

Quarterly Activities Summary for the Period Ended 31 December 2019

Highlights:

Australia – WA-488-P (Beehive) – 100%*

- Santos conditionally exercised its option to acquire an 80% interest in Beehive in return for funding 100% of the costs of an exploration well
- Condition to the option exercise to be satisfied or waived by 4 March 2020
- If option settles, Melbana (20%) fully carried through drilling

Cuba - Block 9 PSC – 100%**

- A number of changes to Block 9 PSC formally agreed with Cuban regulators, including an extension to the current exploration sub-period (with its commitment to drill one exploration well) until November 2020
- Binding agreement entered into with Sonangol E.P., the National Oil Company of Angola, for the drilling of two exploration wells in Block 9
- Additional formal documentation with Sonangol and planning and permitting of the two well campaign both proceeding satisfactorily

Corporate

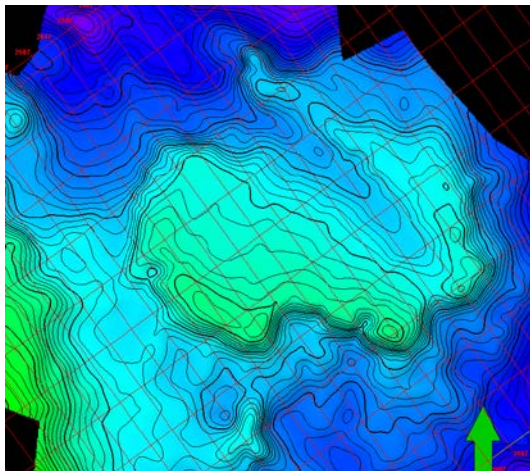
- Melbana's shareholders approve the acquisition of Metgasco shares from and the issue of Melbana shares to M&A Advisory
- Subsequent to the quarter end, Melbana extended the closing date of its off-market takeover bid for 100% of the ordinary shares in Metgasco Limited (ASX: MEL) to 31 January 2020 and declared the offer unconditional

MELBOURNE, AUSTRALIA (31 January 2020)

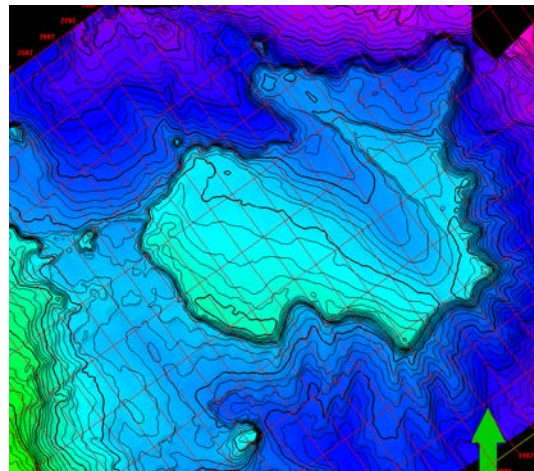
Melbana Energy Limited (ASX: MAY) (“**Melbana**” or the “**Company**”) provides the following summary in relation to its activities during the quarter ended 31 December 2019.

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

During the quarter, Santos exercised its option to acquire a 40% interest in Beehive in return for agreeing to fund 50% of the cost of an exploration well. French major, Total, did not exercise the same option that it held. As a result, Santos was automatically afforded one extra month to exercise its right to acquire an 80% interest in Beehive in return for agreeing to fund 100% of the cost of an exploration well. Prior to the expiry date of this new option, Santos exercised its right to acquire an 80% interest conditional upon it being able to farm down some of this interest by 4 March 2020.



2017 reprocessed King Shoals 2D seismic



Beehive 3D seismic

Should Santos satisfy or waive its exercise condition, Melbana would be left with a 20% interest in WA-488-P and free carried for its share of the cost of an exploration well into the Beehive prospect. Should Santos not complete the exercise of the option, Melbana would once again hold an unencumbered 100% interest in WA-488-P and the data acquired and processed in the recent 3D seismic survey funded by Santos and Total.

Cuba - Block 9 (Melbana 100%^{})**

During the quarter, Melbana received formal approval for several amendments (see ASX announcement dated 3 October 2019) to its Block 9 PSC with CUPET, the National Oil Company of Cuba. CUPET also advised that the Block 9 PSC was in good standing. As a result of these amendments, Melbana’s commitment to drill one exploration well in Block 9 PSC has been extended until November 2020.

Subsequent to receipt of formal approval for these amendments, Melbana entered into a binding Heads of Agreement (**HOA**) with Sonangol, E.P., the National Oil Company of Angola (see ASX announcement dated 23 December 2019). Subject to the satisfaction of certain conditions, the HOA provides for Sonangol to receive a 70% interest in Block 9 PSC in return for agreeing to fund 85% of a two well exploration drilling campaign in Block 9. Melbana is to be the operator of this two well program and fund 15% of its cost for its 30% interest. Under the HOA, Sonangol has agreed to make an upfront payment to Melbana for its past costs, an amount that is currently expected to largely offset Melbana’s share of the cost of these wells.

Following execution of the HOA, Melbana and Sonangol have been working towards execution of required further documentation and Melbana has been working closely with Cuban regulators to gain all necessary approvals for this transaction with Sonangol and the Melbana Energy Limited

subsequent two well drilling program in Block 9. Melbana has also been holding discussions with various drilling and service providers that have available capacity in Cuba and who have expressed interest in being part of this program.

Melbana's proposed two well drilling programme 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%)

Subsequent to the quarter end, Melbana was advised by CUPET that its internal restructuring should be completed by the end of February 2020, which would allow work to recommence on the formal granting to Melbana of a production sharing contract over parts of this oil field.

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. It remains an exciting and important part of the Company's ambitions in Cuba.

Corporate

During the quarter, Melbana's shareholders approved the acquisition of Metgasco shares from and the issue of Melbana shares to M&A Advisory in relation to its off-market takeover bid for 100% of the ordinary shares in Metgasco Limited (ASX:MEL). Subsequent to the quarter's end, the off-market takeover bid was declared unconditional and extended to 31 January 2020, at which time the offer will close (unless further extended).

The Company ended the quarter with a cash balance of A\$1.9 million.

For further information please contact

Ms Melanie Leydin
Company Secretary
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This announcement is authorised for release to the market by the Board of Directors of Melbana Energy Limited

Footnotes:

* Santos holds an option to acquire an 80% Participating Interest in WA-488-P

** Sonangol has agreed, subject to satisfaction of certain conditions, to acquire a 70% Participating Interest in Block 9 PSC in consideration for agreeing to make certain payments to and on behalf of the Company

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MELBANA ENERGY LIMITED

ABN

43 066 447 952

Quarter ended ("current quarter")

31 December 2019

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	-	-
1.2 Payments for		
(a) exploration & evaluation	(86)	(255)
(b) development	-	-
(c) production	-	-
(d) staff costs*	(179)	(440)
(e) administration and corporate costs	(564)	(867)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	9
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(829)	(1,555)

* Some staff costs are reallocated in exploration & evaluation

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (deposits paid net of refunds)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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 - Principal elements of lease payments	(10)	(10)
3.10	Net cash from / (used in) financing activities	(10)	(10)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,761	3,433
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(829)	(1,555)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	(10)
4.5	Effect of movement in exchange rates on cash held	(32)	22
4.6	Cash and cash equivalents at end of period	1,890	1,890

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	735	1,607
5.2 Call deposits	1,151	1,149
5.3 Bank overdrafts	-	-
5.4 USD cash term deposit	-	-
5.5 Other	5	4
5.6 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,890	2,761

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	132
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director's fees and salaries paid to directors during the December 2019 quarter.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter		\$A'000
9.1	Exploration and evaluation	129
9.2	Development	-
9.3	Production	-
9.4	Staff costs	90
9.5	Administration and corporate costs	564
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	782

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-	-

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.

Sign here:



Date: 31 January 2020

Print name: Melanie Leydin
Company Secretary

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

LIST OF PETROLEUM TENEMENTS

PERMIT	LOCATION	MELBANA INTEREST (%)
Australia		
WA-488-P ¹	Bonaparte Basin Offshore	100
Cuba		
Block 9	Onshore Cuba	100
Santa Cruz ²	45km from Havana	100

¹ Santos hold a cumulative 80% option to acquire a Participating Interest in WA-488-P

²Binding Agreement finalised and subject to Cuban regulatory approval.

LIST OF ENVIROMENTAL APPROVALS

PERMIT	LOCATION	MELBANA INTEREST (%)
Australia		
Tassie Shoal Methanol Project*	Tassie Shoal Offshore	100
Tassie Shoal LNG Project*	Tassie Shoal Offshore	100

*Environmental Approvals are valid until 2052.