

Santa Cruz Oil Field - Binding Agreement Finalised

Highlights:

- **Santa Cruz Incremental Oil Recovery (IOR) contract finalised with Cuba's national oil company, CubaPetroleo**
- **Santa Cruz oil field provides Melbana with an accelerated path to potentially becoming an oil producer and booking reserves in Cuba**

MELBOURNE, AUSTRALIA (5 December 2018)

Melbana Energy Limited (ASX: **MAY**) ("**Melbana**" or "the **Company**") is pleased to provide the following update on its activities in relation to the Santa Cruz oil field - an area that has been in production since 2006 and which was initially estimated to have a resource of up to 100 million barrels of recoverable oil.

In March this year, Melbana secured the exclusive rights to assess the Santa Cruz oil field and negotiate a long term binding Incremental Oil Recovery ("**IOR**") Production Sharing Contract ("**PSC**") from the national oil company of Cuba, CubaPetroleo (*see ASX Release 8 March 2018*).

Melbana has completed its initial assessment, yielding a number of promising opportunities to enhance production from the designated area.

Melbana has now finalised a binding contract with CubaPetroleo, which is subject to standard Cuban regulatory approvals. This provides Melbana with a long term right to share in any enhanced production from the Santa Cruz oil field.

Under an IOR contract, additional production above an agreed base production rate is shared as depicted figuratively below in Figure 1. In general, the commercial terms are consistent with exploration PSC terms, such as those that apply to Melbana's Block 9 PSC, with provisions for cost recovery and sharing of profit oil.

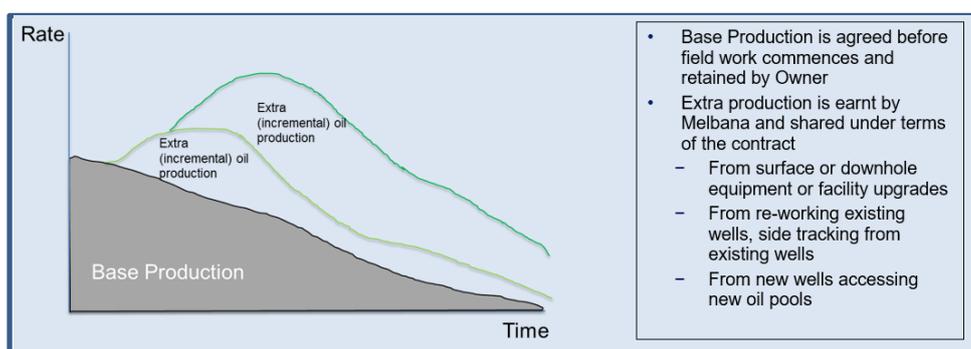


Figure 1: Graphical portrayal of Santa Cruz Incremental Oil Recovery Concept

The Santa Cruz IOR PSC is split into multiple phases, with an initial study period of desk-based technical work followed by an implementation phase. The initial study period phase will last a maximum of 8 months at which point Melbana may elect to proceed to the next implementation phase, which includes a minimum program of two side-track wells from existing well bores to new geological targets. To accelerate opportunities to enhance oil production as soon as possible, Melbana has already engaged a Canadian consultant with extensive Cuban IOR experience to identify possible debottlenecking opportunities.

Melbana Energy’s CEO, Robert Zammit, said:

“Securing the Santa Cruz IOR opportunity is a key plank in our strategy to become a producer in the near term.

I am pleased that we have identified potential opportunities to enhance production at Santa Cruz and that we have had CubaPetroleo’s support to complete our commercial negotiations promptly and lock in the opportunity. Our ability to identify the enhanced oil opportunities in Santa Cruz was greatly accelerated given our learnings from Block 9.

During our marketing activities for Block 9, we noted strong investor and industry interest for Santa Cruz, given its size and existing production. In due course, Melbana will likely seek to fund the field work required to increase oil production from Santa Cruz at the asset level. ”

Overview of Santa Cruz Oil Field Cuba

The Santa Cruz oil field is located approximately 45km from Havana between Boca de Jaruco and Canasí oil fields and approximately 150 km west of Melbana’s existing Block 9. Santa Cruz is in the northern foldbelt of Cuba – the trend that is responsible for the vast majority of Cuba’s oil and gas production.

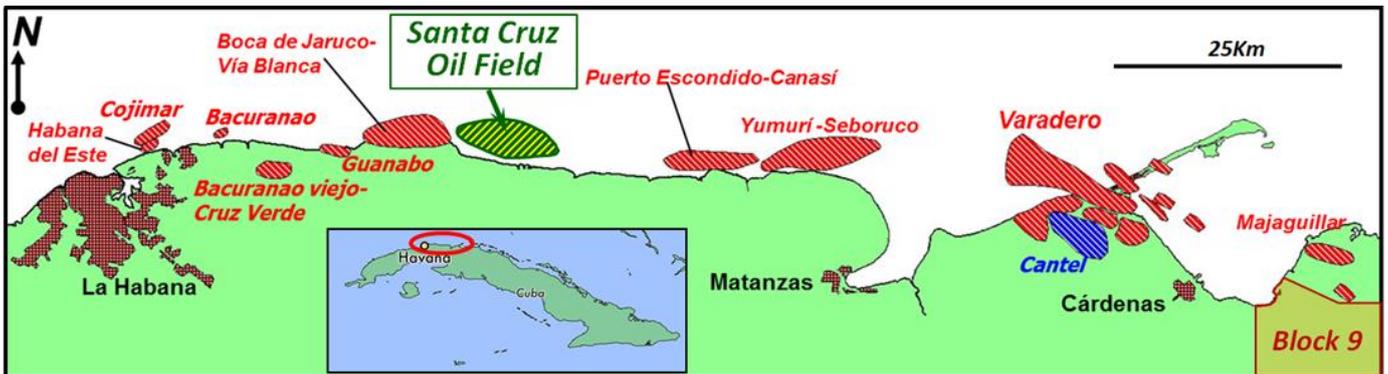


Figure 1. Santa Cruz location map showing adjacent fields.

- Located immediately offshore northern Cuba.
- 3D seismic survey acquired in 2003 defined Santa Cruz as a 20km² structure
- Santa Cruz discovery well drilled in 2004 with land based rig as a deviated well out to the offshore structure. Initially tested at 1,250 barrels per day
- Oil quality varies from 10°API to 22°API, typical of most Cuban oil production
- Early estimates of up to 100 million barrels of recoverable oil
- Appraisal drilling confirmed a field area of >20km² and a significant oil column of 250 metres
- Commerciality declaration approved in 2006 and produced >1 million barrels in first year
- Field production in 2012 was approximately 1,600 barrels/day
- By 2013 Santa Cruz had produced 7.4 million barrels from 18 wells



Figure 2. Map view of Santa Cruz oil field facilities

Nearby light oil potential discovery at Bacuranao

In October 2018, Cuba national oil company (Cubapetroleo or Cupet) reported to Cuban media a significant potential discovery of lighter than typical crude oil in an exploration well drilled on the Bacuranao prospect in the northern part of the western region of the island. The potential discovery was made late in 2017 and has been undergoing long term testing for 10 months. Cupet representatives reported that the oil produced from the field has a density of 22° API, which is the highest quality oil discovered in the area and is encouraging for oil exploration activities in the area. The Bacuranao potential discovery is in the northern fold belt trend that continues into Melbana’s Block 9 and is in close proximity to the Santa Cruz oil field.

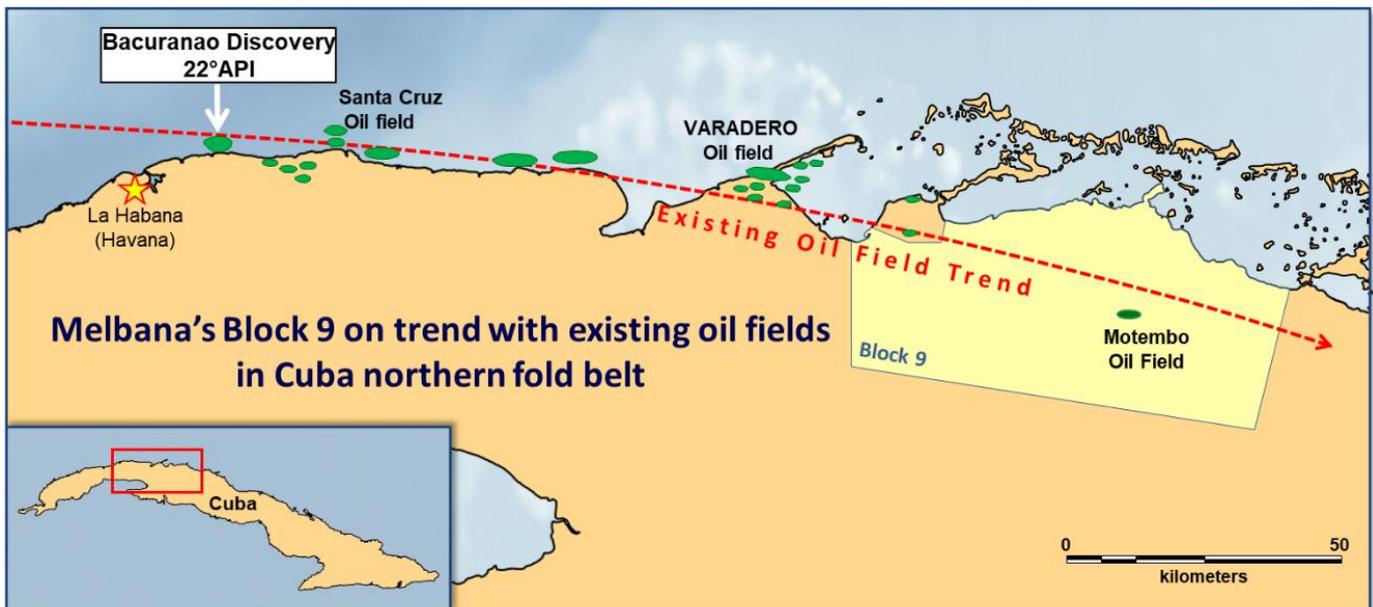


Figure 3. Santa Cruz and Block 9 on oil field trend



Figure 4. Ground level view of Santa Cruz oil field operation