

Quarterly Activities Summary - Period Ended 31 March 2022

Cuba - Block 9 PSC (Melbana 30%)

- Total depth called on Alameda-1, the first of two exploration wells
- Three significant and highly energised oil intervals encountered, each containing moveable hydrocarbons, totalling 300 mMD / 278 mTVD in aggregate

Australia

- AC/P70 in the Territory of Ashmore and Cartier Islands, containing the appraised but undeveloped Vesta-1 oil discovery, awarded to Melbana for an initial term of 6 years

Corporate

- \$15m gross raised for Block 9, Cuba, via the placement of 125m shares at \$0.12 per share
- \$32.1m cash available at the end of the quarter

SYDNEY, AUSTRALIA (28 April 2022)

Melbana Energy Limited (ASX: MAY) (“**Melbana**” or the “**Company**”) provides the following summary in relation to its activities during the quarter ended 31 March 2022.

CUBA

Block 9 (Melbana 30%, Operator)

Alameda-1 Exploration Well

The first of the Company’s two exploration wells in its Block 9 contract area, Alameda-1, reached total depth during the quarter¹. The Alameda-1 well encountered three significant and geologically independent intervals of highly energised moveable hydrocarbons.

The first interval encountered was in what is now referred to as the Amistad formation (previously the Upper Sheet), reported in the previous quarter to have at least 48 metres of potential oil and gas pay². During the quarter, the Company announced³ that an independent expert assessed the

¹ See ASX announcement dated 17 March 2022

² See ASX announcement dated 19 October 2021

³ See ASX announcement dated 14 March 2022

Amistad formation to have 2.5 billion barrels of oil in place and prospective resources as shown in Table 1.

Table 1 (see *Prospective Resources Cautionary Statement* on Page 4)

Zone	COS ⁵	Gross (100%) Unrisked Prospective Resources (MMbbl) ⁴			
		Low (1U)	Best (2U)	Mean	High (3U)
Amistad Unit 1a & 1b	43%	10	30	41	83
Amistad Unit 2	43%	11	32	44	86
Amistad Unit 3	56%	9	26	34	72
Total Upper Units		30	88	119	240

Zone	COS	Melbana's Working Interest (30%) ⁶ Unrisked Prospective Resources (MMbbl)			
		Low (1U)	Best (2U)	Mean	High (3U)
Amistad Unit 1a & 1b	43%	3	9	12	25
Amistad Unit 2	43%	3	10	13	26
Amistad Unit 3	56%	3	8	10	22
Total Upper Units		9	27	35	73

The second interval encountered, now called the Alameda formation, was found to contain a net hydrocarbon pay of approximately 100 metres measured depth (mMD) / 88 metres total vertical depth (mTVD)⁷.

Following the end of the quarter, the third and final interval encountered, now called the Marti formation, was reported to have a net hydrocarbon pay of approximately 62 mMD / 52 mTVD⁸.

When combined, the interpreted net pay intervals encountered whilst drilling the Alameda-1 exploration well total 300 mMD / 278 mTVD.

⁴ The numbers quoted here are defined as Prospective Resources which are the same category of estimates of yet-to-be-drilled volumes in exploration prospects. In this case oil and gas shows and flows have actually been encountered and confirmed by electric logging, so Melbana believes that these numbers deserve a different category. However, industry and ASX guidelines stipulate that they be categorised as Prospective Resources so Melbana will continue to use that category - however observers should be aware of this anomaly.

⁵ The Prospective Resources have not been adjusted for the chance of development (COD), which is estimated by McDaniel to be 70%. Quantifying the COD requires consideration of both economic contingencies and other contingencies such as legal, market access, political, social licence, internal and external approvals and commitment to project finance and development timing. As many of these factors are as yet unknown they must be used with caution.

⁶ Net working interest Prospective Resources are based on Melbana's 30% working interest. Net entitlement Prospective Resources are the net working interest Prospective Resources less royalties payable to others. These royalties are determined by the Block 9 Production Sharing Contract (PSC) and are dependent on a number of factors such as commodity prices, development costs and operating costs and as such cannot be reliably determined at this stage.

⁷ See ASX announcement dated 24 February 2022

⁸ See ASX announcement dated 7 April 2022

Following the end of the quarter it was announced that attempts to conduct early and short tests of the deeper oil intervals encountered whilst drilling the Alameda-1 exploration well could not be done effectively using the current well design and condition due to the high formation pressures that were encountered there⁹. Plans for the long form testing of each of the three significant oil intervals encountered by Alameda-1 are now being reviewed in light of the information gained from the exploration wells to allow for effective testing operations in these high pressure formations.

Zapato-1 to spud in May 2022

Zapato-1, the second exploration well in this two well drilling program, is expected to commence drilling in the second half of May 2022. Zapato-1 is estimated to take about 55 days to reach its target depth, targeting a single formation near the shallower Motembo oil field (which has historically produced a high-quality light oil).

The Zapato structure has a predrill estimate of 95 MMBBLS (Prospect Resource, Best Estimate) – See Prospective Resources Cautionary Statement on page 4.

Health and Safety

COVID-19 management protocols at the drilling site have continued to be effective, with no significant interruption to operations resulting from the occasional positive test return.

During the quarter a contractor fractured his lower leg whilst working on the Alameda-1 drilling site. The onsite doctor treated the patient before his transport to a nearby medical facility for further examination. No significant lost time resulted from the injury.

Coming up

The Company is progressing an update of the predrill resource assessment for the Alameda and Marti intervals and will release these figures once received from the independent reserves certifier.

AUSTRALIA

AC/P70

During the quarter the Company was awarded petroleum exploration permit AC/P70¹⁰. The permit is located in the Territory of Ashmore and Cartier Islands and has been awarded for an initial period of 6 years.

AC/P70 contains the undeveloped Vesta-1 oil discovery drilled in 2005. The Vesta-2 appraisal well drilled in 2007 identified a gas cap.

Melbana has commenced geoscientific studies using data acquired across the permit area.

⁹ See ASX announcement dated 28 April 2022

¹⁰ See ASX announcement dated 16 February 2022

Corporate

During the quarter the Company raised \$15 million (before costs) via the issuance of 125 million shares at a price of \$0.12 per share¹¹. The placement was at a 1.6% discount to the 5-day volume weighted average price and a 14.3% discount to the last closing price of \$0.14 per share.

Funds raised from the Placement are to be used to meet new and expanded work streams in the Company's Block 9 contract area in Cuba.

Payments to related parties and their associates, totalling \$109,000 as outlined in Section 6 of the accompanying Appendix 5B, related to payment of directors' fees.

The Company had total cash on hand of \$32.095 million as at 31 March 2022.

For and on Behalf of the Board of Directors:

Mr Andrew Purcell
Executive Chairman

Ends -

For further information please contact

Mr Theo Renard
Company Secretary
+61 2 8323 6600

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.

¹¹ See ASX announcement dated 16 March 2022

APPENDIX – TENEMENTS

INTERESTS HELD AT THE END OF THE QUARTER

TYPE	LOCATION	OWNER	INTEREST
PSC Block 9	Cuba	Melbana Energy Limited	30%
PSC Santa Cruz	Cuba	Melbana Energy Limited	100% ¹²
PEL WA-544-P	Australia	MEO International Pty Limited	100%
PEL NT/P87	Australia	MEO International Pty Limited	100%
PEL WA-488-P	Australia	EOG Resources Australia Block WA-488 Pty Limited	Cash, contingent on certain elections being made with respect to the PEL, and royalty, contingent on exploration success ¹³
PEL AC/P50	Australia	Santos Offshore Pty Limited, SapuraOMV Upstream (Western Australia) Pty Limited	Royalty, contingent on exploration success ¹⁴
PEL AC/P51	Australia	Vulcan Exploration Pty Limited, Rouge Rock Pty Limited	Cash, contingent on option exercise, then Royalty, contingent on exploration success ⁶

INTERESTS ACQUIRED DURING THE QUARTER

TYPE	LOCATION	OWNER	INTEREST
PEL AC/P70	Australia	Melbana Energy Limited	100%

¹² Award subject to receiving all regulatory approvals, some of which are outstanding

¹³ See ASX announcement dated 24 November 2021

¹⁴ 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")

31st March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
Payments for		
(a) exploration & evaluation	(49)	(416)
(b) development	-	-
1.2 (c) production	-	-
(d) staff costs*	(288)	(869)
(e) administration and corporate costs	(227)	(869)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	122	122
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from/(used in) operating activities	(442)	(2,032)
<i>*Some staff costs are reallocated in exploration & evaluation</i>		
2. Cash flow from investing activities		
Payment to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
2.1 (c) property, plant and equipment	-	(3)
(d) exploration & evaluation	(6,495)	(28,358)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) tenements	-	10,392
(c) property, plant and equipment	-	-
(d) investments	-	3,479
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Contributions from JV Partner)	4,759	16,618
2.6 Net cash from/(used in) investing activities	(1,736)	2,128

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	15,000	22,000
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	826	826
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(1,007)	(1,340)
3.5 Funds received for option exercise	100	100
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	(10)
3.10 Net cash from/(used in) financing activities	14,919	21,576

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	20,042	10,684
4.2 Net cash from/(used in) operating activities (item 1.9 above)	(442)	(2,032)
4.3 Net cash from/(used in) investing activities (item 2.6 above)	(1,736)	2,128
4.4 Net cash from/(used in) financing activities (item 3.10 above)	14,919	21,576

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
4.5 Effect of movement in exchange rates on cash held	(688)	(261)
4.6 Cash and cash equivalents at end of period	32,095	32,095

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	32,095	20,042
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)	32,095	20,042

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 - payments to Directors	109
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the item 'facility' includes all forms of financing arrangements available to the entity.</i>		
<i>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 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)	(442)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1 (d))	(6,495)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(6,937)
8.4	Cash and cash equivalents at quarter end (item 4.6)	32,095
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	32,095
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	4.63
<i>Note: if the entity has reported positive relevant outgoings (i.e. 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:	
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:	
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:	
<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 does give a true and fair view of the matters disclosed.

Date: 22/04/2022

Authorised by: The Board of Melbana Energy Limited

Notes

1. The 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.

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

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 standard applies 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, you can 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.