

## Cuba Operations Update

### Highlights:

- Planning progressing for commencement of two well drilling campaign in 2020 testing 236 million barrels of oil (best estimate)<sup>1</sup> over four separate targets in Block 9
- Melbana is to have a 30% interest in Block 9. Half of its share of the drilling costs are to be met by Sonangol with the other half being largely covered by the recovery of about \$5 million in past costs via an upfront payment to be received from Sonangol (should all conditions be met)
- Expressions of interest for drilling and well services invited from organisations with Cuban capability and experience
- Refreshment and extension of permitting and approvals for first well advanced
- Negotiation of additional formal documentation with Sonangol proceeding satisfactorily
- Cuban regulatory approvals for transfer of interest in Block 9 to Sonangol in process
- Block 9 is independently assessed to have 14.8 billion barrels of oil in place (best estimate) and Prospective Resources of 676 million barrels<sup>1</sup>
- CUPET, Cuba's National Oil Company, has advised that its internal restructuring is expected to be completed in February 2020 and that work may then recommence on formalising Melbana's interest in the Santa Cruz oil field

<sup>1</sup> 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, released to ASX on 7 August 2018, as adjusted by Melbana for area relinquishment. 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.

## **MELBOURNE, AUSTRALIA (24 January 2020)**

Melbana Energy Limited (ASX: MAY) (**Melbana**) wishes to provide this update on progress being made with respect to its world class onshore exploration and appraisal opportunities in Cuba.

Further to Melbana's announcement of 23 December 2019 in which it announced that a binding Heads of Agreement (**HOA**) had been signed with Sonangol, the National Oil Company of Angola and Africa's second largest producer, the parties have been working closely together to finalise a farmout agreement and a joint operating agreement. Sonangol is also reviewing the due diligence it conducted on Melbana in the third quarter of last year in order to advise what additional materials may be required to satisfy the confirmatory due diligence condition of the HOA.

The terms of the HOA state that Sonangol will (following execution of a farmout agreement, satisfactory completion of confirmatory due diligence and receipt of all necessary regulatory approvals):

1. fund 85% of all costs associated with the completion of the drilling of Melbana's two highest ranked and high impact targets (Alameda and Zapato) to earn a 70% participating interest in Block 9 PSC, with the first well expected to commence drilling in Q3 2020;
2. pay Melbana approximately \$5.0 million to cover its expenditure to date related to Block 9; and,
3. have the option to assume operatorship of Block 9 PSC at the conclusion of this two well drilling program.

Melbana will contribute 15% of the costs and be the operator for the two well drilling program. Its participating interest will be 30% and its share of the costs of the two well drilling program are expected to be largely met by the recovery of its back costs for Block 9.

In parallel, Melbana has been working with CUPET, the National Oil Company of Cuba, to progress the regulatory approvals that are required before Melbana can assign a 70% interest in Block 9 to Sonangol. Since Sonangol is already a qualified operator in Cuba, this process is considerably more straightforward than would otherwise be the case.

Melbana has also been meeting with drilling and other well services companies who have a presence in Cuba and, as a result, has identified possible spare capacity that may exist in the drilling windows Melbana is considering for this year. Invitations for expressions of interests have since been sent to several of these companies, the results of which will be used to refresh estimates of timings and costings prepared in 2018 when Melbana last tendered to drill a well in Cuba.

Also with respect to the two well drilling program in Block 9, no issues have been raised with respect to the applications that have made to extend the necessary permits and approvals that Melbana already holds for the first well and this process is proceeding to schedule. Permitting for the second well is at a less advanced stage but will be progressed as necessary once the expressions of interest have been received and likely drilling windows determined.

Melbana is also pleased to provide the following update with regards to its interest in the Santa Cruz oil field, also located onshore Cuba.

CUPET has advised that its internal restructuring is expected to be completed by the end of February 2020, which is a necessary development before negotiations between CUPET and Melbana can resume with regards to finalising a production sharing contract for this oil field.

**Melbana Energy’s Chairman, Andrew Purcell, said:**

*“Good progress has been made over the last few weeks, notwithstanding the potential for delays due to the holiday season in Australia, Angola and Cuba. This is testament to the keen desire of all parties to test the world class potential of Block 9 as soon as possible.*

*We have been encouraged, too, by the enthusiasm being shown by some drilling and service companies to meet our requirements for the drilling of these wells and we look forward to receiving more detailed information from them directly.”*

**For and on Behalf of the Board of Directors:**

Mr Andrew Purcell  
Chairman

Ends -

**For further information please contact**

Ms Melanie Leydin  
Company Secretary  
+61 3 8625 6000