

Quarterly Activities Report – 31 December 2019

Calima Energy Limited

ABN: 17 117 227 086

ASX Code: CE1

Calima Energy Limited is an oil and gas company with more than 64,475 acres of drilling rights prospective for the Montney Formation in British Columbia, the most active oil and gas play in Canada.

Directors

Glenn Whiddon
(Chairman)

Alan Stein
(Managing Director)

Neil Hackett
(Non-Executive Director)

Brett Lawrence
(Non-Executive Director)

Joint Company Secretary

Neil Hackett
James Bahen

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The principal activity of Calima is investing in oil and gas exploration and production projects. 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 December 2019 quarter.

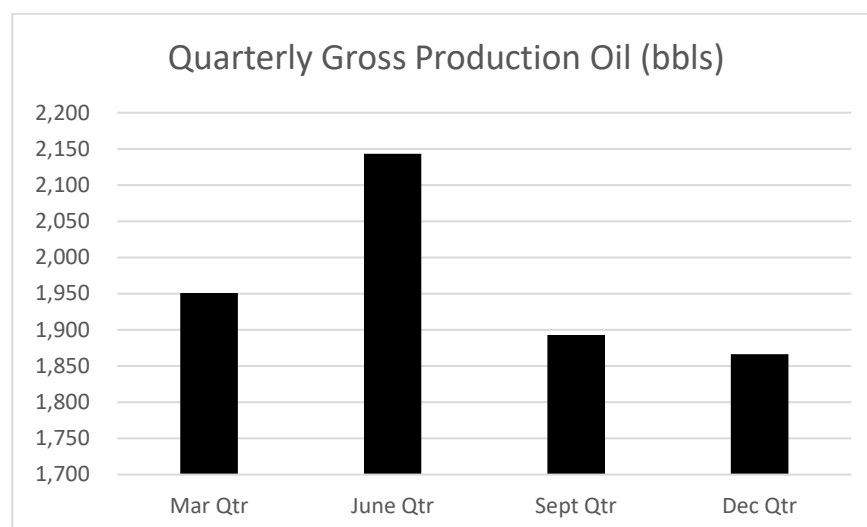
KEY ACTIVITIES AND HIGHLIGHTS

- **BC Oil and Gas Commission ("OGC") has provided approval to construct and operate a multi-well production facility.**
- **Permit granted to construct pipeline to connect the Calima well-pad with regional pipeline and processing infrastructure.**
- **A 10-year Continuation Lease over 49 sections (33,643 acres) of land awarded as a result of the 2019 drilling campaign on the Calima Lands.**
- **Receipt of A\$2.9 million following sale of Namibia PEL 90 to Tullow**
- **\$4.9 million working capital available to the Company.**

CAPITAL STRUCTURE AND FINANCIAL SNAPSHOT

ASX Code	CE1	Cash @ 31/12	\$3.6m
Share Price	0.6 cent	Net Rec/(creditors)	\$1.3m*
Shares	2,155 m	Working Cap	\$4.9m
Market Cap	\$13 m	Producing wells	1
Quarterly Rev	\$144k	Quarterly Gross BO	1,866

* This includes an additional GST Canadian receivable of ~\$1.3m due February 2020.



OPERATIONS

Calima's Q4 operations focused on continuing to advance the permitting, approvals and authorisations necessary to complete a Field Development Plan ("FDP"). The FDP provides the basis for a qualified reserves statement and is the foundation upon which the Company's landholdings in British Columbia (**Calima Lands**) can be promoted to prospective partners and financiers.

The Company does not intend to undertake further development work until a Final Investment Decision ("FID") has been taken. The FID will be subject to securing funding through either the introduction of a joint venture partner and/or project financing facilities being arranged on the back of sustained rising gas prices.

Wellsite Production Facility Approval

During the period the Company received a permit from the BC Oil and Gas Commission ("OGC") to construct a production facility at its Montney pad location.

The facilities include tankage, electrical generation metering and a control centre. The construction design is modular, allowing for the construction off-site in a controlled environment only final tie-ins once placed on pre-set foundations at site. This ensures an efficient, cost-effective installation within the winter.



Figure One – Calima pad site during drilling operations

While the initial approval is for the existing two liquids rich Montney wells drilled at the beginning of 2019, it is envisaged that additional modules would be added to the pad site to accommodate a 20 well pad.

Pipeline Connection To Regional Sales Networks Approved

During the quarter the Company received regulatory approval to construct and operate a 19.5 km steel 8-inch service pipeline (Figure 2). The pipeline will connect existing and future Calima wells to the Tommy Lakes infrastructure. The Tommy Lakes infrastructure has excess capacity and the Company is in discussions with the field operator to determine the optimal way to use that capacity in manner that delivers a benefit for both parties. Tommy Lakes is approaching the end of its life and planning is in place to put the facilities into suspension mode once production has ceased in 2020.

The proposed pipeline will run through the core of the Calima Lands with capacity to transfer up to 50 mmcf/d of wet gas and 1,500 bbls/d of well-head condensate through to the North River Midstream sales line, providing access to the Canadian and US markets to AECO, Alliance and T-North/Station 2.

In the future, inter-connects are being proposed to provide access to the Shell/Petronas' LNG Canada Facility and the proposed Woodside/Chevron LNG Facility at Kitimat.

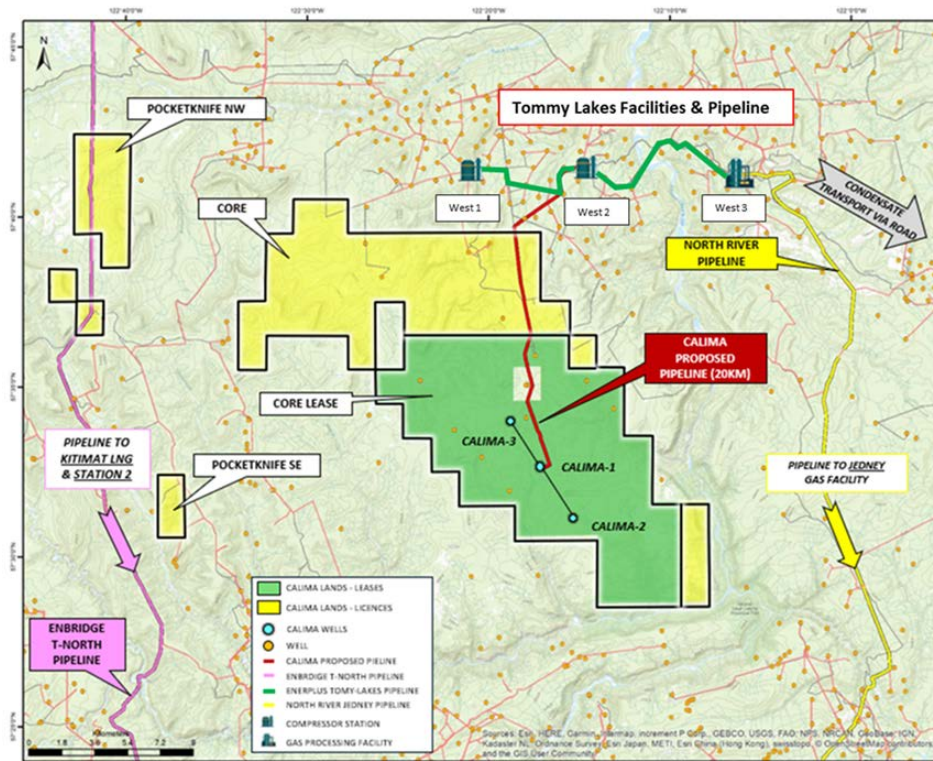


Figure Two – The proposed pipeline ties into the Tommy Lakes Field which lies immediately north of the Calima Lands and offers the closest, most cost-effective tie-in to processing facilities and regional pipeline networks.

Based on Company drilling results, public domain data and the results of wells drilled on adjacent land the Company's reserve auditors, McDaniels (CE1 ASX release 8 July 2019) estimate that the average liquid to gas ratio for wells in the Calima Lands should be 45 bbl/Mmcf with around two thirds of total production being condensate.



Figure Three – The proposed pipeline route through the northern part of the Calima Lands follows an existing track.

10-year Continuation Lease granted over Calima Lands

During the quarter, the Company announced on the conversion of a significant portion of its acreage into 10-year Leases expiring in 2029. Identified in green in figure 2 above.

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 represented 56% of Calima's Core Lands. Importantly, there is no obligation to drill any further wells to hold the Lease until 2029. 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 the December quarter 7,542 acres of rights in these areas expired. 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

During the quarter the Company completed the sale of its interest in the Namibia PEL 90 license (Block 2813B) to Tullow Namibia Limited, a leading deep-water operator with an outstanding track record in Africa. The Company received A\$2.9 million from the sale. 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

Current Cash Position & Cost Saving

The Company has a working capital position of ~A\$4.9m. This includes an additional GST Canadian receivable of ~A\$1.3m due February 2020. The Company does not intend to undertake further development work until FID has been taken. The Company has continued to make cost saving changes during the quarter to reduce overheads whilst FID is being worked on. The Company will continue in its efforts to reduce its holding costs.

Management Changes

During the quarter the Company appointed 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). He is currently a senior executive with a family office investment firm associated with Mr Craig Burton who owns 10.11% of the issued share capital of the Company.

Additionally, on 20 January 2020, Mr Jon Taylor resigned as a director. Mr. Taylor is UK based and has been instrumental in the growth of Calima Energy from its beginnings and in the sale of the Namibian

acreage to Tullow Oil late last year. As the Company is now focussed on the Calima Lands in Canada, Mr Taylor has decided to concentrate on other commitments. Mr Taylor continues to be a material shareholder and will continue to be available to the Company to assist in a consulting capacity.

Expiry of unlisted options

2,000,000 unlisted options with an exercise price of \$0.07 expired on 31 December 2019.

For further information visit www.calimaenergy.com or contact:

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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.

Appendix One - Schedule of Interest in Tenements

COUNTRY	BLOCK ID	LOCATION	WORKING INTEREST 30-9-2019	WORKING INTEREST 31-12-2019
CANADA	65350	Onshore	100%	0%
CANADA	65355	Onshore	100%	0%
CANADA	65391	Onshore	100%	0%
CANADA	65393	Onshore	100%	0%
CANADA	65450	Onshore	100%	0%
CANADA	65452	Onshore	100%	0%
CANADA	65454	Onshore	100%	0%
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%	0%

Appendix Two - Capital Structure

Securities on Issue as at 30 January 2020:

- 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
- 750,000 options exercisable at \$0.07 on or before 6 November 2021

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Calima Energy Limited

ABN

17 117 227 086

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	116	431
1.2 Payments for		
(a) exploration & evaluation	(964)	(31,880)
(b) development	-	-
(c) production	(117)	(152)
(d) staff costs	(22)	(79)
(e) administration and corporate costs	(239)	(1,810)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	0	10
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	218
1.9 Net cash from / (used in) operating activities	(1,230)	(33,266)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(3)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	2,913	2,913
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	-	-
2.6 Net cash from / (used in) investing activities	2,913	2,910

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	12,700
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(132)	(1,063)
3.5 Proceeds from borrowings	-	1,063
3.6 Repayment of borrowings	(22)	(192)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(154)	12,508

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,234	21,472
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,230)	(33,266)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	2,913	2,910
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(154)	12,512
4.5 Effect of movement in exchange rates on cash held	(97)	38
4.6 Cash and cash equivalents at end of period	3,666	3,666

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,666	2,234
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Office lease guarantee)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,666	2,234

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
114
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director fees and director consulting fees paid during the period. Payment are net of GST

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
82
-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Consulting fees paid to a related entity during the period. Payments are net of GST

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities (including fees)	1,143	1,143
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 20 March 2019 the Company forward sold CAD1,200,000 of net production revenue from the Paradise well for the consideration of CAD1,000,000. Calima owns 100% of the Paradise well (Official designation; Boundary 5- 1-86-15 00/11-01-08615W6/0). The forward sale facility will be repaid monthly from net well production payments over a period of 36 months. In the event of there being any shortfall the lender can require repayment of the outstanding balance in cash or, subject to shareholder approval, shares (at the 20 day VWAP prior to such election). Within the last 6 months of the facility, or earlier if the loan amount has been repaid the lender has the right to acquire the Paradise well.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	
Water Management storage environmental	180
Mineral Lease Payments	40
Canadian overheads, health/safety	220
9.2 Development	-
9.3 Production	35
9.4 Staff costs	-
9.5 Administration and corporate costs	270
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	745

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	65350	Held via Subsidiary	100%	0%
	65355	Held via Subsidiary	100%	0%
	65391	Held via Subsidiary	100%	0%
	65393	Held via Subsidiary	100%	0%
	65450	Held via Subsidiary	100%	0%
	65452	Held via Subsidiary	100%	0%
	65454	Held via Subsidiary	100%	0%
	2813B	Held via Subsidiary	56%	0%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

Date: 30 January 2020

Print name: Mark Freeman

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.