

Beehive (WA-488-P) Seismic Funding and Farmin Option Agreement with Total and Santos

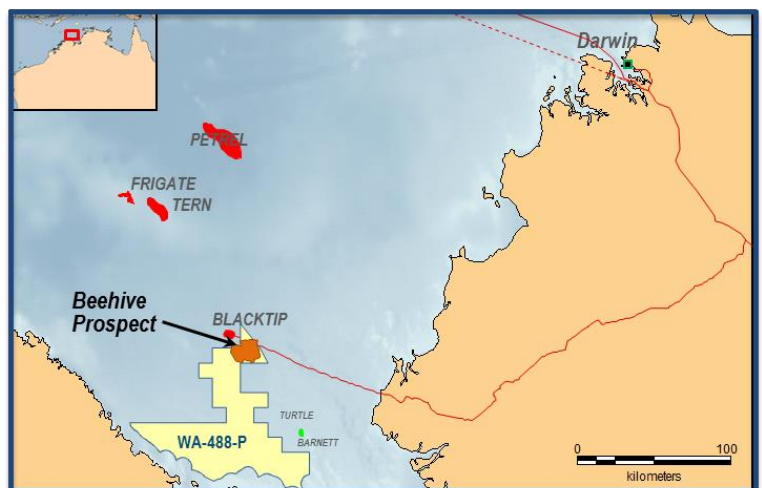
Highlights:

- French major Total and Australia's Santos to fully fund a 3D seismic survey over Beehive Prospect in return for an option to acquire an 80% Participating Interest in WA-488-P
- WA-488-P contains the giant Beehive Prospect which is one of the largest undrilled hydrocarbon structures in Australia
- If Total and/or Santos exercises its option, Melbana would retain 20% and be fully carried for the first well drilled in WA-488-P
- Planning for a 3D seismic survey in 2018 has commenced

MELBOURNE, AUSTRALIA (12 December, 2017)

Melbana Energy Limited ('Melbana' or the 'Company') (ASX: **MAY**) is pleased to announce that it has executed a seismic funding and farmin option agreement with Total and Santos in relation to Melbana's 100% owned WA-488-P, which contains the giant multi billion barrel Beehive prospect.

The agreement provides for Total and Santos to fully fund 100% of the cost of a 3D seismic survey over the Beehive prospect* in consideration for which, they are granted an option (exercisable together or individually) to acquire a direct 80% participating interest in the permit. If the option is exercised, Total and/or Santos will fully fund the costs of all activities until completion of the first well in the WA-488-P permit. In the event of a commercial discovery, Melbana will repay carried funding from its share of cash flow from the Beehive field. Melbana will have no re-payment obligations for such carried funding in the event there is no commercial discovery and development in WA-488-P.



Beehive Prospect is adjacent to the Blacktip gas field and pipeline

The acquisition of a new 3D seismic survey over Beehive will provide potential for further de-risking of the prospect and will facilitate consideration of a preferred location for the Beehive-1 exploration well.

Planning for a 3D seismic survey has already commenced, with acquisition expected to commence mid-2018.

** Subject to regulatory approvals and tendered cost of seismic acquisition being within an acceptable range*

Melbana's CEO and MD Peter Stickland, commented on the announcement:

"Our longstanding belief that Beehive is one of the most significant oil and gas prospects in Australia, coupled with our continuing efforts to use the technical resources available to us to better define this prospect have been validated by the signing of this agreement with two world class companies in Total and Santos. This transaction provides a pathway for Melbana to be fully carried for a 20% participating interest in the drilling of Beehive, with a firm commitment by Total and Santos to fund a 3D seismic survey, and then pre-agreed farmin terms for the drilling of a well in WA-488-P if either Total or Santos elect to proceed after the seismic data is acquired.

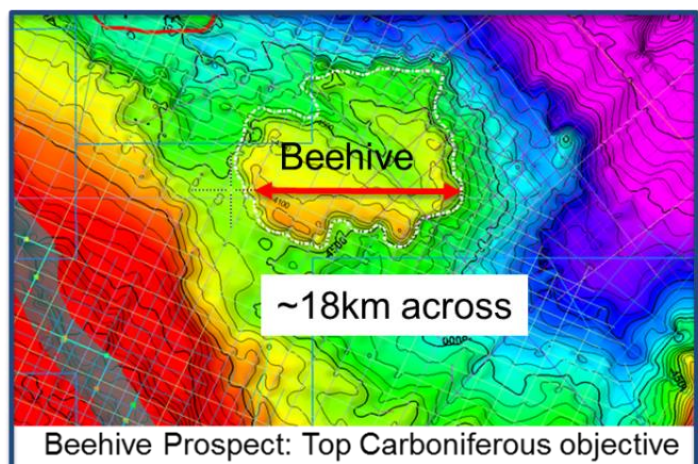
Melbana welcomes Total and Santos as partners and we are excited by the opportunity to unlock the huge potential of the Beehive prospect for our shareholders. We will now proceed to work with our partners to ensure the 3D seismic survey gets underway as soon as possible."



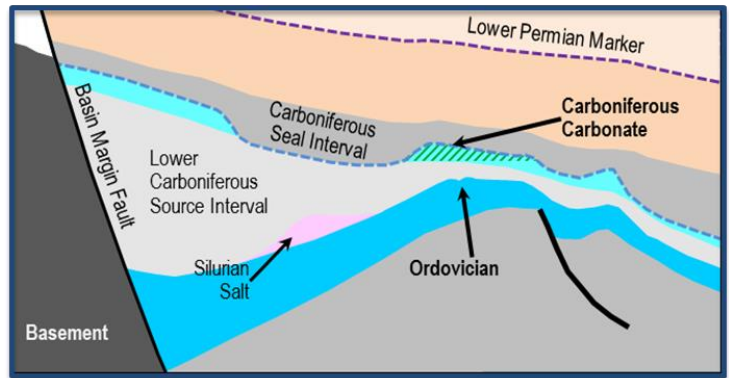
Peter Stickland
Managing Director & Chief Executive Officer

WA-488-P Background

The Beehive prospect is potentially the largest undrilled hydrocarbon prospect in Australia. It is a Carboniferous age 180km² isolated carbonate build up with 400m of mapped vertical relief, analogous to the giant Tengiz field in the Caspian Basin. It is located in 40m water depth suitable for a jack up rig, within ~75km of shore and developable by either FPSO or pipeline to existing infrastructure. This play type is new and undrilled in the Bonaparte Basin with no wells having been drilled to this depth in the basin.



The carbonate reservoir is also interpreted to be the same age as the 2011 Ungani-1 oil discovery in the Canning basin, which tested at 1,600 bopd demonstrating a high quality reservoir. Beehive is a much larger build up than Ungani and has excellent access to the Lower Carboniferous source rock in adjacent depocentres.



Beehive is currently defined by a tight grid of 2D seismic data. Melbana has recently undertaken a reprocessing and inversion study of selected 2D seismic lines across Beehive with very encouraging results. The seismic inversion results combined with the results of the reprocessing have enhanced the understanding of the Beehive reservoir and seal units. The acquisition of a new 3D seismic survey over Beehive will provide potential for further de-risking of the prospect and facilitate consideration of a preferred location for the Beehive-1 exploration well.

Beehive is located close to several existing facilities including Ichthys project and Blacktip field and pipeline offering several options for future gas monetization. Potentially the largest undrilled hydrocarbon prospect in Australia, the Beehive prospect is characterised as having significant prospective resources as outlined in the following table:

Prospective Resources (Mmboe, 100%)*					
Beehive	CoS	Low	Best	Mean	High
Carboniferous objective	16%	97	558	940	2033

* **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.

Contingent and Prospective Resources: The information in this presentation that relates to Contingent Resources and Prospective Resources for Melbana is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, the Managing Director and Chief Executive Officer of Melbana. Mr Stickland B.Sc (Hons) has over 25 years of relevant experience, is a member of the European Association of Geoscientists & Engineers and the Petroleum and Exploration Society of Australia, and consents to the publication of the resource assessments contained herein. The Contingent Resource and Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules. Conversion factors: 6 Bscf gas equals 1 MMboe; 1 bbl condensate equals 1 boe. "Mmboe" means million barrels of oil equivalent.