

New Zealand Drill Rig Mobilisation

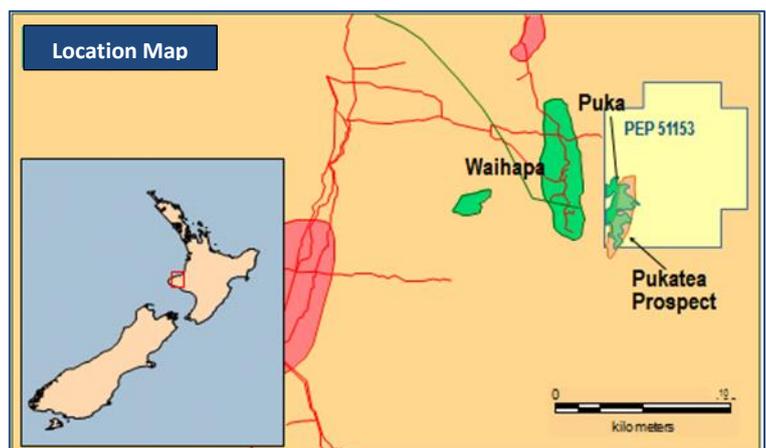
Highlights:

- Rig mobilised to commence drilling of the high impact Pukatea-1
- Primary objective best estimate prospective resource of 12.4 million boe* in highly productive reservoir
- Secondary objective in shallow reservoir with ~50% chance of intersecting moveable oil with success having the potential to support restarting production from the Puka field
- Approximately 33 days to reach the total depth of ~3,170 metres

MELBOURNE, AUSTRALIA (18 January 2018)

Melbana Energy Limited (ASX: **MAY**) (“**Melbana**” or “the **Company**”) is pleased to provide the following update with respect to the imminent drilling of the high impact Pukatea-1 exploration well in New Zealand onshore permit PEP 51153.

The Operator of the PEP 51153 joint venture (Melbana 30%, TAG Oil 70% and Operator) has advised that the Nova-1 rig has now commenced mobilisation to the Pukatea-1 well site. Mobilisation and preparatory activities are expected to take 1 week with drilling planned to commence on or about 25 January 2018 and take approximately 33 days to reach a total depth of approximately 3,170 metres.



The Pukatea-1 well is a high impact opportunity. The primary objective is the highly productive conventional Tikorangi reservoir with prospective resources attributable to the Pukatea prospect estimated to range from 1.3 to 40 million barrels of oil equivalent (MMboe) (Low-High estimates) with a Best Estimate of 12.4 MMboe* (see the following table) and a chance of success of 19% (see 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”.**

Production capability from the Tikorangi Limestone proven at the adjacent Waihapa oil field with individual initial rates up to 5,000 barrels/day and produced in excess of 23 million barrels of oil to date. Good reservoir and oil shows are already demonstrated at the northern edge of the Pukatea prospect by Douglas-1 well drilled in 2012 350m down-dip from the crest of Pukatea-1, further derisking the prospect.

The Pukatea prospect is ideally located, being proximal to existing infrastructure with a number of potentially near-term, low cost alternative development paths. Melbana estimates that a successful Pukatea-1 result, consistent with the best estimate of 12.4MMboe, would result in a three-well development plan with a gross production plateau ranging between 6,000 to 10,600 barrels of oil per day for a period in excess of four years and at a very low development cost.

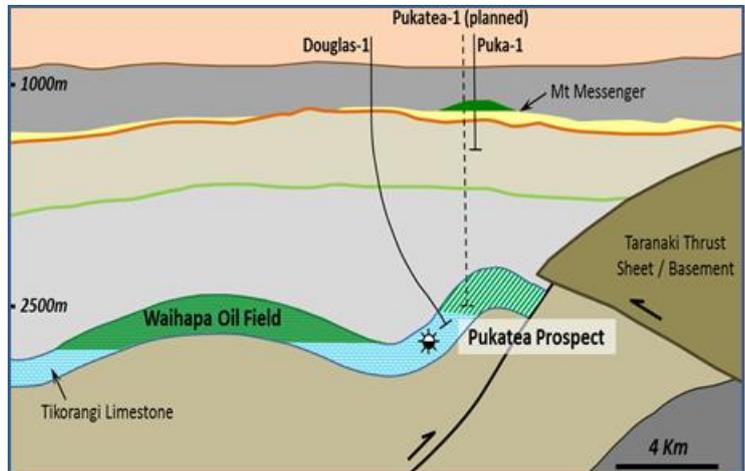


Figure 1 - Completed Pukatea drilling pad with existing Puka-1 and Puka-2 suspended wells protection zones visible



Figure 2 - The Nova-1 Drilling Rig contracted to drill the Pukatea-1 wildcat exploration well

Melbana believes oil and gas economics in the Taranaki Basin are robust in the current price environment. TAG Oil (operator of PEP 51153) reported an independent expert valued their 2P Reserves in nearby fields at ~A\$20/barrel on an NPV10 basis in mid-2017[#]. Oil prices have increased by ~50% since TAG Oil’s valuation was released, suggesting current valuations could be considerably higher.

Pukatea-1 will also penetrate a secondary objective in the shallower Mt. Messenger sands within the Puka field while drilling to the deeper primary objective Tikorangi Limestone. The likelihood of Pukatea-1 intersecting moveable hydrocarbons in the shallow Mt. Messenger sands within the Puka field is estimated at ~50% probability.

Oil was first discovered in Puka-1 in the Mt. Messenger sands in 2012 at a depth of approximately 1,300 metres. The oil is a 44^o API sweet, waxy crude lined to the Brent benchmark. Puka-1 and Puka-2 were put on extended production tests and achieved initial rates greater than 200 barrels/well/day but were not sustained due to sub-optimal well location and equipment limitations. Puka-1 and Puka-2 were suspended in January 2015 due to falling oil prices and mechanical issues. The re-commencement of production of the Puka field may be viable if moveable oil is intersected in Pukatea-1 in the Mt. Messenger formation.

Puka Contingent Resource

100% MMboe	1C	2C	3C
Puka Mt Messenger	0.3	0.6	1.8

Melbana’s CEO Robert Zammit, commented on the announcement:

“The onshore Pukatea prospect represents an exciting exploration drilling opportunity for Melbana and we look forward to commencing drilling shortly. The primary Tikorangi objective is a high impact, highly productive target with the potential for prompt development. The secondary Mt. Messenger objective is an added bonus as any discovery in this zone will support the potential re-start of production from the Puka field. Given the overall potential size of the Pukatea prospect, a discovery has the potential to be transformational for Melbana shareholders.”

#TAG Oil media release 20 June 2017

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, a non-executive Director 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.