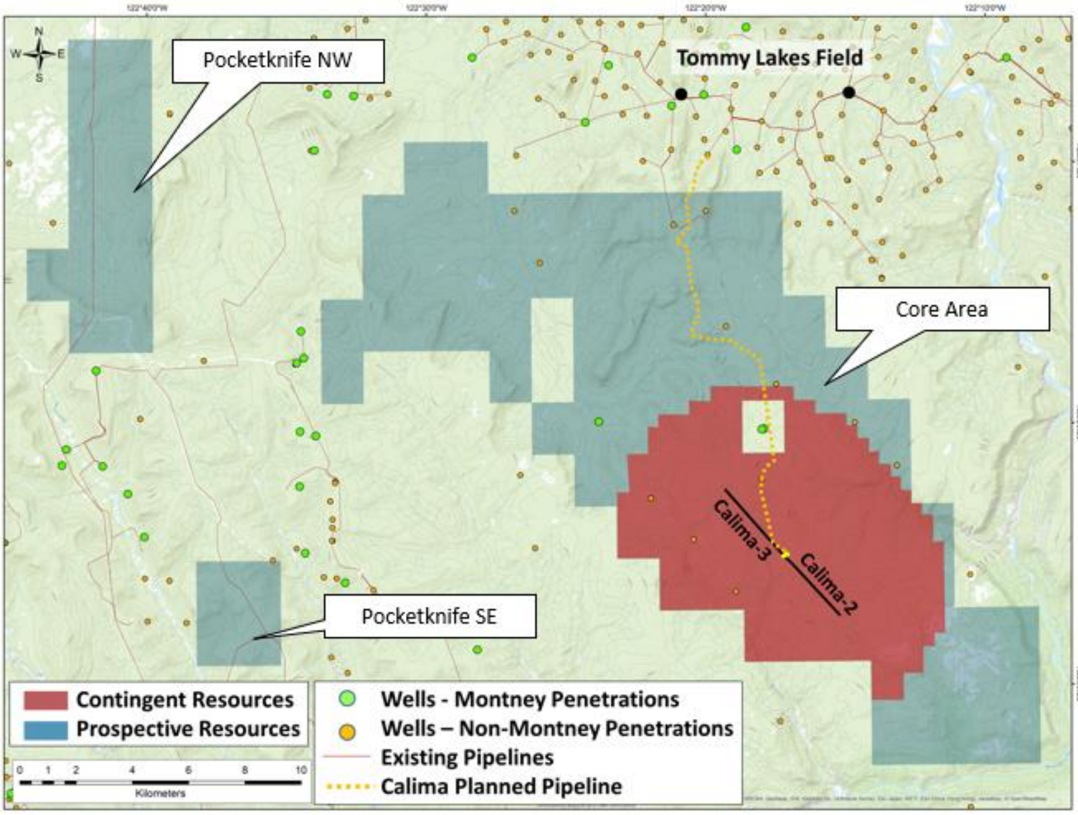


Figure 1 - Map of Calima Lands defining the areas of Prospective and Contingent Resources as at 1 July 2019.

1A Gross Unrisked Contingent Resources [4] (2C) based upon 124 wells over 20,549 acres		
Natural Gas (mmcf)	Gross	904,897
	Net after Royalties	730,359
Condensate (mbbl)	Gross	20,115
	Net after Royalties	16,912
Natural Gas Liquids[1] (mbbl)	Gross	25,136
	Net after Royalties	21,133
TOTAL LIQUIDS[2] (mbbl)	Gross	45,251
	Net after Royalties	38,045
TOTAL mmboe[3]	Gross	196.1
	Net after Royalties	159.8

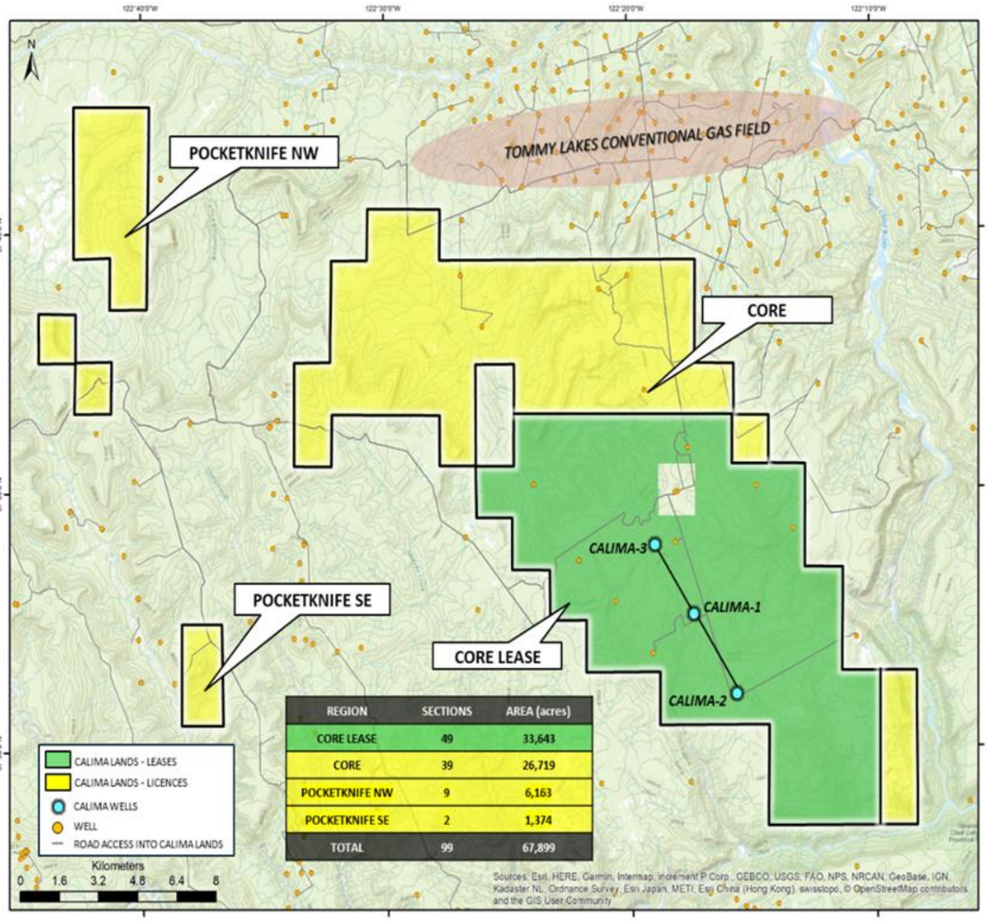
1B Gross Unrisked Prospective Resources[5] (2U) based upon 314 wells over 51,488 acres		
Natural Gas (mmcf)	Gross	2,295,070
	Net after Royalties	1,795,581
Condensate (mbbl)	Gross	51,017
	Net after Royalties	42,355
Natural Gas Liquids[1] (mbbl)	Gross	63,752
	Net after Royalties	52,928
TOTAL LIQUIDS[2] (mbbl)	Gross	114,769
	Net after Royalties	95,283
TOTAL mmboe[3]	Gross	497.3
	Net after Royalties	394.4

Table 1A – Best estimate Unrisked Contingent (2C) Resources and Table 1B - Prospective (2U) Resources of the Calima Lands as estimated by McDaniel & Associates effective 1 July, 2019. Important notes to accompany Table 1A and 1B are included as Appendix A

For the period 1 September 2019 to 31 December 2019, the drilling leases over some 7,539 acres of land in the areas referred to as Pocketknife NW and SE in Figure 1 will expire. These areas would be expensive to incorporate into a field development plan due to their shape and separation from the contiguous acreage in the Core Area and the Company intends to let these areas expire in due course. The Company estimates that this could reduce the Prospective Resource by up to 15% however due to variations in the various parameters required to determine the volume of resources within the Calima Lands it is not possible to make a pro-rata determination based on surface area.

10-year Lease awarded over Calima Lands

As at 31 October Calima owns and operates 67,899 acres of drilling and production rights in British Columbia ("Calima Lands"). The Company announced on 28 October the conversion of a significant portion of its acreage into 10-year Leases expiring in 2029.



Calima Lands as at 31 October 2019. The acreage recently converted into 10-year Leases shown in green.

The Company earned the right to make this conversion based on the total metres drilled during its successful 2019 three well drilling campaign (9,353m). The British Columbia Department of Energy, Mines and Petroleum Resources have granted the conversion of 49 sections of land covering 33,643 acres. This represents 56% of Calima's Core Lands. Importantly, there is no obligation to drill any further wells to hold the Lease until 2029.

While the 2019 drilling program was designed to deliver flow rates and demonstrate the liquids rich nature of the acreage, the program had an additional objective of converting the maximum acreage possible into 10-year Leases. The remainder of the Calima Lands are held under 5-year drilling licenses which require drilling to enable further conversions to be made. Most of the remaining licences over the Core Lands mature in 2022.

The areas referred to as Pocketknife which lie to the west of the Core Lands are at, or are near, their expiry dates. During September and October, 4,115 acres of rights in these areas expired and a further 3,427 acres will expire prior to 31 December 2019. These areas would be expensive to incorporate into a field development plan due to their shape and separation from the contiguous core area and the Company intends to let these areas expire in due course. The Company could re-post these lands at a future date and bid on them acquiring fresh drilling licences.

Namibia PEL 90 Sale Completed

The Company announced on 23 October 2019 that all necessary approvals from partners and Government authorities for the sale of its interest in the Namibia PEL 90 license (Block 2813B) to Tullow Namibia Limited were satisfied. This completes the formal sale and purchase agreement including the assignment of the license and transfer of Operatorship to Tullow, a subsidiary of Tullow Oil plc, a leading deep-water operator with an outstanding track record in Africa.

The Company received A$2.9 million from the sale, with funds to be allocated towards the Company's Montney project as well as working capital. Furthermore, the Company retains exposure to success in PEL 90 with bonuses totaling US$10m to be paid in two equal tranches (US$5 million) following the grant of a production license and then upon the commencement of commercial production.

CORPORATE

Corporate Development

The Canadian E&P space continues to be challenging with Montney producers struggling with short-term weakness in gas prices caused for the most part by bottlenecks in pipeline capacity. New pipeline capacity matched with increasing domestic demand is predicted to result in better balance between supply and demand during 2020. This should reduce the discounts currently being applied to gas in Western Canada. Against this encouraging macro back-drop the Board is resolved to continue with its strategy to put in place the building blocks for a 10,000 boe/d development that achieves maximum cost efficiency by making the most of existing infrastructure. Financing will be sought through a combination of debt facilities and by the implementation of a structured process to evaluate and progress strategic partnerships and/or joint ventures.

Current Cash Position & Cost Saving

The Company remains well funded with a working capital position of $5.6m. This includes the recent receipt of AUD$2.9m from the sale of the PEL 90 and an additional GST Canadian receivable of ~$1.3m due February 2020. The Company has undertaken costs savings measures including a 50% reduction in headcount plus reductions in overheads. Mark Freeman, who was previously in a part-time role assisting with Business Development, has stepped up to also take the role of Chief Financial Officer.

Placement and Rights Issue

On 1 July 2019, the Company announced a $12.7 million (before costs) capital raising completed by way of a $4 million placement (Placement) and $8.7 million fully underwritten entitlement offer (Entitlement Offer) both at $0.018 per share.

Petra Capital and Euroz Securities acted as joint lead managers and joint bookrunners to the Placement and Entitlement Offer and joint underwriters of the Entitlement Offer.

The Placement was completed on 8 July 2019 and Entitlement Offer was completed 5 August 2019 with shares being allotted and funds received by the Company.

Appointment of a director

On 29 October 2019 the Company announce the Appointment of Mr Brett Lawrence as a non-executive director. Mr Lawrence is a 15-year veteran of the oil and gas industry and holds a Master of Petroleum Engineering, a Bachelor of Engineering (Mining) and Bachelor of Commerce (Finance) from Curtin University in Western Australia. Mr Lawrence worked with Apache Energy for over eight years, performing roles in drilling engineering, reservoir engineering, project development and commercial management and has held senior roles in the commercial, financial and corporate arenas with various ASX listed public companies. He is currently a senior executive with a family office investment firm associated with Mr Craig Burton who directly and indirectly owns 10.11% of the issued share capital of the Company.

LNG Conference

Late in September the Company participated in the LNG Forum Canada-Japan established by the Canadian Embassy in Tokyo. Attendance was well represented by major Japanese LNG trading and procurement company's as well as Canadian upstream, midstream and downstream players. Relationships with Asian LNG industry is pivotal in accessing development capital and joint venture opportunities and the Company will continue nurturing these relationships.

Securities Released from Escrow

During the quarter the following securities were released from escrow.

Security Type	Quantity
Ordinary Fully Paid Restricted	55,790,194
Performance Shares Restricted	16,081,866
Performance Rights Restricted	19,450,000
Options exercisable at $0.09 on or before 25 August 2022 Restricted	10,000,000
Options exercisable at $0.12 on or before 25 August 2022 Restricted	10,000,000
Options exercisable at $0.045 on or before 25 August 2020 Restricted	10,000,000

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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.

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Appendix One - Notes to accompany Tables 1A & 1B of Resources

(1) Natural Gas Liquids refers to the product recovered after processing. Approximately 10 bbl/MMcf of the product recovered after processing is also condensate (C5) see also Note 2.

(2) Sum of Condensate and Natural Gas Liquids. Based on Company drilling results public domain data and the results of wells drilled on adjacent land McDaniel estimate that the average condensate to gas ratio for wells in the Calima Lands would be 22.5 bbl/MMcf (wellhead condensate/gas ratio) for the Middle Montney and 17.5bbl/MMcf for the Upper Montney. Additional liquids 25bbl/MMCF would be stripped from the gas upon processing comprising 6 bbl/MMcf of C3, 9 bbl/MMcf of C4, and 10 bbl/MMcf of C5+ (Condensate).

(3) Barrels of Oil Equivalent based on 6:1 for Natural Gas, 1:1 for Condensate and C5+, 1:1 for Ethane,1:1 for Propane, 1:1 for Butanes. BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

(4) Contingent Resources (2C) - Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. Contingent resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status. The Contingent Resources (2C) in Tommy Lakes have been sub-classified as a “Development on Hold” as the accumulation is well defined and does represent a viable drilling target. The prospective resources have also been classified using a deterministic method of petroleum reserves estimation having an evaluation date of 1 July 2019.

(5) Prospective resources (2U) are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbon. The Prospective Resources (2U) in Tommy Lakes have been sub-classified as a “Prospect” as the accumulation is well defined and does represent a viable drilling target. The prospective resources have also been classified using a deterministic method of petroleum reserves estimation having an evaluation date of 1 July 2019.

(6) Pre-Development – A pre-development study is an intermediate step in the development of a project scenario. The amount of information that is available for the reservoir of interest is greater than for a conceptual study. In particular, the petroleum initially in place has been reasonably well defined and the remaining uncertainty lies largely in the recovery factor and the economic viability.

Full details of method of preparation, resource classification, methodology, original gas in-place and reservoir parameters resource estimates and qualified petroleum reserves and resources evaluator statement are outlined in the ASX announcement 8 July 2019.

CALIMA ENERGY

Appendix Two - Schedule of Interest in Tenements

COUNTRY	BLOCK ID	LOCATION	WORKING INTEREST 1-7-2019	WORKING INTEREST 30-9-2019
CANADA	65276	Onshore	100%	0%
CANADA	65277	Onshore	100%	0%
CANADA	65350	Onshore	100%	100%
CANADA	65355	Onshore	100%	100%
CANADA	65391	Onshore	100%	100%
CANADA	65393	Onshore	100%	100%
CANADA	65450	Onshore	100%	100%
CANADA	65452	Onshore	100%	100%
CANADA	65454	Onshore	100%	100%
CANADA	65537	Onshore	100%	100%
CANADA	65539	Onshore	100%	100%
CANADA	65556	Onshore	100%	100%
CANADA	65557	Onshore	100%	100%
CANADA	65558	Onshore	100%	100%
CANADA	65559	Onshore	100%	100%
CANADA	65591	Onshore	100%	100%
CANADA	65635	Onshore	100%	100%
CANADA	65636	Onshore	100%	100%
CANADA	65659	Onshore	100%	100%
CANADA	65662	Onshore	100%	100%
CANADA	65663	Onshore	100%	100%
CANADA	65691	Onshore	100%	100%
CANADA	65733	Onshore	100%	100%
CANADA	65735	Onshore	100%	100%
CANADA	66255	Onshore	100%	100%
CANADA	66256	Onshore	100%	100%
CANADA	66312	Onshore	100%	100%
CANADA	66313	Onshore	100%	100%
CANADA	66338	Onshore	100%	100%
CANADA	66386	Onshore	100%	100%
CANADA	66419	Onshore	100%	100%
CANADA	66420	Onshore	100%	100%
CANADA	66421	Onshore	100%	100%
CANADA	66422	Onshore	100%	100%
CANADA	66440	Onshore	100%	100%
CANADA	66441	Onshore	100%	100%
CANADA	66442	Onshore	100%	100%
CANADA	66443	Onshore	100%	100%
CANADA	66479	Onshore	100%	100%
CANADA	66480	Onshore	100%	100%
CANADA	66481	Onshore	100%	100%
CANADA	66515	Onshore	100%	100%
CANADA	66550	Onshore	100%	100%
CANADA	66581	Onshore	100%	100%
WESTERN SAHARA	Daora	Offshore	50%	50%
WESTERN SAHARA	Haouza	Offshore	50%	50%
WESTERN SAHARA	Mahbes	Offshore	50%	50%
WESTERN SAHARA	Mijek	Offshore	50%	50%
NAMIBIA	2813B	Offshore	56%	56%

Appendix Three - Capital Structure

Securities on Issue as at 30 October 2019:

- 2,155,572,225 fully paid ordinary shares (quoted)
- 19,450,000 performance rights
- 16,081,866 performance shares
- 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 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 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) Class B performance shares were converted during the period based on the milestone being met in the previous quarter

d) No Milestones for the performance shares were met during the period.