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Quarterly Activities Summary for the Period Ended 30 June 2020

Highlights:

Cuba - Block 9 PSC – 100%*

- Formal farm-in documentation completed with Melbana's partner for the drilling of two exploration wells in Block 9, Cuba
- Sole remaining unsatisfied Condition Precedent – receipt of Cuban regulatory approval - has been verbally received and is in the process of being formally documented
- First payment received from Sonangol under Farm-in Agreement
- Progress continued to be made on well planning, permitting, contractor engagement and sourcing of inventory to allow commencement of drilling operations in Q4 2020

Australia – WA-488-P (Beehive) – 100%

- Several interested parties introduced to Beehive data room with a view to participating in the drilling of an exploration well
- 12 month extension to the current permit year to 21 December 2021 received, allowing more time for the drilling of a well

Corporate

- Cash balance of $1.78 million at end of quarter

MELBOURNE, AUSTRALIA (28 July 2020)

Melbana Energy Limited (ASX: MAY) ("**Melbana**" or the "**Company**") provides the following summary in relation to its activities during the quarter ended 30 June 2020.

Cuba - Block 9 (Melbana 100%*)

During the quarter, Melbana entered executed a Farm-in Agreement (**FIA**) with Sonangol with respect to its Block 9 Production Sharing Contract onshore Cuba.

The FIA details the commercial arrangement and responsibilities for the drilling of two exploration wells in Block 9, which include:

1. Sonangol funding 85% of all costs associated with the drilling of Melbana's two highest ranked and high impact targets (Alameda-1 and Zapato-1)

2. Sonangol receiving a 70% participating interest in Block 9 PSC

3. Melbana retaining a 30% participating interest in Block 9 PSC

4. Sonangol paying approximately $5 million to Melbana to cover its expenditure on Block 9 to date

5. Melbana remaining operator for the two well drilling program

The FIA defined certain conditions precedent requiring satisfaction before the FIA becomes effective, all of which have now been completed other than the formal receipt of Cuban regulatory approval for the registration of Sonangol's interest in Block 9 PSC. Melbana has been advised by the Cuban regulator that this approval has been granted and is in the process of being formally documented.

Melbana also made considerable progress during the quarter towards finalising well designs and identifying preferred providers of the necessary inventory. Preparations for the construction of the required well pads and related infrastructure advanced as well, work on which is expected to commence in the current quarter.

Melbana's proposed two well drilling program 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 success[1].

[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, as adjusted by Melbana for areas voluntarily released.

Cuba - Santa Cruz Incremental Oil Recovery Project - (Melbana 100%)

No material progress was made during the quarter with regards to the granting to Melbana of a Production Sharing Contract for the Santa Cruz oil field. The Company remains ready to allocate the necessary resources to advancing this project once approval is received from the Cuban regulators.

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.

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

During the quarter, Melbana's application for a 12 month suspension of the work program conditions in respect of Permit Year 3 (and a corresponding 12 month suspension of the permit term) was granted by the National Offshore Petroleum Titles Administrator. Melbana now has until 21 December 2021 to drill an exploration well in WA-488-P, the work commitment for the current permit year).

Several parties have entered into confidentiality agreements with Melbana to receive a detailed presentation on the Beehive prospect and access to the work that has been done on it to date. Those parties are now conducting their own analysis using the materials provided in the data room, with guidance and support of Melbana's technical team.

The Beehive prospect is a Carboniferous age carbonate build up with 400 metres of mapped vertical relief. It is located close to existing infrastructure and may be drilled by a jack up rig given it lies in only 40 metres of water. It has been independently assessed to contain a prospective resource of 388 million BOE (best estimate) and 1.6 billion BOE (high estimate)[1].

Beehive is analogous to the giant Tengiz Field in the Caspian Sea, also a Carboniferous age carbonate build up. The Tengiz Field has estimated recoverable reserves of between six and nine billion barrels of oil.

[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, as adjusted by Melbana for areas voluntarily released.

Corporate

During the quarter, Melbana nominated two directors to the board of Metgasco Limited (ASX: MEL) – a company in which it holds a 27.8% interest. Metgasco did not respond to these nominations. Melbana requested that Metgasco convene a meeting of its shareholders to consider these nominations and was unsuccessful in having its nominees appointed.

Melbana ended the quarter with a cash balance of A$1.78 million.

[*] Melbana's farm-in partner has agreed, subject to satisfaction of certain conditions, to acquire a 70% interest in Block 9 PSC in consideration for agreeing to make certain payments to and on behalf of the Company related to the two well drilling program planned for Block 9 in Q4 2020

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	30 June 2020

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	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(42)	(230)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs*	(102)	(700)
	(e) administration and corporate costs	(217)	(1,237)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	12
1.5	Interest and other costs of finance paid	(1)	(6)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (PAYG subsidy)	21	21
1.9	**Net cash from / (used in) operating activities**	**(340)**	**(2,140)**

**Some staff costs are reallocated in exploration & evaluation.*

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(90)	(223)
	(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 the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Reimbursement of Block 9 back costs)	689	689
2.6	**Net cash from / (used in) investing activities**	**599**	**466**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 (Repayment of principal element of lease liabilities)	(5)	(31)
3.10	**Net cash from / (used in) financing activities**	**(5)**	**(31)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,528	3,433
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(340)	(2,140)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	599	466
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5)	(31)

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	(1)	53
4.6	**Cash and cash equivalents at end of period**	**1,781**	**1,781**

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	1,168	916
5.2	Call deposits	609	608
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	4	4
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,781**	**1,528**

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	89
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

Director fees paid during the June 2020 quarter.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
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		

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(340)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(90)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(430)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,781
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,781
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	4.14

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

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:
N/A

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:
N/A

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:
N/A

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.

Date: 28 July 2020.....

Authorised by: By the Board

Notes

1. This 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 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.

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 and you 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.