

Incremental Oil Recovery Opportunity for Melbana in Cuba

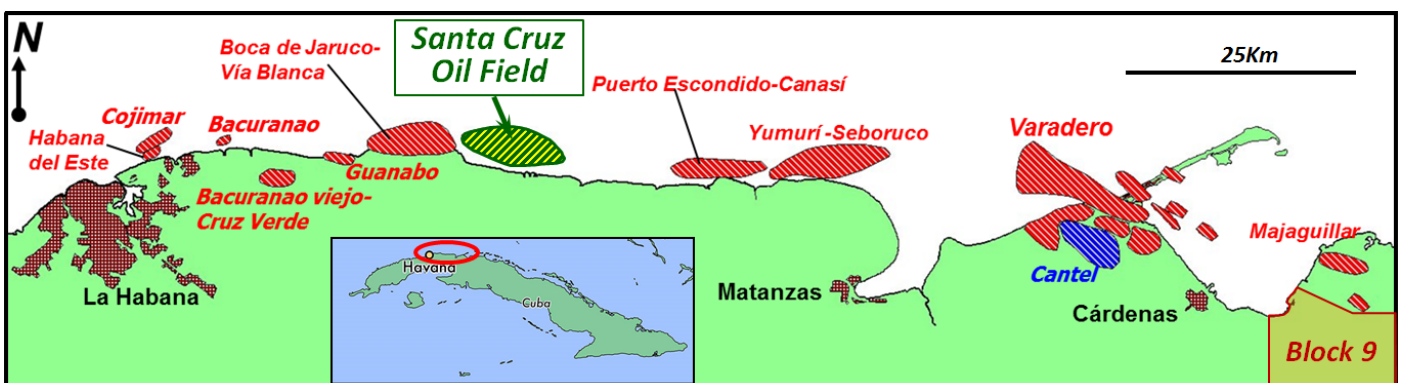
Highlights:

- Melbana granted exclusive right to assess potential for the enhancement of oil production from the Santa Cruz oil field
- Santa Cruz has been producing from multiple wells since 2004. Melbana's assessment will focus on how best to achieve incremental oil recovery
- Provides Melbana with an accelerated pathway to becoming an oil producer in Cuba

MELBOURNE, AUSTRALIA (8 March 2018)

Melbana Energy Limited (ASX: **MAY**) ("**Melbana**") is pleased to advise that it has executed an agreement with Cuba's national oil company, Cubapetroleo, for the assessment of opportunities to enhance current oil production from the Santa Cruz oil field.

The agreement provides Melbana with an exclusive right to undertake studies to assess the potential to increase oil production from the Santa Cruz field with a view to exclusively negotiating a long term incremental oil recovery production sharing agreement for Melbana to undertake oil production enhancement activities. If such a contractual arrangement is finalised, Melbana would be entitled to incremental oil production above an agreed base line oil production rate from the Santa Cruz oil field.



The Santa Cruz oil field is located in the Mayabeque province, on the northern coast of Cuba in the northern petroleum region of Cuba approximately 45km from Havana between Boca de Jaruco and Canasí oil fields and approximately 150 km west of Melbana's existing Block 9. It was discovered in 2004 and has been producing oil since that time. It is located offshore in shallow water but produces from wells drilled onshore and is operated by a division of Cubapetroleo.

Melbana’s CEO Robert Zammit commented:

“This is a very significant development for Melbana and its investors. Melbana is continuously seeking ways to expand our position in Cuba to build on our world class exploration acreage in Block 9 and we are delighted to have executed this agreement. We appreciate the opportunity to apply our technical capability with the aim of increasing oil production from the established Santa Cruz oil field. If our study confirms the potential that our initial screening activities have identified, we anticipate developing a work program that will provide the basis of a long term incremental oil production sharing agreement over the Santa Cruz oil field, entitling Melbana to production above a base line oil production rate and potentially the ability to book reserves.”

Additional Background – IOR Contracts

An Incremental Oil Recovery (IOR) contract is a form of agreement that is used in a number of countries. An IOR contract typically provides for the terms and conditions upon which a company can improve the production from a field by upgrading existing wells and facilities and drilling new wells. The contractor is then typically entitled to a share of oil produced over an agreed base production decline rate.

As the field in question is already in production, there is the potential for a rapid increase in production and reserves booking by the company that undertakes the work.

IOR-type contracts have been used successfully in Cuba for approximately 25 years.