CALIMA ENERGY

ABN 17 117 227 086

FINANCIAL REPORT

For the year ended 31 December 2019

CALIMA ENERGY

Directors

Glenn Whiddon	Executive Chairman
Alan Stein	Non-Executive Director
Neil Hackett	Non-Executive Director
Brett Lawrence	Non-Executive Director

Company Secretary
Neil Hackett
James Bahen

Registered office – Perth Australia
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Subiaco WA 6008
Telephone: +61 (0) 8 6500 3270
Facsimile: +61 (0) 8 9380 3275
Website: www.calimaenergy.com

Auditors
BDO Audit (WA) Pty Ltd
38 Station Road
Subiaco WA 6008

Bankers
National Australia Bank
226 Main Street
Osborne Park WA 6017

Share registry
Computershare Investor Services Pty Ltd
Level 11, 172 St. Georges Terrace Perth WA 6000
Telephone: +61 (0) 8 9323 2000
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Stock exchange listing
The Company is listed on the ASX Limited ("ASX")

Home branch: Perth, Western Australia
ASX Code: CE1

Contents

Calima Energy Limited (ASX:CE1) ("Calima" or the "Company") owns and operates 63,103 acres of drilling and production rights for the Montney Formation in British Columbia ("Calima Lands"). During 2019, the Company drilled three successful wells, resulting in a maiden contingent resource of 196.1 Mmboe as announced on 8 July 2019 (as detailed below).

On 19 February 2020 the Company announced the acquisition of pipeline facilities with a replacement value of $85 million providing access to processing facilities and a variety of North American markets for its future gas and light oil (condensate). Calima's Montney lands are now considered to be ready-for-development with all permits and authorisations in place, allowing production to commence as early as 6 months from FID.

The recent sharp drop in oil prices combined with the COVID-19 virus outbreak has produced considerable volatility in global markets. Despite the market turmoil, Calima is well positioned to withstand the current challenges and poised to benefit from any market improvement:

- Over A$4.15 million net working capital as of 29th of February 2020.
- The acquisition of Tommy Lakes is expected to cost $A1.0m (not reflected in working capital above).
- Large core lease-holdings with low holding costs and majority 10 year production leases.
- 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. Importantly, there is no obligation to drill any further wells to hold the Lease until 2029. Most of the remaining licences over the Core Lands mature in 2022.

Capital structure and financial snapshot as at 31 December 2020

ASX Code	CE1	**Cash @ 31/12**	$3.6m
Share Price	$0.007	**Net Rec/(creditors)**	$1.3m*
Shares	2,155 m	**Working Cap**	$4.9m
Market Cap	$15.1 m	**Producing wells**	1

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

Strategic Forward Plan

As announced on 23 March 2020, the Company has shifted management to Canada and together with the Tommy Lakes acquisition will focus on strategies to unlock and maximise shareholder value via 3rd party investment, joint ventures, partnerships and/or corporate transactions. Additionally, the Company will continue to maintain balance sheet strength, preserve flexibility and reduce overheads across the business, as and where the opportunity presents itself. Recent changes include:

- Mr Micheal Dobovich, previously a senior executive with Statoil Canada, will assume the role of President (currently Country Manager), based in Calgary. Micheal will be the Company's only full time executive.
- Dr Alan Stein, Managing Director, will move to a Non-Executive role. Dr Stein together with the Havoc team was responsible for the original Montney acquisition strategy and the success in delivering a maiden contingent resource.
- Chase Edgelow (ex Macquarie Bank, Calgary) appointed in an advisory capacity to pursue strategic corporate opportunities with majority of remuneration equity based.
- Mr Mark Freeman, Chief Financial Officer, will take on additional Company Secretary responsibilities in Perth.
- Effective 1 March, 2020 - director fees to be paid in shares and overheads slashed.
- On 20 January 2020, Mr Jon Taylor resigned as a director. Mr Taylor continues to be a material shareholder and will continue to be available to the Company to assist in a consulting capacity.

CALIMA ENERGY

Tommy Lakes Infrastructure Acquisition

On 19 February 2020 the Company announced it had entered into an agreement[1] to acquire, compression facilities, associated pipelines and infrastructure ("the Facilities") in the Tommy Lakes Field (Figure 1) which lies immediately to the north of the Calima Lands.

- Provides the Company with cost-efficient access to North River Midstream pipeline and Jedney processing facility.
- The Facilities provide access to regional markets via the major pipeline networks including NGTL, Alliance and T-North.
- Infrastructure being acquired includes gathering pipelines, compression facilities and associated facilities capable of transporting up to 50 Mmcf/d of gas and 1,500-2,000 bbls/d of well-head condensate[2]
- Field office with a control centre and flexible camp facilities suitable for drilling operations.
- Year-round condensate storage and off-loading facilities.
- Located 20 km from Calima Lands –approval to build connecting pipeline already secured.
- Facilities to be placed into suspension until partner or financing finalised - annual holding costs of A$500,000.
- Acquisition cost and performance bonds ~A$1,000,000.
- Facilities in excellent condition with a replacement cost estimated at A$85 million.
- Enables completion of the Field Development Plan and elevates the Calima Lands to being ready-for-development pending a Final Investment Decision

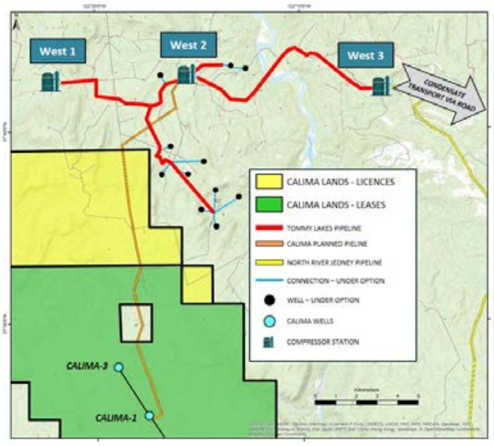


***Figure One** – The Tommy Lakes Infrastructure lies immediately north of the Calima Lands and offers the closest, most cost-effective tie-in to processing facilities and regional pipeline networks. The horizontal wells on Pad A can be connected to the Tommy Lakes field via a proposed 20 km pipeline. Calima is acquiring the pipelines shown in red as well as facilities at the West 1, 2 and 3 locations.*

The Facilities are of strategic value to Calima being the closest (20km) and most cost-effective tie-in point to processing facilities and regional pipeline networks. The Company recently received regulatory approval to construct the pipeline that connects the Company's suspended wells on Pad A to the Tommy Lakes Facilities.

The Tommy Lakes field connects to a raw (wet) gas pipeline that leads directly to the NorthRiver Jedney processing plant which in turn provides immediate access to the major export routes; NGTL/AECO, Alliance and T-North/Station 2 (Figure 3). Importantly, new pipeline investment and capacity growth will allow for gas to be directed towards the Shell/Petronas' LNG Canada Facility via the Canada Coastal Link pipeline and the proposed Woodside/Chevron LNG Facility at Kitimat.

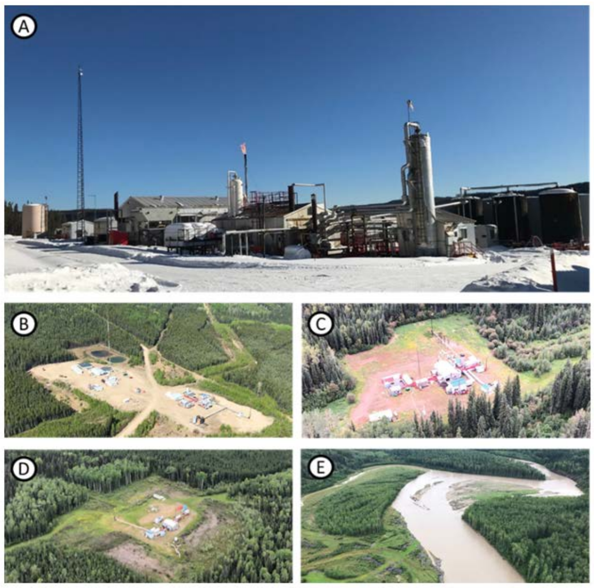


***Figure Two** – Tommy Lakes Field A. Tank storeage, liquids handling facility and West 1 compressor, B. Field office, control room and camp facility, C. West 2 Compressor, D. West 1 Compressor, E. Location where the Tommy Lakes pipeline crosses underneath the Sikanni Chief River.*

The Facilities are in excellent condition with an estimated replacement value of A$85 million. The costs associated with the acquisition will be in the region of A$1,000,000 which will primarily comprise the cost of shutting down the facilities and the payment of a refundable performance bond to the Oil & Gas Commission of British Columbia ("OGC"). The cost to maintain the Facilities in a shut-down state is estimated to be A$500,000 p.a. The Company will also be responsible for abandonment and restoration costs of the Facilities at the end of their working life.

[1] Subject to the customary consents and approvals from the regulator.
[2] Based on McDaniels Reserve Report detailed below under the "Calima Lands - Independent Resource Report" section.

Pipeline & Processing Access – NorthRiver Midstream Jedney Facility

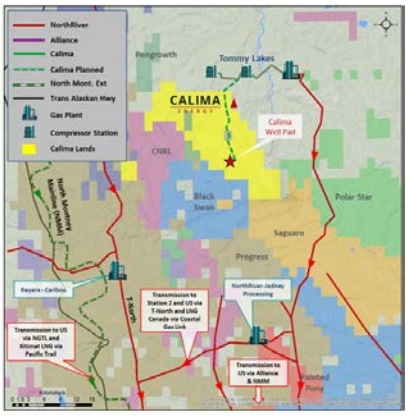


Figure Three – The Tommy Lakes pipeline connects to a raw (wet) gas pipeline that leads directly to the NorthRiver Jedney processing plant which in turn provides immediate access to the major export routes; NGTL/AECO, Alliance and T-North/Station 2.

Calima continues discussions with NorthRiver Midstream to secure the ability to deliver volumes of up to 50 Mmcf/d into their Jedney processing plant. Based on current capacity Jedney can receive up to 25 Mmcf/d from the Calima Lands. Whilst the raw gas line to Jedney can handle well-head condensate, the Company plans to remove most of the condensate at the Tommy Lakes offloading station east of the Sikanni River (~22bbls/Mmcfd). Additional condensate and other natural gas liquids will then be recovered form subsequent processing at Jedney.

Field Development Plan & Final Investment Decision

Completion of the Tommy Lakes acquisition is a necessary component of the Field Development Plan ("FDP"); elevating the Calima Lands to being a project ready-for-development.

Calima 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

On 18 November 2019 the Company received a permit from the 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.

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.

Approvals for Facilities Hand over

Calima has been working closely with the OGC to ensure a timely closing of this transaction that will see the necessary licenses and permits being transferred to Calima. The structure of this deal provides benefits to all parties, and especially the BC Government as it ensures that the Calima Lands can be developed on a timely basis with minimal capital expenditures and disturbance to the environment. Facilities are anticipated to be handed over mid April 2020.

10-year Continuation Lease granted over Calima Lands

During the year, 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 1 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 period 8,911 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 of acquiring fresh drilling licences.

Calima Lands - Independent Resource Report

On 8 July 2019 the Company announced that McDaniel & Associates had completed their independent resources upgrade assessment resulting in a maiden contingent resource of 196.1 Mmboe. The resource report estimated ultimate recovery (EUR) 8.4 Bcf per well (2018; 5.6-6.8 Bcf). The resource report also referenced an upgrade in unrisked prospective resources but subsequent to the report being published the 8,911 acres of drilling rights over acreage have expired. This equates to ~18% of leases covered under the unrisked prospective resources category. The Company is updating its unrisked prospective resources category and will publish those results in due course.

McDaniel & Associates (McDaniel), a leading independent geological consulting firm with extensive experience of the Montney Formation, was commissioned to prepare an evaluation of the crude oil, natural gas and natural gas products resources of the Calima Lands to 2018 PRMS standards. McDaniel's Best Estimates of total un-risked contingent within the Calima Lands are summarised in Tables 1 and Figure 4.

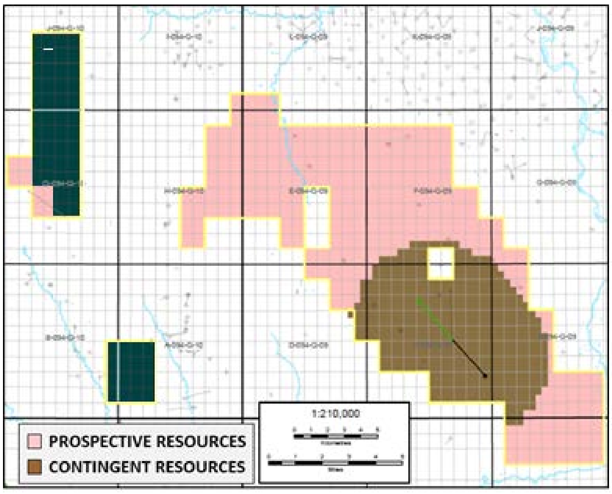


Figure 4 - Map of Calima Lands defining the areas of
Previous Prospective (pink) and Contingent (brown) Resources.
Previous Prospective (dark green) expired leases previously included in Prospective Resources.

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

Table 1 – Best estimate Unrisked Contingent (2C) Resources

Notes to accompany Tables 1

(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.

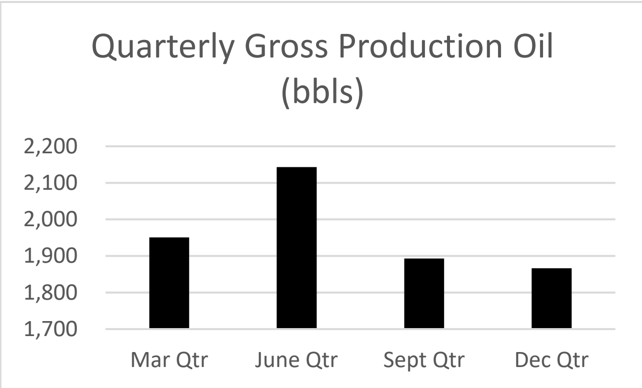
(4) Contingent Resources (2C) - Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies. Contingencies 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 Contingent Resources have been classified using a deterministic method of estimation having an evaluation date of 1 July 2019.

(5) 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.

(6) Other than the above the Company is not aware of any new information or data that materially affects the information in the ASX announcement of 8 July 2019 and that all the material assumptions and technical parameters underpinning the estimates in the ASX announcement continue to apply and have not materially changed.

Paradise Well (100% WI)

The Paradise well (Official designation; Boundary 5-1-86-15 00/11-01-08615W6/0) is located 40 kilometres to the northeast of Fort St John and 180 km to the southeast of the Company's extensive Montney interests in northeast British Columbia



The well was placed on production in January 2019. In March 2019 the Company, announced that it has forward sold CAD1,200,000 of net production revenue from the Paradise well for the consideration of CAD1,000,000. The forward sale facility will be repaid monthly from net well production payments over a period of 36 months maturing 1 April 2022. As at 12 February 2020 the Company had repaid C$264,122 of the facility. 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 with consideration being the balance owed under the facility.

The well produced a total of 7,853 barrels of oil during the year ended 2019 averaging ~27 barrels of oil per producing day. Quarterly production is summarised below.

Paradise well reserves - McDaniel & Associates Resource Report

Reserves

	Light & Medium Oil		Heavy Oil		Conventional Natural Gas		Natural Gas Liquids (3)	
Reserves Category	Gross (1) (Mbbl)	Net (2) (Mbbl)	Gross (1) (Mbbl)	Net (2) (Mbbl)	Gross (1) (MMcf)	Net (2) (MMcf)	Gross (1) (Mbbl)	Net (2) (Mbbl)
Proved								
Developed Producing	37.8	36.1	-	-	-	-	-	-
Developed Non-Producing	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-
Total Proved	37.8	36.1	-	-	-	-	-	-
Total Probable	9.6	9.2	-	-	-	-	-	-
Total Proved + Probable	47.4	45.3	-	-	-	-	-	-

(1) Gross reserves are working interest reserves before royalty deductions.
(2) Net reserves are working interest reserves after royalty deductions plus royalty interest reserves.
(3) Natural Gas Liquids include Condensate volumes.

Competent Persons Statement

The information in this report has been reviewed and signed off by Jared Wynveen (Registered Reservoir Engineer) with over 10 years relevant experience within oil and gas sector. This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Namibia

During the period 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 totalling 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.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

G. Whiddon	Executive Chairman
A. Stein	Non-Executive Director
J. Taylor	Technical Director *(resigned 20 January 2020*)
N. Hackett	Independent Non-Executive Director
B. Lawrence	Non-Executive Director *(appointed 29 October 2019)*

Mr Glenn Whiddon – Executive Chairman

Mr Glenn Whiddon is based in Australia and a significant shareholder in the Company. Mr. Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with a specific focus on natural resources. Mr Whiddon holds a degree in Economics and has extensive corporate and management experience. He is currently Director of a number of Australian and international public listed companies in the resources sector.

Other current listed company directorships
Hear Me Out Limited – appointed 11 September 2017
Former listed company Directorships in last 3 years
Auroch Minerals Limited – resigned 31 October 2019
Fraser Range Metals Group Limited – resigned 20 June 2019
Doriemus PLC – resigned 30 July 2018

Mr Alan Stein – Non-Executive Director

Mr Stein has more than 30 years' experience in the international oil and gas industry. He was one of the founding partners of the geoscience consultancy IKODA Limited based in London and Perth and was the founding Managing Director of Fusion Oil & Gas plc and Ophir Energy plc. Fusion was listed on the UK AIM market in 2000 and made several discoveries offshore Mauritania before being sold in 2003. In early 2004, following the sale of Fusion, Dr Stein, together with Mr Jonathan Taylor, was one of the two founding executive directors of Ophir Energy plc. He held the position of Managing Director until 2011. Ophir was involved in several discoveries offshore Equatorial Guinea and Tanzania discovering more than 18 trillion cubic feet of gas.

Mr Stein has no other current listed company directorships.

Neil Hackett – Independent Non-Executive Director

Neil works closely with ASX boards, directors, CEO's, government enterprises and private boards on strategic and corporate governance requirements. Neil has project-managed multiple corporate transactions including public equity capital raisings, debt financing, corporate takeovers and business acquisitions and has 25 years' ASX company expertise. His current ASX board positions are Hastings Technology Metals Ltd (ASX:HAS), Ardiden Limited (ASX:ADV) and Intelicare Ltd (ASX:ICR). Neil holds a Bachelor of Economics from the University of Western Australia, post-graduate qualifications in applied finance and investment, post-graduate qualifications in financial planning, is a graduate and facilitator with the Australian Institute of Company Directors and is a Fellow of the Financial Services Institute of Australia.

Other current listed company Directorships
Ardiden Limited – appointed 5 June 2011
Hastings Technology Metals Limited – appointed 19 November 2018.
Intelcare Ltd – Appointed 18 October 2019
Former listed company Directorships in last 3 years
Nil

Brett Lawrence – *Non-Executive Director (Appointed 29 October 2019)*
Mr Brett Lawrence has 15 years of diverse experience in the oil and gas industry. Mr Lawrence worked with Apache Energy for over eight years, performing roles in drilling engineering, reservoir engineering, project development and commercial management before seeking new venture opportunities with ASX listed companies. Brett holds a Master of Petroleum Engineering, a Bachelor of Engineering (Mining) and Bachelor of Commerce (Finance) from Curtin University in Western Australia.

Current Directorship and date of appointment:
Tamaska Oil and Gas Limited (ASX:TMK) - appointed 1 February 2015
Acacia Coal Ltd (ASX: AJC) - appointed 2 August 2016

Jonathan Taylor - Technical Director *(resigned 20 January 20)*
Mr Taylor has more than 30 years' experience in the international oil and gas industry. He started his career with Amerada Hess in the UK before moving to Clyde Petroleum plc where he was involved in international exploration including postings to Yemen and Myanmar. He relocated to Perth in 1998 to take up the role of Technical Director at Fusion Oil & Gas plc which built an extensive portfolio focused on Northwest and West Africa. Fusion was listed on the UK AIM market in 2000 and made several discoveries offshore Mauritania before being sold in 2003. Following the sale of Fusion, Mr Taylor, together with Dr Alan Stein, was one of the two founding executive directors of Ophir Energy plc serving initially as its Technical Director.

No other current listed company directorships

Meetings of Directors'
The following Directors' meetings were held during the year and the number of meetings attended by each of the Directors during the year was:

		Meetings of committees	
	Directors' meetings	Remuneration	Audit
Number of meetings held	3	-	1
Number of meetings attended:			
G Whiddon	3	-	1
N Hackett	3	-	1
A Stein	3	-	1
B Lawrence	-	-	-
J Taylor	3	-	-

During the financial year the Board has held numerous face to face and conference call operational meetings to review existing operations. Formal business during the period has also been implemented via Circular Resolutions of the Board.

Directors' interests in the shares and options of the Company

As at the date of this report, the relevant interest of each Director in the shares, options and rights of Calima Energy Limited were:

Securities	G Whiddon[(a)]	N Hackett	A Stein	J Taylor	B Lawrence
Ordinary shares					
- Direct	14,074,472	314,073	31,499,182	18,251,421	-
- Indirect	68,240,732	666,666	13,333,833	894,638	1,540,217
Performance Shares - Class A					
- Direct	-	-	292,398	292,398	-
- Indirect			-	-	-
Performance Shares - Class C					
- Direct			14,619,878	-	-
- Indirect			-	-	-
Performance rights					
- Direct			2,700,000	8,250,000	-
- Indirect			-	-	-
Management Options - Class A					
- Direct			3,300,000	3,300,000	-
- Indirect			-	-	-
Management Options - Class B					
- Direct		-	3,300,000	3,300,000	-
- Indirect		-	-	-	-

(a) Glenn Whiddon: Please note that Mr Whiddon only has a control in 888,888 shares in the indirect holdings. Mr. Whiddon does not control the remaining indirect holdings. They are held independently of Mr. Whiddon and are only included for good corporate governance purposes. Mr. Whiddon has no relevant interest in the indirect holdings.

Joint Company Secretary

Mr Neil Hackett and Mr James Bahen are Joint Company Secretary of the Company. Mr Hackett's details are detailed in the Directors section above.

James Bahen – Joint Company Secretary

Mr Bahen holds a Graduate Diploma of Applied Finance and a Bachelor of Commerce degree majoring in Accounting and Finance. He commenced his career in audit and assurance with a Chartered Accounting firm and has worked in a corporate advisory firm providing company secretarial support to a number of listed companies that operate in the resource sector. Mr Bahen is company secretary of Auroch Minerals Limited.

Significant changes in the state of affairs

There were no changes in the state of affairs of the Group other than those referred to elsewhere in this report of the financial statements or notes thereto.

Significant events after reporting date

- On 20 January 2020, Mr Jon Taylor resigned as a director. Mr Taylor continues to be a material shareholder and will continue to be available to the Company to assist in a consulting capacity.
- On 19 February 2020 the Company announced the agreement for the acquisition of Tommy Lakes facilities.
- Effective 29 February 2020 Dr Alan Stein, Managing Director, moved to a Non-Executive role.

COVID-19 Pandemic

- The World Health Organisation announced that the new coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown at this stage.

- The full impact of COVID-19 outbreak continues to evolve as at the date of this report. As such the company is unable to estimate the effects of the COVID-19 outbreak on the Group's financial position, liquidity and operations in the financial year 2020.

Likely future developments, prospects and expected results

The consolidated entity will continue exploration activity in the Montney play for the foreseeable future.

Environmental regulation and performance

There are no particular and significant environmental regulations that have affected the performance of the Group's operations.

Share options

At the date of the report the Company has 30,750,000 options on issue. No options have been converted to ordinary shares since the end of the financial period to the date of the report. 2,000,000 unlisted options with an exercise price of $0.07 expired on 31 December 2019.

Number of Options	Exercise price	Expiry date
10,000,000	0.045	29-Aug-20
10,000,000	0.09	29-Aug-22
10,000,000	0.12	29-Aug-22
750,000	0.07	6-Nov-21
30,750,000		

Performance rights

At the date of the report the Company has 19,450,000 performance rights. No performance rights have been converted to ordinary shares since the end of the financial period to the date of the report.

Number of rights	Exercise price	Expiry date
19,450,000	-	29-Aug-22
19,450,000		

The Performance Rights will vest subject to completion of a minimum of 18 months' continuous service, and 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).

The Performance Rights will vest immediately on a change of control of Calima that occurs at a price per share greater than $0.15.

Performance Shares
At the date of the report the Company has 16,081,866 performance shares. During the period 3,947,360 Performance Share – Class B securities were converted to ordinary shares. Remaining performance shares are listed below.

Performance Shares	Conversion Milestones	Expiry date	Number
Performance Shares A	i. 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 31 Dec 2020; or ii. sale of all or part of Calima's Production Sharing Contracts with the SADR Government for >A$0.132 million by 31 Dec 2020.	31/12/2020	1,461,988
Performance Shares C	i. spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari by 31 Dec 2020; or ii. sale Calima's shares in Bahari for >A$1.32m by 31 Dec 2020.	31/12/2020	14,619,878

Officers' indemnities and insurance
The Group has, during the financial year, entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

During the financial year, the Group has paid premiums in respect of a contract insuring all the Directors and Officers of Calima Energy Limited against costs incurred in defending proceedings except for conduct involving:

(a) a wilful breach of duty; or
(b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001. The total amount of insurance contract premiums paid in the year was $66,138 (2017: $64,412).

Indemnification of auditors
The Group has agreed to indemnify its Auditors, BDO Audit (WA) Pty Ltd, to the extent permitted by law, against any claim by a third party arising from Calima Energy Limited's breach of their agreement. The indemnity stipulates that Calima Energy Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Remuneration report (Audited)
The Directors and key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration levels for Directors and key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and executives.

The Board is responsible for remuneration policies and practices. The Remuneration Committee assesses the appropriateness of the nature and amounts of remuneration of officers and employees on a periodic basis and makes recommendations to the Board. The Remuneration Committee, where appropriate, seeks independent advice on remuneration policies and practices, including remuneration packages and terms of employment. No independent advice was received in the current year. The Group's securities trading policy regulates dealings by Directors, officers and employees in securities issued by the Group. The policy imposes trading restrictions on all Directors, key management personnel and employees of the Group and their related companies who possess inside information.

The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.

The Group has in place the following incentive plans:
- A Short-Term Incentive Plan providing for cash bonuses to be paid annually based on a combination of individual and corporate performance over the previous year.

- Management options providing long term equity incentives vesting on the certain continuous employment conditions; and
- A Performance Rights Plan (the "ASIC Relief Plan") for directors and employees

A summary of these Plans is set out below. The Board is of the opinion that these incentive plans achieve the following outcomes:

- Alignment of the interests of the Group's employees with that of shareholders;
- Retention of staff and management to pursue the Group's strategy and goals;
- Fair and reasonable reward for past individual and Group performance; and
- Incentive to deliver future individual and Group performance.

New Performance Rights Plan
The Plan is open to any eligible persons who are full-time or permanent part time employees of the Company, or a related body corporate which includes directors, the company secretary and officers or other such persons as the Board determines to be eligible to receive grants of Performance Rights under the Plan. Subject to the satisfaction of the vesting conditions given to eligible participants, each Performance Right vest to one Share.

The Performance Rights are issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights. Vesting conditions, if any, are determined by the Board from time to time and set out in individual offers for the grant of Performance Rights. Shares issued upon vesting may be freely transferred subject to compliance with the Group's securities trading rules.

The vesting conditions applicable to all of the outstanding unvested Rights are set out below:

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).

The Performance Rights will vest immediately on a change of control of Calima that occurs at a price per share greater than $0.15.

Management Options
The management options have were granted to the management team and provided long term equity incentives vesting on the certain continuous employment conditions.

The Management Options were issued for nil cash consideration in two classes, Class A and Class B.

The Class A Management Options are exercisable at $0.09 per Option once vested. The Class B Management Options are exercisable at $0.12 per Option once vested. All of the Management Options expire five years from grant date.

The Management Options will vest, subject to completion of 18 months' continuous service, on satisfaction of at least two of the following three conditions:

- The VWAP for Shares for any period of 30 consecutive trading days being above $0.09;
- The Company raising more than $5 million at an average price of $0.09; and
- The Company's market capitalisation exceeding $50 million (based on the VWAP for Shares for any period of 30 consecutive trading days).

The Management Options will vest immediately on a Change of Control that occurs at an average price per share greater than $0.09

Short Term Incentive Plan
The Short-Term Incentive Plan provides for the payment of discretionary cash bonuses to Executive Directors, full time or part time employees or contractors of the Group annually in respect of their performance and the overall performance of the Group during the previous financial year. The Plan establishes maximum bonus levels as a percentage of salary by grade

of employee and a guideline framework for calibrating the actual bonus against the maximum according to certain parameters of individual and corporate performance. However, all bonus payments are entirely at the discretion of the Board and there are no contractual bonus entitlements under the Plan.

Non-executive Directors
The fixed fees for the Non-Executive Directors were last reviewed by PWC in late 2013. There are no termination or retirement benefits for non-executive Directors (other than statutory superannuation). The maximum available pool of fees is set by shareholders in general meeting and is currently $350,000 per annum.

Fixed remuneration for executives
Fixed remuneration for executives consists of base remuneration (which is calculated on a total cost basis and includes any Fringe Benefit Tax charges related to employee benefits), as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Board where applicable. The process consists of a review of Group and individual performance, length of service, relevant comparative remuneration internally and externally and market conditions.

Service contracts
Remuneration and other terms of employment for Executive Directors and other key management personnel are formalised in service agreements and letters of employment (conditions of employment). All parties continue to be employed until their employment is terminated. Employment contracts can be terminated by either party by providing 3 months' written notice. The Company may make payment in lieu of notice.

Key management personnel are entitled to receive, on termination of employment, statutory entitlements of vested annual and long service leave, together with post-employment benefits. Any options or rights awarded but not vested at the time of resignation will be cancelled unless the Board advises otherwise at its own discretion.

Employment contracts do not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year with consideration of employment market conditions, changes in the scope of the role performed by the employee and changes in remuneration policy set by the Remuneration Committee.

Remuneration
Details of the remuneration of the Directors of the Company and key management personnel are set out in the following tables.

The key management personnel of the Company include the following Directors and executive officers:
- Glenn Whiddon
- Alan Stein
- Neil Hackett
- Brett Lawrence

The cash bonus and share-based payment rights detailed in the table below are performance related. Share-based payment options are related to ongoing service conditions with the Company. While options issued have no performance conditions, they were issued at an exercise price out of the money at grant date, which encourages employees to remain with the Company and work towards achieving share price growth. The value of options and rights shown in the tables below represent the vesting expense, measured in accordance with Australian Accounting Standards, for awards granted in the current or previous financial years.

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings, performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five-year financial summary to 31 December 2019:

	Dec-19 12 months	Dec-18 12 months	Dec-17 12 months	Dec-16 12 months	Dec-15 12 months
Net loss after tax	(1,491,299)	(3,127,298)	(2,449,932)	(1,274,284)	(27,159,057)
EPS (cents) Basic	(0.10)	(0.40)	(0.58)	(0.33)	(2.34)
Year-end share	$0.007	0.055	0.05	0.008	0.0001

Following is the table of remuneration for the year ended 31 December 2019:

Name	Short-term benefits (salaries & fees) $	Share-based payments (b) (options) $	Share-based payments (b) (performance rights) $	Total $	Performance Related %
Directors					
G Whiddon	107,302	-	-	107,302	-
N Hackett	36,000	-	-	36,000	-
A Stein	244,056	8,575	8,096	260,728	6.4
B Lawrence	5,000	-	-	5,000	-
J Taylor	128,017	8,575	24,736	161,328	20.6
Total	**517,375**	**17,150**	**32,832**	**567,358**	

(a) Mr Whiddon received $36,000 for Director's fees and $71,302 for consulting fees.
(b) Vesting expense for the fair value of share-based payment awards determined at grant date in accordance with Australian Accounting Standards.

Following is the table of remuneration for the year ended 31 December 2018:

Name	Short-term benefits (salaries & fees) $	Share-based payments (b) (options) $	Share-based payments (b) (performance rights) $	Total $	Performance Related %
Directors					
G Whiddon	135,000	-	-	135,000	-
N Hackett	36,000	-	-	36,000	-
A Stein	148,776	8,575	8,096	165,447	10.1
J Taylor	148,776	8,575	24,736	182,088	18.3
Total	**468,552**	**17,150**	**32,832**	**518,535**	

(a) Mr Whiddon received $36,000 for Director's fees and $99,000 for consulting fees.
(b) Vesting expense for the fair value of share-based payment awards determined at grant date in accordance with Australian Accounting Standards.

Bonuses

The payment of bonuses is at the discretion of the Board, having regard to the overall performance of the Company and the performance of the individual. At the end of the financial year no bonuses were paid.

Employee share benefits plan

At the end of the financial year the following share-based payment arrangements were in existence.

The Performance Rights will vest subject to the satisfaction of certain performance criteria as disclosed above.

The Management Options will vest subject to the satisfaction of certain performance criteria as disclosed above.

Performance rights

The table below represents performance rights issued still in existence at the end of the financial year:

Grant date	Grant date fair value	Vesting dates	Total valuation ($)	% vested to date
29-Aug-2017	0.015	29-Aug-22	164,250	47%

Following is the table of rights holdings for the year ended 31 December 2019:

31 December 2019	Balance 1 January 2019	Granted as remuneration	Exercised	Net change Other (i)	Balance 31 December 2019	Vested at 31 December 2019	Vested and Exercisable at 31 December 2019	Amount yet to be expensed ($)
Direct interest								
Directors								
G Whiddon	-	-	-	-	-	-	-	-
A Stein	2,700,000	-	-	-	2,700,000	-	-	21,558
J Taylor	8,250,000	-	-	-	8,250,000	-	-	65,874
N Hackett	-	-	-	-	-	-	-	-
	10,950,000	-	-	-	10,950,000	-	-	87,432

Following is the table of rights holdings for the year ended 31 December 2018:

31 December 2018	Balance 1 January 2018	Granted as remuneration	Exercised	Net change Other (i)	Balance 31 December 2018	Vested at 31 December 2018	Vested and Exercisable at 31 December 2018	Amount yet to be expensed ($)
Direct interest								
Directors								
G Whiddon	-	-	-	-	-	-	-	
A Stein	2,700,000	-	-	-	2,700,000	-	-	29,654
J Taylor	8,250,000	-	-	-	8,250,000	-	-	90,610
N Hackett	-	-	-	-	-	-	-	
	10,950,000	-	-	-	10,950,000	-	-	120,264

Management Options

The table below represents Management Options issued still in existence at the end of the financial year:

Tranche number	Grant date	Grant date fair value	Vesting dates	Total value ($)	% vested to date
1	29-Aug-2017	0.008	29-Aug-22	52,800	47%
2	29-Aug-2017	0.005	29-Aug-22	33,000	47%

Following is the table of rights holdings for the year ended 31 December 2019:

31 December 2019	Balance 1 January 2019	Granted as remuneration	Exercised	Net change Other	Balance 31 December 2019	Vested at 31 December 2019	Vested and Exercisable at 31 December 2019	Vested and un-exercisable at 31 December 2019
Direct interest								
Directors								
G Whiddon	-	-	-	-	-	-	-	-
A Stein	6,600,000	-	-	-	6,600,000	-	-	-
J Taylor	6,600,000	-	-	-	6,600,000	-	-	-
N Hackett	-	-	-	-	-	-	-	-
	13,200,000	-	-	-	13,200,000	-	-	-

Following is the table of options holdings for the year ended 31 December 2018:

31 December 2018	Balance 1 January 2018	Granted as remuneration	Exercised	Net change Other	Balance 31 December 2018	Vested at 31 December 2018	Vested and Exercisable at 31 December 2018	Vested and un-exercisable at 31 December 2018
Direct interest								
Directors								
G Whiddon								
A Stein	6,600,000	-	-	-	6,600,000	-	-	-
J Taylor	6,600,000	-	-	-	6,600,000	-	-	-
N Hackett	-	-	-	-	-	-	-	-
	13,200,000	-	-	-	13,200,000	-	-	-

Shareholdings
Following is the table of shareholdings for the period ended 31 December 2019:

31 December 2019	Balance 1 January	Net change Other	Balance 31 December
Direct interest			
Directors			
G Whiddon	10,555,855	3,518,617	14,074,472
N Hackett	291,852	22,221	314,073
A Stein	22,390,837	9,108,345	31,499,182
B Lawrence	-	-	-
J Taylor	12,455,013	5,796,405	18,251,421
	45,693,560	18,445,588	64,139,148
Indirect interest (i)			
Directors			
G Whiddon (ii)	24,548,460	43,692,272	68,240,732
A Stein	10,367,041	2,966,792	13,333,833
N Hackett	500,000	166,666	666,666
J Taylor	894,638	-	894,638
B Lawrence	-	1,540,217	1,540,217
	36,310,139	48,365,947	84,676,086

(i) Indirect interests are shareholdings that the director has a relevant interest in but is not the registered holder.

(ii) Glenn Whiddon: Please note that Mr Whiddon only has a control in 888,888 shares in the indirect holdings. Mr. Whiddon does not control the remaining indirect holdings. They are held independently of Mr. Whiddon and are only included for good corporate governance purposes. Mr. Whiddon has no relevant interest in the indirect holdings.

Other Transaction with Key Management Personnel
During the year ended 31 December 2019, the Company had a consulting agreement with Havoc Partner Services (Havoc), under which five Havoc members are engaged as members of the Company's management team. The member includes Director Alan Stein, Technical Director Jon Taylor and senior geoscientists Mark Sofield, Richard Higgins and Justin Norris. Payments made to Havoc during the relevant period was $361,796 (2018: $642,468) The amounts owed to Havoc as at 31 December 2019 was $20,277 (2018: nil). The services performed were on commercial terms and at arms lengths.

During the period 3,947,360 Performance Share – Class B securities have been converted to ordinary shares. Messrs Stein and Taylor were each issued with 1,233,550 ordinary fully paid shares as a result.

Voting of shareholders at last year's annual general meeting
The Company received more than 97.3% of "yes" votes on its remuneration report for the 2018 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of audited remuneration report

Non-audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important. The Board of Directors are satisfied that the provision of the non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of the amount paid or payable to the auditor for audit services provided during the year are set out in Note 22.

Other non-audit services were provided during the year with those being tax advisory in relation to the takeovers of TMK Montney Limited and TSV Montney Limited. Amounts paid or payable for the non-audit services provided during the year the year are set out in Note 22.

Auditor's independence declaration
A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

Signed in accordance with a resolution of the Directors.

Glenn Whiddon
Chairman
31 March 2020

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF CALIMA ENERGY LIMITED

As lead auditor of Calima Energy Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Calima Energy Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2020

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Notes	12 Month 31 December 2019 $	12 Month 31 December 2018 $
Profit and Loss			
Net Proceeds from the Paradise Oil Well		233,276	-
Profit on sale of Namibian assets		1,427,343	-
Other income		48,780	109,781
Interest income		11,383	55,931
Interest expense		(180,639)	-
Fair Value movement on equity investments		-	113,609
General and administrative expenses	3	(3,123,746)	(3,406,621)
Loss before income tax		**(1,583,603)**	**(3,127,298)**
Income tax	4	-	-
Loss for the year attributable to the owners of the parent		**(1,583,603)**	**(3,127,298)**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation differences		2,129,754	(9,438)
Other comprehensive loss for the year, net of tax		2,129,754	(9,438)
Total comprehensive income/(loss) for the year attributable to the owners of the parent		**546,151**	**(3,136,736)**
Loss per share		Cents per	Cents per
Basic and diluted loss per share	14	(0.10)	(0.40)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

As at 31 December 2019

	Notes	31 December 2019 $	31 December 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	3,661,879	21,471,404
Trade and other receivables	6	1,834,451	1,534,253
Total Current Assets		5,496,330	23,005,657
Non-Current Assets			
Property, plant and equipment		12,121	185,577
Right of use of asset		27,150	-
Exploration and evaluation expenditure	7	62,862,296	32,267,879
Investments	8	1,126,089	1,080,852
Total Non-Current Assets		64,027,656	33,705,237
TOTAL ASSETS		**69,523,986**	**56,710,894**
LIABILITIES			
Current Liabilities			
Trade and other payables	9	201,456	3,972,637
Lease liabilities		29,104	-
Total Current Liabilities		230,560	3,972,637
Non-Current Liabilities			
Borrowings	10	851,248	-
Restoration provisions	11	3,255,663	43,873
Total non-current liabilities		4,106,911	43,873
TOTAL LIABILITIES		4,337,471	4,016,510
NET ASSETS		**65,186,515**	**52,694,384**
EQUITY			
Issued capital	12	296,108,276	284,246,600
Reserves	13 (b)	17,851,741	15,637,683
Accumulated losses	13 (a)	(248,773,502)	(247,189,899)
TOTAL EQUITY		**65,186,515**	**52,694,384**

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

As at 31 December 2019

	Share capital	Share-based payment reserve	Foreign Exchange Reserve	Accumulated losses	Total
	$	$	$	$	$
At 1 January 2018	236,983,645	15,547,680	(4,954)	(244,062,601)	8,463,770
Loss for period	-	-	-	(3,127,298)	(3,127,298)
Other comprehensive income/(loss)	-	-	(9,438)	-	(9,438)
Total comprehensive loss for the year	**-**	**-**	**(9,438)**	**(3,127,298)**	**(3,136,736)**
Transactions with owners in their capacity as owners					
Issue of Share Capital	28,357,156	-	-	-	28,357,156
Less cost of the offer	(1,656,311)	-	-	-	(1,656,311)
Issue of shares to advisors	363,722	-	-	-	363,722
Issue of shares in relation to TMKM and TSVM takeovers	20,198,388	-	-	-	20,198,388
Share based payments	-	104,395	-	-	104,395
At 31 December 2018	**284,246,600**	**15,652,075**	**(14,392)**	**(247,189,899)**	**52,694,384**
At 1 January 2019	284,246,600	15,652,075	(14,392)	(247,189,899)	52,694,384
Loss for period	-	-	-	(1,583,603)	(1,583,603)
Exchange differences on foreign operations	-	-	2,129,754	-	2,129,754
Total comprehensive loss for the year	**-**	**-**	**2,115,362**	**(1,583,603)**	**546,151**
Transactions with owners in their capacity as owners					
Issue of share capital	12,700,067	-	-	-	12,700,067
Less cost of the offer	(930,694)	-	-	-	(930,694)
Converted performance shares	71,052	-	-	-	71,052
Shares issued to advisors	21,251				21,251
Share based payments	-	84,304	-	-	84,304
At 31 December 2019	**296,108,276**	**15,736,379**	**2,115,362**	**(248,773,502)**	**65,186,515**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Net receipts from operations of oil well		274,805	62,020
Payments to suppliers and employees		(2,411,241)	(1,982,099)
Interest received		10,073	55,409
Net cash flows used in operating activities	17	**(2,126,363)**	**(1,864,669)**
Cash flows from investing activities			
Payments for exploration, evaluation and development expenditure		(31,296,767)	(7,455,764)
Proceeds from the sale of exploration and evaluation assets		2,912,862	-
Cash obtained in acquisition of subsidiaries		-	1,509,755
Net cash flows from investing activities		**(28,383,905)**	**(5,946,009)**
Cash flows from financing activities			
Proceeds from issue of shares		12,700,067	28,357,156
Payments of Capital Raising costs		(930,694)	(1,302,811)
Investment Loan		1,063,123	-
Payments of borrowings		(244,601)	-
Net cash flows from financing activities		**12,587,895**	**27,054,344**
Net increase (decrease) in cash and cash equivalents		(17,922,373)	19,243,666
Net foreign exchange differences		112,848	(166,626)
Cash and cash equivalents at the beginning of the financial year		21,471,404	2,394,364
Cash and cash equivalents at end of the financial year	5	**3,661,879**	**21,471,404**

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

1. Corporate information

The consolidated financial report of Calima Energy Limited for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 31 March 2020.

Calima Energy Limited is a Company limited by shares incorporated in Australia by shares which are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Summary of significant accounting polices

Basis of preparation
The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncement of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where stated.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed where appropriate.

For the purpose of preparing the consolidated financial statements, the Group is a for-profit entity.

Except as disclosed the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and by all entities in the consolidated entity.

a) Compliance statement
The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

b) Adoption of new and revised Accounting Standards
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The impact of these standards and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

	1 January 2019 $
Operating lease commitments as at 1 January 2019 (AASB 117)	88,380
Less: discount applied	(9,129)
Operating lease commitments discounted at our incremental borrowing rate on 1 January 2019	79,251
Finance lease liabilities recognised at 31 December 2018	-
Lease liability recognised as at 1 January 2019	(79,251)
Right-of-use assets (value determined solely with reference to the lease liability value)	79,251
Reduction in opening retained profits as at 1 January 2019	-

c) Going concern and basis of accounting
The consolidated financial statements have been prepared on a going concern basis as the Directors are of the opinion that the Group can meet its obligations as and when they fall due.

d) Basis of consolidation
The consolidated financial statements comprise the financial statements of Calima Energy Limited and its subsidiaries (as outlined in Note 21) (the Group) as at and for the period ended 31 December each year.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvements with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions have been eliminated in full.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

e) Foreign currency translation
Functional and presentation currency
Both the functional and presentation currency of Calima Energy Limited is Australian dollars ($). The Canadian subsidiary functional currency is Canadian Dollars and the United Kingdom subsidiary functional currency is Great British Pounds which are translated to the presentation currency.
Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the average exchange rate prevailing in the period of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency
The results of the Canadian and United Kingdom subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction, or the average exchange rate over the year. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity until the net investment is disposed, at which time, the cumulative amount is reclassified to the profit and loss.

f) Operating segments
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating result are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

g) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

h) Exploration and evaluation expenditure
Exploration and evaluation expenditure, including the costs of acquiring the licences/permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the profit and loss component of the consolidated statement of profit or loss and other comprehensive income.
Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (w)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to oil and gas property and development assets within property, plant and equipment.
When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

i) Investments

Investments are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

The Group's unlisted investment is held as a financial asset at fair value through profit or loss, whereby fair value movements are recognised in profit or loss.

j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.
Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment over 2 to 20 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Derecognition

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit and loss in the period the item is derecognised.

k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

l) Provisions and employee benefits

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognised termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

m) Share-based payments
The Group provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares. The fair value of equity instruments granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the equity instruments.

The fair value of the performance rights and share options granted is measured using appropriate valuation methodology. These models take into account the terms and conditions upon which the rights and options were granted and the probability of achieving each required milestone.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on straight-line basis from the grant date to the date on which the relevant employees become fully entitled to the award (“vesting date”). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding equity instruments is reflected as additional share dilution in the computation of earnings per share.

n) Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o) Income tax and other taxes
The income tax expense or benefit for the period is the tax payable on the current period’s taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Other taxes
Revenues, expenses and assets are recognised net of the amount of Government Sales Tax ("GST") except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payable are stated with the amount of GST included

The net amount of GST recoverable from the taxation authority is included as part of the receivables in the statement of financial position. The amount of GST payable to the taxation authority is included as part of the payables in the statement of financial position.
Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

p) Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted Earnings Per Share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

q) Impairment of non-financial assets
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

r) Use of estimates and judgements
The preparation of financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

s) Accounting for the Borrowings associated with the Paradise Well
On 20 March 2019, the company announced that it had forward sold C$1,200,000 of net production revenue from the Paradise well. Calima owns 100% of the Paradise well (Official designation; Boundary 5-1-86-15 00/11-01-08615W6/0), located 40 km to the northeast of Fort St John and 180 km to the southeast of the Company's extensive Montney interests in northeast British Columbia. The forward sale facility will be repaid monthly from net well production payments over a period of 36 months.

This transaction is accounted for as a borrowing which has been in part been set-off by the carrying amount of the oil and gas property (which has thus been derecognised). Net proceeds from the operation of the well are recognised as a single line item in Profit and Loss. The borrowing is accounted for as a financial liability at amortised cost with an interest expense being calculated based on the effective interest rate. The effective interest rate was the rate that exactly discounts the carrying amount of the borrowing and the expected payments against it over the life of the loan.

Significant accounting estimates and judgments
In the process of applying the Group's accounting policies, management has made judgements that have significant effects on the amounts recognised in the financial statements. In additions, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The judgements and estimates which have the most significant effect on the amounts recognised in the financial statements are as follows:

Exploration and evaluation assets
The application of Group's accounting policy for exploration and evaluation expenditure necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant interest. Any such estimates and assumptions may change as new information becomes available. Factors that could impact the future commercial production include the level of reserves and resources, future legal changes and changes in commodity prices. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit and loss.

Rehabilitation provision
A provision has been made for the present value of anticipated costs for future rehabilitation of drilled wells. The consolidated entity's exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Equity investments
The investment in Bahari Holding Company Limited is held at fair value. Because these investments are not listed, there is no quoted market price, and therefore management have used a different method to determine the fair value based on recent transactions. Refer to Note 8 for further details.

Foreign currency translation
Under the Accounting Standards, each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. In arriving at this determination, management gives priority to the currency that influences the labour, materials and other costs of exploration activities as they consider this to be a primary indicator of the functional currency.

Income and associated taxes
As a result of the corporate-level transaction activity in Canada with the acquisition of TMK Montney Limited and TSV Montney Limited, significant judgement is required in in determining the impacts of global income and associated taxes. The Group estimates the existence and amount of its tax liabilities based on its understanding of the tax laws in the relevant jurisdictions. In the case where the final tax outcomes are different from amounts initially assessed, such differences will impact the amount of current and deferred tax liabilities and assets recorded. At 31 December 2019, no liability has been recorded in respect of income or other associated tax obligations.

3. General and administrative expenses	2019 $	2018 $
Employee benefit and Director compensation expense	318,373	318,388
Directors’ share based payment expense	84,304	104,395
	402,676	422,783
Other share based payments	92,303	-
Corporate overheads	2,509,147	2,981764
Depreciation of property plant and equipment	119,620	2,073
	3,123,746	3,406,621

4. Income tax expense	2019	2018
Major components of income tax expense for the periods ended 31 December 2019 and 2018:	$	$
Statement of comprehensive income		
Current income tax		
- Current income tax credit	-	-
- Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
- Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in statement of comprehensive income	-	-
Reconciliation of income tax expense to prima facie tax:		
Accounting loss before income tax	(1,583,603)	(3,127,298)
At the statutory income tax rate of 27.5% (31 December 2018: 27.5%)	(435,491)	(860,007)
- Expenditure not allowable for income tax purposes	363,423	328,167
- Share based payment expense	48,567	28,709
- Temporary differences not recognised as deferred tax asset	(210,157)	442,022
- Current year losses not recognised as deferred tax asset	257,458	77,240
- Foreign tax rate differential	(23,800)	(16,131)
Income tax reported in statement of comprehensive income	-	-

Deferred income tax	$	$
Recognised on the statement of financial position		
Deferred income tax at 31 December relates to the following:		
Deferred income tax assets		
- Foreign exchange	6,934	(35,506)
- Accrued expenditure	6,325	7,700
- Tax losses	6,665,618	7,978,365
- Exploration	(559,648)	674,686
- Other	335,514	146,251
- Deferred tax assets not recognised	(6,454,744)	(8,771,496)
	-	-
Net deferred tax asset/(liability)	-	-

The deductible temporary differences and the tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise benefits. The Group has unrecognised tax losses of $6,454,744 (31 December 2018: $8,771,496). The unrecognised losses for 2019 all originate in Australia. All losses are revenue in nature.

Tax consolidation

For the purposes of income taxation, the Group and its 100% controlled Australian entity have not elected to form a tax consolidated group.

5. Cash and cash equivalents

	2019	2018
	$	$
Cash at bank and on hand	3,661,879	21,471,404
	3,661,879	21,471,404

The weighted average interest rate for the year was 0.7%.

6. Trade and other receivables

	2019	2018
	$	$
GST/VAT receivable	1,384,195	455,416
Prepayments	375,866	90,989
Bank guarantees	47,992	46,772
Other	26,398	941,076
	1,834,451	1,534,253

Trade and other receivables are neither past due nor impaired. These are non-interest bearing and generally have repayments between 30-90 days. Their carrying values approximate their fair value.

7. Exploration and Evaluation Expenditure

	2019	2018
	$	$
Balance at beginning of the year	32,438,808	4,663,926
Exploration expenditure incurred	30,053,809	7,370,558
(Disposal)/Acquisition of Namibian assets	(1,485,519)	1,460,463
Acquired in the acquisition of TSVM and TMKM	-	18,943,861
Foreign exchange movements	1,855,198	-
	62,862,296	32,438,808

Calima entered into a formal sale and purchase agreement to sell its interest in the Namibia PEL 90 license (Block 2813B) to Tullow Namibia Limited (Tullow), a subsidiary of Tullow Oil plc, a leading deep-water operator with an outstanding track record in Africa. The Company received US$2.0 million on transfer of title. Success bonuses totalling US$10.0 million will be paid in two equal tranches of US$5.0 million following the grant of a production licence and then upon the commencement of commercial production.

8. Investments

	2019	2018
	$	$
Balance at the beginning of the period	1,080,852	1,308,517
Transferred upon full acquisition of TMKM	-	(396,677)
Gains on fair value movement	-	113,609
Foreign exchange movement	45,237	55,393
	1,126,089	1,080,852

The investment related to a shareholding of 8.5% interest in Bahari Holding Company Limited.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs (level 3).

The fair value of the unlisted equity investment has been determined based upon indicative non-binding offers received from independent third parties to acquire certain assets of the investee. Due to the way the third-party offers are structured, the fair value of the investment has been assessed as a Level 3 measurement as per the fair value hierarchy set out above.

9. Trade and other payables

	2019	2018
	$	$
Trade creditors and accruals	201,456	3,972,637
	201,456	3,972,637

Trade creditors are non-interest bearing and are normally settled on 30-day terms

10. Loans

	2019	2018
	$	$
Loan amount	1,055,893	-
Offset against Oil and Gas property	(173,074)	-
Opening balance of loan	882,818	-
Payments	(244,601)	
Interest Expense	180,639	
Foreign exchange movement	32,392	-
	851,248	-

During the year, the Group entered into an arrangement to borrow CAD1,000,000. This facility, inclusive of CAD200,000 cash interest, is repayable through monthly remittance of net cash flows from the Paradise Well (official designation: Boundary 5-1-86-15 00/11-01-08615W6/0, located 40km north-east of Fort St. John and 180km southeast of the Group's core interests in the Montney) to the lender, over a maximum period of thirty-six (36) months to 1 April 2022. At the end of the term, any sum that has not been settled through the net cash flows from the well are payable in cash upon maturity.

Additionally, the loan contains a conversion feature. At any time between the 1 October 2021 and 1 April 2022, the lender may convert the outstanding balance of the loan into shares in Calima Energy Limited (at a price of the 20-day VWAP prior to such election), subject to shareholder approval. Furthermore, at any time, the lender may take ownership of the Well in full and final settlement of any liability under this agreement.

11. Restoration Provisions

	2019 $	2018 $
Opening Balance	43,873	-
Additional provision	3,181,635	
Foreign exchange movement	30,155	43,873
	3,255,663	43,873

Calima estimates for abandonment and remediation for the current Calima assets sits at a combined total of CAD 3,150,388. The majority of this estimate relates to the cost of reclamation of the Montney padsite.

Calima Energy Inc currently holds the license to 3 wells in NE British Columbia as summarised below:

Paradise Well
The first of these wells is a producing oil well with a single well facility license associated with it. All of this equipment is contained within a single surface lease at 5-1-86-15 W6M. This location is on flat ground and required minimal earth movement during construction.

Montney wells and Pad
The second and third wells are the Montney gas wells located at A-54-C/94-G-9. These wells were drilled from one pad. Adjacent to this pad is a water storage facility that houses 4 X 6,500m3 C-rings in a clay lined engineered berm. Two of these C-rings currently contain produced flow back water from the wells and the other two have an inventory of fresh water.

12. Issued capital

		Number	$
(a)	**Share capital**		
	Ordinary shares fully paid	2,155,572,225	296,015,972
(b)	**Movements in ordinary shares on issue**		
	Balance at 1 January 2019	1,444,885,070	284,246,600
	Conversion of Class B Performance Shares – 2 July 2019	3,947,360	71,052
	Issued for services rendered to the Company – 2 July 2019	1,180,598	21,251
	Issue of ordinary shares - 8 July 2019	222,222,222	4,000,000
	Issue of ordinary shares - 5 August 2019	131,963,716	2,375,347
	Issue of ordinary shares - 5 August 2019	351,373,270	6,324,719
	Costs associated for issuing shares in public offers	-	(930,693)
	Balance at 31 December 2019	2,155,572,225	296,108,276
	Balance at 1 January 2018	490,440,656	236,983,645
	Shares issued to advisors	6,714,440	363,722
	Issue of shares to TMKM and TSVM shareholders	420,810,191	20,198,388
	Issue of ordinary shares for public offers	526,919,783	28,357,156
	Costs associated for issuing shares in public offers	-	(1,656,311)
	Balance at 31 December 2018	1,444,885,070	284,246,600

(c) Terms and conditions of issued capital
Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held.

(d)	Movements in number of performance shares on issue	2019 Number	2018 Number
	Balance 1 January	20,029,226	20,029,226
	Vested and converted into ordinary shares	(3,947,360)	-
	Balance at 31 December	16,081,866	20,029,226

(e)	Movements in number of performance rights on issue	2019 Number	2018 Number
	Balance 1 January	19,450,000	19,450,000
	Balance at 31 December	19,450,000	19,450,000

The performance rights were granted to senior management, and vest into ordinary shares upon the satisfaction of certain performance obligations. Please refer to Note 20 for further information.

(f)	Movements in number of options on issue	2019 Number	2018 Number
	Balance 1 January	32,750,000	30,000,000
	Options Expired	(2,000,000)	
	Share-based remuneration granted	-	2,750,000
	Balance at 31 December	30,750,000	32,750,000

13. Accumulated losses and reserves

		2019 $	2018 $
(a)	**Movements in accumulated losses were as follows:**		
	Balance 1 January	247,189,899	244,062,601
	Net loss attributable to members	1,583,603	3,127,298
	Balance at 31 December 2019	248,773,502	247,189,899

(b) Other reserves

	Foreign currency translation	Share based payment reserve	Total
	$	$	$
At 31 December 2017	(4,954)	15,547,680	15,542,726
Foreign currency translation	(9,438)	-	(9,438)
Share based payments	-	104,395	104,395
At 31 December 2018	(14,392)	15,652,075	15,637,683
Share based payments		84,304	84,304
Foreign currency transition	2,129,754	-	2,129,754
At 31 December 2019	2,115,362	15,736,379	17,851,741

(c) Nature and purpose of reserves

Share-based payment reserve
The share-based payment reserve is used to record the value of equity instruments other than ordinary shares provided to employees, as part of their remuneration, and others, for services rendered.

Foreign currency translation
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

14. Loss per share

	2019	2018
Basic and diluted loss per share (cents per share)	(0.10)	(0.40)
Losses attributable to ordinary equity holders of the parent used ($):	(1,583,603)	(3,127,298)
Weighted average number of ordinary shares used (Number):	1,752,526,058	867,507,889

As the Group is in a loss-making position, the potential ordinary shares, which include the Performance Shares, the Performance Rights, and the Options, are not included in calculating diluted loss per share as they are anti-dilutive.

15. Commitments

Land Rentals
The Group has the following obligations in respect of non-cancellable land rental over drilling rights

- Later than one year but no more than five years: $137,340 (2018: $306,002)

The Company had no other commitments at the year-end that have not been disclosed elsewhere in this report.

16. Segment reporting

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group’s activities related to oil and gas exploration.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

17. Reconciliation of cash flows from operating activities

	2019 $	2018 $
Cash flows from operating activities		
Profit/(Loss) for the period	(1,583,603)	(3,127,298)
Adjustments for:		
Deprecation	119,620	2,073
Share based remuneration	84,304	104,395
Other share-based payments	92,303	-
Interest expense	180,639	-
Revaluation of financial instruments	-	(161,358)
Changes in assets and liabilities		
Decrease/(increase) in trade receivables	(300,198)	286,731
Increase/(decrease) in trade creditors and accruals	(719,428)	1,020,565
Net cash used in operating activities	(2,126,363)	(1,874,892)

18. Financial risk management objectives and policies

Overview
The Group have exposure to the following risks from their use of financial instruments:
- Interest rate risk
- Credit risk
- Liquidity risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's principal financial instruments are cash, short-term deposits, receivables and payables.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances. The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

31 December 2019	Weighted average effective interest rate	1 Year or Less	Over 1 to 5 years	More than 5 years	Total
	%	$	$	$	$
Financial assets					
Variable interest rate	1.00%	3,661,879	-	-	3,661,879
		3,661,879	-	-	3,661,879
Financial liabilities					
Non-interest bearing		230,560	-	-	230,560
31 December 2018					
Financial assets					
Variable interest rate	1.00%	21,471,404	-	-	21,471,404
		21,471,404	-	-	21,471,404
Financial liabilities					
Non-interest bearing		3,972,637	-	-	3,972,637

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown in the following.

		Profit or loss	
31 December 2019	**Carrying value at 31 December**	**25 bp increase**	**25 bp decrease**
	$	$	$
Financial assets			
Cash and cash equivalents	3,661,879	9,155	(9,155)
Cash flow sensitivity (net)		9,155	(9,155)

		Profit or loss	
31 December 2018	**Carrying value at 31 December**	**25 bp increase**	**25 bp decrease**
	$	$	$
Financial assets			
Cash and cash equivalents	21,471,404	536,785	(536,785)
Cash flow sensitivity (net)		536,785	(536,7855)

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents.

The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to credit risk is the carry value of the receivable, net of any allowance for doubtful debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group does not place funds on terms longer than 120 days and has the facility to place the deposit funds with more than one bank.

Exposure to credit risk
The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2019	2018
	$	$
Cash and cash equivalents	3,661,879	21,471,404
Receivables	-	-
	3,661,879	21,471,404

Impairment losses
None of the Group's receivables are past due. The Group's trade receivables are all current at the reporting date.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility.

The following are the contractual maturities of financial liabilities:

Consolidated – 31 December 2019	Carrying amount	Contractual cash flows	6 months or less	6 Months – 3 Years
	$	$	$	$
Trade and other payables	201,456	201,456	201,456	-
Loan	851,248	1,081,135	-	1,081,135
	1,052,704	1,282,591	201,456	1,081,135

Consolidated – 31 December 2018	Carrying amount	Contractual cash flows	6 months or less	6 Months – 3 Years
	$	$	$	$
Trade and other payables	2,396,481	2,396,481	2,396,481	-
	2,396,481	2,396,481	2,396,481	-

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 31 December 2019.

The capital structure of the Group consists of net debt (trade payables and Income tax (receivable)/payable detailed in Notes 9 and 4 offset by cash and bank balances detailed in Note 5) and equity of the Group (comprising issued capital, reserves, offset by retained losses detailed in Notes 12 and 13).

The Group is not subject to any externally imposed capital requirements.

The Group's Board of Directors reviews the capital structure on an ongoing basis. As part of this review the Board considers the cost of capital and the risks associated with each class of capital. In order to maintain the capital structure, the Group may issue fresh equity, return capital to shareholders or farm out part of its assets.

Fair value of financial assets and liabilities
The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group approximate their carrying value.

Foreign currency risk
Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's previous operating activities (when revenue or expenses is denominated in a different currency from the Group's presentation currency) and the Group's net investment in foreign subsidiaries. Due to previous operations, the majority of the cash held at 31 December 2019 was denominated in Canadian Dollars

As a result of significant cash balance denominated in Canadian Dollars (CAD$), the Group's statement of financial position can be affected significantly by movements in the CAD$ / A$ exchange rates.

The Group had the following exposure to CAD$ foreign currency:

	2019	2018
Financial assets	**$**	**$**
Cash and cash equivalents	1,060,017	13,472,332
Trade and other receivables	1,685,027	1,071,897
	2,745,044	14,544,229
Financial liabilities		
Trade and other payables	15,402	2,856,414
Loan	851,248	-
	866,650	2,856,414

The Group is mainly exposed to CAD$. The following table details the Group's sensitivity to a 15% increase and decrease in the Australian dollar against the CAD$. Management continually monitor exchange rate forecasts and assess the impact of possible changes in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusted their translation at the period end of a 15% change in foreign currency rates. A positive number indicates a decrease in loss where the Australian dollar weakens against the Canadian Dollar.

	2019	2018
	$	**$**
Profit or loss: + 15%	(281,759)	(1,584,387)
Profit or loss: - 15%	281,759	2,143,583

19. Key management personnel disclosures

(a) The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

A Stein	Managing Director
G Whiddon	Executive Chairman
J Taylor	Technical Director
N Hackett	Independent Non-Executive Director
B Lawrence	Non-Executive Director

(b) Key management personnel compensation

The key management personnel compensation included in employee benefit and Director compensation expenses are as follows:

	2019	2018
	$	$
Short-term employee benefits	520,375	468,552
Equity compensation benefits	49,983	49,983
	570,358	518,535

(c) Other transactions with key management personnel and their related parties

Information regarding individual Directors and executive's compensation is provided in the Remuneration Report section of the Directors' Report.

During the year ended 31 December 2019, the Company had a consulting agreement with Havoc Partner Services (Havoc), under which five Havoc members are engaged as members of the Company's management team. The member includes Director Alan Stein, Technical Director Jon Taylor and senior geoscientists Mark Sofield, Richard Higgins and Justin Norris. Payments made to Havoc during the relevant period was $361,796 (2018: $642,468) The amounts owed to Havoc as at 31 December 2019 was $20,277 (2018: nil).

During the period 3,947,360 Performance Share – Class B securities have been converted to ordinary shares. Messrs Stein and Taylor were each issued with 1,233,550 ordinary fully paid shares as a result.

Apart from details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

20. Share based payment

(i) Recognised share-based payment expenses

The expense recognised for share based payments during the period is shown in the table below:

	2019	2018
	$	$
Management Options	25,986	25,986
Performance Rights	58,318	58,318
Other options issued	-	20,091
Conversion of Performance Shares	71,052	-
Ordinary shares issued	21,251	-
Total Share Based Payments	176,607	104,395

(ii) Types of share-based payment plans

Share based payments are provided to Directors, employees, consultants and other advisors. The issue to each individual Director, consultant or advisor is controlled by the Board and the ASX Listing Rules. Terms and conditions of the payments, including the grant date, vesting date, exercise price and expiry date are determined by the Board, subject to shareholder approval where required.

Management Options
20,000,000 Management Options were granted on 29 August 2017, in two equally sized tranches with an exercise price of $0.09 and $0.12 per share respectively. The Management Options vest upon the meeting of certain criteria. Each Management Option converts into one ordinary share of Calima Energy Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the Management Option, and they carry neither rights of dividends nor voting rights. The expense recognised in the year relates to spreading the fair value (measured at grant date) of these Management Options over the expected vesting period.

Performance Rights
19,450,000 Performance Rights were granted on 29 August 2017. The Performance Rights vest upon the meeting of certain criteria. Each performance right converts into one ordinary share of Calima Energy Limited on vesting. No amounts are paid or are payable by the recipient on receipt of the performance right. The performance rights carry neither rights of dividends nor voting rights. The expense recognised in the year relates to spreading the fair value (measured at grant date) of these Performance Rights over the expected vesting period.

Other options
On 6 November 2018, 2,750,000 options were granted to consultants for services rendered, with an exercise price of $0.07 per share. Of these, 2,000,000 expired unexercised on 31 December 2019. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights.

Conversion of Performance Shares
On 2 July 2019, 3,947,360 shares were issued upon conversion of Class B Performance Shares. 20,029,226 Performance Shares were original granted on 29 August 2017 as partial consideration for the acquisition of Calima Energy Ltd. 1,461,988 Class A and 14,619,878 Class C Performance Shares remain outstanding.

Ordinary Shares issued in consideration for services rendered
On 2 July 2019, 1,180,587 shares were issued to a Canadian consultant for services rendered. The Group considered this it is not possible to fair value the services rendered, and therefore the expense recognised is equal to the fair value of the instruments granted.

(iii) Valuation

The assessed fair values of the rights were determined using a Binomial Barrier valuation model. Expected volatility was calculated based on the historic volatility of a peer group of Companies over a period commensurate with the expected life of the awards.

The inputs to the model for the period to 31 December 2019 for the Rights and the Options were:

	Performance Rights	Management Options	Other Options	Other Options
Number	19,450,000	20,000,000	750,000	2,000,000
Valuation model	Binomial Barrier	Binomial Barrier	Black-Scholes	Black-Scholes
Grant Date	29-Aug-2017	29-Aug-2017	06-Nov-2018	06-Nov-2018
Expiry Date	29-Aug-2022	29-Aug-2022	06-Nov-2021	31-Dec-2019
Dividend yield (%)	-	-	-	-
Expected volatility (%)	40%	40%	50%	50%
Risk-free interest rate (%)	2.03%	2.03%	2.24%	2.24%
Expected life of options	5.0	5.0	3.0	1.2
Right’s exercise price ($)	-	$0.09/$0.12	$0.07	$0.07

Barrier Price	$0.15	$0.09	$0.07	$0.07
Share price at grant date ($)	$0.045	$0.045	$0.05	$0.05
Fair value at grant date ($)	$0.015	$0.008/$0.005	$0.012	$0.005

The shares granted on 2 July 2019 were valued at $0.018, being the share price at that date.

21. Related party disclosures

(a) Subsidiaries

Name of entity	Country of incorporation	Equity interest	
		31 December 2019	31 December 2018
		%	%
Parent entity			
Calima Energy Limited	Australia		
Subsidiaries			
Calima Energy Inc	Canada	100	100
Calima Energy Limited (Jersey)	Jersey	100	100
Calima Energy (Namibia) Ltd	United Kingdom	100	100
TMK Montney Limited	Australia	-	100
TSV Montney Limited	Australia	-	100
Woma Energy Limited	Canada	-	100
Warren Energy Limited	Canada	-	100

During the year the Group undertook a rationalisation of entities. Woma Energy Ltd and Warren Entity Ltd completed an amalgamation with Calima Energy Inc under Canadian corporation law on 25 January 2019. The impact of the amalgamation is to consolidate all these entities into one entity. The Group also deregistered TMK Montney Ltd and TSV Montney Ltd on the 22 April 2019.

(b) Ultimate parent

Calima Energy Limited is the ultimate Australian parent entity and ultimate parent entity of the Group.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid are included in the Directors' Report and Note 19.

22. Auditor's remuneration

Current auditors: BDO Audit (WA) Pty Ltd

	2019	2018
	$	$
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
An audit or review of the financial report of the Group	49,512	53,403
Total remuneration for audit and other assurance services	49,512	53,403
Tax advice and related services	5,100	17,297
Total remuneration for taxation services	5,100	17,297
Consulting and other services	-	5,217
Total remuneration for other services	-	5,217
Total remuneration of BDO	54,612	75,917

23. Contingent assets and liabilities

At 31 December 2019, there were no contingent liabilities.

24. Events after the reporting date

- On 20 January 2020, Mr Jon Taylor resigned as a director. Mr Taylor continues to be a material shareholder and will continue to be available to the Company to assist in a consulting capacity.
- On 19 February 2020 the Company announced the agreement for the acquisition of Tommy Lakes facilities.
- Effective 29 February 2020 Dr Alan Stein, Managing Director, has moved to a Non-Executive role.

COVID-19 Pandemic

- The World Health Organisation announced that the new coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown at this stage.
- The full impact of COVID-19 outbreak continues to evolve as at the date of this report. As such the company is unable to estimate the effects of the COVID-19 outbreak on the Group's financial position, liquidity and operations in the financial year 2020.

25. Parent disclosure

	2019 $	2018 $
Profit/(Loss) for the year	(172,425)	(1,949,415)
Other comprehensive income	-	-
Total comprehensive loss	(172,425)	(1,949,415)
Current assets	3,682,826	20,385,202
Non-current assets	63,024,888	34,397,737
Total assets	66,707,712	54,949,144
Current liabilities	(174,941)	(942,188)
Non-current assets	(957,767)	
Total liabilities	(1,137,708)	(942,188)
Net assets	65,570,004	54,006,955
Issued capital	296,015,973	284,246,600
Performance shares	-	-
Reserves	15,819,114	15,853,013
Accumulated losses	(246,265,081)	(246,092,656)
Total shareholders' equity	65,570,004	54,006,955

Contingent liabilities of the parent entity
Refer to Note 23. The parent entity has not provided any guarantees to its subsidiaries.

Directors' declaration

The Directors of Calima Energy Limited declare that:

(a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors report set out on pages 1 to 17, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance, for the financial period ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial period ended 31 December 2019.

This declaration is made in accordance with a resolution of the directors.

Signed in accordance with a resolution of the Directors.

Glenn Whiddon
Chairman
31 March 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Calima Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Calima Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Subsequent Event

We draw attention to Note 24 of the financial report, which describes the non-adjusting subsequent event on the impact of COVID-19 outbreak on the Group. Our opinion is not modified with respect to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of exploration and evaluation expenditure

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 7, the carrying value of capitalised exploration and evaluation expenditures represents a significant asset of the Group. In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the recoverability of E&E expenditure required significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.	Our audit procedures included, but were not limited to, the following: • Critically evaluating management's assessment of each impairment trigger, and forming our own view over them. • Obtaining a schedule of areas of interest held by the group, and performing procedures to ensure that the group holds the relevant rights to tenure. • Holding discussions with non-financial management in respect of the ongoing exploration programme in the Montney area. • Considering whether there were any other salient facts or circumstances that existed to indicate that impairment testing was required. • Assessing the adequacy of the disclosures included in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 - 16 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Calima Energy Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 31 March 2020

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 27 March 2020.

1. Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Holders
1 - 1,000	166
1,001 - 5,000	134
5,001 - 10,000	235
10,001 - 100,000	1,119
100,001 and above	902
Total	2,556

2. Substantial shareholders

Substantial shareholders (i.e. shareholders who hold 5% or more of the issued capital):

	Number of shares	Percentage held
Craig Ian Burton	217,905,043	10.38%
Robert Stanley Brown	110,496,816	5.13%

3. Voting rights

(a) Ordinary Shares

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative of attorney will have one vote on a show of hands and on a poll, one vote for each share held.

(b) Options & contractual rights

No voting rights

4. Quoted securities on issue

The number of quoted shares and options issued by the Company are set out below:

	Number
Ordinary fully paid shares	2,155,284,225

5. On-market buy back

There is no current on-market buy back.

Top 20 Quoted Shareholders

Rank	Name	Units	% Units
1	CRAIG IAN BURTON <CI BURTON FAMILY A/C>	182,550,043	8.47
2	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	100,447,523	4.66
3	WESTLAND GROUP HOLDINGS PTY LTD	77,829,650	3.61
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	65,696,581	3.05
5	BART SUPERANNUATION PTY LIMITED <4F INVESTMENTS SUPERFUND A/C>	48,947,378	2.27
6	CITICORP NOMINEES PTY LIMITED	43,159,994	2.00
7	BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	40,000,000	1.86
8	MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C>	37,000,000	1.72
9	AVIEMORE CAPITAL PTY LTD	35,355,000	1.64
10	JUTLAND NOMINEES PTY LTD <ROBERT BROWN FAMILY A/C>	34,346,067	1.59
11	MR ALAN STEIN	31,499,182	1.46
12	MR GLEN BULL	31,329,968	1.45
13	NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	31,000,000	1.44
14	FLOTECK CONSULTANTS LIMITED	29,973,790	1.39
15	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	28,333,334	1.31
16	INKESE PTY LTD	25,000,000	1.16
17	MR CHARLES WAITE MORGAN	24,009,397	1.11
18	NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	23,287,340	1.08
19	HOPERIDGE ENTERPRISES PTY LTD	22,960,000	1.07
20	MR STEPHEN LESLIE KEENIHAN + MRS SHERIDAN JAY KEENIHAN <SL & SJ KEENIHAN S/F A/C>	20,708,127	0.96
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**933,433,374**	**43.30**
Total Remaining Holders Balance		**1,222,138,851**	**56.70**

6. Unquoted Securities

Class	Quantity
Performance rights escrowed to 28 August 2019	19,450,000
Performance shares escrowed to 28 August 2019 (Class A and Class C)	16,081,866
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	10,000,000
Options exercisable at $0.07 on or before 6 November 2021	750,000

7. Holders of Unquoted Securities (holding more than 20% of each equity security class)

Performance Rights

Name	Number	%
MR JONATHAN TAYLOR	8,250,000	42%
MR ALAN STEIN	2,700,000	14%

8. Holders of Unquoted Securities (holding more than 20% of each equity security class)

Class A Performance Shares

Name	Number	%
DECBEL PTY LTD <THE NORRIS FAMILY A/C>	292,397	20%
MR ALAN STEIN	292,398	20%
MR JONATHAN TAYLOR	292,398	20%
MR MARK SOFIELD & MS REBECCA SOFIELD <M&R SOFIELD FAMILY A/C>	292,397	20%
MR RICHARD HIGGINS <THE RICHARD HIGGINS FAMILY A/C>	292,398	20%

Class C Performance Shares

Name	Number	%
MR ALAN STEIN	14,619,878	100%

Unlisted Options exercisable at $0.09 on or before 25 August 2022

Name	Number	%
MR ALAN STEIN	3,300,000	33%
MR JONATHAN TAYLOR	3,300,000	33%

Unlisted Options exercisable at $0.12 on or before 25 August 2022

Name	Number	%
MR ALAN STEIN	3,300,000	33%
MR JONATHAN TAYLOR	3,300,000	33%

Unlisted Options exercisable at $0.045 on or before 25 August 2022

Name	Number	%
MED BRAVO SA\C	3,300,000	33%
PACIFIC WORLD ENERGY LTD	6,700,000	67%

Unlisted Options exercisable at $0.07 on or before 6 November 2021

Name	Number	%
EUROSWISS CAPITAL PARTNERS INC	750,000	100%

9. Petroleum Lease Interests

PNG File Number	Type	Expiry Date	acres
65101	Drilling Licence	NA - Paradise well	326
67111	PNG Lease	NA - Paradise well	326
66481	Drilling Licence	September 21, 2021	684
67050	PNG Lease	June 18, 2029	684
67048	PNG Lease	June 18, 2029	687
66256	Drilling Licence	January 19, 2021	1,369
66386	Drilling Licence	June 22, 2021	1,369
66420	Drilling Licence	July 27, 2021	1,369
66421	Drilling Licence	July 27, 2021	1,369
66441	Drilling Licence	August 24, 2021	1,369
66442	Drilling Licence	August 24, 2021	1,369
66480	Drilling Licence	September 21, 2021	1,369
66515	Drilling Licence	October 19, 2021	1,369
66550	Drilling Licence	November 16, 2021	1,369
66581	Drilling Licence	December 14, 2021	1,369
65659	Drilling Licence	July 16, 2019	1,371
66422	Drilling Licence	July 27, 2021	1,371
66443	Drilling Licence	August 24, 2021	1,371
67044	PNG Lease	June 18, 2029	1,371
67045	PNG Lease	June 18, 2029	1,371
67047	PNG Lease	June 18, 2029	1,371
67035	PNG Lease	June 18, 2029	1,374
67046	PNG Lease	June 18, 2029	1,374
67028	PNG Lease	August 13, 2029	1,374
67029	PNG Lease	August 13, 2029	1,374
66479	Drilling Licence	September 21, 2021	2,053
66255	Drilling Licence	January 19, 2021	2,056
66313	Drilling Licence	March 23, 2021	2,056
66338	Drilling Licence	April 20, 2021	2,056
67036	PNG Lease	June 18, 2029	2,058
67042	PNG Lease	June 18, 2029	2,058
67043	PNG Lease	June 18, 2029	2,058
67049	PNG Lease	June 18, 2029	2,058
67032	PNG Lease	August 13, 2029	2,058
67027	PNG Lease	August 13, 2029	2,061
67030	PNG Lease	August 13, 2029	2,061
67031	PNG Lease	August 13, 2029	2,061
66419	Drilling Licence	July 27, 2021	2,063
67033	PNG Lease	August 13, 2029	2,063
67034	PNG Lease	August 13, 2029	2,063
67026	PNG Lease	August 13, 2029	2,750