

OIL & GAS FLASHNOTE

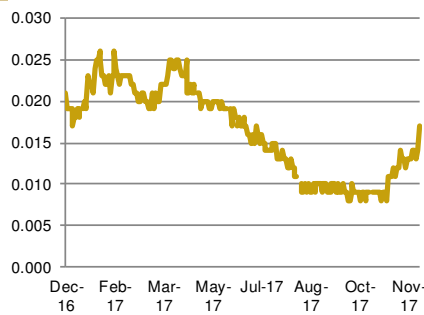
Melbana Energy (MAY AU)

13 December 2017

Stock Data

Share Price:	A\$0.017
Market Cap (M):	A\$25.5m
EV (M):	A\$19.5m
Liquidity (30 day ave)	8.4m

Price Chart



52 Week Range

A\$0.008	A\$0.017
A\$0.026	

Company Summary

Melbana Energy is an Oil & Gas exploration company with licences in Australia, Cuba and New Zealand.

Beehive farm-out option

Event

Melbana Energy (“Melbana” or the “Company”) has announced that in exchange for funding the entire cost of a 3D seismic survey over the Beehive prospect, Total and Santos have been granted the option to acquire an 80% working interest in WA-488-P. If this option is exercised, Total and/or Santos will fund the ongoing work programme until completion of the first well in the WA-488-P permit. Planning for the seismic survey is underway, with data acquisition expected to commence in mid-2018.

Comment

This is an excellent result for Melbana and concludes a lengthy farm-out process for block WA-488-P. We believe the calibre of the counterparties help validate the potential of the acreage, which will be de-risked by the acquisition of 3D seismic.

While there is no certainty, at this stage, that a well will be drilled on the Beehive prospect, the terms of the transaction provide some flexibility to allow Total and Santos to farm-in either individually or together. Should this option be exercised, Melbana will retain a material working interest in one of the most significant undrilled prospects in Australia, targeting mid-case prospective resources estimated at 558mmboe.

In the near term, Melbana will be participating in the high impact Pukatea-1 well, which is due to be drilled in January 2018. Melbana has a 30% working interest in the prospect, targeting mid-case prospective resources estimated at 12.4mmboe. Based on a 19% CoS and a US\$21.1/bbl valuation, the Pukatea prospect is valued at 1.10 cents/sh net to Melbana (5.81 cents/sh fully unrisks). Due to favourable fiscal terms, high predicted flow rates and existing infrastructure even a significantly smaller discovery is anticipated to be economical.

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Research Disclosures

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Will is a CFA charterholder and has more than 10 years' experience as a sell-side equity research analyst having previously worked at Dresdner Kleinwort, Jefferies International and finnCap. In his last role, he co-founded the Oil & Gas franchise at finnCap and later became Head of Oil & Gas, where he also coordinated corporate finance and corporate broking in addition to his responsibilities as a Research Director. During his career, Will has worked closely with many international E&P companies, both listed and private, evaluating assets across the globe and has developed particular expertise in petroleum economics and asset valuation. In 2010, Will was awarded No.1 stock picker for the European energy sector in the FT/Starmine Awards.

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Sell	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

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Research disclosure as of 13 December 2017

Company Name	Disclosure
Melbana Energy (MAY AU)	1,2,8

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