

Melbana Energy Limited and Controlled Entities

ABN 43 066 447 952

Half-year Financial Report - 31 December 2023

Melbana Energy Limited And Controlled Entities
Corporate directory
31 December 2023

Stock exchange listing	Melbana Energy Limited securities are listed on the Australian Securities Exchange (ASX code: MAY)
Website	www.melbana.com
Directors	Andrew Purcell (Executive Chairman) Michael Sandy (Non-Executive Director) Peter Stickland (Non-Executive Director)
Company secretary	Cate Friedlander
Registered office & Principal Place of Business	The Commons Mezzanine Level 388 George Street Sydney NSW 2000 Australia
Telephone:	+61 (2) 8323 6600
Share register	Boardroom Pty Ltd Level 8, 210 George Street Sydney NSW 2000 Australia
Telephone:	+61 1300 737 760
Auditor	MNSA Pty Ltd Level 1, 283 George Street Sydney NSW 2000
Telephone	+61 2 9299 0901

Melbana Energy Limited And Controlled Entities
Director's Report
31 December 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Melbana Energy Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2023.

Directors

The following persons were Directors of Melbana Energy Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Purcell (Executive Chairman)
Michael Sandy (Non-Executive Director)
Peter Stickland (Non-Executive Director)

Principal activities

The principal activities of the Consolidated Entity during the year were oil and gas exploration in Cuba and Australia together with development concepts for the Tassie Shoal Methanol and LNG Project in Australia.

Dividends

There were no dividends paid or declared during the current or previous financial half-year.

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$703,315 (31 December 2022: profit of \$403,754).

International Operations

Block 9 (Melbana 30%) – onshore Cuba

During the reporting period, the Company completed the drilling, logging and testing of its Amistad-1 well, including definitive oil discovery tests of the Amistad Unit-1A and Unit-1B formations. The Amistad Unit-1B, tested in DST4 was most notable with an average rate of 1235 bopd being and no formation water. Oil samples from DST4 indicated a high-quality crude of API 19°.

Following testing operations, the well was suspended using standard oilfield practices and the drilling rig stacked on location for upgrades.

An extended production test (EPT) was conducted on Amistad-1 over a 38-day period comprising flow and shut-in periods, static gradient survey (SGS) and a memory production log tool (MPLT) survey. Flows during the EPT averaged approximately 300 bopd with no formation water and several oil samples were obtained for further analysis, which is ongoing.

The EPT also provided highly encouraging information. It confirmed that the majority of flow was from the deeper fractured reservoir section and indicated some flow contribution from behind uncemented casing, further extending the likely oil column in Unit-1B. Extended testing also provided data on the logistics of oil transport from location with 20 tanker loads being sent to off-site storage.

Amistad-1 has provided a wealth of geological, reservoir performance, engineering and commercial information and delivered confirmation of the oilfield's commercial potential. The definitive discovery and subsequent analyses are informing the development plan concepts. The joint venture is focussed on near-term commercialisation of the Amistad Unit-1B discovery whilst it continues its program to appraise the deeper Alameda and Marti reservoirs via Alameda-3.

Alameda-3 was spud on 15 December 2023 and at the end of the period, surface casing had been set and the well was drilling ahead at 1026 m.

The forward work program for Block 9 is to complete the drilling and testing of Alameda-3. The objectives of this well is to better understand the oil quality and reservoir performance characteristics of the deeper Alameda and Marti (formerly N and

Melbana Energy Limited And Controlled Entities
Director's Report
31 December 2023

l) reservoir sections encountered by Alameda-1. Data and analyses relating to the Amistad-1 discovery will be subject to third party resource estimate review.

Australian Operations

WA-488-P (Melbana contingent cash and royalty interest) – Bonaparte Basin offshore Western Australia

The Company sold its interest in permit WA-488-P in November 2021 to EOG Resources Australia Block WA-488 Pty Ltd (EOG Australia) for an upfront cash consideration and remains entitled to further payments from EOG Australia totalling USD5.0 million (subject to them making certain future elections with regards to the permit) and a royalty of US\$10.0 million for each 25 million barrels of oil equivalent in the event oil is produced from the permit area should the exploration well be a commercial success.

Drilling of a well on the Beehive Prospect is planned for 2024/25, subject to rig availability and approval of the environmental program which EOG Australia has submitted to the regulator.

The Company has no exposure to any future costs associated with this permit, including to the cost of drilling the exploration well.

WA-544-P and NT/P87 (Melbana 100%) – Bonaparte Basin offshore Western Australia/Northern Territory

The Company continued with its reprocessing of the 2D and 3D marine seismic data within these permit areas. Upon completion, these works will be submitted to NOPTA for credit against the primary term minimum work requirements for each of these permit areas and an interpretation study of these newly reprocessed datasets was commenced during the reporting period. The Company commenced a farmout process during the reporting period. The Company applied for the primary term work commitments to be suspended for 18 months with a corresponding extension of the permit term.

AC/P70 (Melbana 100%) – Ashmore & Cartier Islands, Australia

This permit contains the undeveloped Vesta-1 oil discovery drilled in 2005. The Vesta-2 appraisal well drilled in 2007 identified a gas cap. This complex field is an attractive opportunity to a junior explorer like Melbana with the technical capability and track record of identifying new play types and attracting large, well-funded, partners to test its exploration theses – often by overturning conventional thinking.

During the reporting period the Company's technical team continued to work on the geological and technical analysis of this permit.

During the reporting period a third party surrendered petroleum exploration permit AC/P51. The Company had no direct interest in this permit area nor any financial liability to it, but it did have a small indirect cash interest, contingent on certain elections being made by the titleholders.

Corporate

The Company added new personnel during the reporting period. Most Notably Mr. Chris Thompson, who was appointed as Chief Operating Officer.

Significant changes in the state of affairs

In August 2023, results from the Amistad-1 (Alameda-2) appraisal well resulted in successfully flowing export quality oil to surface and confirming a productive reservoir of sufficient scale for the Company to commence development planning and export market investigations.

Melbana Energy Limited And Controlled Entities
Director's Report
31 December 2023

Matters subsequent to the end of the financial half-year

On 5 February 2024 the Company announced that it had granted 16,115,750 Performance Rights to one of its Key Management Personnel (KMP). The Performance Rights are split into two tranches.

The first tranche of 9,473,684 Performance Rights requires the Company's share price to close at or above \$0.163 per share for 20 consecutive trading days anytime within eighteen months following award. The second tranche of 6,642,066 Performance Rights requires the Company's share price to close at or above \$0.26 per share for 20 consecutive trading days anytime within thirty-six months following award. Should either or both of these conditions be satisfied and the KMP are still employed by the Company at the end of the relevant period then the Performance Rights would convert to shares and vest.

On 12 February 2024 the Company announced changes to its Australian Exploration Permits:

- WA-544-P and NT/P87 (Melbana 100%) have had the primary term work commitments suspended for 18 months and the terms of the permits similarly extended by 18 months.
- WA-488-P containing the Beehive prospect is expected to be drilled by the holder of that permit (a US oil major) in 2024/2025

No other matter or circumstance has arisen since 31 December 2023 other than stated above that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of the Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Andrew Purcell
Executive Chairman

Sydney, 6 March 2024



**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MELBANA ENERGY LIMITED AND CONTROLLED ENTITIES
ABN: 43 066 447 952**

As the auditor for the review of the financial report of Melbana Energy Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro

Director

Sydney

Dated this 6th of March 2024

Melbana Energy Limited And Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

		Consolidated	
	Note	31 December 2023	31 December 2022
		\$	\$
Revenue			
Other income	4	1,038,019	2,594,906
Interest income		352,972	16
Expenses			
Administration costs	5	(2,090,475)	(2,191,168)
Finance costs		<u>(3,831)</u>	<u>-</u>
(Loss) / Profit before income tax expense		(703,315)	403,754
Income tax expense		<u>-</u>	<u>-</u>
(Loss) / Profit after income tax expense for the half-year attributable to the owners of Melbana Energy Limited		(703,315)	403,754
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(773,752)</u>	<u>1,394,410</u>
Other comprehensive (loss) / gain for the half-year, net of tax		<u>(773,752)</u>	<u>1,394,410</u>
Total comprehensive (loss)/ income for the half-year attributable to the owners of Melbana Energy Limited		<u>(1,477,067)</u>	<u>1,798,164</u>
		Cents	Cents
Basic (loss) / earnings per share	12	(0.02)	0.01
Diluted (loss) / earnings per share	12	(0.02)	0.01

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Melbana Energy Limited And Controlled Entities
Consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 31 December 2023 \$	30 June 2023 \$
Assets			
Current assets			
Cash and cash equivalents		20,146,110	34,976,625
Other receivables		2,479,041	3,946,949
Other financial assets		–	150,000
Receivable from Joint Operating Partner		11,661,976	–
Total current assets		<u>34,287,127</u>	<u>39,073,574</u>
Non-current assets			
Right of Use Asset		42,775	128,326
Deposits		102,125	153,707
Exploration and evaluation	6	<u>29,298,106</u>	<u>18,850,629</u>
Total non-current assets		<u>29,443,005</u>	<u>19,132,662</u>
Total assets		<u>63,730,132</u>	<u>58,206,236</u>
Liabilities			
Current liabilities			
Trade and other payables		11,556,322	4,499,717
Lease Liability		44,463	130,824
Provisions		613,820	380,971
Advances from Joint Operating Partner		–	202,130
Total current liabilities		<u>12,214,605</u>	<u>5,213,642</u>
Total liabilities		<u>12,214,605</u>	<u>5,213,642</u>
Net assets		<u>51,515,527</u>	<u>52,992,594</u>
Equity			
Issued capital	7	320,473,026	320,473,026
Reserves	8	(628,020)	145,732
Accumulated losses		<u>(268,329,479)</u>	<u>(267,626,164)</u>
Total equity		<u>51,515,527</u>	<u>52,992,594</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Melbana Energy Limited And Controlled Entities
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

	Issued capital	Share based payments reserve	Foreign currency reserve	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2022	303,177,819	1,453,859	(814,519)	(266,644,897)	37,172,262
Profit after income tax expense for the half-year	-	-	-	403,754	403,754
	-	-	-	403,754	403,754
Share options exercised	17,295,207	(1,433,127)	-	-	15,862,080
Share options expired	-	(20,732)	-	20,732	-
Foreign currency translation	-	-	1,394,410	-	1,394,410
Balance at 31 December 2022	320,473,026	-	579,891	(266,220,411)	54,832,506

	Issued capital	Share based payments reserve	Foreign currency reserve	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2023	320,473,026	404,684	(258,952)	(267,626,164)	52,992,594
Profit after income tax expense for the half-year	-	-	-	(703,315)	(703,315)
	-	-	-	(703,315)	(703,315)
Foreign currency translation	-	-	(773,752)	-	(773,752)
Balance at 31 December 2023	320,473,026	404,684	(1,032,704)	(268,329,479)	51,515,527

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Melbana Energy Limited And Controlled Entities
Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Consolidated	
Note	31 December 2023	31 December 2022
	\$	\$
Cash flows from operating activities		
Receipts from sale permit and other income	–	18,670
Payments to suppliers and employees (inclusive of GST)	<u>(1,712,167)</u>	<u>(2,101,941)</u>
Net cash used in operating activities	<u>(1,712,167)</u>	<u>(2,083,271)</u>
Cash flows from investing activities		
Payment for loans to other entities	–	(75,553)
Payments for exploration and evaluation	(25,855,496)	(21,835,921)
Interest received	352,972	16
Proceeds from Joint Operating Partner	<u>12,967,566</u>	<u>12,748,931</u>
Net cash used in investing activities	<u>(12,534,958)</u>	<u>(9,162,527)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(86,362)	(18,094)
Finance Costs	(3,831)	–
Proceeds from exercise of options	–	15,808,175
Other	<u>–</u>	<u>(41,922)</u>
Net cash (used in) / from financing activities	<u>(90,193)</u>	<u>15,748,159</u>
Net (decrease) / increase in cash and cash equivalents	(14,337,318)	4,502,361
Cash and cash equivalents at the beginning of the financial half-year	34,976,625	35,720,347
Effects of exchange rate changes on cash and cash equivalents	<u>(493,197)</u>	<u>(1,127,709)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>20,146,110</u></u>	<u><u>39,094,999</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Melbana Energy Limited And Controlled Entities

Notes to the consolidated financial statements 31 December 2023

Note 1. General information

The financial statements cover Melbana Energy Limited as a consolidated entity consisting of Melbana Energy Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Melbana Energy Limited's functional and presentation currency.

Melbana Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 6 March 2024.

Note 2. Significant accounting policies

These condensed interim financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These condensed interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 31 December 2023, the Consolidated Entity:

- had, for the financial half-year ending on that date a loss after tax of \$703,315 (2022: profit after tax of \$403,754);
- had, for the financial half-year ending on that date, net cash outflows from operating activities of \$1,712,167 (2022: \$2,083,271);
- had cash and cash equivalents on hand of \$20,146,110 (30 June 2023 \$34,976,625); and
- had a net working capital position of \$22,072,522 (30 June 2023: \$33,859,932).

The Consolidated Entity is involved in the exploration and evaluation of oil and gas tenements. Further expenditure will be required on these tenements to ascertain whether they contain economically recoverable reserves. The cash reserves as at 31 December 2023 are expected to be sufficient to meet the Consolidated Entity's planned exploration commitments and activities for the 12 months from the date of this report. To meet any additional funding requirements the Consolidated Entity will rely on taking appropriate steps, including:

- Meeting its additional obligations by either farm-out or partial sale of the Consolidated Entity's exploration interests;
- Raising capital by one of a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding share options, and/or further issue of shares to the public;
- In some circumstances, subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; or
- Other avenues that may be available to the Consolidated Entity.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2023

Note 2. Significant accounting policies (continued)

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Should the Consolidated Entity be unable to obtain the funding as described above, there is a material uncertainty as to whether the Consolidated Entity will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. No adjustments have been made relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern, particularly the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Having carefully assessed the potential uncertainties relating to the Consolidated Entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the Consolidated Entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

The Consolidated Entity operates in the petroleum exploration industry within Australia and Cuba.

The Board of Directors receive regular consolidated cash flow information as well as Consolidated Statement of Financial Position and Statement of Comprehensive Income information that are prepared in accordance with Australian Accounting Standards.

The Board does not currently receive segmented Statement of Financial Position and Statement of Comprehensive Income information. The Board manages exploration activities of each permit area through review and approval of budgets, joint venture cash calls and other operational information. Information regarding exploration expenditure capitalised for each area is contained in Note 6.

Note 4. Other income

	Consolidated	
	31 December	31 December
	2023	2022
	\$	\$
Fees charged as operator	<u>1,038,019</u>	<u>2,594,906</u>
Other income	<u>1,038,019</u>	<u>2,594,906</u>

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2023

Note 5. Administration costs

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Consultants' fees and expenses	655,573	600,742
Employee benefits expense	486,423	701,910
Administration and other expenses	80,681	125,453
Accounting and audit costs	82,368	127,158
Securities exchange, share registry and reporting costs	101,511	115,957
Investor relations and corporate promotion costs	55,216	35,155
Travel costs	112,602	55,947
Foreign exchange losses	99,032	181,465
Lease and outgoing expenses	152,565	58,132
Depreciation and amortisation expense	2,985	14,399
Depreciation of right-of-use assets	85,551	18,094
Bank Fees	175,968	156,756
	<u>2,090,475</u>	<u>2,191,168</u>

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2023	30 June 2023
	\$	\$
Exploration and evaluation	<u>29,298,106</u>	<u>18,850,629</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	NT/P87 \$	AC/P70 \$	WA-544-P \$	Block 9 Cuba \$	Total \$
Balance at 1 July 2023	430,092	1,103,895	286,673	17,029,969	18,850,629
Expenditure during the half-year	<u>42,516</u>	<u>446,256</u>	<u>62,683</u>	<u>9,896,022</u>	<u>10,447,477</u>
Balance at 31 December 2023	<u>472,608</u>	<u>1,550,151</u>	<u>349,356</u>	<u>26,925,991</u>	<u>29,298,106</u>

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from capitalised exploration and evaluation expenditure. In the judgement of the Directors, as at 31 December 2023, exploration activities in each area of interest, where costs are carried forward, have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed.

A review of the Consolidated Entity's exploration licenses was undertaken during the half-year and based on the review management identified no impairment indicators on Block 9. Further information on operating activities and development are included in the Directors' report.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2023

Note 7. Equity - issued capital

	Consolidated			
	31 December 2023	30 June 2023	31 December 2023	30 June 2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>3,370,204,104</u>	<u>3,370,204,104</u>	<u>320,473,026</u>	<u>320,473,026</u>

Equity – Contributed

	31 December 2023 A\$	30 June 2023 A\$
<u>Issued and Paid-Up Capital</u>		
Fully paid ordinary shares	<u>320,473,026</u>	<u>320,473,026</u>
Total Issued Capital	<u>320,473,026</u>	<u>320,473,026</u>

(a) Ordinary shares	31 December 2023		30 June 2023	
	No.	A\$	No.	A\$
At the beginning of reporting period	3,370,204,104	320,473,026	2,917,001,836	303,177,819
Conversion of options (shares issued during the period)	-	-	453,202,268	17,295,207
At reporting date	<u>3,370,204,104</u>	<u>320,473,026</u>	<u>3,370,204,104</u>	<u>320,473,026</u>

As at the reporting date there were no share options on issue.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Consolidated Entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Consolidated Entity does not have a limited amount of recognised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 8. Equity - reserves

Share based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2023

Note 10. Commitments and contingent liabilities

Exploration Commitments

In order to maintain rights of tenure to petroleum exploration tenements, the Consolidated Entity has minimum exploration requirements to fulfil. These requirements are not provided for in the financial statements. If the Consolidated Entity decides to relinquish certain tenements and/or does not meet these obligations, assets recognised in the Statement of financial position may require review in order to determine the appropriateness of carrying values. The commitments for exploration expenditure of approximately AU\$7.9 million includes the minimum expenditure requirements that the Consolidated Entity is required to meet in order to retain its present permit interests over the next fiscal year. These obligations may be subject to renegotiation, may be farmed out or may be relinquished. For Australian exploration permits in the jurisdiction of the Commonwealth of Australia, the first three-years of a work program are referred to as the primary term. The work program is guaranteed and cannot be reduced. Later years (4, 5 and 6) are referred to as the secondary term and the work program for each year becomes guaranteed upon entry to that year. Whilst failure to complete a guaranteed work program does not result in a financial penalty, it is grounds for cancellation of the permit. Further, the default may be considered by the Regulator in relation to future interactions with the defaulting party for a period of 5 years.

Block 9 (Melbana 30% interest) – onshore Cuba

In September 2015, Melbana executed the Cuba Block 9 Production Sharing Contract (PSC) with the Cuban national oil company *Unión Cuba-Petróleo* (CUPET). In May 2020, Melbana farmed out 70% of its interest in Block 9 PSC to Sonangol, the national oil company of Angola. The joint operation partners completed the first of two appraisal wells during the reporting period and commenced the second. These appraisal wells are voluntary additional activities in the current exploration sub period ending September 2024. Entering the next exploration subperiod is voluntary and has a work commitment of two exploration wells.

The 2024 work program therefore consists of the completion of the current appraisal well. Melbana is required to meet 30% of the cost of this program and is forecasting its share to cost US\$4.9 million for the Alameda-3 well over the next twelve month period.

WA-544-P and NT/P87 (Melbana 100% interest) – Joseph Bonaparte Gulf offshore Western Australia/Northern Territory

Permits WA-544-P and NT/P87 are located in the Joseph Bonaparte Gulf offshore northern Australia (immediately adjacent to WA-488-P) and were granted to a wholly owned subsidiary of Melbana on 24 November 2020 for an initial period of six years. The primary term of these permits ends on 23 June 2025, after approval of an 18-month extension, with minimum work programs consisting of environmental studies in preparation for 3D Seismic and reprocessing 2D and 3D seismic and related desktop studies, the estimated cost of which was \$1,500,000. It is estimated that there is \$50,000 remaining of this amount still to be expended in the next fiscal year.

AC/P70 (Melbana 100% interest) – Ashmore & Cartier Islands, Australia

Permit AC/P70, located in the Territory of Ashmore and Cartier Islands, was granted to Melbana on 15 February 2022 for an initial period of six years. The primary term of this permit ends on 14 February 2027 after the approval of a 24-month extension, with a minimum work program consisting of reprocessing 2D and 3D seismic, related desktop studies and the drilling of one exploration well. The estimated cost of these works was \$1,200,000. It is estimated that \$700,000 of this amount will be expended in the next fiscal year.

Summary

For the current sub-period of Block 9, the remaining committed activity is the completion of drilling of one appraisal well, 30% of the cost of which is to be met by Melbana. Over the next twelve months a total of US\$4.9 million is expected to be required to meet this commitment.

The expected expenditure towards meeting primary term commitments for permits WA-544-P, NT/P87 and AC/P70 up to the end of the next fiscal year is forecast to be \$750,000.

There are no other material commitments or contingencies other than as set out in this note.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2023

Note 11. Events after the reporting period

On 5 February 2024 the Company announced that it had granted 16,115,750 Performance Rights to one of its key management personnel (KMP). The Performance Rights were split into two tranches.

The first tranche of 9,473,684 Performance Rights requires the Company's share price to close at or above \$0.163 per share for 20 consecutive trading days anytime within eighteen months following award. The second tranche of 6,642,066 Performance Rights requires the Company's share price to close at or above \$0.26 per share for 20 consecutive trading days anytime within thirty-six months following award. Should either or both of these conditions be satisfied and the KMP were to be still employed by the Company at the end of the relevant period then the Performance Rights would convert to shares and vest.

On 12 February 2024 the Company announced changes to its Australian Exploration Permits:

- WA-544-P and NT/P87 (Melbana 100%) have had the primary term work commitments suspended for 18 months and the terms of the permits similarly extended by 18 months.
- WA-488-P containing the Beehive prospect is expected to be drilled by the holder of that permit (a US oil major) in 2024/2025.

No other matter or circumstance has arisen since 31 December 2023 other than stated above that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 12. Earnings per share

	Consolidated	Consolidated
	31 December	31 December
	2023	2022
	\$	\$
(Loss) / profit after income tax attributable to the owners of Melbana Energy Limited	<u>(703,315)</u>	<u>403,754</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>3,370,204,104</u>	<u>3,219,928,601</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>3,370,204,104</u>	<u>3,219,928,601</u>
	Cents	Cents
Basic (loss) / earnings per share	(0.02)	0.01
Diluted (loss) / earnings per share	(0.02)	0.01

Melbana Energy Limited And Controlled Entities
Directors' declaration 31 December 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made in accordance with section 303(5)(a) of the *Corporations Act 2001 (Cth)*.

On behalf of the Directors



Andrew Purcell
Executive Chairman

Sydney, 6 March 2024



**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
MELBANA ENERGY LIMITED AND CONTROLLED ENTITIES
ABN 43 066 447 952**

Conclusion

We have reviewed the half-year financial report of Melbana Energy Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended on that date, a summary of significant accounting policies and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Melbana Energy Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Melbana Energy Limited financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of Melbana Energy Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of Melbana Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of Melbana Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's Responsibility for the Review of the Financial Report

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

MNSA PTY LTD

MNSA Pty Ltd

Mark Schiliro

Director

Sydney

Dated this 6th of March 2024