

Melbana operational update

Highlights:

- Nova-1 rig to drill the high impact onshore New Zealand Pukatea-1 well and is expected to mobilise to site in mid January 2018
- Melbana to retain its full 30% interest in the high impact Pukatea-1 well
- Multiple potential drilling rigs identified for drilling in Cuba Block 9 PSC
- Agreement reached with Petro Australis, confirming Melbana holds an unencumbered 100% interest in Block 9 PSC
- Active negotiations continue with a consortium regarding funding of a 3D seismic survey over the Beehive prospect and optional Beehive-1 well in WA-488-P

MELBOURNE, AUSTRALIA (4 December 2017)

Melbana Energy Limited (ASX: **MAY**) (“**Melbana**” or “the **Company**”) is pleased to provide the following update with regard to its portfolio of projects.

New Zealand:

Melbana is pleased to advise that arrangements are being finalised for the Nova-1 drilling rig to drill the high impact Pukatea-1 well located in its New Zealand onshore PEP51153 Joint Venture (Melbana 30%, TAG Oil 70% and Operator). Nova-1 is expected to be mobilised in mid January 2018 with drilling planned to commence in late January 2018.

Melbana has elected to retain its full 30% interest in the upcoming Pukatea-1 well given the high prospectivity and commercially robust nature of the prospect. The value potential of Pukatea-1 has been dramatically enhanced in the past few months as a result of the 40% increase in world oil prices since June 2017 combined with a 20% reduction in Melbana’s share of the dry hole cost of the well to ~A\$1.6 million (excluding testing) which has resulted from the optimisation of well design, completion of some pre-drilling activities and favourable exchange rate movements.

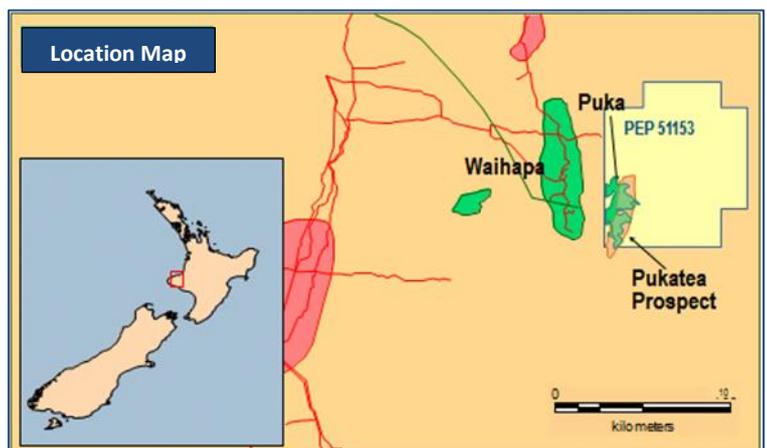




Figure 1 - Completed Pukatea drilling pad with existing Puka-1 and Puka-2 suspended wells protection zones visible



Figure 2 - The Nova-1 Drilling Rig contracted to drill the Pukatea prospect

The Pukatea prospect is a mature high impact exploration opportunity, targeting a highly productive conventional reservoir with prospective resources attributable to the Pukatea prospect estimated to range from 1.3 to 40 million barrels of oil equivalent (MMboe) (Low-High estimates) with a Best Estimate of 12.4 MMboe* (see the following table) and a chance of success of 19% (see table below).

100% MMboe*	COS**	Low	Best	Mean	High
Pukatea -100%	19%	1.3	12.4	17.1	40

*** Prospective Resources Cautionary Statement:** The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

**** COS means "Chance of Success".**

The Pukatea prospect is well located, being proximal to existing infrastructure with a number of potentially near-term, low cost alternative development paths. Melbana estimates that a successful Pukatea-1 exploration well result, consistent with the best estimate of 12.4MMboe, would result in a three-well development plan with a gross production plateau ranging between 6,000 to 10,600 barrels of oil per day for a period in excess of four years and a very low development cost.

Cuba:

Good progress continues to be made in preparation for a drilling program of up to two wells in Block 9 Production Sharing Contract (PSC) (Melbana 100% and Operator) commencing in mid-2018. Recent discussions with potential contractors has firmed up the likely availability of drilling rigs suitable for the wells Melbana proposes to drill in Cuba, with suitable rigs available both within Cuba and internationally. The recent appointment of a Drilling Planning Coordinator in Havana has also streamlined Melbana’s procurement and permitting for its drilling program which is ongoing. Melbana has been encouraged by the ongoing support of the Cuban regulatory authorities as it seeks to proceed with drilling in Block 9 on an accelerated timetable.

In addition to delivering on the world-class opportunity in Block 9, Melbana’s strategy is to secure and develop additional opportunities in the oil-rich regions of Cuba. As part of this business development initiative Melbana has identified a number of additional oil and gas opportunities in Cuba which it will seek to mature during 2018.

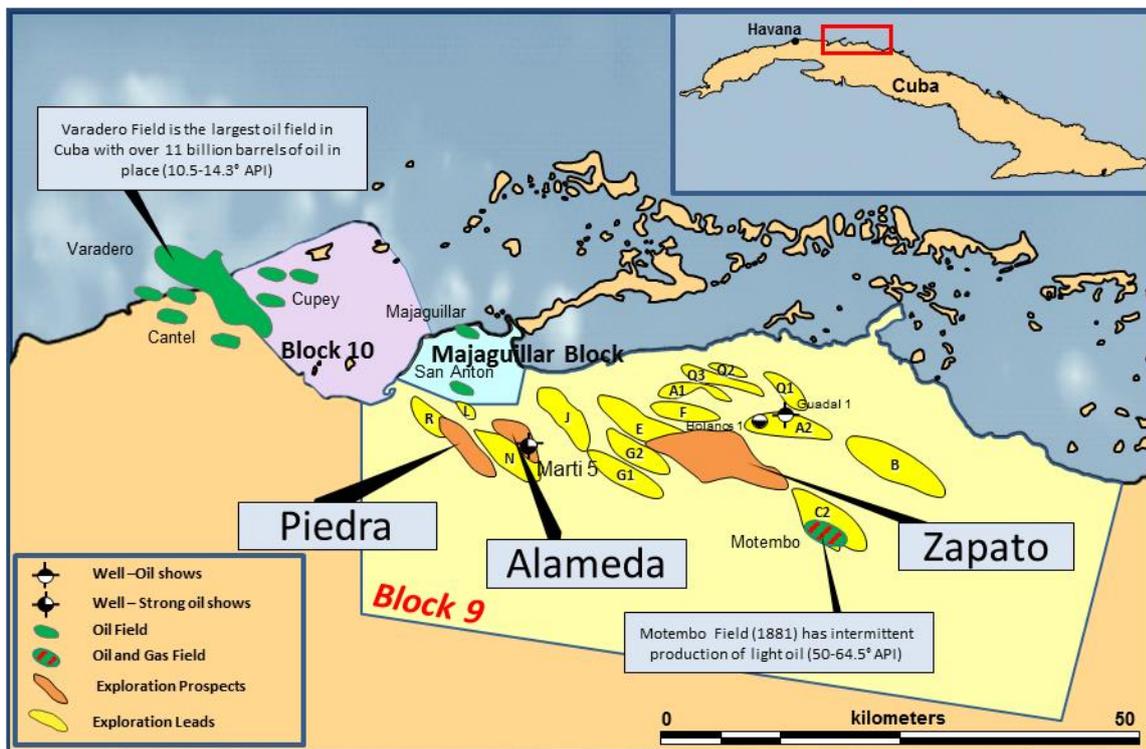


Figure 1. Block 9 PSC with high graded drilling targets

Further to Melbana’s ASX announcement on 30 October 2017 regarding the termination of commercial arrangements with Petro Australis Limited (“**Petro Australis**”) and the cancellation of Petro Australis’ back in right to Block 9 PSC, the Company has been in discussions with Petro Australis to conclusively resolve its claim to a right to acquire a 40% participating interest in the Block 9 PSC. As a result of a commercial settlement reached during these discussions, Petro Australis has relinquished all claims to its back-in right to the Block 9 PSC in consideration for Melbana paying A\$50,000 in cash and issuing 20.8 million Melbana shares to Petro Australis. As a result of the settlement there are no further obligations on either party and it is confirmed that Melbana holds an unencumbered 100% interest in Block 9 PSC.

Melbana is receiving significant farmin interest for Block 9, with a data room open in its Melbourne office.

Australia: WA-488-P (Beehive):

Melbana is in active negotiations with a consortium regarding potential funding of a 3D seismic survey over the Beehive prospect and optional funding of a Beehive-1 well in WA-488-P. Melbana expects this future field activity that may be undertaken in this permit to be funded under a potential commercial arrangement by the incoming parties. The negotiations are ongoing with the consortium and there is no guarantee that any commercial transaction will be concluded.

A handwritten signature in blue ink, appearing to read "Peter", is positioned above the printed name.

Peter Stickland

Managing Director and Chief Executive Officer

Contingent & Prospective Resources. The information that relates to Contingent Resources and Prospective Resources for Melbana is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, the Managing Director and Chief Executive Officer of Melbana. Mr Stickland B.Sc (Hons) has over 25 years of relevant experience, is a member of the European Association of Geoscientists & Engineers and the Petroleum and Exploration Society of Australia, and consents to the publication of the resource assessments contained herein. The Contingent Resource and Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules. Conversion factors: 6 Bscf gas equals 1 MMboe; 1 bbl condensate equals 1 boe.