

Company Update

8 May 2017

Montney Farm-out Agreement

TMK Montney Ltd is pleased to advise that it has entered into a farm-out of the Montney Project to Azonto Petroleum Ltd, a company listed on the Australian Stock Exchange (ASX:APY).

The farm-out provides for Azonto (to be renamed Calima Energy Limited) to earn up to a 55% working interest in the Montney Project by sole funding the next C\$25m of investment. The Montney Project is held 60% by TSV Montney and 40% by TMK Montney, which interests will be reduced proportionately by the farm-out to 27% for TSV Montney and 18% for TMK Montney.

This farm-out values TMK Montney's remaining 18% interest in the Montney Project (post farm-out) at A\$8.0m or 11 cents (approx) per TMK Montney share. Please note that in the demerger of the Montney Project from Tamaska Oil and Gas Ltd (TMK), 1 TMK Montney share was received for every 10 TMK shares held on the record date (8 October 2015). Accordingly, the see-through value is 1.1 cents (approx) per TMK share held on the record date.

The C\$25m of investment in the Montney Project being sole funded by Azonto/Calima will be directed towards the drilling, fracking and testing of three wells with 2,000m horizontal sections and the possible acquisition of additional acreage. Drilling of three wells will secure a 10-year extension on most of the acreage.

If Azonto/Calima achieves the expected drilling results and proof of concept of the Montney acreage, we would expect a substantial increase in value, and our intent is to then arrange either a trade sale or a relisting of your TMK Montney shares, which will be in 2-3 years' time.

This farm-out has been encouraged by strong results on adjacent acreage held by Saguaro Resources Ltd. Saguaro has drilled 32 wells to date and, based on these results, recently released an expected liquids rich production profile comprising a 7 Bcf type curve and a resource estimate of more than 300 million barrels of oil and 12 Tcf of gas across 1,200 drilling locations in its nearby acreage. This type curve demonstrates good profitability at current oil and gas prices. These results are highly encouraging and Saguaro is planning a substantial drilling program going forward.

Using similar metrics, the Montney JV has identified more than 700 locations on its acreage. Reasonable drilling results by Azonto/Calima will likely result in a substantial oil and gas resource estimate for the Montney Project.

The farm-out is effective as of 1 March 2017 and is conditional upon Azonto/Calima completing a re-compliance with the ASX listing rules, expected by August. We will send further updates as and when results are obtained during the farm-out and recommend that shareholders view the Company's website to receive regular updates. When you log onto the site please also send through your email address and we will email you update alerts. The website is www.tmkm.com.au.

Key terms and conditions of the farm-out are attached at the back of this letter. For further detail, please refer to the announcement which can be found on the Azonto/Calima website in the *News & Media* section (www.azpetro.com).

Company Finances

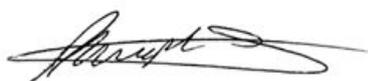
The Company sold its Inga land position in the Montney play to local operators for net proceeds of C\$700,000 in July 2016. This position was sold because, due to strong competition for land in the Inga area, the JV was unable to build a meaningful, standalone position. The monies received from the sale were partially redeployed to acquire additional acreage in the Caribou area, being the key play area for the Company. C\$450,000 was spent on acquiring or holding acreage post demerger and pre 1 March 2017.

As promised, the Company has been run cost effectively and has dramatically reduced operating costs to approximately A\$120,000 per annum. When the Company was demerged, the working capital position was C\$300,000 and the Company currently has C\$410,000 in cash and receivables.

The Company will continue to preserve capital while Azonto/Calima sole funds all expenditure upon the Montney Project.

The Company completed its Annual Financial Report for the period ending 31 December 2016 and this along with other shareholder information is on the Company's website.

For and on behalf of the directors

A handwritten signature in black ink, appearing to read 'Alexander Parks', with a stylized flourish at the end.

Alexander Parks
Managing Director

Key Terms and Conditions of the Farm-Out Agreement

The key terms and conditions of the farm-out agreement are as follows:

- TSV Montney and TMK Montney (through subsidiaries) are partners in an unincorporated joint venture (JV) with the following working interests in the Montney Project:
 - TSV Montney - 60%
 - TMK Montney - 40%
- Azonto/Calima will sole-fund and earn-in to the Montney Project in 3 stages as follows:

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

- Azonto/Calima will become the operator of the Montney Project with effect from commencement of the farm-out.
- The farm-out agreement is conditional on Azonto/Calima re-complying with Chapters 1 and 2 of the ASX Listing Rules on or before 31 August 2017.
- Azonto/Calima paid a non-refundable deposit of C\$500,000 to the Montney JV on execution of the farm-out agreement. Once the re-listing condition has been satisfied, this deposit will be applied towards Azonto's/Calima's Stage 1 farm-out expenditure commitment.
- The farm-out agreement is based around a three stage work programme as follows:
 - Stage One - Acquire and interpret 3D seismic, design and plan the first well, and acquire additional acreage.
 - Stage Two - Drill, complete and test one well to a depth of approximately 1,500m with a horizontal section of 2,000m, design and plan the next two wells.
 - Stage Three - Drill, complete and test two wells to a depth of approximately 1,500m with a horizontal section of 2,000m.
- If Azonto/Calima does not elect to proceed with Stages 2 and 3 of the farm-out:
 - it will cease to be operator of the JV;
 - it will retain the working interest earned; and
 - the JV parties will then contribute to project expenditure on a pro rata basis.

The time frames have been devised to fit with the Canadian drilling window and land expiry dates to the best extent possible, to maximize the retention of acreage.

TMK MONTNEY LIMITED

ACN 607 112 710

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10.30am

DATE: 30 May 2017

PLACE: Level 7, 1008 Hay St, Perth WA 6000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9389 2000.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 10.30am on 30 May 17 at:

Level 7, 1008 Hay ST, Perth WA 6000

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10.30am on 26 May 17.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and

- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 31 December 2016 together with the declaration of the directors, the director's report, and the auditor's report.

2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – BRETT LAWRENCE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of Clause 11.3 of the Constitution, and for all other purposes, Brett Lawrence, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

Dated: 8 May 2017

By order of the Board

**ALEXANDER PARKS
MANAGING DIRECTOR**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 31 December 2016 together with the declaration of the directors, the directors' report, and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <http://tmkm.com.au/>.

2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – BRETT LAWRENCE

Clause 11.3 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Managing Director shall not retire by rotation, but if there is more than one Managing Director then the first appointed Managing Director shall not be subject to re-election and the other Managing Director and the Executive Directors shall be subject to re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Brett Lawrence, as one of the Directors the longest in office since his last election, retires by rotation and seeks re-election.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that is declared not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means TMK Montney Limited (ACN 607 112 710).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

APPOINTMENT OF PROXY FORM

TMK MONTNEY LIMITED
ACN 607 112 710

ANNUAL GENERAL MEETING

I/We

Of:

Being a Shareholder entitled to attend and vote at the meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10.30am, on 30 May 2017 at Level 7, 1008 Hay ST, Perth WA 6000, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting

Resolution 1 Re-election of director – Brett Lawrence

FOR

AGAINST

ABSTAIN

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail: YES NO

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to TMK Montney Limited, Level 7, 1008 Hay St, Perth WA 6000; or
 - (b) facsimile to the Company on facsimile number +61 8 9389 2099; or
 - (c) email to the Company at AlexP@tamaska.com.au.

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.