

Quarterly Activities Summary - Period Ended 30 September 2021

Cuba - Block 9 PSC (Melbana 30%)

- Drilling of the first (Alameda-1) of two exploration wells commenced on 13 September
- The well has not yet reached its primary objectives but has already encountered oil shows over a 670 metre interval in the Upper Sheet, with log interpretation indicating multiple oil and gas pay zones totalling at least 48m of net pay.
- Three targets with a combined Prospective Resource of 143 MMBBLS (Best Estimate)¹ to be tested, each of which have previously recovered hydrocarbons and the best of which is independently assessed to have a 32% chance of success
- Second well (Zapato-1) will immediately follow Alameda-1 and is forecast to take about 55 days. Single target near to the shallower Motembo oil field (which has historically produced a high-quality light oil). Prospective Resource 95 MMBBLS (Best Estimate)¹
- The two well drilling program is testing four separate prospects with a total Prospective Resource of 236 million barrels of oil (Best Estimate)¹
- Only one possible incident of COVID-19 on site and no other reportable HSE events

Australia

- NOPTA approved an application by Melbana for a 20 month suspension and corresponding extension of permit term for WA-488-P (Melbana 100%), satisfying one of the conditions precedent for the sale of WA-488-P

Corporate

- Mr. Theo Renard appointed Chief Financial Officer and Company Secretary
- MNSA Pty Ltd appointed as Melbana's auditor
- \$7,128,773 (gross) raised from shareholders via a non-renounceable entitlement offer

¹ **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.

SYDNEY, AUSTRALIA (28 October 2021)

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

Cuba - Block 9 (Melbana 30%, Operator)

Unexpected “Bonus” 670m Pay Zone encountered from 454m

Melbana commenced its Block 9 drilling program in September, comprising two exploration wells (Alameda-1 & Zapato-1) testing four separate targets with a Total Prospective Resource of 236 million barrels of oil (Best Estimate)¹. Melbana is the operator and has a 30% interest, comprising a 15% working interest and a 15% free carry for the initial two wells.

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

- Alameda-1 well was spudded on the morning of 13 September 2021 (Cuba time)
- Alameda-1 was designed to test three separate targets with a combined prospective resource of 141 million barrels of oil (best estimate)²

Drilling has progressed to a depth of 1842 metres with significant oil shows encountered from just below the first casing point of 454 metres. The intersection of oil shows this shallow was unexpected and subsequent wireline logging indicate at least 48 metres of potential oil and gas pay across 11 zones totalling 415 metres of gross section.

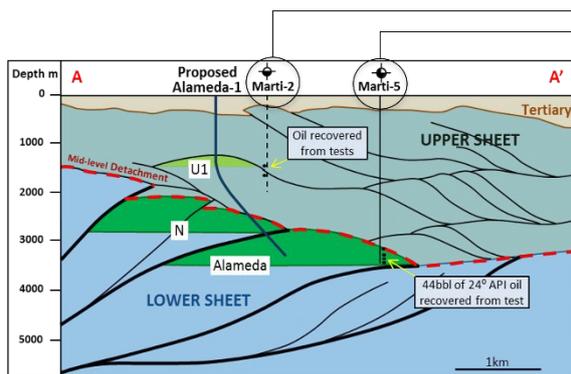
This includes the top of the anticipated “Amistad (U1)” secondary objective, through which excellent hydrocarbon shows were reported.

Samples of the oil have been taken and submitted for further analysis. However, as the main targets are still below the current depth of the well, any further evaluation of deliverability and lateral extent of this new potential oil zone won’t be considered until after the conclusion of drilling.

¹ Refer to the Prospective Resources Cautionary Statement on the first page

² Refer to the Prospective Resources Cautionary Statement on the first page

The primary objectives of Alameda-1 are the “N” and “Alameda” structures which are deeper and will be intersected as the well progresses to its final planned total depth of approximately 4000 metres.



Marti-5 wellsite (2003)



Marti-2 wellsite (2003)

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 (independently assessed)

- 1st well Alameda-1 designed with mild (30°) deviation to allow testing of 3 separate targets
- To be drilled adjacent to previous discoveries that flowed oil to the surface
- Well pad constructed and ready for operations
- Contractor mobilisation order imminent

- Civil works for the Zapato #1 well pad are continuing and the well pad will be ready for commencement of the Zapato #1 well which is expected to spud in mid December 2021.



Zapato #1: Well pad construction

- A full complement of staff from both Melbana and Sonangol are now on site and operations are continuing normally. The Company’s project office, adjacent to Sherritt’s operations base in Varadero, has now been fully furnished and operational control of

planning for drilling operations is now being successfully conducted by the team based there in close consultation with Melbana's technical team in Australia.

- Melbana's Cuban personnel will continue to manage local administrative, regulatory and community liaison requirements and other important local issues associated with this drilling programme. Several new local employees have been recently added to the team to manage this increased workflow.

Health and Safety

- Only one of Melbana's local staff in Cuba has to date been infected with COVID-19, but this has not materially impacted operations or resulted in any other of the Company's personnel becoming infected. Health management practices remain a high priority for the Company.
- There have been no safety incidents reported during the quarter.

Australia – Sale of WA-488-P (Beehive Prospect) progressing (Melbana 100%)

On 20 August 2021, the Company advised that the National Offshore Petroleum Titles Administrator had approved a 20 month suspension of the permit conditions in respect of the Permit's Year 3 work program (with a corresponding 20 month extension of the permit term) for WA-488-P.

As a result, Permit Year 3 will end on 21 August 2023 and the permit term will end on 21 May 2025.

Receipt of this approval satisfies one of the Conditions Precedent for the sale of WA-488-P. Upon all Conditions Precedent being met an application for the transfer of the permit to the purchaser will be made, following completion of which the Company will receive a payment of USD7.5m³. The Company would then be entitled to further cash and royalty payments subject to satisfaction of certain conditions subsequent.

Corporate

During the quarter, Melbana closed its fully underwritten, non-renounceable entitlement issue of two (2) Shares for every thirteen (13) Shares held at an issue price of \$0.02 per Share with

³ See ASX Announcement dated 23 April 2021

one (1) free attaching New Option for every two (2) Shares subscribed for and issued to raising a total of \$7,128,773 (before costs).

Payments to related parties and their associates, totalling \$140,000 as outlined in Section 6 of the accompanying Appendix 5B, related to payment of directors' fees.

The Company had total cash on hand of \$22.6 million as at 30 September 2021 and is fully funded for the projected remaining costs of its Cuban drilling campaign.

Administration

On 6 July 2021, the Company advised that it had appointed, with immediate effect, Mr. Theo Renard as Melbana's Chief Financial Officer (CFO) and Company Secretary (CoSec).

Mr. Renard is a Chartered Accountant and has over 21 years' experience in credit and relationship banking in commercial and investment banking in South Africa, Asia and Australia. He is an experienced CFO and CoSec within the resources industry, in a retail group environment and manufacturing operations in Africa, Asia and the Subcontinent.

He is also an experienced director, having served on boards of overseas listed companies as well as ASX listed companies. He is currently a Non-Executive Director of an ASX listed Company.

During the quarter the Company appointed MNSA Pty Ltd as its auditor, following receipt of approval from ASIC. The change in auditor was a consequence of the Company relocating its head office from Melbourne to Sydney earlier in the year and shareholders will be asked to ratify the change at the next general meeting.

For and on Behalf of the Board of Directors:

For further information please contact:

Mr Andrew Purcell
Executive Chairman

Ms Theo Renard
Company Secretary
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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	Santos Offshore Pty Limited, SapuraOMV Upstream (Western Australia) Pty Limited	Royalty, contingent on exploration success ⁶
PEL AC/P51	Australia	Vulcan Exploration Pty Limited, Rouge Rock Pty 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 SEPTEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(217)	(217)
(b) development	-	-
(c) production	-	-
(d) staff costs*	(253)	(253)
(e) administration and corporate costs	(135)	(135)
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	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (PAYG subsidy)	-	-
1.9 Net cash from / (used in) operating activities	(605)	(605)

*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	(3)	(3)
(d) exploration & evaluation	(7,573)	(7,573)
(e) investments	-	-
(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 (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	3,479	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)	9,546	9,546
2.6	Net cash from / (used in) investing activities	5,449	5,449

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,667	6,667
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	(10)	(10)
3.10	Net cash from / (used in) financing activities	6,657	6,657

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,684	10,684
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(605)	(605)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5,448	5,448
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,657	6,657

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	421	421
4.6	Cash and cash equivalents at end of period	22,605	22,605

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	22,605	10,684
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)	22,605	10,684

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	140
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)	(605)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(7,586)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(8,191)
8.4 Cash and cash equivalents at quarter end (item 4.6)	22,605
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	22,605
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.76
<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: No	
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. MAY has recently raised sufficient capital to fund its projected share (inclusive of an allowance for contingency) of remaining commitments to the Block 9 drilling program.	
<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: 28 October 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.