

Block 9 Drilling Program Update

Highlights:

- Melbana receives ~\$675,000 from Sonangol, an advance against Melbana's ~\$5 million of Past Costs for Block 9.
- The remainder of Melbana's Past Costs become payable once Sonangol's interest in Block 9 Production Sharing Contract (PSC) has been formally recognised by the Cuban regulator (informal approval already received).
- Authorisation for expenditure for the entire approved budget for the first well has been submitted to the joint venture partners
- Expected near term developments:
 - Commence construction of first well pad
 - Execute contracts with drilling/service providers
 - Order long lead items
- The two well drilling program in Block 9:
 - will test four separate targets with a total prospective resource of 236 million barrels of oil (best estimate)¹, two of which have been drilled previously and successfully intercepted and flowed hydrocarbons
 - will satisfy the minimum work obligations under the Block 9 PSC for both the current and subsequent exploration sub-periods
- Melbana has 30% of Block 9 PSC and currently anticipates commencing the first well in Q4 2020, subject to COVID-19 impact on logistics

¹ 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 (8 July 2020)

Melbana Energy Limited (ASX: MAY) (**Melbana**) is pleased to advise that it has received its first payment from Sonangol in the amount of EUR425,000, pursuant to the Farm-in Agreement executed last month¹. This payment is an advance against Melbana's Past Costs for Block 9 PSC of ~AUD5 million, the balance of which becomes payable following Sonangol's interest in Block 9 PSC being formally recognised by CUPET – the National Oil Company of Cuba. CUPET has informally advised this transaction has been approved and is working towards completing formal documentation.

Melbana, as Operator, is advanced in its planning to drill two wells in Block 9, onshore Cuba. It expects to soon a) confirm design details of the drilling program, b) formally engage its preferred drilling contractor and service providers, c) order long lead items and, d) establish an in-country project management team (some members of which will be personnel from Sonangol experienced in drilling operations). Once these tasks have been completed, application will be made for approval to commence drilling the first well. This is largely procedural to confirm that a) all necessary permits have been received, b) the operator is ready to commence drilling and, c) the drilling equipment is within the parameters approved in the environmental and other related permits.

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. Certain inventory and equipment will be needed to be imported into Cuba but shipping schedules have been reportedly relatively unaffected by quarantine measures. Personnel, Melbana's and those of the drilling contractor and other service providers, are already largely present in Cuba and therefore not significantly affected by restrictions on international travel. Senior members of the project management team will need to travel to Cuba prior to the commencement of drilling operations, however, and it is currently not known when this will be possible or what protocols will need to be followed. A contingency has been built into the drilling program to allow for this uncertainty.

CUPET has agreed that this drilling program would satisfy the minimum work commitments for Block 9 PSC for both the current and subsequent exploration sub-periods.

Construction of the well pad for the first well, Alameda-1, is expected to commence before the end of next month.

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

"We appreciate the commitment Sonangol continues to show towards this drilling program and for making this initial payment ahead of formal completion of the agreements between us. This flexibility demonstrates that we are both keen to test the significant potential offered by Block 9 as soon as possible"

For and on Behalf of the Board of Directors:

Mr Andrew Purcell
Executive Chairman

Ends -

For further information please contact

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¹ see ASX Announcement dated 27 May 2020