

Quarterly Activities Summary - Period Ended 30 June 2021

Cuba - Block 9 Drilling Program

- Drilling operations forecast to commence in early September 2021.
- Construction of well pad and access roads for first exploration well completed.
- Orders placed for manufacture and supply of drilling inventory and equipment. Goods arriving in Cuba subsequent to the end of the quarter.
- Melbana's project management team for the upcoming two well drilling program arrived in Cuba.

Australia

- WA-488-P (the permit containing the Beehive prospect) was sold to a subsidiary of EOG Resources, Inc. (NYSE: EOG). EOG intends to drill an exploration well targeting the Beehive Prospect following receipt of regulatory approvals.
- Melbana to receive an upfront payment of US\$7.5 million as consideration, subject to receipt of regulatory approvals for the sale. It may also receive a further payment of US\$5 million, subject to satisfaction of certain conditions subsequent, and a royalty payment of US\$10 million for every 25 million barrels of oil produced in the event of a successful exploration well.
- Payment of \$397,000 received from sale of AC/P50 to Santos and SapuraOMV and is also entitled to future royalty payments in the success case. Exploration well planned for 2022.
- Option granted to Santos and SapuraOMV over AC/P51 which, if exercised, would result in Melbana receiving similar payments and contingent royalties as for the sale of AC/P50.

Corporate

- Appointment of Chief Financial Officer and Company Secretary.
- Cash balance of \$10.7 million at end of quarter.

MELBOURNE, AUSTRALIA (27 July 2021)

Melbana Energy Limited (ASX: MAY) (“Melbana” or the “Company”) provides the following summary in relation to its activities during the quarter ended 30 June 2021.

Cuba - Block 9 (Melbana 30%, Operator)

During the quarter ending 30 June 2021, Melbana reached the following milestones in relation to its Cuban Block 9 drilling program:

- Civil works completed at first well site (Alameda-1), subsequent compaction test confirmed pad as satisfactory for erection of rig.
- Geotechnical tests on subsurface conditions at proposed location of drill rig returned satisfactory results.



Figure 1 – Peg marking future location of well head



Figure 3 – Compaction testing of Alameda well pad



Figure 2 - Geotechnical test well at rig location

- Wells to supplement water supply for drilling operations completed.
- Preparations for construction of pad and access roads for second well (Zapato-1) advanced with works expected to commence by late July 2021.
- Coordination meetings with principal contractors continue, with orders for mobilization expected to be given in August.
- Orders were placed 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.). These items have started to arrive in Cuba, have cleared customs and now been transported to the lay down yard in Varadero.

- Melbana’s project management team for the drilling program has arrived in Cuba. Additional Cuban technical personnel to support the drilling program have been retained to supplement the capabilities of Melbana’s Cuban office.

Exploration Drilling Program

1st well: Alameda-1

- Alameda-1 designed with mild (30°) deviation to allow testing of three separate targets.
- The three targets have a combined exploration potential of over 2.5 billion barrels Oil-in-Place and 130 million barrels of recoverable oil (100% unrisks, best estimate basis).
- To be drilled adjacent to previous discoveries that flowed oil to the surface.
- Drilling forecast to commence early September 2021 and to take 80 days to reach deepest objective.

Alameda Prospective Resources (100%, MMstb)**

Objective	CoS*	Low	Best	High	Mean
U1	15%	24	60	132	71
N	23%	4	9	20	11
Alameda	32%	39	72	128	79

* chance of success

** 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.

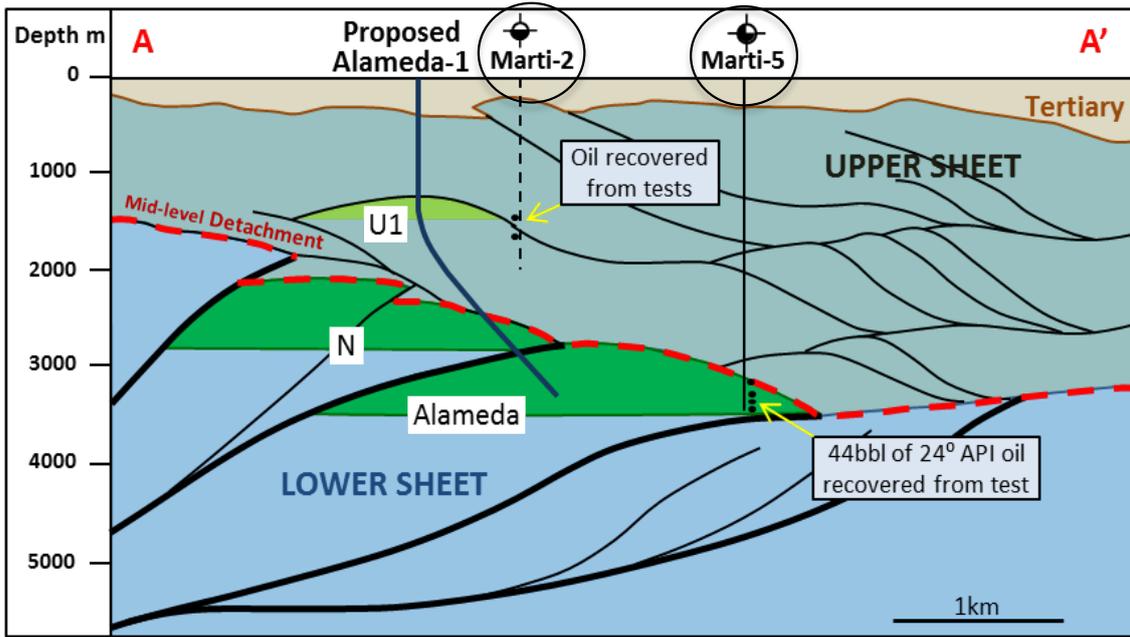


Figure 4 - Drilling Objectives for Alameda-1



Figure 5 - Marti-5 wellsite (2003)

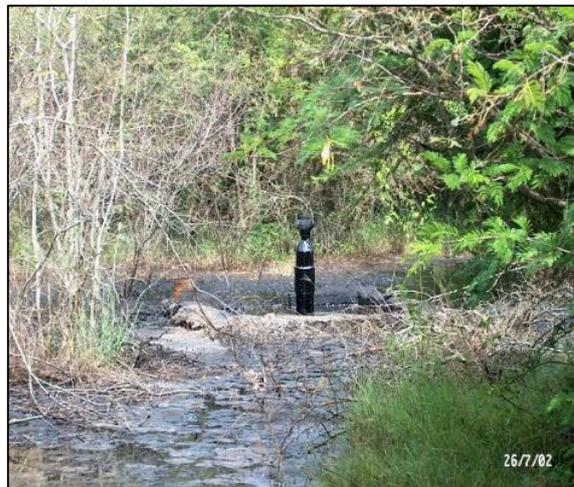


Figure 6 - Marti-2 wellsite (2003)

2nd well: Zapato-1

- Zapato-1 to test a structure identified by strong gravity and magnetic results that aligns with structural interpretation derived from seismic and surface data
- The well is adjacent to the shallower Motembo oil field which produced high quality light crude (50 – 64.5° API).
- Zapato-1 planned to be drilled immediately following the completion of Alameda-1.

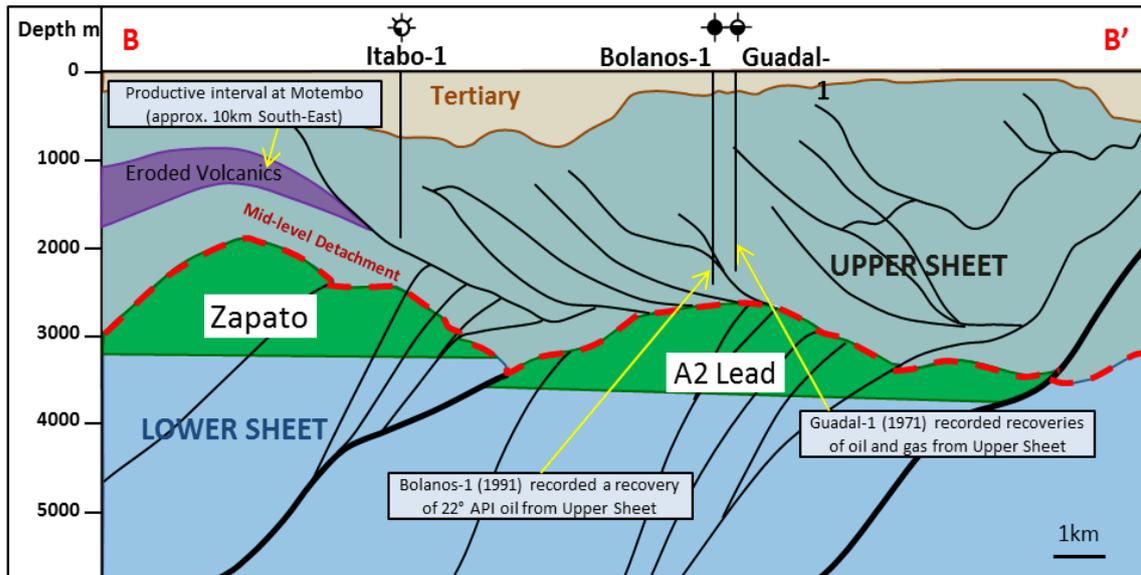


Figure 7 - Drilling Objectives for Zapato-1



Figure 8 – Motembo area

Zapato Prospective Resource (100%, MMstb) **

	CoS*	Low	Best	High	Mean
Zapato	23%	38	95	214	114

* chance of success

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- Additional receipts of (AUD equivalent) ~\$9.5 million received from Melbana's joint operations partner subsequent to quarter's end, to be applied between Melbana's carried interest (15%) and Sonangol's participating interest (70%)

Australia

WA-488-P (Melbana 100%¹)

During the quarter, 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)².

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 subject to satisfaction of conditions subsequent (over which Melbana has no control) and future contingent payments of US\$10 million for each 25 million barrels of oil equivalent produced, sold and delivered 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. The dealing was registered by the National Offshore Petroleum Titles Administrator on 5 July 2021.

The Beehive prospect is a Carboniferous age 180km² isolated carbonate build up with 400 metres of mapped vertical relief, analogous to the giant Tengiz field in the Caspian Basin.

¹ Permit sold, subject to receipt of regulatory approvals and satisfaction of conditions precedent

² See ASX announcement dated 23 April 2021

Prospect	Scenario	COS*	Prospective Resource (100%, MMboe)**			
			Low (1U)	Best (2U)	High (3U)	Mean
	<u>Gas-only</u>					
	Gas (BCF)		198	2,186	7,184	3,054
	Condensate (MMbbl)		2	38	185	70
	<u>Oil-only</u>					
	Oil (MMbbl)		37	419	1,435	604
Beehive	Most likely (MMboe)	20%	37	416	1,424	599

* chance of success

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WA-544-P & NT/P87 (Melbana 100%)

The Company retains its 100% interest in two adjacent permits, WA-544-P & NT/P87, containing the undeveloped Turtle and Barnett oil discoveries and has commenced 2D seismic PSTM reprocessing in these permit areas as per its first year minimum work program requirements. Melbana has mapped similar carbonate build ups to Beehive in these permit areas.

Corporate

During the quarter the Company received a payment of \$397,000 from Rouge Rock Pty Ltd in accordance with the terms of that company's divestment of AC/P50 to subsidiaries of Australia's Santos and Malaysia's SapuraOMV³. Melbana is also entitled to a 10% share of any future royalty Rouge Rock would receive for production that may occur from this permit area following the exploration well Santos plans to drill in AC/P50 in 2022.

Santos and Malaysia's SapuraOMV have also acquired the right to acquire AC/P51. Should this right be exercised, Melbana would be entitled to receive similar cash consideration and contingent royalties as per the sale of AC/P50.

The Company sponsored and attended the APPEA Oil and Gas Conference in Perth, Australia, in mid-June 2021. A number of business development opportunities were identified at and subsequent to this conference, several of which the Company are considering closely.

³ See ASX release 22 August 2018

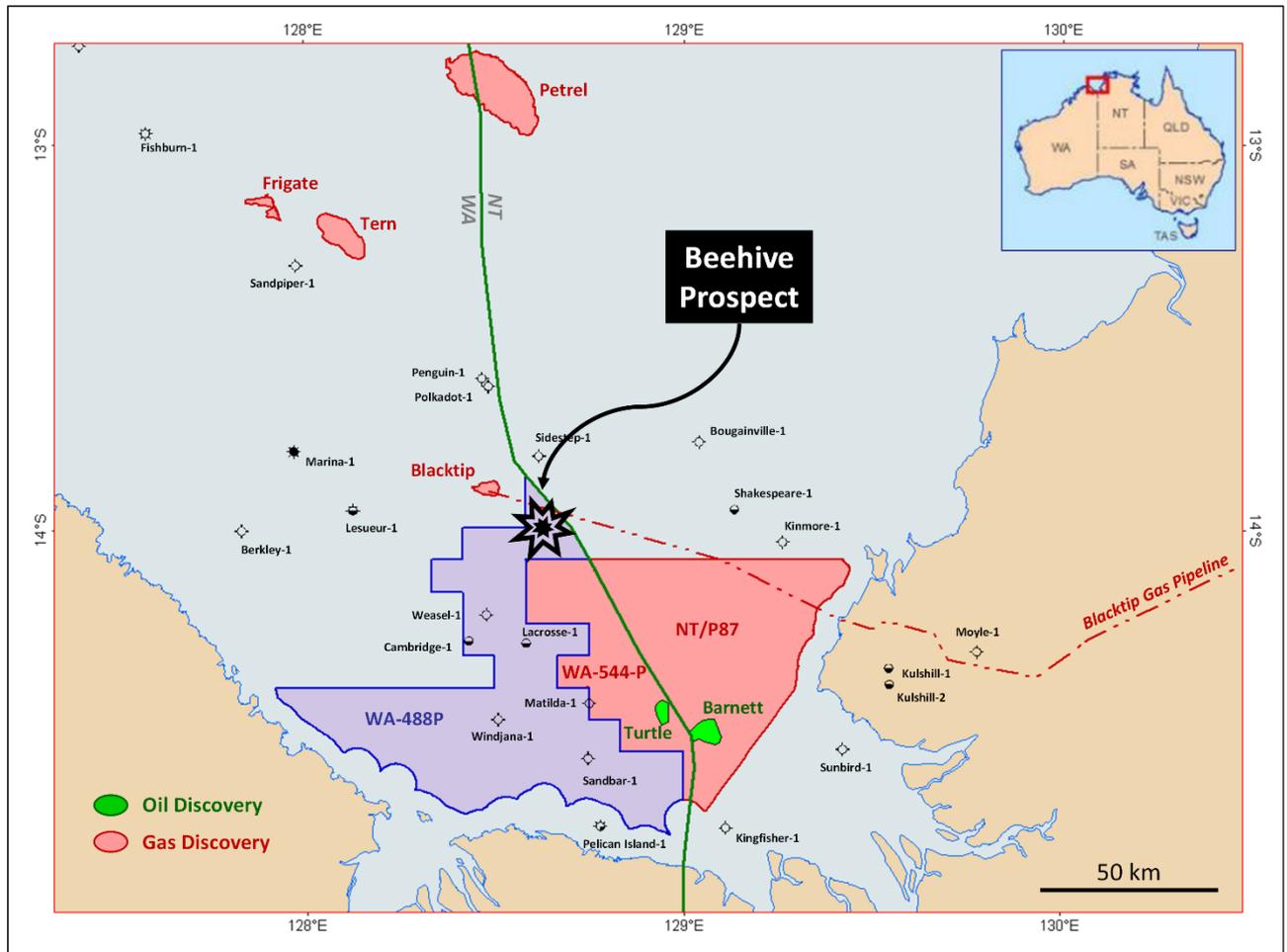


Figure 9 - Location of permits in the Joseph Bonaparte Gulf

Subsequent to quarter's end, the Company appointed Mr. Theo Renard as its Chief Financial Officer and Company Secretary. Mr. Renard brings considerable senior leadership experience across Strategic Planning, Finance, Operations, Sales & Marketing, Business Development, Board, Governance & Compliance, Legal and M&A to the Company as well as extensive experience with ASX listed companies.

Melbana ended the quarter with a cash balance of \$10.7 million. The Company also holds listed securities in other ASX-listed oil and gas companies valued at \$1.8 million as at the close of business on 26 July 2021 as well as a receivable of US\$7.5 million for the sale of its permit WA-488-P, contingent on the receipt of regulatory approvals and satisfaction of certain conditions precedent.

Payments of \$42 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:

Mr Andrew Purcell
Executive Chairman

For further information please contact

Mr Theo Renard
Company Secretary
+61 2 83 23 66 00

Ends -

APPENDIX – INTERESTS IN TENEMENTS

TYPE	LOCATION	OWNER	INTEREST
PSC Block 9	Cuba	Melbana Energy Limited	30%
PSC Santa Cruz	Cuba	Melbana Energy Limited	100% ⁴
PEL WA-488-P	Australia	Finniss Offshore Exploration Pty Limited	100% ⁵
PEL WA-544-P	Australia	MEO International Pty Limited	100%
PEL NT/P87	Australia	MEO International Pty Limited	100%
PEL AC/P50	Australia	Melbana Energy Limited	Royalty, contingent on exploration success ⁶
PEL AC/P51	Australia	Melbana Energy Limited	Cash, contingent on option exercise then Royalty, contingent on exploration success ⁶

⁴ Award subject to receiving all regulatory approvals, some of which are outstanding

⁵ Under contract for sale, subject to satisfaction of certain conditions

⁶ 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")

30 JUNE 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(37)	(140)
(b) development	-	-
(c) production	-	-
(d) staff costs*	(79)	(1,004)
(e) administration and corporate costs	(349)	(1,010)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(7)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (PAYG subsidy)	-	35
1.9 Net cash from / (used in) operating activities	(466)	(2,126)

*Some staff costs are reallocated in exploration & evaluation.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(8)	(24)
(d) exploration & evaluation	(5,805)	(7,902)
(e) investments	-	(441)
(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 (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	361
	(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)	2,324	19,231
2.6	Net cash from / (used in) investing activities	(3,489)	11,225

3.	Cash flows from financing activities		
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	(82)	(145)
3.10	Net cash from / (used in) financing activities	(82)	(145)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	14,149	1,781
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(466)	(2,125)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,488)	11,225
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(82)	(145)

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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	579	(44)
4.6	Cash and cash equivalents at end of period	10,692	10,692

5.	Reconciliation of cash and cash equivalents 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	10,692	6,873
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,692	6,873

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	42
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.

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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		

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(932)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(5,805)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(6,737)
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,691
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	10,691
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.59
<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: MAY expects that it will continue to have current level of net operating cash flows.	
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: The Joint Operations Partner funds 85% of the project expenditure. Euro 6 million has been received in July as has \$1.14 million from sale of shares. Additionally, MAY expects the proceeds of USD7.5 million for the sale of Beehive in the near future.	
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: Yes - - see answer to 8.8.2 above	
<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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 27 July 2021

Authorised by: The Board of Melbana Energy Limited

Notes

- 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

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

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 – eg 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.