

Santos conditionally exercises Beehive Option

Highlights:

- Santos conditionally exercises its option to acquire an 80% interest in WA-488-P, the permit containing the Beehive prospect (**Permit**), subject to satisfaction of certain conditions subsequent being met
- Conditions: An application for the transfer of an 80% interest in the Permit will be submitted upon:
 - Santos concluding a farm out of part of its right to acquire a participating interest in the Permit to a third party by no later than 4 March 2020
 - The parties securing an extension to the current Permit year to align with rig availability in 2021
- If the exercise of the option becomes unconditional, Melbana will transfer an 80% interest in the Permit in return for the transferee(s) funding 100% of the cost of the Beehive-1 well and Melbana would remain free carried for its 20% interest in the drilling of Beehive-1 well

MELBOURNE, AUSTRALIA (4 December 2019)

Melbana Energy Limited (ASX: MAY) (**Melbana, the Company**) is pleased to advise that Santos Limited (**Santos**) has validly and conditionally exercised its option to acquire an 80% interest in the Permit containing the Beehive prospect. The Parties agree that upon the satisfaction of the conditions Melbana will transfer an 80% interest in the Permit in return for the transferee(s) funding 100% of the cost of the Beehive-1 well.

Santos is in active discussions with several parties with respect to participation in the Beehive-1 exploration well and these discussions are ongoing. As such, it has been agreed that Santos is not required to submit an application for the transfer of an interest in the Permit until it has successfully concluded a farm out for some of its right to acquire that interest.

Santos has also indicated that the work it has done on identifying rig availability suggests the drilling of the Beehive-1 exploration well would possibly not occur prior to the end of the current Permit year (December 2020). As such, an application for an extension to the current Permit year should be made subsequent to Santos successfully farming out some of its participating interest in the Permit.

Melbana has agreed to allow Santos until 4 March 2020 to complete a farmdown of its right to acquire an 80% interest in the Permit. If the farmdown is successful, the parties would then collaborate to secure the necessary extension to the current Permit year to align the drilling of the Beehive-1 well with rig availability. Should Santos be unable to conclude a farmdown by 4 March 2020, or if it is not possible to subsequently extend the Permit Year, the exercise of the option will not become unconditional and will expire and Melbana would retain a 100% interest in the Permit.

In consideration for Melbana affording Santos more time to conclude a farmdown, Santos agrees to complete (at its expense) an application for an environmental permit (**EP**) for the drilling of the Beehive-1 exploration well. This commitment by Santos to producing an EP, along with its identification of a firm rig slot for drilling the well, should assist with the application for any extension request to the current Permit year.

Melbana would remain free carried for its 20% interest in this exploration well should the above conditions be satisfied and the option exercise becomes unconditional.

Melbana Chairman, Andrew Purcell, said:

“Santos' decision to farmdown its large equity interest in Beehive is entirely consistent with its recently stated strategy of optimising its portfolio through acquisitions, disposals and farmouts, particularly in northern Australia where it is working to reduce its equity in the Barossa field and Darwin LNG to 50% or less. We're pleased to continue to work cooperatively with Santos given the commitment they've shown to Beehive - a prospect with 388 million barrels of oil equivalent of prospective resource (best estimate) and potentially 1.6 billion barrels of oil equivalent of prospective resource (high estimate) which, if proven, would prove transformative for each of our companies and for northern Australia. This variation to our agreement with Santos takes us a critical step closer to drilling the largest undrilled structure in Australia.”

For and on Behalf of the Board of Directors:

Andrew Purcell
Chairman

Ends –

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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. Prospective resources have been estimated using the Probabilistic Method. All quoted volumes taken from Independent Expert McDaniel & Associates Competent Persons Report 30 June 2018. Gas to Oil Factor: based on Mcf to BOE energy equivalence conversion of 6 to 1.