

CALIMA ENERGY LIMITED

ACN 117 227 086

PROSPECTUS

For an offer of up to 1,428,571,429 Shares each at an issue price of \$0.007 to raise up to \$10,000,000 (before costs)

THE OFFER CLOSES AT 5.00PM AWST ON TUESDAY, 20 APRIL 2021

VALID APPLICATION FORMS MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Prospectus and on the accompanying Application Form prior to applying for Shares under the Retail Offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

THE SHARES OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE. IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

IMPORTANT INFORMATION

This Prospectus is dated 10 March 2021 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

A copy of this Prospectus is available for inspection at the registered office of the Company at Suite 4, 246-250 Railway Parade, West Leederville WA 6007, Australia during normal business hours. The Company will also provide copies of other documents on request (see Section 4.6).

The Company will apply to ASX within 7 days of the date of this Prospectus for Official Quotation by ASX of the Shares offered by this Prospectus.

The Shares offered by this Prospectus should be considered speculative. Please refer to Section 2 for details relating to investment risks.

A copy of this Prospectus can be downloaded from <https://CE1offer.thereachagency.com>. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus and the Application Form (free of charge) by contacting the Company at info@calimaenergy.com. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access this Prospectus from within Australia. If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus with the relevant Application Form.

Applications for Shares under the Retail Offer will only be accepted by submitting an Application Form, which accompanies this Prospectus either in paper or in electronic form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by a complete and unaltered copy of this Prospectus. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus with the Application Form.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that, when that person was given access to the online Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus, or any of those documents were incomplete or altered.

No person is authorised to give any information or to make any representation in connection with the Retail Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Retail Offer.

No action has been taken to permit the offer of Shares under this Prospectus in any jurisdiction other than Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This document is important and should be read in its entirety before deciding to participate in the Retail Offer. This document does not take into account the investment objectives, financial, taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to their particular needs, and consider their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult their stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 2.

By returning an Application Form, you acknowledge that you have received and read this Prospectus and you have acted in accordance with the terms of the Retail Offer detailed in this Prospectus.

Definitions of certain terms used in this Prospectus are contained in Section 6. All references to currency are to Australian dollars and all references to time are to WST, unless otherwise indicated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

Chairman's Letter

Dear Investor and Shareholder

On behalf of the directors of Calima Energy Limited (Company), it is my pleasure to invite you to read this Prospectus as you consider the opportunity to invest in the Company.

Calima is pleased to be participating in a transformational merger with the Canadian energy company, Blackspur Oil Corp. Blackspur is an exciting company that has been built from the ground up by a team of oil and gas professionals who have established an impressive track record as oil finders, and efficient developers. The team has carefully assembled and de-risked Blackspur's assets through a combination of drilling and acquisition over the past decade and are dedicated to pursuing synergistic growth opportunities across the Western Canadian Sedimentary Basin.

The Blackspur team, supported by the small Calima team, will be well positioned to take advantage of strengthening fundamentals in both oil & gas commodity markets in Canada. In addition to the oil-focused assets within Blackspur's portfolio, our combined team will be poised to unlock value from our existing Montney Calima Lands assets (and the Tommy Lakes facilities) buoyed by demand from the completion of Canada's first LNG export facility, LNG Canada, and improved pipeline capacity which gives better access to US markets and an expanding industrial base in Canada.

We believe that the energy sector will deliver outstanding returns to investors over the coming years, and that regions like Western Canada with proven reserves and significant infrastructure in place will outperform.

The merger with Blackspur presents an opportunity to create a mid-tier, ASX listed company, with strong cash flow from economic oil assets that have been undercapitalised for several years, combined with growth potential from a significant undeveloped resource portfolio in the Montney. This compelling mix of portfolio depth, strong production growth and Blackspur's skill at efficiently developing oil plays shall move the Company forward at a rapid pace in parallel with rising commodity prices.

Finally, Blackspur's environmental ESG record will provide a pathway for best practise development of oil and gas projects moving forward.

These are exciting times, and we look forward to navigating them together with all our stakeholders, to create an entity that we can all be proud owners of.

With so many delays in the postal service at the moment, investors are urged to complete the application process online at <https://CE1offer.thereachagency.com> in order to guarantee your application gets to us in time. On behalf of the Board, I invite you to be a part of this exciting investment opportunity.

Yours faithfully



Glenn Whiddon

Executive Chairman

CORPORATE DIRECTORY

Directors

Mr Glenn Whiddon (Exec. Chairman)
Mr Brett Lawrence (Non Exec. Director)
Mr Alan Stein (Non Exec. Director)

Proposed Directors

Mr Jordan Kevol (Executive Director and
Chief Executive Officer)
Mr P.L. (Lonny) Tetley (Non Exec.
Director)

Company Secretary

Mr Mark Freeman

Registered Office

Suite 4, 246-250 Railway Parade
West Leederville WA 6007
Telephone: +61 8 6500 3270
Facsimile: +61 8 6500 3275

ASX Code:

CE1

Website:

www.calimaenergy.com

Share Registry*

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

Telephone: 1300 850 505 (within Australia)
+61 8 9323 2000 (outside Australia)

Solicitors to the Company

GTP Legal
68 Aberdeen Street
Northbridge WA 6003

Lead Manager

Evolution Capital Advisors Pty Ltd
Suite 3, Level 10/23 Hunter St
Sydney NSW 2000

*This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.

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1. Details of the Retail Offer

1.1 The Retail Offer

The Company is offering pursuant to this Prospectus 1,428,571,429 Shares each at an issue price of \$0.007 to raise up to \$10,000,000 (before costs) (**Retail Offer**).

The Retail Offer is not underwritten. However, the Company has received Firm Commitments in respect of \$6,000,000 of the Capital Raising (which comprises the Retail Offer and the Institutional Placement). (See Section 1.2 below for further details).

Refer to Section 4.3 for a summary of the rights attaching to the Shares.

1.2 Background to the Retail Offer

The Company has entered into a conditional binding agreement (**Acquisition Agreement**) to acquire 100% of the issued capital of Blackspur Oil Corp (**Blackspur**), a corporation incorporated under the laws of the Province of Alberta, Canada, which owns producing oil and gas assets in two core areas, Brooks and Thorsby (**Acquisition**). Further information on Blackspur and its assets is set out in the Company's ASX announcement on 26 February 2021 (**Blackspur Acquisition ASX Announcement**).

The consideration for the Acquisition is set out in the Blackspur Acquisition ASX Announcement and comprises: total consideration of C\$17,000,000 to be adjusted in accordance with the Net Debt Adjustment (as defined below) (if any) and payable to the Blackspur shareholders at their election as either cash or Shares as follows:

- (a) up to a maximum of C\$4,900,000 (**Cash Consideration**) will be paid in cash; and
- (b) up to C\$17,000,000, subject to the Net Debt Adjustment, through the issue of Shares at the same issue price as Shares under the Capital Raising provided that no less than C\$12,100,000 in value, will be paid through the issue of Shares (**Consideration Shares**),

the Consideration Shares and the Cash Consideration are together the **Consideration**.

The parties have agreed a net debt adjustment such that on closing the net debt of Blackspur (**Net Debt**) will not exceed C\$43,000,000 (pre-repayment of debt from the Capital Raising (see below)). To the extent that the Net Debt is less than or greater than C\$43,000,000 (pre-repayment of debt from the Capital Raising), the Consideration will be increased or decreased, as applicable, by the amount that Net Debt is less or greater than C\$43,000,000 up to a maximum of C\$3,000,000. Further, by way of separate payment, if the Net Debt is less than C\$43,000,000, the Consideration will also be increased by an additional amount up to a maximum of C\$1,500,000 (for each dollar that the Net Debt is below C\$43,000,000 (together the **Net Debt Adjustment**) which is estimated will result in an increase in Consideration of C\$3,200,000.

Blackspur currently has an outstanding loan balance from its secured lender of approximately C\$41,300,000 (but subject to change during the period between the date of this Prospectus and the date of the Meeting) (**Blackspur Loan**). On completion of the Acquisition, the Blackspur Loan will be paid down to C\$13,000,000 with C\$7,000,000 available to be redrawn (pursuant to a C\$20,000,000 loan facility).

It is expected that the Acquisition will be completed in late April 2021 pending both the Company and Blackspur obtaining shareholder and regulatory approvals and satisfaction of the other conditions of the Acquisition. A summary of the material terms of the Acquisition is set out in Section 4.1.

To provide funding for the Cash Consideration due at completion of the Acquisition, to pay down the Blackspur Loan, and to provide sufficient working capital for the combined group following Completion,

the Company has announced that it is proposing, subject to Shareholder approval, to undertake a capital raising of up to 5,428,571,428 Shares each at an issue price of \$0.007 per Share to raise a minimum of \$34,000,000 and up to a maximum of \$38,000,000 (before costs) (**Capital Raising**).

The Capital Raising will comprise:

- (a) the Retail Offer to retail investors to raise up to \$10,000,000 (before costs); and
- (b) a placement to institutional and sophisticated investors to raise up to \$38,000,000 (before costs) (**Institutional Placement**).

The maximum funds to be raised from both the Retail Offer and the Institutional Placement will not exceed \$38,000,000 (before costs).

The Capital Raising is being managed by Evolution which will receive a fee of 6% of the funds raised under the Capital Raising and 50,000,000 Options each exercisable at \$0.01 on or before the date that is three years from the date of grant and vesting three months from the date of grant (**Broker Options**). Refer to Section 4.2 for a summary of the terms of the lead manager mandate between the Company and Evolution.

Completion of the Acquisition, Capital Raising and issue of the Broker Options is subject to Shareholder approval which is being sought at a general meeting of the Company to be held on or around 15 April 2021.

Completion of the Capital Raising will occur immediately prior to completion of the Acquisition which is contingent on a minimum raise of \$34,000,000.

1.3 Overview of Blackspur

Blackspur was formed in 2012 and followed through with acquisitions of \$74 million and drilled 59 oil wells funded via a combination of equity and debt. In Q3 2018 Blackspur reached peak production of over 5,000 boe/d.

Blackspur has two core production areas in Southern Alberta; Thorsby and Brooks. The Brooks asset produced in Q4 2020 ~1,860 boe/d and Thorsby ~740 boe/d. The combined assets have a liquids ratio of 70% and has a peer leading Liability Management Ratio (LMR) rating of ~4.63 with undiscounted ARO estimated at ~\$14.2 million.

Brooks

Blackspur has established a core position of land (~83 net sections) and significant infrastructure that creates a foundation for growth and expansion with year-round access. The Brooks asset averaged production of a net ~1,860 boe/d in Q4 2020 with a 94% working interest. Blackspur has drilled 48 wells to date.

Brooks production comes from the Sunburst and Glauconitic formations. The Sunburst Formation can be developed at low cost (<C\$1m per well) delivering economic rates of return. Blackspur's existing infrastructure can process up to 7,000 bbl/d oil.

Future growth from the Brooks asset will come from the 147 net locations that have already been identified. These locations include the booked 16 Sunburst and 17 Glauconitic PUDs. Additional reserves are expected to be realized through implementation of enhanced oil recovery projects. Blackspur recently initiated a waterflood in the Countess J2J Pool which is expected to show results in the near term.

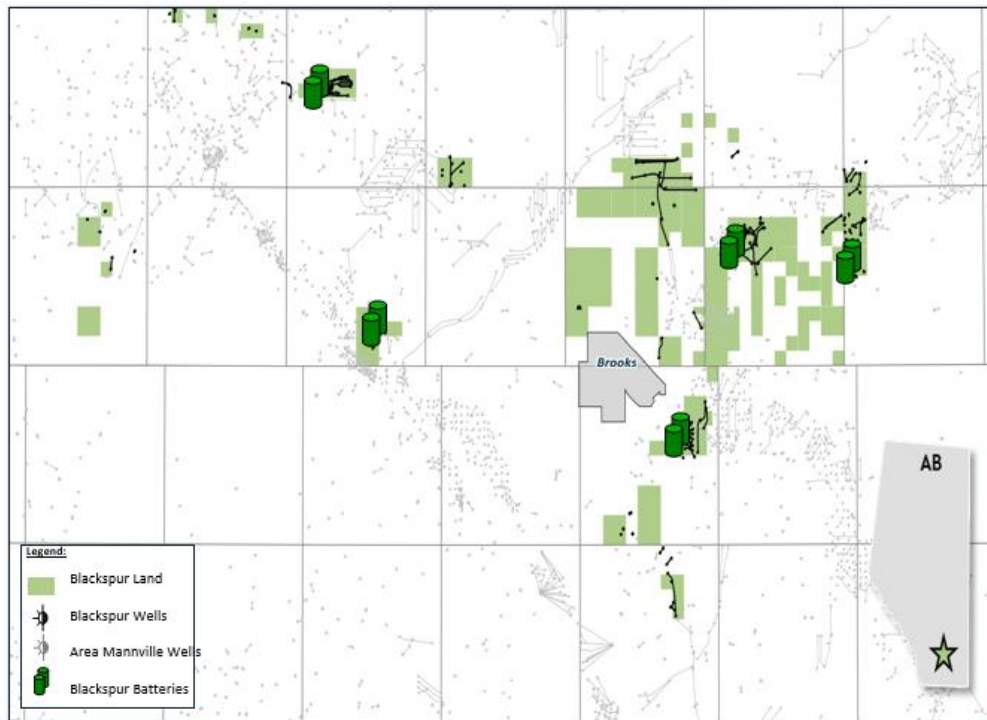


Figure 1: Brooks Area Land Map

Thorsby

Thorsby provides a consolidated land base of ~108 net sections that will be efficiently developed through a network of multi-well pads. The Thorsby asset has year-round access and averaged production of ~740 boe/d in Q4 2020 (100% WI) in the Sparky Formation. Blackspur has drilled 11 wells to date.

Blackspur has spent over C\$5 million building infrastructure in the Thorsby area and has existing oil processing capacity of 3,000 bbl/d oil.

Thorsby has a large inventory of wells to drill with 89 Sparky Formation and 12 Nisku Formation wells identified, which includes 28 Sparky PUD locations. Additionally, upside exists in 66 net sections of Duvernay Formation lands that are included in the Acquisition.

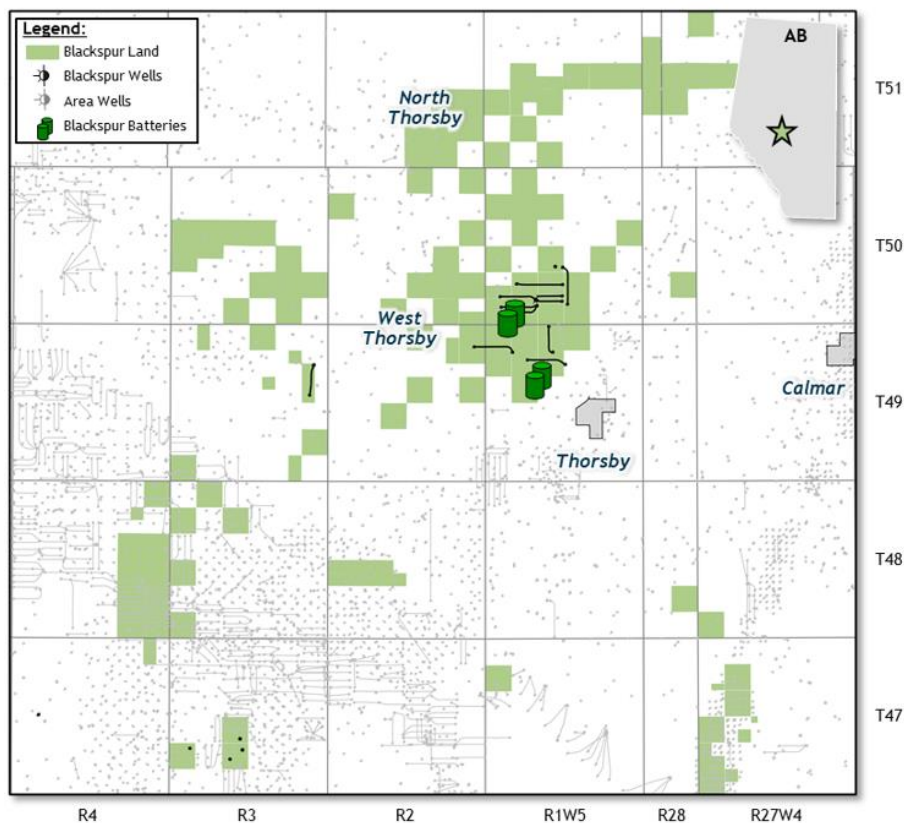


Figure 2: Thorsby Area Land Map

1.4 Purpose of the Prospectus

(a) The Retail Offer

Funds raised from the Retail Offer will be aggregated with the other funds raised pursuant to the Institutional Placement and used to pay the cash Consideration for the Acquisition, repay such amount as required to decrease the Blackspur Loan to C\$13,000,000, pay the costs of the Capital Raising and Acquisition and provide working capital for the combined group post Completion, including to increase production from the Blackspur Assets and to fund the Company's existing assets.

(b) On-sale relief for Consideration Shares and Institutional Placement Shares

The issue of the Consideration Shares and Institutional Placement Shares will be made without a Prospectus in reliance on section 708 of the Corporations Act. A prospectus is required under the Corporations Act to enable persons who will be issued Consideration Shares and Institutional Placement Shares to on-sell these Shares within 12 months of their issue. The Company does not intend to issue the Consideration Shares and Institutional Placement Shares with the purpose of the persons to whom they are issued selling or transferring their securities or granting, issuing or transferring interests in those securities within 12 months of the issue, but this Prospectus provides them the ability to do so should they wish.

Accordingly, the purpose of this Prospectus is to:

(a) make the Retail Offer; and

- (b) ensure that the on-sale of the Consideration Shares and Institutional Placement Shares does not breach Section 707(3) of the Corporations Act by relying on the exemption to the secondary trading provisions in Section 708A(11) of the Corporations Act.

1.5 Firm Commitments and Allocation policy

The Company has received firm commitments from sophisticated and professional investors (**Committed Parties**) for \$6,000,000 (**Firm Commitments**) which will be called upon by the Company to the extent that the Company does not receive contractual commitments under the Institutional Placement and applications under the Retail Offer for a combined minimum of \$34,000,000. Evolution will pass on the whole 6% fee received in relation to the amount raised pursuant to the Firm Commitments to the parties that have given the Firm Commitments. The Firm Commitments are subject to the Company receiving contractual commitments to participate in the Institutional Placement and total applications under the Retail Offer for a combined minimum of \$28,000,000.

The final allocation of Shares under the Retail Offer will be at the discretion of the Board with priority to existing Shareholders of the Company.

To the extent that the Committed Parties do not receive the full amount of their Firm Commitments to ensure that the Capital Raising raises the minimum \$34,000,000, the Committed Parties will have the right, but not the obligation, to subscribe under the Capital Raising, pro rata to the amount of their Firm Commitment with other parties that have provided Firm Commitments for such number of Shares as will provide them with the full amount of their Firm Commitments up to a maximum raising amount of \$38,000,000.

1.6 Opening and Closing Dates

The Retail Offer will be open for acceptance from 12 March 2021, until 5.00pm AWST on the Closing Date, being 20 April 2021, or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.7 Minimum subscription

There is no minimum amount sought to be raised by the Retail Offer. However, if a total of \$34,000,000 is not raised by the Capital Raising (being the sum of the contractual commitments under the Institutional Placement and the total applications under this Retail Offer) by the Closing Date, then neither the Retail Offer or the Institutional Placement will proceed and application moneys will be refunded by the Company in full without interest in accordance with Section 1.9.

If the Retail Offer is fully subscribed, the Retail Offer will raise \$10,000,000 (before costs of the Retail Offer). The Company will proceed to issue the Shares if a lesser amount is raised and irrespective of the amount raised, subject to the Company raising a minimum of \$34,000,000 from both the Retail Offer and the Institutional Placement. There is no provision for oversubscriptions under the Retail Offer.

1.8 How to apply

Applications for Shares under the Retail Offer must be made by following the instructions at <https://CE1offer.thereachagency.com> and completing a BPAY® payment. Investors will be given a BPAY® biller code and a customer reference number unique to the online Application once the online Application Form has been completed. Alternatively you can contact the Company on info@calimaenergy.com to obtain a paper copy of the Prospectus and Application Form (free of charge).

BPAY® payments must be made from an Australian dollar account of an Australian institution. Using the BPAY® details, Investors must:

- (a) access their participating BPAY® Australian financial institution either via telephone or internet banking;
- (b) select to use BPAY® and follow the prompts; enter the biller code and unique customer reference number that corresponds to the online Application;
- (c) enter the amount to be paid which corresponds to the value of Shares under the online Application;
- (d) select which account payment is to be made from;
- (e) schedule the payment to occur on the same day that the online Application Form is completed. Applications without payment will not be accepted; and
- (f) record and retain the BPAY® receipt number and date paid.

Applicants should confirm with their Australian financial institution:

- (g) whether there are any limits on the investor's account that may limit the amount of any BPAY® payment; and
- (h) the cut off time for the BPAY® payment.

If such payment is not made via BPAY®, the online Application will be incomplete and will not be accepted. The online Application Form and BPAY® payment must be completed and received by no later than 5.00pm (AWST) on the Closing Date.

Applicants under the Retail Offer are urged to lodge their Application Forms or make an online Application and BPAY® payment as soon as possible as the Retail Offer may close early without notice.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form.

If you are in doubt as to the course of action, you should consult your professional advisor.

An original, completed and lodged Application Form, together with payment for the Application Monies or a BPAY® payment through an online Application constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form including through an online Application. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Application Form is final. However an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the payment for the Application Monies or BPAY® payment for the Application Monies.

1.9 Timetable, Issue and dispatch

The Company intends to issue all Shares simultaneous with the closing of the Acquisition. An indicative timetable is set out below. Shareholder statements will be dispatched as soon as possible after the issuance of the Shares.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

An indicative proposed timetable for completion of the Acquisition, Retail Offer and Capital Raising is set out in the table below:

| | Date |
|---|---------------|
| Lodgement of this Prospectus with ASIC | 10 March 2021 |
| Opening Date of the Retail Offer | 12 March 2021 |
| Calima Shareholder Meeting | 15 April 2021 |
| Closing Date of the Retail Offer | 20 April 2021 |
| Issue of Shares under the Retail Offer and Institutional Placement | 27 April 2021 |
| Completion of the Acquisition | 29 April 2021 |
| Dispatch of holding statements | 30 April 2021 |
| Shares issued under Acquisition, Retail Offer and Capital Raising commence trading on the ASX | 30 April 2021 |

*Note this timetable is indicative only and may be subject to change at the discretion of the Company.

1.10 Application Monies held on trust

All Application Monies received for the Shares will be held in trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Shares are issued. All Application Monies will be returned (without interest) if the Shares are not issued.

1.11 ASX quotation

Application will be made to ASX no later than 7 days after the date of this Prospectus for the Official Quotation of the Shares. If permission is not granted by ASX for the Official Quotation of the Shares offered by this Prospectus within 3 months after the date of this Prospectus (or such period as ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.12 CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operation Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESS statement will set out the number of Shares issued under this Prospectus, provide details of your holder identification number and the participant identification number of the sponsor.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Share Registry and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.13 Residents outside Australia

This Prospectus, and the accompanying Application Form, do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Shares. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.14 Risk factors

An investment in Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company, which are outlined in Section 2.

1.15 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

1.16 Major activities and financial information

A summary of the major activities and financial information relating to the Company for:

- (a) the financial year ended 31 December 2019 is in the Annual Report which was lodged with ASX on 1 April 2020; and
- (b) the half year ended 30 June 2020 is in the Half Yearly Report which was lodged with ASX on 11 September 2020;

both of which are available at www.asx.com.au.

The Company's continuous disclosure notices (i.e. ASX announcements) since 1 April 2020 are listed in Section 4.6.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders review these and all other announcements prior to deciding whether or not to participate in the Retail Offer.

1.17 Enquiries concerning the Prospectus

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on +61 8 6500 3270.

1.18 Privacy

Persons who apply for Shares under this Prospectus may be asked to provide personal information to the Company directly, and through the share registry, such as name, address, telephone and email addresses, tax file number and account details. The Company and the share registry collect, hold, and use that personal information to provide facilities and services to Shareholders and Applicants and undertake administration of the Retail Offers. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with the information under the Privacy Act 1988 (Cth).

Persons who apply for Shares under this Prospectus have the right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

2. Risk Factors

Activities in the Company and its controlled entities, as in any business, are subject to risks, which may impact on the Company's future performance. The Company and its controlled entities have implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors associated with an investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

The principal risks include, but are not limited to, the following:

2.1 Specific Risks associated with the Company

(a) Completion risk

Completion of the Acquisition of Blackspur is conditional on satisfaction of certain conditions (as set out in Section 4.1(f)). There is a risk that these conditions may not be satisfied and in turn that completion of the Acquisition will not proceed. If the Acquisition does not proceed, the Company will incur costs relating to advisers and other costs, including having to potentially pay a break fee and/or reimbursement fee to Blackspur (depending on the reason for completion not occurring) without any material benefit being achieved.

(b) Commodity price volatility risk

It is anticipated that any future revenues of the Company, other than sales of assets, will be derived from the sale of oil and/or natural gas. The demand for, and price of, oil and natural gas is dependent on a variety of factors beyond the control of the Company, including supply levels of the product, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

The market price of hydrocarbon products is volatile and outside the control of the Company. Oil and gas prices have fluctuated widely in recent years. If the price of hydrocarbons should drop significantly and remain depressed, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if significant quantities of hydrocarbon products are discovered, a profitable market may exist for their sale.

The marketability of hydrocarbons is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted. Restrictions on the Company's ability to market production from projects that the Company has an interest in may have a material adverse effect on the Company's overall financial performance.

(c) Permit grant and maintenance risk

The Company's exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, concessions, leases, permits and regulatory consents. The grant or maintenance of licences and obtaining renewals often depends on the Company being successful in obtaining the required regulatory approvals for its proposed activities. There can be no assurances that the Company will be successful in obtaining renewals of existing acreage in the future.

(d) Permit compliance risk

The Company's lease, licences or permits might also contain conditions relating to operations including, but not limited to, environmental management issues, occupational health and safety, operating procedures and plant and equipment design specifications. Such conditions or regulations might be subject to change from time to time and might impact the cost base, and hence, profitability of a particular project. There is a risk that the lease, licence or permit could be terminated or a renewal refused if the Company fails to meet the specific conditions of a lease, licence or permit. Termination or non-renewal of the Company's lease, licences or permits may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Montney Project drilling licences require the holder to meet certain drilling targets to retain the licences and/or convert them into production leases. The Company has licences for over 60,000 acres. The Company holds a 10-year Continuation Lease over 49 sections (33,643 acres) of land awarded as a result of the 2019 drilling campaign. The Company may be prevented from achieving further drilling targets for unforeseen reasons outside the control of the Company. If this were to occur, the applicable licences may expire before the Company is able to renew or convert them into production leases, which may have a material adverse effect on the Company's overall financial performance.

(e) Exploration and development risks

Oil and gas exploration involves significant risks, including the risk that drilling will result in dry holes or not result in commercially feasible oil or natural gas productions. The selection of a drilling location is influenced by the interpretation of geological, geophysical and seismic data, which is a subjective science and has varying degrees of success. Other factors, including land ownership and regulatory rules, may impact the Company's decisions with respect to well locations. Further, no known technologies provide conclusive evidence prior to drilling a well that oil or natural gas is present or may be produced economically. New wells drilled may not be productive, or may not recover all or any portion of the Company's investment in such wells. Decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend, in part, on the evaluation of production data, engineering studies, and geological and geophysical analyses, the results of which are typically inconclusive or subject to varying interpretations. The costs of drilling, completing, equipping and operating wells is typically uncertain before drilling commences.

The Montney Project petroleum licences that the Company owns are at various stages of exploration. There can be no assurance that exploration of these licences, or any other licences that may be acquired in the future, will result in the discovery of an economic oil and gas deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

The value of the Company's Shares will likely be affected by the results obtained by other companies conducting exploration activities within close proximity of its projects. If the results obtained by other companies are positive then this will likely increase the value of the Company's Shares. Conversely, if the results obtained by other companies are negative then this will likely decrease the value of the Company's Shares.

Further, the Montney Project is an unconventional project that relies on horizontal well and fracture stimulation technologies to make hydrocarbons flow. There are complexities and additional risks with the development of these types of project which do not exist with conventional oil and gas plays. These complexities can affect the flow rates achieved from operations and the costs of conducting such operations and thereby effect the viability or profitability of such operations.

(f) Production risks

Following completion of the Acquisition of Blackspur, the Company's assets will include a number of producing wells. There can be no guarantee that these wells will continue to, or any new wells drilled, will produce at the expected rates and/or for the predicted durations. Production of oil and gas involves a variety of operating risks including but not limited to blowouts, fires and explosions, surface cratering, uncontrollable flows of underground natural gas, oil or formation water; natural disasters, pipe and

cement failures, casing collapses, reservoir compaction, abnormal pressure formation, natural gas leaks, oil spills, pipeline and tank ruptures, unauthorised discharge of brine, toxic gases or well fluids, equipment malfunctions, other problems at third-party operated platforms, pipelines and processing plants over which the Company has no control, extreme weather events such as hurricanes, flooding and ice storms which all have the potential to cause substantial disruptions to hydrocarbon production. If any of such events occur, the Company's production facilities could suffer substantial damage and any oil and gas production may be reduced or interrupted entirely. As a result, the Company could incur substantial losses that could adversely affect the Company's ability to conduct operations and its future financial performance.

(g) Drilling risks

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's drilling operations may be curtailed, delayed or cancelled due to a number of factors including weather conditions, mechanical difficulties, shortage or delays in the availability or delivery of rigs and/or other equipment and compliance with governmental requirements. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by the Company.

Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. While drilling may yield some hydrocarbons there can be no guarantee that the discovery will be sufficiently productive to justify commercial development or cover operating costs.

(h) Hydraulic fracturing

Public debate exists regarding the potential sub surface and surface impact of hydraulic fracturing, including concern about the impacts of hydraulic fracturing on drinking water. In addition, there are many regulatory requirements to be adhered to. Additionally, hydraulic fracturing requires large volumes of water (the availability and regulation of which may change over time) and there are costs associated with water disposal that may be required should the Company produce water in its wells. As more impacts of hydraulic fracturing are fully understood, it may be subject to additional regulations or restrictions from governmental authorities, resulting in increased compliance costs. Any modification to the current requirements may adversely impact the value of the Company's assets and future financial performance.

(i) Infrastructure access

The Company's future performance is likely to be impacted by its ability to access infrastructure, including various equipment and facilities required for the production, processing and commercialisation of the Company's assets and product transportation routes, including access to pipelines and associated infrastructure. The ability of the Company to access infrastructure economically or at all is largely outside of the control of the Company and therefore may have an adverse impact on the Company's future performance. Further, there can be no guarantees that the Company will have continued access to the infrastructure needed for the Company's activities or that such infrastructure will not be subject to unexpected issues which could adversely affect the operations and financial performance of the Company.

(j) Commercialisation of Discoveries

It may not always be possible for the Company to participate in the exploitation of successful discoveries made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company.

Such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

(k) Additional requirements for capital

Project expenditure estimates are based on certain assumptions with respect to the method and timing of these activities. By their nature, these estimates and assumptions are subject to significant uncertainties and accordingly, the actual costs may materially differ from these estimates. However, additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operational plans in the future or to take advantage of opportunities for acquisition, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

There can be no assurance that additional financing will be available when needed. Any additional equity financing may be dilutive to the Company's existing Shareholders and any additional debt financing, if available, may be on terms that are not favourable to the Company or involve restrictive covenants, which limit the Company's operations and business strategy. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and/or indefinite postponement of the Company's activities and potential development programs.

(l) Exchange rate fluctuation risk

The Company's oil and gas projects are currently located in Canada. As a result, the majority of cash flows, expenses, capital expenditure and commitments will be denominated in Canadian dollars. To the extent the Company may become involved in petroleum production, the revenue derived through the sale of commodities will expose the potential income of the Company to commodity price and exchange rate risks through the translation or repatriation of Canadian Dollars to Australian Dollars.

(m) Environmental risks

The Company's operations will be subject to environmental laws and regulations, including but not limited to, those governing the management of waste, the protection of water and air quality, the discharge of materials into the environment, and the preservation of natural resources which may impact and influence the Company's operations. The government and other authorities that administer and enforce environmental laws and regulations determine these requirements. The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable petroleum reserves.

If the Company fails to comply with environmental laws and regulations regarding the discharge of oil, gas, or other materials into the air, soil or water it may be subject to liabilities to the government and third parties, including civil and criminal penalties. The Company may also become liable for environmental damage caused by any previous owners of licence areas the Company will have an interest in.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment, including production activities. There is no assurance that such approvals will be obtained. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

The Company is unable to predict the effect of any new environmental laws, regulations or stricter enforcement policies once implemented, including whether any such laws or regulations would increase the Company's cost of doing business or affect its operations in any area.

(n) Potential acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies or assets. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

There are a number of uncertainties with the acquisition of interests in properties including the amount of recoverable reserves, development and operating costs and potential environmental and other liabilities. Even with careful due diligence, it may be impossible to ascertain certain environmental or structural problems such as pipeline corrosion or hazardous spills. This risk could have a negative effect on future operations and the Company's financial position.

(o) Hydrocarbon reserve estimates

Hydrocarbon reserve estimates are expressions of judgment based on knowledge, experience, interpretation and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, then reserve estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations. Where possible, the Company will seek to have any such estimates verified or produced by an independent party with sufficient expertise in their chosen field.

(p) Reliance on key personnel and key contractors

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

(q) Regulation – General

There are a number of Canadian federal and state policies and regulations that, if changed, may have a material impact on the financial and operational performance of the Company.

The risks relating to these policies and regulations to the Company's business include:

- (i) changes to the nature and extent of the regulation or licensing systems could result in a change in industry structure, which could adversely impact the growth opportunities for and profitability of the Company's business;
- (ii) changes to federal or state taxes or royalty structure, such as a change to the Royalty Rebate Schemes;
- (iii) changes to the state government legislation about drilling, hydraulic fracturing, or environmental approvals.

In addition, the Company may become subject to other regulations in Canada, which could increase its regulatory and compliance obligations. Any new regulatory restrictions or changes in government attitudes or policies in relation to any or all of the existing regulatory areas may adversely impact the financial performance and position, and future prospects, of the Company.

(r) Regulation – Exploration and Production

Oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state and local agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and gas industry increases the cost of doing business and affects profitability. Because such rules and regulations are frequently amended or reinterpreted, the Company is unable to predict the future cost or impact of complying with such laws.

Permits are required in some of the areas in which the Company operates for drilling operations, drilling bonds and the filing of reports concerning operations and other requirements are imposed relating to the exploration and production of oil and gas. The Company will be required to comply with various federal and state regulations regarding plugging and abandonment of oil and natural gas wells, which will impose a substantial rehabilitation obligation on the Company, which may have a material adverse effect on the Company's financial performance.

(s) Insurance

Exploration, development and production operations on oil and gas properties involve a number of risks and hazards which are beyond the control of the Company including unexpected or unusual geological conditions, environmental hazards, technical and equipment failures, extended interruptions due to inclement or hazardous weather or other physical conditions, unavailability of drilling equipment, unexpected shortages of key personnel, labour, consumables or parts and equipment, fire, explosions and other incidents. It is not always possible to insure against all such risks or the Company may decide not to insure against certain risks because of high premiums or other reasons. Although the Company will have insurance in place at levels considered appropriate for its operations and in accordance with industry practice, in certain circumstances the Company's insurance may not cover, or be adequate to cover, the consequence of such events which could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company's Shares.

(t) Claims by Indigenous Inhabitants

The oil and gas assets of the Company may be subject to land claims by First Nations or indigenous people. Should this occur and be successful, the Company's ability to conduct exploration and/or development and production activities may be affected, which may have a material adverse effect on the Company's financial performance and the price at which its Securities trade.

The legal nature of aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Company's ownership interest in the properties leased or owned by the Company cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of aboriginal rights in the area in which the properties leased or purchased by the Corporation are located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Company's activities. Even in the absence of such recognition the Company may, at some point, be required to negotiate with First Nations or other indigenous peoples in order to facilitate exploration and development work on the properties leased or owned by the Company.

Some of the Montney Project lands overlap Crown lands within the area claimed by the Treaty 8 First Nations. The Dene Tha' First Nation and Prophet River First Nation have advised that such areas are used for practicing their treaty rights. Practically speaking, this means that pre-engagement with those First Nations (such as a letter of introduction outlining development plans) should occur prior to developing the lands to ensure that any concerns they may have are taken into account.

Other than as noted above, the Company is not currently aware of any land claims or potential claims by indigenous peoples in respect of its proposed exploration activities that could affect licence tenure or any future production operations.

(u) Competition

The Company operates in a competitive and dynamic market. The Company will compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities and respond to the introduction of new technologies or technological advancements relating to drilling or other relevant operations (common in the oil and gas industry).

Many of the Company's competitors not only explore for and produce oil and gas, but also carry out refining operations and market petroleum and other products on a worldwide basis. There can be no assurance that the Company will compete effectively with these companies and other industry participants and thereby be successful in acquiring additional oil and gas properties on reasonable commercial terms.

(v) Substitution of oil and gas products as energy sources

There are a number of alternative energy sources to energy sources from oil and gas products. These include renewable energy (i.e. wind, solar or hydroelectric), nuclear energy, geothermal and biomass. If the costs and commercial prices of such alternative energy sources fall or there is a significant shift in consumer sentiment towards such sources, this may have a significant effect upon the Company's overall financial performance and ability to operate in the oil and gas industry.

2.2 General Risks

(a) Economic and government risks

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the oil and gas industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the interpretation of taxation laws by the relevant taxation authority differing from the Company's interpretation;
- (iv) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the oil and gas industry;
- (v) movement in, or outlook on, exchange rates, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (vi) natural disasters, industrial disputes, social upheaval or war in jurisdictions in which the Company operates.

(b) Financial markets risks

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions may be affected by many factors including, but not limited to, the following:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;

- (iv) commodity price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general, and oil and gas securities in particular. Neither the Company, nor the directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Risk of litigation, claims and disputes

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of claims by joint venture partners, personal injury and property damage claims, environmental and indemnity claims, employee claims and other litigation and disputes. There is a risk that such litigation, claims and disputes could materially and adversely affect the Company's operating and financial performance due to the cost of defending and/or settling such claims, and could affect the Company's reputation.

(d) Investment risk

An investment in the Shares to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value of the Shares. The prices at which an investor may be able to trade the Shares may be above or below the price paid for the Securities. Prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

(e) Coronavirus (COVID-19) Risk

The outbreak and global spread of the Coronavirus disease (COVID-19) continues to impact global markets and society, including the restriction on movement of its citizens and limitations on the sale of non-essential goods and services. A number of aspects of the Company's business may also be directly or indirectly impacted by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and international travel restrictions associated with COVID-19.

The nature and extent of the effect of COVID-19 on the performance of the Company remains unknown. The Company's share price may be adversely affected in the short to medium term by the impact of COVID-19. Furthermore, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

2.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Prospectus.

3. Financial Information

3.1 Capital Structure on completion of the Acquisition and Capital Raising (including the Retail Offer)

The capital structure of the Company following completion of the Acquisition and the Capital Raising (including the Retail Offer) is expected to be as follows:

| | Shares | Options | Performance Rights |
|--|------------------------------|---------------------------|---------------------------|
| On issue as at the date of this Prospectus | 2,207,124,112 | 20,750,000 ⁽¹⁾ | 19,450,000 |
| Consideration Shares | 2,185,714,286 ⁽²⁾ | Nil | Nil |
| Shares to be issued pursuant to the Capital Raising (being the Institutional Placement and Retail Offer) | 4,857,142,857 ⁽³⁾ | Nil | Nil |
| Shares to be issued as part of transaction fee ⁽⁴⁾ | 38,571,429 | Nil | Nil |
| Shares to be issued to lender in satisfaction of Paradise Well loan ⁽⁵⁾ | 120,464,799 | | |
| Broker Options to be issued to Evolution | Nil | 50,000,000 | Nil |
| Plan Performance Rights to be issued to the Directors and management | Nil | Nil | 96,000,000 ⁽⁶⁾ |
| Total | 9,980,446,053 | 70,750,000 | 115,450,000 |

Notes:

1. Comprises 20,000,000 unlisted Options each exercisable at \$0.09 or \$0.12 on or before 25 August 2022; and 750,000 unlisted Options each exercisable at \$0.07 on or before 6 November 2021.

2. Assumes there is Net Debt Adjustment of C\$3,200,000 payable and the Blackspur Shareholders elect to receive the maximum amount of Cash Consideration and accordingly C\$15,300,000 of Shares are issued.

3. Assumes the minimum amount of the Capital Raising (being the Institutional Placement and Retail Offer) of \$34,000,000 is raised. If the maximum amount of the Capital Raising of \$38,000,000 is raised then the Company will issue 5,428,571,429 Shares pursuant to the Capital Raising.

4. Transaction fee payable to consultants of the Company, Ed Mason and Chase Edgelow, on completion of the Acquisition.

5. To be issued to the lender in satisfaction of loan provided to the Company for additional working capital.

6. Comprising 48,000,000 Class A Performance Rights (which vest upon the VWAP of Shares trading on the ASX being at least 1.0 cents over 20 consecutive trading days (on which Shares have actually traded)) and 48,000,000 Class B Performance Rights (which vest upon the VWAP of Shares trading on the ASX being at least 1.5 cents over 20 consecutive trading days (on which Shares have actually traded)).

3.2 Pro forma statement of financial position

CALIMA ENERGY LIMITED Consolidated Statement of Financial Position As at 30 September 2020

| Notes | CE1 \$ | Blackspur \$ | Proforma ADJ | TOTAL \$ |
|--|-------------------|--------------------|---------------------|--------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 2,316,128 | | (2,000,079) | 316,049 |
| Trade and other receivables | 129,586 | 3,737,000 | 0 | 3,866,586 |
| Repaid expenditures and deposits | | 115,000 | 0 | 115,000 |
| Risk management assets | | 821,000 | 0 | 821,000 |
| Total current assets | 2,445,714 | 4,673,000 | (2,000,079) | 5,118,635 |
| Non-Current Assets | | | | |
| Other assets | 550,543 | | 0 | 550,543 |
| Property, plant and equipment | 495,823 | 138,317,000 | 0 | 138,812,823 |
| Right of use asset | 725,191 | | 0 | 725,191 |
| Exploration and evaluation expenditure | 61,762,612 | 1,153,000 | 0 | 62,915,612 |
| Investments | 0 | 356,000 | 0 | 356,000 |
| Total non-current assets | 63,534,169 | 139,826,000 | 0 | 203,360,169 |
| TOTAL ASSETS | 65,979,883 | 144,499,000 | (2,000,079) | 208,478,804 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank indebtedness | | 44,971,000 | (31,971,000) | 13,000,000 |
| Trade and other payables | 208,993 | 2,213,000 | 477,881 | 2,899,874 |
| Other Liabilities | 38,429 | | 0 | 38,429 |
| Total current liabilities | 247,422 | 47,184,000 | (31,493,119) | 15,938,303 |
| Non-Current Liabilities | | | | |
| Decommissioning obligation | | 9,733,000 | 0 | 9,733,000 |
| Deferred income tax liability | | 1,699,000 | 0 | 1,699,000 |
| Restoration provision | 4,816,063 | | 0 | 4,816,063 |
| Lease liabilities | 741,854 | | 0 | 741,854 |
| Loan | 757,404 | | (757,404) | 0 |
| Total Non-Current Liabilities | 6,315,321 | 11,432,000 | (757,404) | 16,989,917 |
| TOTAL LIABILITIES | 6,562,743 | 58,616,000 | (32,250,523) | 32,928,220 |
| NET ASSETS | 59,417,140 | 85,883,000 | (30,250,444) | 175,550,584 |
| EQUITY | | | | |
| Issued capital | 296,329,242 | 101,626,000 | (51,212,746) | 346,742,496 |
| Options/Mgmt Rights | | | 105,663 | 105,663 |
| Fundraising Costs | | | (3,063,461) | (3,063,461) |
| Contributed surplus | | 8,157,000 | (8,157,000) | 0 |
| Reserves | 17,401,172 | | 920,160 | 18,321,332 |
| Accumulated losses | (254,313,274) | (23,900,000) | 91,657,828 | (186,555,446) |
| TOTAL EQUITY | 59,417,140 | 85,883,000 | 30,250,444 | 175,550,584 |

Pro forma Notes

1. Calima's 30 September 2020 financial statements are reviewed by the auditor.
2. Blackspur's 30 September 2020 financial statements are unaudited.
3. Transaction is treated as a Business Combination under Australian Accounting Standards. The Fair Value of net identifiable assets acquired are provisionally accounted for. All expenses in relation to the business combination will be expensed.
4. C\$1:AUD\$1
5. Consideration is based on an issue price of \$0.007 per share, in accordance with the Acquisition Agreement consideration will be the same price as the Capital Raising price. Consideration of C\$17 million with a maximum of \$4.9 million in cash and C\$12.1 million shares plus estimated Net Debt Adjustment of C\$3.2 million converted at an exchange rate of AUS\$1.00:C\$1.00. The Pro forma assumes C\$4.9 million in cash is paid out.
6. Capital Raising price is \$0.007 per share with minimum funds raised of \$34,000,000.
7. A total of \$270,000 of transaction costs will be converted to ordinary shares in lieu of payment of those shares.
8. Costs of the acquisition are summarised as follows:
 - i. Brokerage of 6% on \$34 million, being \$2,040,000
 - ii. Advisor Fees of \$270,000
 - iii. Legal and ASX Fees of \$450,000
9. The remaining loan outstanding for the Paradise well (currently circa C\$843,254 – but subject to change due to debt repayments made prior to conversion and currency movements) will be converted to equity subject to the transaction proceeding and will be converted at placement price of \$0.007.
10. As part of the mandate with Evolution the Company will issue 50,000,000 broker options exercisable within 3 years of issue subject to a 3-month vesting clause and exercisable at \$0.01 each. These securities have been valued at \$0.0021 each.
11. 96,000,000 performance rights (comprising 48,000,000 Class A performance rights and 48,000,000 Class B performance rights) under the Calima Employee Incentive Securities Plan (Plan Performance Rights) will be issued to Calima Management. It is proposed that the current directors of the Company will, subject to shareholder approval, be issued 36,000,000 performance rights (comprising 18,000,000 Class A performance rights and 18,000,000 Class B performance rights). The Plan Performance Rights will vest and may be converted to Shares following continued service of the holder as a consultant or employee of the Company for a period of 2 years from the date of their appointment but to the extent that this vesting condition is not achieved the Plan Performance Rights will vest and may be converted to shares as follows: Class A performance rights vesting condition - the VWAP of the Company shares trading on the ASX being at least 1.0 cents over 20 consecutive trading days (on which shares have actually traded); and Class B performance rights vesting condition - the VWAP of the Company shares trading on the ASX being at least 1.5 cents over 20 consecutive trading days (on which shares have actually traded). The Plan Performance Rights will expire after 5 years. As at the date of this Prospectus, Messrs Whiddon and Stein have been engaged by the Company for more than 2 years and accordingly, the Plan Performance Rights to be issued to them will vest upon grant. Mr Lawrence was appointed a Director on 29 October 2019 and accordingly his Plan Performance Rights will vest on 29 October 2021 provided he remains engaged by the Company until this date. These securities have been valued at \$0.00977 and \$0.0094 respectively.

Other than in the ordinary course of business or as described above, there have been no other material changes to the Company's financial position between 30 September 2020 and the date of this Prospectus.

Basis of Preparation

The above pro forma statement of financial position has been prepared in accordance with the ASIC Regulatory Guide to Disclosing Pro-Forma Financial Information.

The pro forma statement of financial position has been prepared as at 30 September 2020 has been reviewed by the Company's auditors and Blackspur's management accounts for 30 September 2020 have been used to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

3.3 Market price of Shares

The highest and lowest market sale prices of the Company's Shares during the three-month period prior to 15 February 2021 (being the last date that Shares were traded on the ASX prior to the Company being suspended from trading) were:

Highest: \$0.011 per Share on 12 February 2020

Lowest: \$0.006 per Share on 1 February 2020

The latest available market price is \$0.01 being the closing price of Shares on ASX on 15 February 2021 (being the last available market price of Shares on ASX before the Company was suspended from trading).

3.4 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

4. Additional information

4.1 Material Terms of the Acquisition

- (a) The total consideration payable to the Blackspur Shareholders for the Acquisition is C\$17,000,000 to be adjusted in accordance with the Net Debt Adjustment (as defined below) (if any).
- (b) The Consideration will be payable to the Blackspur Shareholders at their election as either cash or Shares as follows:
- (i) up to a maximum of C\$4,900,000, being a maximum of approximately 29% of the Consideration, will be paid in cash; and
 - (ii) up to C\$17,000,000, subject to the Net Debt Adjustment (as defined below), through the issue of Shares at the Deemed Issue Price (as defined below) provided that no less than C\$12,100,000 in value (approximately 71% of the Consideration) will be paid through the issue of Shares.
- (c) The deemed issue price of the Shares to be issued as all or part of the Consideration will be the same price as shares are issued pursuant to the Capital Raising (being \$0.007 per share) (**Deemed Issue Price**). The Deemed Issue Price will be converted from Australia dollars to Canadian dollars at the Exchange Rate for the purposes of determining the number of Shares to be issued in satisfaction for the Consideration. The Exchange Rate will be the exchange rate of Australian dollars to Canadian dollars at the Canadian foreign exchange rate posted by the Bank of Canada on the date that is three business days immediately prior to the date of completion of the Acquisition (**Completion**).
- (d) The parties have agreed on a net debt adjustment such that on closing the net debt of Blackspur (**Net Debt**) will not exceed C\$43,000,000 (pre-repayment of debt from the Capital Raising). To the extent that the Net Debt is less than or greater than C\$43,000,000 (pre-repayment of debt from the Capital Raising), the Consideration will be increased or decreased, as applicable, by the amount that the Net Debt is less or greater than C\$43,000,000 up to a maximum of C\$3,000,000. Further, by way of separate payment, if the Net Debt is less than C\$43,000,000, the Consideration will also be increased by an additional amount up to a maximum of C\$1,500,000 (for each dollar that Net Debt is below C\$43,000,000 (together the **Net Debt Adjustment**)).
- The Parties are currently expecting that the Net Debt will be approximately C\$41,300,000 which will result in an increase in Consideration of C\$3,200,000.
- (e) Blackspur currently has a loan from its secured lender (**Blackspur Loan**). On completion of the Acquisition, the Blackspur Loan will be paid down to C\$13,000,000 with C\$7,000,000 available to be redrawn (pursuant to a C\$20,000,000 loan facility).
- (f) Completion of the Acquisition is conditional upon the satisfaction or waiver of various conditions precedent including:
- (i) the Company receiving firm commitments for the minimum amount to be raised pursuant to the Capital Raising of \$34,000,000 on or before 15 March 2021;
 - (ii) the board of directors of Blackspur unanimously approving the Acquisition and recommending that the Blackspur Shareholders vote in favour of the Acquisition and such recommendation not being withdrawn or modified;

- (iii) holders of not less than 66.67% of Blackspur shares present (in person or by proxy), at the shareholder meeting at which the Blackspur Shareholders consider the Acquisition voting in favour of the Acquisition;
 - (iv) the net debt of Blackspur at Completion being no greater than C\$46,000,000;
 - (v) any and all authorisations and approvals which may be required by law to implement the Acquisition being obtained on terms reasonably satisfactory to the parties, including approval of the Blackspur Shareholders, court approval, approvals required under the Listing Rules, the Corporations Act and any provision of a parties' associated documents or as may be required by ASIC or the ASX, including (without limitation) the approval of Shareholders for all relevant purposes;
 - (vi) written consent being obtained from Blackspur's secured lender permitting the change of control caused by the Acquisition; waiving any prepayment or default provisions pursuant to the Blackspur Loan; agreeing to make the Blackspur Loan a C\$20,000,000 loan facility from Completion and agreeing to postpone any demand payment obligations pursuant to the Blackspur Loan until after 30 April 2021;
 - (vii) all of the directors of Blackspur executing customary resignations and mutual releases and the board of Blackspur being reconstituted to reflect to composition as directed by the Company;
 - (viii) no action or proceeding pending or being threatened by any person, company, firm, government authority, securities commission, regulatory body or agency to enjoin or prohibit the Acquisition or to suspend or stop trading securities of Blackspur;
 - (ix) no Material Adverse Change (as that term is defined in the Acquisition Agreement), (or any condition, event or development involving a prospective change) in Blackspur's or Calima's business, operations, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise occurring;
 - (x) Blackspur obtaining all material third party consents, approvals or waivers to the Acquisition, including any required approvals by the Alberta Energy Regulator pursuant to Directive 067;
 - (xi) Blackspur not being in material breach of the Blackspur Loan as at completion of the Acquisition; and
 - (xii) completion of the Acquisition occurring by no later than 30 April 2021.
- (g) The Acquisition Agreement contains standard commercial warranties and limits of liability as are usual for a transaction of this type.
- (h) The Acquisition Agreement may be terminated:
- (i) by mutual agreement between the parties;
 - (ii) by Blackspur if a Break Fee or Cost Reimbursement (see Sections 4.1(j) and 4.1(k) below) becomes payable by the Company;
 - (iii) by the Company if a Break Fee or Cost Reimbursement becomes payable by Blackspur;

- (iv) by Blackspur if the Blackspur Board accepts or recommends a Superior Proposal (as defined in the Acquisition Agreement), Blackspur complied with its obligations under the Acquisition Agreement in respect of accepting or recommending a Superior Proposal and Blackspur has paid the Break Fee to the Company; or
 - (v) if any of the conditions are not satisfied or waived by the date provided for satisfaction.
- (i) Pursuant to the Acquisition Agreement, Blackspur has the right to nominate two nominees to the Board of the Company. Upon completion of the Acquisition, the Company is proposing to appoint Jordan Kevol and P.L. (Lonny) Tetley as directors of the Company.
 - (j) The parties have agreed a mutual break fee of C\$1,000,000 ("Break Fee") which will be payable in the following circumstances:
 - (i) The Break Fee is payable by a party in the event that that party:
 - (A) does not recommend the Acquisition or withdraws or changes its recommendation of the Acquisition;
 - (B) breaches any covenant in the Acquisition Agreement which breach causes or would reasonably be expected to cause a Material Adverse Change or would materially impede completion of the Acquisition and the breach is not remedied; or
 - (C) breaches any warranty in the Acquisition Agreement which causes or would reasonably be expected to cause a Material Adverse Change or would materially impede completion of the Acquisition and the breach is not remedied.
 - (ii) The Break Fee is payable by Calima to Blackspur in the event that the condition in Section 4.1(f)(i) is not satisfied (Calima failing to obtain firm commitments for the Capital Raising for at least \$34,000,000 by 15 March 2021).
 - (iii) The Break Fee is payable by Blackspur to Calima in the event that:
 - (A) the Blackspur Board fails to publicly reaffirm any of its recommendations required under the Acquisition Agreement;
 - (B) the Blackspur Board accepts or recommends a Superior Proposal (as defined in the Acquisition Agreement); or
 - (C) Blackspur is in breach of any of its covenants regarding non-solicitation in any material respect.
 - (k) The parties have agreed to a cost reimbursement of C\$500,000 ("Cost Reimbursement") which is payable by a party in the event that that party's shareholders do not approve the Acquisition or payable by Blackspur in the event that Blackspur's Net Debt is greater than C\$46,000,000 at Completion.
 - (l) The Company has paid a deposit of C\$1,000,000 held in escrow by Burnet, Duckworth and Palmer LLP which will be used to pay the Break Fees or Cost Reimbursement to the extent these fees are required to be paid and returned to the Company to the extent that these fees are not required to be paid by the Company and the Acquisition does not complete.

4.2 Material Terms of Lead Manager Mandate

The Company has executed a mandate for Evolution to act as lead manager of the Capital Raising (**Lead Manager Mandate**) on a reasonable endeavours basis. The Company has agreed to pay Evolution a lead management fee of 6% of the total amount raised pursuant to the Capital Raising (plus GST) and subject to Shareholder approval, issue 50,000,000 Broker Option to Evolution (or its nominees, other brokers participating in the Capital Raising) (all selling fees to third parties will be met from this fee by Evolution). Evolution will pass on the whole 6% fee received in relation to the amount raised pursuant to the Firm Commitments to the parties that have given the Firm Commitments. The Lead Manager Mandate contains covenants, warranties, representations and indemnities that are customary for an agreement of this nature.

4.3 Rights attaching to Shares

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution will be provided by the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in specific circumstances, the Shareholder should seek legal advice.

(a) Voting

At a general meeting, on a show of hands every Shareholder present in person has one vote. At the taking of a poll, every Shareholder present in person or by proxy and whose Shares are fully paid has one vote for each of his or her Shares. On a poll, the holder of a partly paid share has a fraction of a vote with respect to the Share. The fraction is equivalent to the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited).

(b) General Meetings

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, financial statements and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

(c) Dividends

Subject to the Corporations Act, the Directors may pay to Shareholders any interim and final dividends as the Directors resolve. The Directors may fix the amount, the record date for determining eligibility and the method of payment. All dividends must be paid to the Shareholders in proportion to the number of, and the amount paid on (not credited), the Shares held.

(d) Transfer of Shares

Generally, all Shares in the Company are freely transferable subject to the procedural requirements of the Constitution, and to the provisions of the Corporations Act, the Listing Rules and the ASX Operating Rules. The Directors may decline to register an instrument of transfer received where the transfer is not in registrable form or where refusal is permitted under the Listing Rules or the ASX Operating Rules. If the Directors decline to register a transfer, the Company must give reasons for the refusal. The Directors must decline to register a transfer when required by the Corporations Act, the Listing Rules or the ASX Operating Rules.

(e) Variation of Rights

The Company may only modify or vary the rights attaching to any class of shares with the prior approval by a special resolution of the shareholders of the shares of that class, or with the written consent of the holders of at least three-quarters of the issued shares of that class.

(f) Directors

The minimum number of Directors is three. Currently, there are three Directors. Directors, other than the managing Director, must retire on a rotational basis so that one-third of Directors must retire at each annual general meeting. No Director except a Managing Director shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment. The Directors may appoint a director either in addition to existing Directors or to fill a casual vacancy, who then holds office until the next annual general meeting.

(g) Decisions of Directors

Questions arising at a meeting of Directors are decided by a majority of votes. The Chairman has a casting vote.

(h) Issue of Further Shares

Subject to the Constitution, the Corporations Act and the Listing Rules, the Directors may issue, or grant options in respect of, Shares to such persons on such terms as they think fit. In addition, the Company may issue preference shares, including redeemable preference shares on such terms as are approved by Shareholders in accordance with the Corporations Act.

(i) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at a general meeting. At least 28 days' notice of the intention to propose the special resolution must be given.

(j) ASX Listing Rules Prevail

To the extent that there are any inconsistencies between the Constitution and the Listing Rules, the Listing Rules prevail.

4.4 Additional Share Offer

In addition to the Offer, the Company is making an offer pursuant to this Prospectus of up to 1,000 new Shares each at an issue price of \$0.007 per Share (**Additional Share Offer**). The Additional Share Offer is only made to those persons who the Directors determine in their absolute discretion.

The Additional Share Offer is being made to facilitate secondary trading of the Institutional Placement Shares and Consideration Shares as it is intended that these Shares will be issued following the Closing Date of the Offer.

4.5 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the securities market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX

once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 4.6 below).

4.6 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the issue, a copy of:

- (a) the Annual Report of the Company for the year ended 31 December 2019, being the last financial year for which an annual financial report has been lodged with ASIC in relation to the Company before the issue of this Prospectus;
- (b) the half-year financial report of the Company for the half-year ended 30 June 2020, being the half-year financial report lodged by the Company after the lodgement of the Annual Report referred to in paragraph (a) and before the date of issue of this Prospectus; and
- (c) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Report referred to in paragraph (a) and before the date of issue of this Prospectus are as follows.

| DATE | DESCRIPTION |
|------------|--|
| 01/03/2021 | Calima Blackspur Merger Presentation |
| 26/02/2021 | MERGER WITH BLACKSPUR OIL CORP (replacement release) |
| 26/02/2021 | MERGER WITH BLACKSPUR OIL CORP |
| 16/02/2021 | Suspension from Official Quotation |
| 16/02/2021 | Pause in Trading |
| 01/02/2021 | December 2020 Quarterly Activities Reports |
| 13/01/2021 | Issue of Director and Management Shares |
| 06/01/2021 | Release of Voluntary Escrow |
| 15/12/2020 | CALIMA ENERGY TO PRESENT AT THE ENERGY WEBINAR |
| 10/12/2020 | Calima Gas and Liquids Shows Strong in the Montney |
| 13/11/2020 | Canadian Midstream Sector Continued Corp Actions |
| 11/11/2020 | Director Resignation |
| 02/11/2020 | September 2020 Quarterly Reports |

| DATE | DESCRIPTION |
|-------------|---|
| 28/10/2020 | Downhole Pressure Data Confirms Montney Productivity |
| 19/10/2020 | Appendix 3Y - Glenn Whiddon |
| 15/10/2020 | Issue of Director and Management Shares |
| 05/10/2020 | Change in Director Interest |
| 02/10/2020 | Issue of Shares |
| 11/09/2020 | Half Yearly Report June 2020 |
| 03/09/2020 | Montney Key Pressure and Core Analysis |
| 27/07/2020 | Replacement June 2020 Quarterly Report |
| 27/07/2020 | June 2020 Quarterly Activities and Cash Flow Reports |
| 14/07/2020 | Issue of Director and Management Shares |
| 14/07/2020 | Proactive Oil and Gas Webinar Presentation |
| 14/07/2020 | Resource Upgrade Driven by Tommy Lakes Acquisition |
| 13/07/2020 | Calima to Present at Proactive Oil and Gas Webinar |
| 07/07/2020 | Change of Directors Interests |
| 29/05/2020 | AGM Results |
| 18/05/2020 | Change of Registered Address |
| 08/05/2020 | Company Secretary Appointment/Resignation |
| 07/05/2020 | Webinar Investor Presentation - Investor Update |
| 05/05/2020 | Webinar Investor Presentation |
| 30/04/2020 | Quarterly Activities Report and Quarterly Cashflow Report |
| 29/04/2020 | Notice of Annual General Meeting/Proxy Form |
| 20/04/2020 | Transformational Acquisition of Tommy Lakes Closes |
| 06/04/2020 | Date of AGM and Closing Date for Director Nominations |
| 01/04/2020 | Appendix 4G and Corporate Governance Statement |
| 01/04/2020 | Annual Report to shareholders |

The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the registered office of the Company at Suite 4, 246-250 Railway Parade, West Leederville, WA 6007.

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 4.13 and the consents provided by the Directors to the issue of this Prospectus.

4.7 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

4.8 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

4.9 Directors' interests

- (a) Interests

Other than as set out in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Retail Offer; or
- (iii) the Retail Offer,

and the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director, either to induce that Director to become, or to qualify them as a director of the Company, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Retail Offer.

- (b) Directors' Holdings and other interests

Set out in the table below are details of the Directors and Proposed Directors' relevant interests in the Securities of the Company at the date of this Prospectus and assuming completion of the Acquisition and the Capital Raising:

| Director | No. of Shares Held ⁽¹⁾ | No. of Performance Rights Held | No. of Options Held | Participation in Capital Raising/Acquisition |
|----------------|-----------------------------------|--------------------------------|---------------------|--|
| Alan Stein | 53,485,783 | 2,700,000 ⁽³⁾ | 6,600,000 | 0 |
| Glenn Whiddon | 32,371,875 ⁽²⁾ | 0 ⁽⁴⁾ | 0 | 285,714,286 ⁽⁶⁾ |
| Brett Lawrence | 7,172,681 | 0 ⁽⁵⁾ | 0 | 0 |
| Jordan Kevol | 0 | 0 | 0 | 52,489,507 ⁽⁷⁾ |

| | | | | |
|---------------------|---|---|---|---|
| P.L. (Lonny) Tetley | 0 | 0 | 0 | 0 |
|---------------------|---|---|---|---|

Notes

1. Held directly or indirectly by the Director or a related party of the Director.
2. Please note that entities controlled by Mr Whiddon's wife, Jane Whiddon, hold 74,595,858 Shares. They are held independently and Mr Whiddon has no relevant interest in these holdings.
3. It is proposed that Mr Stein will be issued 10,000,000 Performance Rights, subject to Shareholder approval at the Meeting.
4. It is proposed that Mr Whiddon will be issued 20,000,000 Performance Rights, subject to Shareholder approval at the Meeting.
5. It is proposed that Mr Lawrence will be issued 6,000,000 Performance Rights, subject to Shareholder approval at the Meeting.
6. An entity associated with Director Glenn Whiddon, Lagral Strategies Pty Ltd atf Lagral Family Trust, (or its nominees) has given a Firm Commitment for \$1,500,000 (on the same terms and conditions as all other Committed Parties (see earlier Sections of the Prospectus for a summary of the terms on which Firm Commitments have been given)). Lagral is also intending to provide a contractual commitment for the Institutional Offer in the amount of \$500,000 which will result in total participation in the Capital Raising of up to \$2,000,000 (subject to Shareholder approval to be sought at the Meeting). Lagral is a related party to Mr Whiddon as defined in the Corporations Act. However, Mr. Whiddon does not control this entity nor has a relevant interest in Shares held by this entity. This entity is owned independently of Mr. Whiddon and is only included for good corporate governance purposes.
7. Mr Kevol and related parties of Mr Kevol directly and indirectly hold 3,528,750 Blackspur shares and accordingly will be entitled to receive Shares as consideration for these Blackspur shares on Completion of the Acquisition. This figure assumes there is a Net Debt Adjustment of C\$3,200,000 payable, Mr Kevol and his related parties elect to receive all of their Consideration in Shares and an exchange rate of A\$0.97:C\$1.

To ensure the Company has sufficient working capital to fund operations until closing of the Capital Raising and Acquisition, the Company has executed a 12-month working capital facility for \$500,000 with 6466 Investments Pty Ltd. 6466 Investments Pty Ltd is a related party of Mr Whiddon for the purposes of the Corporations Act. However, Mr. Whiddon does not control this entity. This entity is owned independently of Mr. Whiddon and is only included for good corporate governance purposes. The terms of the facility are a 6% facility fee and a fixed interest amount of 10% per annum on the amounts drawn down. It is intended that any amount drawn under this facility, if any, will be repaid at closing of the Capital Raising and Acquisition.

In addition, the Company leases premises for its registered office at Suite 4, 246-250 Railway Parade, West Leederville. The premises is owned by an entity controlled by Jane Whiddon (Glenn Whiddon's wife). Calima pays monthly rent of \$2,000 including all outgoings and the rent agreement is month to month.

(c) **Remuneration of Directors**

In accordance with the Constitution, the Shareholders have approved an aggregate amount of up to \$350,000 per annum to be paid as non-executive Directors' fees. It is currently resolved

that each non-executive Director and the executive Chairman is entitled to receive fees of \$36,000 per annum (excluding superannuation). In addition, Directors will receive a day rate of \$1,600 per day for any services provided in addition to the services expected to be provided by them as non-executive Directors.

The Proposed Directors will be appointed on completion of the Acquisition and will receive the following fees:

- (i) Jordan Kevol will receive a salary of C\$225,000 per annum as an Executive Director and Chief Executive Officer of the Company; and
- (ii) P.L. (Lonny) Tetley will receive fees of \$36,000 per annum as a non-executive Director of the Company.

The Proposed Directors will be entitled to participate in the Company's employee incentive plan on terms to be agreed.

Amounts paid to each of the Directors and their associated entities in the previous two financial years (including the latest financial year ended 31 December 2020) which comprises Directors fees (including superannuation and consultancy fees) were as follows:

| | | Short-term benefits (salaries and fees) (\$) | Share based Payments (Options) (\$) | Share based Payments (performance rights) (\$) | Total (\$) |
|-------------------------------|---------|--|-------------------------------------|--|------------|
| Alan Stein | FY 2020 | 104,759 ⁽²⁾ | 8,599 | 8,118 | 121,475 |
| | FY 2019 | 244,056 ⁽³⁾ | 8,575 | 8,096 | 260,728 |
| Glenn Whiddon | FY 2020 | 150,860 ⁽⁴⁾ | Nil | Nil | 150,860 |
| | FY 2019 | 107,302 ⁽⁵⁾ | Nil | Nil | 107,302 |
| Brett Lawrence ⁽¹⁾ | FY 2020 | 47,880 | nil | nil | 47,880 |
| | FY 2019 | 5,000 | Nil | Nil | 5,000 |

Notes:

1. Mr Lawrence was appointed a Director on 29 October 2019.
2. Mr Stein received \$54,804 in cash consideration and \$49,955 in ordinary fully paid shares in lieu of cash remuneration in accordance with shareholder approval dated 29 May 2020.
3. Mr Stein received this amount as his salary as Managing Director. He moved to a Non-Executive Director role in 2020.
4. Mr Whiddon received \$36,214 in cash consideration and \$114,646 in ordinary fully paid shares in lieu of cash remuneration in accordance with shareholder approval dated 29 May 2020
5. Mr Whiddon received \$36,000 for Director's fees and \$99,000 for consulting fees.

4.10 Substantial Holders

Due to dilution from Shares to be issued pursuant to the Capital Raising and Acquisition it is expected that none of the current substantial Shareholders of the Company will remain substantial Shareholders following completion of the Acquisition and Capital Raising. The Camcor Entities are the largest shareholder of Blackspur and may, following completion of the Acquisition, become a substantial Shareholder of the Company (holding more than 5% of the issued capital of the Company) depending on how much of the Consideration it elects to receive in cash as opposed to Shares.

In addition, depending on the final number of Shares to be issued as consideration for the Acquisition and the final size of the Capital Raising, investors who subscribe for more than \$3,495,000 may become substantial Shareholders in the Company following completion of the Acquisition and Capital Raising.

4.11 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Retail Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Retail Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Retail Offer.

GTP Legal Pty Ltd has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay GTP Legal approximately \$10,000 plus GST for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, GTP Legal has been paid or is entitled to be paid \$169,000 (exclusive of GST) in fees from the Company.

Evolution Capital Advisors Pty Ltd has acted as lead manager of the Capital Raising and will be paid such amounts as detailed in Section 4.2. Further details regarding the Lead Manager Mandate are contained in Section 4.2. During the 24 months preceding lodgement of this Prospectus with ASIC, Evolution has not received any fees from the Company.

4.12 Expenses of issue

The estimated expenses of the issue are as follows:

| | Retail Offer |
|--------------------------------------|---------------------|
| | \$ |
| ASIC lodgement fee | 3,206 |
| Legal expenses | 10,000 |
| Printing and share registry expenses | <u>10,000</u> |
| Total | <u>23,206</u> |

4.13 Consents

GTP Legal has given, and has not withdrawn, its written consent to being named in this Prospectus as solicitors to the Company. GTP Legal has not authorised or caused the issue of this Prospectus or the

making of the Retail Offer under this Prospectus. GTP Legal makes no representation regarding, and to the maximum extent permitted by law expressly disclaims and takes no responsibility for, any statements in, or omissions from, any part of this Prospectus other than a reference to its name.

Evolution has given, and has not withdrawn, its written consent to being named in this Prospectus as Lead Manager to the Capital Raising. Evolution has not authorised or caused the issue of this Prospectus or the making of the Retail Offer under this Prospectus. Evolution makes no representation regarding, and to the maximum extent permitted by law expressly disclaims and takes no responsibility for, any statements in, or omissions from, any part of this Prospectus other than a reference to its name.

5. Authorisation

This Prospectus is authorised by each of the Directors of the Company.

In accordance with Section 720 of the Corporations Act, each Director and Proposed Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of Company by:

A handwritten signature in blue ink, appearing to read 'Glenn Whiddon', with a stylized flourish at the end.

Glenn Whiddon
Executive Chairman

Dated: 10 March 2021

6. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian dollars.

Acquisition has the meaning in Section 1.2.

Acquisition Agreement has the meaning in Section 1.2.

Additional Share Offer has the meaning in Section 4.4.

Broker Options has the meaning in Section 1.2.

AWST means Australian Western Standard Time.

Annual Report means the financial report lodged by the Company with ASIC in respect to the year ended 31 December 2019 and includes the corporate directory, chairman's report, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 31 December 2019, together with a Directors' report in relation to that financial year and the auditor's report for the year to 31 December 2019.

Applicant means a person who submits an Application Form.

Application means a valid application for Shares made pursuant to this Prospectus on an Application Form.

Application Form means the application form accompanying this Prospectus.

Application Monies means application monies for Shares received by the Company.

ASIC means Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

ASX means ASX Limited ACN 008 129 164 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Blackspur means Blackspur Oil Corp, a corporation incorporated under the laws of the Province of Alberta.

Blackspur Acquisition ASX Announcement has the meaning in Section 1.2.

Blackspur Loan has the meaning in Section 1.2.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

Camcor Entities means the following entities:

- (a) Camcor Energy Fund VII-A, LP;
- (b) Camcor Energy Fund VII-A2, LP; and

(c) Camcor Energy Fund VII-B, LP.

Capital Raising has the meaning in Section 1.2.

Cash Consideration has the meaning in Section 1.2.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means the date set out in Section 1.6 or such later date as the Directors may determine.

Committed Parties has the meaning given in Section 1.5.

Company means Calima Energy Limited ACN 117 227 086.

Consideration means the Consideration Shares and Cash Consideration.

Consideration Shares has the meaning in Section 1.2.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means Corporations Act (Cth) 2001.

Deemed Issue Price has the meaning given in Section 4.1(c).

Directors mean the directors of the Company as at the date of this Prospectus.

Evolution means Evolution Capital Advisors Pty Ltd (ACN 603 930 418).

Firm Commitments has the meaning given in Section 1.5.

Institutional Placement has the meaning given in Section 1.21.2.

Institutional Placement Shares mean Shares issued under the Institutional Placement.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

Meeting means the general meeting of the Company to be held on or around 15 April 2021.

Net Debt has the meaning in Section 1.2.

Net Debt Adjustment has the meaning in Section 1.2.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Option means the right to acquire one Share.

Proposed Directors means Jordan Kevol and P.L. (Lonny) Tetley.

Prospectus means this prospectus.

Retail Offer has the meaning in Section 1.1.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.