

## Drilling Update: New Zealand

### Highlights:

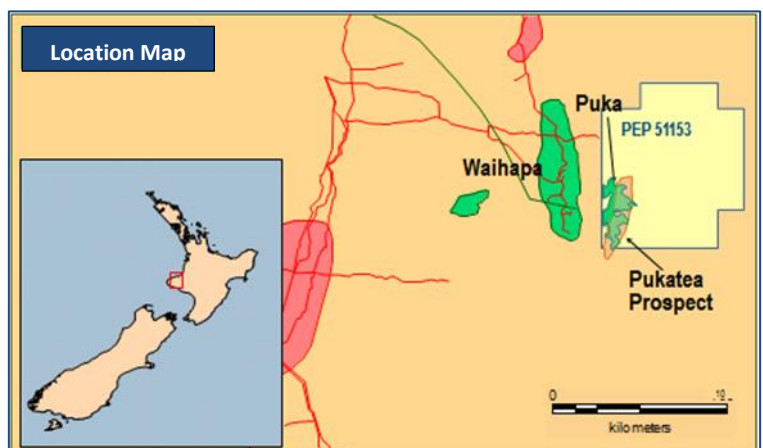
- Drilling of the high impact Pukatea-1 well planned to commence on about 23 January 2018 and take approximately 33 days to reach the primary objective
- TAG Oil (Operator) has identified a secondary objective for the well and increased its estimate of it intersecting moveable hydrocarbons to ~50%
- Success at this secondary objective has the potential to support restarting production from the Puka field
- Dry hole cost estimated at ~A\$2.0 million (Melbana share)

MELBOURNE, AUSTRALIA (5 January 2018)

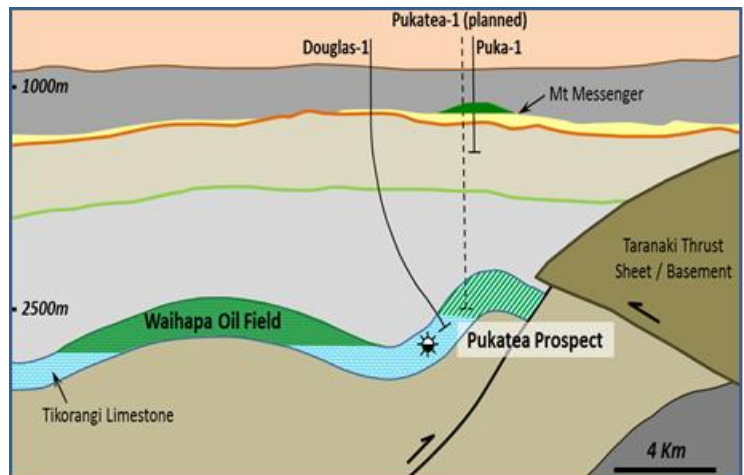
Melbana Energy Limited (ASX: **MAY**) (“**Melbana**” or “the **Company**”) is pleased to provide the following update with respect to the imminent drilling of the high impact Pukatea-1 exploration well in New Zealand onshore permit PEP 51153.

The Operator of the PEP 51153 joint venture (Melbana 30%, TAG Oil 70% and Operator) has advised that the Nova-1 rig will be mobilised mid-January with drilling planned to commence on 23 January 2018.

The Operator has completed a technical reassessment of the Pukatea-1 objectives which, in addition to the primary objective Tikorangi limestone, identified a secondary objective in the shallower Mt. Messenger sands within the Puka field. The reassessment demonstrated an increased likelihood (estimated at ~50% probability) of Pukatea-1 intersecting moveable hydrocarbons in the shallow Mt. Messenger sands within the Puka field while drilling to the deeper primary objective Tikorangi limestone. Oil was first discovered in the Mt. Messenger sands in 2012 in Puka-1 and oil was produced from Puka-1 and Puka-2 under an extended production test until January 2015, but these wells are currently shut-in.



This reassessment has encouraged the Joint Venture to make some technical adjustments to the drilling plan which include adding an additional wireline logging run for data gathering and an additional casing string to isolate the Mt. Messenger formation. If moveable hydrocarbons are intersected in the Mt. Messenger formation, the Joint Venture will subsequently have the potential to review and assess the technical and commercial merits of aggregating the production potential with the suspended Puka-1 and Puka-2 wells.



As a result of the operational design adjustments, the Pukatea-1 exploration well cost budget has been increased by ~\$400,000 to A\$2.0 million (Melbana’s share, excluding production testing).

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

*“The onshore Pukatea prospect represents a very exciting exploration drilling opportunity for Melbana and we are looking forward to commencing drilling shortly. The addition of a secondary objective is an added bonus as any secondary discovery in the shallower Mt. Messenger formation may support the economics of re-starting the currently suspended oil production from the Puka field. Given the potential size of the Pukatea prospect, a discovery has the potential to be very significant for Melbana shareholders.”*



**Peter Stickland  
Managing Director and Chief Executive Officer**



**Figure 1 - Completed Pukatea drilling pad with existing Puka-1 and Puka-2 suspended wells protection zones visible**



**Figure 2 - The Nova-1 Drilling Rig contracted to drill the Pukatea-1 wildcat exploration well**

## Background: Pukatea Prospect

The Pukatea prospect is a mature high impact exploration opportunity, targeting a highly productive conventional reservoir with prospective resources attributable to the Pukatea prospect estimated to range from 1.3 to 40 million barrels of oil equivalent (MMboe) (Low-High estimates) with a Best Estimate of 12.4 MMboe\* (see the following table) and a chance of success of 19% (see table below).

100% MMboe*	COS**	Low	Best	Mean	High
Pukatea -100%	19%	1.3	12.4	17.1	40

\* **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.*

\*\* **COS** means "Chance of Success".

The Pukatea prospect is well located, being proximal to existing infrastructure with a number of potentially near-term, low cost alternative development paths. Melbana estimates that a successful Pukatea-1 result, consistent with the best estimate of 12.4MMboe, would result in a three-well development plan with a gross production plateau ranging between 6,000 to 10,600 barrels of oil per day for a period in excess of four years and at a very low development cost.

Melbana believes oil and gas economics in the Taranaki Basin are robust in the current price environment. TAG Oil (operator of PEP 51153) reported an independent expert valued their 2P Reserves in nearby fields at ~A\$20/barrel on an NPV10 basis in mid-2017#. Oil prices have increased by ~50% since TAG Oil's valuation.

## Background: Puka Field

Three wells have been drilled since the Puka oil field was discovered in 2012, with the Puka-1 and Puka-2 wells producing 100 barrels/day from the Mt. Messenger formation before being shut-in during January 2015 due to falling oil prices and mechanical issues. Re-development of the Puka field may be considered viable with the additional information gathered from Pukatea-1 and in a higher oil price environment.

## Puka Contingent Resource

100% MMboe	1C	2C	3C
Puka Mt Messenger	0.3	0.6	1.8

**Contingent & Prospective Resources.** The information 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.

#TAG Oil media release 20 June 2017