

Quarterly Activities Summary - Period Ended 30 June 2022

Cuba - Block 9 PSC (Melbana 30%)

- **Exploration Well Alameda-1**

- Approximately 62 mMD / 52 mTVD of net pay across a logged gross reservoir interval of approximately 286 mMD / 240 mTVD reported for the third and deepest structure (Marti) tested by the Alameda-1 well
- Second structure (Alameda) independently estimated to contain 2.3 billion barrels of oil in place for 148 million barrels of Prospective Resource^{1,2} (announced after the end of the current reporting period)³

- **Exploration Well Zapato-1**

- Drilling of this second exploration well commenced on 21 May 2022. Its objective is to test the Zapato structure, which may be the possible source of oil for the Motembo oil field (which historically produced a very light oil; 50 – 64.5° API)
- Drilling reached 1,698m by 18 July 2022, at which point the drill string became stuck and free oil was seen on shakers whilst still within the ophiolite overburden section
- Pipe was recovered above 1,507m and a side-track successfully initiated
- Zapato prospect is independently estimated to have a Prospective Resource of 114 million barrels of oil^{1,2}

- **Planning commenced for an appraisal well for all three oil-bearing units in the Amistad structure encountered by Alameda-1 and for the future development of Block 9 generally**

Corporate

- \$35.569 million 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 dated 8 March 2022 and 4 July 2022. 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.

² gross unrisksed mean estimate basis

³ See ASX announcement dated 8 July 2022

SYDNEY, AUSTRALIA (29 July 2022)

Melbana Energy Limited (ASX: MAY) (**Melbana** or the **Company**) provides the following summary in relation to its activities during the quarter ended 30 June 2022.

CUBA

Block 9 (Melbana 30%, Operator): Alameda-1 Exploration Well

Analysis of the logs acquired in the Marti structure, the third and final one encountered whilst drilling the Alameda-1 exploration well, produced an estimate of a net hydrocarbon pay of about 62 mTVD across a gross logged reservoir of about 240 mTVD. An estimate of oil in place and prospective resource for the Marti structure is expected from independent expert McDaniel directly.

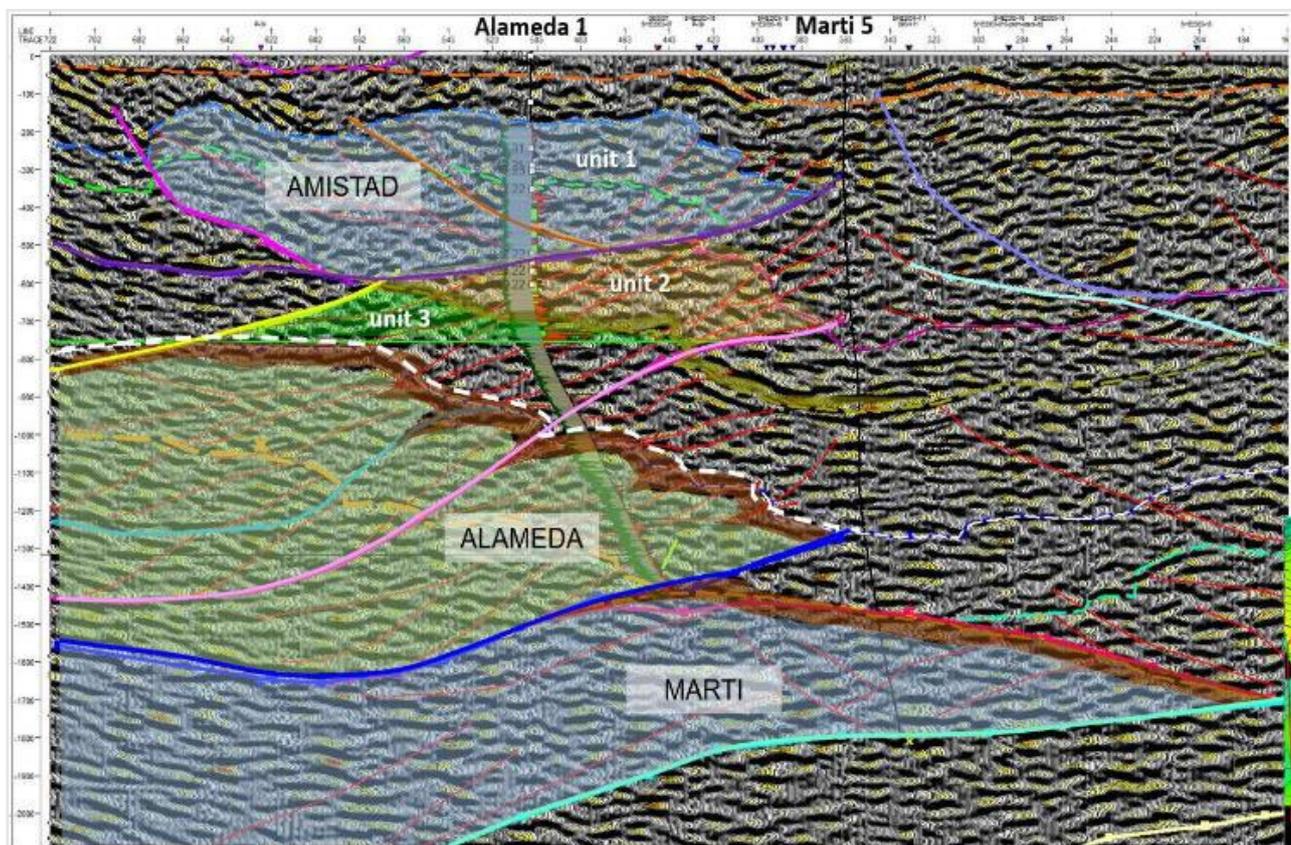


Figure 1 - Current interpretation of the subsurface at Alameda-1

Following the end of the reporting period, the Company released McDaniel’s assessment for the Alameda structure, the middle one encountered whilst drilling the Alameda-1 exploration well. McDaniel’s estimated 2.3 billion barrels of oil in place and 148 million barrels of Prospective Resource^{1,2}.

The total independent resource estimate for the combined Amistad⁴ and Alameda structures is 4.8 billion barrels of oil in place and 267 million barrels of Prospective Resource^{1,2}.

⁴ See ASX announcement dated 14 March 2022

Block 9 (Melbana 30%, Operator): Zapato-1 Exploration Well

Zapato-1, the second exploration well of the two well Block 9 exploration drilling program, was spudded on 21 May 2022. Zapato-1 was prognosed to take about 55 days to reach its target depth at 2,650m, targeting a single formation near the shallower Motembo oil field (which has historically produced a high-quality light oil). The planned total depth is 3,150m.

On 18 July 2022, the Company announced that the well had reached 1,666m, been logged and the 11 ¾” liner successfully cemented in place to a depth of 1,243m. Drilling had then proceed within the ophiolite overburden section to a depth of 1,698m at which point the drill string became stuck. While attempting to retrieve the drill string, free oil was observed at the shakers. .

The decision was made to sever the drill string above the stuck point (1,507m), recover the remaining drill pipe and commence a side-track well continuing on to the main carbonate target below the ophiolite.

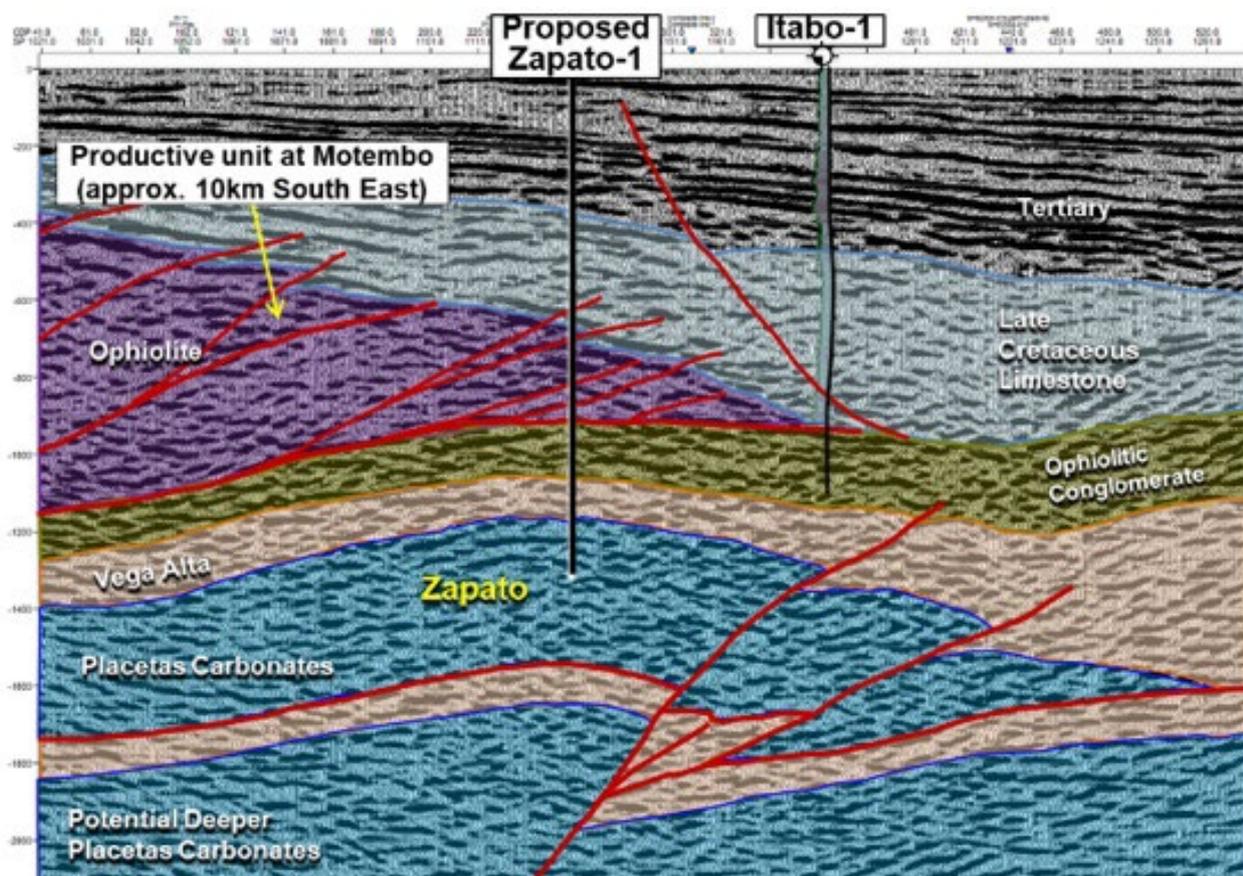


Figure 2 - Location of the Zapato prospect being targeted by Melbana's second exploration well

The side-track was successful and the now Zapato-1ST well is progressing towards the pre-drill target with a Prospective Resource of 214 million barrels of oil^{1,2}, currently at a depth of about 1,622mMD.

Melbana's assessment is that the large Zapato structure (with nearly 1,000m of vertical relief estimated to begin at about 2,650m) may be the primary structure, and thus the source of oil, for the shallow Motembo oil field discovered in the late 19th century that reportedly contained a very light oil (50 – 64.5° API) present at surface.

Table 1 – Pre-drill Independent Prospective Resource Estimate for the Zapato Objective

Objective	Chance of Success	Prospective Resource ¹ (unrisked gross, million barrels)			
		Low	Best	High	Mean
Zapato	23%	38	95	214	114

Block 9 Forward Work Program

During the quarter, Melbana held meetings in Havana with its partner to discuss the forward plan for the appraisal of the three oil-bearing intervals encountered whilst drilling Alameda-1 (Amistad Units) and the ambitions for Block 9 in general.

Melbana is currently seeking the necessary approvals to appraise the Amistad units immediately following the completion of Zapato-1.

The Amistad Units have been independently estimated to contain 119 million barrels of Prospective Resource^{1,2}. Should this well demonstrate satisfactory production characteristics, this well may be left on production post completion of the appraisal program.

Health and Safety

With only the occasional positive test, the Company's on-site COVID-19 management protocols continue to be effective resulting in no significant interruption to operations. There has been no other significant amount of lost time during the quarter due to injuries.

Coming up

1. Release of the independent expert's resource assessments for the Marti structure.
2. Zapato-1 drilling results

AUSTRALIA

AC/P70

Located in the Territory of Ashmore and Cartier Islands, Melbana made an application for this permit under the Australian Government's 2020 Offshore Petroleum Exploration Acreage Release. Awarded on 15 Feb 2022⁵ for a period of 6 years, Melbana's technical team has continued its geoscientific studies over the licence area.

The permit (AC/P70) contains the undeveloped Vesta-1 oil discovery drilled in 2005 and hosts the Vesta-2 appraisal well, drilled in 2007, that identified a gas cap. Melbana's management team see

⁵ See ASX Announcement dated 16 Feb 2022

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.

WA-488-P

- Sale announced Nov 21, US\$7.5m received
- Well planned for Q1/Q2 2023
- MAY entitled to receive US\$10 million per 25 million boe sold, in the success case
- MAY also entitled to receive an additional US\$5m of Contingent Additional Payments subject to future developments

In November 2021, the Company announced the completion of the sale of WA-588-P⁶. Drilling of a well on the Beehive Prospect is planned for Q1 or Q2 2023 subject to rig availability and approval of the environmental program which has been submitted to NOPSEMA.

The WA-488-P permit area contains the Beehive Prospect, estimated by independent expert McDaniel & Associates⁷ 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 million boe (upper estimate) following its assessment⁸ of the 3D seismic data acquired across the prospect in 2018⁹.

MAY is entitled to receive payments of US\$10.0 million per 25 million barrels of oil equivalent (boe) that may be sold and delivered from within the WA-488-P permit area in future and, subject to the owner making certain future elections, Melbana may receive Contingent Additional Payments of US\$5.0 million.

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

Payments to related parties and their associates, totalling \$122,000 as outlined in Section 6 of the accompanying Appendix 5B, related to payment of directors' fees.

The Company had total cash on hand of \$35.569 million as at 30 June 2022.

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

⁶ See ASX Announcement dated 24 Nov 2021

⁷ See ASX Announcement dated 7 Aug 2018

⁸ See ASX Announcement dated 24 Aug 2020

⁹ See ASX Announcement dated 14 Aug 2018

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% ¹⁰
PEL WA-544-P	Australia	MEO International Pty Limited	100%
PEL NT/P87	Australia	MEO International Pty Limited	100%
PEL WA-488-P	Australia	EOG Resources Australia Block WA-488 Pty Limited	Cash, contingent on certain elections being made with respect to the PEL, and royalty, contingent on exploration success ¹¹
PEL AC/P50	Australia	Santos Offshore Pty Limited, SapuraOMV Upstream (Western Australia) Pty Limited	Royalty, contingent on exploration success ¹²
PEL AC/P51	Australia	Vulcan Exploration Pty Limited, Rouge Rock Pty Limited	Cash, contingent on option exercise, then Royalty, contingent on exploration success ⁶
PEL AC/P70	Australia	Melbana Energy Limited	100%

¹⁰ Award subject to receiving all regulatory approvals, some of which are outstanding

¹¹ See ASX announcement dated 24 November 2021

¹² 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")
43 066 447 952	30th June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
Payments for		
(a) exploration & evaluation	(8)	(424)
(b) development	-	-
1.2 (c) production	-	-
(d) staff costs*	(309)	(1,178)
(e) administration and corporate costs	(375)	(1,244)
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	97	219
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from/(used in) operating activities	(595)	(2,627)
<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	(84)	(87)
(d) exploration & evaluation	(10,894)	(39,252)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) tenements	-	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	131	131
2.4 Dividends received (see note 3)	-	-
2.5 Other (Contributions from JV Partner)	11,998	28,616
2.6 Net cash from/(used in) investing activities	1,151	3,279

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	22,000
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	2,299	3,125
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(22)	(1,362)
3.5 Funds received for option exercise	-	100
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)	(23)	(33)
3.10 Net cash from/(used in) financing activities	2,254	23,830

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	32,095	10,684
4.2 Net cash from/(used in) operating activities (item 1.9 above)	(595)	(2,627)
4.3 Net cash from/(used in) investing activities (item 2.6 above)	1,151	3,279
4.4 Net cash from/(used in) financing activities (item 3.10 above)	2,254	23,830

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 (12 months) \$A'000
4.5 Effect of movement in exchange rates on cash held	664	403
4.6 Cash and cash equivalents at end of period	35,569	35,569

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	35,569	32,095
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)	35,569	32,095

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	122
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)	(595)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1 (d))	(10,894)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(11,489)
8.4 Cash and cash equivalents at quarter end (item 4.6)	35,569
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	35,569
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.10
<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: 28 July 2022

Authorised by: The Board of Melbana Energy Limited

Notes

1. 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.
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.