

Quarterly Activities Summary for the Period Ended 31 March 2020

Highlights:

Cuba - Block 9 PSC – 100%*

- Formal documentation with Melbana's farm-in partner for the drilling of two exploration wells in Block 9 progressed
- Requests for quotations invited from drilling and other service providers for the two well drilling campaign in Block 9 planned to commence in Q4 2020
- Permitting for the two well campaign in good standing or proceeding according to schedule

Australia – WA-488-P (Beehive) – 100%

- Santos' option to acquire an 80% interest in WA-488-P expired unexercised
- Discussions with prospective partners for the drilling of an exploration well in the Beehive prospect have commenced. All data pertaining to the 3D seismic acquisition, plus preliminary work on well planning and environmental permits provided in the data room
- Work commenced on reassessing volumetric assessment of Beehive and other possible plays in the permit area using the newly acquired 3D seismic survey

Corporate

- Melbana's off-market takeover bid for 100% of the ordinary shares in Metgasco Limited (ASX: MEL) closed on 31 January 2020 with Melbana receiving acceptances from 27.8% of Metgasco's shareholders
- Melbana's Chairman assumed executive responsibilities
- Certain cost saving initiatives developed during the quarter became effective immediately following the quarter's end

MELBOURNE, AUSTRALIA (30 April 2020)

Melbana Energy Limited (ASX: MAY) (“**Melbana**” or the “**Company**”) provides the following summary in relation to its activities during the quarter ended 31 March 2020.

Cuba - Block 9 (Melbana 100%*)

During the quarter, Melbana progressed documentation that would formalise the entry of its farm-in partner into the Block 9 PSC. These included a Farm-in Agreement, a joint operating agreement and other related documentation pertaining to the application for necessary approvals from Cuban regulatory authorities.

Melbana has also invited drilling and other service providers to tender their interest in supporting the two well drilling program planned to commence in Block 9 in Q4 of 2020. All parties so invited have existing operations in Cuba and their equipment and personnel have been inspected and met by Melbana personnel.

Permitting related to the construction of well pads and the commencement of drilling have been refreshed or extended, as applicable, with any required remaining permits or agreements considered to be procedural or proceeding satisfactorily.

Melbana’s commitment under the Block 9 PSC is to commence drilling the first exploration well by 2 November 2020. Melbana is the operator for this drilling program and will meet 15% of its cost to retain a 30% beneficial interest.

Melbana’s proposed two well drilling program for Block 9 would test four separate targets totalling 236 million barrels (best estimate) of prospective resource, the best of which is estimated to have a 32% chance of success¹.

¹ 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. Estimates of prospective resource for each target have been estimated using the Probabilistic Method. The aggregation of the prospective resource for multiple targets has been prepared using the arithmetic method. All quoted volumes taken from Independent Expert McDaniel & Associates Competent Persons Report 30 June 2018.

Cuba - Santa Cruz Incremental Oil Recovery Project - (Melbana 100%)

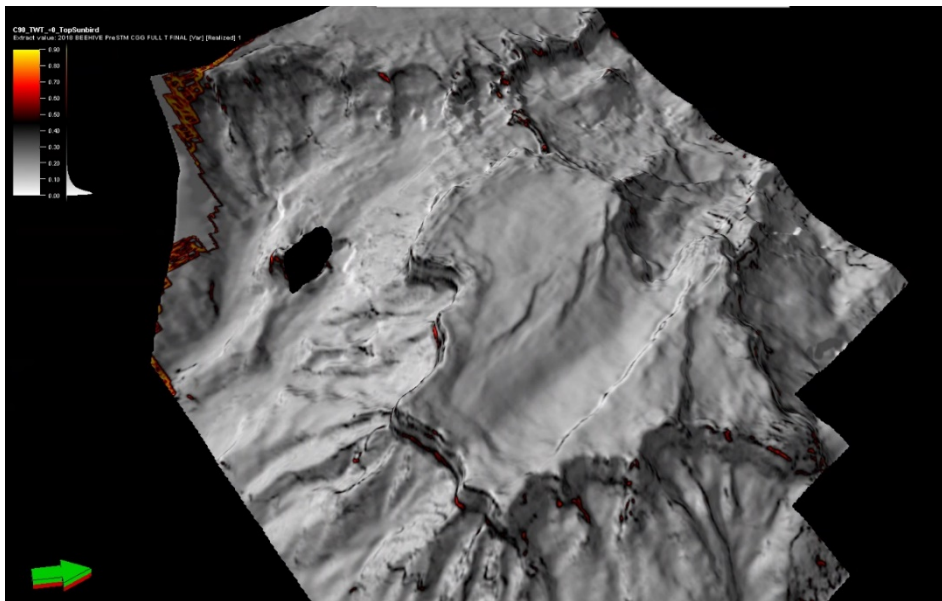
No material progress was made during the quarter with regards to the granting to Melbana of a Production Sharing Contract for the Santa Cruz oil field. The Company remains ready to allocate the necessary resources to advancing this project once approval is received from the Cuban regulators.

The Santa Cruz oilfield, discovered mid last decade, has been studied by Melbana during its initial study period resulting in the Company and CUPET entering into a binding agreement in December 2018.

Australia - WA-488-P Beehive Prospect (Melbana 100%)

During the quarter, Santos’ option to acquire an 80% interest in WA-488-P expired unexercised. Santos had previously advised that it would wish to farm out some of this interest to a third party before committing to the drilling of a well in the permit area.

As a result, Melbana once again holds an unencumbered 100% interest in the permit and has begun a process to seek new partners wishing to participate in the drilling of an exploration well into the Beehive prospect. The data room has been enhanced by with the results of the 3D seismic survey and the additional work that was done on rig selection and well permitting. The work obligation for WA-488-P is the drilling of an exploration well by December 2020.



Corporate

During the quarter, Melbana’s off-market takeover bid for 100% of the ordinary shares in Metgasco Limited (ASX:MEL) closed. Melbana received acceptances from 27.8% of Metgasco’s shareholders.

Michael Sandy stepped down as Interim CEO of the Company and resumed his role as a Non-executive Director. Mr. Sandy also has assumed the role of Technical Director. The board wishes to express its thanks to Mr. Sandy for performing these roles.

Prior to the quarter end, the Company agreed certain cost reduction initiatives for implementation effective 1 April 2020 in response to the COVID-19 pandemic. These included some employees taking leave without pay, directors’ entitlements being reduced by 50% and repricing of certain agreements with service and professional advisors.

The Company ended the quarter with a cash balance of A\$1.5 million. Payments to related parties and their associates during the quarter as outlined in Section 6 of the accompanying Appendix 5B to this quarterly activities summary are A\$104K. These payments are related to director fees for the quarter.

* Melbana’s farm-in partner has agreed, subject to satisfaction of certain conditions, to acquire a 70% interest in Block 9 PSC in consideration for agreeing to make certain payments to and on behalf of the Company related to the two well drilling program planned for Block 9 in Q4 2020

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")

31 March 2020

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	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed) *	(22)	(187)
(b) development	-	-
(c) production	-	-
(d) staff costs**	(158)	(598)
(e) administration and corporate costs	(153)	(1,020)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	11
1.5 Interest and other costs of finance paid	(3)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(334)	(1,799)

**Part of the exploration expenses are capitalised as exploration assets but presented as exploration expenses in the previous quarterly reports. These capitalised exploration expenses are now reclassified and presented under investing activities 2.1(d) below.*

***Some staff costs are reallocated in exploration & evaluation.*

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised) *	(43)	(133)

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
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Security Deposits)	-	-
2.6	Net cash from / (used in) investing activities	(43)	(133)

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 (Repayment of principal element of lease liabilities)	(16)	(26)
3.10	Net cash from / (used in) financing activities	(16)	(26)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,890	3,433
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(334)	(1,799)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(43)	(133)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(16)	(26)
4.5	Effect of movement in exchange rates on cash held	31	53
4.6	Cash and cash equivalents at end of period	1,528	1,528

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	916	735
5.2	Call deposits	608	1,151
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	4	5
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,528	1,890

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
104
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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

Director fees paid during the March 2020 quarter.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(334)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(43)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(377)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,528
8.5 Unused finance facilities available at quarter end (Item 7.5)	
8.6 Total available funding (Item 8.4 + Item 8.5)	1,528
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	4.05

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

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:

N/A

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:

N/A

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:

N/A

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 gives a true and fair view of the matters disclosed.

Date: 30 April 2020.....

Authorised by: By the Board

Notes

1. 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 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.