



ABN 17 117 227 086

**Half-Year Financial Report
30 June 2020**

Corporate Directory

Directors

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

Company Secretary

Neil Hackett
Mark Freeman

Registered Office – Perth Australia

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West Leederville WA 6007
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Facsimile: +61 (0) 8 6500 3275
Email: info@calimaenergy.com
Website: www.calimaenergy.com

Auditors

BDO Audit (WA) Pty Limited
38 Station Road
Subiaco WA 6008

Australian Bankers

National Australia Bank
Level 14
100 St Georges Tce
Perth WA 6000

Canadian Office

2500, 639 5 Ave SW Calgary, A
B T2P 0M9 Canada
Telephone: +1 403 389 1226

Canadian Bankers

Royal Bank of Canada
Bankers Hall
339 8 Ave SW,
Calgary, AB T2P 1C4, Canada

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St. Georges Terrace, Perth WA 6000
Telephone: +61 (0) 8 9323 2000
Facsimile: +61 (0) 8 9323 2033

Securities Exchange Listing

The Company is listed on the ASX Limited (ASX).

Home branch: Perth, Western Australia
ASX Code: **CE1**

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CALIMA ENERGY LIMITED – HALF YEAR REPORT

Directors' Report

Your Directors submit their report on Calima Energy Limited for the half-year ended 30 June 2020.

Directors

The names of the directors of Calima Energy Limited ("Calima" or "Company") in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Glenn Whiddon

Alan Stein

Neil Hackett

Brett Lawrence

Jon Taylor (*resigned 20 January 2020*)

Review and Results of Operations

Results

The net loss for the half year ended 30 June 2020 was \$3,336,046 (2019: \$1,003,758).

Principal Activity

The principal activity of Calima is investing in oil and gas exploration and production projects. Calima's core assets are the Calima lands that lie within the liquids rich gas sweet-spot of the Montney Formation in NE British Columbia, Canada and provide a prospective resource of 2.18 TCFE (1) gas, and the Tommy Lakes facilities and infrastructure.

Operations

Calima Energy Limited (ASX: CE1) (Calima or the Company) is pleased to provide shareholders with the following summary of its activities during the half year to June 2020. Calima has continued to make significant advancements during the period, completing a resource reclassification of 248.9 BCFG and 12.4 MMBO from Development on Hold to Development Pending along with completion of the ownership of the Tommy Lakes Facilities. Working capital position continues to support the business beyond 2021.

KEY ACTIVITIES AND HIGHLIGHTS

- The acquisition of the Tommy Lakes Facilities which closed 15 April 2020;
- McDaniel & Associates have provided an updated independent resource assessment upgrading gross un-risked Contingent Resources – Development Pending of 248.9 BCFG and 12.4 MMBO; as shown in the table below;
- In July 2020, Kelt Exploration sold 139,962 acres of Montney acres to ConnocoPhillips for C\$510 million, valuing the undeveloped acreage ~C\$1,400-\$2,000 per acre;
- In August 2020 Canadian Natural Resources (CNRL) announced the acquisition of Montney producer, Painted Pony for C\$469 million, of which C\$350 million was assigned to Painted Pony's existing debt. This equates to a valuation metric of ~C\$2,500 per developed acre; and
- Significant cost cutting implemented to maintain balance sheet strength and preserve flexibility until the market improves.

RESOURCE TABLE

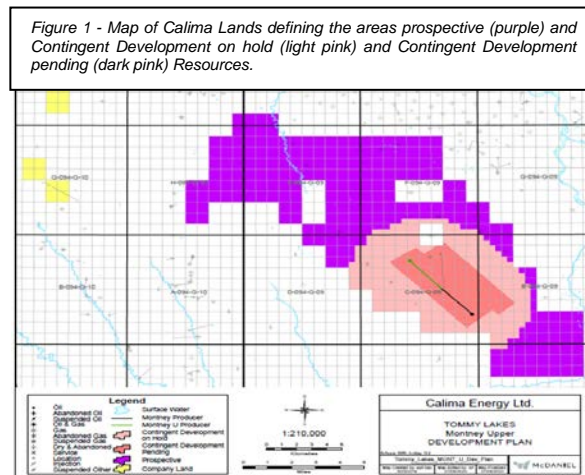
	Prospective Resource (2U)	Contingent Resource (2C)		
		Dev on hold	Dev Pending	Total Contingent
Natural Gas (MMCF)	1,680,391	639,208	248,904	888,113
Total Liquids (MBBL)	84,036	31,947	12,468	44,415
Total PJe	2,228	847	330	1,178
Total Tcfe	2.18	0.83	0.33	1.15

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Calima Lands Resource Update

As announced on 14 July 2020, following the acquisition of Tommy Lakes the Company advised that 248.9 billion cubic feet of gas and 12.4 million barrels of light oil and natural gas liquids of Contingent Resources have been upgraded to Development Pending. The Company now regards a significant portion of its Montney acreage as being development ready subject only to securing the necessary funding to construct a tie-in pipeline to the Tommy Lakes Facilities. Once the Company secures funding then according to the reporting standards these Development Pending resources could be classified as 2P reserves.

McDaniel & Associates (McDaniel) have evaluated crude oil, natural gas and natural gas products prospective resources of the Calima Lands according to 2018 PRMS standards. McDaniel’s Best Estimates of total un-risked contingent and prospective resources within the Calima Lands are summarised in the table above. Refer to the announcement of 14 July 2020 for detailed breakdown of the resource categories and support.



Tommy Lakes Infrastructure Acquisition

On 15 April 2020 the Company closed its acquisition of compression facilities, associated pipelines and infrastructure 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 BBL/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\$450,000;
- Purchase of property plant and equipment and performance bonds ~ A\$752,000 with assumed restoration obligations of A\$ 1,454,481 ; and
- Facilities in excellent condition.

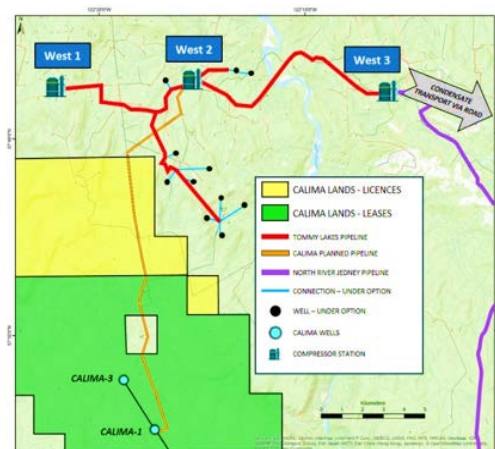


Figure one – The Tommy Lakes Infrastructure lies immediately north of the Calima Lands and offers the closest, most cost-effective tie-in to processing facilities and sales pipelines

CALIMA ENERGY LIMITED – HALF YEAR REPORT



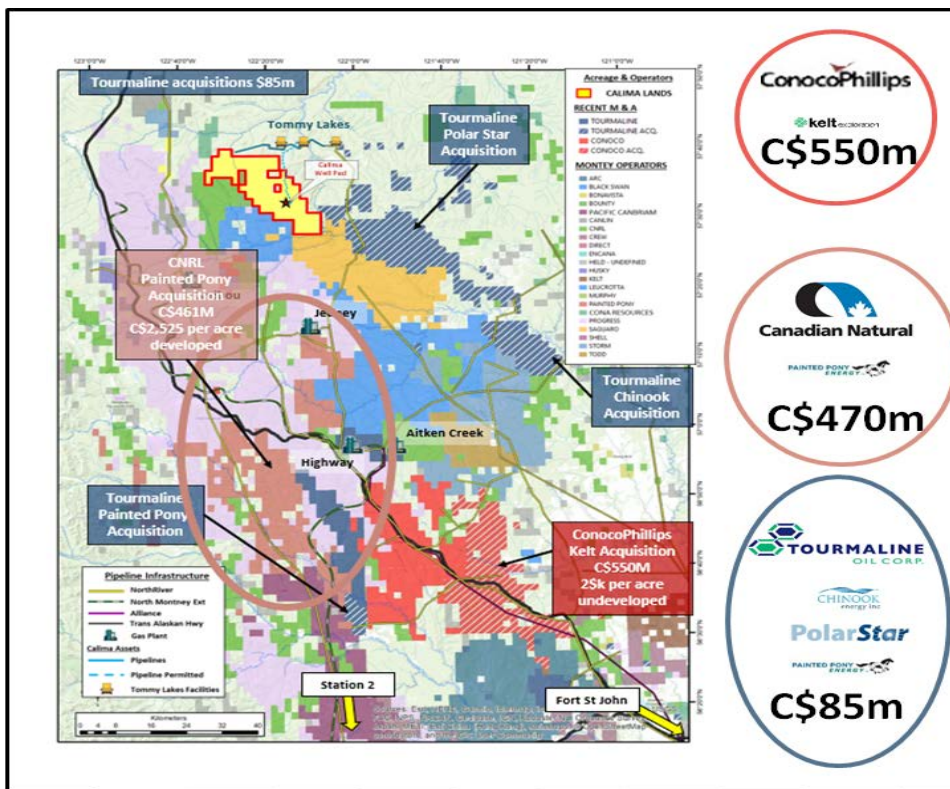
Montney Update: Merger and Acquisition Activity

Regional Activity

In August 2020 Canadian Natural Resources (CNRL) announced the acquisition of Montney producer, Painted Pony for C\$469 million, of which C\$350 million was assigned to Painted Pony’s existing debt. This equates to a valuation metric of ~C\$2,500 per developed acre.

On 22 July 2020 Kelt Exploration Ltd (TSX: KEL) announced effective 1 July 2020 its agreement to sell its Inga/Fireweed/Stoddart assets (“Inga Assets”) in British Columbia to ConocoPhillips for C\$510 million. In addition, ConnocoPhillips will assume certain specific financial obligations related to the Inga Assets in the amount of approximately C\$41.0 million. The Inga Assets lie north of Fort St John around 130 kms south from the Company’s acreage. The Inga Assets include 139,528 acres with the undeveloped acreage valued at between C\$200-C\$280 million or C\$1,400-\$C2,000 per acre.

This is the latest major transactions in the Montney together with the 3 acquisitions Tourmaline Oil Corp announced Q1/2020 for C\$82 million and indicates that consolidation is underway in the Montney.



CALIMA ENERGY LIMITED – HALF YEAR REPORT

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 250 km to the southeast of the Company's extensive Montney interests in northeast British Columbia. As previously announced the well was shut-in on March 19, 2020 as a result of low oil prices and placed back on production 25 May 2020.

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.

Corporate

Current cash burn is very low at around \$158,000 per month, and the Company had ~\$3 million in working capital in June 2020.

Director and Senior Management Appointments and Resignations

- On 20 January 2020 Jon Taylor resigned as a director.
- On 7 May 2020 the Company announced the appointment of Mark Freeman as Company Secretary.
- On 18 May 2020 the Company announced that its registered office had moved to Suite 4, 246-250 Railway Parade, West Leederville WA 6007.
- On 29 May 2020 the Company held its AGM with all resolutions passed.

Changes in State of Affairs

During the half year ended 30 June 2020 there was no significant change in the entity's state of affairs other than that referred to in this Directors' report, the half year financial statements or notes thereto.

Events after the reporting date

At the Annual General Meeting dated 29 May 2020 as per the AGM results lodged in ASX, shareholder approval was received for each of the Directors to receive Shares in lieu of 100% of Director's fees and consultancy fees payable to them in the period 1 April 2020 to 31 March 2021 as part of the Company's strategy to sustain its business in the current volatile commodity price environment. Consultants will also receive Shares in lieu of a portion of the consultancy fees payable to them on similar terms as the Directors. On 14 July 2020, The Company issued 11,902,002 fully paid ordinary shares to directors and management in lieu of directors and executive fees pursuant to the shareholder approval received 29 May 2020.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.


The Directors are not aware of any other matters or circumstances not otherwise dealt with in this interim report that have significantly, or may significantly affect the operations, results or state of affairs of the Group.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, BDO, which is included on page 6.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'G. Whiddon', is positioned above the printed name and title.

Glenn Whiddon
Chairman

11 September 2020

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

As lead auditor for the review of Calima Energy Limited for the half-year ended 30 June 2020, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 11 September 2020

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 30 June 2020

	Notes	For the half year ended 30 June 2020 \$	For the half year ended 30 June 2019 \$
Other Income			
Net Proceeds from the Paradise Well		137,184	-
Interest revenue		49	10,032
Other		17,640	369,524
		154,873	379,556
General and administrative expenses	4	(960,036)	(1,383,314)
Site rehabilitation expense	10	(1,454,481)	-
Impairment on investment	8	(1,076,402)	-
		(3,336,046)	(1,003,758)
Loss before income tax		(3,336,046)	(1,003,758)
Income tax expense		-	-
Net loss for the period		(3,336,046)	(1,003,758)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		(442,039)	1,543,664
Other comprehensive income for the period, net of tax		(442,039)	1,543,664
Total comprehensive income/(loss) for the period		(3,778,085)	539,906
Loss per share for the half year attributable to members of Calima Energy Limited			
		Cents per share	Cents per share
- basic loss per share attributable to owners of the parent		(0.15)	(0.10)
- diluted loss per share attributable to owners of the parent		N/A	N/A

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 \$	31 December 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	3,343,622	3,661,879
Trade and other receivables	6	193,699	1,834,451
Total current assets		3,537,321	5,496,330
Non-Current Assets			
Other assets		482,623	-
Property, plant and equipment	7	526,437	12,121
Right of use asset		-	27,150
Exploration and evaluation expenditure		61,846,902	62,862,296
Investments	8	-	1,126,089
Total non-current assets		62,855,962	64,027,656
TOTAL ASSETS		66,393,283	69,523,986
LIABILITIES			
Current liabilities			
Trade and other payables		425,388	201,456
Other Liabilities		190,555	29,104
Total current liabilities		615,943	230,560
Non-Current Liabilities			
Restoration provision	10	3,511,438	3,255,663
Loan	9	755,924	851,248
Total Non-Current Liabilities		4,267,362	4,106,911
TOTAL LIABILITIES		4,883,305	4,337,471
NET ASSETS		61,509,978	65,186,515
EQUITY			
Issued capital	12	296,168,018	296,108,276
Reserves		17,451,508	17,851,741
Accumulated losses		(252,109,548)	(248,773,502)
TOTAL EQUITY		61,509,978	65,186,515

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Consolidated Statement of Cash Flows For the half year ended 30 June 2020

	Notes	30 June 2020 \$	30 June 2019 \$
Cash flows from operating activities			
Receipts from customers		72,319	158,764
Payments to suppliers and employees		(870,319)	(790,687)
Interest received		(14)	10,032
Net cash flows used in operating activities		(798,014)	(621,891)
Cash flows from investing activities			
Payments for property plant and equipment and exploration and evaluation assets		(734,328)	(21,223,806)
PST/GST Refund on exploration expenditure		1,366,502	-
Net cash flows (used in)/from investing activities		632,174	(21,223,806)
Cash flows from financing activities			
Payments for capital raising		-	(4,950)
Proceeds/(repayment) of borrowings		(152,431)	1,040,482
Net cash flows from/(used in) financing activities		(152,431)	1,035,532
Net decrease in cash and cash equivalents		(318,271)	(20,810,165)
Net foreign exchange differences		14	151,973
Cash and cash equivalents at beginning of the period		3,661,879	21,471,404
Cash and cash equivalents at end of the period	5	3,344,622	813,212

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

**Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2020**

	Share capital	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
At 1 January 2020	296,108,276	15,736,379	2,115,362	(248,773,502)	65,186,515
Loss for period	-	-	-	(3,336,046)	(3,336,046)
Other comprehensive Income/(Loss)	-	-	(442,039)	-	(442,039)
Total comprehensive loss for the period	-	-	(442,039)	(3,336,046)	(3,778,085)
Transactions with owners in their capacity as owners					
Issue of share capital	-	-	-	-	-
Transaction costs of issuing shares	-	-	-	-	-
Share based payments	59,742	41,805	-	-	101,547
At 30 June 2020	296,168,018	15,778,184	1,673,323	(252,109,548)	61,509,978

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

**Consolidated Statement of Changes in Equity (continued)
For the half-year ended 30 June 2020**

	Share capital	Share-based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
At 1 January 2019	284,246,600	15,652,075	(14,392)	(247,189,899)	52,694,384
Loss for period	-	-	-	(1,003,758)	(1,003,758)
Other comprehensive Income/(Loss)	-	-	1,543,664	-	1,543,664
Total comprehensive loss for the period	-	-	1,543,664	(1,003,758)	539,906
Transactions with owners in their capacity as owners					
Transaction costs of issuing shares	(4,950)	-	-	-	(4,950)
Share based payments	-	41,805	-	-	41,805
At 30 June 2019	284,241,650	15,693,880	1,529,272	(248,193,657)	53,271,145

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements

1. Corporate Information

The half year financial report of the Group for the six months ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 11 September 2020.

Calima Energy Limited is a for profit company incorporated and domiciled in Australia. It is listed on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

This half-year financial report for the period ended 30 June 2020 is a general purpose condensed financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2019 and considered together with any public announcements made by Calima Energy Limited during the half-year ended 30 June 2020 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) New or amended Accounting Standards and Interpretations adopted

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.

(c) Going Concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors are of the opinion that the Group can meet its obligations as and when they fall due.

(d) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

3. Significant Estimates and Judgements

In addition to significant estimates and judgements disclosed in the 2019 Annual Report we note the following

(a) Asset acquisition

The asset acquisition of the Tommy Lakes Infrastructure does not meet the definition of a business combination and as such the transaction has been accounted for as an asset acquisition. Purchase prices related to asset acquisitions are allocated to the underlying acquired assets and liabilities based on cost and/or their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocated impact Calima Energy Limited's reported assets and liabilities, future net earnings due to the impact of future depreciation and amortisation expense and impairment tests. No goodwill or deferred tax implications will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(b) Rehabilitation provision

As part of the acquisition the consolidated entity acquired the related environmental and rehabilitation liabilities. A provision has been made for the present value of anticipated costs for future rehabilitation of the facilities. 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 facility estimates and discount rates could affect the carrying amount of this provision.

4. Expenses

	For the half year ended 30 June 2020 \$	For the half year ended 30 June 2019 \$
General and administrative expenses		
Employee benefit and director compensation expense	254,214	397,243
Share based payments	101,547	41,805
Corporate expenses	426,060	644,845
Consulting expenses	176,210	267,806
Depreciation of property plant and equipment	2,005	31,615
	960,036	1,383,314

5. Cash and Cash Equivalents

For the purposes of the half-year statement of cash flow, cash and cash equivalents are comprised of the following:

	30 June 2020 \$	31 December 2019 \$
Cash and cash equivalents		
Cash at bank and on hand	3,343,622	3,661,879
	3,343,622	3,661,879

Notes to the Consolidated Financial Statements (continued)

6. Trade and Other Receivables

	30 June 2020	31 December 2019
Trade and other receivables	\$	\$
PST/GST receivable	9,124	1,384,195
Prepayments	136,541	375,866
Bank guarantee	47,992	47,992
Other	42	26,398
	<u>193,699</u>	<u>1,834,451</u>

7. Property, Plant and Equipment

	30 June 2020	31 December 2019
Property Plant and Equipment	\$	\$
Balance at the beginning of the period	12,121	17,905
Acquisition ⁽ⁱ⁾	516,321	-
Depreciation	(2,005)	(5,784)
	<u>526,437</u>	<u>12,121</u>

- (i) On 15 April 2020 the Company closed its acquisition of compression facilities, associated pipelines and infrastructure in the Tommy Lakes Field which lies immediately to the north of the Calima Lands. The group also assumed the associated environmental and rehabilitation liabilities (refer to note 10).

8. Investments

	30 June 2020	31 December 2019
Investments	\$	\$
Balance at the beginning of the period	1,126,089	1,080,852
Movement due to foreign exchange translation	(49,687)	45,237
Impairment of investment	(1,076,402)	-
	<u>-</u>	<u>1,126,089</u>

The investment related to a shareholding of 8.5% interest in Bahari Holding Company Limited. In light of the current economic and low oil price environment the company has taken a prudent view to impair its interest in Bahari Holding Company Limited.

Notes to the Consolidated Financial Statements (continued)

9. Loan

	30 June 2020	31 December 2019
	\$	\$
Loan amount	851,248	1,055,893
Offset against Oil and Gas property	(8,492)	(173,074)
Opening balance of loan	842,756	882,818
Interest	81,450	180,639
Less Repayments	(131,439)	(244,601)
Foreign exchange movement	(36,843)	32,391
	755,924	851,248

During the previous half-year, the Group entered into an arrangement to borrow CAD1,000,000. This facility is, exclusive of CAD200,000 interest, the borrowing arrangement 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.

10. Restoration Provision

	30 June 2020	31 December 2019
	\$	\$
Opening Balance	3,255,663	43,873
Additional Provision	-	3,181,635
Fair value movement in restoration provision for existing wells	(1,133,266)	-
Restoration obligations assumed from acquisition (note 7)	1,454,481	-
Foreign exchange movement	(65,440)	30,155
	3,511,438	3,255,663

11. Commitments

The Company has the following commitments:

Land Rentals

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

- Later than one year but not more than five years: \$140,924.
- Operating commitments for the Tommy Lakes Facility: \$450,000 (per annum)

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

12. Contributed Equity

(a) **Share capital**

Ordinary shares fully paid

	Number	\$
	2,167,474,227	296,168,018
	Number	\$
	2,155,572,225	296,108,276
	11,902,002	59,742
	2,167,474,227	296,168,018

(b) **Movements in ordinary shares on issue**

Balance at 1 January 2020

Shares to be issued (14 July 2020)

Balance at 30 June 2020

At the Annual General Meeting dated 29 May 2020 as per the AGM results lodged in ASX, shareholder approval was received for each of the Directors to receive Shares in lieu of 100% of Director's fees and consultancy fees payable to them in the period 1 April 2020 to 31 March 2021 as part of the Company's strategy to sustain its business in the current volatile commodity price environment. Consultants will also receive Shares in lieu of a portion of the consultancy fees payable to them on similar terms as the Directors. On 14 July 2020, The Company issued 11,902,002 fully paid ordinary shares to directors and management in lieu of directors and executive fees pursuant to the shareholder approval received 29 May 2020.

13. Share Based Payments

(i) **Recognised share-based payment expenses**

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

	30 June 2020 \$	31 December 2019 \$
Management Options	12,886	25,986
Performance Rights	28,919	58,318
Other options issued	-	-
Conversion of Performance Shares	-	71,052
Ordinary shares issued (note 12)	59,742	21,251
Total Share Based Payments	101,547	176,607

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.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Notes to the Consolidated Financial Statements (continued)

14. Related Party Transactions

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 30 June 2020 as well as balances with related parties as at 30 June 2020:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Key management personnel of the group:	\$	\$	\$	\$
Havoc Services Pty Ltd	-	59,104	-	-

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

The Company entered into a consulting agreement with Havoc Services Pty Ltd (Havoc), under which five Havoc members were engaged as members of the Company's Management team. The members include Managing Director Alan Stein, Technical Director Jon Taylor and senior geoscientists Mark Sofield, Richard Higgins and Justin Norris.

15. 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 relate to oil and gas exploration.

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

16. Contingent Assets and Liabilities

There are no contingent assets or liabilities as at 30 June 2020.

17. Events after the reporting date

At the Annual General Meeting dated 29 May 2020 as per the AGM results lodged in ASX, shareholder approval was received for each of the Directors to receive Shares in lieu of 100% of Director's fees and consultancy fees payable to them in the period 1 April 2020 to 31 March 2021 as part of the Company's strategy to sustain its business in the current volatile commodity price environment. Consultants will also receive Shares in lieu of a portion of the consultancy fees payable to them on similar terms as the Directors. On 14 July 2020, The Company issued 11,902,002 fully paid ordinary shares to directors and management in lieu of directors and executive fees pursuant to the shareholder approval received 29 May 2020.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in this interim report that have significantly, or may significantly affect the operations, results or state of affairs of the Group.

CALIMA ENERGY LIMITED – HALF YEAR REPORT

Directors' Declaration

In accordance with a resolution of the directors of Calima Energy Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
- giving a true and fair view of the financial position as at 30 June 2020 and the performance for the half-year ended on that date of the consolidated entity; and
 - complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Glenn Whiddon
Chairman

11 September 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Calima Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Calima Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line. Above the signature, the letters 'BDO' are handwritten in a smaller, lighter font.

Phillip Murdoch

Director

Perth, 11 September 2020