

Azonto Petroleum Ltd
ACN 117 227 086
To be renamed Calima Energy Limited

PROSPECTUS

For the offer of 50,000,000 Shares at an issue price of \$0.045 each to raise \$2,250,000 (before costs) (**Public Offer**). Oversubscriptions of up to a further 50,000,000 Shares at an issue price of \$0.045 each to raise a further \$2,250,000 (before costs) may be accepted under the Public Offer.

The Prospectus also contains:

- (a) an offer of 28,508,751 Shares and 20,029,226 Performance Shares to Havoc (or its nominee/s) in consideration for the acquisition of all of the issued capital of Calima (**Vendor Offer**). Refer to Section 6.2 of this Prospectus for more information in respect of the Vendor Offer;
- (b) an offer of 20,000,750 Shares to the Calima Noteholders (or their nominee/s) in satisfaction of the Calima Note Debt (**Convertible Note Share Offer**). Refer to Section 6.3 of this Prospectus for more information in respect of the Convertible Note Share Offer;
- (c) an offer of 20,000,000 Management Options to Incoming Management (or their nominee/s) (**Management Option Offer**). Refer to Section 6.4 of this Prospectus for more information in respect of the Management Option Offer; and
- (d) an offer of 3,333,333 Shares to Euroz (or its nominee/s) as part of the fees payable for acting as corporate adviser to the Company in relation to the Proposed Transaction generally (**Adviser Offer**). Refer to Section 6.5 of this Prospectus for more information in respect of the Adviser Offer.

Conditional Offers

The Public Offer is conditional upon the Conditions of the Public Offer outlined in Section 6.6 being satisfied. In the event that the Conditions of the Public Offer are not satisfied, the Company will not proceed with the Public Offer and the Company will repay all application monies received. In the event that the Public Offer does not proceed, none of the Vendor Offer, the Convertible Note Share Offer, the Management Option Offer or the Adviser Offer will proceed.

Re-compliance with Chapters 1 and 2

In addition to the purpose of raising funds under the Public Offer and issuing Securities under the other Offers, this Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules, following a change to the nature and scale of the Company's activities.

Important Information

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

An investment in the Securities offered under this Prospectus should be considered speculative.

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1. Important Information

1.1 Important notice

This Prospectus is dated 30 June 2017 and was lodged with ASIC on that date. The ASX, ASIC and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates. The expiry date of this Prospectus is that date which is 13 months after the date this Prospectus was lodged with ASIC (**Expiry Date**). No Securities may be issued on the basis of this Prospectus after the Expiry Date.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary before deciding whether to invest. An investment in the Securities the subject of this Prospectus should be considered speculative. Please refer to Section 13 for details relating to risk factors that could affect the financial performance and assets of the Company.

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the acceptance of applications for Securities under the Offers. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications under the Offers will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

Application will be made to ASX within seven days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

Persons wishing to apply for Securities under the Offers must do so using the applicable Application Form as provided with a copy of this Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

1.2 Web site – electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.azpetro.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.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to, or accompanied by, the complete unaltered version of the Prospectus. If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Application Form. During the offer period, any person may obtain a copy of the Prospectus (free of charge) by contacting the Company on (08) 9380 8333.

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 electronic 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.

1.3 Overseas applicants

The offers of Securities made pursuant to this Prospectus are not made to persons to whom, or places in which, it would be unlawful to make such an offer of Securities. No action has been taken to register or qualify the Offers under this Prospectus or otherwise permit the Offers to be made in any jurisdiction outside of Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should seek legal advice on, and observe, any of those restrictions. Failure to comply with these restrictions may violate securities laws.

It is the responsibility of any Applicant outside Australia to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

1.4 Consolidation of share capital

Unless otherwise stated, all references to Securities of the Company as set out in this Prospectus are on the basis that the Consolidation of the Company's issued capital (which is proposed for Shareholder approval at the General Meeting) has been implemented.

1.5 Forward looking statements

This Prospectus may contain forward-looking statements which are identified by words such as 'may', 'should', 'will', 'expect', 'anticipate', 'believes', 'estimate', 'intend', 'scheduled' or 'continue' or other similar words. Such statements and information are subject to risks and uncertainties and a number of assumptions, which may cause the actual results or events to differ materially from the expectations described in the forward looking statements or information.

While the Company considers the expectations reflected in any forward looking statements or information in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors outlined in Section 13, as well as other matters not yet known to the Company or not currently considered material to the Company, may cause actual events to be materially different from those expressed, implied or projected in any forward looking statements or information. Any forward looking statement or information contained in this Prospectus is qualified by this cautionary statement.

1.6 Definitions

A number of defined terms are used in this Prospectus. Unless the contrary intention appears, the context requires otherwise, or words are defined in Section 17, words and phrases in this Prospectus have the same meaning and interpretation as in the Corporations Act or ASX Listing Rules.

1.7 Disclaimer

No person is authorised to give any information or to make any representation in relation to the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company or the Directors in relation to the Offers. You should only rely on information in this Prospectus.

2. Corporate directory

Existing Directors

Glenn Whiddon (Executive Chairman)
Neil Hackett (Non-Executive Director)
Robert Downey (Non-Executive Director)
(Proposed to resign following Completion)

Existing Company Secretary

Neil Hackett

Proposed Directors

Alan Stein (Managing Director)
Jonathan Taylor (Technical Director)

Proposed Joint-Company Secretary

James Bahen

Registered Office

Suite 5, 531 Hay Street
Subiaco WA 6008

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Lawyers

GTP Legal
68 Aberdeen Street
Northbridge WA 6003

Corporate Adviser

Euroz Securities Limited
Level 18 Alluvion
58 Mounts Bay Road
Perth WA 6000

Share Registry*

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

Company Website

www.azpetro.com

ASX Code

Current: APY
Proposed: CE1

* This entity is included for information purposes only and has not been involved in the preparation of this Prospectus.

3. Key information and indicative timetable

Public Offer	Minimum Subscription¹	Maximum Subscription¹
Price per Share	\$0.045	\$0.045
Number of Shares offered	50,000,000	100,000,000
Amount to be raised (before costs)	\$2,250,000	\$4,500,000
Vendor Offer		
Shares offered to Havoc (or its nominee/s)	28,508,751	28,508,751
Performance Shares offered to Havoc (or its nominee/s)	20,029,226	20,029,226
Convertible Note Share Offer		
Shares offered to the Calima Noteholders (or their nominee/s)	20,000,750	20,000,750
Management Option Offer		
Management Options offered to Incoming Management (or their nominee/s)	20,000,000	20,000,000
Adviser Offer		
Number of Shares offered	3,333,333	3,333,333
Amount to be raised (before costs) ¹	Nil	Nil
General		
Total cash on completion of the Offers (after costs of the Offers)	\$9,066,000	\$11,316,000
Total Shares on issue on completion of the Offers ²	490,441,209	540,441,209
Notes:		
1. Exact figures will be subject to the rounding effects of the Consolidation.		
2. Refer to Section 6.11 for further details relating to the proposed capital structure of the Company.		

Indicative timetable	
Lodgement of this Prospectus with ASIC	30 June 2017
Opening Date for the Offers	7 July 2017
General Meeting	20 July 2017
Closing Date for the Offers	27 July 2017
Completion of Acquisition	11 August 2017
Issue of Securities under the Offers	11 August 2017
Dispatch of holding statements	14 August 2017
Expected date for Shares to be reinstated to trading on ASX	18 August 2017

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offers early without notice.

4. Investment Summary

This Section is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Securities offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Securities.

4.1 Introduction

Topic	Summary	Details
Who is the issuer of the Prospectus?	Azonto Petroleum Ltd ACN 117 227 086 (Company) (to be renamed "Calima Energy Limited").	Section 7.1
Who is the Company and what does it do?	The Company is a public company that has been listed on the ASX since July 2008. The principal activity of the Company is investing in oil and gas exploration and production projects internationally. The Company continues to evaluate new opportunities and investments in the oil and gas sector.	Section 7.1
What is the Company's strategy?	<p>The Company has entered into the Farm-in Agreement in relation to the Montney Project. In conjunction with the Company's entry into the Farm-in Agreement, the Company is proposing to acquire 100% of the issued capital of Calima from Havoc. Calima holds interests in petroleum permits in the Saharawi Arab Democratic Republic and passive minority interests in TMKM and Bahari.</p> <p>Following reinstatement to quotation of the Company's Shares on ASX, the Company's primary focus will be to acquire a working interest of up to 55% in the Montney Project and operatorship of the Project pursuant to the Farm-in Agreement. The Company also aims to leverage its technical capabilities to secure early stage oil and gas opportunities and benefit from the current oil sector environment.</p>	Section 7
What are the Company's key assets?	The Company's primary assets are its cash holdings (approximately \$6,416,195 as at 31 December 2016) and its rights under the Farm-in Agreement. Under the Farm-in Agreement, (subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules) the Company has the right to earn up to a 55% interest in the Montney Project. Via the Acquisition, the Company intends to acquire 100% of the issued capital of Calima.	Sections 11.1 and 12
What is the Public Offer?	<p>The Company is offering 50,000,000 Shares to the public at an issue price of \$0.045 each to raise \$2,250,000 (before costs of the Offers). Oversubscriptions of up to a further 50,000,000 Shares at an issue price of \$0.045 each to raise a further \$2,250,000 (before costs of the Offers) may be accepted.</p> <p>The minimum subscription is 50,000,000 Shares at an issue price of \$0.045 each to raise \$2,250,000 (before costs of the Offers).</p>	Section 6.1

Topic	Summary	Details
Is the Public Offer underwritten?	The Public Offer is not underwritten. However, the Company has received firm commitments for the full amount of the Minimum Subscription (see Section 6.19 for further details).	Sections 6.12 and 6.19
What is the Vendor Offer?	The Company is offering 28,508,751 Shares and 20,029,226 Performance Shares (being the Consideration Shares) to Havoc (or its nominee/s) in consideration for the acquisition of all the shares in Calima under the Acquisition.	Section 6.2
What is the Convertible Note Share Offer?	The Company is offering 20,000,750 Shares to the Calima Noteholders (or their nominee/s) in satisfaction of the Calima Note Debt. The Calima Noteholders are Proposed Directors Alan Stein and Jonathan Taylor.	Section 6.3
What is the Management Option Offer?	The Company is offering 20,000,000 Management Options to Incoming Management (or their nominee/s). Incoming Management are the five founders of Havoc (Proposed Directors Alan Stein and Jonathan Taylor, and Richard Higgins, Justin Norris and Mark Sofield).	Section 6.4
What is the Adviser Offer?	The Company is offering 3,333,333 Shares to Euroz (or its nominee/s) for acting as corporate adviser to the Company in relation to the Proposed Transaction.	Section 6.5
What are the conditions of the Offers?	The Public Offer is conditional upon the following events occurring: <ul style="list-style-type: none"> the Company receiving the Minimum Subscription under the Public Offer (being \$2,250,000); Shareholders approving the Acquisition Resolutions at the General Meeting; completion of the Acquisition; and ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the Listing Rules and the Company receiving conditional approval for re-quotations from ASX subject only to the usual terms and conditions on which such conditional approval is given by ASX. <p>If any of the Conditions of the Public Offer are not satisfied, then the Company will not proceed with the Public Offer and the Company will repay all Application Monies received. If the Company does not proceed with the Public Offer, none of the Vendor Offer, the Convertible Note Share Offer, the Management Option Offer or the Adviser Offer will proceed.</p>	Section 6.6
Why is the Public Offer being conducted?	The purposes of the Public Offer are to: <ul style="list-style-type: none"> assist the Company to meet the requirements of ASX to re-comply with ASX's admission requirements under Chapters 1 and 2 of the Listing Rules; provide funding for the Company's expenditure commitments under stage one of the Farm-in Agreement; meet the costs of the Offers; and 	Section 6.9

Topic	Summary	Details
	<ul style="list-style-type: none"> to provide general working capital and administration expenditure. 	

4.2 The Proposed Transaction

Topic	Summary	Details
What is the Proposed Transaction?	<p>The Company has entered into the Farm-in Agreement in relation to the Montney Project and proposed to acquire Calima from Havoc.</p> <p>The Acquisition is the Company's proposed acquisition of 100% of the issued capital of Calima pursuant to the Acquisition Agreement.</p>	Section 7.1
What is the Farm-in Agreement	<p>The Farm-in Agreement gives the Company a right to earn a working interest of up to 55% in the Montney Project by sole funding a three stage expenditure program over the next three years.</p>	Section 14.2
What are the key terms of the Farm-in Agreement?	<p>The key terms of the Farm-in Agreement are as follows:</p> <ul style="list-style-type: none"> the Farm-in Agreement is conditional on the Company re-complying with Chapters 1 and 2 of the Listing Rules; the Company has paid a non-refundable deposit of C\$500,000 to the Montney JV, to be applied towards the Company's stage one Farm-in commitment once the Company has been re-listed; the Company will become the Operator of the Montney Project from commencement of the Farm-in; the Company may acquire up to 55% in the Montney Project by sole funding costs over a three stage earn-in, with entry to stages two and three being optional; the Company has committed to an expenditure of C\$5 million as part of stage one to earn 20% and will spend a total of C\$25m to earn 55% by February 2020; and should the Company not elect to proceed with stages two and three of the Farm-in: <ul style="list-style-type: none"> it will be removed as operator of the Montney Project; it will be entitled to retain the working interest earned to date; and the joint venturers will then contribute to project expenditure on a pro rata basis. <p>The lands the subject of the Montney JV are subject to a 1% royalty under an existing royalty agreement. Should the Montney JV move into production, the Company will be liable for its working interest share of this royalty (55% if the Company completes all three stages of the Farm-in).</p>	Section 14.2
What is the Acquisition?	<p>The Acquisition is the Company's proposed acquisition of 100% of the issued capital of Calima from Havoc Partners LLP pursuant to the Acquisition Agreement.</p>	Section 14.3

Topic	Summary	Details
<p>What are the key terms of the Acquisition?</p>	<p>The Company has entered into the Acquisition Agreement with Havoc, and the 5 founders and owners of Havoc (the Havoc Members). The Havoc Members are Proposed Directors Alan Stein and Jonathan Taylor, and Richard Higgins, Justin Norris and Mark Sofield. All 5 of the Havoc Members are the Incoming Management, and will be joining the Company's management team with effect from completion of the Acquisition (see below for further information).</p> <p>The key terms of the Acquisition are as follows:</p> <ul style="list-style-type: none"> • as consideration for the acquisition of 100% of the issued capital of Calima, the Company will issue Havoc (or its nominee/s) an aggregate total of 28,508,751 Shares and 20,029,266 Performance Shares (being the Consideration Securities the subject of the Vendor Offer); • the Acquisition is conditional upon, and subject to, a number of conditions. These conditions have either been satisfied or substantially satisfied, with the exception of the following conditions which remain outstanding at the date of this Prospectus: <ul style="list-style-type: none"> ○ Shareholder approval of the Acquisition Resolutions at the General Meeting; ○ the Company achieving the Minimum Subscription under the Public Offer; and ○ the Company obtaining all necessary regulatory approvals on terms acceptable to the parties as are required to give effect to the Acquisition including re-compliance with Chapters 1 and 2 of the Listing Rules and receiving conditional approval for re-quotations from ASX subject only to the usual terms and conditions on which such conditional approval is given by ASX; • Calima has issued Convertible Notes with a face value of \$400,015 (the Calima Note Debt) to Proposed Directors Alan Stein and Jonathan Taylor (the Calima Noteholders). On completion of the Acquisition, the Calima Note Debt will be assigned to, and assumed by, the Company and satisfied in full through the issue of 20,000,750 Shares to the Calima Noteholders (or their nominee/s) (being the Convertible Note Shares the subject of the Convertible Note Share Offer); and • there are standard commercial warranties regarding Calima and Calima's business and assets provided by Havoc and the Havoc Members associated with the Acquisition. 	<p>Section 14.3</p>
<p>What approvals are being sought at the General Meeting?</p>	<p>At the General Meeting to be held on 20 July 2017, the Company will seek Shareholder approval for, amongst other things, the following Acquisition Resolutions:</p> <ul style="list-style-type: none"> • to change in nature and scale of the activities of the Company as a result of the Acquisition; • for the Acquisition and to issue the Consideration Securities to Havoc (or its nominee/s); 	<p>Section 6.7</p>

Topic	Summary	Details
	<ul style="list-style-type: none"> • to create a new class of Securities (being the Performance Shares); • to issue the Convertible Note Shares to the Calima Noteholders (or their nominee/s); • to issue Shares pursuant to the Public Offer; • to appoint Alan Stein and Jonathan Taylor to the Board; • for the Consolidation; • to adopt the New Performance Rights Plan; • to grant New Performance Rights to Alan Stein and Jonathan Taylor (or their nominee/s); • for the grant of Management Options; and • for the grant of the Firm Commitment Options. 	
<p>Why is the Company required to re-comply with Chapters 1 and 2 of the Listing Rules?</p>	<p>At the Company's General Meeting, the Company will seek Shareholder approval for, amongst other things, a change in the nature and scale of the Company's activities as a result of the Proposed Transaction. To give effect to these changes, ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.</p> <p>The Company will be suspended from trading from the day of the General Meeting and will not be reinstated until the Company has satisfied the Conditions of the Public Offer, including re-compliance with Chapters 1 and 2 of the Listing Rules and any conditions ASX imposes on reinstatement.</p> <p>There is a risk that the Company may not be able to meet the requirements for re-quotations on the ASX. If the Conditions of the Public Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX, then the Company will not proceed with the Public Offer and will repay all Application Monies received (without interest).</p>	<p>Section 6.8</p>
<p>What is the Montney Project</p>	<p>The Montney Project is comprised of approximately 53,000 gross acres prospective for the Montney formation in British Columbia, Canada. The Montney Formation is a pervasive hydrocarbon system over 100km wide that is rapidly emerging as one of North America's premier resource plays.</p> <p>See Section 7.5, the Independent Geologist's Report in Section 9 and the Title Report in Section 10 for further information on the Montney Project.</p>	<p>Sections 7.5, 0 and 10</p>
<p>Who is Calima?</p>	<p>Calima, a Jersey registered company incorporated in March 2014 that is 100% owned by Havoc. Calima owns:</p> <ul style="list-style-type: none"> • a 50% interest in four SADR PSCs; • passive minority shareholdings in TMKM and Bahari; and • approximately \$400,000 in cash. 	<p>Section 7.3</p>
<p>What is the Company's strategy?</p>	<p>Following completion of the Proposed Transaction and re-compliance by the Company with Chapters 1 and 2 of the Listing Rules,</p>	<p>Sections 7.11 and 7.14</p>

Topic	Summary	Details
	<p>the Company's primary focus will be to further develop the Montney Project through to the end of stage 1 of the Farm-in Agreement.</p> <p>The Company will also seek out and evaluate potential acquisitions consistent with its investment strategy outlined in Section 7.14, including:</p> <ul style="list-style-type: none"> • focusing on creating real value for Shareholders through identifying special situations which offer growth potential combined with asset liquidity; • seeking projects where investment in geoscience can offer investment returns in the short to medium term; and • taking advantage of a dislocated market to acquire positions that can be the foundations of new E&P companies or should appeal to larger companies seeking to repair portfolios ravaged by capex reductions. 	

4.3 Key Risks

Prospective investors should be aware that subscribing for Securities in the Company involves a number of risks and uncertainties. The risk factors set out in Section 13 and other risks applicable to all listed securities, may affect the value of the Securities in the future. Accordingly, an investment in the Company must be considered highly speculative. This Section summarises some of the risks that apply to an investment in the Company. Investors should refer to Section 13 for a more detailed summary of the risks.

Key risk	Details	Details
Conditional Acquisition and Offers	<p>As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus has been issued to assist the Company to re-comply with these requirements. The Shares will be suspended from trading on ASX from the date of the General Meeting. It is anticipated that the Shares will remain suspended until completion of the Acquisition, the Offers, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares will consequently remain suspended from quotation.</p> <p>Completion of the Public Offer remains subject to completion of the Acquisition. If this condition, or the other Conditions of the Public Offer set out in Section 6.3 are not satisfied or the Company does not receive conditional approval for re-quotation on ASX, the Company will not proceed with the Public Offer and will repay all Application Monies received. In the event that the Public Offer does not proceed, none of the Vendor Offer, the Convertible Note Share Offer, the Management Option Offer or the Adviser Offer will proceed.</p>	Section 13.1(a)
Commodity price volatility risk	<p>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</p>	Section 13.1(b)

Key risk	Details	Details
	<p>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.</p> <p>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.</p>	
Permit grant and maintenance risk	<p>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.</p> <p>There can be no assurances that the Company will be successful in securing all or any of the additional acreage that it intends to apply for with the other Montney Project joint venturers as part of the Stage 1 Farm-in, or in obtaining renewals of existing acreage in the future.</p> <p>The 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.</p> <p>The Montney JV's drilling licences require the holder to meet certain drilling targets to retain the licences and/or convert them into production leases. The Company (as operator of the Montney JV) may be prevented from achieving these 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.</p>	Section 13.1(c)
Exploration and development risk	<p>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. Selecting 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</p>	Section 13.1(d)

Key risk	Details	Details
	<p>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.</p> <p>The petroleum licences that the Company will own or have the rights to exploit following completion of the Proposed Transaction 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.</p> <p>The value of the Company's Securities 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 Securities. Conversely, if the results obtained by other companies are negative then this will likely decrease the value of the Company's Securities.</p> <p>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.</p>	
Drilling Risks	<p>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.</p> <p>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.</p>	Section 13.1(e)
Hydraulic fracturing	<p>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</p>	Section 13.1(f)

Key risk	Details	Details
	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.	
Commercialising 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.	Section 13.1(g)
Exchange rate fluctuation risk	The Company's oil and gas projects are currently located in Canada and in SADR. As a result, the majority of cash flows, expenses, capital expenditure and commitments will be denominated in Canadian dollars and various currencies used in SADR. 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 foreign currencies to Australian Dollars.	Section 13.1(h)
Environmental risks	<p>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.</p> <p>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</p>	Sections 10 and 13.1(i)

Key risk	Details	Details
	<p>or regulations would materially increase the Company's cost of doing business or affect its operations in any area.</p> <p>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.</p> <p>See section 4(b) of the Title Report in Section 10 for further information on these risks as they relate to the Montney Project.</p>	
SADR non-sovereign status risk	<p>Under Calima's Assurance Agreements, the SADR PSCs are effective from and commence upon recognition of the sovereign status of the SADR by the United Nations, and the SADR Government passes necessary tax and petroleum titles legislation. The SADR is the entity created by the indigenous people of Western Sahara following a unilateral declaration of independence in 1976. At present the territory of Western Sahara is regarded by the UN as being a Non-Self Governing Territory awaiting a process of decolonisation. Western Sahara was formerly a Spanish colony. Following Spain's withdrawal, Morocco invaded in 1975 and has since occupied the western part the territory. In the same year, the International Court of Justice found that there were no ties of territorial sovereignty between Morocco and Western Sahara. No country in the world has ever recognised Morocco's claims over Western Sahara.</p> <p>There are currently overlapping claims to oil and gas exploration rights in both the onshore and offshore areas of occupied territories; that is, competing licence areas which have been issued by the SADR and Moroccan governments. Calima currently has competing claims with parties issued oil and gas exploration rights by the Moroccan government.</p> <p>The UN has issued advice that "if further exploration and exploitation activities were to proceed in disregard to the interests and wishes of the people of Western Sahara, they would be in violation of the principles of international law applicable to mineral resource activities in Non-Self Governing Territories".</p> <p>Calima will continue to monitor progress towards a political solution regarding the sovereign status of SADR. Until such time as there is a resolution of the political situation regarding sovereignty, Calima's interest in the SADR PSCs should be regarded as highly speculative.</p>	Sections 8.2 and 13.1(j)
Potential acquisitions	<p>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.</p> <p>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.</p>	Section 13.1(k)

Key risk	Details	Details
Additional requirements for capital	<p>Exploration expenditure estimates are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and accordingly, the actual costs may materially differ from these estimates. The funds to be raised under the Public Offer, together with the Company's and Calima's existing cash reserves, are considered sufficient to meet the Company's immediate objectives following completion of the Proposed Transaction. 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. The Company will also require additional funding if it elects to proceed to stages two or three under the Farm-In Agreement.</p> <p>There can be no assurance that additional finance will be available when needed. Any additional equity financing may be dilutive to the Company's existing Shareholders and any 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. In particular, if the Company is unable to raise additional funds to proceed with Stage two or three of the Montney Project Farm-in then it will be removed as operator of the Montney Project (although it will be entitled to retain its stage one working interest of 20%).</p>	Section 13.1(l)
Claims by Indigenous Inhabitants	<p>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.</p> <p>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 people in order to facilitate exploration and development work on the properties leased or owned by the Company.</p> <p>Some of the Montney JV 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 practising their treaty rights. Practically speaking, this means that pre-</p>	Sections 10 and Section 13.1(s)

Key risk	Details	Details
	engagement with those First Nations (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. See sections 3(e) and 4(c) of the Title Report in Section 10 for further information.	

4.4 Proposed use of funds and other key terms of the Offers

Topic	Summary	Details
What is the proposed use of funds raised under the Public Offer?	<p>The funds raised under the Public Offer are proposed to be used (over the first year following re-instatement to quotation of the Shares) to fund the following key business activities:</p> <ul style="list-style-type: none"> • Montney Project expenditure, including acreage acquisition, geology and geophysics – data licensing and interpretation, and drill planning; • costs of the Offers; and • corporate administration and working capital. <p>The above reflects the current intentions as at the date of this Prospectus. As with any budget, the allocation of funds set out may change depending on a number of factors, including the outcome of exploration and study and evaluation activities, further acquisitions, regulatory developments and market and general economic conditions.</p>	Section 6.10
Will the Company be adequately funded after completion of the Public Offer?	The Directors are satisfied that on completion of the Public Offer, the Company will have sufficient working capital to carry out its business objectives as set out in this Prospectus.	Section 6.9 and 6.10
What rights and liabilities attach to the Shares being offered?	All Shares issued under the Public Offer and the other Offers will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are described in Section 15.1.	Section 15.1
What are the terms and conditions of the Performance Shares being offered under the Vendor Offer?	<p>The Performance Shares issued to Havoc (or its nominee/s) under the Vendor Offer as part of the consideration for the Acquisition will be issued in three classes and will convert into Shares on a one for one basis on the satisfaction of various performance milestones. The Performance Shares will have an expiry date of 31 December 2020, and will convert on a Change of Control Event prior to that date (subject to a cap of 10% of issued Shares). If the performance milestones of a Performance Share have not been achieved by the expiry date then the Performance Share will lapse.</p> <p>Full terms and conditions of the Performance Shares are set out in Section 15.2.</p>	Section 15.2
What are the terms and conditions of the	The Management Options will be granted in two classes (exercisable at \$0.09 and \$0.12) and expire 5 years from the date of grant. The Management Options will be granted for nil consideration as long term	Section 15.3.

Topic	Summary	Details
Management Options being offered under the Management Option Offer?	incentives for the Proposed Directors and other Incoming Management. The Management Options will vest, subject to completion of a minimum of 18 months' continuous service, on satisfaction of various vesting conditions. The Management Options will vest immediately on a Change of Control of the Company that occurs at a price greater than \$0.09. The full terms and conditions of the Management Options are set out in Section 15.3.	
Is the Public Offer underwritten?	No, the Public Offer is not underwritten. The Company has received firm commitments from the Investors for the Minimum Subscription and has agreed to pay the Investors various fees for providing those firm commitments (see Section 6.19 for further details).	Sections 6.12 and 6.19
Who is the lead manager to the Public Offer?	There is no lead manager to the Public Offer. The Company has appointed Euroz to act as corporate adviser to the Company on the Proposed Transaction. The Company has agreed to issue Euroz (or its nominee/s) 3,333,333 Shares for acting in this role.	Section 14.5
Will the Securities issued under the Offers be listed?	The Company will apply for listing of the Shares offered under the Public Offers under the ASX code 'CE1' within seven days of the date of this Prospectus. The Company will not apply for listing of the Shares offered under the Convertible Note Share Offer and Adviser Offer until they are released from escrow (see Section 6.13 for further details). The Company will not apply for listing of the Performance Shares offered under the Vendor Offer, or the Management Options offered under the Management Option Offer.	Section 6.8
What are the tax implications of investing in Securities under the Offers?	The tax consequences of any investment in Securities will depend upon your particular circumstances. Prospective investors should obtain their own tax advice before deciding to invest.	Section 6.25
What is the Company's dividend policy?	The Company does not expect to pay dividends in the near future as its focus will primarily be on using cash reserves on the stage one expenditure commitments under the Farm-in Agreement and to implement its counter-cyclical investment strategy. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.	Section 6.14
How do I apply for Shares under the Public Offer?	Applications for Shares under the Public Offer must be made by completing a Public Offer Application Form and must be accompanied by a cheque in Australian dollars (or an electronic transfer to the bank account advised by the Company) for the full amount of the application	Section 6.15(a)

Topic	Summary	Details
	being \$0.045 per Share. Cheques must be made payable to “Azonto Petroleum Ltd – Share Offer Account” and should be crossed “Not Negotiable”.	
How do I apply for Securities under the Vendor Offer?	The Vendor Offer is an offer to Havoc (and its nominee/s) only. Only Havoc (and its nominee/s) may accept the Vendor Offer. A personalised Vendor Offer Application Form will be issued to Havoc (and its nominee/s), together with a copy of this Prospectus. The Company will only provide the Vendor Offer Application Form to Havoc (and its nominee/s).	Section 6.15(b)
How do I apply for Shares under the Convertible Note Share Offer?	The Convertible Note Share Offer is an offer to the Calima Noteholders (and their nominee/s) only. Only the Calima Noteholders (and their nominee/s) may accept the Convertible Note Share Offer. A personalised Convertible Note Share Offer Application Form will be issued to the Calima Noteholders (and their nominee/s), together with a copy of this Prospectus. The Company will only provide the Convertible Note Share Offer Application Form to the Calima Noteholders (and their nominee/s).	Section 6.15(c)
How do I apply for Management Options under the Management Option Offer?	The Management Option Offer is an offer to Incoming Management (or their nominee/s) only. Only Incoming Management (and their nominee/s) may accept the Management Option Offer. A personalised Management Option Offer Acceptance Form will be issued to Incoming Management (and their nominee/s), together with a copy of this Prospectus. The Company will only provide the Management Option Offer Application Form to Incoming Management (and their nominee/s).	Section 6.15(d)
How do I apply for Shares under the Adviser Offer?	The Adviser Offer is an offer to Euroz (and its nominee/s) only. Only Euroz (and its nominee/s) may accept the Adviser Offer. A personalised Adviser Offer Application Form will be issued to Euroz (and its nominee/s), together with a copy of this Prospectus. The Company will only provide the Adviser Offer Application Form to Euroz (and its nominee/s).	Section 6.15(e)
When will I receive confirmation that my application has been successful?	It is expected that holding statements will be sent to successful Applicants by post on or about the dispatch date noted in the indicative timetable set out in Section 3.	Section 3, 6.17 and 6.21
How can I find out more about the Prospectus or the Offers?	Questions relating to the Offers can be directed to the Company on (08) 9380 8333.	Section 6.26

4.5 Board and management

Topic	Summary	Details
Who are the Directors of the Company:	<p>The Existing Directors of the Company are:</p> <ul style="list-style-type: none"> • Glenn Whiddon –Executive Chairman; • Neil Hackett – Non Executive Director; and • Robert Downey – Non Executive Director. <p>On completion of the Acquisition and the Offers, changes will be made to the Board, with the resignation of Existing Director Robert Downey and the appointment of the Proposed Directors, such that the Board will then comprise:</p> <ul style="list-style-type: none"> • Alan Stein – Managing Director; • Jonathan Taylor – Technical Director; • Glenn Whiddon – Executive Chairman; and • Neil Hackett – Non-Executive Director. <p>Refer to Section 8.1 for details of the relevant experience and expertise of the Directors.</p>	Section 8.1
Who are the key management personnel?	<p>In addition to the appointments of Alan Stein and Jonathan Taylor to the Company’s Board and management team as outlined above, the other 3 founders of Havoc (Richard Higgins, Justin Norris and Mark Sofield) will also join the Company’s management team under the terms of the Havoc Consulting Agreement.</p> <p>Refer to Section 8.3 for details of the Havoc team’s credentials, and to Section 8.7(a) for a summary of the terms of the Havoc Consulting Agreement.</p> <p>Neil Hackett will remain as Company Secretary following completion of the Offers and the Acquisition and James Bahen will be appointed as joint Company Secretary.</p>	Sections 8.1, 8.2, 8.3 and 8.7(a)
What are the significant interests of Directors?	<p>The interests of the Directors are detailed in Section 8.4.</p> <p>The security holdings of the Directors are set out in Section 8.5.</p> <p>A summary of the Directors’ remuneration is set out in Section 8.6.</p> <p>Section 8.7 sets out details of related party agreements with the Company from which the Directors may benefit.</p> <p>Proposed Directors, Alan Stein and Jonathan Taylor, are 2 of the 5 owners of Havoc. The Company proposes to acquire Calima from Havoc under the Acquisition. Accordingly:</p> <ul style="list-style-type: none"> • Mr Stein (or his nominee/s) will receive a proportion of the Consideration Securities on completion of the Acquisition (being 22,390,837 Shares and 16,145,825 Performance Shares in total); and • Mr Taylor (or his nominee/s) will also receive a proportion of the Consideration Securities on completion of the Acquisition (being 2,454,641 Shares and 1,525,948 Performance Shares in total). <p>Messrs Stein and Taylor are the Calima Noteholders. Accordingly, Messrs Stein and Taylor (or their nominee/s) will also receive the</p>	Sections 8.4, 8.5, 8.6 and 8.7

Topic	Summary	Details
	<p>Convertible Note Shares under the Convertible Note Share Offer, to be issued in satisfaction of the Calima Note Debt on Completion.</p> <p>Subject to Shareholder approval at the General Meeting, Messrs Stein and Taylor will also receive the following management incentive Securities under the terms of their engagement as Managing Director and Technical Director (respectively) under the Havoc Consulting Agreement:</p> <ul style="list-style-type: none"> • Mr Stein (or his nominee/s): 6,600,000 Management Options and 2,700,000 New Performance Rights; and • Mr Taylor (or his nominee/s): 6,600,000 Management Options and 8,250,000 New Performance Rights. 	
<p>Are there any relationships between the Company and parties involved in the Proposed Transaction or Offers that are relevant to investors?</p>	<p>See above in relation to Alan Stein and Jonathan Taylor.</p> <p>As noted above, the other 3 owners of Havoc (Richard Higgins, Justin Norris and Mark Sofield) will also join the Company's management team under the terms of the Havoc Consulting Agreement.</p> <p>The Company proposes to acquire Calima from Havoc under the Acquisition. Messrs Higgins, Norris and Sofield (or their nominee/s) will receive the following Consideration Securities on completion of the Acquisition:</p> <ul style="list-style-type: none"> • Mr Higgins (or his nominee/s): 1,221,091 Shares and 785,818 Performance Shares; • Mr Norris (or his nominee/s): 1,221,091 Shares and 785,818 Performance Shares; and • Mr Sofield (or his nominee/s): 1,221,091 Shares and 785,818 Performance Shares. <p>Subject to Shareholder approval at the General Meeting, Messrs Higgins, Norris and Sofield will also receive the following management incentive Securities under the terms of their engagement as part of the Company's management team under the Havoc Consulting Agreement:</p> <ul style="list-style-type: none"> • Mr Higgins (or his nominee/s): 2,266,667 Management Options and 2,833,333 New Performance Rights; • Mr Norris (or his nominee/s): 2,266,666 Management Options and 2,833,333 New Performance Rights; and • Mr Sofield (or his nominee/s): 2,266,667 Management Options and 2,833,334 New Performance Rights. 	<p>Section 8.7</p>
<p>What are the terms and conditions of the Management Options and the New Performance Rights being granted to the Proposed Directors and the</p>	<p>See above for a summary of the terms and conditions of the Management Options. The full terms and conditions of the Management Options are set out in Section 15.3.</p> <p>The New Performance Rights will be granted under the New Performance Rights Plan and will each convert into a Share for no consideration on exercise by the holder once vested prior to the expiry date which is 5 years from the date of grant. The New Performance Rights will vest, subject to completion of a minimum of 18 months' continuous service, on satisfaction of various vesting conditions. The New Performance Rights will vest immediately on a Change of Control that occurs at a price greater than \$0.15. Full terms and conditions of</p>	<p>Sections 15.3, 15.4 and 15.5</p>

Topic	Summary	Details
other Incoming Management?	the New Performance Rights are set out in Section 15.4. See Section 15.5 for a summary of the Plan.	

4.6 Miscellaneous

Topic	Summary	Details
What material contracts are the Company and Calima a party to?	<p>The material contracts of the Company and Calima comprise:</p> <ul style="list-style-type: none"> • the Farm-in Agreement; • the Acquisition Agreement; • the Havoc Consulting Agreement; • the corporate adviser mandate; and • the firm commitment letters. 	Sections 8.7 and 14
What is the financial position of the Company and Calima post completion of the Offers and the Acquisition?	<p>The Company is currently listed on ASX and its financial history, including its 2016 Annual Report for the period ended 31 December 2016 are available on its website (www.azpetro.com.au).</p> <p>Calima's historical operations have focussed on resources investment and the retention of its Western Sahara licence interests. Calima has incurred costs in doing so and made net losses of \$57,054 for the financial year ended 31 December 2016 and \$40,470 for the financial year ended 31 December 2015.</p> <p>Further financial information regarding the Company and Calima is set out in Section 11 and the Investigating Accountant's Report in Section 12.</p>	Sections 11 and 12
Will any Securities be subject to escrow?	<p>Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and the Company's Shares being reinstated to trading on the ASX, certain Shares, Performance Shares, New Performance Rights and Management Options in the Company will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date the Company's Shares are reinstated to quotation on ASX.</p> <p>No Shares issued under the Public Offer are expected to be subject to escrow.</p> <p>All of the Consideration Securities to be issued under the Vendor Offer will be subject to ASX escrow for 24 months from reinstatement.</p> <p>All of the Shares to be issued under the Convertible Note Share Offer will be subject to ASX and/or voluntary escrow for 24 months from reinstatement.</p> <p>All of the Management Options to be issued under the Management Option Offer will be subject to ASX escrow for 24 months from reinstatement.</p> <p>All of the Shares to be issued under the Adviser Offer will be subject to ASX escrow for 24 months from reinstatement.</p> <p>All of the New Performance Rights to be issued to Incoming Management under the Havoc Consulting Agreement will be subject to ASX escrow for 24 months from reinstatement.</p>	Section 6.13

	<p>All of the Firm Commitment Options to be granted to the Investors will be subject to ASX escrow for 24 months from reinstatement.</p> <p>In addition, certain existing Shareholders have agreed to voluntary escrow over the Shares they hold for a period of 12 months from reinstatement.</p> <p>Refer to Section 6.13 for further details of the escrow arrangements.</p>	
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5. Chairman's Letter

Dear Investor

On behalf of the Directors, I am pleased to present this Prospectus and to offer you the opportunity to invest in Azonto Petroleum Ltd, to be renamed Calima Energy Limited. The Company has entered into the Farm-In Agreement to acquire a working interest of up to 55% in the Montney Project, comprised of approximately 53,000 gross acres prospective for the Montney formation in British Columbia, Canada.

In conjunction with the Company's entry into the Farm-in Agreement, the Company is proposing to acquire 100% of the issued capital of Calima from Havoc. Calima holds interests in petroleum permits in Saharawi Arab Democratic Republic and passive minority interests in TMKM and Bahari. In addition, the Company will seek out and evaluate potential acquisitions under the investment strategy outlined in Section 7.14 with the intention of creating additional value for Security holders.

This Prospectus has been issued by the Company for a public offering of 50,000,000 Shares at an issue price of \$0.045 each to raise \$2,250,000 (before costs). Oversubscriptions of a further 50,000,000 Shares at a price of \$0.045 each may be accepted. The funds raised will used for the Company's expenditure commitments under stage one of the Farm-in, to implement the Company's counter-cyclical investment strategy, to cover the costs of the Offers, for corporate administration and to provide general working capital. Refer to Section 6.10 for further details on the use of funds.

In addition to the purpose of raising funds under the Public Offer, this Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules, following a change to the nature and scale of the Company's activities.

This Prospectus also contains secondary Offers (being the Vendor Offer, the Convertible Note Share Offer, the Management Option Offer and the Adviser Offer). Refer to Sections 6.2 to 6.5 of this Prospectus for more information in respect of these other Offers.

This Prospectus includes details of the Offers, the Company, the Montney Project and Calima, including the assets and proposed operations of the Company post relisting, together with a statement of the risks associated with investing in the Company. I recommend that you read this document carefully and seek independent professional advice before investing in the Company.

On behalf of the Directors, I commend these Offers to you and look forward to welcoming you as a Security holder of the Company.

Yours sincerely,



Glenn Whiddon
Executive Chairman

6. Details of the Offers

6.1 The Public Offer and Minimum Subscription

Pursuant to this Prospectus, the Company offers 50,000,000 Shares at an issue price of \$0.045 each to raise \$2,250,000 (before costs of the Offers) (**Public Offer**). Oversubscriptions of a further 50,000,000 Shares at an issue price of \$0.045 each to raise a further \$2,250,000 may be accepted.

The minimum level of subscription of the Public Offer is 50,000,000 Shares to raise \$2,250,000 (before costs) (the **Minimum Subscription**). No Shares will be issued until the Minimum Subscription has been received. If the Minimum Subscription is not received within four months after the date of this Prospectus (or such period as varied by ASIC), the Company will not issue any Shares under this Prospectus and will repay all Application Monies received (without interest) in accordance with the Corporations Act. The maximum level of subscription under the Public Offer is 100,000,000 Shares to raise \$4,500,000 (before costs) (the **Maximum Subscription**).

As announced on 6 June 2017, the Company has received firm commitments for the Minimum Subscription from the Investors. The lead Investor is an entity associated with Clarion Finance Pte. Ltd., a family office with operations in Europe and Asia and with a track record of successfully investing in the oil and gas sector, renewables and mining.

The commitments are for a total of 50,000,000 Shares at \$0.045 per Share (post-Consolidation), as follows:

- 44,611,111 Shares (**Firm Shares**); and
- up to 5,388,888 Shares (being the amount by which the minimum subscription under the Capital Raising exceeds the number of Firm Shares) (**Shortfall Shares**).

The number of Shortfall Shares actually subscribed for by the Investors will be reduced by the number of Shares for which the Company receives valid applications from other investors under the Capital Raising. Refer to Section 6.19 for details of the fees payable to the Investors for providing firm commitments for the Minimum Subscription.

All Shares issued pursuant to the Public Offer will rank equally with the existing Shares on issue. Please refer to Section 15.1 for further information regarding the rights and liabilities attaching to the Shares.

Please refer to Section 6.15(a) for details on how to apply for Shares under the Public Offer.

6.2 The Vendor Offer

Pursuant to this Prospectus, the Company also offers 28,508,751 Shares and 20,029,226 Performance Shares to Havoc (or its nominee/s) in consideration for the acquisition of all of the issued capital of Calima (**Vendor Offer**).

All Shares issued pursuant to the Vendor Offer will rank equally with the existing Shares on issue. Please refer to Section 15.1 for further information regarding the rights and liabilities attaching to the Shares. The Performance Shares issued pursuant to the Vendor Offer will have the terms and conditions set out in Section 15.2.

Please refer to Section 6.15(b) for details of how to apply for Shares and Performance Shares under the Vendor Offer.

6.3 The Convertible Note Share Offer

Pursuant to this Prospectus, the Company also offers 20,000,750 Shares to the Calima Noteholders (or their nominee/s) in satisfaction of the Calima Note Debt (**Convertible Note Share Offer**). See Section 14.3 for further details.

The Calima Noteholders are Proposed Directors Alan Stein and Jonathan Taylor.

All Shares issued pursuant to the Convertible Note Share Offer will rank equally with the existing Shares on issue. Please refer to Section 15.1 for further information regarding the rights and liabilities attaching to the Shares.

Please refer to Section 6.15(c) for details of how to apply for Shares under the Convertible Note Share Offer.

6.4 The Management Option Offer

Pursuant to this Prospectus, the Company also offers 20,000,000 Management Options (comprised of 10,000,000 Class A Management Options and 10,000,000 Class B Management Options) to Incoming Management (or their nominee/s) (**Management Option Offer**).

Incoming Management are the five founders of Havoc (Proposed Directors Alan Stein and Jonathan Taylor, and Richard Higgins, Justin Norris and Mark Sofield). See Sections 8.1, 8.2 and 8.7(a) for further details.

Please refer to Section 15.3 for further information regarding the terms and conditions of the Management Options.

Please refer to Section 6.15(d) for details of how to apply for Management Options under the Management Option Offer.

6.5 The Adviser Offer

Pursuant to this Prospectus, the Company also offers 3,333,333 Shares to Euroz (or its nominee/s) for acting as corporate adviser to the Company in relation to the Proposed Transaction (**Adviser Offer**).

All Shares issued pursuant to the Adviser Offer will rank equally with the existing Shares on issue. Please refer to Section 15.1 for further information regarding the rights and liabilities attaching to the Shares.

Please refer to Section 6.15(e) for details of how to apply for Shares under the Adviser Offer.

6.6 Conditions of the Public Offer

The Public Offer is conditional upon the following events occurring:

- (a) the Company receiving the Minimum Subscription under the Public Offer (being \$2,250,000) (see Section 6.1);

- (b) Shareholders approving the Acquisition Resolutions at the General Meeting (see Section 6.7);
- (c) completion of the Acquisition; and
- (d) ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the Listing Rules and receiving conditional approval for re-quotation from ASX subject only to the usual terms and conditions on which such conditional approval is given by ASX,

(together the **Conditions of the Public Offer**).

If the Conditions of the Public Offer are not achieved then the Company will not proceed with the Public Offer and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

If the Public Offer does not proceed, none of the Vendor Offer, the Convertible Note Share Offer the Management Option Offer or the Adviser Offer will proceed.

6.7 General Meeting

At the General Meeting the Company will seek Shareholder approval:

- (a) to change in nature and scale of the activities of the Company as a result of the Acquisition;
- (b) for the acquisition of Calima and to issue the Consideration Securities to Havoc (or its nominee/s);
- (c) to create a new class of Securities (being the Performance Shares);
- (d) to issue the Convertible Note Shares to the Calima Noteholders (or their nominee/s);
- (e) to issue Shares pursuant to the Public Offer;
- (f) to appoint Alan Stein and Jonathan Taylor to the Board;
- (g) for the Consolidation;
- (h) to change of the Company's name to "Calima Energy Limited";
- (i) to adopt the New Performance Rights Plan (see Section 15.5 for a summary of the Plan);
- (j) to grant New Performance Rights to Alan Stein and Jonathan Taylor;
- (k) for the grant of the Management Options to Incoming Management (or their nominee/s);
- (l) to grant the Firm Commitment Options to the investors (or their nominee/s);
- (m) to issue the Advisor Shares the subject of the Adviser Offer to Euroz (or its nominee/s); and
- (n) of the Company's proportional takeover provisions.

The **Acquisition Resolutions** relate to those resolutions associated with the approval of items (a) to (g) and (i) to (k) above.

6.8 Re-compliance with Chapters 1 and 2 of the Listing Rules

At the Company's General Meeting, the Company will seek Shareholder approval for, among other things, a change in the nature and scale of the Company's activities as a result of the Proposed Transaction. To give effect to these changes, ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from trading from the time of the General Meeting and will not be reinstated until the Company has satisfied the Conditions of the Public Offer, including re-compliance with Chapters 1 and 2 of the Listing Rules and any conditions ASX imposes on reinstatement.

There is a risk that the Company may not be able to meet the requirements for re-quotations on the ASX. If the Conditions of the Public Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX, then the Company will not proceed with the Public Offer and will repay all Application Monies received (without interest). If the Public Offer does not proceed, none of the Vendor Offer, the Convertible Note Share Offer, the Management Option Offer or the Adviser Offer will proceed.

The Company will apply to ASX no later than seven days from the date of this Prospectus for Official Quotation of the Shares issued under the Public Offer pursuant to this Prospectus. If the Shares are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full (without interest) in accordance with the Corporations Act.

Neither ASX nor ASIC take responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation of the Shares issued pursuant to this Prospectus is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

6.9 Purpose of the Public Offer

The purpose and key objectives of the Public Offer are to:

- (a) assist the Company to meet the requirements of ASX to re-comply with ASX's admission requirements under Chapters 1 and 2 of the Listing Rules;
- (b) provide funding for the Company's expenditure commitments under stage one of the Farm-in Agreement (see Section 14.2);
- (c) provide capital for the Company to pursue further strategic acquisitions (see Section 7.11);
- (d) meet the costs of the Offers; and
- (e) provide general working capital and administration expenditure.

6.10 Use of funds

The Company intends to apply the funds raised from the Public Offer, together with existing cash reserves over the first year following reinstatement to quotation of the Company's Shares on ASX as follows:

	Minimum Subscription (A\$'000)	Maximum Subscription (A\$'000) ¹
SOURCE OF FUNDS		
Azonto available cash	6,416	6,416
Calima available cash	400	400
Gross proceeds from the Public Offer	2,250	4,500
TOTAL	9,066	11,316
USE OF FUNDS		
Montney Project expenditure:		
- acreage acquisition	3,630	3,360
- geology and geophysics – data licensing and interpretation	1,300	1,300
- drill planning	570	570
Capex sub-total	5,500	5,500
Corporate and administration costs (Azonto)	1,281	1,281
Corporate and administration costs (acquired assets)	200	200
Costs of the offer	434	552
Working Capital	1,651	3,783
TOTAL	9,066	11,316

Notes:

1. If more than the \$2,250,000 minimum but less than the \$4,500,000 maximum is raised, the funds will be applied to the Company's working capital needs.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of exploration and study and evaluation activities, further acquisitions, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Directors are satisfied that upon completion of the Offers, the Company will have sufficient working capital to meet its stated objectives as set out in this Prospectus.

6.11 Capital structure

The proposed pro forma capital structure of the Company following completion of the Offers and the Acquisition is as follows:

	Shares		Performance Shares	Performance Rights	Options
	Minimum Subscription	Maximum Subscription			
Shares currently on issue	1,165,795,125	1,165,795,125			
Existing Performance Rights issued to previous management team – Tranche 1 ⁽⁵⁾				46,589,916	
Existing Performance Rights issued to previous management team – Tranche 2 ⁽⁶⁾				93,729,573	
Balance following Consolidation	388,598,375	388,598,375	-	46,773,163	-
Consideration Securities issued to Havoc (or its nominee/s)	28,508,751	28,508,751	20,029,226 ⁽¹⁾		
Securities issued to Incoming Management (or their nominee/s)				19,450,000 ⁽²⁾	20,000,000 ⁽³⁾
Shares issued to Calima Note-holders (or their nominee/s) ⁽⁴⁾	20,000,750	20,000,750			
Public Offer - Min Subscription	50,000,000				
Public Offer - Max Subscription		100,000,000			
Shares issued to Euroz (or its nominee/s)	3,333,333	3,333,333			
Firm Commitment Options granted to Investors					10,000,000 ⁽⁷⁾
Total following completion of Proposed Transaction and Offers	490,441,209	540,441,209	20,029,226	66,223,163	30,000,000

Notes:

1. Comprised of:
 - a. 1,461,988 **Class A Performance Shares**, which convert into Shares on:
 - i. any of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) commencing and taking effect in accordance with the applicable Assurance Agreement with the SADR Government 31 Dec 2020; or
 - ii. sale of all or part of Calima's Production Sharing Contracts with the SADR Government for >A\$0.132 million by 31 Dec 2020.
 - b. 3,947,360 **Class B Performance Shares**, which convert into Shares on:
 - i. spudding of an exploration well in any of the lands licensed by the Montney JV by 1 Mar 2019; or
 - ii. sale of Calima's shares in TMKM for >A\$0.394m by 31 Dec 2020.
 - c. 14,619,878 **Class C Performance Shares**, which convert into Shares on:
 - i. spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari by 31 Dec 2020; or
 - ii. sale Calima's shares in Bahari for >A\$1.32m by 31 Dec 2020.

The Performance Shares expire on 31 Dec 2020 and convert on a Change of Control Event (subject to a cap of 10% of shares on issue). Further details of the other terms of the Performance Shares are set out in Section 15.2.
2. The **New Performance Rights** (expiring 5 years from grant) will vest, subject to a minimum of 18 months' continuous service, on satisfaction of any 2 of the following:
 - a. the VWAP for Shares for any period of 30 consecutive trading days being above A\$0.15 (post-Consolidation);
 - b. Azonto raising more than A\$5 million (not including the Public Offer) at an average price of A\$0.15; and
 - c. Azonto's market cap exceeding A\$50 million (based on the VWAP for Shares for any period of 30 consecutive trading days).

The New Performance Rights will also vest on a Change of Control at an average price of >A\$0.15 per Share. Details of the other terms of the New Performance Rights are set out in Section 15.4.
3. The **Management Options** are unlisted Options (50% exercisable @ A\$0.09; 50% exercisable @ A\$0.12, all expiring 5 years from grant) will vest, subject to a minimum of 18 months' continuous service, on satisfaction of any 2 of the following:
 - a. the VWAP for Shares for any period of 30 consecutive trading days being above A\$0.09 (post-Consolidation);
 - b. Azonto raising more than A\$5 million (not including the Public Offer) at an average price of A\$0.09; and
 - c. Azonto's market cap exceeding A\$50 million (based on the VWAP for Shares for any period of 30 consecutive trading days).

The Management Options will also vest on a Change of Control at an average price of >A\$0.09 per Share. Details of the other terms of the Management Options are provided in Section 15.3.
4. Calima currently has \$400,015 worth of Convertible Notes on issue and approximately \$400,000 in cash. As noted above, the obligation to repay the Calima Note Debt will be assigned to, and assumed by, the Company with effect from completion of the Proposed Transaction, and then satisfied by the issue of the Convertible Note Shares (at a deemed issue price of \$0.02 per Share).
5. Existing Performance Rights granted to **previous Azonto management** in relation to a previous transaction – applicable vesting conditions are now unable to be met – expire on 18 Dec 2017.
6. Existing Performance Rights granted to **previous Azonto management** in relation to a previous transaction – vesting on achievement of Share price hurdles before 18 Dec 2017, and subject to the Board being satisfied with the overall financial, strategic and HSE performance of the Company over the vesting period. The Share price hurdles are as follows:
 - a. 25% vest if the price for Shares reaches \$0.15;
 - b. 25% vest if the price for Shares reaches \$0.21; and
 - c. 50% vest if the price for Shares reaches \$0.27.
7. The **Firm Commitment Options** are unlisted Options exercisable @ \$0.045 (post-Consolidation) and expire 3 years from grant.

6.12 Public Offer not underwritten

The Public Offer is not underwritten. However, the Company has received firm commitments for the full amount of the Minimum Subscription.

6.13 Restricted securities

Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and the Company's Shares being reinstated to trading on the ASX following the General Meeting, certain Securities will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement to quotation of the Company's Shares on ASX. During the period in which these Securities are prohibited from being transferred, trading

in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

It is anticipated that:

- 28,508,751 Shares and 20,029,226 Performance Shares (and 20,029,226 Shares issued on conversion of those Performance Shares) to be issued to Havoc (or its nominee/s) as consideration for the acquisition of Calima (being the Consideration Securities to be issued under the Vendor Offer) will be subject to ASX escrow for 24 months from reinstatement;
- 20,000,750 Shares to be issued to the Calima Noteholders (or their nominee/s) in satisfaction of the Calima Note Debt (being the Convertible Note Shares to be issued under the Convertible Note Share Offer) will be subject to ASX and/or voluntary escrow for 24 months from reinstatement;
- 20,000,000 Management Options to be granted to the Proposed Directors and the other Incoming Management (or their nominee/s) (being the Management Options the subject of the Management Option Offer) (and 20,000,000 Shares issued on exercise of such Options) will be subject to ASX escrow for 24 months from reinstatement;
- 19,450,000 New Performance Rights to be granted to the Proposed Directors and the other Incoming Management (or their nominee/s) (and 19,450,000 Shares issued on exercise of such New Performance Rights) will be subject to ASX escrow for 24 months from reinstatement;
- 10,000,000 Firm Commitment Options to be granted to the Investors (or their nominee/s) (and 10,000,000 Shares issued on exercise of such Firm Commitment Options) will be subject to ASX escrow for 24 months from reinstatement; and
- 3,333,333 Shares to be issued to the Euroz (or its nominee/s for acting as corporate adviser to the Company in relation to the Proposed Transaction generally (being the Shares to be issued under the Adviser Offer) will be subject to ASX escrow for 24 months from reinstatement.

None of the Shares issued under the Public Offer are expected to be restricted securities.

Havoc has acknowledged that some or all of the Consideration Securities, the Convertible Note Shares, the Management Options and the New Performance Rights may be escrowed in accordance with the requirements of ASX and will sign (or procure that its nominee/s sign) such form of Restriction Agreement as required by ASX.

Existing Shareholders Mr Glenn Whiddon and 6466 Investments Pty Ltd have agreed to voluntary escrow over the Shares they hold for a period of 12 months from reinstatement. As at the date of this Prospectus, those Shareholders hold 34,437,650 Shares in total.

The restricted securities listed above are subject to change depending on the escrow periods imposed by ASX in accordance with the Listing Rules. Prior to the Company's Shares being reinstated to trading on the ASX, the Company will enter into Restriction Agreements with the recipients of the restricted securities in accordance with Chapter 9 of the Listing Rules, and the Company will announce to ASX full details (quantity and duration) of the Securities required to be held in escrow.

6.14 Dividend policy

The Company does not expect to declare any dividends in the near future as its focus will primarily be on its expenditure commitments under the Farm-in Agreement and the pursuit of further investments as part of its counter-cyclical investment strategy.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances can be given by the Company in relation to the payment of dividends or that franking credits may attach to any dividends.

6.15 How to apply

(a) Public Offer

Applications for Shares under the Public Offer will only be accepted on the general application form accompanying this Prospectus (**Public Offer Application Form**). The Public Offer Application Form must be completed in accordance with the instructions set out on the back of the form.

The Public Offer Application Form must be accompanied by a personal cheque, payable in Australian dollars, or an electronic transfer to the bank account advised by the Company, for an amount equal to the number of Shares for which the Applicant wishes to apply multiplied by the Application price of \$0.045 per Share. Cheques must be made payable to “**Azonto Petroleum Ltd – Share Offer Account**” and should be crossed “**Not Negotiable**”.

Applications for Shares must be for a minimum of 44,445 Shares (\$2,000) and thereafter in multiples of 11,112 Shares (\$500).

Completed Public Offer Application Forms and accompanying cheques (or payment to the bank account advised by the Company) must be received by the Share Registry before 3.00pm (AWST) on the Closing Date at the following address:

Computershare Investor Services Pty Limited
GPO Box 52 Melbourne
Victoria 3001 Australia

Applicants under the Public Offer are urged to lodge their Public Offer Application Forms as soon as possible as the Public Offer may close early without notice.

An original, completed and lodged Public Offer Application Form, together with a cheque for the Application Monies or an electronic transfer to the bank account advised by the Company, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Public Offer Application Form. The Public Offer Application Form does not need to be signed to be valid. If the Public Offer 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 Public Offer 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 cheque or direct transfer for the Application Monies.

(b) **Vendor Offer**

The Vendor Offer is an offer to Havoc (and its nominee/s) only.

Only Havoc (and its nominee/s) may apply for Shares and Performance Shares under the Vendor Offer.

A personalised application form will be issued to Havoc (and its nominee/s), together with a copy of this Prospectus (**Vendor Offer Application Form**). The number of Shares and Performance Shares to be offered to Havoc (and its nominee/s) will be outlined in the Vendor Offer Application Form provided by the Company. The Company will only provide the Vendor Offer Application Form to Havoc Manager (and its nominee/s).

In order to apply for the issue of Shares and Performance Shares under the Vendor Offer, you must complete and return the personalised Vendor Offer Application Form to:

Company Secretary
Azonto Petroleum Ltd
Suite 5, 531 Hay Street
Subiaco, WA 6008

by no later than 5.00pm on the Closing Date. If you do not return your Vendor Offer Application Form by this time and date, then the Vendor Offer will lapse.

(c) **Convertible Note Share Offer**

The Convertible Note Share Offer is an offer to the Calima Noteholders (and their nominee/s) only.

Only the Calima Noteholders (and their nominee/s) may apply for Shares under the Convertible Note Share Offer.

A personalised application form will be issued to the Calima Noteholders (and their nominee/s), together with a copy of this Prospectus (**Convertible Note Share Offer Application Form**). The number of Shares to be offered to the Calima Noteholders (and their nominee/s) will be outlined in the Convertible Note Share Offer Application Form provided by the Company. The Company will only provide the Convertible Note Share Offer Application Form to the Calima Noteholders (and their nominee/s).

In order to apply for the issue of Shares under the Convertible Note Share Offer, you must complete and return the personalised Convertible Note Share Offer Application Form to:

Company Secretary
Azonto Petroleum Ltd
Suite 5, 531 Hay Street
Subiaco, WA 6008

by no later than 5.00pm on the Closing Date. If you do not return your Convertible Note Share Offer Application Form by this time and date, then the Convertible Note Share Offer will lapse.

(d) **Management Option Offer**

The Management Option Offer is an offer to Incoming Management (and their nominee/s) only.

Only Incoming Management (and their nominee/s) may apply for Management Options under the Management Option Offer.

A personalised application form will be issued to Incoming Management (and their nominee/s), together with a copy of this Prospectus (**Management Option Offer Application Form**). The number of Management Options to be offered to Incoming Management (and their nominee/s) will be outlined in the Management Option Offer Application Form provided by the Company. The Company will only provide the Management Option Offer Application Form to Incoming Management (and their nominee/s).

In order to apply for the issue of Management Options under the Management Option Offer, you must complete and return the personalised Management Option Offer Application Form to:

Company Secretary
Azonto Petroleum Ltd
Suite 5, 531 Hay Street
Subiaco, WA 6008

by no later than 5.00pm on the Closing Date. If you do not return your Management Option Offer Application Form by this time and date, then the Management Option Offer will lapse.

(e) **Adviser Offer**

The Adviser Offer is an offer to Euroz (and its nominee/s) only.

Only Euroz (and its nominee/s) may apply for Shares under the Adviser Offer.

A personalised application form will be issued to Euroz (and its nominee/s), together with a copy of this Prospectus (**Adviser Offer Application Form**). The number of Shares to be offered to Euroz (and its nominee/s) will be outlined in the Adviser Offer Application Form provided by the Company. The Company will only provide the Adviser Offer Application Form to Euroz (and its nominee/s).

In order to apply for the issue of Shares under the Adviser Offer, you must complete and return the personalised Adviser Offer Application Form to:

Company Secretary
Azonto Petroleum Ltd
Suite 5, 531 Hay Street
Subiaco, WA 6008

by no later than 5.00pm on the Closing Date. If you do not return your Adviser Offer Application Form by this time and date, then the Adviser Offer will lapse.

6.16 Application monies to be held on trust

Until the Securities are issued under this Prospectus, the Application Monies for Shares under the Public Offer will be held by the Company on trust on behalf of Applicants in a separate bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus. If the Shares to be issued under this Prospectus are not admitted to quotation within three months after the date of this Prospectus, no Securities will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

6.17 Allocation of Securities

The Directors will determine the recipients of the Shares under the Public Offer. The Directors reserve the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded by cheque to the Applicant (without interest).

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Public Offer closes. Securities under the other Offers will be issued on or about the same date as Shares under the Public Offer. Holding statements will be dispatched as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares.

Applicants who sell the Shares before they receive their holding statement will do so at their own risk.

6.18 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place in which, or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. 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. No action has been taken to register this Prospectus or qualify the Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

6.19 Firm Commitments

As outlined in Section 6.1 above, the Company has received firm commitments from the Investors for the Minimum Subscription. The following fees will be paid in respect of the Public Offer and the firm commitments:

- (a) a capital raising fee equal to 6% of the gross cash proceeds raised by the Investors;
- (b) firm commitment fees of \$112,500 proportionally to the Investors based on their commitments; and
- (c) a total of 10,000,000 Firm Commitment Options will be granted to the Investors (or their nominees). The Firm Commitment Options will have an exercise price of \$0.045 (post-Consolidation) with a term of 3 years from grant.

6.20 Commissions on application forms

The Company will pay a capital raising fee of 6% (exclusive of goods and services tax) to licensed securities dealers or Australian Financial Services Licensees in respect of valid Applications lodged and accepted by the Company and bearing the stamp of a licensed securities dealer or Australian

Financial Services Licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services Licensee.

6.21 CHES and Issuer Sponsorship

The Company participates in the Clearing House Electronic Subregister System (**CHES**). All trading on ASX in existing Shares is, and in new Shares will be, settled through CHES. ASX Settlement Pty Ltd (**ASXS**), a wholly-owned subsidiary of ASX, operates CHES in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry operates an electronic issuer sponsored sub-register and an electronic CHES sub-register. The two sub-registers together make up the Company's principal register of securities.

Under CHES, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASXS will send a CHES statement.

The CHES statement will set out the number of Securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Securities.

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

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

6.22 Risks

As with any investment in securities, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 13 of this Prospectus. An investment in the Securities on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

6.23 Forecast financial information

The Company will only complete the Acquisition shortly before re-quotations of the Shares on the Official List and there will be an integration period following that. In addition, the Company intends to utilise funds raised from the Public Offer primarily on its expenditure commitments under the Farm-in Agreement. Consequently, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. In light of uncertainty as to timing and outcome of the Company's growth strategies, the Company's performance in any future period cannot be reliably estimated. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and, accordingly, financial forecasts have not been included in this Prospectus.

6.24 Privacy statement

If you complete an Application for Securities, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your Application, service your needs as a security holder and to facilitate distribution payments and corporate communications to you as a security holder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your Securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that the Company holds about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application Form for Securities, the Company may not be able to accept or process your Application.

6.25 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.

6.26 Enquiries

This is an important document and should be read in its entirety. Investors should consult with their professional advisers before deciding whether to apply for Securities under this Prospectus. Any investment in the Company under this Prospectus should be considered highly speculative.

Questions relating to the Offers can be directed to the Company on (08) 9380 8333.

7. Company overview

7.1 Introduction

The Company has entered into a conditional farm-in agreement (**Farm-in Agreement**) in relation to oil and gas licences prospective for the Montney Formation in British Columbia, Canada (**Montney Project**). The Farm-in Agreement gives the Company the right to acquire a working interest of up to 55% in the Montney Project and operatorship of the Project.

In conjunction with the Company's entry into the Farm-in Agreement, the Company has also entered into a binding term sheet (**Acquisition Agreement**) to acquire Calima Energy Ltd (**Calima**) from Havoc Partners LLP (**Havoc**) (**Acquisition** and, together with the Farm-in Agreement, the **Proposed Transaction**). Calima holds interests in petroleum permits in Saharawi Arab Democratic Republic and passive minority interests in TMKM and Bahari.

The key terms of the Farm-in Agreement and the Acquisition Agreement are set out in Section 14.2 and 14.3 (respectively).

The Company's proposed strategy post completion of the Offers and the Acquisition is to take advantage of the currently dislocated oil and gas market to acquire projects where investment in geoscience can add disproportionate value in the short to medium term (including the Montney Project and the other assets held by Calima). The Company will seek additional projects that could be the cornerstone of new oil and gas companies or should appeal to larger companies seeking opportunities for material growth. See Section 7.14 for further details.

7.2 Overview of Montney Project and Farm-in Agreement

The Montney Project is comprised of approximately 53,000 gross acres prospective for the Montney Formation in British Columbia, North America. See the Independent Geologist's Report in Section 9 and the Title Report in Section 10 for further information on the Montney Project.

The Montney Formation is a pervasive hydrocarbon system over 100km wide that is rapidly emerging as one of North America's premier resource plays. The ultimate potential, commercial volumes of unconventional petroleum in the Montney Formation is estimated to be 449 tcf of natural gas, 14.5 bnbbbls of natural gas liquids and 1.1 bnbbbls of oil. The Montney Project joint venture (**Montney JV**) has a substantial acreage position in the Montney with plans to drill several wells to demonstrate productivity of the reservoirs. See below for further details on the Montney Project. The joint operating agreement that applies to the Montney JV is based on and incorporates the standard joint operating agreement terms published by the Canadian Association of Petroleum Landmen.

Under the Farm-in Agreement, the Company will sole-fund and earn-in to the Montney Project in 3 Stages and has the right to earn a working interest of up to 55% in the Montney Project as follows:

Stage	Expenditure Commitment	Working Interest earned (cumulative)	Latest Date
1	C\$5 million	20% (20%)	1 Aug 2018
2	C\$7 million	17.5% (37.5%)	28 Feb 2019
3	C\$13 million	17.5% (55%)	28 Feb 2020

The Company will become the Operator of the Montney Project with effect from commencement of the Farm-in.

The Farm-in Agreement is conditional on the Company re-complying with Chapters 1 and 2 of the Listing Rules (see Section 6.8 for further details). The Company paid a non-refundable deposit of C\$500,000 to the Montney JV on execution of the Farm-in Agreement. Once the re-listing condition has been satisfied, this deposit will be applied towards the Company's Stage 1 Farm-in commitment.

The other key terms of the Farm-In Agreement are summarised in Section 14.2.

The Company intends to fund the Stage 1 contributions using available cash after completion of the Proposed Transaction and the Public Offer. Those Stage 1 Farm-in Contributions will be used to fund:

- data licencing, seismic interpretation and drill planning; and
- additional acreage acquisition.

The Company will need to raise additional funds to fund the Stage 2 and 3 Farm-in contributions should it elect to proceed with those further earn-ins. If the Company does not elect to proceed with Stages 2 and 3 of the Farm-in, it will be entitled to retain the working interest earned under Stage 1 of the Farm-in, and the joint venturers will then contribute to project expenditure on a pro rata basis.

The lands the subject of the Montney JV are subject to a 1% royalty under an existing royalty agreement. Should the Montney JV move into production, the Company will be liable for its working interest share of this royalty (55% if the Company completes all three stages of the Farm-in).

7.3 Overview of Calima

Calima, a Jersey registered company incorporated on 7 March 2014, owns:

- a 50% interest in four production sharing contracts (Daora, Haouza, Mahbes and Mijek) with the Saharawi Arab Democratic Republic (**SADR PSCs**);
- a passive minority shareholding of approximately 11% of the issued shares in TMK TMKM, which equates to a 4.5% effective interest in the Montney Project, pre Farm-in;
- a passive minority shareholding of approximately 10% of the issued shares in Bahari; and
- approximately A\$400,000 in cash.

Calima is 100% owned by Havoc. Havoc is a limited liability partnership registered in the United Kingdom, founded by Alan Stein, Jonathan Taylor, Richard Higgins, Justin Norris and Mark Sofield (the **Havoc Members**). Prior to founding Havoc, the Havoc Members had worked together as founders, board and management of Fusion Oil & Gas plc and Ophir Energy plc.

Calima acquired the 50% interest and operatorship in the four SADR PSCs from Ophir Energy in November 2014 in consideration for the payment of a 2.5% net profits interest to Ophir in respect of petroleum produced from lands covered by the PSCs.

The SADR is commonly referred to as Western Sahara. The four PSCs, Daora, Haouza, Mahbes and Mijek cover an area of more than 70,000 km² extending from the coast out to water depths greater than 2,000m. Should petroleum be produced from the Mahbes, Mijek, Haouza and Daora PSCs, the Company will be liable for its 50% participating interest share of the 2.5% net profits interest to Ophir. The SADR PSCs are supplemented by Assurance Agreements executed by the SADR Government, which provide that the SADR PSCs are effective from and commence upon recognition of the sovereign status of the SADR by the United Nations and the SADR Government passes necessary tax and petroleum titles legislation (the **Assurance Agreements**). See Section 7.12 for further details.

TMKM, an Australian public unlisted company demerged out of Tamaska Oil & Gas Limited (ASX: TMK) in October 2015, owns (through a subsidiary) a 40% working interest in the Montney Project. The remaining 60% working interest in the Montney Project is owned by TSVM. The working interests of TMKM and TSV Montney will be diluted as the Company proceeds with the Farm-in referred to above.

Bahari, a private Guernsey registered company, is focused on frontier exploration in under explored provinces in Sub-Saharan Africa and the Western Indian Ocean. Bahari owns 40% of a PSC covering approximately 18,000 km² which is outboard of and on trend with Rovuma Offshore Areas 1 and 4, in Mozambique.

Canada – The Montney Formation Unconventional Play

7.4 Introduction

Havoc acquired 11.2% of TMKM in 2014 (now owned through Calima). TMKM owns a 40% working interest in the Montney Project as part of the Montney JV with TSV.

As at the date of this Prospectus, the Montney JV had invested approximately C\$11.26 million resulting in the acquisition of drilling licences covering approximately 53,000 acres of land in British Columbia (predominantly within the Caribou area), which is considered to be highly prospective for the Montney Formation.

The Company will acquire an 11.2% interest in TMKM through its acquisition of Calima. The Company can also acquire up to a 55% interest in the Montney JV through the three stage Farm-in Agreement described above (see Section 14.2 for further details). TMKM’s working interest in the Montney JV will be diluted as the Company proceeds with the Farm-in.

See the Independent Geologist’s Report in Section 9 and the Title Report in Section 10 for further information on the Montney Project.

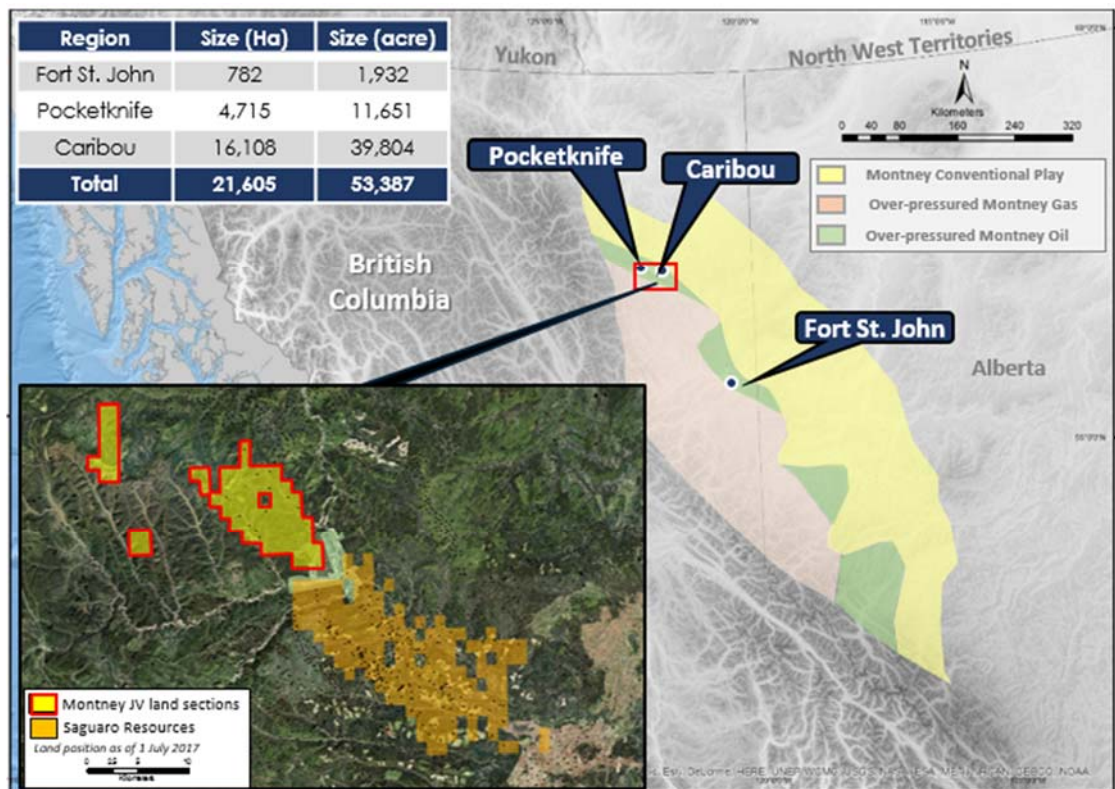


Figure 1 - The Montney JV invested c\$11.26 million resulting in the acquisition of 75 sections of land in the Caribou, Pocketknife (together comprising the greater Caribou area) and Fort St John areas of British Columbia. Inset: Montney JV acreage as the date of this Prospectus in yellow adjacent to Saguaro Resources’ acreage in the Caribou area (and the adjoining Laprise area).

A more detailed map showing the location of the Montney JV's land holdings in the greater Caribou area, as at the date of this Prospectus, is shown in Figure 2 below.

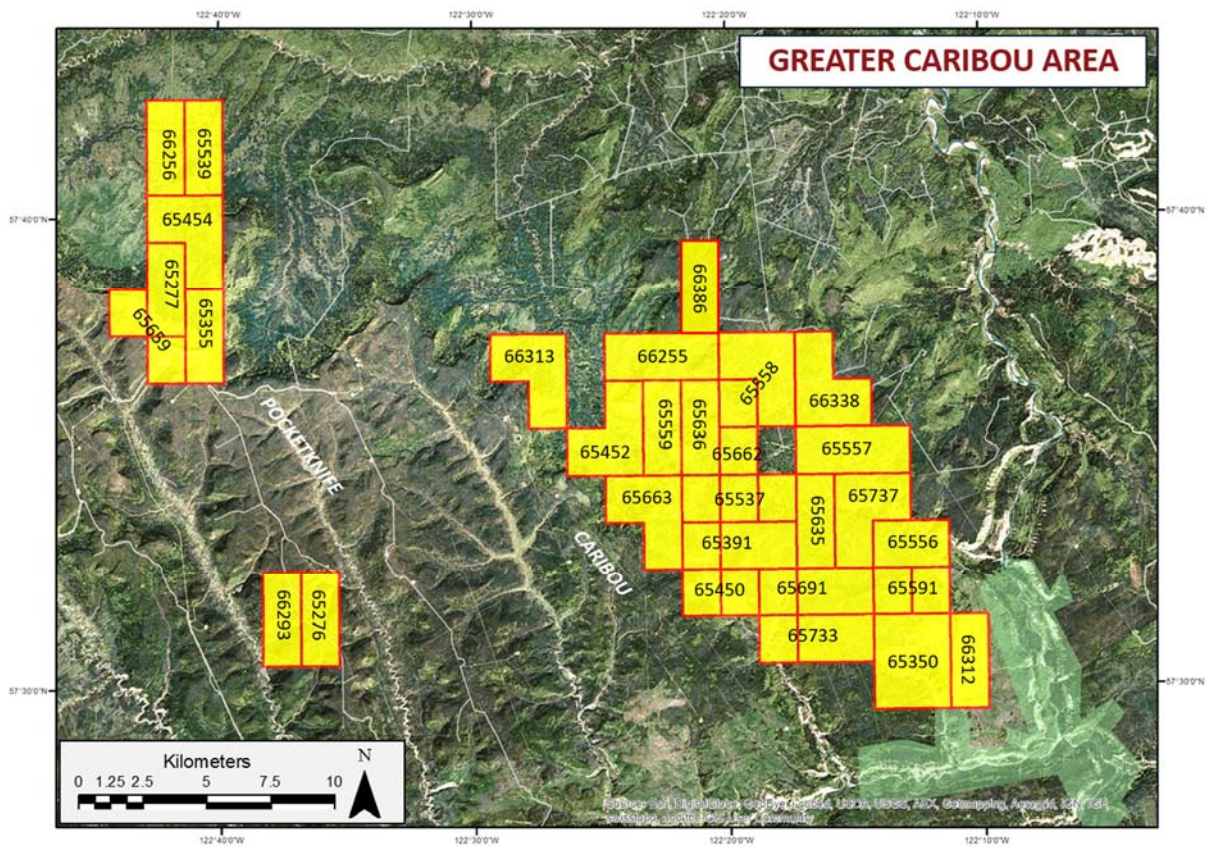


Figure 2 – Montney JV licensed sections in the Caribou and Pocketknife Areas as at the date of this Prospectus.

Further details of the Montney JV's land holdings are set out in the Title Report which has been included in Section 10. A map of the Montney JV's holdings in the Fort St John area has not been included as the Montney JV's remaining licences in the Fort St John area will expire in July and August 2017.

7.5 The Montney Formation

The Montney Formation is an Early Triassic aged formation in the Western Canadian Sedimentary Basin extending over 180,000 square kilometres from north-east British Columbia to north-west Alberta (see Figure 3 below). The siltstones of the Montney Formation form part of the Western Canada 'Deep Basin' system, a pervasive hydrocarbon system of organic rich shales and siltstones where tight reservoirs exist in close proximity to matured hydrocarbon-expelling source rocks.

Like the Eagle Ford, Utica Shale and other unconventional plays in North America, the Montney Formation has dry gas, liquids-rich gas, and oil windows. As the generated hydrocarbons are in-situ, or in very close proximity to the mature source rocks, the system becomes 'inverted' from

the conventional sense so that water sits above the oil window, which in turn sits above increasingly dryer gas with depth (see Figures 3 and 4 below).

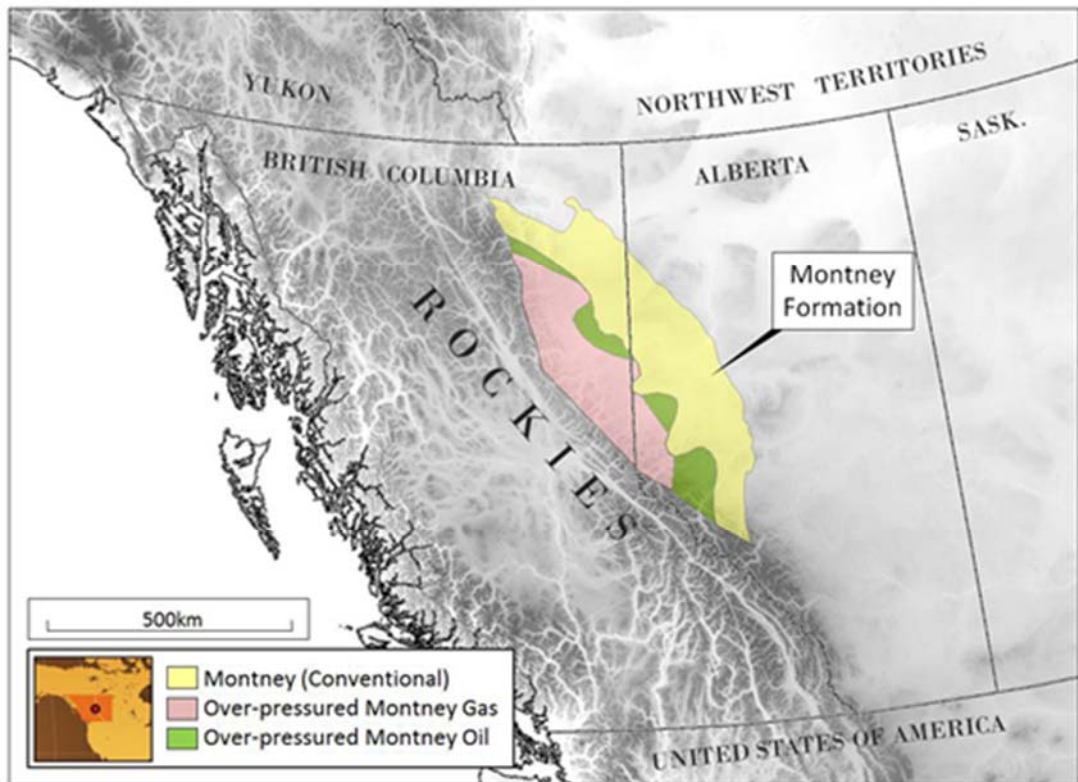


Figure 3 – Location of the Montney Siltstone Play (Western Canada)

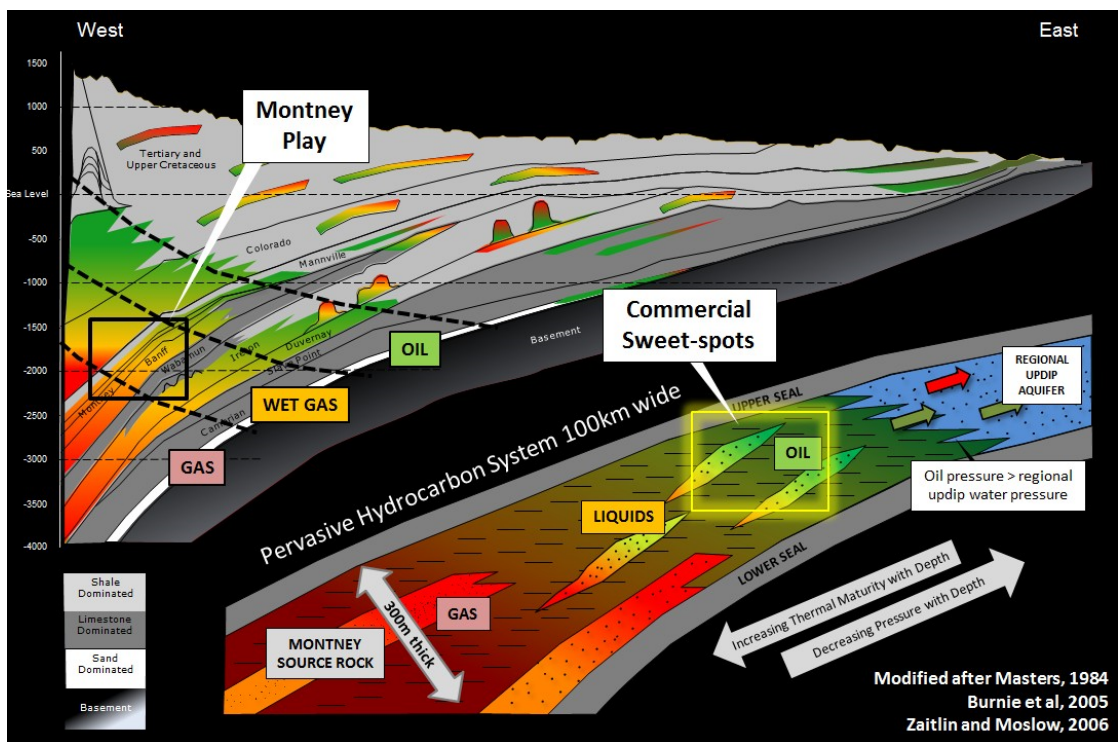


Figure 4 – Representative cross section across the Western Canadian Sedimentary Basin illustrating the 'Deep Basin' hydrocarbon system

7.6 Liquids-Rich Montney Play

The Montney JV has been particularly focused on areas in the Montney Formation which Management have determined, based on the results of nearby drilling and in-house mapping, are rich in liquid hydrocarbons. The “liquids-rich” parts of the Montney Formation in north-east British Columbia emerged and began to be developed in late 2013 and 2014. Following some exceptional results in liquids-rich areas, the Montney Formation was thrust on to the scene as one of the most commercially attractive and compelling unconventional prospects in North America. A rush to find where new liquid-rich sweet-spots might emerge along the play ensued as existing and aspiring Montney Formation companies started assessing new areas for land acquisition.

Using an extensive digital well-log dataset of over 1,400 existing public domain wells, the Montney JV aimed to identify potential new liquids sweet-spots in the play using a regional data layering methodology which is sometimes referred to as Common Risk Segment Mapping.

Recognition of critical play elements within the hydrocarbon system were ‘stacked’ to identify potential sweet-spots. Through calibration to existing production, Common Risk Segment Maps were used to create detailed interpretations across the play.

7.7 Identifying the Liquids Rich Sweet-spots

The first step in understanding the play was to characterise and isolate the interpreted play components of the system. Studying the more than 3,500 horizontal wells currently producing in the play allowed the Montney JV to develop an understanding of what the key components of the hydrocarbon system were. Proven and potential ‘sweet-spots’ became apparent as the play components were ‘stacked’. Following the sweet-spot mapping process several areas were high-graded for targeted land acquisition (see Figure 5 below). This methodology is used commonly in international exploration but apparently has not been widely adopted in North America. This innovative approach to a data rich unconventional play was one of the criteria that influenced Havoc in making its initial investment.

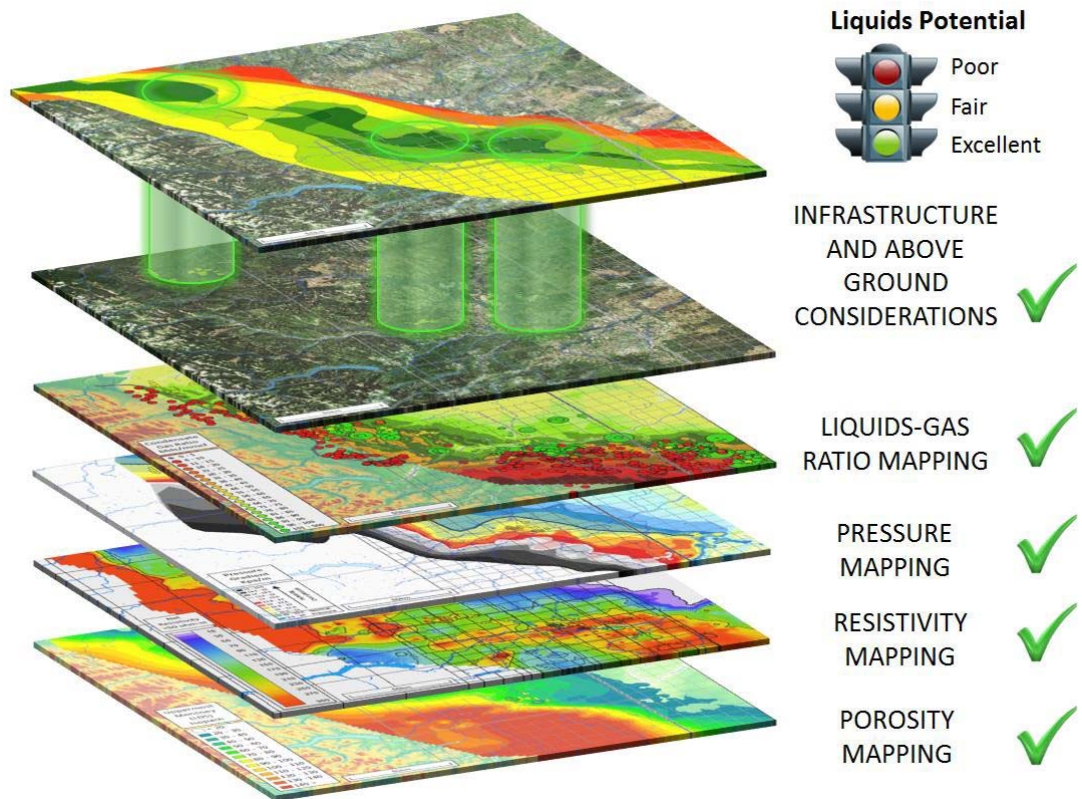


Figure 5 – Sweet-spot mapping for areas of high liquids potential. The key components mapped spatially included Porosity, Resistivity, Pressure, Liquids-Gas ratio and above ground considerations such as terrain and infrastructure. The resultant ‘stacked’ map identifies potential ‘sweet-spots’ within the play.

Following the detailed regional play fairway analysis the JV developed an acreage position of 75 land sections (approx. 51,000 gross acres) in the greater Caribou area as at the date of this Prospectus which offered a combination of attractive geology and unlicensed land.

The Montney JV also holds some licences in the Fort St John area but there is not enough vacant acreage available to build a meaningful project of sufficient scale to be developed independently and so this area is considered to have lower priority than Caribou. The Montney JV’s remaining licences in the Fort St John area will expire in July and August 2017.

7.8 Adjacent Production Provides an Analogue

Saguaro Resources (Saguaro) is a private Canadian company founded in 2012 that has secured a strong footprint immediately to the southeast of the Caribou acreage held by Calima with a focus on the emerging Montney liquids rich play.

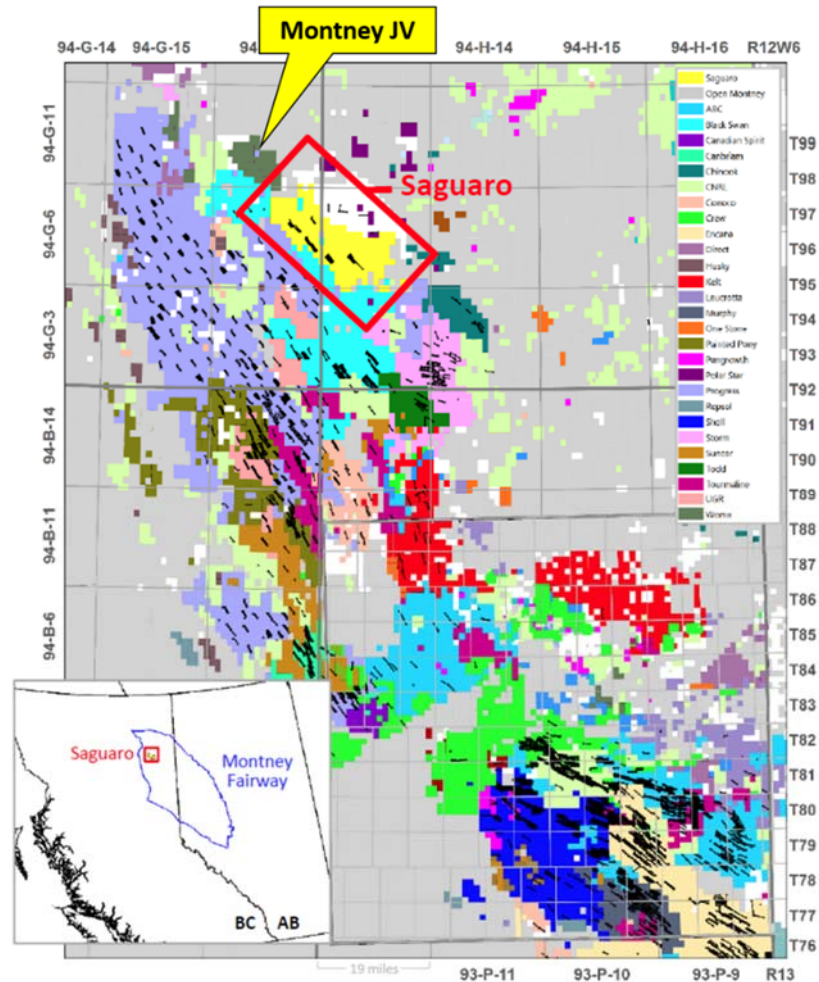


Figure 6 – The Saguaro acreage position is along trend from the Montney JV land position.

Saguaro’s Q1 2017 production exceeded 10,000 boed from 32 (horizontal wells) with peak daily production in December 2016 exceeding 12,000 boed. The average liquid yield from all wells drilled is 55 bbl/MMcf of which 71% is condensate.

Saguaro’s 2016 drilling and completion costs with a 2,000m horizontal section were approximately C\$5.25 million per well.

Based on vertical well penetrations of the Montney Formation in legacy wells the data layering methodology (Common Risk Segment Mapping) predicts that the Montney JV lands will be directly analogous to the Saguaro lands in terms of productivity and liquids yield. Accordingly, the Company believes the proposed work programme under the Farm-in Agreement should result in a substantial oil & gas resource estimate for the Montney JV acreage.

7.9 Drilling Licences and Petroleum and Natural Gas Leases

The drilling licences held by the Montney JV provide the right to explore petroleum and natural gas by drilling. The key licences in the Caribou and Pocketknife areas consist of 25 drilling licences representing 75 land sections (approx. 51,000 acres) as at the date of this Prospectus with a primary term of 4 years.

Montney Section in a drilling licence can be converted to a Petroleum and Natural Gas Leases (**Leases**) with the right to explore and produce petroleum and natural gas after drilling an earning well. The purpose of doing this is to extend the exploration term or obtain the right to produce.

Drilling licences in the Caribou area can be converted to Leases at the rate of up to 13 Gas Spacing Areas (equivalent to 13 land sections) per horizontal well (with a wellbore length greater than 3,001 metres).

Leases in these areas have a primary term of 10 years.

The Montney JV has to drill well locations that will ensure the maximum capture of production leases from the drilling of the first three wells.

See the Title Report in Section 10 for further information on the Montney JV's land holdings.

7.10 Historical expenditure and work done by the Montney JV

A number of exploration wells have been drilled in the lands held by the Montney JV however none of these wells were targeting the Montney Formation. Data from some of these wells have been used to calibrate the geological model derived from the Common Risk Segment Mapping. As at the date of this Prospectus, the Montney JV had invested approximately C\$11.26M in the acquisition of approximately 53,000 acres of drilling rights within the Montney unconventional play. Approximately 90% of the expenditure to date has been acreage acquisition costs paid to the Government. The portfolio was identified utilising a geoscience methodology to target liquids-rich sweet spots, the costs of which are included in the historical acquisition costs figure given above.

Using an extensive digital well-log dataset of over 1,400 wells, the Montney JV has identified potential liquids sweet spots within the Montney Formation by implementing a regional Common Risk Segment Mapping approach. Calibrating these results against production wells provides a means to estimate the amount of hydrocarbon recoverable from an individual well along the entire play, which in turn enables the Montney JV to target land acquisitions in the most optimal locations.

7.11 Forward Plan

The Farm-in Agreement is based around a three stage work programme as follows:

- Stage One – Acquire additional drilling licences, license and interpret available geological and geophysical data and well planning.
- Stage Two – Drill, complete and test one well to a depth of approximately 1,500m with a horizontal section of approximately 2,000m, design and plan additional wells.

- Stage Three – Drill, complete and test two wells to a depth of approximately 1,500m with a horizontal section of approximately 2,000m.

After drilling the first 3 wells the Montney JV has agreed to work collectively to determine a forward strategy that delivers the optimum rate of return to shareholders. Full field development of the Montney JV will require significant expenditure and the Company does not propose to try and finance a full field development of its acreage position in the Montney.

Given there has been extensive work undertaken in the Montney Formation to date, and much of the results of that work is publicly available, the Company expects to achieve cost savings by applying the work done and the lessons learned by others to lower its relative cost of entry comparative to other companies with similar acreage positions in the area. Accordingly, the Company believes there is considerable scope for upside on an asset disposal.

Other Assets

7.12 50% interest in SADR PSCs

As noted above, Calima owns 50% of four offshore PSCs awarded by the Saharawi Arab Democratic Republic (SADR), which is more commonly known as Western Sahara. Calima also has the operatorship of the PSCs. Calima acquired the interests in the PSCs from Ophir Energy in 2014 in consideration for the payment of a 2.5% net profits interest to Ophir in respect of petroleum produced from lands covered by the PSCs.

The PSCs are supplemented by Assurance Agreements executed by the SADR Government, which provide that the PSCs are effective from and commence once the United Nations recognises the SADR as a sovereign state, and the SADR Government passes necessary tax and petroleum titles legislation. At present a significant part of the SADR, including the offshore, is occupied by Morocco and until such time as there is a resolution to the sovereignty dispute, Calima cannot undertake exploration activity. See Section 13.1(j) for further information on the political situation in the SADR.

Recent exploration success in Senegal and Mauritania has resulted in increased industry interest in Northwest Africa as evidenced by recent transactions by BP, Woodside and CNOOC, who have all acquired acreage positions.

The Incoming Management were involved in the first offshore oil discoveries in Mauritania and have extensive experience along the Northwest African margin.

The four PSCs are called the Daora, Haouza, Mahbes and Mijek permits, and cover an area in excess of 70,000 km². Should petroleum be produced from the Mahbes, Mijek, Haouza and Daora permits, the Company will be liable for its 50% participating interest share of the 2.5% net profits interest to Ophir.

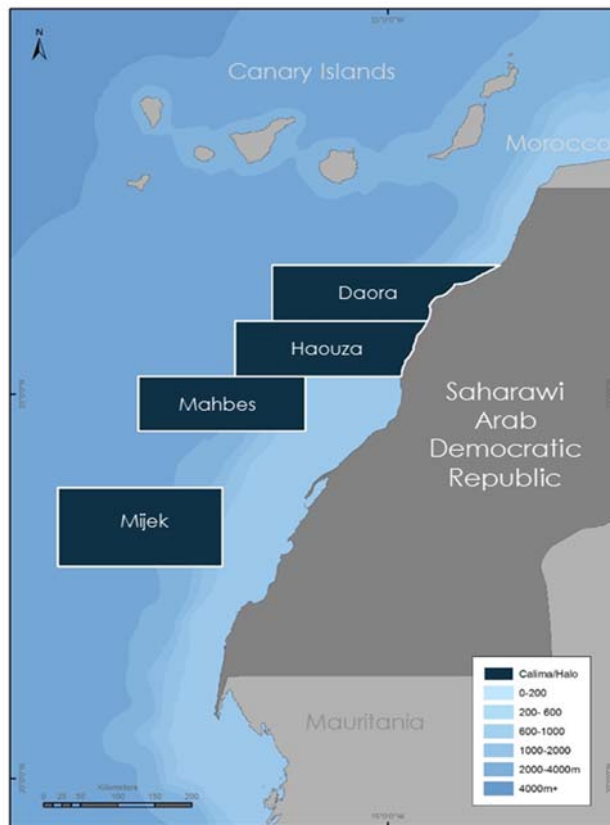


Figure 7: Calima Assurance Agreement areas – offshore Western Sahara

The principals of Havoc identified significant potential in offshore Western Sahara, following the completion of a detailed technical evaluation in 2003. The study led to the identification of potential sweet spots within the basin, where mapped source, reservoir and potential trapping mechanisms (toe-of-slope anticline) coalesce.

The eventual licensing of four offshore permits by Ophir Energy in 2006 was based on in-depth knowledge of the basin and in particular, the previously identified sweet spots.

The potential of the area was highlighted with the drilling of the CB-1 well by a third party in 2015; a well located in a licence granted by Morocco which overlaps Calima’s Haouza permit. The well, which was targeting Cretaceous reservoirs within the toe-of-slope anticline, penetrated 14m of net gas and condensate pay in clastic reservoirs, over a gross hydrocarbon-bearing interval of 500m. While the discovery was deemed non-commercial, it significantly de-risked the basin and proved the presence of a working petroleum system.

Given this result and the vast expanse of the basin, coupled with the recent successes chasing Cretaceous plays along the margin, Calima believes significant potential exists in offshore Western Sahara.

7.13 Historical expenditure and work in SADR

Offshore exploration in Western Sahara started in the late 1960’s and early 1970’s with low resolution widely spaced 2D seismic acquisition in shallow water. Based on these seismic data, four offshore wells were drilled (Spansah 51 A-1, Spangoc-47 A-1 & 47 A-2, and Alisio 15 A-1), all of which were unsuccessful. Of these wells, Spansah 51 A-1 was drilled about 100km from the

coast; relatively close to the edge of the continental shelf while the other three were in shallow waters within 30km of the coast.

Due to the occupation of Western Sahara by Morocco in the 1970s there was very little substantive exploration activity until the award of various reconnaissance permits by the Moroccan Government in 2001. In 2002 the Government of the SADR entered into a Technical Cooperation Agreement with Fusion Oil & Gas plc. The awards by Morocco and SADR overlapped. In 2006 the SADR held a licensing round in which Ophir Energy plc in partnership with another third party was awarded four PSCs supplemented by Assurance Agreements. It is these licences that were subsequently acquired by Calima. Select areas of one of the reconnaissance licences awarded by Morocco were converted to exploration licences and ended up being owned in a joint venture by third parties. That third party joint venture acquired 3D seismic and in 2015 drilled the CB-1 gas condensate discovery referred to in Section 7.12 above. The UN has stated that further exploration if undertaken with disregard to the interests of the Saharawi people would be in violation of the principles of international law. The Government of the SADR has formally notified that third party joint venture that their activities are not being undertaken in accordance with the wishes of the Saharawi people.

Until such time as there is a resolution to the sovereignty dispute it is not possible to undertake exploration activities under the agreement awarded by the SADR and so expenditure is limited to the payment of annual permit administration fees.

Business Strategy

7.14 Business strategy post re-listing

The Company's business strategy post re-listing is classically counter-cyclical designed to take advantage of momentum returning to the oil and gas sector after the savage downturn in global oil and gas prices that started in 2014.

In response to the sudden decrease in price the oil industry reduced its capital expenditure by over 60% through 2015 and 2016. Expenditure on exploration was disproportionately cut because of its discretionary nature and lack of short-term impact on balance sheets. As a consequence the oil industry's rates of discovery dropped to just over 6 billion barrels of oil equivalent in 2016 a level not seen since the 1940's. This meant the industry only replaced 12% of what the world consumed in 2016. To put this in perspective offshore oil discoveries in 2016 were around 2.3 billion barrels of oil but that was 90% less than what was discovered offshore in 2010.

The dramatic reduction in reserves replacement does not have an immediate impact upon global oil production but with fewer new oil and gas field developments in the pipeline it does begin to have an impact in the medium term. The industry reacts, as it has in all previous cycles, by reducing its cost base so that most developments become profitable at the new prevailing lower prices. Some analysts are reporting deepwater breakeven prices reduced from approximately \$80/bbl in 2014 to approximately \$50/bbl in 2017. It has been claimed that deepwater developments in the Gulf of Mexico are now cost competitive with mainstream US unconventional plays.

As the industry and the capital markets adjust to a new price outlook, the Company believes focus will shift from capex reductions to repairing reserve inventories and seeking growth opportunities. Some analysts predict a modest increase in capital investment for 2017, which may be an indication of the beginning of a new cycle.

The Company proposes to take advantage of the currently dislocated market to acquire projects where investment in geoscience can add disproportionate value in the short to medium term. In addition to the Montney Project and the other assets held by Calima, the Company will seek projects that could be the cornerstone of new oil and gas companies or should appeal to larger companies seeking opportunities for material growth.

The strategy is opportunistic and is not necessarily full cycle in that the Board will focus on projects where there is a realistic chance of realizing value for shareholders in the short to medium term.

The incoming management team have the necessary geoscience and commercial skills to identify suitable growth projects for the Company.

8. Directors, key management and corporate governance

8.1 Director profiles

Subject to completion of the Acquisition, it is intended that the Board of the Company will comprise:

- Alan Stein – Managing Director;
- Jonathan Taylor – Technical Director;
- Glenn Whiddon – Executive Chairman; and
- Neil Hackett – Non-Executive Director.

Existing Director Robert Downey will resign from the Board with effect from Completion.

Brief profiles of the Directors of the Company following completion of the Offers and the Acquisition are set out below.

Alan Stein

Managing Director

Alan has more than 25 years' experience in the international oil and gas industry. He was one of the founding partners of the geoscience consultancy IKODA Limited based in London and Perth and was the founding Managing Director of Fusion Oil & Gas plc and Ophir Energy plc (see Section 8.3 for further details of these companies). Fusion was listed on the UK AIM market in 2000 and made several discoveries offshore Mauritania before being sold in 2003. Most of the team at Fusion moved on together to create Ophir Energy plc and Alan was appointed as its Managing Director upon inception. Ophir was involved in several discoveries offshore Equatorial Guinea and Tanzania discovering more than 18Tcf of gas.

When Ophir listed in London on the London Stock Exchange in 2011 it was one of the largest ever listings of an E&P company in the UK and it became a constituent of the FTSE-250 index. When Alan resigned from the Board in 2012 to pursue his own business interests Ophir had a market capitalisation of approximately £2 billion.

Alan, together with four of his colleagues from both Fusion and Ophir (being the other Havoc Members), established Havoc in 2014 as a natural resource investment partnership. Havoc has various interests involved in the exploration for oil and gas, rare gases, precious and base metals. A summary of the Havoc team's credentials is set out in Section 8.3 below.

Alan is currently the Non-Executive Chairman of Hanno Resources Ltd and Sea Captaur Limited and is a Non-Executive Director of Bahari.

Refer to Section 8.7(a) for a summary of the material terms of Mr Stein's engagement under the Havoc Consulting Agreement.

Jonathan Taylor

Technical Director

Jon has more than 25 years' experience in the international oil and gas industry. He started his career with Amerada Hess in the UK before moving to Clyde Petroleum plc where he was involved in international exploration including postings to Yemen and Myanmar. He relocated to Perth in 1998 to take up the role of Technical Director at Fusion Oil & Gas plc which built an extensive portfolio focused on Northwest and West Africa (see Section 8.3 for further details of these companies). Fusion was listed on the UK AIM market in 2000 and made several discoveries offshore Mauritania before being sold in 2003. Most of the team at Fusion moved on together to create Ophir Energy plc and Jon once again took up the role of Technical Director. Ophir was involved in several discoveries offshore Equatorial Guinea and Tanzania ultimately discovering more than 18Tcf of gas.

When Ophir listed in London on the London Stock Exchange in 2011 it was one of the largest ever listings of an E&P company in the UK and it became a constituent of the FTSE-250 index. Jon resigned from the Board of Ophir in 2014 and, together with four of his colleagues from both Fusion and Ophir (being the other Havoc Members), established Havoc in 2014 as a natural resource investment partnership. Havoc has various interests involved in the exploration for oil and gas, rare gases, precious and base metals. A summary of the Havoc team's credentials is set out in Section 8.3 below.

Jon is currently a non-executive director of Helium One Limited and Citra Partners Ltd.

Refer to Section 8.7(a) for a summary of the material terms of Mr Taylor's engagement under the Havoc Consulting Agreement.

Glenn Whiddon

Executive Chairman

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

Glenn is currently a director of Auroch Minerals Limited, Statesman Resources Limited and Fraser Range Metals Group Limited.

Neil Hackett

Non-Executive Director and Joint Company Secretary

Neil holds a Bachelor of Economics from the University of Western Australia, post-graduate qualifications in Applied Finance and Investment, and is a Graduate (Order of Merit) with the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia. Neil is currently Non-executive Chairman of ASX listed company Ardiden Limited and is the company secretary of Metalicity Ltd and Steel Blue Footwear. Neil is also Chairman of non-listed company Westcycle Inc.

8.2 Key Management Personnel

In addition to the appointment of Alan Stein and Jonathan Taylor to the Company's Board and management team as outlined in Section 8.1 above, the other founders of Havoc (Richard Higgins, Justin Norris and Mark Sofield) will also join the Company's management team under the Havoc Consulting Agreement.

A summary of the Havoc team's credentials is set out in Section 8.3 below.

Refer to Section 8.7(a) for details of the material terms of the Havoc Consulting Agreement.

Neil Hackett will remain as the Company's company secretary following completion of the Offers and the Acquisition and James Bahen will be appointed as joint Company Secretary and financial controller. See Section 8.1 for a brief profile for Mr Hackett.

James Bahen

Joint Company Secretary

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

8.3 Havoc Team's Credentials

Havoc Partners LLP is a partnership established by the five Havoc Members, who are geoscientists who have worked together for a considerable number of years. Two of the partners, Alan Stein and Richard Higgins, first worked together at the geoscience consultancy IKODA Limited where Stein was one of the founding Directors. The whole team came together at Fusion Oil & Gas plc and then continued to work together at Ophir Energy plc before forming Havoc in 2014.

Havoc's credentials are established via the key role the individuals played in building these two operating companies from the ground up and in the case of Ophir Energy plc to becoming a deepwater drilling operator, safely completing many projects in challenging frontier deepwater locations (often on behalf of larger joint venture partners). It is the combination of company building and financing experience as well as operational skills that makes the Havoc team unique.

Fusion was established in 1998 and raised £2 million of seed capital by way of a share issue priced between 4-5 pence. Fusion raised a further £15 million at IPO by the issue of shares at 50 pence. At IPO Fusion was valued at £45 million and at its peak in mid-2001 following the Chinguetti discovery was worth £68 million.

Fusion built a substantial portfolio of interests across West Africa and participated in several oil and gas discoveries offshore Mauritania. The Company drilled an onshore well in Ghana as operator and acquired numerous offshore 2D and 3D seismic surveys. Fusion was sold to Sterling Energy plc in late 2003 for £40 million. In total Fusion raised £19 million through the issue of shares and realised £7.5 million from the sale of assets.

Ophir was started with a seed capital round in 2004 raising £6 million via the issue of shares at 25 pence. This was followed by a fully subscribed rights issue raising a further £5.4 million in 2005

via the issue of shares at 81.25 pence. Seed capital investors therefore contributed £11.4 million at an average price of 37 pence.

Over the period 2007-2009 Ophir raised approximately £280 million via the issue of shares priced between £2.00 and £2.50. At IPO in 2011 Ophir raised £230 million via the issue of new shares at £2.50 per share giving Ophir a valuation of £800 million.

Ophir acquired an extensive portfolio of interests with involvement in eight jurisdictions and by 2010 was the fifth largest deepwater acreage holder in Africa. Ophir drilled its first deepwater wells as Operator in 2008 making gas discoveries in Equatorial Guinea and in 2010 made further gas discoveries offshore Tanzania with BG as the non-operating JV partner. All these wells were drilled without incident and with top quartile performance.

Over the period 2008-2013 Ophir drilled 14 deepwater wells as Operator and had participated as partner in the drilling of 8 more. Of the wells drilled 15 were either discoveries or successful appraisals. The Tanzania and Equatorial Guinea projects, acquired and managed by the Havoc team, have gone on to discover over 15 Tcf of gas in Tanzania and 3 Tcf of gas in Equatorial Guinea.

At its peak in 2012, Ophir shares were trading above £6.00 per share and the company was worth in excess of £2 billion.

The Havoc team were the founders and leaders of both Fusion and Ophir with responsibility ranging across all aspects of the business from technical and operations to commercialisation and corporate.

8.4 Directors' 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:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (c) the Offers,

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 Offers.

8.5 Directors' Securities interests

Directors are not required under the Company's Constitution to hold any Shares.

The interests of the Directors in Securities of the Company as at the date of this Prospectus (on a pre-Consolidation basis) are as follows.

Director	Shares		Performance Rights
	Number	%	
Glenn Whiddon ¹	31,667,568	2.72%	0
Neil Hackett	2,206,667	0.19%	6,501,179 ²
Robert Downey	1,500,000	0.13%	0
<p>1. 6466 Investments Pty Ltd holds 71,645,382 Shares. Shares held by 6466 Investments Pty Ltd are only included here for good corporate governance purposes. 6466 Investments Pty Ltd is controlled by Jane Whiddon, the spouse of Glenn Whiddon, independently of Mr Whiddon. Mr Whiddon has no relevant interest in the shares held by 6466 Investments Pty Ltd.</p> <p>2. Existing Performance Rights with various vesting conditions and performance milestones. See Section 6.11 for a summary of the applicable vesting conditions. The Existing Performance Rights will expire on 18 December 2017.</p>			

The Existing Directors and the Proposed Directors have advised that they do not intend to subscribe for any Shares under the Public Offer.

The anticipated interests of the Directors in the Securities of the Company, following completion of the Offers and the Acquisition, are as follows:

Director	Shares		Performance Shares ¹	Performance Rights ²	Management Options ³
	Number	%			
Glenn Whiddon	10,555,856	2.15%	-	-	-
Alan Stein	33,424,545	6.82%	16,145,825	2,700,000 ²	6,600,000
Jonathan Taylor	12,455,046	2.54%	1,525,948	8,250,000 ²	6,600,000
Neil Hackett	735,556	0.15%	-	2,167,060 ⁴	-
<p>1. Various classes of Performance Shares with various vesting performance milestones. A summary of the terms and conditions of the Performance Shares is set out in Section 15.2.</p> <p>2. New Performance Rights subject to various vesting conditions and performance milestones. A summary of the terms and conditions of the New Performance Rights is set out in Section 15.4.</p> <p>3. Various classes of Management Options with various exercise prices, expiry dates and vesting conditions. A summary of the terms and conditions of the Management Options is set out in Section 15.3.</p> <p>4. Existing Performance Rights with various vesting conditions and performance milestones. See Section 6.11 for a summary of the applicable vesting conditions. The Existing Performance Rights will expire on 18 December 2017.</p>					

8.6 Remuneration of Directors

The Constitution provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by a general meeting of Shareholders, which is currently

\$350,000 per annum. The annual remuneration payable to each of the Existing Directors is as follows (inclusive of statutory superannuation contributions):

Director	Annual Remuneration
Glenn Whiddon	\$186,364 ¹
Neil Hackett	\$36,000
Robert Downey	\$36,000
1. Comprising \$80,000 in Director fees and \$106,364 in consultancy fees.	

Following completion of the Offers and the Acquisition it is proposed that the Directors' fees will be \$36,000 per annum for the Executive Chairman (plus \$99,000 in consulting fees) and \$36,000 per annum for Non-Executive Directors (exclusive of statutory superannuation contributions).

The remuneration of the other executive Directors and management personnel will be determined by the Board from time to time. A summary of the material terms of the engagement of Alan Stein (Managing Director), Jonathan Taylor (Technical Director) and Richard Higgins, Justin Norris and Mark Sofield as members of the Company's management team under the terms of the Havoc Consulting Agreement is set out in Section 8.7(a).

The annual remuneration (exclusive of superannuation) payable to each of the Directors following completion of the Offers and the Acquisition is as follows:

Director	Annual Remuneration
Alan Stein	\$184,776 ¹
Jonathan Taylor	\$184,776 ¹
Glenn Whiddon	\$135,000 ²
Neil Hackett	\$36,000 ³
1. Refer to Section 8.7(a) for details of Mr Stein's and Mr Taylor's engagement under the Havoc Consulting Agreement.	
2. Comprising \$36,000 in Director's fees and \$99,000 in consultancy fees.	
3. Comprising Director's fees and inclusive of his role as joint Company Secretary.	

8.7 Agreements with Directors or Related Parties

(a) Havoc Consulting Agreement

The Company has entered into a consulting agreement with Havoc Services, under which the five Havoc Members (being the Incoming Management) will be engaged as members of the Company's management team, effective on completion of the Acquisition (**Havoc Consulting Agreement**). Havoc Services is a private Australian company owned in equal shares by the Havoc Members.

Under the Havoc Consulting Agreement, Havoc Services will make the Havoc Members available to join the Company's management team with effect from Completion. The Havoc Members will provide the relevant services to the Company on a non-exclusive basis and will devote such time and attention to the business of the Company as is reasonably necessary to fulfil their applicable role.

The principal terms of the engagement of the Havoc Members through Havoc Services will be as follows:

	Role/Duties	Remuneration	Equity Incentives	Notice Period
Alan Stein	Managing Director	Directors fees of \$3,000 per month. Consulting services fees of \$12,398 per month.	6,600,000 Management Options and 2,700,000 New Performance Rights.	3 months
Jonathan Taylor	Technical Director	Directors fees of \$3,000 per month. Consulting services fees of \$12,398 per month.	6,600,000 Management Options and 8,250,000 New Performance Rights.	3months
Richard Higgins	Senior Explorationist	Consulting services fees of \$9,581 per month.	2,266,667 Management Options and 2,833,333 New Performance Rights.	3months
Justin Norris	Senior Explorationist	Consulting services fees of \$9,581 per month.	2,266,666 Management Options and 2,833,333 New Performance Rights.	3months
Mark Sofield	Senior Explorationist	Consulting services fees of \$9,581 per month.	2,266,666 Management Options and 2,833,334 New Performance Rights.	3months

The Company will pay Havoc Services the consulting fees specified in the table above for the services provided by Havoc Services (through the Havoc Members) under the Havoc Consulting Agreement.

Messrs Stein and Taylor will also be appointed as directors of the Company under the Company's standard terms of appointment. They will personally be paid the directors fees set out in the table above under the terms of those appointments.

Under the terms of the Havoc Services Agreement (subject to Shareholder approval where required), the Company will issue the New Performance Rights and Management Options to the Havoc Members as set out in the table above. The Management Options referred to in the table above are the Management Options the subject of the Management Option Offer. See Sections 15.3 and 15.4 for details of the terms and conditions of the Management Options and the New Performance Rights (respectively).

The engagement of a Havoc Member under the Havoc Consulting Agreement may be terminated:

- i) by either party without cause with the amount of notice specified in the table above, or at the election of the Company, immediately with payment in lieu of notice;
- ii) promptly following material breach or in the case of misconduct; or

- iii) on 1 month's where the Havoc Member is unable to perform their duties due to illness for 3 consecutive months, or 3 months in aggregate in any 12 month period.

Where the engagement of Mr Stein or Mr Taylor is terminated under the Havoc Consulting Agreement, they will also be required to resign from their position as a Director.

Each of the Havoc Members will be subject to a non-compete restraint for a period of 3 months from date on which their engagement under the Havoc Consulting Agreement is terminated.

Under the Havoc Consulting Agreement, the Company will also have a first and last right of refusal on future opportunities identified by or offered to, a Havoc Member for the duration of the Havoc Consulting Agreement.

(b) Relationship between Proposed Directors and Calima

Proposed Directors, Alan Stein and Jonathan Taylor, are two of the five owners of Havoc. The Company proposes to acquire Calima from Havoc under the Acquisition. Accordingly, each will receive a portion of the Consideration Securities on completion of the Acquisition, being:

- i) 22,390,837 Shares and 16,145,825 Performance Shares in the case of Mr Stein; and
- ii) 2,454,641 Shares and 1,525,948 Performance Shares in the case of Mr Taylor.

Messrs Stein and Taylor are also the Calima Noteholders. Accordingly, Messrs Stein and Taylor (or their nominee/s) will also receive the Convertible Note Shares under the Convertible Note Share Offer, to be issued in satisfaction of the Calima Note Debt on Completion. Refer to Section 14.3 for further details.

(c) Deeds of indemnity, insurance and access

The Company is party to a deed of indemnity, insurance and access with each of the Existing Directors and is proposing to enter into similar deeds with each of the Proposed Directors upon their appointment. Under these deeds, the Company indemnifies each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as a director of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant Director and must also allow the Directors to inspect board papers in certain circumstances.

8.8 Agreements with key management personnel

Refer to Section 8.7(a) for a summary of the key terms of the Havoc Consulting Agreement.

Under the terms of the Havoc Consulting Agreement, in addition to Proposed Directors Alan Stein and Jonathan Taylor, Havoc Members Richard Higgins, Justin Norris and Mark Sofield will join the Company's management team with effect from Completion. Messrs Higgins, Norris and Sofield (together with Messrs Stein and Taylor) are the owners of Havoc. The Company proposes to acquire Calima from Havoc under the Acquisition. Messrs Higgins, Norris and Sofield (or their nominee/s) will receive the following Consideration Securities on completion of the Acquisition:

- (a) Mr Higgins (or his nominee/s): 1,221,091 Shares and 785,818 Performance Shares;
- (b) Mr Norris (or his nominee/s): 1,221,091 Shares and 785,818 Performance Shares; and

- (c) Mr Sofield (or his nominee/s): 1,221,091 Shares and 785,817 Performance Shares.

As noted in Section 8.2, Neil Hackett and James Bahen will be joint Company Secretaries of the Company from Completion. As noted in Section 8.6, Mr Hackett will receive \$36,000 in Director's fees which is inclusive of his role as joint Company Secretary. The Company has agreed to pay Mr Bahen \$60,000 per annum (plus statutory superannuation) for company secretarial and financial controller services.

8.9 Corporate governance

This summary identifies the key corporate governance policies and practices adopted by the Company's Board. The Board is committed to ensuring continued investor confidence in the operations of the Company and in maintaining high standards of corporate governance in the performance of their duties.

The role of the Board

The role of the board of Directors is to provide strategic guidance to the Company (and its related bodies corporate), effective oversight of management and to provide a sound base for a culture of good corporate governance within the Company.

The Board will always retain ultimate authority over the management and staff of the Company and its related bodies corporate.

In performing its role, the Board should act, at all times:

- (a) in recognition of its overriding responsibility to act honestly, fairly and in accordance with the law in serving the interests of the Company, its Shareholders, as well as its employees, customers and the community;
- (b) in a manner designed to create and continue to build sustainable value for Shareholders;
- (c) in accordance with the duties and obligations imposed upon them by the Company's constitution and applicable law; and
- (d) with integrity and objectivity, consistently with the ethical, professional and other standards set out in the Company's corporate governance policies.

Responsibilities of the Board

The responsibilities of the Board include:

- (a) represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- (b) protect and optimise the Company's performance and build sustainable value for Shareholders;
- (c) set, review and ensure compliance with the Company's values and governance framework; and

- (d) ensure that Shareholders are kept informed of the Company's performance and major developments.

Composition of the Board

Under the Company's constitution, the minimum number of Directors is three and the maximum number is nine. The Board at the date of this Prospectus comprises of three Directors, namely Glenn Whiddon, Neil Hackett and Robert Downey. Upon completion of the Offers and the Acquisition, the Board will comprise four Directors, namely Alan Stein, Jonathan Taylor, Glenn Whiddon and Neil Hackett. The Directors consider the size and composition of the Board is appropriate given the current size and status of the Company.

Each Director is bound by all of the Company's charters, policies and codes of conduct. If the Board determines it is appropriate or necessary, they may establish committees to assist in carrying out various responsibilities of the Board. Such committees will be established by a formal charter.

The responsibility for the day to day operation and administration of the Company is delegated by the Board to the managing director.

The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board.

Independent professional advice

The Directors are entitled to seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities. Such advice may be sought in accordance with the procedures set out in the Board charter.

Securities trading policy

The Company has adopted a formal policy for dealing in the Company's securities by Directors and employees and their related entities (in accordance with Listing Rule 12.9). The securities trading policy provides that Key Management Personnel should:

- (a) not deal in the Company's securities while in possession of price sensitive, non-public information; and
- (b) only trade in the Company's securities after receiving clearance to do so from a designated clearance officer, where clearance may not be provided in defined "blackout periods".

The securities trading policy is available on the Company's website at www.azpetro.com.

Remuneration policy

The Company has adopted a remuneration policy designed to align individual and team reward and encourage executives to perform to their full capacity.

Remuneration packages may contain any or all of the following:

- (a) annual salary with provision to recognise the value of the individuals' personal performance and their ability and experience;

- (b) rewards, bonuses, commissions, special payments and other measures available to reward individuals if deemed appropriate;
- (c) long term incentives – executive Directors may participate in share option schemes with the prior approval of Shareholders; and
- (d) other benefits, such as holiday leave, sickness benefits, superannuation payments and long service benefits.

The Board will determine the appropriate level and structure of remuneration of the executive team and such consideration will occur each year.

Remuneration of executives will be reviewed annually by the Board. Determination of Non-Executive Director's fees is with regard to the long term performance of the Company.

Continuous disclosure policy

The Company, as a listed public company, is required to disclose price sensitive information to the market as it becomes known to comply with the continuous disclosure requirements of the Corporations Act and the Listing Rules.

The continuous disclosure policy of the Company ensures that all Shareholders and investors have equal access to the Company's information, to the extent practicable. Price sensitive information will be disclosed by way of an announcement to ASX and placed on the Company's website.

Shareholder communication

The Board strives to ensure that Shareholders are provided with full and timely information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders:

- (a) through the release of information to the market via ASX;
- (b) through the distribution of the annual report and notice of annual general meeting;
- (c) through letters and other forms of communications directly to Shareholders; and
- (d) by posting relevant information on the Company's website.

Ethical standards and business conduct

The Board recognises the need for Directors and employees to observe appropriate standards of behaviour and business ethics when engaging in corporate activity. Through its code of conduct, the Board intends to maintain a reputation for integrity. The Company's business ethics are founded on openness, honesty, fairness, integrity, mutual respect, ethical conduct and compliance with laws.

The standards set out in the code of conduct are required to be adhered to by officers and employees of the Company. The code of conduct and further details of these standards can be found on the Company's website.

ASX Corporate Governance Principles and Recommendations

Where possible and having regard to the size and nature of the Company's operations, the Board has adopted the Corporate Governance Principles and Recommendations (3rd Edition) issued by ASX Corporate Governance Council. As a listed entity the Company has been required to report any departures from the principles and recommendations in its annual report. The Company's proposed departures from the principles and recommendations, as at the date of re-admission to the Official List, are set out in the table below.

Recommendation	Nature of departure	Explanation for departure
1.5(c)	Measurable objectives for achieving gender diversity have not been established or disclosed.	The Company has not formally established measurable objectives for achieving gender diversity given the current stage of its operations and number of employees. The Company has however adopted a Diversity Policy which outlines the Company's objectives in the provision of equal opportunities in respect of employment and employment conditions. The Diversity Policy is available on the Company's website. The Company will review the requirement to set and report on measurable objectives for achieving gender diversity as the Company's operations and employee numbers grow.
1.6(b)	No performance evaluations undertaken for the Board, its committees and individual directors.	To date formal performance evaluations have not been undertaken. Given the size and resources available to the Company, it is not proposed that performance evaluations will take place immediately from the date of re-admission of the Company to the Official List. As the Company's operations and employee numbers grow, the Board will reassess the Company's practices in relation to performance reviews.
1.7(b)	No performance evaluations undertaken for senior executives.	As above.
2.1	The Board will not have nomination committee.	Given the size and level of the Company's operations, it is not proposed that the Board will have a nomination committee. As the Company's operations and employee numbers grow, the Board will reassess the need for a nomination committee.
2.4	The majority of the Board will not be independent directors.	The Board considers only Robert Downey to be an independent director (proposed to resign following Completion).

Recommendation	Nature of departure	Explanation for departure
		<p>On Completion, the Board considers that it will not have any independent Directors.</p> <p>The Board does not currently consider an independent majority of the Board to be appropriate given the Board considers at least two Directors need to be executive directors of the Company to be effectively managed.</p> <p>The Board has taken the following steps to structure the Board to add value despite not having an independent majority of directors:</p> <p>(a) membership of the Board is focused on providing the Company with a broad base of industry skills and experiences considered necessary to fulfil the business objectives of the Company; and</p> <p>(b) membership of the Board is reviewed on an on-going basis to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's business and its objectives.</p>
2.5	The chair of the board will not be an independent director.	The Company's current Executive Chairman is Glenn Whiddon, who is not an independent director. However, the Board considers Mr Whiddon's role as Executive Chairman essential to the success of the Company in its current stage and in light of the nature of the Company's business and its objectives.
4.1	The Board audit committee will not consist of a majority of independent directors or be chaired by an independent director	Given the size of the Company and the resources available to it, it is proposed that the audit committee will consist of Glenn Whiddon, Alan Stein and Neil Hackett, none of whom are independent directors. See 2.4 and 2.5 above for the reasons why the Company considers the composition of its Board to be appropriate.
7.1	The Board will not have a risk management committee	<p>Given the size of the Company and the resources available to it, it is not proposed that the Board will have a separate committee to oversee risk. Instead, the full Board will be responsible for overseeing risk.</p> <p>As the Company's operations and employee numbers grow, the Board will reassess the need for a separate committee to oversee risk.</p>
8.1	The Board will not have a separate remuneration committee	Given the size of the Company and the resources available to it, it is not proposed that the Board will have a separate remuneration committee. Instead, the full Board will be

Recommendation	Nature of departure	Explanation for departure
		<p>responsible for performing the role of the remuneration committee.</p> <p>As the Company's operations and employee numbers grow, the Board will reassess the need for a separate remuneration committee.</p>

9. Independent Geologist's Report

June 15, 2017

Azonto Petroleum Limited
(to be renamed Calima Energy Ltd.)
ACN 117 227 086
Suite 5, 531 Hay Street
Subiaco, Perth, Western Australia
6008

Attention: **The Directors**

Reference: **Independent Geologists Report**

Dear Sirs:

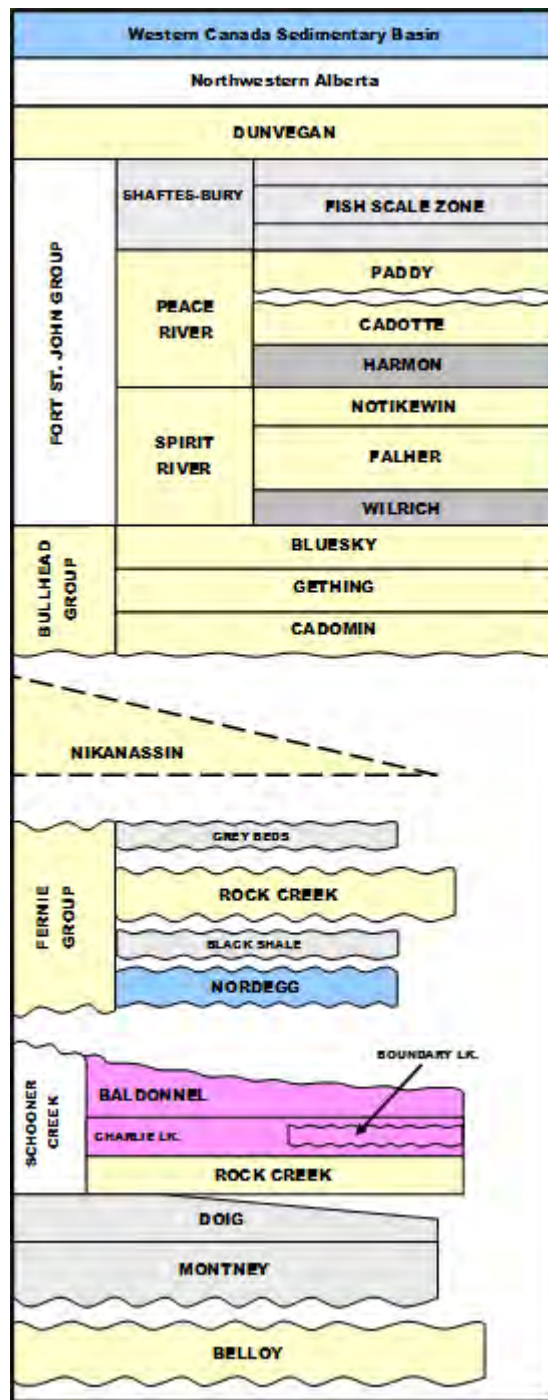
Pursuant to your request, we have provided a geological audit and review of offsetting competitor production for the Montney Formation on the subject lands in the Caribou Area where as of March 1, 2017 the Azonto Petroleum Limited (“the Company” or “Azonto”) holds rights to 18,049 hectares. This geologist report (“the Report”) has been prepared for inclusion in a prospectus for the issue of securities in Azonto Petroleum Limited on the Australian Stock Exchange.

This Report was prepared during the period of May 16, 2017 to June 15, 2017 and was based on available digital well logs downloaded from public sources and analyzed to estimate reservoir parameters which were compared reservoir parameters of offsetting producing properties. Competitor results were also investigated with a focus on well performance and completion trends on the Saguaro Resources Ltd. (‘Saguaro’) Laprise acreage located to the southeast of the study area as well as the Black Swan Energy (‘Black Swan’) due south. The Company work program was also reviewed to evaluate the exploration and delineation program going forward. Type logs, cross-sections and trend maps are included in the appendices.

Regional Geology

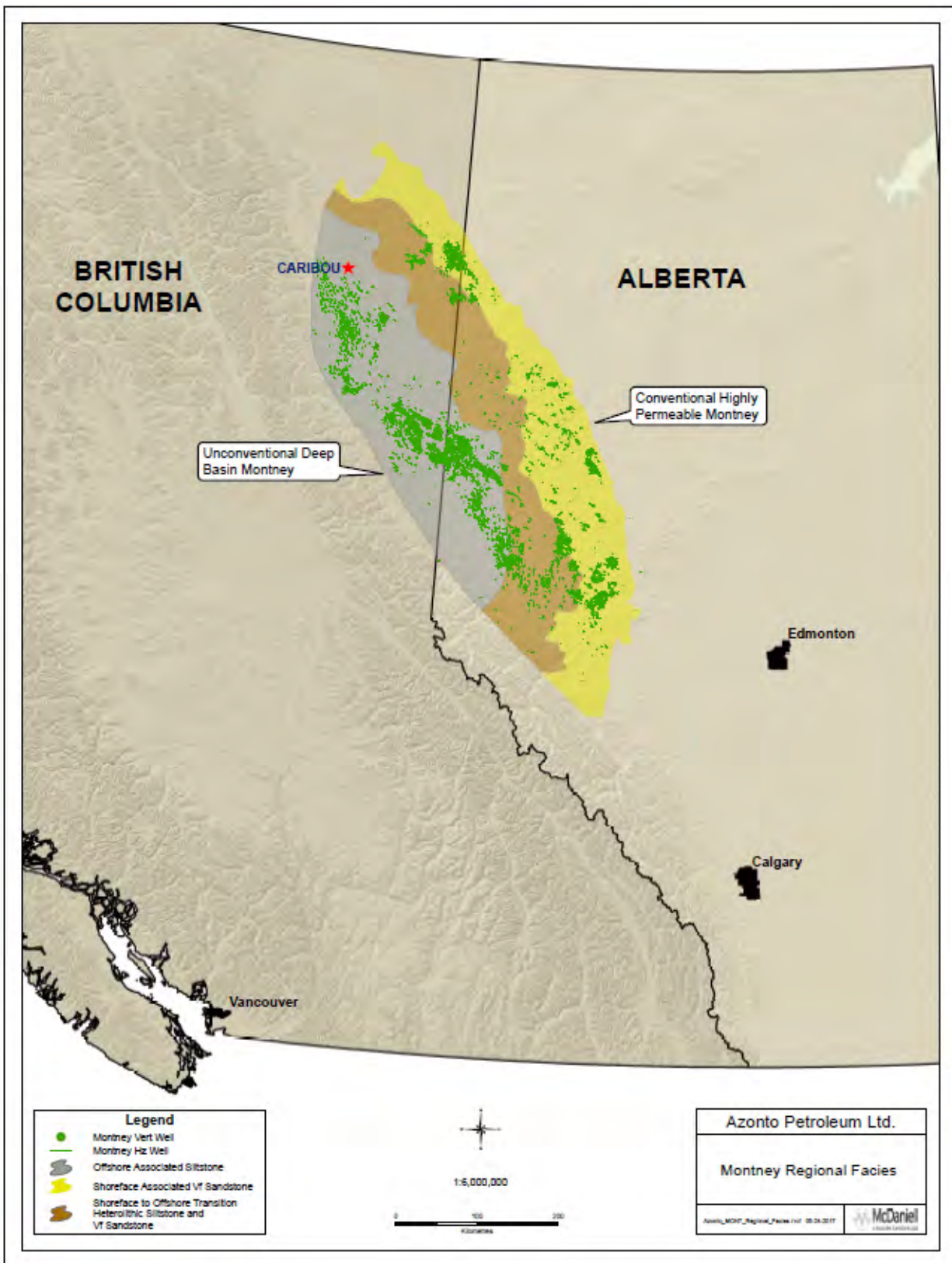
The Triassic aged Montney Formation is bounded unconformably below by the Belloy Formation and conformably above by the phosphatic shales of the Doig Formation. The Montney is interpreted to consist of sediments deposited in a shallow marine shelf environment in which sediments flowed into the basin in a southwesterly direction as a series of channel and fan deposits.

Figure 1: Western Canada Sedimentary Basin Formations



The Montney Formation is present over a large geographical area stretching from central Alberta to northeastern British Columbia. Early discoveries targeted high permeability coquina and sandstone facies in central and western Alberta on the eastern up-dip edge of the formation. Horizontal drilling and multi stage fracturing has made the deep, tight fine-grained sands and siltstone facies on the western down-dip edge economic in many areas. The Caribou acreage is located on the northwestern edge of undisturbed portion of the Montney Formation as seen on the Regional Facies Map in Figure 2.

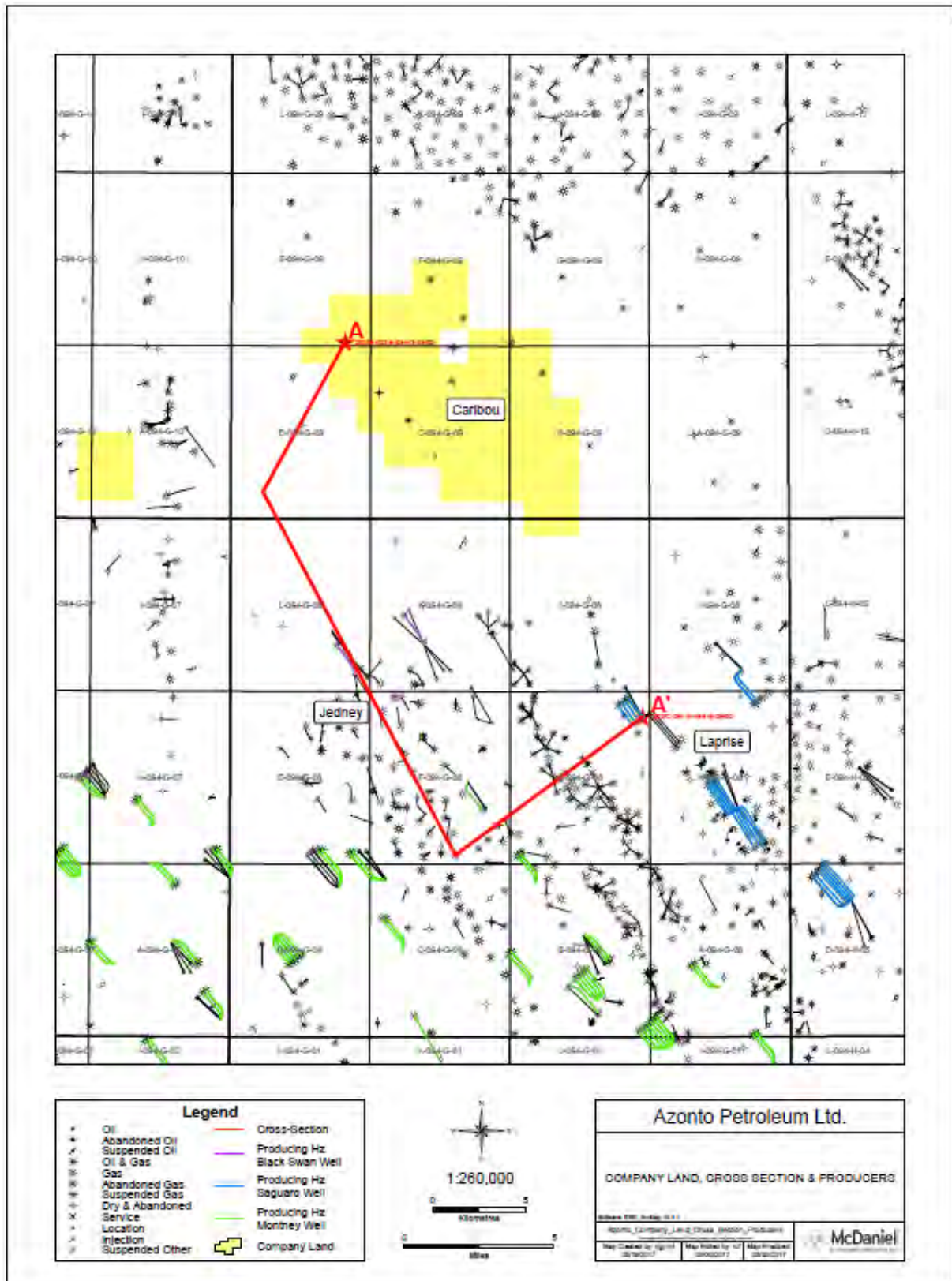
Figure 2: Regional Facies Map



Recent Drilling Activity

During 2014, Saguaro began their Montney Formation appraisal program in the Laprise Area roughly 10 kilometres southeast of the Company's Caribou land. The drilling program targeted the Upper, Middle and Lower Montney zones with varying degrees of success. The 2015 and 2016 drilling programs only targeted two zones, the Upper and Middle Montney. Similarly, to date in 2017 wells have only been placed in the Upper and Middle Montney. As of May 2017, Saguaro has over 41,000 hectares of Montney land and is currently producing from 32 Montney horizontal wells. Other operators have also been active in the area, Black Swan drilled two wells in Jedney in the Middle Montney seven kilometres south of the Company land and has recently licensed six additional wells. As of May 2017, Black Swan has 87,200 hectares of Montney land. Details regarding Saguaro and Black Swan assets and acreages are available online in their respective May 2017 corporate presentations. The Company land and producing well map on Figure 3 and in Appendix 1 shows the Caribou acreage with respect to the Black Swan and Saguaro producing wells.

Figure 3: Company land and producing well map



Reservoir Parameters

The gross thickness of the Montney Formation and reservoir quality vary depending on geographical area. In the Caribou and Laprise areas the Montney section is approximately 240 metres thick. Lithological variations are evident both vertically and laterally; in general, the upper portion of the section is a coarse-grained dolomitic sand, the middle interval is a fine-grained laminated sand and the Lower Zone is comprised of fine- to very fine-grained feldspathic, dolomitic sand, laminated with shale. A four well cross-section is included in Appendix 1; the section shows correlations between two wells in the Caribou Area (200/B-002-E/094-G-08 and 200/C-081-D/094-G-09) and two wells in the Laprise Area (200/C-004-F/094-G-08 and 202/C-081-G/094-G-08).

Reservoir parameters for the Montney Formation in the Caribou and Laprise areas have been estimated from two vertical control points on and off-setting Company lands. The 200/B-002-E/094-G-08 and 202/C-081-G/094-G-08 wells can be seen as red stars on the Company Land Map. Continuous sand packages have been correlated across the acreage with reservoir parameters calculated independently. In the area, the “Upper Montney” includes five units referred to informally as the Montney A, B, C and D and F. The “Middle Montney,” includes the Montney G and H1. The “Lower Montney” includes two intervals referred to as the Montney Sexsmith and Basal.

Net pay and porosity values were estimated from the available well logs. Effective porosity was calculated to account for kerogen and other organic matter present within the reservoir and is approximated by removing the estimated shale volume from the density porosity. The formula for effective porosity from the density log is below.

$$\begin{aligned}\text{Effective Porosity (Density)} &= \text{Density Porosity} \times (1 - \text{Shale Volume}) \\ \text{Shale Volume} &= (\text{GR log} - \text{GRcln}) / (\text{GRshl} - \text{GRcln}) \\ \text{Sonic Porosity} &= (\text{RhoM} - \text{RhoB}) / (\text{RhoM} - \text{RhoF})\end{aligned}$$

Where:

$$\begin{aligned}\text{RhoB} &= \text{Bulk Density} \\ \text{RhoF} &= \text{Fluid Density} \\ \text{RhoM} &= \text{Grain Density} \\ \text{GRcln} &= \text{Clean Gamma Ray} \\ \text{GRshl} &= \text{Shale Gamma Ray}\end{aligned}$$

A three percent cutoff was then applied to the effective porosity to determine the net pay and porosity. The porosity for each well is an average effective porosity over the pay interval. Water saturations were calculated from logs using the Archie Equation. Water resistivity of 0.023 ohm metres was used. Values for “a”, “m” and “n” are 1.0, 1.5 and 1.5 respectively. The water saturation values in the Upper and Middle Montney in both the Caribou and Laprise areas calculates relatively low. A minimum of 15 percent water saturation was used for this study. The two type logs for the 200/B-002-E/094-G-08 and 202/C-081-G/094-G-08 wells showing net pay, porosity and water saturation for the Upper, Middle and Lower Montney horizontal well targets are shown in Appendix 1.

Reservoir pressure has a large effect on deliverability, it is also a good indicator of the deep basin setting where low water saturations can be expected. Normal pressure gradients are eight to nine kPa/metre. Large amounts of reservoir pressure data are not yet publicly available on the northern extent of the Montney fairway. From the limited pressure data available in the public database, Laprise and Jedney have pressure gradients between 13 and 14 kPa/metre, we estimate that the Caribou Area will be over pressured at 11 to 12 kPa/metre. A map of the publicly availed pressure gradients can be found in Appendix 1. Compressibility or Z factor was calculated using a public gas analysis from the 200/C-092-C/094-G-08 well in the Laprise Area.

Reservoir parameters for the two wells and illustrative gas in-place estimates for the respective vertical wells are shown below in Table 1. The Middle and Upper Montney reservoirs on Company acreage compare favourably to what has recently and is currently being developed by Saguaro to the south. Pay thickness and average porosity are both higher in the Caribou Area. The biggest difference between the Caribou and Laprise areas is the reservoir depth, the Montney Formation at Laprise is roughly 300 metres deeper than Caribou, which would explain the difference in porosity as the zone is at a lower burial depth and likely has seen less compaction. Illustrative single well gas in-place values for the respective vertical wells have been calculated using a simple volumetric method. This calculation is useful for comparing reservoir parameters between the wells using one square mile as a drainage area but are not representative of total discovered or undiscovered initial gas in-place.

Table 1: Reservoir parameters

	Top	Pay	Porosity	Water Saturation	Gradient	Temperature	Pressure	Compressibility	Illustrative Gas in Place
Upper Montney Well ID	metre	metre	%	%	kPa/metre	Celsius	kPa	Z – Factor	Bcf/square mile
200b002E094G0900 Caribou	1322.6	55.5	5.2	15	11.5	42	15209	0.764	40.0
202c081G094G0800 Laprise	1622.7	26.4	4.2	17	13	52	21096	0.805	19.2
	Top	Pay	Porosity	Water Saturation	Gradient	Temperature	Pressure	Compressibility	Illustrative Gas in Place
Middle Montney Well ID	metre	metre	%	%	kPa/metre	Celsius	kPa	Z – Factor	Bcf/square mile
200b002E094G0900 Caribou	1391.2	63.3	4.5	15	11.5	45	15998	0.771	40.9
202c081G094G0800 Laprise	1680.9	37.1	4.1	16	13	54	21851	0.814	27.1
	Top	Pay	Porosity	Water Saturation	Gradient	Temperature	Pressure	Compressibility	Illustrative Gas in Place
Lower Montney Well ID	metre	metre	%	%	kPa/metre	Celsius	kPa	Z – Factor	Bcf/square mile
200b002E094G0900 Caribou	1496.5	21.2	4.3	26	11.5	48	17209	0.780	12.0
202c081G094G0800 Laprise	1788.4	16.1	3.5	23	13	57	23249	0.830	9.5

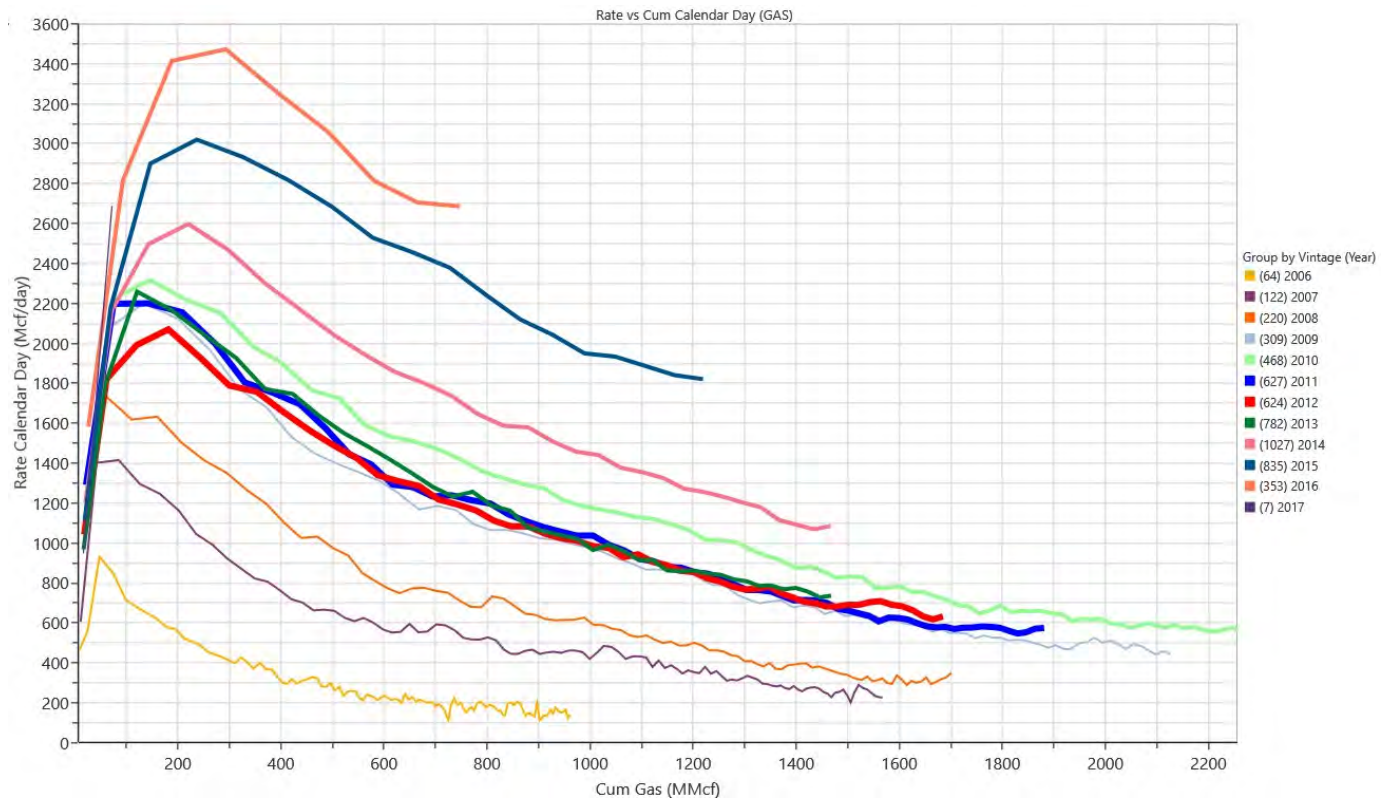
Shallow Montney Analogy

Most of the recent industry activity has been targeting the Montney at depths greater than 2,400 metres. These types of well depths typically provide good deliverability due to high reservoir pressure but can be economically challenged due to drilling and completion costs. Several operators are having success on the shallow portions of the unconventional fairway, Chinook Energy Inc. ('Chinook') is currently drilling analogous reservoir at depths similar to Caribou in the Birley Field where the target interval is at approximately 1,375 metres.

Performance and Completion Trends

Within the Montney in general, we note that well performance is undergoing a period of rapid improvement. In most areas, post-2013 wells have materially higher gas deliverability than previous vintages.

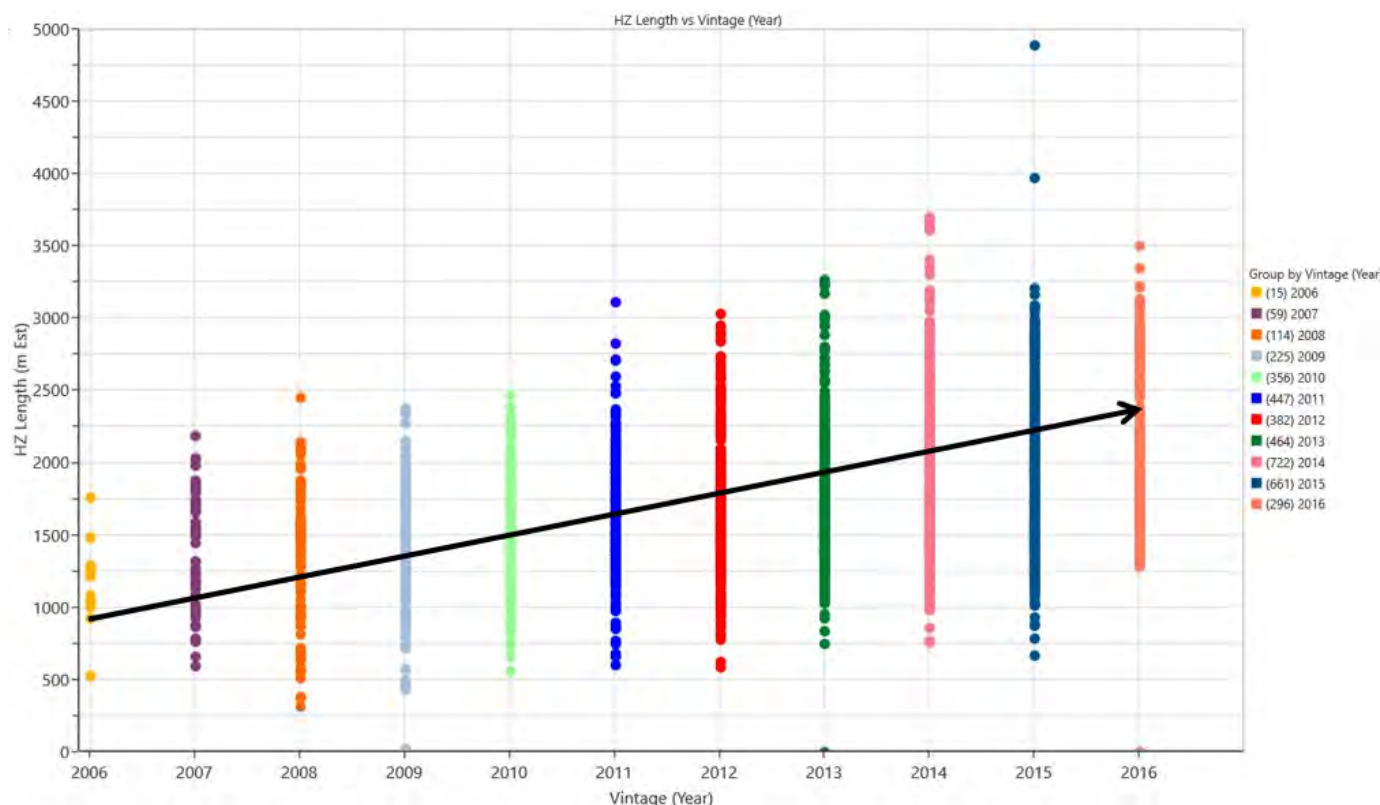
Figure 4: Montney Type Curves by Vintage (All Montney Wells)



In line with the higher gas deliverabilities noted above, expectations of estimated ultimate recoveries (EUR) have also increased materially. Pre-2010 wells had an average EUR of approximately 2.7 Bcf, whereas after 2013 have an average of approximately 4.3 Bcf. It should be noted that these averages are for the entire Montney and include many high liquids and normally pressured wells. In higher pressure gas regions of the Montney many operators are now reporting gas EURs in the seven to 15 Bcf range. The significant improvement in both gas deliverability and recoveries can largely be attributed to longer wellbores and improved completions with larger proppant loading.

With regards to well length, we note that prior to 2014 average well length was approximately 1,500 metres while recent vintages average approximately 2,000 metres, with numerous operators drilling 2,200 to 3,000 metre wells.

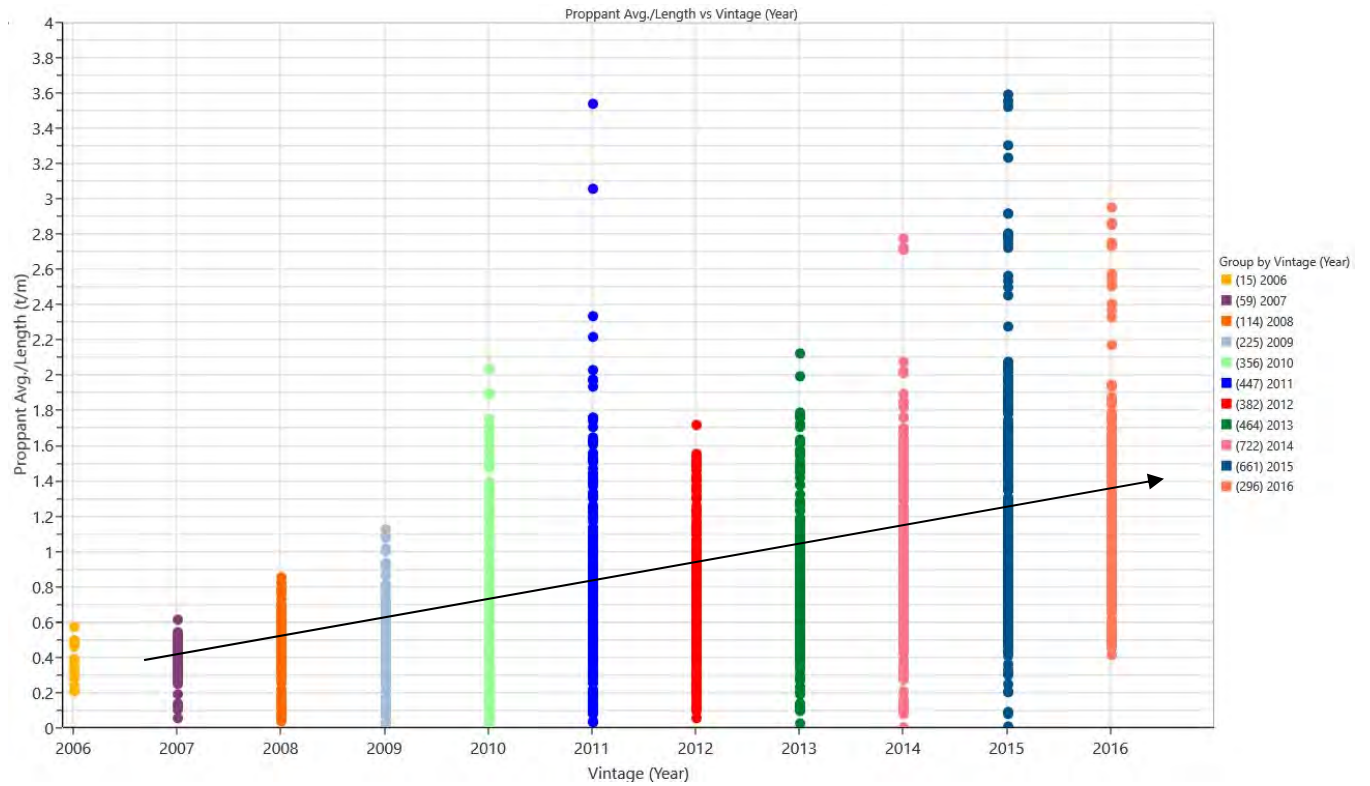
Figure 5: Montney Well Length Distribution by Vintage (All Montney Wells)



Frac spacing has reduced from approximately 200 metres in pre-2010 drills to approximately 95 metres in wells drilled post 2014. Proppant per stage has remained relatively consistent, generally leading to higher proppant loading in recent years.

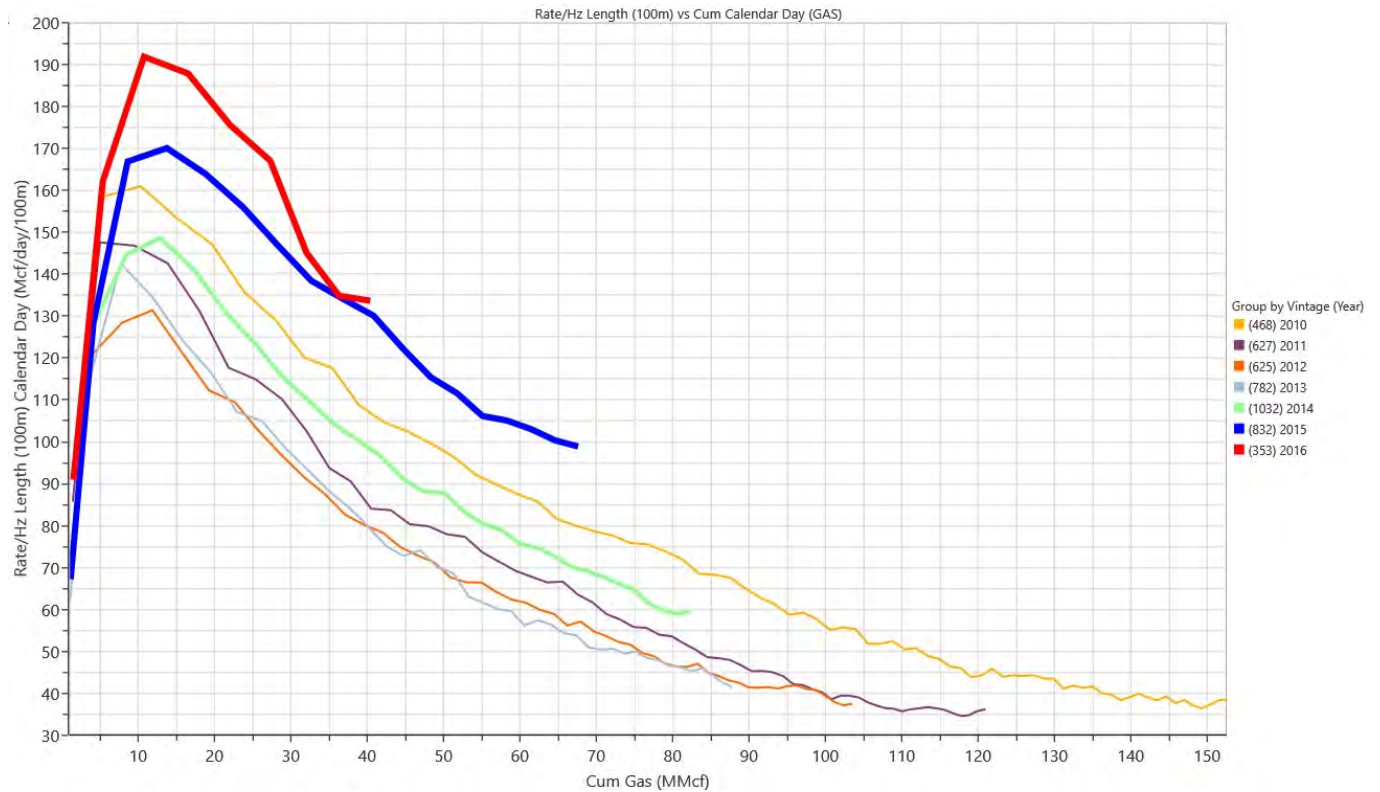
With regards to proppant, we noted that prior to 2014 average proppant per metre of wellbore was approximately 0.6 tonnes per metre while recent vintages average approximately 1.1 tonnes per metre.

Figure 6: Montney Proppant per Metre Distribution by Vintage (All Montney Wells)



These new completion techniques result in well performance improvement when normalized by horizontal length.

Figure 7: Montney Type Curves Normalized by Horizontal Length by Vintage (All Montney Wells)



McDaniel views these recent trends positively and we note that operators who have observed the best well results to-date have generally used completions with approximately 1.4 tonnes per metre or more. It is our expectation that less developed areas where operators are currently employing smaller completions (including lands offsetting Caribou) will continue to see improvements over the coming years as longer wells with higher proppant loading become the standard.

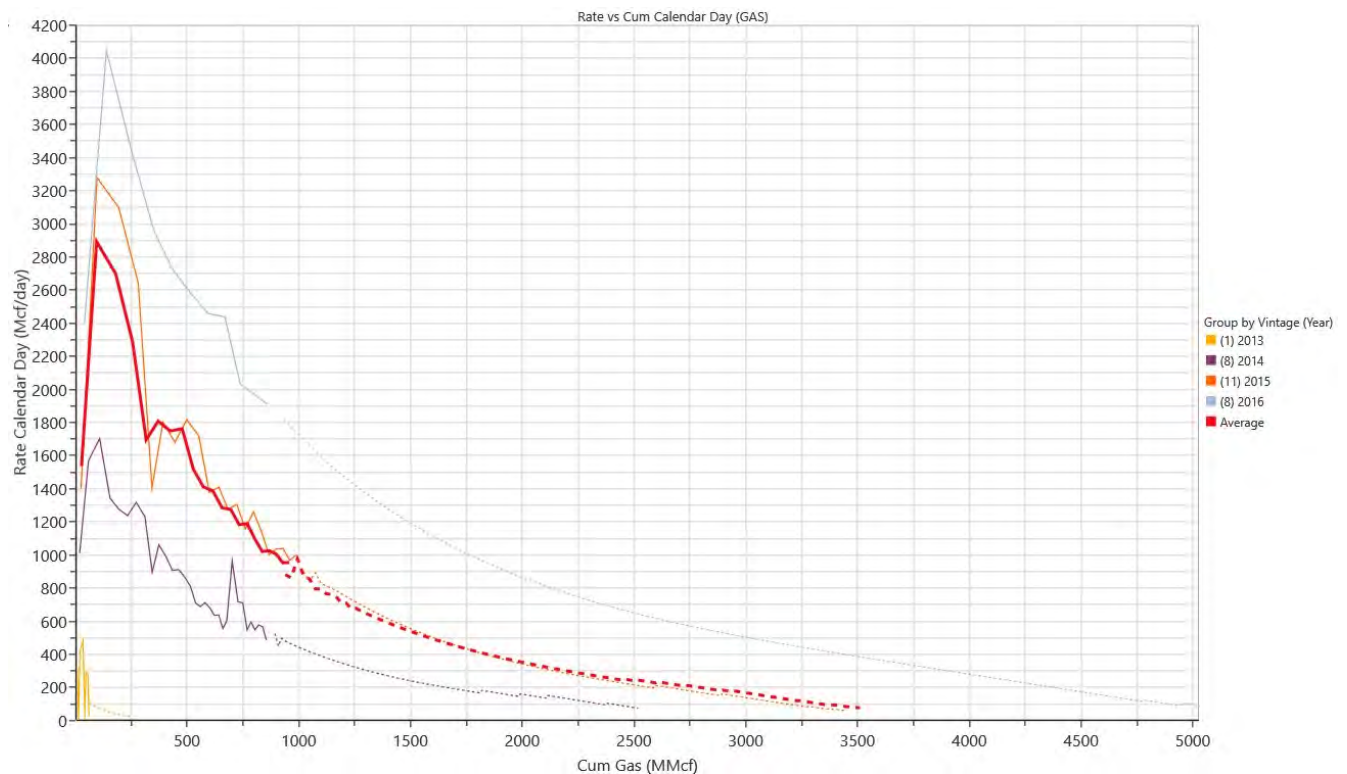
Summary of Key Operators

Key operators within the Greater Caribou Region that may provide an indication of what level of performance could be expected on Azonto lands includes, Saguario (Laprise Field), Black Swan (Jedney Field) and Chinook (Birley Field). As noted above, the reservoir within these fields is relatively comparable either from a reservoir quality perspective, a reservoir pressure perspective or both. In line with other Montney regions in British Columbia and Alberta, we note that there have been some positive performance trends in recent years that have resulted in improved gas deliverability and estimated ultimate recoveries. The following sections outline some key performance indicators for the regions noted above.

Laprise Area

Within the Laprise Field Saguario has drilled 36 wells to date, with 32 of these wells having production available in the public database. Over the last three years, Saguario has decreased their stage spacing substantially; from approximately 90 metres between stages in 2014 to approximately 30 metre spacing in 2016 drills. During this period, average well length has increased from approximately 1,750 metres to 2,000 metres, while proppant loading has remained relatively constant at approximately one tonne per metre. Average EUR per well over these years has increased from approximately 2.5 Bcf to 5.5 Bcf.

Figure 8: Laprise Wells by Vintage (28 Saguario Wells)

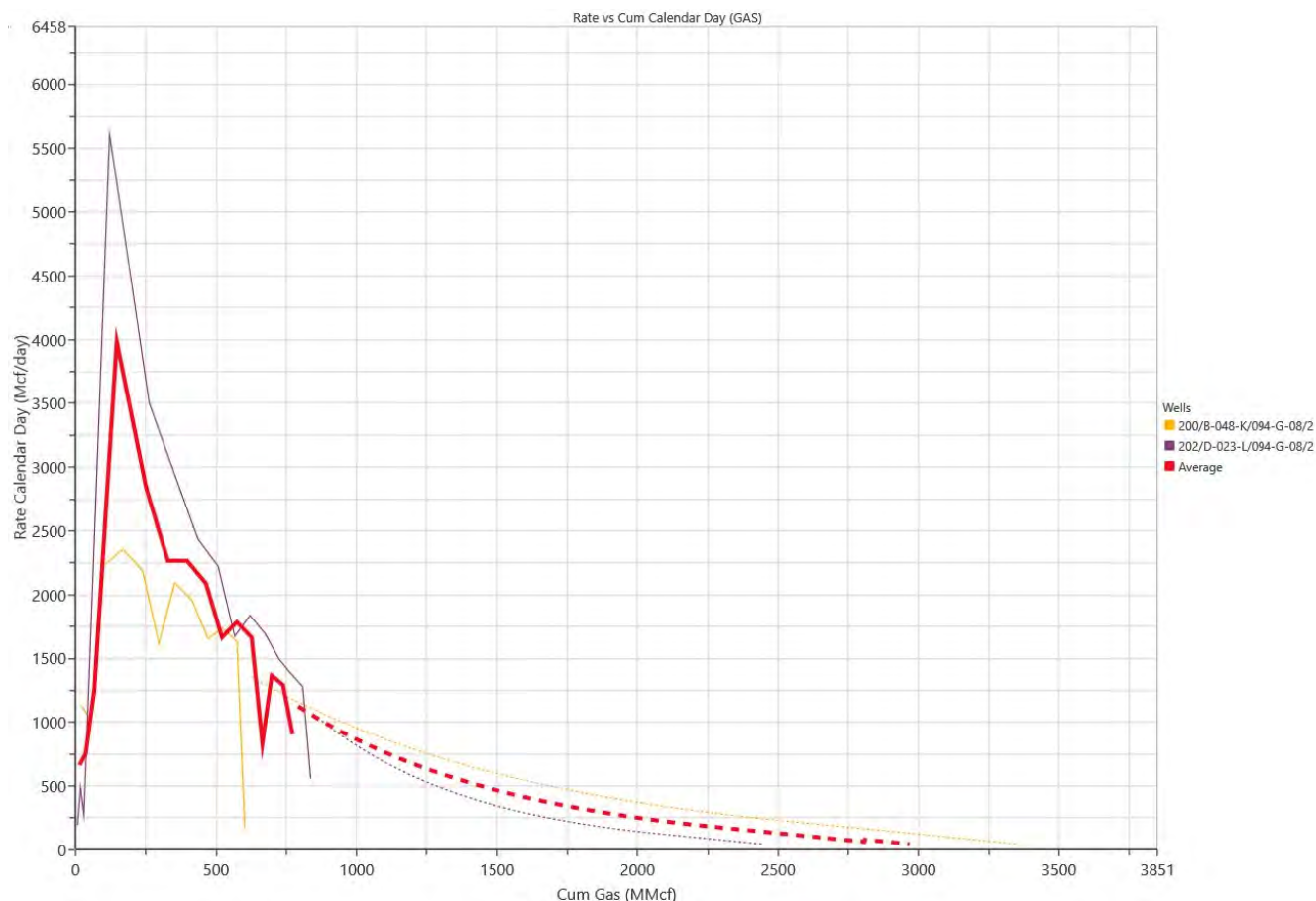


The data in the public domain supports that the average condensate to gas ratio (CGR) for these wells is approximately 25 bbl/MMcf (wellhead condensate, raw gas ratio).

Jedney Area

In the Jedney Area, Black Swan has drilled two wells to date. These two wells were completed similarly with approximately 55 metre frac spacing and approximately one tonne per metre proppant loading. These wells are expected to recover approximately three Bcf per well.

Figure 9: Jedney Wells (two Black Swan Wells)

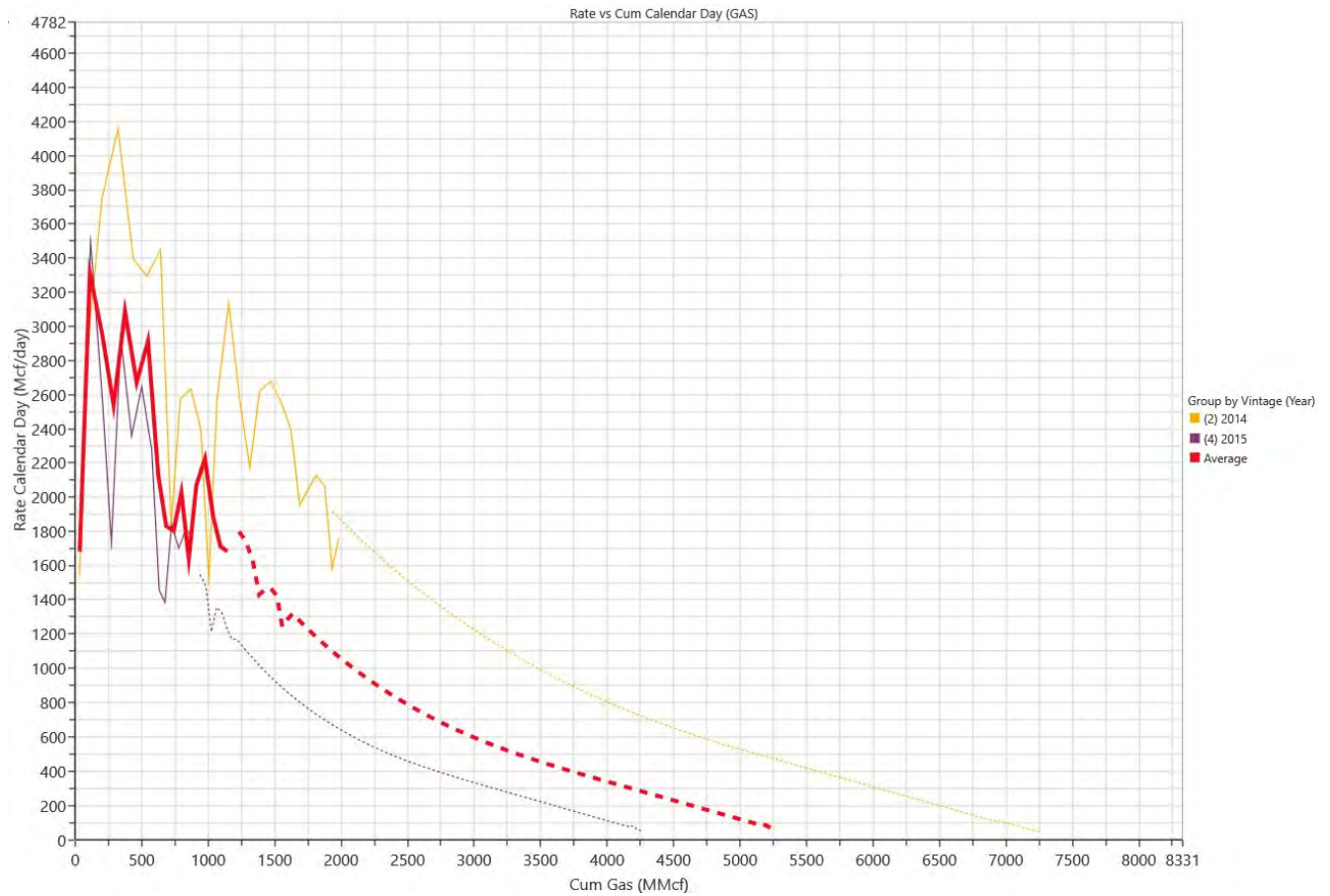


Public data supports an average CGR of approximately 12 bbl/MMcf for these two wells (wellhead condensate, raw gas ratio).

Birley Area

In the Birley Area, Chinook has drilled six wells to date. Completion techniques did not change significantly from 2014 to 2015 when these wells were drilled. Average well lengths remained constant at approximately 1,300 metres and average proppant loading remained constant at approximately one tonne per metre. Stage spacing; however, increased from approximately 60 metres in 2014 to approximately 70 metres in 2015. The increase in stage spacing may account for the apparent decrease in productivity in the 2015 drills as the near well-bore region may exhibit a smaller stimulated reservoir volumes. Average EUR in the Birley Area is approximately 5.25 Bcf per well.

Figure 10: Birley Wells (six Chinook Wells)



Public data supports an average CGR of approximately 9 bbl/MMcf for these wells (wellhead condensate, raw gas ratio).

Company Supplied Work Program

The Company has provided a work program which is scheduled to begin in the summer of 2018 and be completed in the winter of 2020. The work program is divided into three phases:

- Stage One (to be completed before 1 August 2018) – Acquire additional drilling licenses, interpret available geological and geophysical data and undertake well planning. Anticipated expenditure C\$5 million.
- Stage Two (to be completed before 28 February 2019) – Drill, complete and test one well to a depth of approximately 1,500 metres with a horizontal section of approximately 2,000 metres, design and plan additional wells. Anticipated expenditure C\$7 million.
- Stage Three (to be completed before 28 February 2020) – Drill, complete and test two wells to a depth of approximately 1,500 metres with a horizontal section of approximately 2,000 metres. Anticipated expenditure C\$13 million.

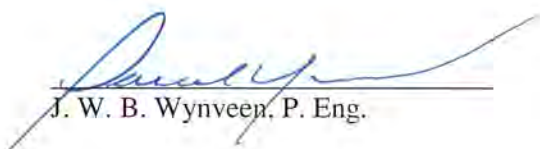
The supplied work exploration and pilot well program is reasonable with regards to planning and cost. Full development drilling costs published by area operators are between C\$4.5 million and C\$6.0 million, these same operators had pilot program costs of C\$6.4 million to C\$7.2 million. As with all oil and gas development there is risk of cost escalation if natural gas prices increase in the future.

In preparing this report, we have relied upon representations made by the Company as to the completeness and accuracy of the land data provided. A land layer was created from maps provided by the Company and a detailed review of the mineral property report, ownership and working interest was not completed.

This report was prepared by McDaniel & Associates Consultants Ltd. for the exclusive use of Calima Energy Ltd. and Azonto Petroleum Limited and is not to be reproduced, distributed or made available, in whole or in part, to any person, company or organization other than Calima Energy Ltd. and Azonto Petroleum Limited without the knowledge and consent of McDaniel & Associates Consultants Ltd.

Sincerely,

McDANIEL & ASSOCIATES CONSULTANTS LTD.
APEGA PERMIT NUMBER: P3145



J. W. B. Wynveen, P. Eng.



D. G. Jenkinson, P. Geol.

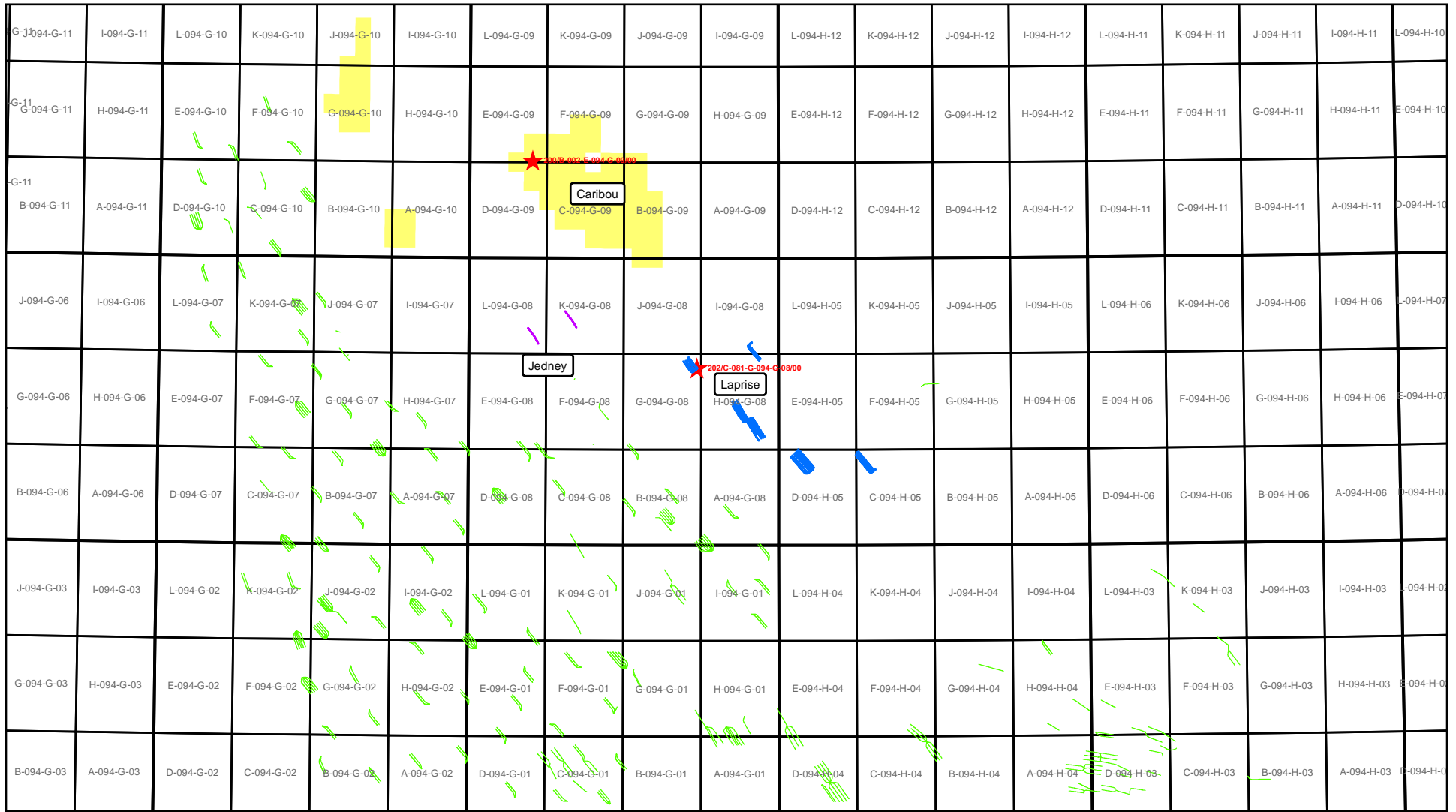
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[17-0177]

APPENDIX 1

MAPS, CROSS-SECTIONS AND TYPE LOGS

**Azonto Petroleum Limited
Geological Audit of Montney in the Caribou Area**

Figure 1



Legend

• Oil	○ Location
+ Abandoned Oil	⊕ Injection
✕ Suspended Oil	⊗ Suspended Other
* Oil & Gas	— Producing Hz
* Gas	— Black Swan Well
* Abandoned Gas	— Producing Hz
* Suspended Gas	— Saguaro Well
✕ Dry & Abandoned	— Producing Hz
✕ Service	— Montney Well
	■ Company Land

N
W E S

1:550,000

0 5 10 15 20
Kilometres

0 5 10 15 20
Miles

Azonto Petroleum Ltd.

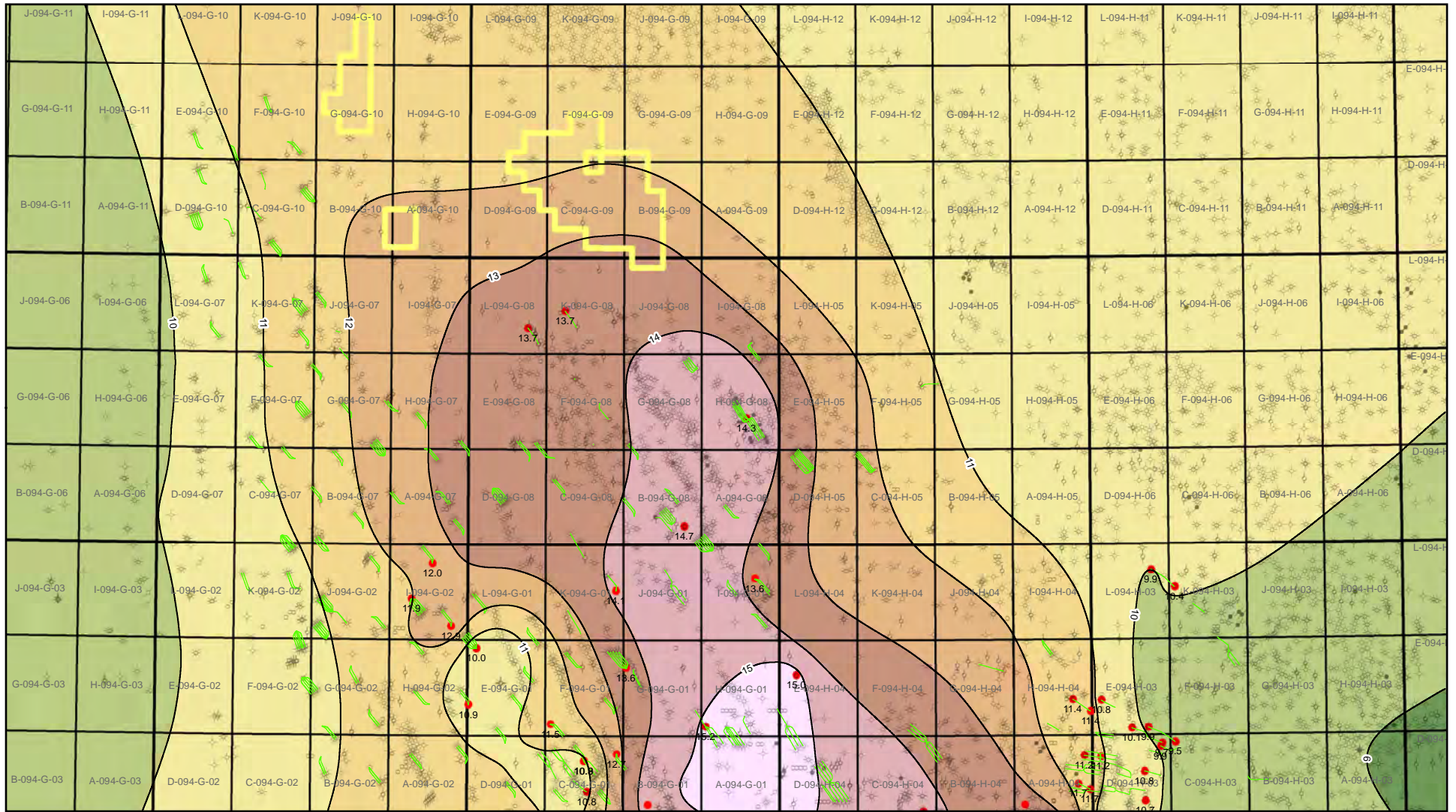
COMPANY LAND & PRODUCERS

Software: ESRI ArcMap 10.4.1
Azonto_Company_Land_Producers

Map Created by: dgj-rcf 05/19/2017	Map Edited by: rcf 05/29/2017	Map Finalized by: rcf 05/29/2017
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McDaniel
& Associates Consultants Ltd.

Figure 2



Legend

• Oil	⊗ Service
+ Abandoned Oil	○ Location
⊖ Suspended Oil	↗ Injection
* Oil & Gas	⊖ Suspended Other
* Gas	● Producing Hz
* Abandoned Gas	— Montney Well
* Suspended Gas	— Contour
⊖ Dry & Abandoned	⊞ Company Land

N
W E S

1:550,000

0 5 10 15 20
Kilometres

0 5 10 15 20
Miles

Azonto Petroleum Ltd.

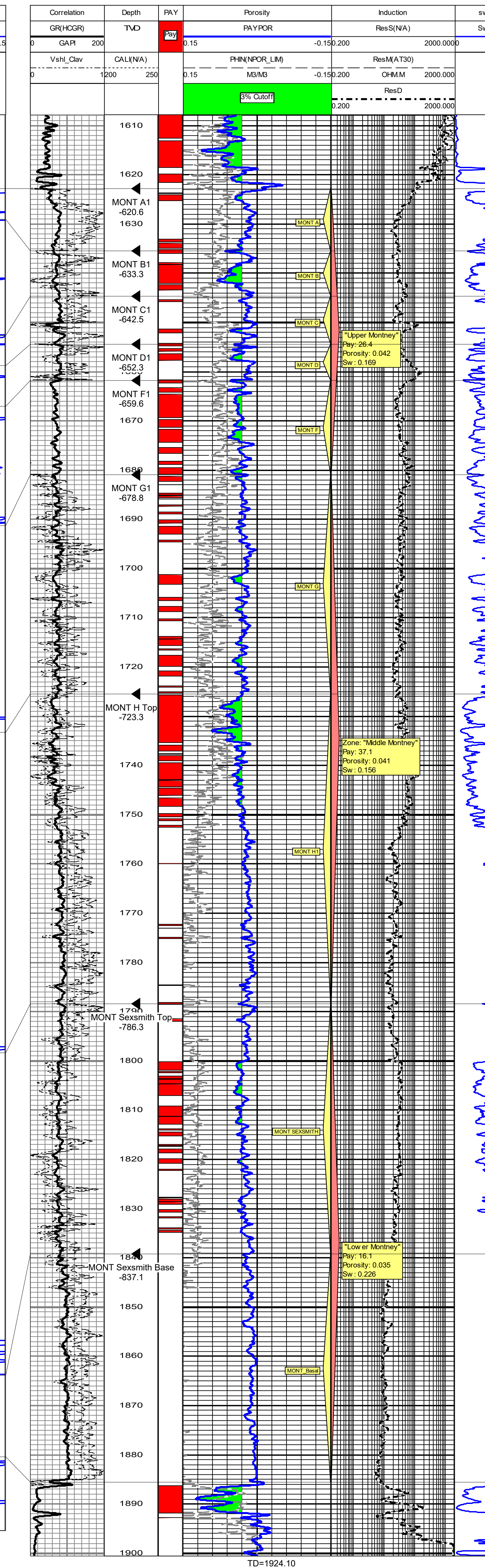
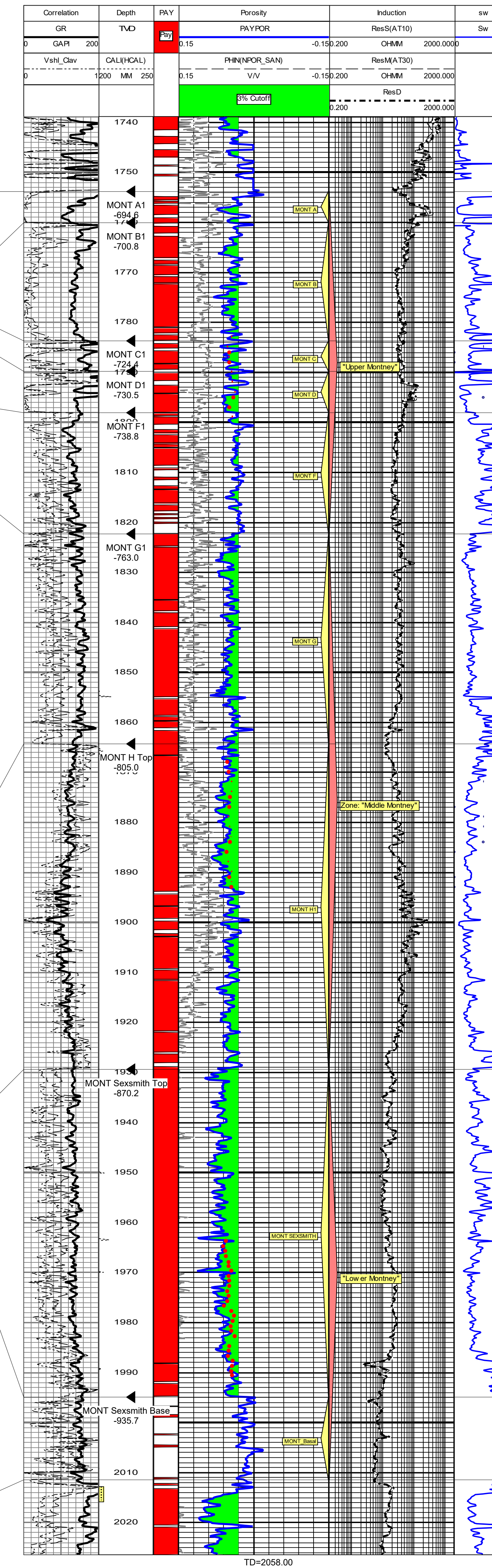
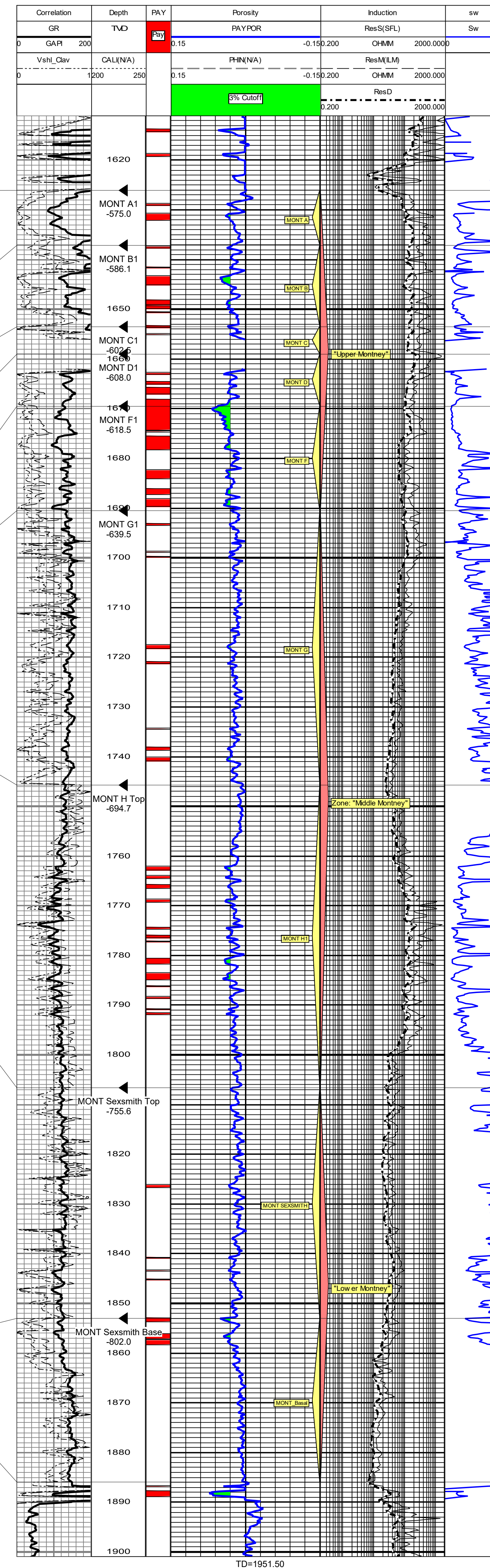
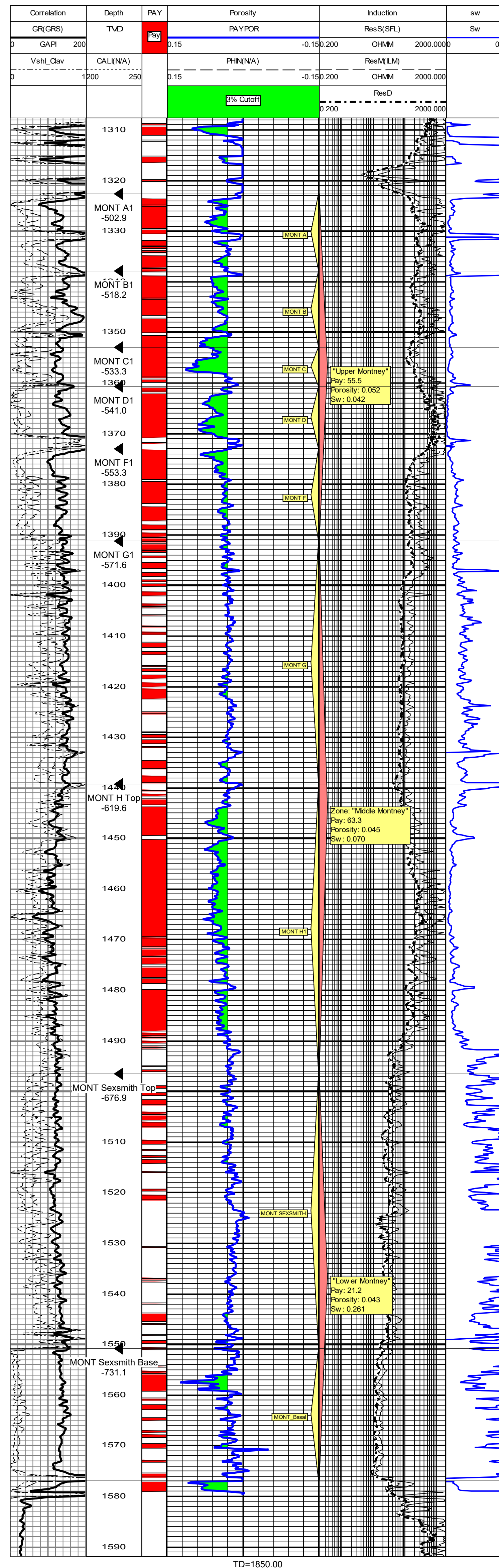
**CARIBOU
Montney
PRESSURE GRADIENTS
C.I. 1 kPa/Metre**

Software: ESRI, ArcMap 10.4.1
Caribou_MONT_PG

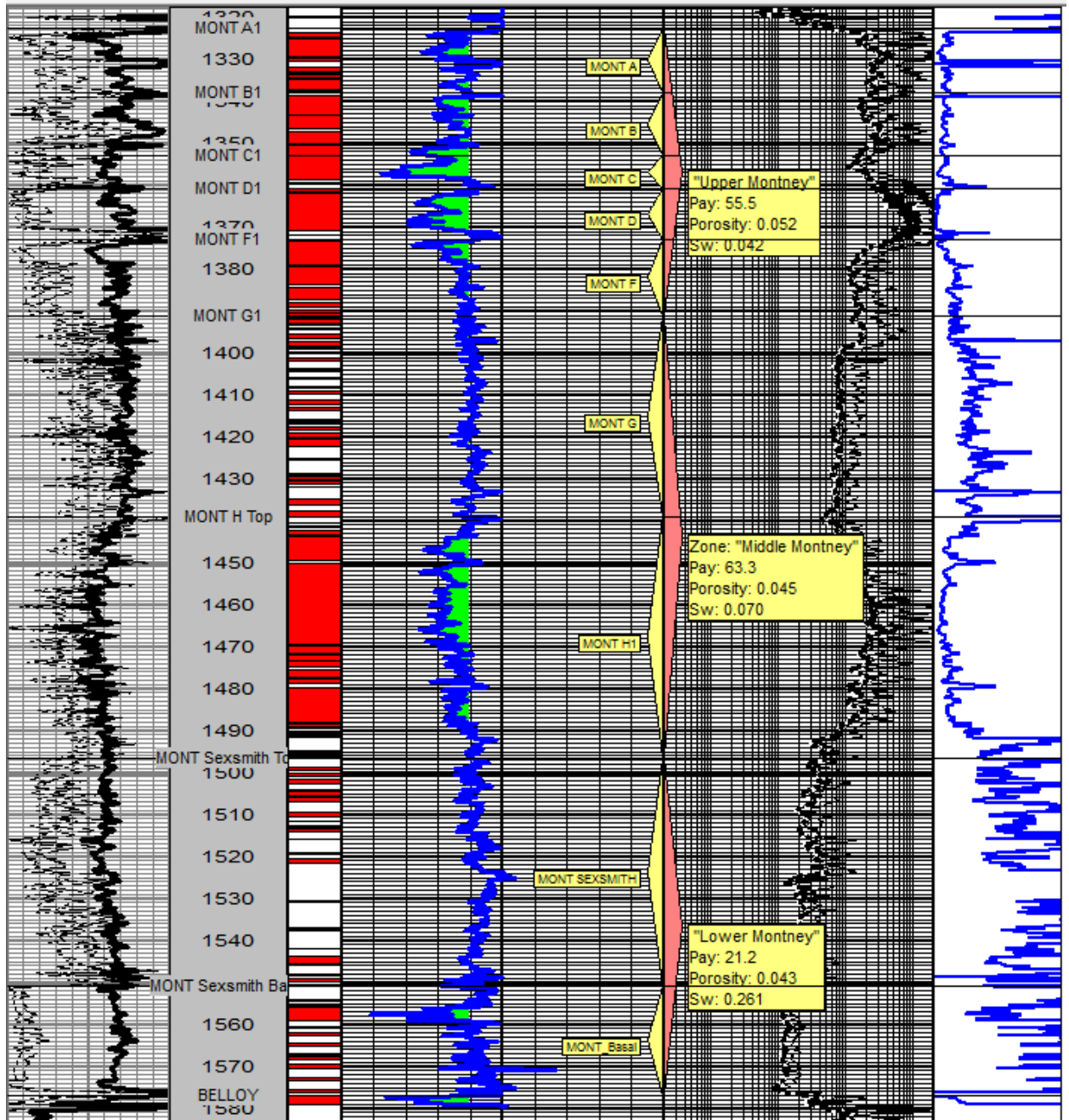
Map Created by: djg-rcf 05/23/2017	Map Edited by: rcf 05/26/2017	Map Finalized: 05/26/2017
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A

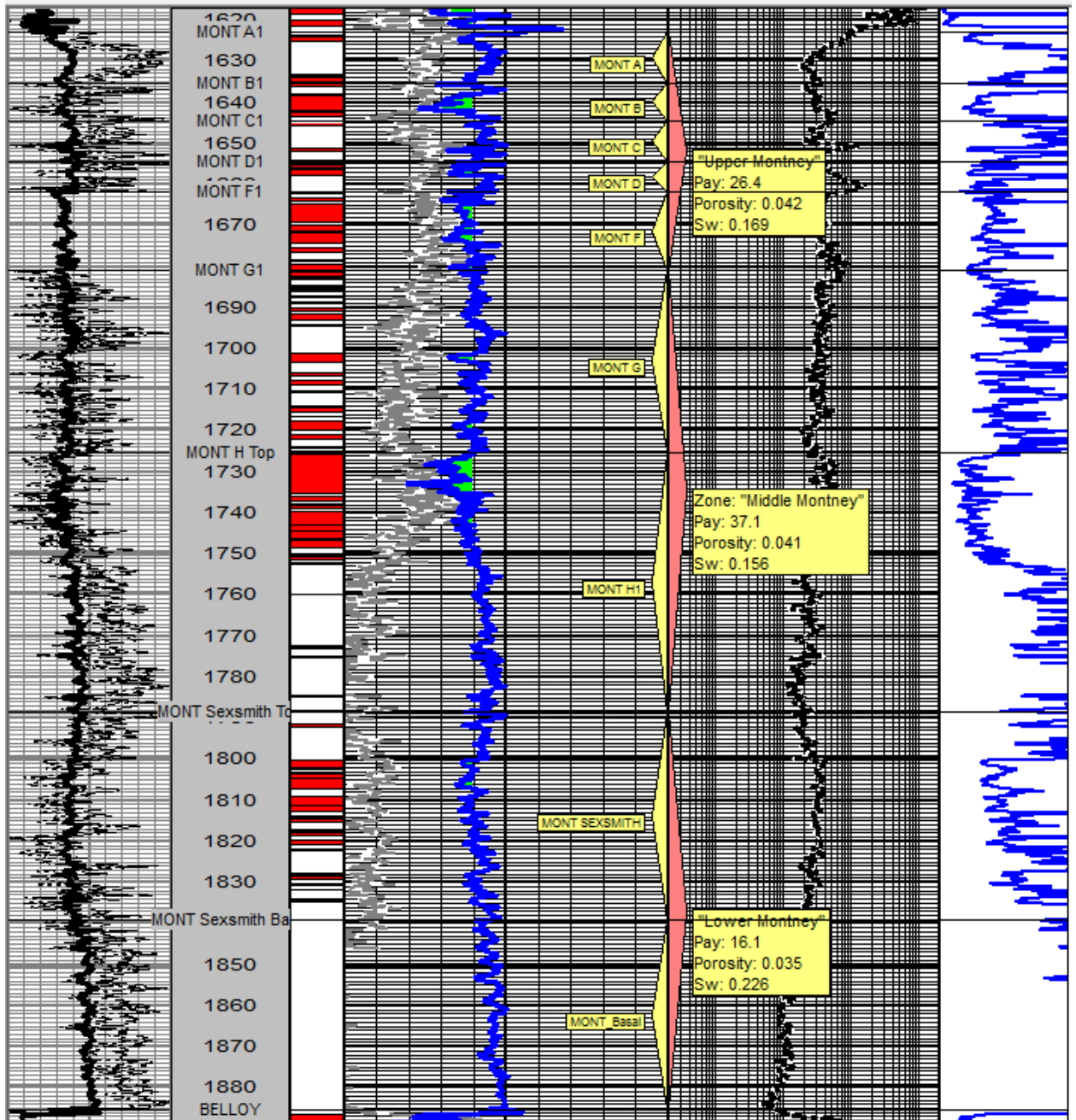
A'



Correlation	Depth	PAY	Porosity		Induction		sw
GR(GRS)	MD	Pay	PAYPOR		ResS(SFL)		Sw
0	GAPI 200		0.15	-0.15	0.200	OHMM 2000.000	0.5
Vshl_Clav	CAL(N/A)		PHIN(N/A)		ResM(ILM)		
0	1200 250		0.15	-0.15	0.200	OHMM 2000.000	
			3% Cutoff		ResD		
					0.200	2000.000	



Correlation	Depth	PAY	Porosity		Induction		sw
GR(HCGR)	MD	Pay	PAYPOR		ResS(N/A)		Sw
0	GAPI 200		0.15	-0.15	0.200	2000.000	0.5
Vshl_Clav	CALI(N/A)		PHIN(NPOR_LIM)		ResM(AT30)		
0	1200 250		0.15	-0.15	0.200	2000.000	
			M3/M3		OHM.M		
			3% Cutoff		ResD		
					0.200	2000.000	



10. Title Report

Writer's Direct Line: (403) 920-9550
Writer's Email: mclelland@burstall.com
Our File No. 40041

Via Email

June 28, 2017

Azonto Petroleum Ltd.
Suite 5, 531 Hay Street
Subiaco WA 6008
Australia

Dear Sirs:

Re: Title Report and Summary regarding Montney Joint Venture Lands in British Columbia, Canada

We act as Canadian legal counsel to Azonto Petroleum Ltd. (“**Azonto**”), an Australian public company listed on the Australian Securities Exchange (“**ASX**”), proposing to lodge a prospectus (“**Prospectus**”) for the issue of securities in Azonto on the ASX. We also act as counsel to Calima Energy Inc. (“**Azonto Sub**”), Azonto’s wholly-owned Canadian subsidiary. This Title Report and Summary describes certain interests of Azonto Sub in British Columbia, Canada for the purposes of inclusion in the Prospectus.

We consent to be named in the Prospectus as Azonto’s Canadian legal counsel and to include this Title Report and Summary in the Prospectus.

1. Scope of Report

As requested by Azonto, this Title Report and Summary assesses Azonto Sub’s corporate status, the validity of Azonto Sub’s interest in certain drilling licences in north-eastern British Columbia, and provide an overview of the legal and regulatory framework of the oil and gas industry in British Columbia and associated risks that may impact any operations in which Azonto Sub holds an interest.

2. Azonto Sub

Azonto Sub is a duly incorporated company under the laws of the province of Alberta and was incorporated on April 24, 2017. We have conducted standard due diligence searches of Azonto Sub, including corporate registry, Personal Property Registry, litigation, and environmental searches. There are no material corporate issues identified as of the date hereof.

3. Overview of Oil & Gas Industry in British Columbia

(a) Tenure System

The tenure system facilitates the leasing of rights that enable companies to explore for and develop petroleum and natural gas from British Columbia’s resources, for the benefit of the province’s residents. The tenure system is looked upon by industry as one of the best in the world.

British Columbia's Crown petroleum and natural gas rights are issued in the form of licences or leases through a competitive bid auction system or public offerings (or sales) of petroleum and natural gas rights. Notice of the parcels being offered is published on the Government of British Columbia's website prior to the sale.

The Crown attaches several expectations to the licences and leases issued:

- Annual rent of \$3.50 per hectare must be paid for each hectare covered by the agreement
- Tenure holders must meet all regulatory requirements
- Lands in a licence are earned by the drilling of a well

A lease is proven productive at the end of its five-year term by drilling, producing, mapping, being part of a unit agreement or by paying offset compensation. If a lease is proven productive, it will continue indefinitely beyond the end of the term. The tenure ends when an agreement holder can no longer prove its agreement is capable of producing oil or gas in paying quantities or is lost through rental or royalty payment default or by voluntary surrender.

(b) Exploration & Production

Drilling Licences

A drilling licence is a type of tenure offered in the province of British Columbia that provides its holder an exclusive right to explore for oil and/or natural gas within the set of geological zones/formations and locations defined in the licence itself. While drilling licences are issued by the Crown, licensees must obtain permits to drill wells and perform operations from the British Columbia Oil and Gas Commission (the "BCOGC").

Drilling licences and leases are governed by the *Petroleum and Natural Gas Act* (British Columbia) ("***Petroleum and Natural Gas Act***") and *Petroleum and Natural Gas Drilling Licence and Lease Regulation* (British Columbia).

The term of a drilling licence will be either three, four or five years, depending on within which of the prescribed areas the lands are located. The annual rent for a drilling licence is \$3.50/ha which is due on or before the anniversary date of the drilling licence. Any late payments are assessed a late-payment penalty of \$500 if rent is not paid within 60 days of the anniversary date, following which the licence expires.

There are 4 types of term extensions available for drilling licences:

(i) Standard Extension

This extension is available at the end of a drilling licence term for the entire licence or a portion of the licence at a cost of \$500 for the extension fee and \$7 per hectare before the expiry date of the licence. The extension lasts for one year and can be extended only once.

(ii) Extension to Compensate for Prescribed Delay

This extension is discretionary and can occur when the drilling of a well is delayed by an environmental or socio-economic study, public hearing, or planning or consultation process. An application to drill a well that would be eligible as an earning well must be submitted to the BGOCC at least 30 days prior to

the end of the term of the licence. There is no limit on the number of applications made for this extension.

(iii) Extension for Coalbed Gas Development

If a drilling licence has been previously extended, the area and zones of a drilling licence that are included in a special project approved by the BCOGC for coalbed gas recovery may be extended. The duration of the extension is for one year and the licensee may apply for an extension up to five times for each drilling licence.

(iv) Drilling Over Expiry

A drilling licence that contains an authorized target (as defined in the well permit) of one or more wells already commenced on the date of licence expiry and drilled to at least 150 metres may be extended. The term of the licence is extended to the date the drilling of the well or wells is completed and the rig is released. Other licences expiring on or after a licence is extended by continuous drilling operations may be grouped with the extended licence to the same date if they have also already been extended using the standard extension, and lie within four kilometers of the licence extended by continuous drilling operations. Application for this extension may only be done once.

In order to select a lease from a drilling licence, licensees must have at least one well designated as an earning well by the Director of Petroleum Lands (the “**Director**”) and must submit an application letter to the Director no later than 60 days following the expiry of the drilling licence that is to be converted. The earning well must be designated for the licence being converted to a lease or the licence being converted to a lease must be grouped with another licence containing a designated earning well.

In order to be deemed an earning well, the well must be drilled in a spacing area, all or part of which is in a location described in a drilling licence and the well must have generated well reports and data that in the opinion of the Director, sufficiently evaluate at least one of the zones held under the drilling licence. There may be only one earning well designated for each gas spacing area. Once a lease has been selected, the lessee will have the authority to produce oil and/or natural gas under the terms of that lease. The lease issuance fee is \$500 per lease and the rental fee is \$7.50/ha.

Leases

A lease grants the right to explore for and produce oil and/or natural gas. During the term of a drilling licence, licensees may request that all or part of the drilling licence be converted to a lease. To convert a drilling licence to a lease, at least one qualified earning well must have been drilled. The size of the lease and zones of inclusion are dependent on the location of the tenure, the wellbore length of the earning well and the deepest zone evaluated by the earning well.

Lease terms typically last for 5 or 10 years, depending on the area. Continuations of the lease are available three times for any 10 year lease. The applicable rental rates are \$15.00/ha for the first year of continuation, and \$25.00/ha for the second and third years. A lease can also be continued by written drilling commitment, which is available for any lease that is expiring.

Leases are subject to one of two types of rights reversion. Zone specific reversion affects leases that are a member of a chain of title originating with the purchase of a title through a Crown sale held on or after March 29, 2007. Zone specific reversions are designed to return to the province, at the end of the primary term of a subject lease, all the zones that do not contain identified oil or gas deposits. All other zones will

revert to the Crown unless they can be continued based on drilling, completions, work programs, delimiting pools, or the simple payment of a penalty.

(c) Environmental Obligations

The petroleum and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in revocation of necessary licences and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness of the Azonto Sub. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and greenhouse gas (“GHG”) emissions, may impose further requirements on operators and other companies in the petroleum and natural gas industry.

Federal

Canadian environmental regulation is the responsibility of the federal government and provincial governments. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law will prevail, however, such conflicts are uncommon. The federal government has primary jurisdiction over federal works, undertakings and federally regulated industries such as railways, aviation and interprovincial transport. The *Canadian Environmental Protection Act*, 1999 and the *Canadian Environmental Assessment Act*, 2012 provide the foundation for the federal government to protect the environment and cooperate with provinces to do the same.

Pursuant to the *Prosperity Act* (Canada), the Government of Canada amended or repealed several pieces of federal environmental legislation and in addition, created a new federal environmental assessment regime that came in to force on July 6, 2012. The changes to the environmental legislation under the *Prosperity Act* are intended to provide for more efficient and timely environmental assessments of projects that previously had been subject to overlapping legislative jurisdiction.

On June 20, 2016, the Federal Government launched a review of current environmental and regulatory processes with a focus on rebuilding trust in the environmental assessment processes, modernizing the National Energy Board, and introducing modernized safeguards to both the *Fisheries Act* (Canada) and the *Navigation Protection Act* (Canada). An expert panel was convened and the Minister of Environment and Climate Change will consider the recommendations in the panel’s report and identify next steps to improve federal environmental processes, which is expected to take place during the summer/fall of 2017. Until this process is complete, the Federal Government’s interim principles released January 27, 2016 will continue to guide decision making authorities for projects currently undergoing environmental assessment. The Federal Government has not provided any indication on what changes, if any, will be implemented or when, but increased delays and uncertainty surrounding the environmental assessment process should be expected for large projects.

In a further development, on November 29, 2016, the Government of Canada announced that it would introduce legislation by spring 2017 to formalize a moratorium for crude oil tankers on British Columbia’s north coast. It is unclear how the proposed moratorium may affect ongoing liquefied natural gas (“LNG”) export projects currently under consideration and development. On the same day, the Government of Canada also approved, subject to a number of conditions, the Trans Mountain Pipeline system expansion backed by Kinder Morgan Canada as well as the replacement of Enbridge Inc.’s plan to replace its Line 3 pipeline system, while also rejecting Enbridge Inc.’s proposed Northern Gateway project. On January 11, 2017, the Government of British Columbia confirmed that the conditions to the approval of the Trans

Mountain Pipeline had been satisfied. Additionally, the new administration in the United States has indicated a willingness to revisit other pipeline projects that had been previously rejected.

British Columbia

In British Columbia, energy projects may be subject to review pursuant to the *Environmental Assessment Act* (British Columbia), which replaces the previous processes for the review of major energy projects into a single environmental assessment process that contemplates public participation in the environmental review. Other environmental protection and management measures, including reclamation, are governed by the *Oil and Gas Activities Act* (British Columbia) (“*Oil and Gas Activities Act*”) and the *Environmental Management Act* (British Columbia) as well as many other provincial and federal statutes.

The oil and gas industry is subject to such environmental regulations which include restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability for pollution damage and the imposition of material fines and penalties. No assurance can be given that environmental laws will not result in a curtailment of production, a material increase in the costs of production or the costs of development or exploration activities, or otherwise adversely affect companies involved in the oil and gas industry in British Columbia.

In British Columbia, the *Oil and Gas Activities Act* impacts conventional oil and gas producers, shale gas producers and other operators of oil and gas facilities in the province. Under the *Oil and Gas Activities Act*, the BCOGC has broad powers, particularly with respect to compliance and enforcement and the setting of technical safety and operational standards for oil and gas activities.

The *Environmental Protection and Management Regulation* (British Columbia) establishes the government’s environmental objectives for water, riparian habitats, wildlife and wildlife habitat, old-growth forests and cultural heritage resources. The *Oil and Gas Activities Act* requires the BCOGC to consider these environmental objectives in deciding whether or not to authorize an oil and gas activity. In addition, the *Petroleum and Natural Gas Act*, in conjunction with the *Oil and Gas Activities Act*, requires proponents to obtain various approvals before undertaking exploration or production work, such as geophysical licences, geophysical exploration project approvals, permits for the exclusive right to do geological work and geophysical exploration work, and well, test hole and water-source well authorizations. Such approvals are given subject to environmental considerations and licences and project approvals can be suspended or cancelled for failure to comply with this legislation or its regulations.

(d) Regulatory Obligations

In British Columbia, the BCOGC oversees the Liability Management Rating Program (the “**BC LMR Program**”), designed to manage public liability exposure related to oil and gas activities by ensuring that permit holders carry the financial risks and regulatory responsibility of their operations through to regulatory closure. Under the BC LMR Program, the BCOGC determines the required security deposits for permit holders under the *Oil and Gas Activities Act*. The LMR is the ratio of the permit holder’s deemed assets to deemed liabilities. Permit holders whose deemed liabilities exceed deemed assets will be considered high risk and reviewed for a security deposit. Permit holders who fail to submit the required security deposit within the allotted timeframe may be in non-compliance with the *Oil and Gas Activities Act*.

(e) First Nations Obligations

The Azonto Sub's permits, licences and mineral rights may be subject to challenges by First Nations based on the duty of the Federal Government to consult. Under the *Constitution Act, 1982 (Canada)*, the Crown has a fiduciary duty to consult First Nations about decisions which may impact their rights and, where possible, accommodate their aboriginal interests. Though this duty is ultimately owed by the Crown, the Crown may delegate aspects of the consultation process to the BCOGC and may involve the proponent in the procedural aspects of the consultation. Many First Nations and industry groups in British Columbia and throughout Canada have established consultation protocols to standardize the consultation process for projects and industry and to facilitate cooperative resolutions between First Nations, government and industry. Many of these protocols and negotiations entered into result in Impact and Benefits Agreements (“IBAs”) pursuant to which impacted First Nations rights can be accommodated by way of compensation. IBAs can vary considerably and are difficult to estimate as terms of IBAs have historically remained confidential.

The 2014 Supreme Court of Canada decision in *Tsilhqot'in Nation v. British Columbia*, determined that (i) Aboriginal title can be granted over a particular tract of land in certain circumstances; (ii) if granted, Aboriginal title gives the right to exclusive use and occupation of the land, such that governments and others seeking to use the land must obtain the consent of the Aboriginal title holder; and (iii) in instances where Aboriginal title is unproven, the government still owes a procedural duty to consult with the applicable First Nations.

Aboriginal title is a unique concept that confers a right to control the land and requires governments and others seeking to use the land to obtain the consent of the First Nations. The Supreme Court of Canada also went on to indicate that if an industrial development proceeds without consent from First Nations, and a declaration of aboriginal title is subsequently made for the land on which the industrial development is situated, then such projects may be required to be cancelled. There is both uncertainty in the ability of one or more First Nations to seek a declaration of title to the lands upon which the assets sit, and risk in proceeding with the development of the assets without the consent of the First Nations.

In 2015, the new federal government indicated that it wished to provide First Nations with additional participation in the development of resource projects in Canada. It is not clear what the nature of such additional participation might be, and the additional time, costs and expenses associated with such additional participation, might have on the development of the Azonto Sub's assets.

(f) Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from minerals other than Crown owned minerals are determined by negotiations between the mineral owner and the lessee although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced.

From time to time, the provincial governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty reductions, royalty holidays and credits, and are generally introduced when commodity prices are low. The programs are

designed to encourage exploration and development activity by improving near-term earnings and cash flow within the industry.

British Columbia

Producers of petroleum and natural gas in the Province of British Columbia are required to pay **annual** rental payments with respect to the Crown leases and royalties plus freehold production taxes in respect of oil and gas produced from Crown and freehold lands. The amount payable as a royalty in respect of oil depends on the type of oil, the value of the oil, the quantity of oil produced in a month, and the vintage of the oil. Generally, the vintage of oil is based on the determination of whether the oil is produced from a pool discovered before October 31, 1975 (old oil), between October 31, 1975, and June 1, 1998 (new oil), or after June 1, 1998 (third tier oil). The royalty rates are calculated in three stages, which take into account the vintage of the oil, if the oil produced has already been sold and any royalty exempt value applicable (exempt wells). Oil produced from newly discovered pools may be exempt from the payment of a royalty for the first 36 months of production if it is not more than either: (i) the monthly allowable production multiplied by 36; or (ii) 11,450 m³ produced. The royalties for third tier oil are the lowest, reflecting the higher costs of exploration and extraction that the producers would incur.

The royalty payable on natural gas is determined by a sliding scale based on a reference price, which is the greater of the price obtained by the producer, and a prescribed minimum price. However, when the reference price is below the select price (a parameter used in the royalty rate formula), the royalty rate is fixed. As an incentive for the production and marketing of natural gas which may otherwise have been flared, natural gas conserved and produced in association with oil has a lower royalty than the royalty payable on non-conservation gas. British Columbia has put in place a number of targeted royalty programs for key resource areas intended to increase the competitiveness of British Columbia's low productivity wells.

(g) Climate Change Regulations

International

As with all producers, the Azonto Sub's exploration activities and eventual production facilities will emit carbon dioxide, methane, nitrous oxide and other "greenhouse gases".

Canada is a signatory to the United Nations Framework Convention on Climate Change ("UNFCCC"), which was entered into in order to work towards stabilizing atmospheric concentrations of GHG emissions at a level to prevent "dangerous anthropogenic interference with the climate system". The UNFCCC came into force on March 21, 1994. Subsequent international negotiations led to the Kyoto Protocol, an international treaty which extends the UNFCCC and commits its signatories to reduce GHG emissions. The Kyoto Protocol was adopted in December 1997 and came into force on February 16, 2005. Canada withdrew from the Kyoto Protocol in December 2012. On December 12, 2015, the UNFCCC adopted the Paris Agreement, which Canada ratified on October 5, 2016.

In May 2015, Canada submitted its Intended Nationally Determined Contribution to the UNFCCC Secretariat, pledging a 30% reduction from 2005 levels – approximately 523 megatonnes – by 2030. In addition, provincial/territorial and federal leaders met and agreed that they would work together to build a national climate change plan. At a follow-up meeting of the First Ministers and Prime Minister on March 3, 2016, the parties agreed under the Vancouver Declaration on Clean Growth and Climate Change to launch a process to develop the Pan-Canadian Framework on Clean Growth and Climate Change (the "**Framework**"), which was released on December 9, 2016 at the First Ministers meeting. Saskatchewan was the only province that decided not to adopt the Framework. Prior to the release of the Framework,

the federal government announced in October 2016 that it will set a minimum price on carbon starting at \$10 per tonne of CO₂ equivalent (“CO₂e”) in 2018, which will increase by \$10 per year until it reaches \$50 per tonne of CO₂e by 2022. This approach will be reviewed in 2022 to confirm the path forward, including continued increases in stringency. Under the federal plan, each province and territory will be required to implement carbon pricing in its jurisdiction by 2018, whether in the form of a carbon tax or a cap-and-trade system. If the carbon price in a jurisdiction does not meet the federal minimum price, the federal government will step in and impose a carbon price that makes up the difference and return the revenue to the province or territory. In addition, provincial and territorial goals for reducing emissions must be at least as stringent as federal targets. Currently, Canada’s four biggest provinces representing more than 80% of Canada’s population (Ontario, Québec, Alberta and British Columbia) have carbon pricing in place.

In March 2016, a Joint Statement on Climate, Energy, and Arctic Leadership was issued. This joint statement sets out specific commitments on energy development, environmental protection, and Arctic leadership. In particular, Canada and the US have made commitments to reduce methane emissions by 40-45% below 2012 levels by 2025 from the oil and gas sector, finalize and implement the second phase of an aligned GHG emission standard for post-2018 model year on-road heavy duty vehicles, phase out fossil fuel subsidies, accelerate clean energy development and foster sustainable energy development.

With regards to GHG emissions, in March 2004, the federal government announced the introduction of the Greenhouse Gas Emissions Reporting Program, which applies to large industrial GHG emitters in Canada. All facilities that emit the equivalent of 50,000 tonnes or more of CO₂e per year are required to submit a report to Environment Canada. Facilities with emissions below the reporting threshold of 50,000 tonnes per year can voluntarily report their GHG emissions.

It is expected that additional regulations eventually implemented by the Government of Canada will have an impact on the oil and gas industry as a whole, which could result in increased costs for the Azonto Sub to comply with such legislation. There remains ongoing uncertainty regarding Canada’s short-term and long-term emissions reduction targets and how such targets will be achieved. In the meantime, the Azonto Sub will continue to monitor the policies of the Government of Canada and any resulting legislation with respect to GHG emissions.

British Columbia

The Azonto Sub may be directly subject to current and proposed legislation regulating GHG emissions in British Columbia. The Government of British Columbia released an energy plan in February 2007 (the “**Energy Plan**”) outlining a provincial environmental strategy reducing GHG emissions, which promotes investment in research and innovation, and world leadership in sustainable environmental management. To this end, the province has since implemented: an Innovative Clean Energy Fund; a new Net Profit Royalty Program; an Infrastructure Royal Credit Program; and a broad-based carbon tax on all fossil fuels consumed in the province (including natural gas flared at a wellhead or a processing facility). The British Columbia carbon tax is currently \$30/tonne of CO₂e. The carbon tax is revenue neutral, in that carbon tax revenue funds personal and business tax cuts by the Government of British Columbia. The Energy Plan contemplates various other initiatives, including: the elimination of routine flaring at producing wells and processing facilities; tight gas, coalbed gas and other unconventional development incentives; implementation of a petroleum registry; an oil and gas technology transfer incentive program; and incentives for increased recoveries from existing reserves.

In 2008, the Government of British Columbia introduced and enacted the Greenhouse Gas Reduction (Cap and Trade) Act (the “*Cap and Trade Act*”), which provides the regulatory framework for the province’s participation in the emissions cap-and-trade system proposed by Western Climate Initiative

(“WCI”). The WCI is a partnership of seven U.S. states and four Canadian provinces, including British Columbia, Manitoba, Québec and Ontario, with the goal of reducing greenhouse gas emissions by 15 per cent below 2005 levels by 2020. Unlike the emissions intensity approach taken by the federal government and the Government of Alberta, the *Cap and Trade Act* (and the WCI regime) will establish an absolute cap on GHG emissions.

Reporting regulations came into force on January 1, 2010 requiring all British Columbia facilities emitting over 10,000 tonnes of CO₂e per year to report their emissions. Facilities reporting emissions greater than 25,000 tonnes of CO₂e per year are required to have their emissions reports verified by a third party.

The Government of British Columbia is in the process of assessing whether or not it will proceed with plans to participate in the WCI regional greenhouse gas cap and trade system. Draft emissions trading regulations and offsets regulation have been posted by the British Columbia Climate Action Secretariat, but have yet to be finalized. Under the regulations, certain facilities would be required to meet established targets through a combination of emissions allowances issued by the Government of British Columbia and the purchase of emissions offsets generated through activities that result in a reduction in GHGs.

British Columbia’s Greenhouse Gas Industrial Reporting and Control Act came into force on January 1, 2016. This Act was originally passed by the British Columbia legislature in November 2014 and enables performance standards to be established for industrial facilities or sectors. It currently sets a GHG emissions benchmark for LNG facilities, along with an emissions benchmark for coal-based electricity generation operations. Performance standards for other industrial facilities and sectors will likely be added later on. This Act also streamlines several aspects of existing GHG legislation into a single legislative and regulatory system, including the GHG reporting framework established under the *Cap and Trade Act*. This legislation represents British Columbia’s efforts to achieve its legislated GHG emission reduction target of 33% below 2007 levels by 2020. The now former Government of British Columbia estimated that five LNG plants in British Columbia will generate 13 million tonnes of GHG emissions, on top of the province’s current annual GHG emissions of 62 million tonnes.

On August 19, 2016, the now former Government of British Columbia released its long awaited Climate Leadership Plan (“**BC Climate Plan**”). The BC Climate Plan, which updates the province’s 2008 Climate Action Plan, contains 21 new actions to reduce emissions across the following sectors: (i) natural gas, (ii) transportation, (iii) forestry and agriculture, (iv) communities and built environment, and (v) public sector. The BC Climate Plan follows the release of the Climate Leadership Team’s report in November 2015. While the BC Climate Plan reflects some recommendations made by the Climate Leadership Team and feedback received through public consultation and stakeholder engagement sessions, the BC Climate Plan bypasses British Columbia’s 2020 target of achieving a reduction in GHG emissions of 33% below 2007 levels and instead charts a path for British Columbia to reach its 2050 target of 80% below 2007 levels. In addition, the Government of British Columbia has decided to keep the province’s revenue neutral carbon tax at \$30 per tonne until such time as the other provinces’ various carbon pricing plans catch up to British Columbia.

(h) Political Risk

British Columbia concluded a provincial election on May 22, 2017, in which the incumbent British Columbia Liberal Party was re-elected, though was unable to obtain the number of seats required to maintain their previous majority government. Subsequently, the New Democrat Party and the Green Party (the “**NDP/Green Alliance**”), who together won more seats than the incumbent Liberals, agreed to a political alliance to oust the minority Liberal government. The NDP/Green Alliance plans to defeat the

British Columbia government in a confidence vote when the House reconvenes on June 22, 2017. As of the date hereof, this issue remains unresolved.

The result of the British Columbia Liberals forming a minority government may be that greater accommodation to opposition parties will be required in the decision making process. The effects of this may impact the oil and gas industry in British Columbia generally, and may lead to modified regulatory and legislative objectives and programs.

This creates uncertainty in the political landscape of British Columbia. This also increases the likelihood of opposition of the Kinder Morgan Trans Mountain Pipeline by the province of British Columbia, although the federal government, which has the authority to approve the project, provided such approval last year and the British Columbia provincial government has already confirmed satisfaction of the conditions to approval.

4. Summary of Material Issues & Risks

While the majority of the subject drilling licences do not begin to expire until August 2018, drilling licence 65159 is scheduled to expire July 17, 2017 and drilling licence 65201 is scheduled to expire August 14, 2017, both in the Fort St. John area. The following are general risks and issues that may affect the Azonto Sub and/or its operations now or in the future:

(a) Regulatory

Drilling Licences are subject to licensees complying with the *Petroleum and Natural Gas Act* and all regulations thereunder, and any amendments made to the *Petroleum and Natural Gas Act* and all regulations thereunder. Furthermore, the Drilling Licences and the Lands to which they pertain are subject to the discretion of the Director and the BCOGC.

The oil and natural gas industry is subject to extensive controls and regulation governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, and British Columbia, all of which should be carefully considered by investors. Within the knowledge of management, it is not expected that any of these controls or regulations will affect the operations of the Azonto Sub in a manner materially different than they would affect other oil and gas companies of similar size.

(b) Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to evolving national, provincial and municipal laws and regulations, as well as, potentially, international conventions. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, discharges, or emissions of various substances produced in association with oil and gas operations, habitat protection and minimum setbacks of oil and gas activities from fresh water bodies. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines, penalties and sanctions, some of which can be material or materially affect a company's operations. Certain environmental protection legislation subjects companies to statutory strict liability in the event of accidental spills or discharges from licensed facilities, meaning that fault need not be established by claimants affected by any such a spill or discharge. Further, as Canadian environmental legislation evolves, the use of administrative penalties by the imposition of fines for the commission of

environmental offences on an absolute liability basis has grown. Environmental legislation is evolving in a manner that has and is expected to continue to result in stricter standards and enforcement, larger fines, liabilities and sanctions, and potentially increased capital expenditures and operating costs.

(c) First Nations

Many of the Lands (as defined below) overlap Crown lands within the area claimed by the Treaty 8 First Nations. Treaty 8 was the first of the northern treaties, covered an area of 324,900 square miles and represents the most geographically extensive treaty activity undertaken. It comprises what is now the northern half of Alberta, the northeast quarter of British Columbia, the northwest corner of Saskatchewan, and the area south of Hay River and Great Slave Lake in the Northwest Territories.

Specifically, the Dene Tha' First Nation and Prophet River First Nation have advised that such areas are used for practising their treaty rights. This is a signal to proponents of the importance of pre-engagement with First Nations. Proponents are encouraged to engage with First Nations as early as possible in the planning stages to build relationships and to facilitate consultation processes.

The assets or other properties owned or optioned by the Azonto Sub may in the future be the subject of First Nations land claims. The legal nature of aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Azonto Sub's ownership interest in the properties optioned or owned by the Azonto Sub 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 optioned or purchased by the Azonto Sub are located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Azonto Sub's activities. Even in the absence of such recognition, the Azonto Sub may at some point be required to negotiate with First Nations in order to facilitate exploration and development work on the properties optioned or owned by the Azonto Sub.

5. Title Analysis

(a) Contractual Interests of Azonto Sub

(i) Montney Participation Agreement

Carnaby Energy Inc. ("**Carnaby**") and Warren Energy Ltd. ("**Warren**") entered into a participation agreement dated August 28, 2014 (the "**Montney Joint Venture**") to acquire oil and gas licences in British Columbia prospective for the Montney formation, with participating interests 60% as to Carnaby and 40% as to Warren. A joint operating agreement between Carnaby and Warren, as to their participating interests, dated September 8, 2014 (the "**Joint Operating Agreement**") governs the lands.

The initial licences acquired by Carnaby were beneficially owned by the Montney Joint Venture as to each party's participating interest. In exchange for their consent to the Montney Joint Venture, Warren agreed to grant Ariemore Capital Pty Ltd. and Seaspin Pty Ltd. a 1% overriding royalty in its 40% participating interest.

(ii) Purchase Sale and Conveyance Agreement

Carnaby and Woma Energy Ltd. ("**Woma**") entered into a purchase sale and conveyance agreement dated June 25, 2015 whereby Carnaby sold and conveyed all of its 60% interest in the Montney Joint Venture to Woma.

(iii) Farm-in Agreement

Azonto Sub, Woma, Warren, and Azonto entered into a farm-in agreement dated April 30, 2017 (the “**Farm-in Agreement**”) whereby Azonto Sub agreed to farm-in to prospective lands in the Fort St. John, Caribou and Pocketknife areas of north-eastern British Columbia (the “**Lands**”), targeting the Montney formation. The Lands are currently owned by Woma and Warren as part of the Montney Joint Venture. Azonto agreed to guarantee the obligations of Azonto Sub under the agreement.

The Farm-in Agreement is conditional on Azonto re-complying with Chapters 1 and 2 of the ASX Listing Rules on or before August 31, 2017 and carries minimum spend obligations for Azonto Sub that are due at prescribed milestones over the next three years.

Azonto Sub has the right to earn up to a 55% working interest in the Montney Joint Venture in three stages, 20% following the completion of stage 1, 17.5% following the completion of stage 2, and 17.5% following the completion of stage 3. Woma is currently the operator of the Lands, which will transition to Azonto Sub following the completion of stage 3.

(b) Montney Joint Venture Licences

Through the use of various local land agents, the Montney Joint Venture has obtained drilling licences for prospective lands in the Fort St. John, Caribou and Pocketknife areas of north-eastern British Columbia (the “**Drilling Licences**”). These Drilling Licences give the Montney Joint Venture the right to explore all Petroleum and Natural Gas (“**PNG**”) rights on some Lands, and explore limited formations on other Lands, all pursuant to the terms and conditions of each particular Drilling Licence.

The following is a table of the current Drilling Licences, rights and interests of the Montney Joint Venture and does not include those Drilling Licences scheduled in the Farm-in Agreement which have expired as of the date hereof.

SUBJECT DRILLING LICENCES								
CROWN LICENCE NUMBER	FIELD	LANDS		PNG RIGHTS	WORKING INTEREST	EXPIRY DATE	LICENCE TERM	RENTAL FEE
65159	Fort St. John	TWP 83 Rge 17 W6M 17, 20		All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	July 17, 2017	3 years	\$3.50/ha
65201	Fort St. John	TWP 83 Rge 18 W6M Sec. 21		All PNG Excl. Natural Gas to base Montney-Belloy-Stoddart	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	August 14, 2017	3 years	\$3.50/ha
65276	Pocketknife	094-G-10 Block A	Units 18, 19, 28, 29, 38, 39, 48, 49	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	September 11, 2018	4 years	\$3.50/ha
65277	Pocketknife	094-G-10 Block G	Units 56, 57, 66, 67, 76, 77, 86, 87	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	September 11, 2018	4 years	\$3.50/ha
65350	Caribou	094-G-09 Block B	Units 6 - 9, 16 - 19, 26 -29	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	October 9, 2018	4 years	\$3.50/ha
		094-G-08 Block J	Units 96 - 99	All PNG				
65355	Pocketknife	094-G-10 Block G	Units 34, 35, 44, 45, 54, 55, 64, 65	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	October 9, 2018	4 years	\$3.50/ha
65391	Caribou	094-G-09 Block C	Units 54 - 57, 64 - 67	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	November 6, 2018	4 years	\$3.50/ha
		094-G-09 Block C	Units 58, 59, 68, 69	PNG below base Artex-Halfway-Doig				
65393	Pocketknife	094-G-10 Block B	Units 11, 21, 31, 41	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	November 6, 2018	4 years	\$3.50/ha
		094-G-10 Block A	Units 20, 30, 40, 50	All PNG				
65450	Caribou	094-G-09 Block C	Units 38, 39, 48, 49	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	December 11, 2018	4 years	\$3.50/ha
		094-G-09 Block C	Units 36, 37, 46, 47	PNG below base Artex-Halfway-Doig				
65452	Caribou	094-G-09 Block E	Units 2 -5, 12, 13, 22, 23	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	December 11, 2018	4 years	\$3.50/ha
		094-G-09 Block D	Units 92 - 95	All PNG				
65454	Caribou	094-G-10 Block J	Units 4 - 7	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd.	December 11, 2018	4 years	\$3.50/ha
		094-G-10 Block G	Units 74, 75, 84,	All PNG				

SUBJECT DRILLING LICENCES								
CROWN LICENCE NUMBER	FIELD	LANDS		PNG RIGHTS	WORKING INTEREST	EXPIRY DATE	LICENCE TERM	RENTAL FEE
			85, 94 -97		40%			
65537	Caribou	094-G-09 Block C	Units 76, 77, 86, 87	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	February 26, 2019	4 years	\$3.50/ha
		094-G-09 Block C	Units 74, 75, 78, 79, 84, 85, 88, 89	PNG below base Artex-Halfway-Doig	Woma Energy Ltd. 60% Warren Energy Ltd. 40%			
65539	Pocketknife	094-G-10 Block J	Units 14, 15, 24, 25, 34, 35, 44, 45	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	February 26, 2019	4 years	\$3.50/ha
65556	Caribou	094-G-09 Block B	Units 56 -59, 66 - 69	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	March 26, 2019	4 years	\$3.50/ha
65557	Caribou	094-G-09 Block G	Units 8 - 10	PNG below base Artex-Halfway-Doig	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	March 26, 2019	4 years	\$3.50/ha
		094-G-09 Block F	Units 1 - 3	PNG below base Artex-Halfway-Doig				
		094-G-09 Block C	Units 91 - 93	PNG below base Artex-Halfway-Doig				
		094-G-09 Block B	Units 98 - 100	PNG below base Artex-Halfway-Doig				
65558	Caribou	094-G-09 Block F	Units 16, 17, 26, 27	All PNG	Woma Energy Ltd. 60%	March 26, 2019	4 years	\$3.50/ha
		094-G-09 Block F	Units 14, 15, 24, 25, 34-37, 44-47	PNG below base Artex-Halfway-Doig	Warren Energy Ltd. 40%			
65559	Caribou	094-G-09 Block F	Units 10, 20, 30	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	March 26, 2019	4 years	\$3.50/ha
		094-G-09 Block E	Units 1, 11, 21	All PNG				
		094-G-09 Block D	Unit 91	All PNG				
		094-G-09 Block C	Unit 100	All PNG				
65591	Caribou	094-G-09 Block B	Units 38, 39, 48, 49	All PNG	Woma Energy Ltd. 60%	April 23, 2019	4 years	\$3.50/ha
		094-G-09 Block B	Units 36, 37, 46, 47	PNG below base Artex-Halfway-Doig	Warren Energy Ltd. 40%			

SUBJECT DRILLING LICENCES								
CROWN LICENCE NUMBER	FIELD	LANDS		PNG RIGHTS	WORKING INTEREST	EXPIRY DATE	LICENCE TERM	RENTAL FEE
65635	Caribou	094-G-09 Block C	Units 52, 53, 62, 63, 72, 73, 82, 83	PNG below base Artex-Halfway-Doig	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	June 18, 2019	4 years	\$3.50/ha
65636	Caribou	094-G-09 Block F	Units 8, 9, 18, 19, 28, 29	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	June 18, 2019	4 years	\$3.50/ha
		094-G-09 Block C	Units 98, 99	All PNG				
65659	Caribou	094-G-10 Block G	Units 36, 37, 46, 47, 58, 59, 68, 69	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	July 16, 2019	4 years	\$3.50/ha
65662	Caribou	094-G-09 Block F	Units 6, 7	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	July 16, 2019	4 years	\$3.50/ha
		094-G-09 Block C	Units 96, 97	All PNG				
65663	Caribou	094-G-09 Block D	Units 51, 61, 71 - 73, 81 - 83	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	July 16, 2019	4 years	\$3.50/ha
		094-G-09 Block C	Units 60, 70, 80, 90	All PNG				
65691	Caribou	094-G-09 Block C	Units 31 - 33, 41 - 43	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	August 13, 2019	4 years	\$3.50/ha
		094-G-09 Block B	Units 40, 50	All PNG				
		094-G-09 Block C	Units 34, 35, 44, 45	PNG below base Artex-Halfway-Doig				
65733	Caribou	094-G-09 Block B	Units 20 - 30	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	September 10, 2019	4 years	\$3.50/ha
		094-G-09 Block C	Units 11 - 13, 21 - 23	All PNG				
		094-G-09 Block C	Units 14, 15, 24, 25	PNG below base Artex-Halfway-Doig				
65735	Caribou	094-G-09 Block C	Units 51, 61, 71, 81	PNG below base Artex-Halfway-Doig	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	September 10, 2019	4 years	\$3.50/ha
		094-G-09 Block B	60, 70, 78 - 80, 88 - 90	PNG below base Artex-Halfway-Doig				
66255	Caribou	094-G-09 Block E	Units 31 - 33, 41 - 43	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	January 19, 2021	4 years	\$3.50/ha
		094-G-09 Block F	Units 38 - 40,	All PNG				

SUBJECT DRILLING LICENCES								
CROWN LICENCE NUMBER	FIELD	LANDS		PNG RIGHTS	WORKING INTEREST	EXPIRY DATE	LICENCE TERM	RENTAL FEE
			48 - 50					
66256	Pocketknife	094-G-10 Block J	Units 16, 17, 26, 27, 36, 37, 46, 47	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	January 19, 2021	4 years	\$3.50/ha
66312	Caribou	094-G-08 Block J	Units 94, 95	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	March 23, 2021	4 years	\$3.50/ha
		094-G-09 Block B	Units 4, 5, 14, 15, 24, 25	All PNG				
66313	Caribou	094-G-09 Block E	Units 16, 17, 26, 27, 36 - 39, 46 - 49	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	March 23, 2021	4 years	\$3.50/ha
66338	Caribou	094-G-09 Block F	Units 11 - 13, 21 - 23, 32, 33, 42, 43	All PNG	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	April 20, 2021	4 years	\$3.50/ha
		094-G-09 Block G	20, 30	All PNG				
66386	Caribou	094-G-09 Block F	Units 58, 59, 68, 69, 78, 79, 88, 89	PNG below base Artex-Halfway-Doig	Woma Energy Ltd. 60% Warren Energy Ltd. 40%	June 22, 2021	4 years	\$3.50/ha

6. Public Searches

We conducted corporate due diligence searches on Azonto Sub, Woma and Warren in British Columbia and in Alberta, the place of incorporation for each company, and did not find any material issues as of the date hereof. These included corporate registry, litigation, Personal Property Registry, and environmental searches.

With respect to the Drilling Licences and contractual rights of Azonto Sub, we reviewed the land files held by Woma. We reviewed the Integrated Petroleum System (IPS) web search tool (“IPS Web”). The IPS Web searches are computer printouts showing the status, current registered owner or owners of the Drilling Licences, brief particulars of the Drilling Licences and the date to which rentals are paid and recordable encumbrances filed. IPS Web is a public search interface to the provincial tenure registries administered under the *Petroleum and Natural Gas Act*. The Ministry of Natural Gas Development does not assume any liability for any errors or omissions as the information is provided only for the convenience of the public.

We have not relied on any public databases or other searches not described herein and no public searches were conducted to determine validity or status of any Drilling Licence. However, it appears from our review of the land files that all rentals have been paid to the date hereof, which is corroborated by the IPS Web searches. There are no inconsistencies found between the data found in the land files and that in the IPS Web searches and there is no evidence that any of the Drilling Licences is not valid or in good standing.

7. Qualifications of Report

In addition to the limitations and qualifications set forth herein, this Title Report and Summary is subject to the following qualifications:

- (a) The investigations made by us for the purposes of our review were commenced on June 1, 2017, and this summary and description of the interests of Azonto Sub, Woma and Warren herein described is made only as of that date. However, we have no reason to believe, subject to any qualifications elsewhere in this summary, that the interests described herein are not the same as of the date hereof.
- (b) We note that there is uncertainty in British Columbia as to whether the owner of the coal or the owner of the natural gas in a given parcel is the rightful holder of legal title to natural gas derived from coal seams (“NGC”). We express no comment or opinion in this respect and nothing in this summary, nor in any document incorporated by reference in this summary, shall be construed as expressing any comment or opinion on the rights or entitlements to NGC.
- (c) We have assumed the genuineness of all signatures, the conformity to authentic original documents of all documents reviewed as copies and the authority and capacity of all parties to execute, deliver and perform the same.
- (d) In addition to reviewing the land files, we have relied on the IPS Web searches as evidence that the Drilling Licences are in force and effect as of the date of the IPS Web searches and that rental payments are not outstanding. The IPS Web searches are not issued for purposes of guarantee or certification but merely for purposes of information and we have assumed the correctness of and relied upon such information for the purposes hereof.
- (e) No searches or other correlations were made for taxes, levies or assessments, by any municipal, provincial or federal authority, that may be payable in respect of the Lands, and we express no comment or opinion in relation thereto.
- (f) We have assumed that the land files comprise all relevant title documents and that the documents of title were duly authorized, executed and delivered.
- (g) We have assumed that the land files of Woma which were made available to us and reviewed contained all documentation relevant to the interests of Woma and Warren in and to the Lands.
- (h) We have not inquired into the status of the persons who appear to have signed as Commissioners for Oaths or Notaries Public and express no comment or opinion as to any defects by reason of any irregularity in this respect.
- (i) Where rental payments appear from our examination to have been made, we have assumed they have been made.
- (j) We express no comment or opinion as to the title to any surface lands or to any tangible property nor have we obtained copies of titles to the surface lands in order to confirm that such title excepts out the relevant mines and minerals. We have assumed that if the Drilling Licences evidence an interest in the mines and minerals that the title to the corresponding surface lands excepts out such mines and minerals.

(k) We express no comment or opinion as to the existence or actual location of any boundaries of or encroachments on the Lands, the correct acreage of the Lands, nor in respect to any other matter which would be disclosed only by physical examination.

(l) We express no comment or opinion as to the validity of legislation under which any interests or Lands were granted, are currently held, or are able to be produced or whether or not any transaction contravened the provisions of any applicable legislation.

8. Conclusion

Azonto Sub is a duly incorporated and validly existing wholly-owned subsidiary of Azonto and has the right to earn up to 55% of the working interests of Woma and Warren in the Lands and the Drilling Licences owned by the Montney Joint Venture, subject to the conditions in the Farm-in Agreement and the title documents. Furthermore, Woma and Warren, as to 60% and 40% respectively, are the beneficial interest holders of the Lands and the Drilling Licences.

The individual conditions attached to each of the Drilling Licences are ordinary course for the area such as where the Lands are in locations proximate to First Nations lands, sources of water, cities or municipalities, wildlife habitats, or historical or archaeological sites and companies must operate prudently and remain mindful to those conditions.

This Title Report and Summary was prepared for the purposes referred to above and is addressed to and is for the sole use and benefit of Azonto. This Title Report and Summary may not be assigned or relied upon by any other person or entity for any other purpose without our prior written consent.

Yours truly,

Burstall Winger Zammit LLP



Chris McLelland

11. Financial Information

11.1 The Company

BDO Corporate Finance (WA) Pty Ltd has prepared an Investigating Accountant's Report which incorporates abbreviated consolidated historical statements of profit or loss and other comprehensive income and historical consolidated statements of cash flows for the Company for the financial years ended 31 December 2016, 2015 and 2014. Please refer to Appendices 1 and 3 of the Investigating Accountant's Report in Section 12 for further information.

The consolidated pro-forma statement of financial position referred to in Section 11.3 has been derived from the Company's consolidated historical statement of financial position as at 31 December 2016.

The audited financial statements (inclusive of significant accounting policies) of the Company for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 are available (free of charge) on request to the Company on (08) 9380 8333 between 9.00am and 5.00pm (WST) Monday to Friday.

11.2 Calima

BDO Corporate Finance (WA) Pty Ltd has prepared an Investigating Accountant's Report which incorporates:

- abbreviated historical statements of profit or loss and other comprehensive income and historical statements of cash flows for Calima for the financial years ended 31 December 2016, 2015 and 2014; and
- abbreviated historical statements of financial position for Calima as at 31 December 2016, 2015 and 2014.

Please refer to Appendix 5 of the Investigating Accountant's Report in Section 12 for further information.

The audited financial statements (inclusive of significant accounting policies) of Calima for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 were attached to the Company's announcement dated 1 May 2017 and are available (free of charge) on request to the Company on (08) 9380 8333 between 9.00am and 5.00pm (WST) Monday to Friday.

11.3 Pro-forma statement of financial position

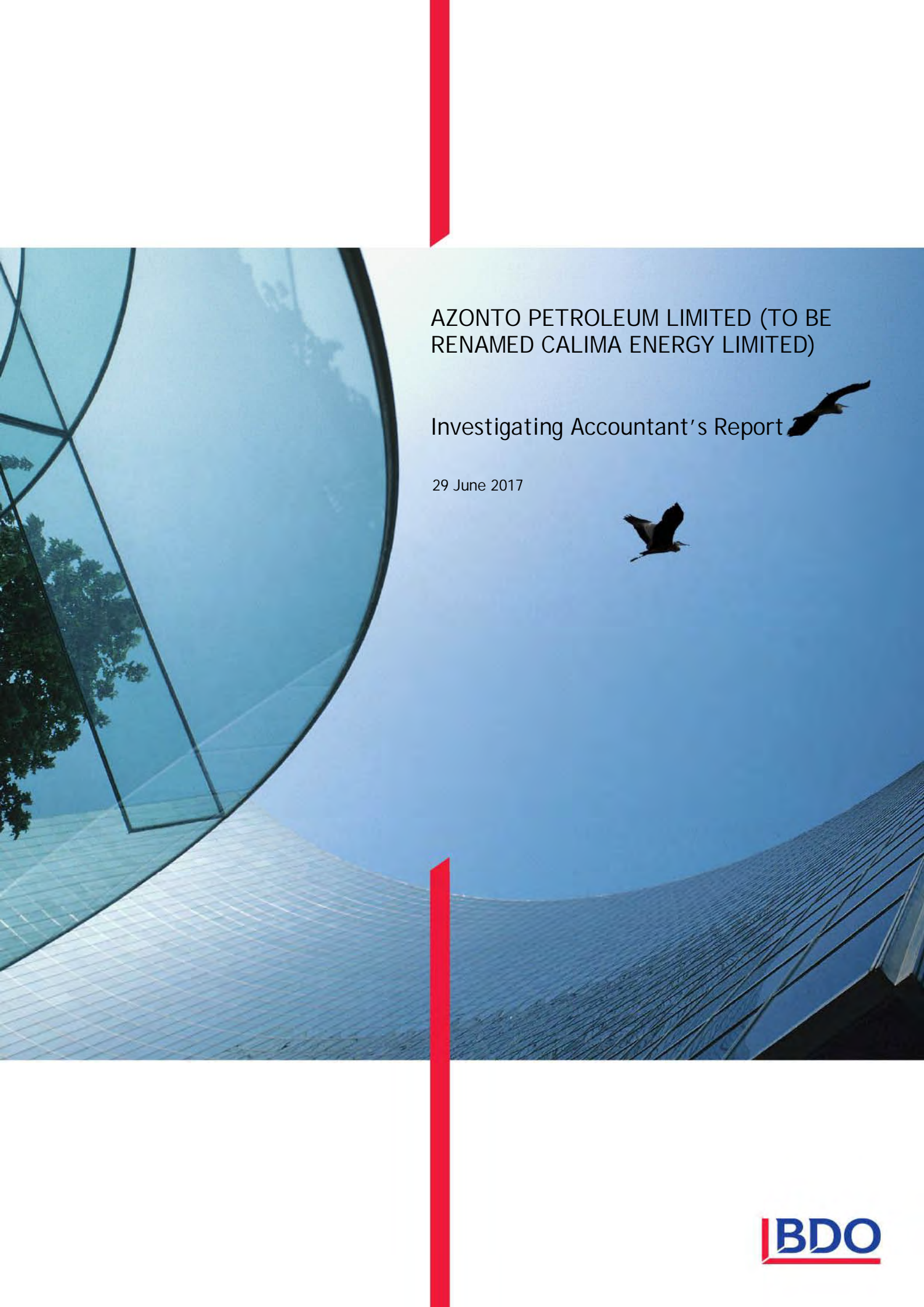
A consolidated pro-forma statement of financial position is contained in Appendix 2 of the Investigating Accountant's Report.

The pro-forma historical information has been derived from the audit reviewed 31 December 2016 accounts for the Company and audited 31 December 2016 accounts for Calima, after adjusting for the effects of any subsequent events described in Section 6 of the Investigating Accountant's Report and the pro forma adjustments described in Section 7 of the Investigating Accountant's Report. The stated basis of preparation is the recognition and measurement

principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of the Investigating Accountant's Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position or financial performance.

Shareholders should read the Investigating Accountant's Report in full before making any investment decision.

12. Investigating Accountant's Report



AZONTO PETROLEUM LIMITED (TO BE
RENAMED CALIMA ENERGY LIMITED)

Investigating Accountant's Report

29 June 2017

29 June 2017

The Directors
Azonto Petroleum Limited
Suite 5, 531 Hay Street
Subiaco WA 6008

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by Azonto Petroleum Limited ('Azonto' or 'the Company') to prepare this Investigating Accountant's Report ('Report') in relation to the historical financial information and pro forma historical financial information of Azonto, for inclusion in the Prospectus. The Prospectus is required under Australian Securities Exchange ('ASX') requirements for Azonto to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The re-compliance with Chapters 1 and 2 of the ASX Listing Rules is required as a result of Azonto entering into a farm-in agreement in relation to oil and gas licences in British Columbia, Canada ('Farm-in Agreement') as well as entering into a binding term sheet to acquire Calima Energy Ltd ('Calima') ('Acquisition Agreement').

Broadly, the Prospectus will offer 50,000,000 Shares at \$0.045 per Share to raise \$2,250,000 (before costs) ('the Public Offer'). Over-subscriptions up to a further 50,000,000 Shares to raise a further \$2,250,000 may be accepted under the Public Offer. The Prospectus also contains:

- a) an offer of 28,508,751 Shares ('Consideration Shares') and 20,029,226 Performance Shares ('Consideration Performance Shares'), comprising 1,461,988 Class A Performance Shares, 3,947,360 Class B Performance Shares and 14,619,878 Class C Performance Shares, to Havoc (or its nominee/s) in consideration for the acquisition of all of the issued capital of Calima ('Vendor Offer');
- b) an offer of 20,000,750 Shares to the Calima Noteholders (or their nominee/s) in satisfaction of the Calima Note Debt ('Convertible Note Share Offer');
- c) an offer of 20,000,000 Management Options to Incoming Management (or their nominee/s) ('Management Option Offer'); and

- d) an offer of 3,333,333 Shares to Euroz Securities Ltd ('Euroz') (or its nominee/s) as fees payable for acting as corporate adviser to the Company in relation to the Proposed Transaction ('Adviser Offer').

The Company will also undertake a consolidation of its existing share capital on a one for three basis ('Capital Consolidation'). All numbers of shares in this Report are expressed on a post-Capital Consolidation basis unless otherwise stated.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('BDO') holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a review engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Historical Financial Information

You have requested BDO to review the following historical financial information (together the 'Historical Financial Information') included as an appendix to this Report:

- the audited Statements of Financial Position, Performance and Cash Flows for Azonto for the years ended 31 December 2016, 31 December 2015 and 31 December 2014; and
- the audited Statements of Financial Position, Performance and Cash Flows for Calima for the years ended 31 December 2016, 31 December 2015 and 31 December 2014.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Historical Financial Information for Azonto has been extracted from the financial reports for the years ended 31 December 2016, 31 December 2015 and 31 December 2014. The financial report for the year ended 31 December 2016 for Azonto was audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards and they issued an unmodified audit opinion. The financial reports for the years ended 31 December 2015 and 31 December 2014 were audited by Ernst & Young in accordance with the Australian Auditing Standards and they issued unmodified audit opinions for each year, however for the year ended 31 December 2014 an emphasis of matter paragraph was included noting that the ability of Azonto to continue as a going concern is dependent upon its ability to raise additional finance in the foreseeable future.

The Historical Financial Information for Calima has been extracted from the financial reports for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 which were audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued unmodified audit opinions for each year under audit.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (the 'Pro Forma Historical Financial Information') included as an appendix to this Report:

- the pro forma historical Statement of Financial Position as at 31 December 2016.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the events or transactions described in Section 6 and Section 7 of the Report on the Company's financial position as at 31 December 2016. As part of this process, information about the Company's financial position has been extracted by the Company from its financial statements for the year ended 31 December 2016.

3. Directors' responsibility

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

6. Subsequent Events

The Pro Forma Historical Statement of Financial Position reflects the following events that have occurred subsequent to 31 December 2016:

- On 20 April 2017, Calima raised \$400,015 in funding through the issue of a convertible note facility;
- On 20 April 2017, Calima entered into an agreement to acquire approximately 11% of TMK Montney Limited ('TMKM') with the consideration to be satisfied by the payment of \$364,736;
- On 20 April 2017, Calima entered into an agreement to acquire approximately 10% of Bahari Holding Company Limited ('Bahari') with the consideration to be satisfied by the payment of \$875,598; and
- On 15 June 2017, the Company issued 3,000,000 Shares (1,000,000 post-Capital Consolidation) to an advisor as consideration for due diligence services provided on a historical transaction which did not proceed. These shares have been valued at \$0.045 each.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of either Azonto or Calima not described above, have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position is shown in Appendix 2. This has been prepared based on the audited financial statements as at 31 December 2016, the subsequent events set out in Section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The Company proposes to change its name from Azonto Petroleum Limited to Calima Energy Limited;
- The Company will complete the Capital Consolidation on a one for three basis;

- The issue of 100,000,000 Shares at an issue price of \$0.045 each to raise \$4,500,000 (before costs) based on the maximum subscription or the issue of 50,000,000 Shares at an issue price of \$0.045 each to raise \$2,250,000 (before costs) based on the minimum subscription, pursuant to the Public Offer;
- Costs of the Offer are estimated to be \$552,000 based on the maximum subscription or \$434,000 based on the minimum subscription. The costs that relate to the issue of new shares under the Offer have been offset against contributed equity while the remaining costs have been expensed;
- Pursuant to the Vendor Offer, Azonto will acquire 100% of Calima with the issue of the following:
 - 28,508,751 Shares;
 - 1,461,988 Class A Performance Shares;
 - 3,947,360 Class B Performance Share; and
 - 14,619,878 Class C Performance Shares.

The Performance Shares will convert into Shares on a one for one basis on satisfaction of the following performance milestones:

Class A, either:

- Any of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) concerning and taking effect in accordance with the applicable Assurance Agreement with the SADR Government before 31 December 2020; or
- Sale of all or part of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) for an amount greater than \$0.132 million on or before 31 December 2020;

Class B, either:

- Spudding of an exploration well in any of the lands licenced by Montney JV before 1 March 2019; or
- Azonto selling the TMKM shares for an amount greater than \$0.394 million on or before 31 December 2020;

Class C, either:

- Spudding of an exploration well in any Offshore Comoros Blocks licenced by Bahari before 31 December 2020; or
- Azonto selling the Bahari shares for an amount greater than \$1.32 million on or before 31 December 2020;
- On completion of the acquisition of Calima, the debt under the convertible note facility with a face value of \$400,015 will be assigned to, and assumed by, Azonto and satisfied in full through the issue of 20,000,750 Shares, pursuant to the Convertible Note Share Offer;
- The Company will issue a total of 10,000,000 Firm Commitment Options exercisable at \$0.045 and expiring three years from grant date to various sophisticated and professional investors who provided firm commitments under the Public Offer. There are no vesting conditions attached to the Firm Commitment Options;

- Euroz has been mandated to act as corporate advisor to the Company. Euroz will be issued 3,333,333 Shares as consideration for these services, pursuant to the Advisor Offer;
- The Company will issue a total of 19,450,000 Performance Rights ('Performance Rights') to the Company's management team. The Performance Rights will vest, subject to completion of a minimum of 18 months' continuous service, on satisfaction of at least two of the following three conditions:
 - The volume weighted average price ('VWAP') for Azonto shares for any period of 30 consecutive trading days being above \$0.15;
 - Azonto raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and
 - Azonto's market capitalisation exceeding \$50 million (based on the VWAP for Azonto shares for any period of 30 consecutive trading days).

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

- The Company will issue a total of 20,000,000 Management Options expiring five years from grant date to incoming management pursuant to the Management Option Offer. 10,000,000 of the Management Options are exercisable at \$0.09 once vested and the remaining 10,000,000 are exercisable at \$0.12 once vested. The Management Options will vest, subject to completion of 18 months' continuous service, on satisfaction of at least two of the following three conditions:
 - The VWAP for Azonto shares for any period of 30 consecutive trading days being above \$0.09;
 - Azonto raising more than \$5 million (excluding the Public Offer) at an average price of \$0.09; and
 - Azonto's market capitalisation exceeding \$50 million (based on the VWAP for Azonto shares for any period of 30 consecutive trading days).

The Management Options will vest immediately on a change of control of Azonto that occurs at a price per share greater than \$0.09.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Offer other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO Audit (WA) Pty Ltd is the auditor of both Azonto and Calima and from time to time, BDO provides the Company with certain other professional services for which normal professional fees are received.

9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', written over a light grey rectangular background.

Sherif Andrawes

Director

APPENDIX 1

AZONTO PETROLEUM LIMITED

HISTORICAL STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the	Audited for the	Audited for the
	year end 31-Dec-16	year end 31-Dec-15	year end 31-Dec-14
	\$	\$	\$
Interest revenue	45,021	10,160	12,030
Other revenue	58,233	1,655,830	2,203,514
Expenses			
Impairment of joint venture	-	(31,075,108)	-
Impairment of exploration asset	-	-	(12,785,055)
Impairment of property plant and equipment	-	(196,771)	-
Consideration on the sale of non-current assets	-	1,662,266	-
General and administrative expenses	(1,399,262)	(8,282,365)	(9,097,900)
Gain/(loss) on disposal of subsidiary	-	-	(222,631)
Foreign currency translation recycled to profit and loss	(10,333)	8,530,360	-
Gain on settlement of liabilities	-	345,658	-
Gain on sale of fixed assets	-	195,752	-
Share of loss on a joint venture	-	(336,967)	(128,951)
Foreign exchange gain	33,696	301,654	463,743
Loss before income tax	(1,272,645)	(27,189,531)	(19,555,250)
Income tax benefit/ (expense)	(1,639)	30,474	(46,404)
Net loss for the year	(1,274,284)	(27,159,057)	(19,601,654)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Foreign currency translation:			
Arising during the year	(10,333)	74,747	525,573
Recycled to the profit and loss on disposal of subsidiaries	10,333	(8,530,360)	-
Share of joint venture reserves	-	1,987,331	2,725,227
<i>Items that will not be reclassified subsequently to profit and loss:</i>			
Foreign currency translation attributable to non-controlling interests	-	-	(19,911)
Other comprehensive income for the year net of tax	-	(6,468,282)	3,230,889
Total comprehensive loss for the year	(1,274,284)	(33,627,339)	(16,370,765)

The Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income show the historical financial performance of Azonto and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4. Past performance is not a guide to future performance.

APPENDIX 2

AZONTO PETROLEUM LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Azonto		Calima		Subsequent		Pro forma adjustments		Pro forma after Offer	
		Audited as at	Audited as at	Subsequent	Pro forma adjustments	Pro forma adjustments	Pro forma after Offer	Pro forma after Offer			
		31-Dec-16	31-Dec-16	events	\$2.25m	\$4.50m	\$2.25m	\$4.50m			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
CURRENT ASSETS											
Cash and cash equivalents	2	6,416,195	2	400,015	1,816,000	3,948,000	8,632,212	10,764,212			
Trade and other receivables		13,365	-	-	-	-	13,365	13,365			
Other assets		63,948	-	-	-	-	63,948	63,948			
TOTAL CURRENT ASSETS		6,493,508	2	400,015	1,816,000	3,948,000	8,709,525	10,841,525			
NON CURRENT ASSETS											
Available for sale investments	3	-	-	1,240,334	209,559	209,559	1,449,893	1,449,893			
Other receivables		-	2	-	-	-	2	2			
TOTAL NON CURRENT ASSETS		-	2	1,240,334	209,559	209,559	1,449,895	1,449,895			
TOTAL ASSETS		6,493,508	4	1,640,349	2,025,559	4,157,559	10,159,420	12,291,420			
CURRENT LIABILITIES											
Trade and other payables	4	108,958	167,003	1,240,334	(1,240,334)	(1,240,334)	275,961	275,961			
Borrowings	5	-	-	400,015	(400,015)	(400,015)	-	-			
TOTAL CURRENT LIABILITIES		108,958	167,003	1,640,349	(1,640,349)	(1,640,349)	275,961	275,961			
TOTAL LIABILITIES		108,958	167,003	1,640,349	(1,640,349)	(1,640,349)	275,961	275,961			
NET ASSETS		6,384,550	(166,999)	-	3,665,908	5,797,908	9,883,459	12,015,459			
EQUITY											
Issued capital	6	232,807,830	3	45,000	4,023,181	6,152,795	236,876,014	239,005,628			
Performance shares		9,994,250	-	-	-	-	9,994,250	9,994,250			
Reserves	7	12,761,823	(23,741)	-	323,741	323,741	13,061,823	13,061,823			
Accumulated losses	8	(249,179,353)	(143,261)	(45,000)	(681,014)	(678,628)	(250,048,628)	(250,046,242)			
TOTAL EQUITY		6,384,550	(166,999)	-	3,665,908	5,797,908	9,883,459	12,015,459			

*Calima balances have been converted at a rate of A\$1:GBP0.5839

The pro forma consolidated statement of financial position after the Offer is as per the consolidated statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The pro forma consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

APPENDIX 3
AZONTO PETROLEUM LIMITED
HISTORICAL STATEMENTS OF CASH FLOWS

Consolidated Statement of Cash Flows	Audited for the year end 31-Dec-16 \$	Audited for the year end 31-Dec-15 \$	Audited for the year end 31-Dec-14 \$
Cash flows from operating activities			
Receipts from customers	34,385	4,147,898	6,076,825
Payments to suppliers and employees	(1,335,068)	(10,079,290)	(11,693,785)
Interest received	45,021	10,160	12,030
Income tax (paid)/recovered	6,591	(45,480)	(258,749)
Net cash flows used in operating activities	<u>(1,249,071)</u>	<u>(5,966,712)</u>	<u>(5,863,679)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	-	-	(284,591)
Proceeds from disposal of property, plant and equipment	-	211,258	-
Proceeds from sale of interest in joint venture	-	6,023,209	3,430,160
Payments to joint venture	-	-	(367,931)
Receipt of exploration expenditure	-	-	22,013
Net cash flows from investing activities	<u>-</u>	<u>6,234,467</u>	<u>2,799,651</u>
Cash flows from financing activities			
Proceeds from issue of shares	27,280	-	-
Net cash flows from financing activities	<u>27,280</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,221,791)</u>	<u>267,755</u>	<u>(3,064,028)</u>
Net foreign exchange differences	6,217	343,316	654,536
Cash and cash equivalents at the beginning of the financial year	<u>7,631,769</u>	<u>7,020,698</u>	<u>9,430,190</u>
Cash and cash equivalents at end of the financial year	<u>6,416,195</u>	<u>7,631,769</u>	<u>7,020,698</u>

The Historical Consolidated Statement of Cash Flows show the historical cash flows of Azonto and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

APPENDIX 4
AZONTO PETROLEUM LIMITED
NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Going Concern

The Historical Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Reporting Basis and Conventions

The Report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the Financial Information. The accounting policies have been consistently applied, unless otherwise stated.

a) Basis of consolidation

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

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

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

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

b) Cash and cash equivalents

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

c) Exploration and evaluation expenditure

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

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to oil and gas property and development assets within property, plant and equipment.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

d) Impairment of non-financial assets

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

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

e) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the entity prior to the period end and which are unpaid. These amounts are unsecured and have 30 - 60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

f) Contributed equity

Units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

h) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

	Audited as at 31-Dec-16	Pro-forma after Offer	
		\$2.25m	\$4.50m
NOTE 2. CASH AND CASH EQUIVALENTS	\$	\$	\$
Cash and cash equivalents	6,416,195	8,632,212	10,764,212
Audited balance of Azonto at 31 December 2016		6,416,195	6,416,195
Audited balance of Calima at 31 December 2016		2	2
<i>Subsequent events:</i>			
Cash raised from issue of convertible note facility		400,015	400,015
		400,015	400,015
<i>Pro-forma adjustments:</i>			
Proceeds from shares issued under the Public Offer		2,250,000	4,500,000
Capital raising costs		(434,000)	(552,000)
		1,816,000	3,948,000
Pro-forma Balance		8,632,212	10,764,212

	Audited as at 31-Dec-16	Pro-forma after Offer	
		\$2.25m	\$4.50m
NOTE 3. AVAILABLE FOR SALE INVESTMENTS	\$	\$	\$
Available for sale investments	-	1,449,893	1,449,893
Audited balance of Azonto at 31 December 2016		-	-
Audited balance of Calima at 31 December 2016		-	-
<i>Subsequent events:</i>			
Acquisition of an interest in Bahari by Calima		875,598	875,598
Acquisition of an interest in TMKM by Calima		364,736	364,736
		<u>1,240,334</u>	<u>1,240,334</u>
<i>Pro-forma adjustments:</i>			
Acquisition adjustment following acquisition of Calima (Refer Note 9)		209,559	209,559
		<u>209,559</u>	<u>209,559</u>
Pro-forma Balance		<u>1,449,893</u>	<u>1,449,893</u>

	Audited as at 31-Dec-16	Pro-forma after Offer	
		\$2.25m	\$4.50m
NOTE 4. TRADE AND OTHER PAYABLES	\$	\$	\$
Trade and other payables	108,958	275,961	275,961
Audited balance of Azonto at 31 December 2016		108,958	108,958
Audited balance of Calima at 31 December 2016		167,003	167,003
<i>Subsequent events:</i>			
Acquisition of an interest in Bahari by Calima		875,598	875,598
Acquisition of an interest in TMKM by Calima		364,736	364,736
		<u>1,240,334</u>	<u>1,240,334</u>
<i>Pro-forma adjustments:</i>			
Satisfaction of liability to acquire Bahari following issue of Consideration Shares		(875,598)	(875,598)
Satisfaction of liability to acquire TMKM following issue of Consideration Shares		(364,736)	(364,736)
		<u>(1,240,334)</u>	<u>(1,240,334)</u>
Pro-forma Balance		<u>275,961</u>	<u>275,961</u>

	Audited as at 31-Dec-16	Pro-forma after Offer	
		\$2.25m	\$4.50m
NOTE 5. BORROWINGS	\$	\$	\$
Borrowings	-	-	-
Audited balance of Azonto at 31 December 2016		-	-
Audited balance of Calima at 31 December 2016		-	-
<i>Subsequent events:</i>			
Issue of convertible note facility		400,015	400,015
		<u>400,015</u>	<u>400,015</u>
<i>Pro-forma adjustments:</i>			
Conversion of convertible note facility under Convertible Note Share Offer		(400,015)	(400,015)
		<u>(400,015)</u>	<u>(400,015)</u>
Pro-forma Balance		<u>-</u>	<u>-</u>

NOTE 6. SHARE CAPITAL	Audited as at		Pro-forma after Offer	
	31-Dec-16		\$2.25m	\$4.50m
	\$		\$	\$
Share capital	232,807,830		236,876,014	239,005,628
	Number of shares (min)	Number of shares (max)	\$	\$
Audited balance of Azonto at 31 December 2016*	1,162,795,125	1,162,795,125	232,807,830	232,807,830
Audited balance of Calima at 31 December 2016			3	3
<i>Subsequent events:</i>				
Issue of shares to advisor for prior services*	3,000,000	3,000,000	45,000	45,000
	3,000,000	3,000,000	45,000	45,000
<i>Pro-forma adjustments:</i>				
Completion of Capital Consolidation	388,598,375	388,598,375	-	-
Issue of Consideration Shares	28,508,751	28,508,751	1,282,894	1,282,894
Conversion of convertible note facility under Convertible Note Share Offer	20,000,750	20,000,750	900,034	900,034
Proceeds from shares issued under the Public Offer	50,000,000	100,000,000	2,250,000	4,500,000
Costs of the Offer	-	-	(259,744)	(380,129)
Elimination of Calima's issued capital upon acquisition	-	-	(3)	(3)
Issue of shares under the Advisor Offer	3,333,333	3,333,333	150,000	150,000
Issue of Firm Commitment Options considered costs of the Offer	-	-	(300,000)	(300,000)
	101,842,834	151,842,834	4,023,181	6,152,795
Pro-forma Balance	490,441,209	540,441,209	236,876,014	239,005,628

*Share numbers shown pre-Capital Consolidation

NOTE 7. RESERVES	Audited as at		Pro-forma after Offer	
	31-Dec-16		\$2.25m	\$4.50m
	\$		\$	\$
Reserves	12,761,823		13,061,823	13,061,823
Audited balance of Azonto at 31 December 2016			12,761,823	12,761,823
Audited balance of Calima at 31 December 2016			(23,741)	(23,741)
<i>Pro-forma adjustments:</i>				
Elimination of Calima's reserves upon acquisition			23,741	23,741
Issue of Firm Commitment Options			300,000	300,000
			323,741	323,741
Pro-forma Balance			13,061,823	13,061,823

Following the Offer and the acquisition of Calima, the Company will also have the following Performance Shares on issue:

Performance Shares	Number
Performance Share on issue prior to the Offer	-
Class A Performance Shares	1,461,988
Class B Performance Shares	3,947,360
Class C Performance Shares	14,619,878
Performance Share on issue following the Offer	20,029,226

Refer Note 9 for further information regarding the Class A, Class B and Class C Performance Shares.

Following the Offer and the acquisition of Calima, the Company will also have the following Performance Rights on issue:

Performance Rights	Number
Existing Performance Rights - Tranche 1*	15,529,972
Existing Performance Rights - Tranche 2**	31,243,191
Performance Rights on issue prior to the Offer	46,773,163
Issue of Performance Rights to management***	19,450,000
Performance Rights on issue following to the Offer	66,223,163

*Existing Performance Rights granted to previous Azonto management in relation to a previous transaction. The applicable vesting conditions are now unable to be met, expiry date is 18 December 2017.

**Existing Performance Rights granted to previous Azonto management in relation to a previous transaction. They vest on the achievement of share price hurdles before 18 December 2017, and subject to the Board being satisfied with the overall financial, strategic and HSE performance of the Company over the vesting period. The share price hurdles are as follows:

- a) 25% vest if the price for Shares reaches \$0.15;
- b) 25% vest if the price for Shares reaches \$0.21; and
- c) 50% vest if the price for Shares reaches \$0.27.

***The Company will issue a total of 19,450,000 Performance Rights to the Company's management team. The Performance Rights will vest, subject to completion of a minimum of 18 months' continuous service, on satisfaction of at least two of the following three conditions:

- o The VWAP for Azonto shares for any period of 30 consecutive trading days being above \$0.15;
- o Azonto raising more than \$5 million (excluding the Public Offer) at an average price of \$0.15; and
- o Azonto's market capitalisation exceeding \$50 million (based on the VWAP for Azonto shares for any period of 30 consecutive trading days).

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

As the above Performance Rights do not vest immediately and will only vest subject to 18 months' continuous service and on satisfaction of at least two of the three vesting conditions, in accordance with *AASB 2 Share based payments*, the share based payment expense is to be apportioned over the vesting period. As at the date of this Report, the vesting period has not commenced and as such no share based payment expense has been recorded in the pro forma consolidated historical Statement of Financial Position. Upon the Performance Rights vesting, a share based payment expense will be recorded. A valuation of the Performance Rights and the inputs used is included below:

Performance Rights	Inputs
Number of Performance Rights	19,450,000
Underlying share price	\$ 0.045
Exercise price	\$ -
Barrier price	\$ 0.150
Expected volatility (30 days VWAP)	40%
Expiry date (years)	5.0
Expected dividends	Nil
Risk free rate	2.03%
Value per Performance Right	\$ 0.015

Following the Offer and the acquisition of Calima, the Company will also have the following Options on issue:

Options	Number
Options on issue prior to the Offer	-
Issue of Management Options	20,000,000
Issue of Firm Commitment Options	10,000,000
Options on issue following to the Offer	30,000,000

The Company will issue a total of 20,000,000 Management Options expiring five years from grant date. 10,000,000 of the Management Options are exercisable at \$0.09 once vested and the remaining 10,000,000 are exercisable at \$0.12 once vested. The Management Options will vest, subject to completion of 18 months' continuous service, on satisfaction of at least two of the following three conditions:

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

The Management options will vest immediately on a change of control of Azonto that occurs at a price per share greater than \$0.09.

As the above Management Options do not vest immediately and will only vest subject to 18 months' continuous service and on satisfaction of at least two of the three vesting conditions, in accordance with *AASB 2 Share based payments*, the share based payment expense is to be apportioned over the vesting period. As at the date of this Report, the vesting period has not commenced and as such no share based payment expense has been recorded in the pro forma consolidated historical Statement of Financial Position. Upon the Management Options vesting, a share based payment expense will be recorded. A valuation of the Management Options and the inputs used is included below:

Management Options	Tranche 1	Tranche 2
Number of Management Options	10,000,000	10,000,000
Underlying share price	\$ 0.045	\$ 0.045
Exercise price	\$ 0.090	\$ 0.012
Barrier price	\$ 0.090	\$ 0.090
Expected volatility (30 days VWAP)	40%	40%
Expiry date (years)	5.0	5.0
Expected dividends	Nil	Nil
Risk free rate	2.03%	2.03%
Value per Management Option	\$ 0.008	\$ 0.005

The Company will also issue a total of 10,000,000 Firm Commitment Options exercisable at \$0.045 and expiring three years from grant date to various sophisticated and professional investors who provided firm commitments under the Public Offer. There are no vesting conditions attached to the Firm Commitment Options. A valuation of the Firm Commitments Options and the inputs used is included below:

Firm Commitment Options	
Number of Firm Commitment Options	10,000,000
Underlying share price	\$ 0.045
Exercise price	\$ 0.045
Expected volatility	110%
Expiry date (years)	3.0
Expected dividends	Nil
Risk free rate	1.74%
Value per Firm Commitment Option	\$ 0.030

	Audited as at 31-Dec-16	Pro-forma after Offer	
		\$2.25m	\$4.50m
NOTE 8. ACCUMULATED LOSSES	\$	\$	\$
Accumulated losses	(249,179,353)	(250,048,628)	(250,046,242)
Audited balance of Azonto at 31 December 2016		(249,179,353)	(249,179,353)
Audited balance of Calima at 31 December 2016		(143,261)	(143,261)
<i>Subsequent events:</i>			
Issue of shares to advisor in consideration for prior services		(45,000)	(45,000)
		(45,000)	(45,000)
<i>Pro-forma adjustments:</i>			
Elimination of Calima's accumulated losses upon acquisition		143,261	143,261
Costs of the offer to be expensed		(174,256)	(171,871)
Finance expense associated with conversion of convertible note facility		(500,019)	(500,019)
Issue of shares under the Advisor Offer		(150,000)	(150,000)
		(681,014)	(678,628)
Pro-forma Balance		(250,048,628)	(250,046,242)

NOTE 9: PROVISIONAL ACCOUNTING FOR THE ACQUISITION OF CALIMA ENERGY LIMITED

On 1 May 2017, the Company announced it had entered into a binding term sheet to acquire Calima. The consideration will be satisfied by the issue of an aggregate 28,508,751 Consideration Shares and 20,029,226 Performance Shares (comprising 1,461,988 Class A Performance Shares, 3,947,360 Class B Performance Shares and 14,619,878 Class C Performance Shares). The Performance Shares will convert into Shares on a one for one basis on satisfaction of the following performance milestones:

Class A, either:

- Any of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) concerning and taking effect in accordance with the applicable Assurance Agreement with the SADR Government before 31 December 2020; or
- Sale of all or part of Calima's Production Sharing Contracts with the SADR Government (or a replacement title) for an amount greater than \$0.132 million on or before 31 December 2020;

Class B, either:

- Spudding of an exploration well in any of the lands licenced by Montney JV before 1 March 2019; or
- Azonto selling the TMKM shares for an amount greater than \$0.394 million on or before 31 December 2020;

Class C, either:

- Spudding of an exploration well in any Offshore Comoros Blocks licenced by Bahari before 31 December 2020; or
- Azonto selling the Bahari shares for an amount greater than \$1.32 million on or before 31 December 2020;

The Company has considered whether the Acquisition falls within the scope of *AASB 3 Business Combinations* and therefore is required to be accounted for as a business combination. A business combination involves an acquirer obtaining control of one or more business by transferring cash, incurring liabilities or issuing shares. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. The Company does not consider that the Calima acquisition meets the definition of a business combination in accordance with *AASB 3 Business Combinations* as the acquired assets are not deemed to be a business for accounting purposes, therefore have provisionally accounted for the acquisition as an asset acquisition.

A summary of the acquisition details with respect to the Calima acquisition, as included in our Report, is set out below. These details have been determined for the purposes of the pro-forma adjustments as at 31 December 2016, however will require re-determination as at the successful acquisition date which may result in changes to the values set out below.

NOTE 9: ASSET ACQUISITION	Fair value A\$
Purchase consideration comprises:	
Issue of 28,508,751 Consideration Shares*	1,282,894
Issue of 20,029,226 Consideration Performance Shares**	-
Total consideration	<u>1,282,894</u>
Net assets of Calima to be acquired:	
Total Assets	4
Total Liabilities	(167,003)
Adjustments to net assets:	
Increase available for sale investments following acquisition of Bahari and TMKM	1,240,334
Total adjusted net assets acquired	<u>1,073,335</u>
Fair value attributable to available for sale investments	<u>209,559</u>

*The issue of the 28,508,751 Consideration Shares will also satisfy the amounts payable by Calima for the acquisitions of interests in Bahari (\$875,598) and TMKM (\$364,736). The Consideration Shares have been valued at \$0.045 each.

**Currently there are no reasonable grounds in which to assess the likelihood of the Consideration Performance Shares being met for Class A, Class B and Class C, resulting in the conversion of the Consideration Performance Shares. Therefore, no adjustments have been made to the pro forma consolidated historical Statement of Financial Position based on the issue of the Consideration Performance Shares. In accordance with *AASB 2 Share based payments*, the Company will be required to re-assess the probability of the performance milestones being achieved at each reporting date up until expiry of the Consideration Performance Shares.

NOTE 10: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 11: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

APPENDIX 5

AZONTO PETROLEUM LIMITED

HISTORICAL FINANCIAL INFORMATION OF CALIMA ENERGY LIMITED

Historical Statement of Profit or Loss and Other Comprehensive Income	Audited for the	Audited for the	Audited for the
	year ended	year ended	year ended
	31-Dec-16	31-Dec-15	31-Dec-14
	GBP	GBP	GBP
Annual surface rental fees	(29,607)	(26,166)	-
Social contribution fund expense	(14,803)	(13,084)	-
Loss before income tax expense	(44,410)	(39,250)	-
Income tax expense	-	-	-
Loss for the year	(44,410)	(39,250)	-
Other comprehensive income			
Foreign exchange gain/(loss)	(12,644)	(1,220)	-
Total comprehensive loss for the year	(57,054)	(40,470)	-

The Historical Statements of Profit or Loss and Other Comprehensive Income show the historical financial performance of Calima and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4. Past performance is not a guide to future performance.

Historical Statement of Cash Flows	Audited for the	Audited for the	Audited for the
	year ended	year ended	year ended
	31-Dec-16	31-Dec-15	31-Dec-14
	GBP	GBP	GBP
Cash flows from operating activities	-	-	-
Net cash flows used in operating activities	-	-	-
Cash flows from investing activities	-	-	1
Net cash flows from investing activities	-	-	1
Cash flows from financing activities	-	-	1
Net cash flows from financing activities	-	-	1
Net increase/(decrease) in cash held	-	-	2
Cash and cash equivalents at the beginning of the financial year	2	2	-
Cash and cash equivalents at end of the financial year	2	2	2

The Historical Statement of Cash Flows show the historical cash flows of Calima and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

APPENDIX 5

AZONTO PETROLEUM LIMITED

HISTORICAL FINANCIAL INFORMATION OF CALIMA ENERGY LIMITED

Historical Statement of Financial Position	Audited as at	Audited as at	Audited as at
	31-Dec-16	31-Dec-15	31-Dec-14
	GBP	GBP	GBP
CURRENT ASSETS			
Cash and cash equivalents	1	1	1
TOTAL CURRENT ASSETS	1	1	1
NON CURRENT ASSETS			
Other receivables	1	1	1
TOTAL NON CURRENT ASSETS	1	1	1
TOTAL ASSETS	2	2	2
CURRENT LIABILITIES			
Other payables	97,524	40,470	-
TOTAL CURRENT LIABILITIES	97,524	40,470	-
TOTAL LIABILITIES	97,524	40,470	-
NET ASSETS	(97,522)	(40,468)	2
EQUITY			
Share capital	2	2	2
Accumulated losses	(83,660)	(39,250)	-
Foreign current translation reserve	(13,864)	(1,220)	-
TOTAL EQUITY	(97,522)	(40,468)	2

The Historical Statements of Financial Position show the historical financial position of Calima and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

13. Risk factors

An investment in the Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business. This Section identifies the major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and holders of its Securities are exposed.

Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade. There can be no guarantee that the Company will achieve its stated objectives or that any forward looking statement will eventuate.

The selection of risks contained in this Section has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Notice, but there is no guarantee or assurance that the importance of risks will not change or other risks will not emerge. Additional risks not presently known to the Company, or if known, not considered material, may also have an adverse impact.

Potential investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for Securities.

13.1 Risks specific to the Company

(a) Conditional Acquisition and Offers

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus has been issued to assist the Company to re-comply with these requirements. The Shares will be suspended from trading on ASX from the date of the General Meeting. It is anticipated that the Shares will remain suspended until completion of the Acquisition, the Offers, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares will consequently remain suspended from quotation.

Completion of the Public Offer remains subject to completion of the Acquisition. If this condition, or the other Conditions of the Public Offer set out in Section 6.6 are not satisfied or the Company does not receive conditional approval for re-quotation on ASX, the Company will not proceed with the Public Offer and will repay all Application Monies received. In the event that the Public Offer does not proceed, none of the Vendor Offer, the Convertible Note Share Offer, the Management Option Offer or the Adviser Offer will proceed.

(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 securing all or any of the additional acreage that it intends to apply for with the other Montney Project joint venturers as part of the Stage 1 Farm-in, or in obtaining renewals of existing acreage in the future.

The 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.

The Montney JV's drilling licences require the holder to meet certain drilling targets to retain the licences and/or convert them into production leases. The Company (as operator of the Montney JV) may be prevented from achieving these 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.

(d) **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. Selecting 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 petroleum licences that the Company will own or have the rights to exploit following completion of the Proposed Transaction 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 Securities 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 Securities. Conversely, if the results obtained by other companies are negative then this will likely decrease the value of the Company's Securities.

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.

(e) **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.

(f) **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.

(g) 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.

(h) Exchange rate fluctuation risk

The Company's oil and gas projects are currently located in Canada and in SADR. As a result, the majority of cash flows, expenses, capital expenditure and commitments will be denominated in Canadian dollars and various currencies used in SADR. 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 foreign currencies to Australian Dollars.

(i) 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.

See section 4(b) of the Title Report in Section 10 for further information on these risks as they relate to the Montney Project.

(j) **SADR non-sovereign status**

As noted in Section 7.3, under Calima's Assurance Agreements, the SADR PSCs are effective from and commence upon recognition of the sovereign status of the SADR by the United Nations, and the SADR Government passes necessary tax and petroleum titles legislation. The SADR is the entity created by the indigenous people of Western Sahara following a unilateral declaration of independence in 1976. At present the territory of Western Sahara is regarded by the UN as being a Non-Self Governing Territory awaiting a process of decolonisation. Western Sahara was formerly a Spanish colony. Following Spain's withdrawal, Morocco invaded in 1975 and has since occupied the western part the territory. In the same year, the International Court of Justice found that there were no ties of territorial sovereignty between Morocco and Western Sahara. No country in the world has ever recognised Morocco's claims over Western Sahara.

A 16-year armed conflict between Morocco and the Frente POLISARIO (the armed resistance of the indigenous Saharawi people of Western Sahara) ensued until the UN brokered a ceasefire in 1990. The terms of the ceasefire included an agreement to establish a UN Mission for the Referendum in Western Sahara (MINURSO) to: (i) organize and supervise a self-determination referendum to allow the Saharawi people to choose between independence and integration with Morocco; and (ii) to monitor the ceasefire.

However, the UN has since been unable to make the necessary arrangements for the holding of a referendum. It has been mandated by the UN Security Council to bring the parties together to negotiate a solution to the conflict "which will provide for the self-determination of the people of Western Sahara." Unfortunately little progress has been made with Morocco maintaining an intransigent position proposing only autonomy for the territory whilst the Government of the SADR advocates a referendum with all options of self-determination.

There are currently overlapping claims to oil and gas exploration rights in both the onshore and offshore areas of occupied territories; that is, competing licence areas which have been issued by the SADR and Moroccan governments. Calima currently has competing claims with parties issued oil and gas exploration rights by the Moroccan government.

The UN has issued advice that "if further exploration and exploitation activities were to proceed in disregard to the interests and wishes of the people of Western Sahara, they would be in violation of the principles of international law applicable to mineral resource activities in Non-Self Governing Territories".

Calima will continue to monitor progress towards a political solution regarding the sovereign status of SADR. Until such time as there is a resolution of the political situation regarding sovereignty, Calima's interest in the SADR PSCs should be regarded as highly speculative.

(k) **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.

(l) 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.

(m) Additional requirements for capital

Exploration expenditure estimates are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and accordingly, the actual costs may materially differ from these estimates. The funds to be raised under the Public Offer, together with the Company's and Calima's existing cash reserves, are considered sufficient to meet the Company's immediate objectives following completion of the Proposed Transaction. 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. The Company will also require additional funding if it elects to proceed to Stages two or three under the Farm-In Agreement.

There can be no assurance that additional finance will be available when needed. Any additional equity financing may be dilutive to the Company's existing Shareholders and any 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. In particular, if the Company is unable to raise additional funds to proceed with Stage two or three of the Montney Project Farm-in then it will be removed as operator of the Montney Project (although it will be entitled to retain its stage one working interest of 20%).

(n) Reliance on key personnel

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.

(o) **JV partners and contractors**

Oil and gas ventures are typically operated under joint venture arrangements, such as the Company's Farm-in Agreement in relation to the Montney Project. These arrangements include provisions that often require certain decisions relating to the projects to be passed with unanimous or majority approval of all participants. Where a venture partner does not act in the best commercial interest of the project, it could have a material adverse effect on the interests of the Company.

The Company is unable to predict the risk of:

- i) financial failure, non-compliance with obligations or default by a participant in any venture to which the Company is, or may become, a party; or
- ii) insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or
- iii) insolvency or other managerial failure by any of the other service providers used by the Company for any activity,

all of which could have a material adverse effect on the operations and financial performance of the Company.

(p) **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, fracking, or environmental approvals.

See section 3 of the Title Report in Section 10 for further information on the relevant policies and regulations that apply to the Montney Project.

In addition, the Company may become subject to other regulations in Canada or SADR, if Calima's Assurance Agreements convert into PSCs, 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 on the financial performance and position, and future prospects of the Company.

(q) **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 will operate following completion of the Proposed Transaction 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.

(r) **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.

(s) **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 people in order to facilitate exploration and development work on the properties leased or owned by the Company.

Some of the Montney JV 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 practising their treaty rights. Practically speaking, this means that pre-engagement with those First Nations (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. See sections 3(e) and 4(c) of the Title Report in Section 10 for further information.

Other than as noted above and in Section 13.1(j), above, the Company is not currently aware of any land claims or potential claims by indigenous people in respect of its proposed exploration activities that could affect licence tenure or any future production operations.

(t) **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.

(u) **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 (ie 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.

(v) **Liquidity risk**

On completion of the Proposed Transaction, the Company will issue the following Shares:

- the Shares forming part of the Consideration Securities to Havoc (or its nominee/s);
- the Convertible Note Shares to the Calima Noteholders (or their nominee/s); and
- the Shares to be issued to Euroz (or its nominee/s) under the Adviser Offer.

As noted in Section 6.13, following the Company's Shares being reinstated to trading, these Shares will be classified by the ASX as restricted securities and/or subject to voluntary escrow and will be required to be held in escrow for up to 24 months from the date of reinstatement. In addition, certain existing Shareholders have agreed to voluntary escrow over the Shares they hold for a period of 12 months from reinstatement. See Section 6.13 for further details. During the period in which these Shares are escrowed, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

13.2 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 Securities 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 Securities. The prices at which an investor may be able to trade the Securities may be above or below the price paid for the Securities. While the Directors commend the Offers, 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.

14. Material contracts

14.1 Introduction

Set out below are summaries of the key provisions of contracts to which the Company is a party which are, or may be, material in terms of the Offers or the operations of the Company or otherwise are or may be relevant to an investor who is contemplating the Offers. To understand fully all rights and obligations pertaining to the material contracts, it would be necessary to read them in full.

14.2 Farm-in Agreement

Under the Farm-in Agreement, the Company will sole-fund and earn-in to the Montney Project in 3 Stages and has the right to earn a working interest of up to 55% in the Montney Project as follows:

Stage	Expenditure Commitment	Working Interest earned (cumulative)	Latest Date
1	C\$5 million	20% (20%)	1 Aug 2018
2	C\$7 million	17.5% (37.5%)	28 Feb 2019
3	C\$13 million	17.5% (55%)	28 Feb 2020

The Company will become the Operator of the Montney Project with effect from commencement of the Farm-in.

The Farm-in Agreement is conditional on the Company re-complying with Chapters 1 and 2 of the Listing Rules (see below for further details). The Company paid a non-refundable deposit of C\$500,000 to the Montney JV on execution of the Farm-in Agreement. Once the re-listing condition has been satisfied, this deposit will be applied towards the Company's Stage 1 Farm-in commitment.

The Company intends to fund the Stage 1 contributions using available cash after completion of the Proposed Transaction and the Public Offer. Those Stage 1 Farm-in Contributions will be used to fund:

- data licensing seismic interpretation and drill planning; and
- additional acreage acquisition.

The Company will need to raise additional funds to fund the Stage 2 and 3 Farm-in contributions should it elect to proceed with those further earn-ins. If the Company does not elect to proceed with Stages 2 and 3 of the Farm-in:

- it will be removed as operator of the Montney JV;
- it will be entitled to retain the working interest earned under Stage 1 of the Farm-in; and

the joint venturers will then contribute to project expenditure on a pro rata basis.

The lands the subject of the Montney JV are subject to a 1% royalty under an existing royalty agreement. Should the Montney JV move into production, the Company will be liable for its working interest share of this royalty (55% if the Company completes all three stages of the Farm-in).

14.3 Acquisition Agreement

Under the Acquisition Agreement:

(a) Subject to satisfaction of various conditions precedent (see below for further details), the Company will acquire 100% of Calima for the following consideration:

- (i) 28,508,751 Shares; and
- (ii) 20,029,266 Performance Shares (comprising 1,461,988 Class A Performance Shares, 3,947,360 Class B Performance Shares and 14,619,878 Class C Performance Shares),

(together, the **Consideration Securities**).

The Performance Shares will convert into Shares on a one for one basis on satisfaction of the following performance milestones:

Class	Performance Milestone
Class A	<p>Either:</p> <ul style="list-style-type: none"> • any of Calima’s Production Sharing Contracts with the SADR Government (or a replacement title) commencing and taking effect in accordance with the applicable Assurance Agreements with the SADR before 31 December 2020; or • sale of all or part of Calima’s Production Sharing Contracts with the SADR Government (or a replacement title) for an amount greater than \$0.132 million on or before 31 December 2020.
Class B	<p>Either:</p> <ul style="list-style-type: none"> • spudding of an exploration well in any of the lands licensed by the Montney JV before 1 March 2019; or • the Company selling the TMKM shares for an amount greater than \$0.394m on or before 31 December 2020.
Class C	<p>Either:</p> <ul style="list-style-type: none"> • spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari before 31 December 2020; or • the Company selling the Bahari Shares for an amount greater than \$1.32m on or before 31 December 2020.

The Performance Shares will all have an expiry date of 31 December 2020, and will convert on a Change of Control Event (subject to a cap of 10% of Shares on issue). The terms of the Performance Shares are set out in Section 15.2.

- (b) Calima has issued convertible notes (**Convertible Notes**) with a face value of \$400,015 (the **Calima Note Debt**) to the Calima Noteholders (Proposed Directors Alan Stein and Jonathan Taylor). On Completion, the Calima Note Debt will be assigned to, and assumed by, the Company and satisfied in full through the issue of 20,000,750 Shares (being the Convertible Note Shares the subject of the Convertible Note Share Offer).

The Acquisition is conditional upon the satisfaction of a number of conditions by 31 August 2017, including the following conditions which remain outstanding as at the date of this Prospectus:

- the Company having obtained all necessary Shareholder approvals required for the Proposed Transaction;
- the Company achieving the Minimum Subscription; and
- the parties obtaining any necessary regulatory approvals on terms acceptable to the parties as are required to give effect to the Acquisition.

Under the Acquisition Agreement, the Company will also be granted a first and last right of refusal on future opportunities identified by, or offered to, Havoc or a Havoc Member for the duration of the Havoc Consulting Agreement (refer to Section 8.7 above), or any replacement employment agreement, with between the Company and a Havoc Member.

Havoc and the Havoc Members have given warranties and representations in favour of the Company which are customary for a transaction of this nature. The Acquisition Agreement is otherwise on customary terms for a transaction of this nature.

14.4 Firm commitment letters

As outlined in Section 6.19, the Company has received firm commitments from the Investors for the Minimum Subscription. Under the firm commitment letters, the Company has agreed to pay the Investors the following fees for providing the firm commitments:

- (a) a capital raising fee equal to 6% of the gross cash proceeds raised by the Investors;
- (b) firm commitment fees of \$112,500 proportionally to the Investors based on their commitments; and
- (c) a total of 10,000,000 Firm Commitment Options.

The obligations of the Investors under the firm commitment letters are subject to and conditional on the following:

- Shareholder's approving the issue of Shares under the Public Offer (including the Firm Shares);
- completion of the Acquisition; and

- ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the Listing Rules and the Company receiving conditional approval for re-quotations from ASX subject only to the usual terms and conditions on which such conditional approval is given by ASX.

An Investor may terminate a firm commitment letter at any time before the issue of the Shortfall Shares without cost or liability if:

- the Company fails to perform an obligation under the firm commitment letter;
- another Investor validly terminates a firm commitment letter;
- the closing price for Shares on ASX is less than \$0.01 (on a pre-Consolidation basis) for a period of 10 consecutive days;
- the S&P/ASX 300 Energy (Sector) Index falls by 10% or more below its level at the close of business on the business day prior to the date of the firm commitment letter; or
- this Prospectus is not dispatched on or before 31 July 2017 or the Public Offer is withdrawn by the Company.

14.5 Corporate Adviser Mandate

The Company has executed a mandate for Euroz to act as corporate adviser to the Company in relation to the Proposed Transaction. The Company has agreed to issue 3,333,333 Shares to Euroz (or its nominee/s) for acting in this role. The corporate adviser mandate contains covenants, warranties, representations and indemnities that are customary for an agreement of this nature.

14.6 Agreements with Directors, Related Parties and key management personnel

A summary of the agreements with Directors, key management personnel and related parties of the Company is set out in Sections 8.7 and 8.8.

The Company has also entered into an agreement with MIMO Strategies Pty Ltd (a company controlled by the wife of Executive Chairman Glenn Whiddon's) for the provision of office space and office administration services. The Company pays MIMO Strategies Pty Ltd approximately \$18,000 per annum for these services. This agreement is currently on a rolling month-to-month basis. The Company will be moving into new premises on or prior to the completion of the Acquisition and the Offers, and it is expected that the agreement with MIMO will be terminated shortly thereafter.

15. Additional information

15.1 Rights attaching to Shares

Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares under the Constitution. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders:

(a) **General meeting and notices**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company, every holder of fully paid ordinary shares present in person or by an attorney; representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are 2 or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in the Company's register of members.

(c) **Issues of further Shares**

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

(d) **Variation of Rights**

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(e) **Transfer of Shares**

Subject to the Constitution, the Corporations Act and Listing Rules, Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by any other method of transferring or dealing with Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is permitted by the Corporations Act.

The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASX Settlement Operating Rules) where permitted to do so under the Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal. The Directors must decline to register a transfer of Shares when required by law, by the Listing Rules or by the ASX Settlement Operating Rules.

(f) **Partly paid Shares**

The Directors may, subject to compliance with the Constitution, the Corporations Act and Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

(g) **Dividends**

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding any amount paid in advance of calls) bears to the total issue price of the share.

(h) **Winding up**

Subject to the rights of holders of shares with special rights in a winding-up, if the Company is wound up, members will be entitled to participate in any surplus assets of the Company in proportion to the percentage of the capital paid-up or credited as paid up on the shares when the winding up begins.

(i) **Dividend reinvestment and Share plans**

Subject to the requirements in the Corporations Act and the Listing Rules, the Directors may implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of fully paid shares).

(j) **Directors**

The Constitution states that the minimum number of Directors is three and the maximum number is nine.

(k) **Powers of the Board**

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have the power to manage the business of the Company and may exercise every right, power or capacity of the Company.

(l) **Share buy backs**

Subject to the provisions of the Corporations Act and the Listing Rules, the Company may buy back shares in itself on the terms and at times determined by the Directors.

(m) **Unmarketable parcels**

The Company's constitution permits the Board to sell the Shares held by a Shareholder if they comprise less than a marketable parcel within the meaning of ASX Business Rules. The procedure may only be invoked once in any 12 month period and requires the Company to give the Shareholder notice of the intended sale.

If a Shareholder does not want his Shares sold, he may notify the Company accordingly.

(n) **Capitalisation of profits**

The Company may capitalise profits. Subject to the Constitution and the terms of the issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(o) **Capital reduction**

Subject to the Corporations Act and Listing Rules, the Company may reduce its share capital.

(p) **Preference Shares**

The Company may issue preference shares, including preference shares that are liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company's members.

15.2 **Terms and conditions of Performance Shares**

For the purpose of these terms and conditions:

Change of Control Event means:

- (a) the occurrence of:
 - (i) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (ii) that takeover bid has become unconditional; or

- (b) the announcement by the Company that:
- (i) Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - (A) cancelled; or
 - (B) transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement.

Class A Performance Share means a Performance Share which converts into a Share on satisfaction of Milestone A, subject to these terms.

Class B Performance Share means a Performance Share which converts into a Share on satisfaction of Milestone B, subject to these terms.

Class C Performance Share means a Performance Share which converts into a Share on satisfaction of Milestone C, subject to these terms.

Expiry Date means 31 December 2020.

Holder means a holder of a Performance Share.

Milestone means Milestone A, Milestone B and/or Milestone C (as applicable)

Milestone A has the meaning in clause (1)(a) of these terms.

Milestone B has the meaning in clause (1)(b) of these terms.

Milestone C has the meaning in clause (1)(c) of these terms.

(1) Conversion and Expiry of Class A Performance Shares, Class B Performance Shares and Class C Performance Shares

(a) **(Conversion on achievement of Milestone A)** On achievement of either of the following milestones:

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

(Milestone A) on or before the Expiry Date, each Class A Performance Share will convert on a one for one basis into a Share.

(b) **(Conversion on achievement of Milestone B)** On achievement of either of the following milestones:

- (i) spudding of an exploration well in any of the lands licensed by the Montney JV before 1 March 2019; or
 - (ii) the Company selling the TMKM Shares for an amount greater than A\$0.394m on or before the Expiry Date,
- (Milestone B)**, each Class B Performance Share will convert on a one for one basis into a Share.
- (c) **(Conversion on achievement of Milestone C)** On achievement of either of the following milestones:
- (i) spudding of an exploration well in any Offshore Comoros Blocks licensed by Bahari; or
 - (ii) the Company selling the Bahari Shares for an amount greater than A\$1.32m,
- (Milestone C)** on or before the Expiry Date, each Class C Performance Share will convert on a one for one basis into a Share.
- (d) **(Conversion where Milestone not satisfied by the Expiry)** To the extent that:
- (i) the Class A Performance Shares have not converted into Shares on or before the Expiry Date, then all such unconverted Class A Performance Shares held by each holder will automatically consolidate into one Class A Performance Share and will then convert into one Share;
 - (ii) the Class B Performance Shares have not converted into Shares on or before the Expiry Date, then all such unconverted Class B Performance Shares held by each holder will automatically consolidate into one Class B Performance Share and will then convert into one Share; and
 - (iii) the Class C Performance Shares have not converted into Shares on or before the Expiry Date, then all such unconverted Class C Performance Shares held by each holder will automatically consolidate into one Class C Performance Share and will then convert into one Share;.
- (e) **(Conversion procedure)** The Company will issue a Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Performance Share.
- (f) **(Ranking of shares)** Each Share into which the Performance Shares will convert will upon issue:
- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
 - (ii) be issued credited as fully paid;
 - (iii) be duly authorised and issued by all necessary corporate action; and

- (iv) be issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

(2) Conversion on change of control

If there is a Change of Control Event in relation to the Company prior to the conversion of the Performance Shares and prior to the Expiry Date, then:

- (a) each Milestone will be deemed to have been achieved; and
- (b) each Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of all Performance Shares due to a Change of Control Event in relation to the Company exceeds 10% of the total Shares on issue at the time of the conversion, then the number of Class A Performance Shares, Class B Performance Shares and Class C Performance Shares to be converted will be prorated so that the aggregate number of Shares issued upon conversion of the Performance Shares is equal to 10% of the total issued share capital of the Company.

(3) Rights attaching to Performance Shares

- (a) **(Share capital)** Each Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Performance Share confers on a Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. A Holder has the right to attend general meetings of Shareholders.
- (c) **(No Voting rights)** A Performance Share does not entitle a Holder to vote on any resolutions proposed at a general meeting of Shareholders.
- (d) **(No dividend rights)** A Performance Share does not entitle a Holder to any dividends.
- (e) **(No rights to return of capital)** A Performance Share does not entitle a Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (f) **(Rights on winding up)** A Performance Share does not entitle a Holder to participate in the surplus profits or assets of the Company upon winding up of the Company.
- (g) **(Not transferable)** A Performance Share is not transferable.
- (h) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (i) **(Quotation of Shares on conversion)** If the Shares of the Company are quoted on the ASX at the time of conversion of a Performance Share, the Company will make an application to ASX for official quotation of the Shares issued upon the conversion of each Performance Share within the time period required by the Listing Rules.

- (j) **(Participation in entitlements and bonus issues)** A Performance Share does not entitle a Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (k) **(No other rights)** A Performance Share does not give a Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

15.3 Terms and conditions of Management Options

The rights and liabilities attaching to the New Options can be summarised as follows:

- (a) **Entitlement:** Each Management Option (**Option**) entitles the holder to subscribe for one Share upon exercise of the Option.
- (b) **Exercise Price, Vesting Date and Expiry Date:** The **Vesting Date** and **Exercise Price** of each Option will be as set out in the following table:

Class	Vesting Date	Exercise Price
Class A	<p>The date on which both of the following are satisfied:</p> <p>(1) completion of 18 months continuous service with the Company as a consultant or employee from the date of grant; and</p> <p>(2) satisfaction of at least two of the following three conditions:</p> <ul style="list-style-type: none"> • the VWAP for Shares for any period of 30 consecutive trading days being above \$0.09; • Azonto raising more than \$5 million (not including the Public Offer) at an average price of \$0.09; and • Azonto's market capitalisation exceeding \$50 million (based on the VWAP for Shares for any period of 30 consecutive trading days). 	\$0.09
Class B	<p>The date on which both of the following are satisfied:</p> <p>(1) completion of 18 months continuous service with the Company as a consultant or employee from the date of grant; and</p> <p>(2) satisfaction of at least two of the following three conditions:</p> <ul style="list-style-type: none"> • the VWAP for Shares for any period of 30 consecutive trading days being above \$0.09; • Azonto raising more than \$5 million (not including the Public Offer) at an average price of \$0.09; and • Azonto's market capitalisation exceeding \$50 million (based on the VWAP for Shares for any period of 30 consecutive trading days). 	\$0.12

The **Expiry Date** for each Option will be the date which is 5 years from the date of grant.

- (c) **Exercise Period:** Subject to paragraph (d), an Option may only be exercised at any time after the applicable Vesting Date, and prior to the Expiry Date, in the table in paragraph (b) above (subject to satisfaction of the applicable service condition set out in that table).
- (d) **Vesting on Change of Control:** Any Options that have not yet vested will automatically vest upon a Change of Control at an average price greater than \$0.09 per Share.
- (e) **Notice of Exercise:** The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of exercise of that Option as at the date of receipt.
- (f) **Shares Issued on Exercise:** Shares issued on exercise of the Options will rank equally in all respects with the then issued Shares of the Company.
- (g) **Options not quoted:** The Company will not apply to ASX for quotation of the Options.
- (h) **Quotation of Shares on exercise:** Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.
- (i) **Timing of Issue of Shares and Quotation:** After an Option is validly exercised, the Company must as soon as practicable:
 - (i) issue the Shares pursuant to the exercise of the Options; and
 - (ii) do all such acts, matters and things to obtain:
 - (A) the grant of quotation for the Share on ASX no later than 10 days from the date of exercise of the Option; and
 - (B) receipt of cleared funds equal to the sum payable on the exercise of the Option.
- (j) **Participation in New Issues:** There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options and prior to the exercise of the Options.
- (k) **Adjustment for Bonus Issue:** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
 - (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if they had exercised the Option before the record date for the bonus issue; and
 - (ii) no further consideration will be payable by the holder.
- (l) **Adjustment for rights issue:** If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Option.
- (m) **Adjustment for Reorganisation:** If there is any reorganisation of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.
- (n) **Options not transferable:** The Options are not transferable unless vested and with the prior written approval of the Board and provided that the transfer complies with the Corporations Act.

- (o) **Lodgement instructions:** Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.
- (p) **Deferred Taxation:** Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to the Performance Rights.

15.4 Terms and conditions of New Performance Rights

- (a) **Entitlement:** Each New Performance Right (**Performance Right**) will convert into a Share for no consideration upon exercise of the Performance Right by the holder.
- (b) **Vesting Date and Expiry Date:** Each Performance Right will vest on the date on which both of the following are satisfied (**Vesting Date**):
 - (i) completion of 18 months continuous service with the Company as a consultant or employee from the date of grant; and
 - (ii) satisfaction of at least two of the following three conditions:
 - (A) the VWAP for Shares for any period of 30 consecutive trading days being above \$0.15;
 - (B) the Company raising more than \$5 million (not including the Public Offer) at an average price of \$0.15; and
 - (C) the Company's market capitalisation exceeding \$50 million (based on the VWAP for Shares for any period of 30 consecutive trading days).

The **Expiry Date** for each Performance Right will be the date which is 5 years from the date of grant.
- (c) **Exercise Period:** Subject to paragraph (d), a Performance Right may only be exercised at any time after the Vesting Date, and prior to the Expiry Date (subject to satisfaction of the applicable service condition set out in that table).
- (d) **Vesting on Change of Control:** Notwithstanding the provisions of the Plan, any Performance Rights that have not yet vested will automatically vest upon a Change of Control at an average price greater than \$0.15 per Share.
- (e) **Plan:** The Performance Rights are granted in accordance with, and subject to, the Plan (see Section 15.5 for a summary of the Plan).
- (f) **Notice of Exercise:** The Performance Rights may be exercised by notice in writing to the Company (**Notice of Exercise**). Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of exercise of that Option as at the date of receipt.
- (g) **Shares issued on exercise:** Shares issued on exercise of the Performance Rights rank equally with the then Shares of the Company.

- (h) **Quotation of Shares on exercise:** Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options within the period required by the ASX Listing Rules.
- (i) **Participation in new issues:** There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (j) **Adjustment for bonus issues:** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the exercise of a Performance Right will be increased by the number of Shares which the holder would have received if the holder had exercised the Performance Right before the record date for the bonus issue.
- (k) **Adjustment for rights issue:** If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the number of Shares which must be issued on the exercise of the Performance Rights.
- (l) **Adjustments for reorganization:** If there is any reorganisation of the issued share capital of the Company, the rights of the holder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.
- (m) **Quotation of Performance Rights:** No application for quotation of the Performance Rights will be made by the Company.
- (n) **Performance Rights not transferable:** Performance Rights are not transferable unless the Board determines otherwise or the transfer is required by law and provided that the transfer complies with the Corporations Act.

15.5 Summary of New Performance Rights Plan

The following is a summary of the New Performance Rights Plan, and the terms on which offers of Performance Rights may be made under the Plan:

- (a) The directors of the Company from time to time, at their discretion, may at any time invite eligible employees to participate in the grant of Performance Rights.
- (b) The eligible employees under the Plan are full time and part time employees (including a director) of the Company and its related bodies corporate or any other person who is declared by the Board to be eligible to receive a grant of Performance Rights under the Plan (**Eligible Employees**). Subject to the Board approval, an Eligible Employee may nominate a nominee to receive the Performance Rights to be granted to the Eligible Employee.

The Company will seek Shareholder approval for Director and related party participation in accordance with Listing Rule 10.14.

- (c) The Plan is administered by the Directors of the Company, who have the power to:
 - (i) determine appropriate procedures for administration of the Plan consistent with its terms;

- (ii) resolve conclusively all questions of fact or interpretation in connection with the Plan;
 - (iii) delegate the exercise of any of its powers or discretions arising under the Plan to any one or more persons for such period and on such conditions as the Board may determine; and
 - (iv) suspend, amend or terminate the Plan (subject to restrictions on amendments to the Plan which reduce the rights of a participant of the Plan in respect of any Performance Rights or Shares already granted).
- (d) Performance Rights will be granted for nil cash consideration, unless the Board determines otherwise (which will be no more than a nominal amount).
- (e) No amount will be payable on the exercise of Performance Rights under the Plan.
- (f) The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.
- (g) The Company must have reasonable grounds to believe that the number of Shares to be issued on exercise of the Performance Rights when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous three years under:
- (i) an employee incentive plan of the Company covered by ASIC Class Order 14/1000; or
 - (ii) an ASIC exempt arrangement of a similar kind to an employee incentive scheme,
- does not exceed 5% of the total number of issued Shares at the time the invitation to acquire Performance Rights is made (but disregarding any securities issued as the result of an offer that can be disregarded in accordance with ASIC Class Order 14/1000).
- (h) The Shares to be issued on exercise of the Performance Rights will be issued on the same terms as the fully paid, ordinary shares of the Company and will rank equally with all of the Company's then existing Shares.
- (i) The Performance Rights granted under the Plan will be subject to vesting conditions determined by the Board from time to time and expressed in a written offer made by the Company to the Eligible Employee which is subject to acceptance by the Eligible Employee within a specified period. The vesting conditions may include one or more of (i) service to the Company of a minimum period of time (ii) achievement of specific performance conditions by the participant in the Plan and/or by the Company or (iii) such other performance conditions as the Board may determine and set out in the offer. The Board determines whether vesting conditions have been met.
- (j) Performance Rights will have an expiry date as the Board may determine in its absolute discretion and specify in the offer to the Eligible Employee.
- (k) Performance Rights will be exercisable by the holder from the date the applicable vesting conditions are satisfied or waived by the Board up to and including the applicable expiry date.

- (l) The vesting conditions of Performance Rights will have a milestone date as determined by the Board in its absolute discretion and will be specified in the offer to the Eligible Employee. Performance Rights will not be listed for quotation. However, the Company will make an application to ASX for official quotation of all Shares issued on exercise of the Performance Rights within the period required by the Listing Rules.
- (m) The Performance Rights are not transferable unless the Board determines otherwise or the transfer is required by law and provided that the transfer complies with the Corporations Act.
- (n) If a vesting condition of a Performance Right is not achieved by the earlier of the milestone date or the expiry date then the Performance Right will lapse. Unless the Board determines otherwise, an unvested Performance Right will lapse if the holder ceases to be an Eligible Employee for the purposes of the Plan by reason of resignation, termination for poor performance or termination for cause.
- (o) Unless the Board determines otherwise, if the holder of Performance Rights granted under the Plan ceases to be an employee for any other reason other than those reasons set out in paragraph (n), including but not limited to retirement, total and permanent disablement, death, redundancy or termination by agreement, then any Performance Rights which have not lapsed will continue to be held by the holder as if it was still an Eligible Employee, except that any continuous service condition will be deemed to have been waived.
- (p) If, in the opinion of the Board, a holder of Performance rights granted under the Plan acts fraudulently or dishonestly, is in breach of his or her obligations to the Company and its related bodies corporate, has done an act which has brought the Company or any of its related bodies corporate into disrepute, or if the Company becomes aware of a material misstatement or omission in the financial statements in relation to the Company or any of its related bodies corporate, or a holder is convicted of an offence in connection with the affairs of the Company or any of its related bodies corporate or has judgment entered against him or her in any civil proceedings in respect of the contravention of his or her duties at law in his capacity as an employee, consultant or officer of the Company or any of its related bodies corporate, the Board will have the discretion to deem any Performance Rights will lapse.
- (q) If in the opinion of the Board, Performance Rights vested as a result of the fraud, dishonesty or breach of obligations of either the holder or any other person and in the opinion of the Board, the Performance Rights would not have otherwise vested; or the Company is required by, or entitled under, law to reclaim an overpaid bonus or other amount from a holder, then the Board may determine (subject to applicable law) any treatment in relation to the Performance Rights or Shares issued upon exercise of Performance Rights to comply with the law or to ensure no unfair benefit is obtained by the Participant.
- (r) Where there is a transaction, event or state of affairs that, in the Board's opinion, is likely to result in a change of control of the Company (**Change of Control Event**), the Board may in its discretion determine that all or a specified number of the holder's Performance Rights vest and become exercisable or cease to be subject to restrictions (as applicable), although the Board may specify in an offer to a Participant that any additional or different treatment will apply if a Change of Control Event occurs.

- (s) Unless the Board determines otherwise, if a Change of Control Event occurs, any restrictions on dealing imposed on vested Performance Rights will cease to have effect.
- (t) There are no participating rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (u) If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the number of Shares which must be allocated on the exercise of a Performance Right.
- (v) If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be allocated on the exercise of a Performance Right will be increased by the number of Shares which the Participant would have received if the Performance Right had vested before the record date for the bonus issue.
- (w) If there is any reorganisation of the issued share capital of the Company, the rights of the Performance Rights holder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.
- (x) The Plan is a deferred plan under Subdivision 83-A of the *Income Tax Assessment Act 1977* (Cth).

15.6 Substantial Shareholders

At the date of this Prospectus (on a pre-Consolidation basis), the following Shareholders have a voting power of 5% or more of the Shares on issue.

Shareholder	Number of Shares Held	% interest as at date of Prospectus
Jay Hughes	81,200,000	6.97%
6466 Investment Pty Ltd	71,645,382	6.15%
Croesus Mining Pty Ltd <Steinepreis Super Fund A/c> and <Second Super Fund A/c>, Cetacean Petroleum Pty Ltd, Carly Louise McGowan, Elizabeth Louise Steinepreis, Mark David Steinepreis and Judith Elizabeth Steinepreis	58,506,800	5.03%

On Completion of the Offers (assuming no new investors become substantial holders) the only substantial Shareholders will be as set out below:

Shareholder	Number of Shares Held	% interest as at Completion of Offers
Alan Stein	33,424,545	6.82%
Jay Hughes	27,066,667	5.52%

Note: The above assumes that the minimum amount of \$2,250,000 is raised under the Public Offer, no Options are exercised and none of the Performance Shares, Existing Performance Rights or New Performance Rights have converted into Shares.

Assuming all the convertible securities to be issued under the Offers and in connection with the Acquisition convert into Shares, the following people will have a voting power of 5% or more of the Shares on issue:

Shareholder	Number of Shares Held	% interest as at Completion of Offers
Alan Stein	58,870,370	9.70%

Note: The above assumes that the minimum amount of \$2,250,000 is raised under the Public Offer, all Performance Shares, Existing Performance Rights and New Performance Rights have converted into Shares and all of the Management Options have been exercised.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offers) prior to the Shares commencing trading on ASX.

15.7 Fees and benefits

Other than as set out below or elsewhere in this Prospectus, no promoter of the Company or person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offers under this Prospectus; or
- (c) the Offers under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered in connection with the formation or promotion of the Company or the Offers of Securities under this Prospectus.

Computer Share Investor Services Pty Limited has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

Euroz has acted as corporate adviser to the Company in relation to the Proposed Transaction generally. In respect of this work, the Company will issue Euroz (or its nominee/s) 3,333,333 Shares as detailed in Section 14.5. During the 24 months preceding lodgement of this Prospectus with ASIC, Euroz has not received any fees from the Company.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which has been included in Section 12. The Company

estimates it will pay BDO Corporate Finance (WA) Pty Ltd a total of \$18,000 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, BDO Corporate Finance (WA) Pty Ltd has not received any fees from the Company.

BDO Audit (WA) Pty Ltd is the auditor to the Company and to Calima. Fees for these audit services are charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, BDO Audit (WA) Pty Ltd has received \$25,710 in fees from the Company and \$8,510 in fees from Calima.

McDaniel & Associates Consultants Ltd has prepared the Independent Geologist's Report which has been included in Section 9. The Company estimates it will pay McDaniel & Associates Consultants Ltd a total of \$27,000 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, McDaniel & Associates Consultants Ltd has not received any fees from the Company.

Burstall Winger Zammit LLP has prepared the Title Report which has been included in Section 10. The Company estimates it will pay Burstall Winger Zammit LLP a total of \$20,000 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, Burstall Winger Zammit LLP has not received any fees from the Company.

GTP Legal has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay GTP Legal approximately \$60,000 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 received or invoiced a total of \$216,799 in fees from the Company.

15.8 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, other than those referred to in this section;
- (b) has not authorised or caused the issue of this Prospectus or the making of the Offers; and
- (c) makes no representations 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 and a statement and/or any report (if any) included in this Prospectus with the consent of that party as specified in this section.

Euroz has given its written consent to being named as corporate adviser to the Company in this Prospectus. Euroz has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Computer Share Investor Services Pty Ltd has given its written consent to being named as the Share Registry of the Company in this Prospectus. Computer Share Investor Services Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

McDaniel & Associates Consultants Ltd has given its written consent to being named in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 9 of this Prospectus. McDaniel & Associates Consultants Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Burstall Winger Zammit LLP has given its written consent to being named as the title lawyers of the Company in this Prospectus and to the inclusion of the Title Report in Section 10 of this Prospectus. Burstall Winger Zammit LLP has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 12 in the form and context in which the report is included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as auditor to the Company and auditor to Calima in this Prospectus. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

GTP Legal has given its written consent to being named as the lawyer to the Company in this Prospectus. GTP Legal has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

15.9 Litigation

To the knowledge of the Existing Directors and the Proposed Directors, as at the date of this Prospectus, neither the Company nor Calima is involved in any legal proceedings and the Existing Directors and the Proposed Directors are not aware of any legal proceedings pending or threatened against the Company or Calima.

15.10 ASX Waivers

The Acquisition will require the Company to meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the official list of ASX. These requirements include that:

- (a) the main class of a company's securities for which a company seeks quotation must have an issue price of at least 20 cents in cash (pursuant to Listing Rule 2.1 Condition 2); and
- (b) the exercise price for any options on issue must be at least 20 cents in cash (pursuant to Listing Rule 1.1 Condition 12).

The terms of the proposed capital raising will not meet the requirements set out in Listing Rule 2.1 Condition 2 as the Public Offer is proposed to be completed at an issue price of 4.5 cents per Share, being an issue price of less than 20 cents.

Following completion of the Offers, the Company will have:

- (a) Class A Management Options and Class B Management Options on issue with exercise prices of \$0.09 and \$0.12 respectively;
 - (b) Firm Commitments on issue with an exercise price of \$0.045; and
 - (c) New Performance Rights on issue that may be exercised for nil cash consideration,
- all of which have less than the 20 cent exercise price required by Listing Rule 1.1 Condition 11.

The Company has obtained a waiver of ASX Listing Rule 2.1 Condition 2, together with a waiver of ASX Listing Rule 1.1 Condition 12, to allow the Company to:

- (a) issue the Shares under the Public Offer at no less than 2 cents per Share;
- (b) have the Management Options and Firm Commitment Options on issue with an exercise price of no less than 2 cents; and
- (c) have the New Performance Rights on issue.

15.11 Taxation

The acquisition and disposal of Securities in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

15.12 Expenses of the Offers

The estimated expenses of the Offers are as follows:

Item of expenditure	Minimum Subscription	Maximum Subscription
ASX & ASIC fees	\$37,000	\$45,000
Legal fees	\$60,000	\$60,000
Investigating Accountant's Report	\$18,000	\$18,000
Independent Geologist's Report	\$27,000	\$27,000
Title Report	\$20,000	\$20,000
Firm Commitment Fees ¹	\$113,000	\$113,000
Capital Raising Fees ²	\$135,000	\$245,000
Share registry, printing and other expenses	\$25,000	\$25,000
Total	\$434,000	\$552,000
Notes:		
1. Refer to Section 6.19 for further details.		
2. Refer to Section 6.20 for further details.		

16. Directors' authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Existing Directors and the Proposed Directors.

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



Neil Hackett
Non-Executive Director

For and on behalf of Azonto Petroleum Ltd (to be renamed Calima Energy Limited)

30 June 2017

17. Glossary

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$ means an Australian dollar.

Adviser Offer has the meaning given in Section 6.5.

Adviser Offer Application Form means the application form as provided with a copy of this Prospectus relating to the Adviser Offer.

Acquisition means the acquisition by the Company of all of the issued capital of Calima pursuant to the Acquisition Agreement.

Acquisition Agreement has the meaning given in Section 7.1.

Acquisition Resolutions has the meaning given in Section 6.7.

Applicant means a person who submits an Application Form.

Application means a valid application for Securities pursuant to an Application Form.

Application Form means a Public Offer Application Form, a Vendor Offer Application Form, a Convertible Note Share Offer Application Form, a Management Option Offer Application Form or an Adviser Offer Application Form (as applicable).

Application Monies means application monies for Shares under the Public Offer received and banked by the Company.

ASIC means the Australian Securities & Investments Commission.

Associates has the meaning given in the Corporations Act.

Assurance Agreements has the meaning in Section 7.3.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange operated by ASX Limited (as the context requires).

AWST means Australian Western Standard Time, being the time in Perth, Western Australia.

Bahari means Bahari Holding Company Limited (registration no. 55872), a Guernsey registered company.

Bahari Shares means 150 fully paid ordinary shares in Bahari owned by Calima, comprising approximately 10% of the issued shares in Bahari.

Board means the board of Directors as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

C\$ means Canadian dollars.

Calima means Calima Energy Ltd (registration no. 115159), a Jersey registered company proposed to be acquired by the Company.

Calima Note Debt has the meaning in Section 14.3.

Calima Noteholders means Proposed Directors Alan Stein and Jonathan Taylor.

Change of Control means:

- (a) the offeror under a Takeover Bid in respect of all Shares has achieved acceptances in respect of more than 50.01% of Shares and that Takeover Bid has become unconditional;
- (b) the announcement by the Company that Shareholders have, at a Court convened meeting of shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement (other than to effect a restructure or redomicile) under which all securities of the Company are to be either:
 - i) cancelled; or
 - ii) transferred to a third party,and the Court, by order, approves the proposed scheme of arrangement; or
- (c) any person, individually or together with their Associates, acquires a Relevant Interest in 50.01% or more of the total number of Shares on issue by any other means (other than as a result of the transactions contemplated pursuant to the agreement to which these terms and conditions are attached).

Change of Control Event has the meaning in Section 15.2.

Class A Management Option and **Class B Management Option** have the meaning in Section 15.3.

Class A Performance Share, **Class B Performance Share** and **Class C Performance Share** have the meaning in Section 15.2.

Closing Date means the closing date of the Offers as set out in the indicative timetable in Section 3.

Company or **Azonto** means Azonto Petroleum Ltd (ACN 117 227 086) (to be renamed "Calima Energy Limited").

Company Group means the Company and its 'related bodies corporate' (as that term is defined in the Corporations Act).

Completion means the completion of the Acquisition.

Conditions of the Public Offer means the conditions of the Public Offer outlined in Section 6.6.

Consideration Securities has the meaning given in Section 14.3(a) (being the Shares and Performance Shares the subject of the Vendor Offer).

Consolidation means the consolidation of the Company's issued capital on a ratio of 3:1.

Constitution means the constitution of the Company.

Convertible Notes has the meaning in Section 14.3.

Convertible Note Share Offer has the meaning given in Section 6.3.

Convertible Note Share Offer Application Form means the application form as provided with a copy of this Prospectus relating to the Convertible Note Share Offer.

Convertible Note Shares means 20,000,750 Shares to be issued, subject to Shareholder approval at the General Meeting, to the Calima Noteholders (or their nominee/s) in full and final satisfaction of the Calima Note Debt (which will be assigned to and assumed by the Company on Completion) (being the Shares the subject of the Convertible Note Share Offer).

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the directors of the Company at the date of this Prospectus and the Proposed Directors.

Euroz means Euroz Securities Limited (AFSL: 24330).

Existing Directors means the persons identified as existing directors in the Corporate Directory.

Existing Performance Rights mean the Performance Rights on issue at the date of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

Firm Commitment Option means an Option exercisable at \$0.045 on or before the date that is 3 years after the date of grant, and otherwise on standard terms and conditions.

Firm Shares has the meaning in Section 6.1.

General Meeting means the general meeting of Shareholders to be held on 20 July 2017.

Havoc means Havoc Partners LLP, a limited liability partnership registered in the United Kingdom.

Havoc Consulting Agreement has the meaning in Section 8.7(a).

Havoc Members has the meaning in Section 7.3.

Havoc Services means Havoc Services Pty Ltd (ACN 164 767 211).

Incoming Management means the five founders of Havoc, being Proposed Directors Alan Stein and Jonathan Taylor, and Richard Higgins, Justin Norris and Mark Sofield.

Investigating Accountant's Report means the investigating accountant's report in Section 12.

Investors means certain sophisticated or professional investors who are not related parties of the Company.

Listing Rules means the official listing rules of ASX.

Management Option means a Class A Management Option or a Class B Management Option (as applicable).

Management Option Offer has the meaning given in Section 6.4.

Management Option Offer Application Form means the application form as provided with a copy of this Prospectus relating to the Management Option Offer.

Minimum Subscription means 50,000,000 Shares are \$0.045 each to raise \$2,250,000 (before costs).

Montney Project has the meaning in Section 7.1.

New Performance Rights Plan or **Plan** means the Azonto Petroleum Ltd (to be renamed "Calima Energy Limited") Performance Rights Plan.

New Performance Right means a Performance Right issued under the Plan on the terms and conditions set out in Section 15.4.

Offers means the Public Offer, the Vendor Offer, the Convertible Note Share Offer, the Management Option Offer and the Adviser Offer.

Official List means the official list of ASX.

Official Quotation means official quotation of the Company's Shares by ASX in accordance with the Listing Rules.

Option means an option to subscribe for a Share.

PPSA means the *Personal Property Securities Act 2009 (Cth)*.

Performance Right means a performance right which converts into a Share on satisfaction of a specified performance milestone.

Performance Share means a Class A Performance Share, a Class B Performance Share and/or a Class C Performance Share (as applicable).

Proposed Directors means the persons identified as proposed directors in the Corporate Directory, the details of whom are set out in Section 8.1.

Proposed Transaction has the meaning in Section 7.1.

Prospectus means this prospectus.

Public Offer has the meaning given in Section 6.1.

Public Offer Application Form means the application form as provided with a copy of this Prospectus relating to the Public Offer

Relevant Interest has the meaning given in the Corporations Act.

SADR means the Saharawi Arab Democratic Republic.

SADR PSCs has the meaning in Section 7.3.

Securities means Shares, Performance Shares, Options and Performance Rights or any combination of these as the context provides.

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

Share Registry means Computer Share Investor Services Pty Limited.

Shareholder means a holder of Shares.

Shortfall Shares has the meaning in Section 6.1.

Takeover Bid has the meaning given in the Corporations Act.

TMKM means TMK Montney Limited (ACN 607 112 710).

TMKM Shares means 8,000,000 fully paid ordinary shares in TMKM owned by Calima, comprising approximately 11% of the issued shares in TMKM

Vendor Offer has the meaning given in Section 6.2.

Vendor Offer Application Form means the application form as provided with a copy of this Prospectus relating to the Vendor Offer.