

## Operational Update

### Highlights:

- **Cuba Block 9**
  - **Progressing binding documentation and drilling plans with farminee**
  - **Received environmental permit for drilling of second well (Zapato)**
  - **Encouraging light oil discovery on trend with Block 9**
- **Australia - Beehive 3D seismic survey preliminary data has been received and is of excellent quality**

MELBOURNE, AUSTRALIA (1 November 2018)

Melbana Energy Limited (ASX: **MAY**) ("**Melbana**" or "the **Company**") is pleased to provide the following update with regard to its activities.

### Cuba:

#### Permitting

Cuban regulatory authorities have provided environmental approval for the Zapato exploration well, which is the proposed second well in its Block 9 drilling program. Melbana's first two proposed wells now have environmental approval.

#### Farm out

Following execution of the Block 9 farmout to Anhui Guangda Mining Investment Co Ltd ("**AGMI**") (*see ASX Release 8 October 2018*), binding documentation has been exchanged between the parties. The parties have agreed to target execution of the binding definitive agreement by December, 2018.

A team from AGMI was in Cuba recently and is currently preparing qualification documentation to submit to the Cuban authorities.

Under the terms of the farmout, AGMI will fully fund 100% of all costs in Block 9 for the duration of the PSC, including a minimum commitment to drill 3 exploration wells on Melbana's 3 preferred targets. This includes all exploration, appraisal and development wells and any facilities development costs. In return, Melbana will receive 12.5% of the profit oil under the Block 9 production sharing contract.



**Figure 1: Drilling Rigs owned by AGMI**

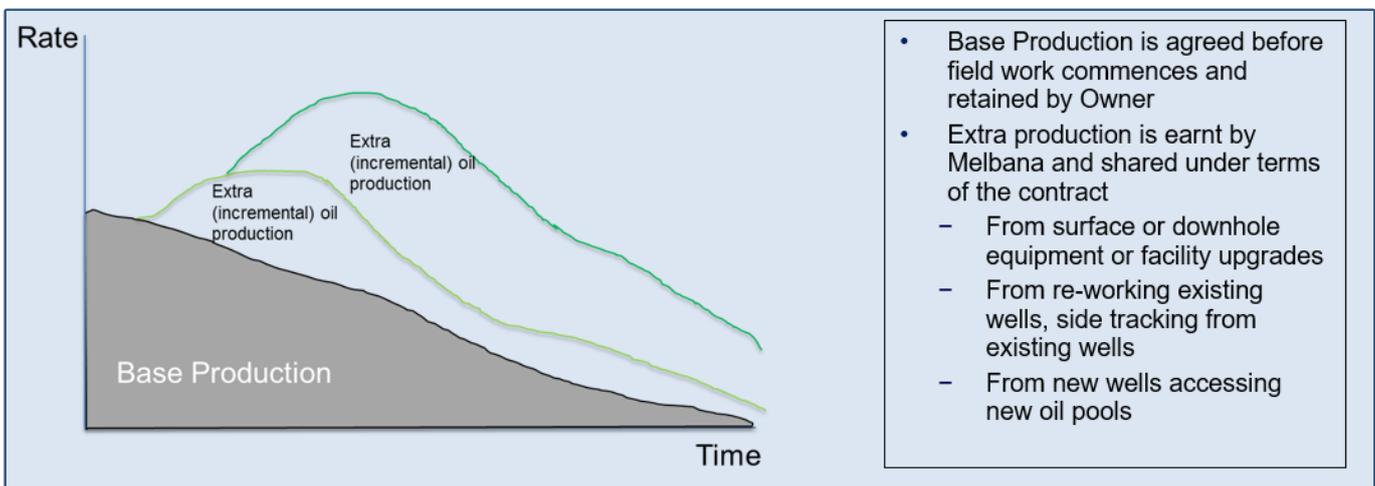
AGMI is a private company that reports assets in excess of US\$1 billion including 20 onshore drilling rigs, oil production of 6,000 barrels/day and over 1000 employees with operations through its subsidiaries in over 13 exploration and exploitation blocks in Kyrgyzstan and in areas of the Americas and that it has business relationships with major state-owned Chinese companies such as CNPC, Sinopec, and CNOOC.

### Drilling Rig

The drilling rig made available by a local operator is currently being considered to drill the first exploration well, Alameda, in April 2019. However, AGMI have access to their own drilling rigs which they are considering to import into Cuba to undertake the Block 9 drilling program.

### Santa Cruz

Melbana’s technical team has been fully engaged in its ongoing evaluation of the potential to improve production from the Santa Cruz oil field, for which Melbana has an exclusive right to negotiate a long term incremental production sharing contract. Under an Incremental Oil Recovery (IOR) contract, additional production above an agreed base production rate is shared under the terms of the contract as depicted in Figure 2 below.

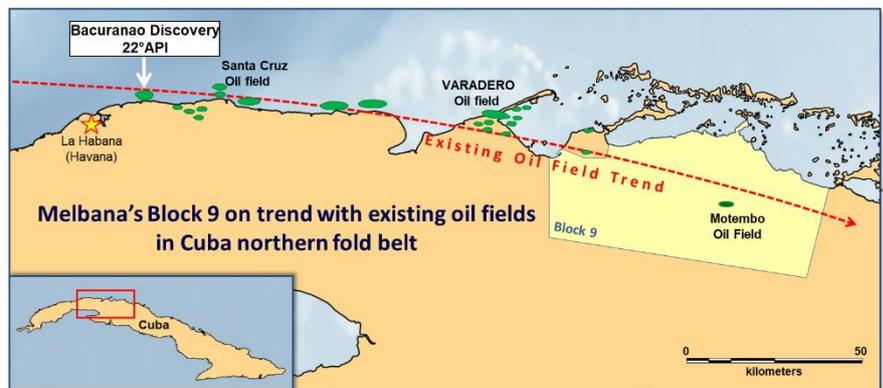


**Figure 2: Graphical portrayal of Santa Cruz Incremental Oil Recovery Concept**

Commercial negotiations are continuing with Cuba’s national oil company on the final definitive agreement for the long term Santa Cruz (IOR) Contract with execution targeted for December, 2018.

### Light Oil discovery at Bacuranao

Cubapetroleo (Cuba’s national oil company) reported to Cuban media a significant discovery of light oil in the Bacuranao structure. The discovery was made late in 2017 and has been undergoing long term testing since then. Cupet representatives reported that oil produced from the field has a density of 22° API and it is the highest quality oil discovered in the area. The discovery is encouraging for oil exploration activities in the northern fold belt trend that continues into Melbana’s Block 9 and is in close proximity to the Santa Cruz oil field.



**Figure 3: Bacuranao discovery on trend with Block 9**

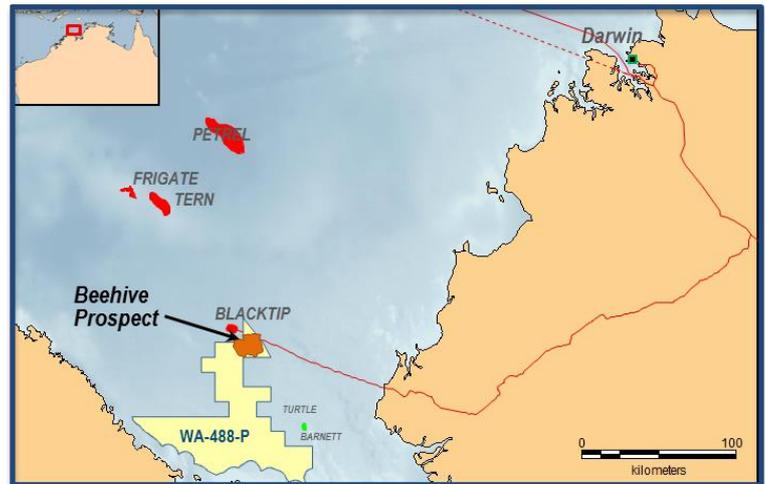
## Australia: WA-488-P (Beehive):

Melbana has reviewed early data products from the Beehive 3D Seismic Survey and is pleased to advise they are of an excellent quality for this stage in the processing exercise.

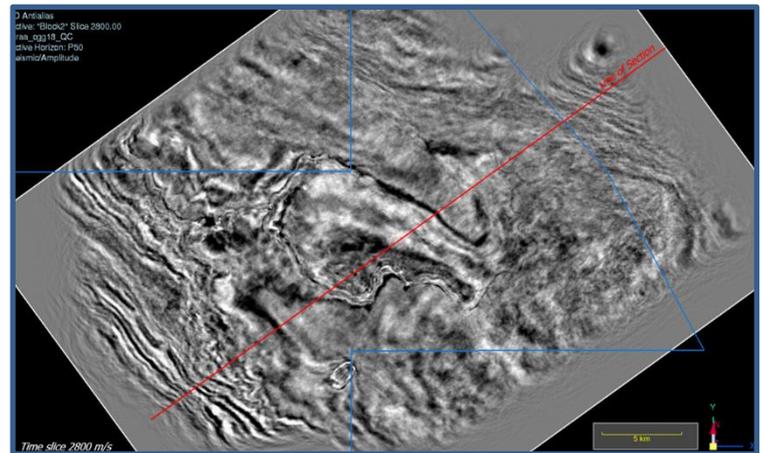
Data processing will continue with a final data set due to be received by early February 2019.

The processing of the 3D Seismic Survey data is being undertaken currently by CGG, a French-based geophysical services company that provides geophysical services to the global oil and gas industry. Total and Santos have an option (exercisable together or individually) to acquire a direct 80% participating interest in the permit in return for continuing to fully fund the costs of all activities until completion of the first well in the WA-488-P permit. The option is exercisable by either Total and/or Santos at any time but no later than 6 months from the receipt of final processed seismic survey data. If the option is exercised, drilling would be expected to be no later than 2020 with Melbana estimating that the Beehive-1 exploration well cost is indicatively in the range US\$40-\$60 million.

*A short video on Beehive is available on the Melbana website (melbana.com) under News and Broadcasts / Broadcasts and Videos.*



**Figure 4: Beehive location**



**Figure 5: Image through the preliminary data set showing the outline of the Beehive structure**

### Melbana Energy's CEO, Robert Zammit, said:

*"We are making progress with our Block 9 farminee to progress to a binding agreement and also plan for the first well to be drilled in Block 9. It is pleasing to obtain the environmental permit for Zapato, the proposed second well in our Block 9 drilling program. With respect to Beehive, the preliminary 3D survey dataset is of excellent quality for this early stage in the processing cycle which is encouraging. Melbana looks forward to further feedback from Total and Santos regarding potential participation in the Beehive-1 well which will test the largest undrilled hydrocarbon prospect in Australia. If Total and/or Santos exercises their option to drill, Melbana retains a 20% interest in WA-488-P and is fully carried until the completion of drilling of the first well in the permit."*