

Quarterly Activities Report – 31 March 2020

Calima Energy Limited

ABN: 17 117 227 086

ASX Code: CE1

Calima Energy Limited is an oil & gas company with more than 63,103 acres of drilling rights over the Montney Formation in British Columbia, the most active oil and gas play in Canada.

Directors

Glenn Whiddon
(Chairman)

Alan Stein
(Non-Executive Director)

Neil Hackett
(Non-Executive Director)

Brett Lawrence
(Non-Executive Director)

Joint Company Secretary

Neil Hackett
James Bahen

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The principal activity of Calima is investing in oil and gas exploration and production projects. Calima's core assets are the Tommy Lakes facility and the Calima Lands contingent resource of 1.176 TCFE ⁽¹⁾ gas that lies within a liquids-rich sweet-spot of the gas rich Montney Formation in Northeast British Columbia, Canada

Calima Energy Limited (ASX: CE1) (Calima or the Company) is pleased to provide shareholders with the following summary of its activities during the March 2020 quarter. Despite the market turmoil, Calima is well positioned to going forward with a substantial primary gas resource, a gas and liquids facility connected to sales markets, reduced overheads and a working capital position that will support the business until early 2022.

KEY ACTIVITIES AND HIGHLIGHTS

- A\$3.6 million net working capital as of 30 April 2020.
- The acquisition of the Tommy Lakes Facilities ("Facilities"), which includes compression facilities, associated pipelines and infrastructure. The Facilities are fully permitted and are strategic to Calima as they connect to regional, national and international pipeline networks. The Facilities have been preserved for future recommissioning and have an estimated replacement value of A\$85 million and save an operator 3 years in permitting and authorisation.
- Strategic movement of management to Canada with a focus on strategies to unlock and maximise shareholder value via 3rd party investment, joint ventures, partnerships and/or corporate transactions.
- Significant cost cutting implemented to maintain balance sheet strength and preserve flexibility until the market improves.

CAPITAL STRUCTURE AND FINANCIAL SNAPSHOT

ASX Code	CE1	Cash @ 31/03	\$3.4 million
Share Price	0.5 cent	Net Receivables	\$0.2 million
Shares	2,155,572,225	Working Cap @ 28/04 ²	\$3.6 million
Market Cap	\$10.8 million	Producing wells	1
Quarterly Rev	\$141,000	Quarterly Gross BO	1,581

¹ Refer to the announcement made on 8 July 2019 confirming un-risked contingent resources of 904,897 Mmcf gas and 45 million barrels of liquids. The prospective resources are presently being recalculated as the Company has had around 18% of acreage expire since the resource statement.

² Post the acquisition and suspension costs of the Tommy lakes facilities and estimated outgoings to the end of April 2020, and after a Canadian GST refund of ~\$1.3 million due May 2020, the working capital position as at April 30, 2020 is A\$3.6 million.

OPERATIONS

Management Changes

The Company has shifted responsibility of operations to the Calgary office. Recent changes include:

- Mr Micheal Dobovich, previously a senior executive with Statoil Canada, has assumed the role of President (currently Country Manager), based in Calgary. Micheal is the Company's only full time executive.
- Dr Alan Stein has transitioned to a Non-Executive role.
- Mr Jon Taylor resigned as a director on 20 January 2020.
- Mr Mark Freeman, Chief Financial Officer, has taken on additional Company Secretary responsibilities in Perth.

Current Cash Position & Cost Saving

The Company has a strong current working capital position of ~A\$3.6m as at 30 April 2020. This includes a GST Canadian receivable of ~A\$1.3m due May 2020 and reflects the acquisition costs of the Facilities and operating costs for April 2020. The results of the Company's costs saving efforts are summarised below:

- Effective 1 April 2020 all Directors have agreed to convert their director and executive fees to shares. The impact of these changes are anticipated to save the Company ~A\$280,000 per annum. These changes reflect the commitment of the Board and management to the future success of the Company.
- Additionally, the Company has undertaken a thorough review of its corporate and operational costs resulting in further cost savings anticipated to save the Company an estimated **A\$1.1 million** per annum on a go forward basis.
- Based on current contracts and anticipated expenditure the Company anticipates it will have an estimated **A\$1.9 million** in working capital on **31 March 2021**. This estimate assumes average monthly cash burn rates of:

Asset Maintenance Costs

- | | |
|--------------------------|-----------|
| • Calima Land costs | A\$41,000 |
| • Tommy Lakes Facilities | A\$32,000 |

These costs primarily comprise, statutory leasing costs, C-ring rentals, field monitoring, insurance, land management, health and safety, third party supervision of the Facilities, general maintenance and supplies.

Operational Overheads

- | | |
|-------------------|-----------|
| ○ Canadian GG&A | A\$42,000 |
| ○ Corporate Costs | A\$38,000 |

Key personnel in Calgary and Perth, office costs, regulatory and compliance costs, listing fees, insurance, legal etc.

Strategic Forward Plan

Following the Facilities acquisition the Calima Lands are ready for development. Management are focused on identifying JV partners and/or funding to exploit the investment and to realize value for the investment. Calima has appointed Chase Edgelow (ex-Macquarie Bank, Calgary) in an advisory capacity to assist in this objective.

Tommy Lakes Infrastructure Acquisition

On 19 February 2020 the Company announced it had entered into an agreement to acquire (closed on 15 April 2020), compression facilities, associated pipelines and infrastructure (“the Facilities”) in the Tommy Lakes Field which lies immediately to the north of the Calima Lands. The highlights of the Facilities are:

- Cost-efficient access to North River Midstream pipeline and Jedney processing facility;
- Access to regional markets via the major pipeline networks including NGTL, Alliance and T-North;
- Gathering pipelines, compression facilities and associated facilities capable of transporting up to 50 Mmcf/d of gas and 2,500 bbls/d of condensate;
- 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.
- The Facilities are fully permitted and have been preserved for future recommissioning.
- Annual holding costs of ~A\$400,000.
- Acquisition cost and performance bonds ~A\$750,000.
- Facilities in excellent condition with a replacement cost estimated at A\$85 million.

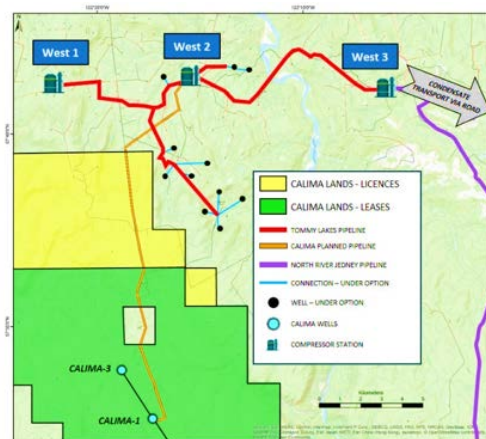


Figure one – The Tommy Lakes Infrastructure lies immediately north of the Calima Lands and offers the closest, most cost-effective tie-in to processing facilities and sales pipelines



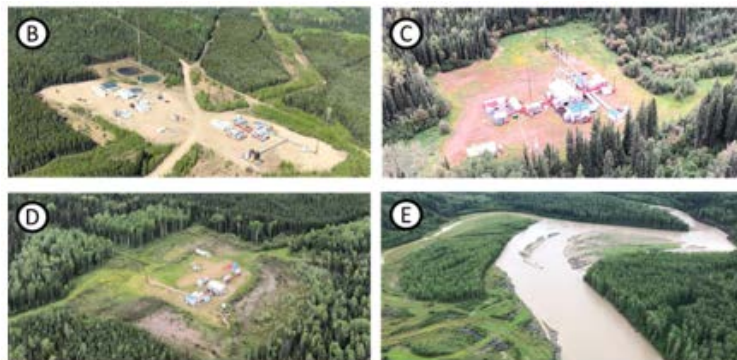


Figure two – Tommy Lakes Field A. Tank storage, liquids handling facility and West 3 compressor, B. Field office, control room and camp facility, C. West 2 Compressor, D. West 1 Compressor, E. Location where the Tommy Lakes pipeline crosses underneath the Sikanni Chief River.

Pipeline & Processing Access – NorthRiver Midstream Jedney Facility

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/Mmcf/d). Additional condensate and other natural gas liquids will then be recovered from subsequent processing at Jedney.

Montney Regional Activity Update: Merger and Acquisition Activity February 2020

Tourmaline Oil Corp announced on 24 February 2020 the acquisition of Chinook Energy (TSX listed), Polar Star Canadian Oil (unlisted and private equity backed) and ~17 sections (75% WI), or 8,460 net acres in the North Montney for a total consideration of C\$82 million. The Polar Star acreage is immediately to the south east, whilst the Chinook acreage is further south, of the Calima Lands.

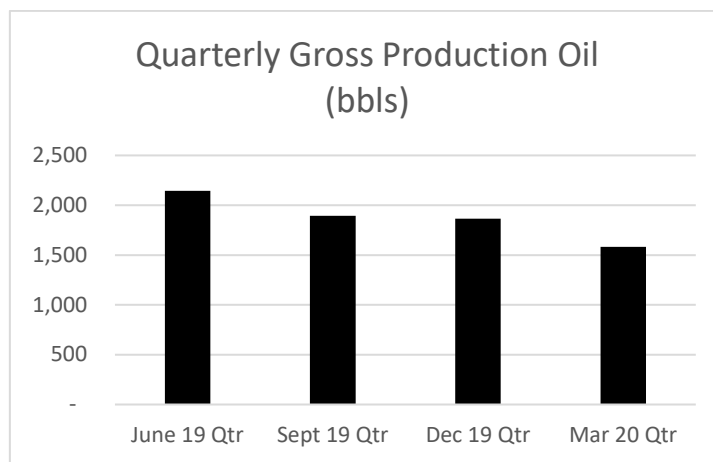
Tourmaline is the largest natural gas producer in Canada focused on long-term growth through an aggressive exploration, development, production and acquisition program in the Western Canadian Sedimentary Basin. Tourmaline had revenue of C\$1.2 billion p.a. and 270,000 boep/d (80%) gas in 2019. The significance of these acquisitions may indicate the first steps towards a consolidation of acreage positions across the Montney which would seem to be a logical step ahead of the projected increase in demand for LNG feedstock in Canada and growing pipeline capacity.

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 produced a total of 1,581 barrels of oil during the quarter averaging ~22.6 barrels of oil per producing day. As a result of reduced pricing, the well was shut-in on March 19, 2020 and will remain so until the oil price recovers.

In March 2019 the Company forward sold C\$1,200,000 of net production revenue from the Paradise well for the consideration of C\$1,000,000. The forward sale facility is repayable from monthly net well

production over a period of 36 months, maturing 1 April 2022. As at 29 April 2020 the Paradise well had generated net revenue payments of C\$314,120, leaving C\$885,930 outstanding. 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 (20-day VWAP).



Related Party Payments

During the quarter ended 31 March 2020, the Company made payments of \$70,304 to related parties and their associates. These payments relate to existing remuneration agreements with Directors.

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

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Forward Looking Statements

This release may contain forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "anticipate", "believe", "intend", "estimate", "expect", "may", "plan", "project", "will", "should", "seek" and similar words or expressions containing same. These forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. These include, but are not limited to, risks or uncertainties associated with the discovery and development of oil and natural gas reserves, cash flows and liquidity, business and financial strategy, budget, projections and operating results, oil and natural gas prices, amount, nature and timing of capital expenditures, including future development costs, availability and terms of capital and general economic and business conditions. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Calima, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Qualified petroleum reserves and resources evaluator statement

The petroleum resources information in this announcement is based on, and fairly represents, information and supporting documentation in a report compiled by technical employees of McDaniel and Associates Ltd, a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta, and was subsequently reviewed by Mr Mark Sofield who is a consultant (Havoc Services Pty Ltd) contracted to Calima Energy. Mr Sofield holds a BSc. Geology (Hons), is a Geologist with over 20 years of experience in petroleum geology, geophysics, prospect generation and evaluations, prospect and project level resource and risk estimation and is a member of the American Association of Petroleum Geologists. Mr Sofield has consented to the inclusion of the petroleum resources information in this announcement in the form and context in which it appears.

Appendix One - Schedule of Interest in Tenements

COUNTRY	BLOCK ID	LOCATION	WORKING INTEREST 31-12-2019	WORKING INTEREST 31-03-2020
CANADA	65101	Onshore	100%	100%
CANADA	65537	Onshore	100%	0%
CANADA	65539	Onshore	100%	0%
CANADA	65556	Onshore	100%	0%
CANADA	65557	Onshore	100%	0%
CANADA	65558	Onshore	100%	0%
CANADA	65559	Onshore	100%	0%
CANADA	65591	Onshore	100%	0%
CANADA	65659	Onshore	100%	100%
CANADA	65662	Onshore	100%	100%
CANADA	65663	Onshore	100%	100%
CANADA	65733	Onshore	100%	100%
CANADA	65735	Onshore	100%	100%
CANADA	66255	Onshore	100%	100%
CANADA	66256	Onshore	100%	100%
CANADA	66312	Onshore	100%	100%
CANADA	66313	Onshore	100%	100%
CANADA	66338	Onshore	100%	100%
CANADA	66386	Onshore	100%	100%
CANADA	66419	Onshore	100%	100%
CANADA	66420	Onshore	100%	100%
CANADA	66421	Onshore	100%	100%
CANADA	66422	Onshore	100%	100%
CANADA	66440	Onshore	100%	100%
CANADA	66441	Onshore	100%	100%
CANADA	66442	Onshore	100%	100%
CANADA	66443	Onshore	100%	100%
CANADA	66479	Onshore	100%	100%
CANADA	66480	Onshore	100%	100%
CANADA	66481	Onshore	100%	100%
CANADA	66515	Onshore	100%	100%
CANADA	66550	Onshore	100%	100%
CANADA	66581	Onshore	100%	100%
CANADA	67026 - 65350	Onshore	100%	100%
CANADA	67027 - 65391	Onshore	100%	100%
CANADA	67028 - 65556	Onshore	100%	100%
CANADA	67029 - 65591	Onshore	100%	100%
CANADA	67030 - 65691	Onshore	100%	100%
CANADA	67031 - 65733	Onshore	100%	100%
CANADA	67032 - 65735	Onshore	100%	100%
CANADA	67033 - 66312	Onshore	100%	100%
CANADA	67034 - 66440	Onshore	100%	100%
CANADA	67035 - 65450	Onshore	100%	100%
CANADA	67036 - 65452	Onshore	100%	100%
CANADA	67042 - 65537	Onshore	100%	100%
CANADA	67043 - 65557	Onshore	100%	100%
CANADA	67044 - 65558	Onshore	100%	100%
CANADA	67045 - 65559	Onshore	100%	100%
CANADA	67046 - 65635	Onshore	100%	100%
CANADA	67047 - 65636	Onshore	100%	100%
CANADA	67048 - 65662	Onshore	100%	100%
CANADA	67049 - 65663	Onshore	100%	100%
CANADA	67050 - 66338	Onshore	100%	100%

CANADA	67111	Onshore	100%	100%
WESTERN SAHARA	Daora	Offshore	50%	50%
WESTERN SAHARA	Haouza	Offshore	50%	50%
WESTERN SAHARA	Mahbes	Offshore	50%	50%
WESTERN SAHARA	Mijek	Offshore	50%	50%

Appendix Two - Capital Structure

Securities on Issue as at 31 March 2020:

- 2,155,572,225 fully paid ordinary shares (quoted)
- 19,450,000 performance rights
- 16,081,866 performance shares
- 10,000,000 options exercisable at \$0.09 on or before 25 August 2022
- 10,000,000 options exercisable at \$0.12 on or before 25 August 2022
- 10,000,000 options exercisable at \$0.045 on or before 25 August 2022
- 750,000 options exercisable at \$0.07 on or before 6 November 2021

In relation to the Performance rights:

- No performance rights were issued during the period.
- 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).
- No performance rights were converted or redeemed during the period.
- The milestone for the performance rights was not met during the period.

In relation to the Performance Shares:

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

Class A – Milestone A

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

Class C – Milestone C

 - spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari; or
 - the Company selling the Bahari Shares for an amount greater than A\$1.32m.
- No Milestones for the performance shares were met during the period.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

CALIMA ENERGY LIMITED

ABN

17 117 227 086

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	141	141
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	37	37
(c) production	(52)	(52)
(d) staff costs	(56)	(56)
(e) administration and corporate costs	(111)	(111)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
- Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(41)	(41)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(431)	(431)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(431)	(431)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(97)	(97)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(97)	(97)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,666	3,666
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(41)	(41)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(431)	(431)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(97)	(97)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	377	377
4.6	Cash and cash equivalents at end of period	3,474	3,474

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,474	3,666
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,474 ⁽¹⁾	3,666

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

70

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

1. Cash and Cash equivalents excludes Canadian GST of A\$1.3m is due on or around May 2020.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	1,046	1,046
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,046	1,046

* In March 2019 the Company forward sold C\$1,200,000 of net production revenue from the Paradise well for the consideration of C\$1,000,000. The forward sale facility is repayable from monthly net well production over a period of 36 months, maturing 1 April 2022. As at 29 April 2020 the Paradise well had generated net revenue payments of C\$314,120, leaving C\$885,930 outstanding.

7.5 Unused financing facilities available at quarter end	
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	41
8.2 Capitalised exploration & evaluation (Item 2.1(d))	431
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	472
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,474
8.5 Unused finance facilities available at quarter end (Item 7.5)	0
8.6 Total available funding (Item 8.4 + Item 8.5)	3,474
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	7

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

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

Answer: N/A

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

Answer: N/A

Compliance statement

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

Date:30/04/2020.....

Authorised by:Mark Freeman - CFO.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.