

Petro Australis Exercises its Right to acquire 40% of Cuba Block 9 PSC

Highlights:

- Petro Australis has provided notice of exercise of its right to back-in for a 40% interest in Block 9 PSC
- Should certain Cuban regulatory approvals for the transfer be forthcoming, Melbana would retain a substantial 60% interest and operatorship of Block 9 PSC
- Petro Australis to be responsible for 40% of certain back costs and 40% of future costs relating to Block 9 PSC
- Back-in validates the high quality and significant petroleum prospectivity of Melbana's Block 9 PSC

MELBOURNE, AUSTRALIA (28 August 2017)

Melbana Energy Limited (ASX: **MAY**) ("**Melbana**" or "**the Company**") is pleased to advise that Petro Australis Limited ("**Petro Australis**") has provided a notice to Melbana exercising its back-in right with respect to a 40% participating interest in Cuba Block 9 Production Sharing Contract ("**Block 9 PSC**").

Subject to Petro Australis receiving the necessary Cuban regulatory approvals (including pre-qualification) for this transfer, the Block 9 PSC Joint Venture would consist of Melbana 60% (and Operator) and Petro Australis 40%. Petro Australis is responsible for 40% of certain back costs as well as 40% of future costs associated with Block 9 PSC.

The parties will jointly proceed with the already commenced farmout process and Melbana's plans to drill up to two wells on Block 9 in 2018 remain on track.

Petro Australis Back In-Right

Melbana originally pursued Block 9 PSC in collaboration with Petro Australis under an agreement between the companies entered into in 2012 whereby Petro Australis was granted a conditional option, which it can exercise prior to 2 September 2017, to secure up to a 40% Participating Interest in Block 9 PSC (subject to regulatory approvals), as described in the prospectus dated 15 August 2017.

In the event the necessary regulatory approvals are not obtained, Melbana will continue with its current plans regarding Block 9 PSC predicated on Melbana's 100% participating interest.

Melbana Energy's MD and CEO Peter Stickland said:

"The notice of Petro Australis' intention to exercise its back-in right is a strong validation of our belief in the enormous prospectivity of Block 9 PSC in Cuba and will assist with our plans to rapidly unlock the Block 9 petroleum potential.

Our aim is to drill up to two wells in Block 9 PSC commencing in mid-2018. With Petro Australis exercising its back-in right, Melbana's funding obligations will be significantly reduced whilst still retaining a very large exposure to this world-class oil exploration opportunity.

In addition, we are looking forward to leveraging off the Petro Australis teams long history of working in Cuba and their deep relationships in country which will be extremely beneficial to any future joint venture between the companies."

A handwritten signature in blue ink, appearing to read "Peter Stickland".

Peter Stickland
Managing Director and Chief Executive Officer

Overview of Block 9 PSC, Onshore Cuba

Block 9 PSC (Block 9) covers 2,380km² onshore of the north coast of Cuba. It is in a proven hydrocarbon system with multiple producing fields within close proximity, including the Majaguillar and San Anton fields immediately adjacent to it and the multi-billion barrel Varadero oil field further west (see figure 1). Block 9 contains the Motembo field, the first oil field discovered in Cuba. Melbana is prequalified as an onshore and shallow water operator in Cuba and was awarded Block 9 on 3 September, 2015. Melbana’s established position in Cuba provides it with a strong early mover advantage.

Melbana’s ambition to drill up to two wells in Block 9 in Cuba is consistent with the Cuban national oil company’s announced strategy to accelerate oil exploration. Cuba’s reported current production is around 45,000 barrels per day of oil and 3 million cubic metres (approximately 100 million standard cubic feet) per day of gas with international operators reporting globally competitive operating costs in Cuba of ~US\$7/barrel. Most of the oil and gas produced is currently used for electricity generation, the demand for which is expected to rise.

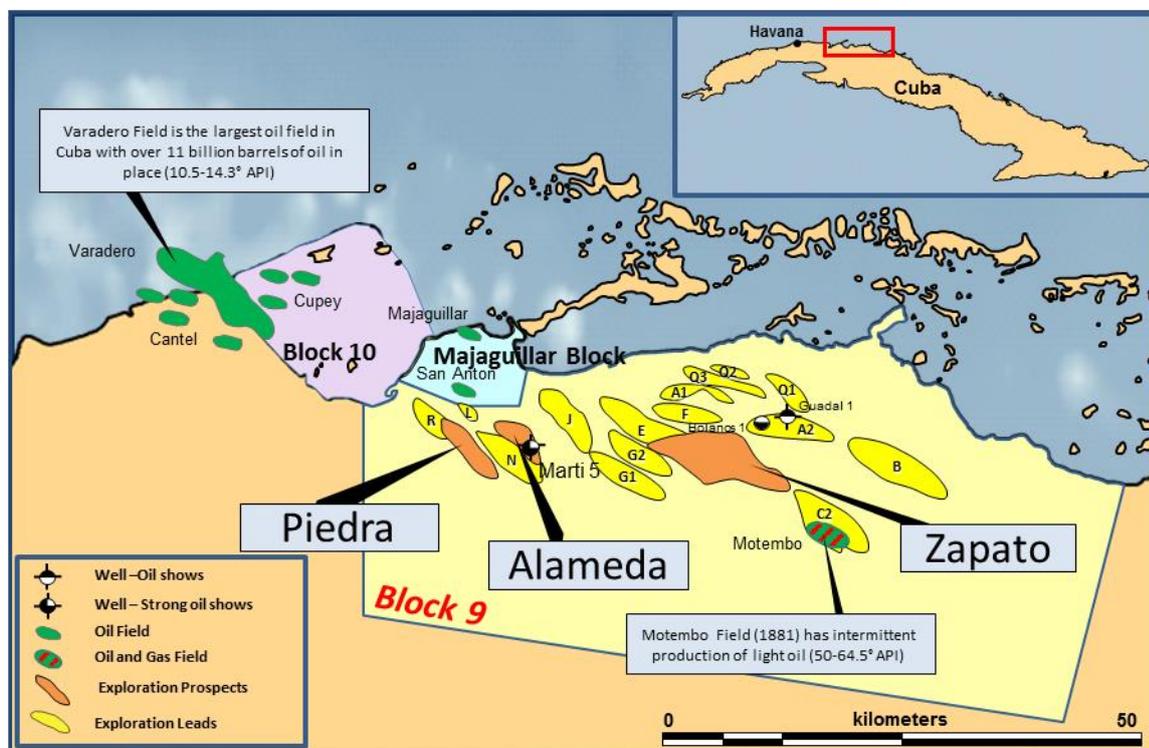


Figure 1. Block 9 PSC with high graded drilling targets