

Cuba – Drilling Approvals Update

Highlights:

- Successful completion of first phase of Block 9 drilling permitting process enabling civil works to commence
- Access to land area for Alameda-1 exploration well granted

MELBOURNE, AUSTRALIA (31 January 2018)

Melbana Energy Limited (ASX: **MAY**) (“**Melbana**” or “**the Company**”) is pleased to provide the following update on its onshore Cuba Block 9 Production Sharing Contract (“Block 9 PSC”).

Regulatory authorities in Cuba have issued Melbana with a Certificate of Microlocalisation representing the successful completion of the first phase of the Block 9 drilling permitting process.

Granting of the Certificate confirms that Melbana has satisfied all Cuban regulatory authorities, local municipal agencies and community representatives with respect to the potential environmental and land use impacts of the proposed drilling program on Block 9 and allows Melbana to proceed to the next phase of the permitting process.

Melbana and its advisors have undertaken a successful community consultation program and has received constructive suggestions and recommendations from interested parties to assist with the planning for drilling operations.

Melbana now has approval to access the land area at the Alameda-1 well site that is required for construction of the access road, camp and drilling rig ‘hard-standing’ surface working areas.

The regulatory and stakeholder engagement required for final approval of Block 9 drilling is continuing on schedule. The second phase of the permitting process includes environmental licencing, approval of operational plans, permission to install drilling equipment through to final regulatory approval to undertake drilling operations.

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

“The granting of the certificate is an important milestone in the regulatory approvals process and I congratulate our team on a successful community consultation program. Achieving this milestone further reduces the risk of permitting constraints on our drilling program schedule and ensures we remain on track to undertake our planned Block 9 drilling program in 2018.”

Overview of Block 9 PSC, Onshore Cuba

Block 9 PSC (Block 9) covers 2,380km² onshore of the north coast of Cuba. It is in a proven hydrocarbon system with multiple producing fields within close proximity, including the Majaguillar and San Anton fields immediately adjacent to it and the multi-billion barrel Varadero oil field further west (see figure 1). 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 Block 9 on 3 September, 2015. Melbana's established position in Cuba provides it with a strong early mover advantage.

Melbana's ambition to drill up to two wells 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 produced is currently used for electricity generation, the demand for which is expected to rise.

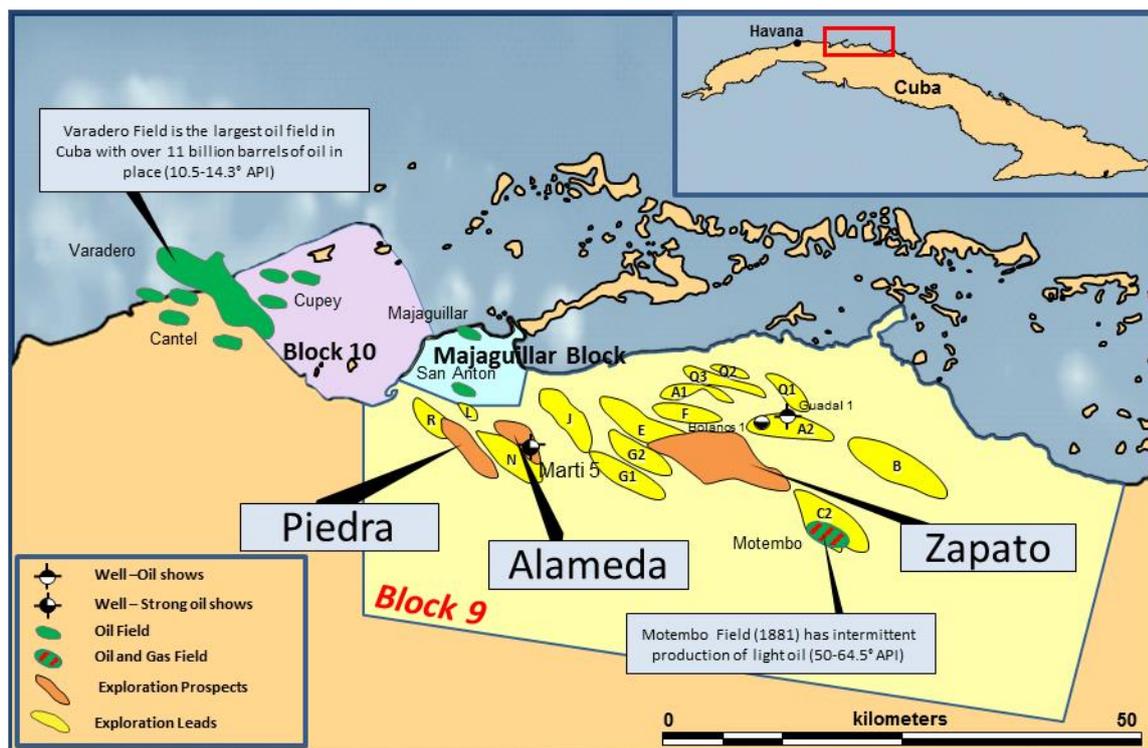


Figure 1. Block 9 PSC with high graded drilling targets