

ASX & Media Release

High Impact Pukatea Prospect expected to be drilled in 2017

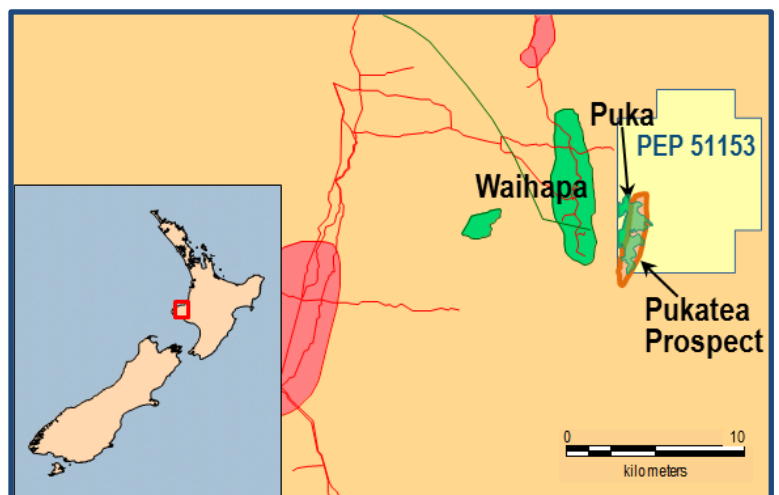
Highlights:

- **PEP51153 Joint venture (Melbana 30%) approves plans to drill Pukatea-1**
- **Expected to commence drilling in Q3/Q4 2017**
- **Prospect has a best estimate prospective resource of 12.4 million boe***
- **Low cost, commercially robust, mature drilling opportunity**
- **Chance of success for Pukatea revised up to 19%**
- **Success at Pukatea would be transformative for Melbana**

MELBOURNE, AUSTRALIA (14th December, 2016)

Melbana Energy Limited (ASX: **MAY**) (“Melbana” or “Company”) is pleased to advise that the PEP51153 Joint Venture has approved the drilling of the Pukatea-1 well, which must be completed by February 23, 2018. It is anticipated the well will commence drilling in Q3/Q4 2017. Pukatea-1 is located onshore in New Zealand within PEP51153 in which Melbana holds a 30% working interest with its joint venture partner and operator, TAG Oil Ltd (70%) (“**TAG**”).

The Pukatea prospect is a high impact exploration opportunity, targeting a highly productive conventional reservoir. The PEP51153 Joint Venture has recently significantly upgraded the prospective resources attributable to the Pukatea prospect which are estimated to range from 1.3 to 40 million barrels (Low-High estimates) with a Best Estimate of 12.4 million barrels of oil equivalent* (see the following table). The chance of success** for Pukatea has also been revised upward from 16% to 19%. The uplift is based on the Operator’s analysis of Pukatea and the adjacent Waihapa field (~5km from Pukatea), which is an important analogue having produced in excess of 23MMboe with initial well rates of ~4,000 barrels per day.



Pukatea Prospective Resource Summary is set out in the 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 proximal to existing infrastructure and has a number of low cost alternative development paths. The Pukatea-1 well is planned to be drilled from the existing Puka production pad where three wells have previously been drilled. TAG operates the nearby Cheal production complex, approximately 4.5kms from the Pukatea prospect location.

Based on the initial cost estimate for Pukatea-1, Melbana's share of the dry hole cost of the well, including potential testing, is expected to be approximately \$2.5 million. Melbana's cash balance at the end of the September 2016 quarter was A\$5.4 million.

Melbana Energy's CEO and MD Peter Stickland, commented on the announcement:

"The onshore Pukatea prospect represents a very exciting near term exploration drilling opportunity for Melbana and we are looking forward to turning the drill bit in 2017. Given the potential size of the Pukatea prospect, a discovery has the potential to be very significant for Melbana shareholders, even at current oil prices.

Relatively low cost drilling opportunities that offer the potential for near term cash flow in the event of success are difficult to find. Melbana is in the fortunate position of a building a substantial inventory of modest cost high impact onshore drilling opportunities both in Cuba and New Zealand. Coupled with our offshore Beehive prospect, Melbana aims to provide shareholders with exposure to a number of exciting, high impact exploration opportunities."



Peter Stickland
Managing Director & Chief Executive Officer

PEP51153 Background - The PEP51153 permit covers an area of approximately 85 square km (21,000 acres) and is located to the east of TAG's producing Cheal field. Three wells have been drilled since the Puka oil field was discovered in 2012, with the Puka-1 and Puka-2 wells producing 100 B/D from the Mt. Messenger formation before being shut in due to low oil prices and mechanical issues.

In addition to Miocene-aged Mt. Messenger drilling opportunities, the permit also contains the Pukatea prospect, a deeper Tikorangi Limestone target situated directly below the Puka oil pool. The production capability from the Tikorangi Limestone has been well proven at the adjacent Waihapa oil field, which has produced in excess of 23 MMBbls of oil to date. The Douglas-1 well drilled in 2012 at the edge of the Pukatea prospect encountered a 145m of reservoir interval and oil shows in a down-dip location, with more than 350m of up-dip potential estimated.

The Prospective Resources for Pukatea have been calculated using a probabilistic methodology.

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.