

Farm-in Option Exercised for Offshore Australian Exploration Permits

Highlights:

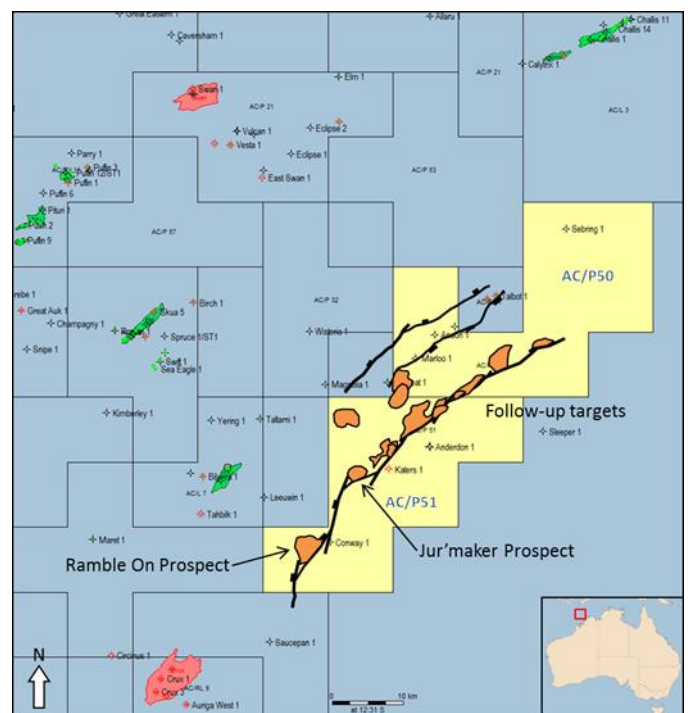
- Farm-in option to AC/P50 and AC/P51 exercised by Rouge Rock Pty Ltd
- Seismic reprocessing resulted in a significant improvement in data quality
- Melbana retains a 55%¹ participating interest in the permits

MELBOURNE, AUSTRALIA (26 July 2017)

Melbana Energy Limited (ASX: **MAY**) (“**Melbana**” or “**the Company**”) is pleased to provide the following update on its offshore Australian Ashmore Cartier Exploration Permits AC/P50 and AC/P51 (“Permits”).

Rouge Rock Pty Ltd (“**Rouge Rock**”) has formally notified Melbana of the exercise of its options to acquire a forty five percent (45%) participating interest in the AC/P50 and AC/P51 exploration permits located in the Vulcan sub-basin off the North West coast of Australia. Melbana granted the option to Rouge Rock on 5 July 2016 in exchange for a free carry for Melbana on the costs of the committed work program for the 2016-18 primary term of each of the exploration permits. The work program includes undertaking 3D seismic broadband reprocessing, merging of the Zeppelin and Onnia 3D seismic data and interpretation and mapping of the reprocessed seismic data and a suite of additional technical work, including pre-stack depth migration of the merged seismic data sets.

The indicative value of the reprocessing work undertaken by Rouge Rock is approximately \$1.15 million.



¹ Subject to a 5% back-in option held by Far Cape Pte Ltd.

The exercise of the farm-in by Rouge Rock follows its evaluation of the reprocessed data and the resulting suite of enhanced technical products which are intended to further de-risk the identified prospects and leads, facilitating a potential further farm-out of the Permits to fund future discretionary exploration drilling. Melbana and Rouge Rock intend to review recent drilling results in the area and integrate the results with the reprocessing work and then proceed to undertake a joint farm-out process during 2017-18.

Melbana Energy's CEO and MD Peter Stickland said:

"Rouge Rock has undertaken a substantial seismic reprocessing study, valued at over \$1 million, through which Melbana has been free carried. The reprocessing has significantly improved the data quality in an area with historically poor data quality. The exercise of the options by Rouge Rock is a demonstration of the prospectivity in AC/P50 and AC/P51 and Melbana looks forward to working with Rouge Rock as we move forward to mature the identified prospects.

The action Melbana has taken with AC/P0 and AC/P51 is consistent with its strategy of advancing the Company's offshore permits at minimal cost while focusing on its world-class exploration opportunity in Cuba."

A handwritten signature in blue ink, appearing to read "Peter", is positioned above the printed name.

Peter Stickland
Managing Director and Chief Executive Officer

Background

The AC/P50 and AC/P51 Permits are located in the Vulcan sub-basin off the North West coast of Australia, adjacent to a number of oil and gas discoveries, and are both currently 55%¹ owned by Melbana. The Ramble On and Jur'maker oil prospects have been identified in a proven petroleum system defined on modern 3D seismic data in a shallow water area suitable for drilling via a lower cost jack-up rig. The Permits were renewed in 2015 for five year term with a minimum work program of studies and seismic reprocessing in the first three years.

¹ Subject to a 5% back-in option held by Far Cape Pte Ltd.