

## Quarterly Activities Summary – Period Ended 31 March 2021

### Cuba – Block 9 PSC

- Construction of access roads and well pad for first exploration well (Alameda-1) completed.
- Contractor appointed for construction of second well site (Zapato-1) at a lower budgeted cost. Land access agreements and relevant permits secured. Construction to commence mid-May.
- Melbana's Drilling Manager, resident in Cuba, advanced drilling preparations with logistical support of formally appointed drilling contractor, Sherritt International Corporation (TSX:S). Preparations for the commencement of drilling operations on schedule for Q3 2021.
- Contracts for supply of long lead items (tubulars, liner hangers, well casings etc.) awarded. Orders for drill bits and other equipment required for drilling operations placed. Negotiations with other service, equipment and inventory providers progressed.
- Block 9 drilling program is for the drilling of two exploration wells testing four separate targets. Total Prospective Resource 236 million barrels of oil (Best Estimate)<sup>1</sup> - Melbana's interest 30%.
- Cuban COVID-19 protocols effective, zero infection rate amongst operational personnel.

### Australia

- Subsequent to the end of the quarter, WA-488-P sold to a subsidiary of EOG Resources, Inc. (NYSE: EOG). EOG intends to drill an exploration well targeting the Beehive Prospect in 2022.
- Work commenced on primary term work commitments for WA-544-P and NT/P87.

### Corporate

- Second Australian office opened in Sydney (to be designated head office).
- New employment agreement with Executive Chairman; long term retention incentive
- Cash balance of \$14.1 million at end of quarter.

<sup>1</sup> 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 (30 April 2021)

Melbana Energy Limited (ASX: MAY) (“Melbana” or the “Company”) provides the following summary in relation to its activities during the quarter ended 31 March 2021.

### Cuba – Block 9 (Melbana 30%, Operator)

During the quarter ending 31 March 2021, Melbana reached the following milestones in relation to its Cuban Block 9 drilling program:

- Civil works completed at first well site (Alameda-1). Zero safety or COVID19 incidents.
- Improvement to local roads undertaken in fulfilment of voluntary undertakings that were given as part of the land access agreements.



Figure 1 – Completed Alameda-1 well pad

Figure 2 – Site of Zapato-1 well pad

- Construction operations for the second well site, Zapato-1, expected to commence mid-May. The selected civil contractor is expected to complete these works considerably under budget.
- Melbana’s drilling contractor, a subsidiary of Sherritt International with decades of experience in Cuba drilling hundreds of oil and gas wells, is advanced in its preparations for the commencement of drilling operations and well off the critical path.
- Orders were placed during the quarter for the manufacture and supply of the wellhead equipment and accessories as well as other items needed for the drilling program (e.g., liner hangers, reamers, various tools etc.).
- Manufacturing times are ahead of forecast but shipping schedules have not yet returned to pre- COVID-19 levels. Increased demand for fewer vessels makes it prudent to expect that commencement of drilling operations may be delayed slightly. Drilling operations are therefore expected to commence towards the end of the third quarter.
- Melbana’s Drilling Manager, a Colombian National with extensive international experience, arrived in Cuba and fulfilled the mandatory quarantine period before commencing co-ordination of preparations for the commencement of drilling operations.
- Several new Cuban employees have joined the local project management team to manage community liaison, oversee regulatory and local administrative requirements and any other issues that may arise during drilling program.

- A second Cuban office, situated in Varadero, has been opened for the project management team. It is located adjacent to Sherritt's base of operations, near to other key contractors' locations and significantly closer to the site of drilling operations.



Figure 3 – Melbana's second office in Varadero



Figure 4 – Proximity of Varadero office to drilling operations

- Additional receipts of (AUD equivalent) ~\$10.5 million received from Melbana's joint operations partner, to be applied between Melbana's carried interest (15%) and Sonangol's participating interest (70%).

## Australia

Subsequent to the quarter's end, a wholly owned subsidiary of the Company entered into an agreement to sell its WA-488-P permit (containing the Beehive Prospect) to a wholly owned Australian subsidiary of the U.S. company EOG Resources, Inc. (NYSE: EOG)<sup>1</sup>.

Under the terms of the agreement, the Company will receive a US\$7.5 million payment upon satisfaction of the Conditions Precedent (**CP**), a further US\$5 million in contingent payments and future payments of US\$10 million for each 25 million barrels of oil equivalent produced, sold and delivered by from the Permit area.

The CPs include Foreign Investment Review Board approval, approval to suspend and extend the remaining permit obligations and any other required regulatory approvals.

MAY retains its 100% interest in two adjacent permits, WA-544-P & NT/P87, containing the undeveloped Turtle and Barnett oil discoveries and has commenced planning studies for 2D seismic PSTM reprocessing in these permit areas as per its first year minimum work program requirements.

Elsewhere in Australia, the Company has commenced planning studies to meet the primary term work commitments in WA-544-P and NT/P87 – permit areas adjacent to WA-488-P that contain the undeveloped Turtle and Barnett oil discoveries. These work commitments include 2D seismic PSTM reprocessing.

<sup>1</sup> See ASX announcement dated 23 April 2021

## Corporate

Following on from the COVID-19 interstate travel restrictions last year, Melbana Energy opened an office in Sydney for the oversight and administration of group affairs. A review of legacy policies, procedures and systems was undertaken at the same time. The Sydney office is to be designated the Company's head office with the Melbourne office remaining the base for the majority of the Company's technical team.

The Company entered into a new Employment Agreement with its Executive Chairman on 1 April 2021, shortly after the end of the relevant quarter. The long term incentive component of the Executive Chairman's new employment agreement, which will require approval at the next general meeting of shareholders, is designed to ensure continuity whilst the Company delivers on its current projects and to align remuneration levels with shareholder return.

New business opportunities continue to be assessed with production or appraisal opportunities being prioritised, subject to their acquisition being possible within Melbana's existing cash resources and complementary to Melbana's areas of technical and operational expertise.

Melbana ended the quarter with a cash balance of \$14.2 million, including the funds received from cash calls made on Sonangol for the Block 9 drilling program.

Payments of \$387 thousand to related parties and their associates, as outlined in Section 6 of the accompanying Appendix 5B, relates to payment of directors' fees.

**For and on Behalf of the Board of Directors:**      **For further information please contact**

Mr Andrew Purcell  
Executive Chairman

Ms Melanie Leydin  
Company Secretary  
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## **APPENDIX – INTERESTS IN TENEMENTS**

<b>TYPE</b>	<b>LOCATION</b>	<b>OWNER</b>	<b>INTEREST</b>
<b>PSC Block 9</b>	Cuba	Melbana Energy Limited	30%
<b>PSC Santa Cruz</b>	Cuba	Melbana Energy Limited	100% <sup>2</sup>
<b>PEL WA-488-P</b>	Australia	Finniss Offshore Exploration Pty Limited	100% <sup>3</sup>
<b>PEL WA-544-P</b>	Australia	MEO International Pty Limited	100%
<b>PEL NT/P87</b>	Australia	MEO International Pty Limited	100%
<b>PEL AC/P50</b>	Australia	Melbana Energy Limited	Contingent <sup>4</sup>
<b>PEL AC/P51</b>	Australia	Melbana Energy Limited	Contingent <sup>4</sup>

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<sup>2</sup> Award subject to receiving all regulatory approvals, some of which are outstanding

<sup>3</sup> Under contract for sale, subject to satisfaction of certain conditions

<sup>4</sup> See ASX announcement dated 22 August 2018

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

MELBANA ENERGY LIMITED

ABN

43 066 447 952

Quarter ended ("current quarter")

31 MARCH 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(37)	(103)
(b) development	-	-
(c) production	-	-
(d) staff costs*	(494)	(925)
(e) administration and corporate costs	(324)	(661)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (PAYG subsidy)	-	35
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(856)</b>	<b>(1,660)</b>

\*Some staff costs are reallocated in exploration & evaluation.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(16)	(16)
(d) exploration & evaluation	(1,774)	(2,097)
(e) investments*	-	(91)
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments*	-	11
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Reimbursement of Block 9 back costs and contributions from JV Partner) **	10,312	16,907
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>8,522</b>	<b>14,714</b>
<p>* Year to date payments to acquire investments in 2.1(e) and proceeds from the disposal of investments in 2.2 (d) are update in the current reflect the adjustments made in the statement of cash flows reported in the Company's half year financial statements at 31 December 2020.</p>			
<p>** Reported cash receipts and cash balances at 31 March 2021 includes the funds received from cash calls made on Sonangol for the Block 9 drilling program. These funds, along with the Company's contribution for its working interest, are being used to advance planning, civil works and the procurement of long lead items of inventory. These amounts are recognised as advances in the financial statements until such time they are disbursed for intended use.</p>			

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 (Principal element of lease payments)	(16)	(62)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(16)</b>	<b>(62)</b>

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	6,873	1,781
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(856)	(1,660)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	8,522	14,714
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(16)	(62)
4.5	Effect of movement in exchange rates on cash held	(374)	(624)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>14,149</b>	<b>14,149</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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*	14,149	6,873
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>14,149</b>	<b>6,873</b>

\*\* Reported cash receipts and cash balances at 31 March 2021 includes the funds received from cash calls made on Sonangol for the Block 9 drilling program. These funds, along with the Company's contribution for its working interest, are being used to advance planning, civil works and the procurement of long lead items of inventory. These amounts are recognised as advances in the financial statements until such time they are disbursed for intended use.

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	387
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.



## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	N/A	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(856)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,774)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,630)
8.4 Cash and cash equivalents at quarter end (item 4.6)	14,149
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	14,149
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	5.38
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

**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.

Date: 30 April 2021

Authorised by: The Board of Melbana Energy Limited

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.