

## Farm-in Agreement with Sonangol

### Highlights:

- Farm-in Agreement for Block 9 PSC in Cuba executed with Sonangol, the National Oil Company of Angola and Africa's 2<sup>nd</sup> largest oil producer
- Sonangol confirms it has satisfactorily completed its Confirmatory Due Diligence. The sole remaining outstanding condition is the receipt of Cuban regulatory approvals which have been received and are in the process of being formally documented
- The terms of the agreement between Melbana and Sonangol provide for:
  - The drilling of two high impact exploration wells (Alameda and Zapato) in Block 9 which, together, would test four separate targets totalling 236 million barrels of oil (prospective resource, best estimate)<sup>1</sup>
  - Sonangol to fund 85% of all costs associated with the completion of these two wells and to earn a 70% participating interest in Block 9
  - Melbana to remain operator and fund 15% of these two wells and to retain a 30% participating interest
  - Sonangol to pay Melbana's past costs of approximately \$5 million, largely covering Melbana's forecast funding commitment to these two wells
- Negotiations with the preferred drilling contractor and other service providers, all with an established presence in Cuba are, are advanced
- Anticipate commencing first well in Q4 2020, subject to COVID-19 impact on logistics

<sup>1</sup> Prospective Resources Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related 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. All quoted volumes have been taken from Independent Expert McDaniel & Associates Competent Persons Report, released to ASX on 7 August 2018, as adjusted by Melbana for area relinquishment. Melbana is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

## MELBOURNE, AUSTRALIA (27 May 2020)

Melbana Energy Limited (ASX: MAY) (**Melbana**) is pleased to advise that it has entered into a Farm-in Agreement (**FIA**) with Sonangol with regards to its Block 9 Production Sharing Contract (**PSC**) onshore Cuba. Sonangol is the National Oil Company of the Republic of Angola. It produces over 2 million barrels of oil per day and is Africa's second largest producer.

Subject to Sonangol's interest in Block 9 PSC receiving Cuban regulatory approval (which we are advised has been received and is now in the process of being formally documented), the FIA provides for:

1. Sonangol to fund 85% of all costs associated with the completion of the drilling of Melbana's two highest ranked and high impact targets (Alameda and Zapato) to earn a 70% participating interest in Block 9 PSC, with the first well expected to commence drilling in Q4 2020; and
2. Sonangol to pay Melbana approximately \$5 million to cover its expenditure to date related to Block 9 PSC.

All other conditions have been confirmed by Sonangol as having been satisfied.

In parallel with negotiating the FIA, Melbana has been working with drilling contractors and service providers to generate updated proposals to support the drilling of these two wells. The preferred entities all have an established presence in Cuba and significant experience there in the oil and gas sector. Further announcements are expected to be made in due course once these agreements are finalised.

All necessary permitting for these two wells is either already in place, in the process of being renewed or extended (as applicable) or need only be sought once all agreements for rigs and services are in place and drilling is ready to commence.

Drilling operations are currently forecast to commence in Q4 2020, subject to currently unknown timing and movement implications due to COVID-19 management practices that Cuba and other relevant countries may continue to employ in the months ahead. A contingency is currently built into the project schedule which is hoped would be sufficient to absorb any prolonged impact of this pandemic. Melbana notes that mills in China and Europe for the manufacture of tubulars and accessories (to supplement existing inventories) have been either working without interruption or have had their operations normalised after being slightly affected in Q1 of this year.

### **Melbana Energy's Executive Chairman, Andrew Purcell, said:**

*"It has been a challenging period in which to advance formal agreements and well planning, but we are fortunate and appreciative to have had the experience and commitment of Sonangol and CUPET to assist us. We are pleased, too, by the commitment being shown to the drilling of these two wells by the various contractors we are in discussions with. These are difficult times for the energy sector, but it does mean there is a lot of available capacity and inventory for this drilling program.*

*We look forward to commencing this drilling program later this year, subject to the impacts of COVID-19 on the movement of people and materials abating in a timely manner."*

#### **For and on Behalf of the Board of Directors:**

Mr Andrew Purcell  
Executive Chairman

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#### **For further information please contact**

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