

ASX & Media Release

Cuba Update

Highlights:

- **Prospectivity assessment confirms Block 9 as one of the world's most exciting onshore exploration opportunities**
- **Exploration potential of Block 9 recently upgraded to 12.5 billion barrels of Oil-in-Place with Prospective Resources of 637 million barrels (unrisked Best Estimate, 100% basis)***
- **Melbana has prioritised 19 individual prospects and leads to focus on the highest impact, lowest risk opportunities**
- **High graded Alameda Prospect well has multiple targets, cumulative potential of 130 million recoverable barrels (unrisked Best Estimate, 100% basis)***
- **On track for ambition to accelerate 2 well Cuban exploration program in 2018**

MELBOURNE, AUSTRALIA (22 March, 2017)

Melbana Energy Limited (ASX: **MAY**) is pleased to provide the following update on the significant exploration potential, drilling opportunities and forward drilling program in its 100% owned[#] onshore Cuba Block 9 Production Sharing Contract ("Block 9 PSC").

Block 9 Prospectivity Assessment Identifies Multiple High Impact Exploration Drilling Opportunities

The Block 9 PSC is a large (2,380 km²) onshore block located along trend from the multi-billion barrel Varadero oil field. A prospectivity assessment undertaken by Melbana in 2016 and upgraded in February 2017 confirmed Block 9 as one of the world's most exciting exploration plays. Melbana has estimated that Block 9 contains exploration potential for approximately 12.5 billion barrels of Oil-in-Place with a Prospective (Recoverable) Resource of 637 million barrels (Best Estimate, 100% basis)* of potentially high quality oil. The prospectivity assessment also identified 19 individual prospects and leads which the Company has been prioritizing to focus on the highest impact, lowest risk drill opportunities. The most recent increase in the assessed exploration potential is due to the identification of the U1 lead, a shallow structure with a Prospective (Recoverable) Resource of 25 million barrels (Best Estimate, 100% basis)* that could be targeted as a secondary objective as part of drilling the Alameda prospect.

* See Prospective Resources Cautionary Statement on page 3

[#] Subject to a conditional 40% back-in option to be exercised no later than September 2017 held by Petro Australis Limited.

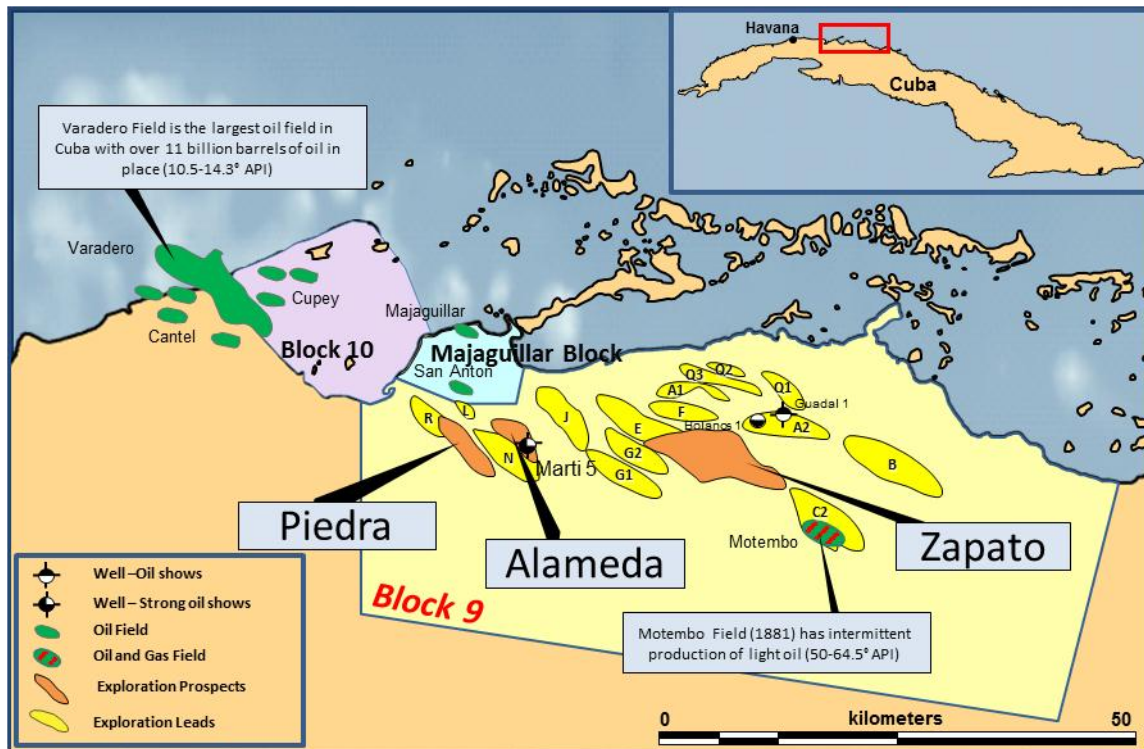


Figure 1. Block 9 PSC with high graded drilling targets

Alameda 1 – High Priority Exploration Drill Opportunity

The highest ranked exploration drilling opportunity is the proposed Alameda-1 well which will test a combined exploration potential of over 2.5 billion barrels Oil-in-Place and 130 million barrels of recoverable oil on a 100% unrisked, best estimate basis and over 400 million recoverable barrels aggregate high side potential (Table 1 and Table 2). This exploration well has been designed as a mildly deviated well, with a total measured depth of 4,000m (Figure 2) to enable the well to penetrate three independent exploration objectives; the primary Alameda objective as well as the shallower N and U1 objectives.

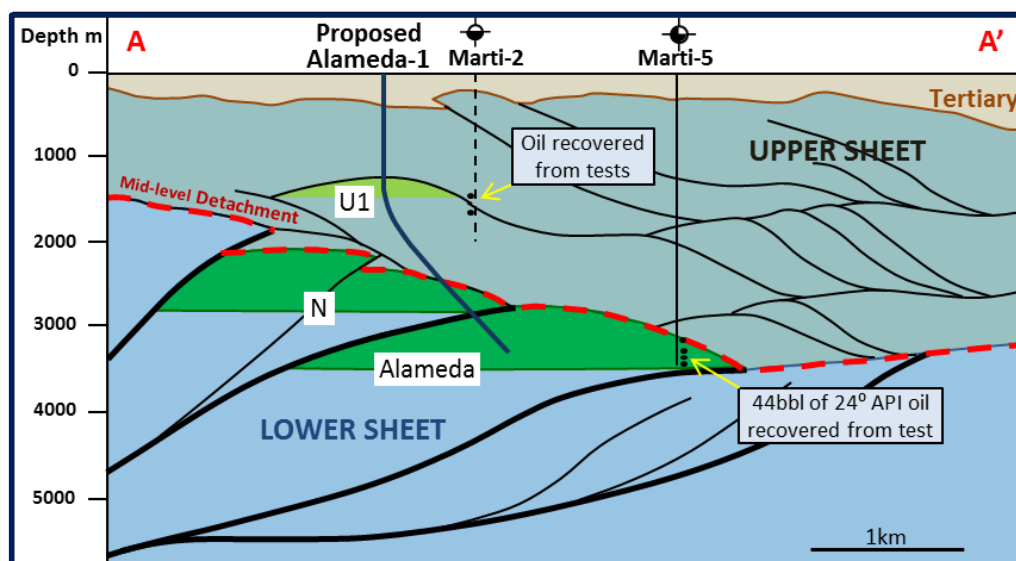


Figure 2. Schematic cross section for proposed Alameda-1 well

The U1 objective is a structure indicated on seismic as being updip of the tested oil recoveries in the Marti-2 well. While characterised as an exploration well, the chance of success at Alameda-1 benefits from two old wells, Marti-2 and Marti-5, both of which recovered oil from the objectives targeted in Alameda-1.

Alameda-1 would take approximately 80 days to drill based on historical information.

Objective	Chance of Success	Oil in Place (MMstb)			
	%	Low	Best	High	mean
U1	17%	40	503	1,851	759
N	22%	75	818	2,580	1,114
Alameda	32%	62	1,293	4,278	1,829

Table 1: Exploration Oil in Place estimates for objectives of proposed Alameda-1 well

Objective	Chance of Success	Recoverable Prospective Resource (MMstb)			
	%	Low	Best	High	mean
U1	17%	2	25	93	38
N	22%	4	41	129	56
Alameda	32%	3	65	214	91

Table 2: Exploration Prospective Recoverable Resource estimates for objectives of proposed Alameda-1 well

*** 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.

Zapato and Piedra Prospects – High Priority Exploration Drill Opportunities

Additional preliminary drilling design studies have also been undertaken for exploration wells to test the Zapato prospect (formerly lead C1) and shallower Piedra prospect (formerly lead P). The Zapato target has exploration potential of 71 million barrels of recoverable oil on a 100% unrisksed, best estimate basis (Table 3). The Piedra target has exploration potential of 39 million barrels of recoverable oil on a 100% unrisksed, best estimate basis (Table 3).

The proposed Zapato-1 well location is in the central portion of Block 9 and is designed to test a Lower Sheet closure in close proximity to the shallower Motembo oil field, which has historically produced a high quality light oil. The Zapato feature has a crest at approximately 2,000 metres and is a robust structure with nearly 1,000 metres of vertical relief (Figure 3).

The proposed Piedra-1 well provides an opportunity to test a Lower Sheet target at relatively shallow drill depths in the western area, closer to the existing infrastructure of the Varadero oil field, the largest oil field in Cuba.

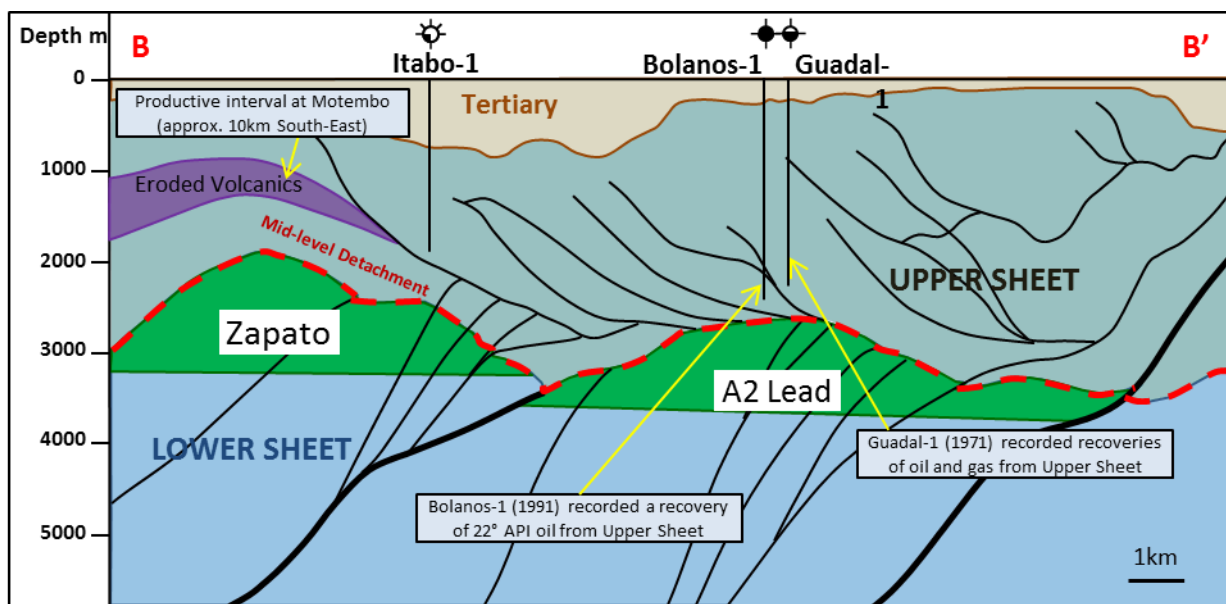


Figure 3. Schematic cross section through Zapato Prospect

Possible Well	Chance of Success	Recoverable Prospective Resource (MMstb)			
		%	Low	Best	High
Zapato	25%	5	71	297	118
Piedra	22%	3	39	122	53

Table 3: Exploration Prospective Recoverable Resource estimates for additional possible Block 9 wells

On Track for potential 2018 Cuba Drilling Program

Melbana's focus to date has been to undertake the preliminary work needed to progress the assessment of the potential of Block 9. These works have refined its understanding of the subsurface prospectivity, thereby allowing preliminary drilling engineering and well design studies to be completed and costed. The extent and nature of in-country logistical support for an onshore drilling campaign in Cuba has also been examined along with the time-frames for operational permitting. Melbana has therefore concluded that the appropriate equipment, experienced personnel and support services necessary to safely and effectively undertake a drilling program can be expected to be available in Cuba.

As such, Melbana is now focusing on detailed planning for a drilling campaign in Block 9 PSC. Melbana's ambition is to accelerate the drilling of two wells in Block 9 PSC during the first half of 2018. Based on our current potential drill targets, a two well campaign would cost in the range of US\$20-30 million however ongoing subsurface studies may yield further high quality, attractive drilling objectives.

The key focus of the Company during the coming months will be:

- Undertaking a detailed analysis of the current high priority drilling targets;
- Preparation of detailed well design and drilling plans
- Seeking Cuban regulatory approvals required for drilling in 2018;
- Identification of long lead procurement and contracting actions for planned drill program; and
- Detailed contractor evaluation and selection in preparation for field contract commitments.

Commenting on Melbana's forward plans, CEO and MD Peter Stickland said:

"The work undertaken by Melbana during the past 12 months has demonstrated that Block 9 represents some of the world's most exciting exploration acreage. We have a rich portfolio of prospects with a number of world class drilling opportunities so our focus will be to progress those, such as Alameda, which have the potential to be company making for Melbana. We are looking forward to commencing the detailed planning phase to support our ambition of a drilling campaign with a target of two wells in the first half of 2018. We look forward to keeping the market up to date as we progress towards the commencement of this program."

A handwritten signature in blue ink, appearing to read "Peter Stickland".

Peter Stickland
Managing Director & Chief Executive Officer

Overview of Block 9 PSC, Onshore Cuba

The Block 9 PSC, covering 2,380km² onshore the north coast of Cuba, is in a proven hydrocarbon system with multiple producing fields within close proximity, including and the Majaguillar and San Anton fields immediately adjacent to Block 9 and the multi-billion barrel Varadero oil field. Block 9 contains the Motembo field, the first oil field discovered in Cuba. Melbana is prequalified as an onshore and shallow water operator in Cuba and was awarded a 100% interest in the Block 9 PSC on 3rd September, 2015. Melbana has secured a 100% interest in Block 9, subject to a conditional 40% back-in option to be exercised no later than September 2017 held by Petro Australis Limited. Melbana's established position in Cuba provides it a strong early mover advantage.

Melbana's technical assessment has previously identified three play types in Block 9:

1. Lower Sheet Play (approximately 2,000 – 3,500 metres depth);
2. Upper Sheet Play (approximately 800-3,000 metres depth); and
3. Shallow Tertiary Play (approximately 400-1,200 metres depth).

Melbana's own assessment of Block 9 PSC has focussed on the Lower Sheet Play which is a very large conventional play, analogous to the main producing fields in Cuba with the potential for lighter higher quality oil. The Upper Sheet and Tertiary Plays have been reviewed by Melbana and are considered prospective as secondary objectives in Block 9 PSC.

The exploration potential of Block 9 is estimated by Melbana to be approximately 12.5 billion barrels of Oil-in-Place with a Prospective (Recoverable) Resource of 637 million barrels (Best Estimate, 100% basis)* of oil.

Melbana's ambition to accelerate drilling in Block 9 in Cuba is consistent with the Cuban national oil company's announced strategy to accelerate oil exploration. Cuba's reported current production is around 45,000 barrels per day of oil and 3 million cubic metres (approximately 100 million standard cubic feet) per day of gas with international operators reporting globally competitive operating costs in Cuba of ~US\$7/barrel. Most of the oil and gas produce is currently used for electricity generation, the demand for which is expected to rise.

Contingent and Prospective Resources: The information in this presentation that relates to Contingent Resources and Prospective Resources for Melbana is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, the Managing Director and Chief Executive Officer 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