

Quarterly Activities Summary for the Period Ended 30 September 2019

Highlights:

Australia – WA-488-P (Beehive) – 100%*

- Date by which TOTAL and Santos must notify Melbana of their decision regarding the exercise of their options extended to 4 November 2019
- Potential for drilling in 2H 2020, subject to Total and/or Santos exercising their options to drill the Beehive-1 exploration well. If options are exercised, Melbana (20%) fully carried through drilling

Cuba - Block 9 PSC – 100%

- Discussions with potential farminees continue to progress
- Regulatory approval received for requested amendments to Block 9 PSC subsequent to end of September quarter

Corporate

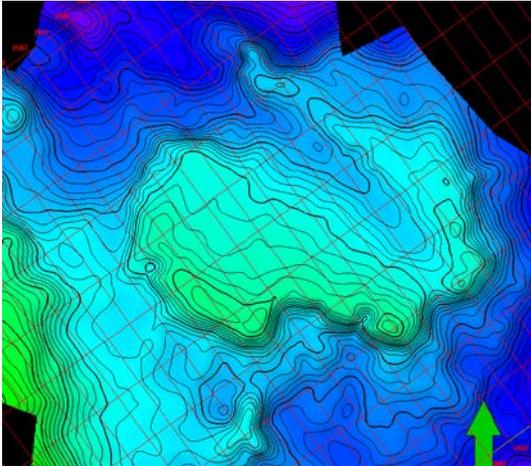
- Melbana announced an off-market takeover bid for 100% of the ordinary shares in Metgasco Limited (ASX: MEL)
- Melbana's shareholders approved the acquisition of Metgasco shares from and the issue of Melbana shares to M&A Advisory subsequent to end of September quarter
- Non-Executive and Independent director Michael Sandy assumed interim Chief Executive Officer responsibilities after departure of CEO Robert Zammit

MELBOURNE, AUSTRALIA (31 October 2019)

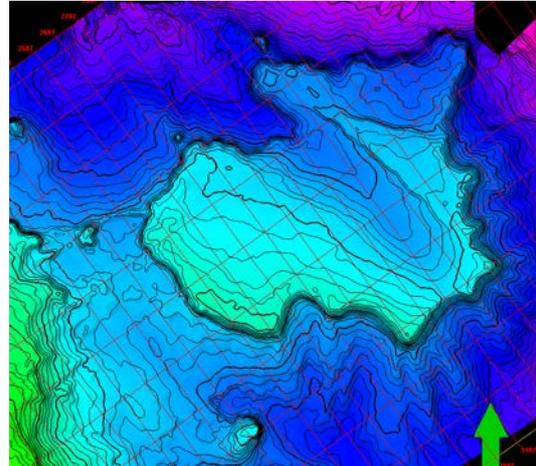
Melbana Energy Limited (ASX: MAY) ("Melbana" or the "Company") provides the following summary in relation to its activities during the quarter ended 30 September 2019.

Australia - WA-488-P Beehive Prospect (Melbana 100%*)

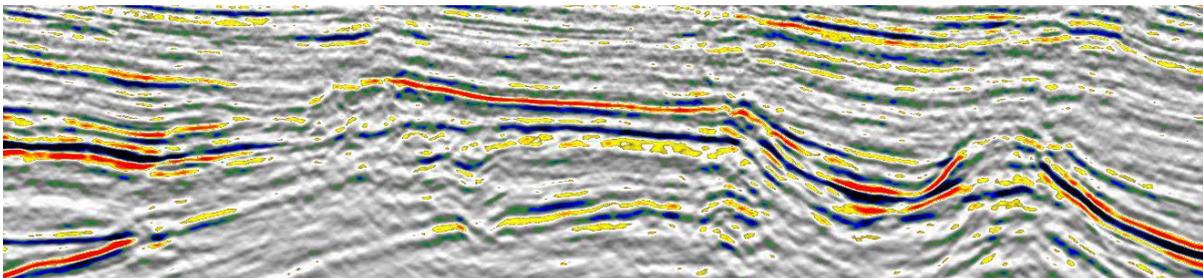
During the quarter, Santos and Total completed their technical assessment of Beehive, assisted by the use of the new 3D seismic data received earlier this year. Overall resolution of the Beehive isolated platform has improved with sharper, better defined, near vertical edges providing more confidence in structural closure.



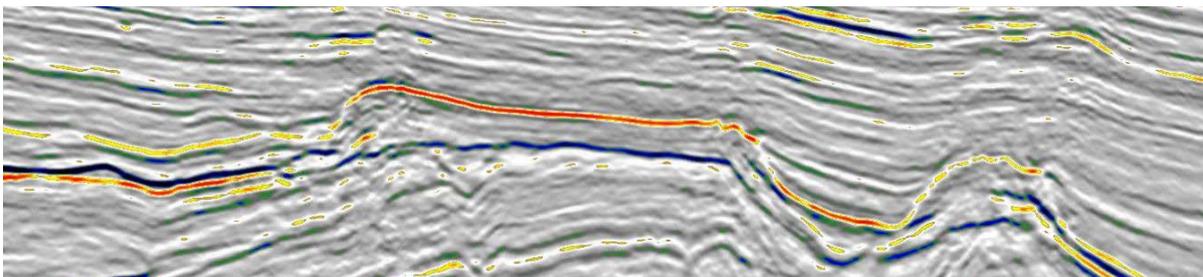
2017 reprocessed King Shoals 2D seismic



Beehive 3D seismic



2017 reprocessed King Shoals 2D seismic



Beehive 3D

Subsequent to the quarter's end, Melbana agreed to a request by Total and Santos to extend by one month the expiry date of their options to acquire an interest in WA-488-P in order to finalise their commercial analysis and seek internal approvals.

Total and Santos have until 4 November 2019 to notify Melbana of their decision.

Cuba - Block 9 (Melbana 100%)

During the quarter, Melbana had meetings with CubaPetroleo to advance the requested amendments to the Block 9 PSC, the main components of which (as announced to the ASX on 3 October 2019) were as follows:

1. Extension of the current exploration sub-period to 1 November 2020 with no change to the commitment to drill one exploration well during this sub-period;
2. Extension of the exploration period by one year; and,
3. Voluntary relinquishment of 24.6 km² (about 1% of the total area).

Subsequent to the quarter end, these amendments were formally agreed and documented with CubaPetroleo also confirming that other obligations under the Block 9 PSC were either waived for the current sub-period or are in full compliance (as announced to the ASX on 22 October 2019).

The formal documentation of these changes means Melbana has until November 2020 to drill the first exploration well in Block 9.

Also during and subsequent to the quarter end, Melbana has met and held discussions with several prospective farmin partners for Block 9 and commenced the process of seeking to extend the various drilling, environmental and other permits and access arrangements it currently holds to allow for a two well drilling programme commencing in 2H 2020.

Melbana's proposed two well drilling programme for Block 9 would test four separate targets totalling 236 million barrels (best estimate) of prospective resource, the best of which is estimated to have a 32% chance of success¹.

¹ 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. Estimates of prospective resource for each target have been estimated using the Probabilistic Method. The aggregation of the prospective resource for multiple targets has been prepared using the arithmetic method. All quoted volumes taken from Independent Expert McDaniel & Associates Competent Persons Report 30 June 2018.

Cuba - Santa Cruz Incremental Oil Recovery Project - (Melbana 100%)

During the quarter, Melbana held meetings with stakeholders and regulators to devise a solution to the issues that were identified during the approvals process for the Santa Cruz Oil Recovery Project. Proposals for addressing these issues have been discussed and amendments to the previous binding agreement may be necessary which, therefore, may impact the scope, timing and nature of the work commitments specified in the previous binding agreement.

Tassie Shoal Projects

Activity in the region surrounding Tassie Shoal continued during and subsequent to the quarter. Santos and ConocoPhillips took another step towards a final investment decision for the Barossa project by awarding a contract for a 260 km gas export pipeline then Santos acquired ConocoPhillips interests in northern Australia, which include Barossa and Darwin LNG. Melbana continues to monitor these and other activities of companies in the vicinity of Tassie Shoal and to consider the implications they may have for the undeveloped gas fields proximate to Tassie Shoal. Tassie Shoal LNG and Methanol projects, with their long dated environmental approvals, have the potential to provide a commercialisation option to the Evans Shoal joint venture.

Corporate

During the quarter, CEO Robert Zammit left the Company and independent non-executive director Michael Sandy assumed interim Chief Executive Officer responsibilities. Also during the quarter, Melbana announced an off-market takeover bid for 100% of the ordinary shares in Metgasco Limited (ASX:MEL). Subsequent to the quarter's end, Melbana's shareholders approved the acquisition of Metgasco shares from and the issue of Melbana shares to M&A Advisory, thereby freeing the offer made by Melbana Energy under the Bidder's Statement dated 3 October 2019 of the M&A Advisory Participation Condition. The offer period closes at 7.00pm (Sydney time) on 15 November 2019 (unless further extended or withdrawn).

The Company ended the quarter with a cash balance of A\$2.8 million.

Footnotes:

* Total and Santos hold a cumulative option to acquire an 80% Participating Interest in WA-488-P

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MELBANA ENERGY LIMITED

ABN

43 066 447 952

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(169)	(169)
(b) development	-	-
(c) production	-	-
(d) staff costs*	(261)	(261)
(e) administration and corporate costs	(303)	(303)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(726)	(726)

* Some staff costs are reallocated in exploration & evaluation

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (deposits paid net of refunds)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,433	3,433
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(726)	(726)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	54	54
4.6	Cash and cash equivalents at end of period	2,761	2,761

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,607	1,487
5.2 Call deposits	1,149	1,942
5.3 Bank overdrafts	-	-
5.4 USD cash term deposit	-	-
5.5 Other	4	4
5.6 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,761	3,433

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	42
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director's fees and salaries paid to directors during the September 2019 quarter.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	(247)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(92)
9.5	Administration and corporate costs	(297)
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	(636)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 31 October 2019

Company Secretary

Print name: Melanie Leydin

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

LIST OF PETROLEUM TENEMENTS

PERMIT	LOCATION	MELBANA INTEREST (%)
Australia		
WA-488-P ¹	Bonaparte Basin Offshore	100
Cuba		
Block 9	Onshore Cuba	100
Santa Cruz ²	45km from Havana	100

¹Total and Santos hold a cumulative 80% option to acquire a Participating Interest in WA-488-P

²Binding Agreement finalised and subject to Cuban regulatory approval.

LIST OF ENVIROMENTAL APPROVALS

PERMIT	LOCATION	MELBANA INTEREST (%)
Australia		
Tassie Shoal Methanol Project*	Tassie Shoal Offshore	100
Tassie Shoal LNG Project*	Tassie Shoal Offshore	100

*Environmental Approvals are valid until 2052.