

Quarterly Activities Summary - Period Ended 31 December 2021

Cuba - Block 9 PSC (Melbana 30%)

- Two well program on Block 9 commenced 13 September 2021 with first well, Alameda-1
- Alameda-1 has confirmed the presence of oil within the shallowest upper sheet objective with at least 48 metres of pay interpreted on wireline logs
- Drilling continues towards targets 'N' and 'Alameda' with total depth expected to be achieved in late February 2022
- Alameda-1 has three targets with a combined pre-drill Prospective Resource of 143 MMBBLS (Best Estimate)¹, 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 take about 55 days (dry well basis). 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
- Total pre-drill Prospective Resource of the two well drilling campaign is 236 MMBBLS (Best Estimate)¹
- There have been minimal incidents of COVID-19 infections at the drilling site, in part due to rigorous site testing and monitoring procedures. These have had minimal impact on operations and there have been no other HSE issues

Australia

- Sale of WA-488-P (containing the Beehive prospect) to EOG Australia completed
- Melbana received payment of US\$7.5 million and remains entitled to further contingent cash payments of US\$5.0 million plus contingent royalties of US\$10 million per 25 MMBOE produced and sold from the permit area
- WA-488-P has a commitment well required no later than 21 August 2023

Corporate

- \$20.0m cash available at the end of the quarter

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 (27 January 2022)

Melbana Energy Limited (ASX: MAY) (“**Melbana**” or the “**Company**”) provides the following summary in relation to its activities during the quarter ended 31 December 2021.

Cuba - Block 9 (Melbana 30%, Operator)

On 13 September 2021, Melbana announced the spudding of the Alameda-1 well, marking the commencement of the Company’s Block 9 drilling program which comprises two exploration wells (Alameda-1 & Zapato-1) testing four separate targets with a Total Prospective Resource of 236 million barrels of oil (Best Estimate)². These are the “U1/Amistad”, “N” and “I/Alameda” prospects for Alameda-1 and the Zapato prospect for Zapato-1. Melbana is the operator and has a 30% interest in Block 9, but is required to meet only 15% of the costs of this two well drilling program (i.e., it has a 15% working interest and a 15% free carry) under the terms of the farm-in agreement it reached with Sonangol, the national oil company of Angola (its partner in Block 9).

During the quarter ending 31 December 2021, Melbana announced:

Unexpected Oil Zone encountered from 454m

- On 4 October 2021 the well intersected encouraging hydrocarbon shows (described as good by Melbana’s personnel on site) just below the first casing point at 454 metres, when moveable oil was reported at surface within the mud and cuttings samples. The oil, which appears to be lighter than that normally seen at this depth, was accompanied by elevated gas readings. Drilling continued through the shallow limestones and minor clastic sediments, with similar shows persisting over a gross interval of about 670 metres.
- The intersection, which was unexpected, includes the interval of the anticipated “U1” secondary objective, through which excellent hydrocarbon shows were reported. Variable oil shows have continued to be encountered below this interval.
- The main targets of this well are still below the current depth and hence, any further evaluation of deliverability and lateral extent of this new potential oil zone won’t be considered until after the conclusion of drilling.

Cementing and mud weight issues resolved

- Issues with cement set and curing which affected the placement of the liner were resolved
- The drilling intersected additional oil and gas shows around 1,800m, about 350m shallower than expected, which coincided with an increase in pressure and an unanticipated need to increase mud weight. Drilling was paused on 9 November 2021 at 1,892m whilst additional barite³ was sourced and delivered. The downtime was used to undertake maintenance and

² Refer to the Prospective Resources Cautionary Statement on the first page and ASX Announcement dated 27 May 2020

³ barite is a high density mineral added to the drilling mud for the management of pressure in the wellbore

an upgrade to the rigs pressured drilling capabilities.

- The final shipment of barite arrived in Cuba in the last week of December and the mud weight issues were resolved and drilling recommenced on 16 December 2021.

Drilling continues

- As announced on 19 January 2022, drilling has reached a current depth of 2,622 mMD. The next target is the primary objective called “N”, which is anticipated to be encountered starting at ~3,000 mMD, followed by the deepest (and largest) primary objective called “Alameda” (expected at ~3,600 mMD).



Zapato-1 to spud in March 2022

- Following the completion of the Alameda-1 well, the rig will be moved to the well pad that has been constructed nearby to commence drilling of the Zapato-1 well. We estimate the rig will take about 2 weeks to move to site and commence drilling, giving a revised spud date for Zapato-1 of the middle of March 2022.
- Zapato-1 will 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). Prospective Resource 95 MMBLS (Best Estimate)¹

Health and Safety

- COVID-19 has not materially impacted operations the drilling site. Health management practices remain a high priority for the Company and have, to date, proved effective with a full-time on-site doctor overseeing testing and administering site health protocols.
- There were no material safety incidents or injuries during the quarter.

Coming up

- On 12 January 2022 further wireline logs were obtained and sent for analysis. The wireline log data should provide insight as to the structural dip and orientation and help with the geological interpretation.
- The Company is progressing an updated resource assessment for the Upper Sheet interval (intersected by Alameda-1 between 453 and 1,842 metres RT).
- Civil works for the Zapato-1 well pad are continuing and the well pad will be ready for commencement of the well, which is now expected to spud in mid March 2022.

Australia – Sale of WA-488-P (Beehive Prospect) completed

- On Nov 24, 2021, Melbana reported the completion of the sale of its exploration permit WA-488-P to EOG Resources Australia Block WA-488 Pty Ltd (EOG Australia) and the receipt of US\$7.5 million in consideration.
- In addition, Melbana has the potential to receive Contingent Additional Payments totalling US\$5.0 million, subject to EOG Australia making certain future elections in regard to the WA-488-P permit area, and is also entitled to payments of US\$10.0 million per 25 million barrels of oil equivalent (boe) that are sold and delivered from within the WA-488-P permit area in future.
- The WA-488-P permit area contains the Beehive Prospect, estimated by independent reserves expert McDaniel & Associates to contain 388 million boe on a best estimate basis and as much as 1.6 billion boe. Melbana revised these estimates to 416 million boe (best estimate) and 1.4

billion boe (upper estimate) following its assessment of the 3D seismic data acquired across the prospect in 2018

Australia – WA-544-P and NT-P87

- Melbana retains a 100% interest in the adjacent permit areas WA-544-P and NT-P87, which contain the undeveloped oil discoveries Turtle and Barnett. Melbana is currently conducting geoscientific studies over these permit areas.

Corporate

The Company received US\$7.5m from the sale of its Beehive Project and is actively looking for new opportunities.

Payments to related parties and their associates, totalling \$150,000 as outlined in Section 6 of the accompanying Appendix 5B, related to payment of directors' fees.

The Company had total cash on hand of \$20.040 million as at 31 December 2021.

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



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% ³
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 ⁴
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 DISPOSED OF DURING THE QUARTER

TYPE	LOCATION	OWNER	INTEREST
PEL WA-488-P	Australia	Finniss Offshore Exploration Pty Limited	0%

³ Award subject to receiving all regulatory approvals, some of which are outstanding

⁴ 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	Quarter ended (current quarter ¹)
43 066 447 952	31st December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
Payments for		
(a) exploration & evaluation	(150)	(367)
(b) development	-	-
1.2 (c) production	-	-
(d) staff costs*	(328)	(581)
(e) administration and corporate costs	(507)	(642)
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 (provide details if material)	-	-
1.9 Net cash from/(used in) operating activities	(985)	(1,590)
<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	(14,290)	(21,863)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) tenements	10,392	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)	2,313	11,859
2.6 Net cash from/(used in) investing activities	(1,585)	3,864

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

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	22,605	10,684
4.2 Net cash from/(used in) operating activities (item 1.9 above)	(985)	(1,590)
4.3 Net cash from/(used in) investing activities (item 2.6 above)	(1,585)	3,863
4.4 Net cash from/(used in) financing activities (item 3.10 above)	-	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 (6 months) \$A'000
4.5 Effect of movement in exchange rates on cash held	6	427
4.6 Cash and cash equivalents at end of period	20,041	20,041

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	20,041	22,605
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)	20,041	22,605

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	150
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)	(985)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1 (d))	(14,290)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(15,275)
8.4 Cash and cash equivalents at quarter end (item 4.6)	20,041
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	20,041
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.31
<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:	MAY expects that it will continue to have current levels 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 sufficient funds to meet its projected share of share (inclusive of an allowance for contingency) of remaining commitments to the Block 9 drilling programme. The balance of remaining commitments will be funded by the Joint Operations partner.
<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 does give a true and fair view of the matters disclosed.

Date: 27/01/2022

Authorised by: The Board of Melbana Energy Limited

Notes

- 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.