

Melbana Energy Limited
ABN 43 066 447 952

Annual Report - 30 June 2022

Melbana Energy Limited
Corporate directory
30 June 2022

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| Directors | Andrew Purcell (Executive Chairman) Michael Sandy (Non-Executive Director) Peter Stickland (Non-Executive Director) |
| Company secretary | Theo Renard |
| Notice of annual general meeting | The Company will hold its annual general meeting of shareholders on 22 November 2022 |
| Registered Office & Principal Place of Business | Level 15, 9 Hunter Street Sydney, NSW 2000 Australia Telephone +61 (0)2 8323 6600 |
| Share register | Link Market Services Limited Tower 4, 727 Collins Street Melbourne, Victoria 3000 Australia Telephone +61 0(3) 9067 2005 |
| Auditor | MNSA Pty Ltd Level 1, 283 George Street Sydney, NSW 2000 Australia |
| Stock exchange listing | The securities of Melbana Energy Limited are listed on the Australian Securities Exchange (ASX code: MAY, MAYO) |
| Website address | www.melbana.com |
| Corporate Governance Statement | Corporate governance statements are available at the Company's website. Please refer to http://www.melbana.com/site/About-Us/corporate-governance |

Melbana Energy Limited
Directors' report
30 June 2022

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Melbana Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were Directors of Melbana Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Andrew Purcell (Executive Chairman)
Michael Sandy (Non-Executive Director)
Peter Stickland (Non-Executive Director)

Principal activities

The principal activities of the Consolidated Entity during the year were oil and gas exploration in Cuba and Australia together with development concepts for the Tassie Shoal Methanol and LNG Project.

Dividends

There were no dividends paid or declared during the current or previous financial year.

Review of operations

International Operations

Cuba - Block 9 (Melbana 30%)

The current two well exploration program the Company is executing in Block 9 is testing four separate targets with a combined pre-drill Prospective Resource of 236 million barrels of oil (Best Estimate, 100% basis)¹.

Alameda-1

Drilling of the first of the two well program commenced on 13 September 2021 with the spudding of Alameda-1. Oil shows and elevated gas readings started to be encountered starting almost immediately below the casing point and continuing until about 1,842 metres. Wire logging results from this section produced an estimate of 48 net metres of potential oil and gas pay, excluding about 290 metres where poor hole conditions prevented viable logs from being acquired. Casing was then set at this depth and this first formation containing moveable hydrocarbons was subsequently designated as Amistad. In March 2022, independent expert McDaniel & Associates estimated that the reservoirs located in this Amistad section contained 2.5 billion barrels of oil in place for a combined 119 million barrels of Prospective Resource (100% share, unrisks mean estimate basis)¹, a significantly larger volume than was prognosed to occur at this depth.

Drilling ahead then continued in November 2021, with some interruptions whilst awaiting the delivery of certain materials, to 2,592 mMD², at which depth the decision was made to log the section and set casing. Oil and gas shows were subsequently encountered from 2,865 mMD to 2,971 mMD before drilling ahead through an effective seal into the N sheet (subsequently redesignated Alameda), at which point strong oil shows were observed at surface along with elevated gas readings. Drilling ahead continued in early February 2022 to 3,590 mMD (3,420 mTVD)³, at which depth a decision was made to call section total depth to preserve the oil found in this section. Wireline logging of this section showed extensive natural fracturing and high down hole pressures across a gross reservoir interval of 560 mMD (495 mTVD) for an estimated net pay of 100 mMD (88 mTVD).

Drilling of the next section continued in early March 2022 into the I (now Marti) section, with strong oil shows and free oil and gas again being encountered at surface within the drilling mud system. Drilling paused at 3,769 mMD

¹ This estimate should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 18

² metres, measured depth

³ metres, total vertical depth

Melbana Energy Limited
Directors' report
30 June 2022

when a high-pressure zone was encountered, resulting in a strong influx of hydrocarbons into the wellbore. Once well control was re-established, drilling continued through continuous excellent oil shows to a total depth of 2,916 mMD when a further significant influx of oil and gas entered the well bore at higher pressure. Total depth was called at 3,916 mMD on 17 March 2022, despite not having reached the bottom of the potential reservoir section, as this was considered the prudent course of action. Logging operations were then run over the almost 300 mMD gross interval encountered in this Marti section, resulting in an estimate of approximately 52 mTVD of net pay in aggregate across a logged gross reservoir interval of about 240 mTVD. An attempt to flow test this Marti section a little higher than the highest pressure zone encountered at the bottom of the well bore was commenced in mid-April 2022 but was unsuccessful due to further strong influx of oil into the well bore. A subsequent attempt to similarly repurpose an exploration well into a testing environment to conduct preliminary tests in the higher Alameda (previously N) structure proved similarly unsuccessful due to the high mud weight that had to be build up to contain highly energised oil interval encountered in the deeper Marti structure.

Alameda-1 was safely suspended in late April 2022 with the intention being to return to it to conduct properly planned flow tests following the completion of Zapato-1.

Zapato-1

Zapato-1, the second exploration well of the two well Block 9 exploration drilling program, was spudded on 21 May 2022, Cuban time. Zapato-1 was located near the historic Motembo oil field (which was discovered in the late 19th century and reportedly contained at surface a very light oil of 50 – 64.5° API) and was designed to target a single formation estimated to commence at a depth of about 2,650 metres. The planned total depth for the well is 3,150 metres.

As of the end of the reporting period, drilling had progressed to a depth of 1,666 metres and was making slow but steady progress through the hard volcanics prognosed to exist above the target carbonate section.

Block 9 Forward Work Program

Melbana plans to appraise the oil-bearing intervals encountered whilst drilling Alameda-1 – the three units encountered in the upper sheet (Amistad units) and the two additional independent deeper oil-bearing intervals (Alameda and Marti reservoirs) – commencing immediately upon completion of Zapato-1 (and depending on the results of that well and the receipt of necessary partner and regulatory approvals). Concept studies for the development of Block 9, in general, have also commenced.

Cuba - Santa Cruz (Melbana 100%, subject to receiving final regulatory approvals)

No material progress was made during the reporting period towards the receipt of final regulatory approval for the binding contract Melbana has entered into for the Santa Cruz oil field.

The Santa Cruz oil field has produced at least 7.4 million barrels from 18 wells since its discovery in 2004.

The Company notes that Cuba is subject to various sanctions imposed on it unilaterally by the United States of America (US). Although these sanctions are intended to only apply to US citizens and corporations, their indirect scope is effectively larger thereby requiring the Company to allow for their impact on operations in Cuba.

Australian Operations

WA-488-P (Melbana contingent cash and royalty interest)

The sale of permit WA-488-P to EOG Resources Australia Block WA-488 Pty Ltd (EOG Australia) was approved by the National Offshore Petroleum Titles Administrator on 22 November 2021. The Company announced on 24 November 2021 that it had received from EOG Australia an initial payment of USD7.5 million in consideration for the sale. The Company is entitled to further payments from EOG Australia totalling USD5.0 million (subject to the purchaser making certain future elections with regards to the permit) and a royalty of USD10.0 million for each 25 million barrels of oil equivalent in the event oil is produced from the permit area should the exploration well be a commercial success.

Melbana Energy Limited
Directors' report
30 June 2022

Drilling of a well on the Beehive Prospect is planned for 2023, subject to rig availability and approval of the environmental program which EOG Australia has submitted to the regulator.

The Company has no exposure to any future costs associated with this permit, including to the cost of drilling the exploration well.

WA-544-P and NT/P87 (Melbana 100%)

In November 2020 the Company was awarded petroleum exploration permits as a result of applications it had made under the Australian Government's 2019 Offshore Petroleum Exploration Acreage Release. These permits, designated as WA-544-P and NT/P87, were awarded for an initial period of six years each with work commitments consisting of reprocessing and various studies in their primary term (years 1 to 3). The Company may withdraw from the permits prior to entering their secondary terms which contain more material expenditure commitments. These permits lie adjacent to WA-488-P and allow the Company to build on the knowledge it has gained in that permit area to pursue other leads in this expanded area.

Melbana has a 100% interest in these permit areas, which contain the undeveloped oil discoveries Turtle and Barnett. Melbana is currently conducting geoscientific studies over these permit areas.

AC/P50, AC/P51 (Melbana contingent cash and royalty interest)

Exploration permits AC/P50 and AC/P51 are located in the Vulcan sub-basin.

Melbana sold its 55% interest in these permits to joint venture partner Rouge Rock Pty Ltd (Rouge Rock) in 2018, giving Melbana an interest in any future farmout or sale of the permits.

Subsidiaries of Australia's Santos and Malaysia's SapuraOMV (Purchasers) acquired AC/P50 in May 2021 and Melbana received an upfront cash payment of about \$397,000.

Melbana retains an entitlement to receive a 10% share of any future royalty Rouge Rock would receive for production that occurs from this permit area during a defined period.

The Purchasers have also acquired the right to acquire AC/P51. Should this right be exercised, Melbana would be entitled to receive similar cash consideration and contingent royalties.

AC/P70 (Melbana 100%)

On 16 February 2022, the Company announced that it had been granted petroleum exploration permit AC/P70, located in the Territory of Ashmore and Cartier Islands, for an initial period of six years. Melbana made this application for this permit under the Australian Government's 2020 Offshore Petroleum Exploration Acreage Release.

Petroleum exploration permit AC/P70 contains the undeveloped Vesta-1 oil discovery drilled in 2005. The Vesta-2 appraisal well drilled in 2007 identified a gas cap. 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.

Tassie Shoals (100%)

Melbana has Australian Government environmental approvals to construct, install and operate two stand-alone world scale 1.75 Mtpa methanol plants - collectively referred to as the Tassie Shoal Methanol Project - and a single 3 Mtpa LNG plant - known as the Tassie Shoal LNG Project - on Tassie Shoal, an area of shallow water in the Australian waters of the Timor Sea approximately 275 km north-west of Darwin, Northern Territory. These Environmental Approvals are valid until 2052. These projects uniquely provide a development option for discovered but undeveloped gas resources in the region.

Progress for these projects is dependent on securing access to proximate gas supply on suitable commercial terms. No material progress was made in this regard during the reporting period but ongoing and increased activity

Melbana Energy Limited
Directors' report
30 June 2022

in the energy sector in offshore northern Australia is closely monitored by the Company to identify possible opportunities to progress the development of this project.

Results for the year

The net profit after tax of the Consolidated Entity for the financial year was \$6,333,812 (2021: net loss after tax of \$1,398,123). The profit for the year was mainly due to the sale of permit WA-488-P of \$10,391,856 offset by administration costs of \$4,002,458 (2021: \$2,472,101). Overall profit for the year increased by \$7,730,935 compared to the 2021 financial year.

During the year, the Consolidated Entity incurred net operating cash outflows of \$2,119,543 (2021: outflows of \$2,000,361), net investing cash inflows of \$3,264,709 (2021: inflows of \$11,598,463) and net financing cash inflows of \$23,830,840 (2021: outflows of \$125,997).

The successful drilling and commercialisation of any oil and gas discoveries in Cuban and Australian exploration permits and/or the development/sale of the Consolidated Entity's methanol and LNG Projects could ultimately lead to the establishment of a profitable business or result in a profit to the Company if an asset sale occurs. While the Consolidated Entity is in the exploration/appraisal stage of drilling for hydrocarbons in its offshore Australian exploration permit and overseas acreage and in the project development phase for its other offshore Australian interests, funding will be provided by asset sales, equity capital raised from the issue of new shares and/or farm out or joint development arrangements with other companies.

Review of financial position

The net assets increased by \$30,082,682 to \$37,172,262 at 30 June 2022 (30 June 2021: \$7,089,580). During the year, the Consolidated Entity capitalised \$9,532,768 (2021: \$1,315,080) of exploration expenditure, mainly in relation to Block 9 in Cuba. The main determinants of the Consolidated Entity's financial condition were:

- Profit after tax of \$6,332,812 (2021: loss of \$1,398,123);
- increase in share capital amounting to \$22,875,044 (2021: \$nil).

The working capital position as at 30 June 2022 of the Consolidated Entity results in an excess of current assets over current liabilities of \$26,450,132 (30 June 2021: \$2,389,609). The cash balances, including term deposits, as at 30 June 2022 were \$35,570,347 (2021: \$10,683,656).

Corporate

The Consolidated Entity's future prospects are centred on its ability to secure quality exploration, development and producing opportunities and seeking to maximise the value to shareholders of its current portfolio, identifying and securing additional value-accretive projects, and/or undertaking a corporate transaction.

Funding for the coming Financial Year is sufficient to meet the Company's forecast exploration and field development commitments however the Consolidated Entity may raise additional funding either through farm-in/sale and/or capital injection to advance its projects. In the event that the Consolidated Entity cannot meet its share of work program commitments, permits may need to be surrendered.

Significant changes in the state of affairs

On 20 August 2021 the Company received the approval of the National Offshore Petroleum Titles Administrator for a 20-month suspension of the permit conditions in respect of the Permit Year 3 work program (with a corresponding 20-month extension of the permit term) for its exploration permit WA-488-P. Receipt of this approval satisfied the final Condition Precedent of the Company's sale of WA-488-P to EOG Australia and the Company soon thereafter received a payment of USD7,500,000 as the Initial Purchase Price. The terms of the sale agreement entitle the Company to receive Contingent Additional Payments totalling US\$5.0 million, subject to certain future elections being made in regard to the WA-488-P permit area. In addition, Melbana is entitled to 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.

Melbana Energy Limited
Directors' report
30 June 2022

In the first quarter of the reporting period, the Company divested its holdings in Metgasco Limited (ASX: MEL) and Byron Energy Limited (ASX: BYE) on market for cash consideration.

On 7 September 2021 the Company announced the results of its underwritten pro-rata non-renounceable entitlements offer at \$0.02 per share with the Company issuing a total of 356,438,678 fully paid ordinary shares and 546,658,017 options expiring on 10 September 2021, raising a total of \$7,128,774 (gross proceeds before costs).

On 13 September 2021 exploration drilling commenced in Block 9 PSC onshore Cuba. Multiple significant hydrocarbon bearing zones were intercepted during the drilling of Alameda-1.

On 16 February 2022 the Company was awarded AC/P70, located offshore Australia in the Territory of Ashmore and Cartier Islands, for an initial period of six years. The permit contains the undeveloped Vesta-1 oil discovery drilled in 2005 and the Vesta-2 appraisal well drilled in 2007 identified a gas cap. The Company has a well commitment in the primary term (year three).

On 16 March 2022 the Company completed an institutional placement raising a total of \$15,000,000 before transaction costs via a placement of 125 million fully paid ordinary shares at a price of \$0.12 per share. The placement was supported by high quality institutional investors in Australia and abroad.

On 21 May 2022, Zapato-1, the second exploration well of the two well Block 9 exploration drilling program commenced drilling and is still drilling ahead to the target formation as of the reporting date.

During the year the Company has issued 86,899,695 fully paid ordinary shares and received proceeds of \$3,041,489 before transaction costs from conversion of its listed options.

As at 30 June 2022, there remained 459,758,321 Options unexercised. If all of the remaining options are converted, the Company would receive additional funds of \$16,091,541.

Resource upgrades

During the reporting period the Company made a significant announcement pertaining to the three oil reservoirs encountered by the Alameda-1 exploration well in the Amistad structure in its Block 9 Production Sharing Contract (Block 9 PSC) area, onshore Cuba. The resource estimate for these reservoirs were independently assessed⁴ to contain a combined (all of the following volumes are quoted on a 100% share unrisksed mean estimate basis):

- 2.5 billion barrels of oil in place
- 119 million barrels of Prospective Resource¹

Subsequent to the end of the reporting period, the Company released the independent resource assessment for the Alameda reservoir, the second of three encountered by the Alameda-1 exploration well in Block 9 PSC:

- 2.3 billion barrels of oil in place
- 148 million barrels of Prospective Resource¹

Also subsequent to the end of the reporting period, the Company released the independent resource assessment for the Marti Reservoir, the third and final reservoir encountered by the Alameda-1 exploration well in Block 9 PSC:

- 1.5 billion barrels of oil in place
- 95 million barrels of Prospective Resource¹

The three reservoirs encountered by the Alameda-1 exploration well have now been independently assessed to contain a combined:

- 6.3 billion barrels of oil in place
- 362 million barrels of Prospective Resource¹

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

⁴ Independent certifier McDaniel and Associates

Melbana Energy Limited
Directors' report
30 June 2022

Matters subsequent to the end of the financial year

On 8 July 2022, independent expert McDaniel & Associates estimated the Alameda (previously, N) reservoir to contain 2.3 billion barrels of oil in place for a Prospective Resource of 148 million barrels¹.

On 1 August 2022, independent expert McDaniel & Associates estimated the Marti (previously, I) reservoir to contain 1.5 billion barrels of oil in place for a Prospective Resource of 95 million barrels¹.

All of the volumes quoted above are on a 100% share unrisksed mean estimate basis.

Drilling operations are continuing in Zapato-1, the second exploration well in Block 9, Cuba. As of the reporting date the well had reached 2,354 mMD with a pre-drill prognosis for the top of the target structure estimated to begin at about 2,650 mMD.

As of the reporting date, the Company has received approximately \$15.9 million from exercise of listed options (ASX: MAYO) and issued 452,983,946 fully paid ordinary shares.

No other matter or circumstance have arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Consolidated Entity will continue to pursue its interests in:

- Block 9 PSC in Cuba in partnership with Sonangol. Exploration drilling operations are proceeding. The Company is preparing plans for the appraisal of the moveable hydrocarbons encountered whilst drilling its first well (Alameda-1) and will finalise these upon completion of the drilling of Zapato-1.
- EOG Australia is making preparations for the drilling of its Beehive-1 exploration well in WA-488-P in the Joseph Bonaparte Gulf in northern Australia which may begin in the following reporting period. The Consolidated Entity has no exposure to the cost of the drilling of this well or to the permit but is entitled to receive cash and royalty interests contingent on future elections made by EOG Australia in WA-488-P and commercial success from the drilling of the exploration well.
- Its other permit areas and licences.

Health Safety and Environmental regulation

The Consolidated Entity holds participating interests in a number of oil and gas areas. The various authorities granting such tenements require the licence holder to comply with the terms of the grant of the licence and all directions given to it under those terms of the licence.

Your Board of Directors believe that all workplace injuries are avoidable. Policies and procedures are in place to ensure employees and contractors conduct all activities in a safe manner. Melbana has adopted an environmental, health and safety policy and conducts its operations in accordance with international best practice, where reasonably practicable.

There have been no known breaches of any tenement conditions, one incident resulting in lost time due to injury (a second incident resulting in lost time occurred after the end of the reporting period) and zero spills within the Company's operations during the year ended 30 June 2022.

Melbana Energy Limited
Directors' report
30 June 2022

Information on Directors

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| Name: | Andrew Purcell |
| Title: | Executive Chairman |
| Qualifications: | B Eng; MBA |
| Experience and expertise: | Andrew Purcell founded the Lawndale Group (formerly Teknix Capital) in Hong Kong over 15 years ago, a company specialising in the development and management of projects in emerging markets across heavy engineering, petrochemical, resources and infrastructure sectors. Prior to this, Mr Purcell spent 12 years working in investment banking across the region for Macquarie Bank and then for Credit Suisse. Mr Purcell also has significant experience as a public company director, both in Australia and across Asia. |
| Other current directorships: | AJ Lucas Group Limited (ASX: AJL) |
| Former directorships (last three years): | None |
| Special responsibilities: | Member of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee |
| Interests in securities: | 243,436,931 Fully Paid Ordinary Shares |
| | |
| Name: | Peter Stickland |
| Title: | Non-Executive Director |
| Qualifications: | BSc, Hons (Geology), GDipAppFin (Finsia), GAICD |
| Experience and expertise: | Peter Stickland has over 30 years' global experience in oil and gas exploration. Mr Stickland was CEO and subsequently Managing Director of the Company from 2014 until January 2018 and then became a non-executive director. Previously, Mr Stickland was CEO and subsequently Managing Director of Tap Oil Limited (ASX: TAP) from 2008 until late 2010 during which time he oversaw the evolution of the company into a South East Asia/Australia focused E&P company. Prior to joining Tap Oil, Mr Stickland had a successful career with BHP Billiton including a range of technical and management roles. Mr Stickland is also a life member of the Australian Petroleum Production and Exploration Association Limited (APPEA). |
| Other current directorships: | None |
| Former directorships (last three years): | Talon Limited (ASX: TPD) (until October 2020) XCD Energy Limited (ASX: XCD) (until June 2020) |
| Special responsibilities: | Chairman of Reserves Committee, Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee |
| Interests in securities: | 15,427,419 fully paid ordinary shares |
| | |
| Name: | Michael Sandy |
| Title: | Non-Executive Director (served as Interim CEO from 22 July 2019 until 20 February 2020) |
| Qualifications: | BSC Hons (Geology), MAICD |
| Experience and expertise: | Michael Sandy is a geologist with over 40 years' experience in the resources industry – mostly focused on oil and gas. In the early 1990s he was Technical |

Melbana Energy Limited
Directors' report
30 June 2022

Manager of Oil Search Limited, based in Port Moresby, PNG. Mr. Sandy was involved in establishing Novus Petroleum Ltd and preparing that company for its \$186m IPO in April 1995. Over 10 years, he held various senior management roles with Novus including manager of assets in Australia, Asia, the Middle East and the USA and was involved in numerous acquisitions and divestments. He co-managed the defence effort in 2004 when Novus was taken over by Medco Energi. Subsequently, Mr Sandy has been the principal of energy consultancy company Sandy Associates P/L, has set up and taken companies to IPO and has built extensive experience on the boards of listed and unlisted companies, including Tap Oil, Burluson Energy and Hot Rock.

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| Other current directorships: | None |
| Former directorships (last three years): | MEC Resources Limited (Chairman) (ASX: MMR) |
| Special responsibilities: | Chairman of the Audit and Risk Committee, member of the Remuneration and Nomination Committee and a member of Reserves Committee |
| Interests in securities: | 5,300,000 fully paid ordinary shares |

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last three years) quoted above are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Theo Renard, CASA, MAICD, ACG (CS), Bcompt Hons – appointed 6 July 2021

Theo Renard is a Chartered Accountant and has over 21 years' experience in credit and relationship banking in the fields of commercial and investment banking throughout South Africa, Asia and Australia. He is an experienced Chief Financial Officer and Company Secretary within retail, manufacturing, processing and resources industries in Australia, Africa, Asia and the Subcontinent. He is an experienced director, having served on boards of overseas listed companies as director and was Chairman of a conveyor manufacturer, and is currently a director of an ASX listed company.

Meetings of Directors

The number of meetings of the Company's Board of Directors (Board) and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

| | Full Board | | Reserves Committee | | Audit and Risk Committee | |
|-----------------|------------|------|--------------------|------|--------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Andrew Purcell | 7 | 7 | - | 2 | 2 | 2 |
| Michael Sandy | 7 | 7 | 2 | 2 | 2 | 2 |
| Peter Stickland | 7 | 7 | 2 | 2 | 2 | 2 |

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Melbana Energy Limited
Directors' report
30 June 2022

The Company held two Remuneration and Nomination Committee meetings during the 2022 financial year which were attended by Michael Sandy and Peter Stickland to consider the remuneration terms to be offered to the Executive Chairman.

Remuneration report (audited)

The directors are pleased to present the 2022 remuneration report which sets out remuneration information for the Company's Non-Executive Directors, Executive Director and key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practices for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Consolidated Entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Consolidated Entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

The performance of the Consolidated Entity depends upon the quality of its directors and executives. To prosper, the Consolidated Entity must attract, motivate and retain highly skilled directors and executives.

To this end, the Consolidated Entity embodies the following principles in its remuneration framework:

- Offer competitive remuneration benchmarked against the external market to attract high calibre executives;
- Where appropriate, provide executive rewards linked to shareholder value; and
- Encourage Non-Executive Directors to hold shares in the Company.

Melbana Energy Limited
Directors' report
30 June 2022

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-Executive Directors' remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee receives independent market data when undertaking this annual review process.

The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Remuneration and Nomination Committee did not use the services of a remuneration consultant during the year.

The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market.

The Chairman is not present at any discussions relating to the determination of his own remuneration.

The 4th edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council (Council) specifies that it is generally acceptable for Non-Executive Directors to receive securities as part of their remuneration to align their interest with the interests of other security holders, however Non-Executive Directors should not receive performance-based remuneration as it may lead to bias in their decision making and compromise their objectivity. Generally Non-Executive directors do not receive performance-based bonuses and/or other incentives and prior shareholder approval is required to participate in any issue of equity.

The Board has determined that Non-Executive Directors will be entitled to charge the Consolidated Entity at a rate of \$1,200 per day unless that non-executive director is serving in the capacity of Technical Director in which case the rate would be \$2,000 per day. These rates apply for any work performed in excess of five days per calendar month and subject to receiving the prior approval of the Executive Chairman.

The Constitution and the ASX listing rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The most recent determination was at the Annual General Meeting held on 18 November 2010, where the shareholders approved a maximum annual aggregate remuneration of \$500,000. The combined payment to all Non-Executive Directors does not exceed this aggregate amount.

Executive remuneration

The Consolidated Entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- Fixed remuneration
- Variable remuneration consisting of Short-Term Incentive (STI) and Long-Term Incentive (LTI).

The combination of these comprises the executive's total remuneration. The mix between fixed and variable remuneration is established for the executive by the Remuneration and Nomination Committee.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive. Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee

Melbana Energy Limited
Directors' report
30 June 2022

and, where appropriate, external advice on policies and practices. As noted above, the Remuneration and Nomination Committee has access to external advice independent of management.

The STI program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (KPI) being achieved. KPIs include share price performance, safe execution of the Company's projects, business development and organisational management.

The LTI comprised of options and/or performance rights awarded to executives and vest conditional upon the recipient meeting service objectives and share price hurdles.

Consolidated Entity performance and link to remuneration

Remuneration for certain executives granted options or performance rights is linked to the performance of the Consolidated Entity, as an improvement in the Company's share price will correspondingly increase the benefits to the executive. This will align the interests of the executive and the shareholders. Refer to the section "Additional information" below for details of the earnings and share price movements for the last five years.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Consolidated Entity are set out in the following tables.

Directors:

- Andrew Purcell - Executive Chairman
- Michael Sandy - Non-Executive Director
- Peter Stickland - Non-Executive Technical Director

| | Short-term benefits | | Post Employment Benefits | Long-term Benefits | | Total |
|---------------------------------|---------------------|------------|--------------------------|--------------------|----------------------|------------------|
| | Salary and fees | Cash Bonus | Super-annuation | Long Service Leave | Equity Settled | |
| 30-Jun-22 | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | |
| Michael Sandy | 75,409 | - | - | - | - | 75,409 |
| Peter Stickland | 126,125 | - | - | - | - | 126,125 |
| <i>Executive Director:</i> | | | | | | |
| Andrew Purcell | 357,100 | - | - | - | 636,241 ⁵ | 993,341 |
| | 558,634 | 0 | 0 | 0 | 636,241 | 1,194,875 |

⁵ Andrew Purcell was issued 31,812,050 performance rights to vest over two tranches in accordance with shareholder approval received at the AGM on 26 November 2021. As indicated in the 2021 AGM notice of meeting, the total number of performance rights proposed by the Company was calculated based on 3 years of director's fees at \$150,000 p.a. divided by \$0.02 (being the 20-day VWAP up to and including 1 Oct 2021). However, the fair value of Andrew Purcell's performance rights for the purposes of this financial report reflects the prevailing share price as at the date of shareholder approval.

Melbana Energy Limited
Directors' report
30 June 2022

| | Short-term benefits | | Post Employment Benefits | Long-term Benefits | | Total |
|---------------------------------|---------------------|----------------|--------------------------|--------------------|----------------|----------------|
| | Salary and fees | Cash Bonus | Super-annuation | Long Service Leave | Equity Settled | |
| 30-Jun-21 | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | |
| Michael Sandy | 109,375 | - | - | - | - | 109,375 |
| Peter Stickland | 118,750 | - | - | - | - | 118,750 |
| <i>Executive Director:</i> | | | | | | |
| Andrew Purcell | 391,277 | 109,725 | - | - | - | 501,002 |
| | 619,402 | 109,725 | - | - | - | 729,127 |

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| | Fixed Remuneration | | At Risk (STI) | | At Risk (LTI) | |
|---------------------------------|--------------------|-----------|---------------|-----------|---------------|-----------|
| | 30-Jun-22 | 30-Jun-21 | 30-Jun-22 | 30-Jun-21 | 30-Jun-22 | 30-Jun-21 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Michael Sandy | 100% | 100% | - | - | - | - |
| Peter Stickland | 100% | 100% | - | - | - | - |
| <i>Executive Director:</i> | | | | | | |
| Andrew Purcell | 35.9% | 78.1% | - | 21.9% | 64.1% | - |

Service agreements

Name: Andrew Purcell

Title: Executive Chairman

Agreement commenced: 1 April 2021

Term of agreement: No fixed term

Details: Mr Purcell's fixed remuneration is \$360,000 per annum (inclusive of statutory superannuation).

The STI will be up to 50% of the Annual Salary and paid in cash or shares or both at the discretion of the Board in consultation with the executive.

The LTI will issue once every three years equating to a total value of \$450,000.

The executive can terminate the agreement with 3 months' notice. The Company can terminate the agreement with 3 months' notice, or payment in lieu thereof.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Melbana Energy Limited
Directors' report
30 June 2022

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2022 (2021: Nil) other than 31,812,050 performance rights that vested and then converted into ordinary shares by the Executive Chairman.

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2022.

Performance rights

The terms and conditions of each grant of performance rights affecting remuneration of key management personnel in this financial year or future reporting years are as follows:

| | Type of performance right granted | Vesting date and exercisable date | Number of performance rights | Value per right at grant date | Vested and exercised 30 June 2022 |
|---------------|-----------------------------------|-----------------------------------|------------------------------|-------------------------------|-----------------------------------|
| Grant date | | | | \$ | % |
| 25 Nov 2021 | LTI - Tranche 1 | 12 Apr 2022 | 15,906,025 | 0.02 | 100 |
| Michael Sandy | LTI - Tranche 2 | 12 Apr 2022 | 15,906,025 | 0.02 | 100 |

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2022 are summarised below:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------------------------|-----------|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Profit/(loss) after income tax | 6,332,812 | (1,398,123) | (2,157,906) | (3,357,696) | (6,100,290) |

The factors that are considered to affect total shareholder return are summarised below:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-----------------------------------|------|--------|--------|--------|--------|
| | \$ | \$ | \$ | \$ | \$ |
| Share price at financial year end | 0.08 | 0.02 | 0.01 | 0.01 | 0.01 |
| Basic earnings (cents per share) | 0.24 | (0.06) | (0.11) | (0.18) | (0.41) |

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out on the next page:

Melbana Energy Limited
Directors' report
30 June 2022

| | Balance at the start of the year | Exercise of performance rights/options | Additions | Disposals/Other | Balance at the end of the year |
|------------------------|---|---|------------------|------------------------|---------------------------------------|
| Ordinary shares | | | | | |
| Andrew Purcell | 219,758,759 | 32,062,050 | 1,616,122 | (10,000,000) | 243,436,931 |
| Michael Sandy | 5,400,000 | 492,307 | 1,984,615 | (2,576,922) | 5,300,000 |
| Peter Stickland | 16,597,279 | 1,276,713 | 2,553,427 | (5,000,000) | 15,427,419 |
| | 241,756,038 | 33,831,070 | 6,154,164 | (17,576,922) | 264,164,350 |

Option holding

There were no options holdings held and no movements during the financial year ended 30 June 2022.

Performance Rights Holding

| 2022 | Balance at the start of the year | Granted | Exercised | Other Changes | Balance at the end of the year | Vested and exercisable | Unvested |
|--|---|-------------------|---------------------|----------------------|---------------------------------------|-------------------------------|-----------------|
| <i>Performance rights over ordinary shares</i> | | | | | | | |
| A. Purcell | - | 31,812,050 | (31,812,050) | - | - | - | - |
| | - | 31,812,050 | (31,812,050) | - | - | - | - |

This concludes the remuneration report, which has been audited.

Shares under performance rights

There were no unissued ordinary shares of Melbana Energy Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

There were 86,899,695 ordinary shares issued on the exercise of options during the year ended 30 June 2022. There were 93,674,071 unissued ordinary shares of Melbana Energy under MAYO options outstanding at the date of this report.

Indemnity and insurance of officers or Auditors

The Group has in place a contract insuring the directors, the company secretary and all executive officers of the Group and any related body corporate against a liability incurred by a director, company secretary or executive officers to the extent permitted by the *Corporations Act 2001*.

The Group has indemnified the directors, the company secretary and all executive officers of the Group for costs incurred, in their capacity as officers of the Group, for which they may be held personally liable, except where there is a lack of good faith.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to the auditors of the Group or any related entities against a liability incurred by the auditors.

Melbana Energy Limited
Directors' report
30 June 2022

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former directors of MNSA

There are no officers of the Company who are former directors of MNSA.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

Auditor

MNSA continues in office in accordance with section 327 of the *Corporations Act 2001*.

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders.

The Company complies with the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations – 4th edition. A copy of the company's Corporate Governance Statement is available at the company's website at the following address: <https://www.melbana.com/site/About-Us/Corporate-governance>.

ESG Report

The Company is committed to improving the lives of our employees and the communities in which we operate, as well as striving to have our operations benefit all of our stakeholders. Our field operations are conducted in accordance with international best practice, regardless of whether this is of a higher standard than what local regulations or practice require in the countries where we operate. We also prioritise the hiring of suitably qualified people from the countries in which we operate so as to transfer financial and educational benefits to local

Melbana Energy Limited
Directors' report
30 June 2022

communities and to show, by example, the emphasis we place on healthy, safe and diverse workplaces and protection of the environment. Our goal is to build sustainable operations that enhance the lives of our stakeholders, including staff, customers, communities and shareholders.

Notes regarding Contingent and Prospective resource estimates

1. 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. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
2. The information that relates to Prospective Resources for Melbana is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, a director of Melbana. Mr Stickland B.Sc. (Hons) has over 30 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 Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules.
3. Total Liquids = oil + condensate
4. 6 Bcf gas equals 1 MMboe; 1 MMbbl condensate equals 1 MMboe
5. Melbana's share can be derived by pro-rating the resource ranges by its percentage equity

This report is made in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Andrew Purcell", written over a horizontal line.

Andrew Purcell
Executive Chairman

9 September 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MELBANA ENERGY LIMITED AND CONTROLLED ENTITIES
ABN 43 066 447 952**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Melbana Energy Limited.

As the auditor for the audit of the financial report of Melbana Energy Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

MNSA PTY LTD

MNSA Pty Ltd



Mark Schiliro

Director

Sydney

Dated this 9th September 2022



MNSA

Melbana Energy Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

| | Note | 30-June-22 \$ | 30-June-21 \$ |
|---|------|------------------|--------------------|
| Other income | 5 | 10,391,168 | 1,103,359 |
| Interest income | | 874 | 131 |
| Expenses | | | |
| Consultants fees and expenses | | (687,275) | (277,973) |
| Employee benefits expenses | | (1,166,845) | (1,037,444) |
| Administration and other expenses | | (166,267) | (133,929) |
| Audit, tax and other compliance related costs | | (138,838) | (181,298) |
| Securities exchange, share registry and reporting costs | | (184,038) | (92,689) |
| Operating lease and outgoing expenses | | (44,191) | (103,389) |
| Investor relations and corporate promotions costs | | (85,166) | (74,672) |
| Travel costs | | (24,696) | (10,622) |
| Depreciation expense | | (121,641) | (20,488) |
| Share Based Payment Expense | | (636,241) | - |
| Tenement application and other related expenses | | - | (76,901) |
| Foreign exchange loss | | (747,260) | (462,696) |
| Finance costs | 6 | (56,772) | (29,512) |
| Profit/(loss) before income tax expense | | 6,332,812 | (1,398,123) |
| Income tax expense | 7 | - | - |
| Profit/(loss) after income tax expense for the year attributable to the owners of Melbana Energy Limited | | 6,332,812 | (1,398,123) |
| Other comprehensive incomes | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Profit/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax | 10 | (579,033) | (358,379) |
| Other comprehensive income/(loss) for the year, net of tax | | (579,033) | (358,379) |
| Total comprehensive income/(loss) for the year attributable to the owners of Melbana Energy Limited | | 5,753,779 | (1,756,502) |
| | | Cents | Cents |
| Basic earnings per share | 30 | 0.24 | (0.06) |
| Diluted earnings per share | 30 | 0.21 | (0.06) |

Melbana Energy Limited
Consolidated statement of financial position
as at 30 June 2022

| | Note | 30-June-22 \$ | 30-June-21 \$ |
|---|------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 35,570,347 | 10,683,656 |
| Other receivables | 9 | 155,982 | 167,047 |
| Other financial assets | 11 | 150,000 | 51,852 |
| Receivable from farm-out arrangement | 16 | 3,648,597 | - |
| Total current assets | | 39,524,926 | 10,902,555 |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income | 10 | - | 3,478,789 |
| Plant and equipment | 12 | - | 31,637 |
| Deposits | | 12,590 | 12,590 |
| Exploration and evaluation | 13 | 10,709,762 | 1,176,994 |
| Total non-current assets | | 10,722,352 | 4,700,010 |
| Total assets | | 50,247,278 | 15,602,565 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 12,903,444 | 735,946 |
| Provisions | 15 | 171,350 | 159,366 |
| Advances from farm-out arrangement | 16 | - | 7,617,634 |
| Total current liabilities | | 13,074,794 | 8,512,946 |
| Non-current liabilities | | | |
| Provisions | 15 | 222 | 39 |
| Total non-current liabilities | | 222 | 39 |
| Total liabilities | | 13,075,016 | 8,512,985 |
| Net assets | | 37,172,262 | 7,089,580 |
| Equity | | | |
| Issued capital | 17 | 303,177,819 | 280,302,775 |
| Reserves | 18 | 639,340 | (1,353,836) |
| Accumulated losses | | (266,644,897) | (271,859,359) |
| Total equity | | 37,172,262 | 7,089,580 |

Melbana Energy Limited
Consolidated statement of changes in equity
For the year ended 30 June 2022

| | Issued Capital \$ | Share based payment reserve \$ | Other reserves \$ | Accumulated losses \$ | Total equity \$ |
|---|-------------------------|---|-------------------------|-----------------------------|--------------------|
| Balance at 1 July 2020 | 280,302,775 | 1,380,293 | (759,971) | (272,077,015) | 8,846,082 |
| Loss after income tax expense for the year | | | | (1,398,123) | (1,398,123) |
| Other comprehensive loss for the year, net of tax | | | (358,379) | | (358,379) |
| Total comprehensive income for the year, net of tax | | | (358,379) | (1,398,123) | (1,756,502) |
| Options lapsed (Note 18) | | (1,380,293) | | 1,380,293 | 0 |
| Transfer of FCTR* to accumulated losses | | | (235,486) | 235,486 | 0 |
| Balance at 30 June 2021 | 280,302,775 | 0 | (1,353,836) | (271,859,359) | 7,089,580 |
| | Issued Capital \$ | Share based payment reserve \$ | Other reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2021 | 280,302,775 | 0 | (1,353,836) | (271,859,359) | 7,089,580 |
| Profit/(loss) after income tax expense for the year | | | | 6,332,812 | 6,332,812 |
| Other comprehensive loss for the year, net of tax | | | (579,033) | | (579,033) |
| Total comprehensive income for the year, net of tax | | | (579,033) | 6,332,812 | 5,753,779 |
| Shares issued | 22,128,774 | | | | 22,128,774 |
| Issue of Performance Rights | | 636,241 | | | 636,241 |
| Conversion of Performance Rights | 636,241 | (636,241) | | | 0 |
| Issue of Options | | 1,728,655 | | | 1,728,655 |
| Exercise of Options | 3,316,285 | (274,796) | | | 3,041,489 |
| Cost of capital raising | (3,206,256) | | | | (3,026,256) |
| Transfer of reserves to accumulated losses | | | 1,118,350 | (1,118,350) | 0 |
| Balance at 30 June 2022 | 303,177,819 | 1,453,859 | (814,519) | (266,644,897) | 37,172,262 |

* Foreign Currency Translation Reserve

Melbana Energy Limited
Consolidated statement of cash flows
For the year ended 30 June 2022

| | Note | 30-June-22 \$ | 30-June-21 \$ |
|---|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees (inclusive of GST) | | (2,062,397) | (1,849,064) |
| Exploration and evaluation | | (57,087) | (179,603) |
| Interest received | | - | - |
| Interest paid | | (59) | (7,166) |
| COVID-19-related government grants | | - | 35,472 |
| Net cash used in operating activities | 29 | (2,119,543) | (2,000,361) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (86,568) | (12,355) |
| Payments for exploration and evaluation | | (39,134,910) | (7,540,358) |
| Payments for investments | | - | (441,458) |
| Proceeds from sale of exploration interest | | 10,391,856 | 361,419 |
| Proceeds from farm-out arrangement | | 28,615,542 | 19,231,215 |
| Proceeds from disposal of investments | | 3,478,789 | - |
| Net cash from investing activities | | 3,264,709 | 11,598,463 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 24,893,706 | - |
| Share issue transaction costs | | (1,062,866) | - |
| Payment of principal element of lease liabilities | | - | (125,997) |
| Net cash provided by/(used in) financing activities | | 23,830,840 | (125,997) |
| Net increase/(decrease) in cash and cash equivalents | | 24,976,006 | 9,472,105 |
| Cash and cash equivalents at the beginning of the financial year | | 10,683,656 | 1,752,263 |
| Effects of exchange rate changes on cash and cash equivalents | | (89,315) | (540,712) |
| Cash and cash equivalents at the end of the financial year | 8 | 35,570,347 | 10,683,656 |

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Note 1. General information

The financial statements cover Melbana Energy Limited as a Consolidated Entity consisting of Melbana Energy Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Melbana Energy Limited's functional and presentation currency.

Melbana Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are disclosed on the Corporate Summary accompanying these financial statements.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 9 September 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The financial report has not been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 30 June 2022, the Consolidated Entity:

- had, for the financial year ending on that date, incurred a net profit after tax of \$6,333,812 (2021: loss of \$1,398,123);
- had, for the financial year ending on that date, net cash inflows from operating, and investing and financing activities of \$24,976,006 (2021: \$9,472,105);
- had cash and cash equivalents of \$35,570,347 (2021: \$10,683,656); and
- had a net working capital position of \$26,450,132 (2021: \$2,389,609).

The Consolidated Entity is involved in the exploration and evaluation of oil and gas tenements. Further expenditure will be required on these tenements to ascertain whether they contain economically recoverable reserves.

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is a significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Company continues to take precautionary measures for its field operations by requiring all visitors to the camp or drilling site to first report to the camp doctor for a rapid antigen test before being admitted. At the date of this report, the impact of these measures is not expected to significantly impact the completion of the current work being undertaken. However, as the circumstances continue to evolve, there may be disruptions to the future work timelines if employees, consultants or their respective families are personally impacted by COVID-19 or if travel and other operational restrictions persist.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Melbana Energy Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Melbana Energy Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Specifically, the Consolidated Entity controls an investee if and only if the Consolidated Entity has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Consolidated Entity has less than a majority of the voting or similar rights of an investee, the Consolidated Entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Consolidated Entity's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The Consolidated Entity's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. Each entity in the Consolidated Entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the consolidated report are taken to profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Consolidated Entity recognises revenue as follows:

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government Grants

Government grants are recognised in the financial statements at expected values or actual cash received when there is a reasonable assurance that the Consolidated Entity will comply with the requirements and that the grant will be received.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the consolidated statement of comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Financial Instruments

(i) Trade Receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

The Consolidated Entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in (ii) below.

(ii) Allowance for expected credit loss

The Consolidated Entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

(iii) Trade and other payables

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(iv) Loans and borrowings

Loans and borrowings are recognised initially at fair value, being the consideration received, less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Any gains or losses arising from non-substantial modifications are recognised immediately in the statement of profit and loss and the financial liability continues to amortise using the original effective interest rate. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to assets, and obligations for the liabilities of the joint arrangement. Joint control is the contractual agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Consolidated Entity accounts for its share of the joint operation assets, and liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint operation's output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Consolidated Entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Subsequent measurement of financial assets at fair value through other comprehensive income

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Consolidated Entity benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instruments designated at fair value

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

through OCI are not subject to impairment assessment. The Consolidated Entity elected to classify irrevocably its listed equity investment under this category.

Impairment of financial assets

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income (only debt instruments, not equity instruments). The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income (only debt instruments, not equity instruments), the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives which range from 3 to 15 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the consolidated statement of comprehensive income in the period the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is written down to its recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and,

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Consolidated Entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated Entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Exploration and evaluation assets

Exploration and evaluation expenditure is carried at cost. If indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Exploration and evaluation costs are accumulated separately for each current area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Impairment of exploration and evaluation costs

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits/(losses) and net assets will be varied in the period in which this determination is made.

Farm-outs

- The Consolidated Entity will not record any expenditure made by the farm-in partner on its behalf;
- The Consolidated Entity will not recognise a gain or loss on the farm-out arrangement but rather will redesignate any costs previously capitalised in relation to the whole interest as relating to the partial interest retained; and
- Any cash consideration to be received will be credited against costs previously capitalised in relation to the whole interest with any excess to be accounted for by the Consolidated Entity as gain on disposal.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are recognised in provisions in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Melbana Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

New Accounting Standards and Interpretations not yet mandatory or early adopted

There were no new Australian Accounting Standards and Interpretations that have been issued or amended for the annual reporting period ended 30 June 2022.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration and evaluation costs

Exploration and evaluation costs are accumulated separately for each area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure.

In the judgement of the Directors, at 30 June 2022 exploration activities in Cuba Block 9 has not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to Cuba Block 9 is continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 4. Operating segments

The Consolidated Entity operates in the petroleum exploration industry within Australia and Cuba.

The Board of Directors currently receive regular consolidated cash flow information as well as Consolidated Statement of Financial Position and Statement of Comprehensive Income information that is prepared in accordance with Australian Accounting Standards.

The Board does not currently receive segmented Statement of Financial Position and Statement of Comprehensive Income information. The Board manages exploration activities of each permit area through review and approval of budgets, joint venture cash calls and other operational information. Information regarding exploration expenditure capitalised for each area is contained in Note 13.

Note 5. Other income

| | 30-June-22 | 30-June-21 |
|--|-------------------|-------------------|
| | \$ | \$ |
| COVID-19 – related government grants | - | 35,472 |
| Grant (overpayment)/income | (688) | 10,537 |
| Income tax refund | - | 443 |
| Receipt of in specie shares | - | 660,194 |
| Receipt of sale proceeds from sale of permit | 10,391,856 | 396,713 |
| Other income | 10,391,168 | 1,067,887 |

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Other income

Other income is recognised when it is received or when the right to receive payment is established.

COVID-19-related government grants

COVID-19-related government grants represent the cash flow boost payments received from Federal Government in response to ongoing novel coronavirus (COVID-19) pandemic. Government grants are recognised in the financial statements at expected values or actual cash received when there is a reasonable assurance that the Consolidated Entity will comply with the requirements and that the grant will be received.

Note 6. Finance costs

| | 30-June-22 | 30-June-21 |
|---------------------|-------------------|-------------------|
| | \$ | \$ |
| Bank's fees | 56,753 | 29,501 |
| Interest expense | 19 | 11 |
| Other income | 56,772 | 29,512 |

Note 7. Income tax expense

| | 30-June-22 | 30-June-21 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Numerical reconciliation of income tax expense and tax at statutory rate | | |
| Loss before income tax expense | 6,332,812 | (1,398,123) |
| Tax at the statutory tax rate of 25% (2021: 26%) | 1,583,203 | 363,512 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-assessable non-exempt income | - | - |
| Other non-deductible expenditure | - | - |
| | (1,583,203) | 363,512 |
| Current year tax profits/(losses) not recognised | 1,583,203 | (363,512) |
| Interest tax expense | 0 | 0 |
| Tax losses not recognised | | |
| Unused tax losses for which no deferred tax asset has been recognised | 186,218,308 | 192,551,120 |
| Potential tax benefit @ 25% (2021; 26%) | 46,554,577 | 50,063,291 |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Note 8. Cash and cash equivalents

| | 30-June-22 | 30-June-21 |
|---------------------------|-------------------|-------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Cash and cash equivalents | 35,570,347 | 10,683,656 |

Note 9. Other receivables

| | 30-Jun-22 | 30-Jun-21 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade debtors | 116,360 | - |
| Other receivables | 2,000 | 2,000 |
| Prepayments | 26,556 | 115,406 |
| GST receivable | 11,066 | 49,641 |
| Receivables | 155,982 | 167,047 |

Note 10. Financial assets at fair value through other comprehensive income

| | 30-June-22 | 30-June-21 |
|--------------------------------|-------------------|-------------------|
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Investment in listed companies | - | 3,478,789 |

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

| | | |
|-------------------------------------|-------------|------------------|
| Opening fair value | 3,478,789 | 3,149,272 |
| Additions | - | 899,969 |
| Disposals | (2,866,263) | (212,073) |
| Revaluation increments/(decrements) | (612,526) | (358,379) |
| Closing fair value | 0 | 3,478,789 |

The Company has now fully divested itself of its holdings in Metgasco Limited and Byron Energy Limited.

Note 11. Other financial assets

| | 30-Jun-22 | 30-Jun-21 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Term deposits | 150,000 | 51,852 |

Term deposits represent a term deposit of \$150,000 and a security deposit of \$nil (2021: \$51,852 being security deposit lodged as security for the short- term lease and rental).

Note 12. Plant and equipment

| | 30-Jun-22 | 30-Jun-21 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Office equipment – at cost | 364,654 | 274,650 |
| Less: accumulated depreciation | (364,654) | (243,013) |
| | 0 | 31,637 |

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Office equipment \$ |
|--------------------------------|------------------------------------|
| Balance at 1 July 2020 | 28,482 |
| Additions | 23,643 |
| Depreciation expense | (20,488) |
| Balance at 30 June 2021 | 31,637 |
| Additions | 90,004 |
| Depreciation expense | (121,641) |
| Balance at 30 June 2022 | 0 |

Note 13. Exploration and evaluation

| | Consolidated 30-Jun-22 \$ | 30-Jun-21 \$ |
|---|--|-------------------------|
| Exploration and evaluation Block 9 Cuba – at cost | 10,709,762 | 1,176,994 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Block 9 \$ | WA-488-P \$ | NT/P87 \$ | WA-544-P \$ | AC/P70 \$ | Total \$ |
|--------------------------------|-----------------------|------------------------|----------------------|------------------------|----------------------|---------------------|
| Balance at 1 July 2020 | 5,252,593 | | | | | 5,252,593 |
| Additions | 1,279,380 | | 18,698 | 17,002 | | 1,315,080 |
| Disposals | (5,390,679) | | | | | (5,390,679) |
| Balance at 30 June 2021 | 1,141,294 | 0 | 18,698 | 17,002 | 0 | 1,176,994 |
| Additions | 8,105,369 | | 319,584 | 136,483 | 971,332 | 9,532,768 |
| Disposals | | | | | | 0 |
| Balance at 30 June 2021 | 9,246,663 | 0 | 338,282 | 153,485 | 971,332 | 10,709,762 |

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 30 June 2022 exploration activities in each area of interest, where costs are carried forward, have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed.

A review of the consolidated entity's exploration licenses was undertaken during the financial year and based on the review management identified no impairment indicators on Block 9. Further information on operating activities and development are included in the Directors' report.

Note 14. Trade and other payables

Refer to note 20 for further information.

| | 30-June-22 | 30-June-21 |
|------------------|-------------------|-------------------|
| | \$ | \$ |
| Accounts payable | 12,883,161 | 684,794 |
| Other payables | 20,283 | 51,152 |
| | 12,903,444 | 735,946 |

Note 15. Provisions

| | 30-June-22 | 30-June-21 |
|--------------------------------|-------------------|-------------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Annual leave | 112,255 | 103,016 |
| Long service leave | 59,095 | 56,350 |
| | 171,350 | 159,366 |
| <i>Non-current liabilities</i> | | |
| Long service leave | 222 | 39 |

Note 16. Advances from farm-out arrangement

| | 30-June-22 | 30-June-21 |
|---------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Receivables from farm-out arrangement | 3,648,597 | - |
| <i>Current liabilities</i> | | |
| Advances to farm-out arrangement | - | 7,617,634 |
| | 3,648,597 | 7,617,634 |

Project funding from joint operations partner are funds called from Sonangol by the Company as the operator for the Block 9 drilling program as per the FIA which was executed on 25 May 2020. Refer to Note 27 to the financial statements and Directors' report for further information on the arrangement.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Note 17. Issued capital

Movements in ordinary share capital

| | 30-June-22 No. | 30-June-21 No. | 30-June-22 \$ | 30-June-21 \$ |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
| Ordinary shares – fully paid | 2,917,001,836 | 2,316,851,413 | 303,177,819 | 280,302,775 |
| | Date | Shares | Issue Price | \$ |
| Opening balance | 1 Jul 21 | 2,316,851,413 | | 280,302,775 |
| Shares issued - entitlement offer | 7 Sep 21 | 356,438,678 | 0.020 | 7,128,774 |
| Shares issued – placement | 23/30 Mar 22 | 125,000,000 | 0.120 | 15,000,000 |
| Conversion of performance rights | | 31,812,050 | 0.020 | 636,241 |
| Shares issued – options exercised | | 86,899,695 | 0.035 | 3,316,285 |
| Cost of capital raising | | | | (3,206,256) |
| Closing balance | 30 Jun 22 | 2,917,001,836 | | 303,177,819 |

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share issue costs

Incremental costs directly attributable to the issue of new shares or options, including transactional costs and fees payable to relevant service providers, are shown in equity as a deduction, net of tax, from the proceeds.

Share buy-back

There is no current on-market share buy-back.

Shares under options

As at 30 June 2021 there were no shares under options issued. During the reporting period 86,899,695 shares were issued due to exercise of listed options. At 30 June 2022, 459,758,321 listed options remained outstanding at an exercise price of \$0.035 with an expiry of 10 Sept 2022.

Capital risk management

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the Company's share price at the time of the investment. The Consolidated Entity is not actively pursuing additional investments in the short term as it continues to grow its existing businesses.

The Consolidated Entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2021 Annual Report.

Note 18. Reserves

| | 30-June-22 | 30-June-21 |
|---|-------------------|--------------------|
| | \$ | \$ |
| Share-based payments reserve | 1,453,859 | - |
| Foreign Currency Translation | (814,519) | (235,486) |
| Financial assets at fair value through other comprehensive income reserve | - | (1,118,350) |
| | 639,340 | (1,353,836) |

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Information relating to the Consolidated Entity's details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in the Consolidated statement of changes in equity on page 22.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| | Financial assets at fair value through other comprehensive income reserve | Share based payment reserve | Foreign currency reserve | Total |
|--------------------------------------|--|------------------------------------|---------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | (759,971) | 1,380,293 | | 620,322 |
| Revaluation increments | (358,379) | | | (358,379) |
| Foreign Currency Translation Reserve | | | (235,486) | (235,486) |
| Lapse of performance rights | | (1,380,293) | | (1,380,293) |

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

| | | | | |
|--------------------------------------|--------------------|------------------|------------------|--------------------|
| Balance at 30 June 2021 | (1,118,350) | 0 | (235,486) | (1,353,836) |
| Issue of Performance Rights | | 636,241 | | (636,241) |
| Conversion of performance rights | | (636,241) | | (636,241) |
| Issue of Options | | 1,728,655 | | 1,728,655 |
| Conversion of Options | | (274,796) | | (274,796) |
| Disposal of assets | 1,118,350 | | | 1,118,350 |
| Foreign Currency Translation Reserve | | | (579,033) | |
| Balance at 30 June 2022 | 0 | 1,453,859 | (814,519) | 639,340 |

Note 19. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 20. Financial instruments

Financial risk management objectives

The Consolidated Entity's principal financial instruments comprise cash and short term deposits, the main purpose of which is to finance the Consolidated Entity's operations. The Consolidated Entity has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations and, as at 30 June 2022. The main risks arising from the Consolidated Entity's financial instruments are credit risk, interest rate risk, exchange rate risk and liquidity risk. The Board of Directors has reviewed each of those risks and has determined that, overall, they are not significant in terms of the Consolidated Entity's current activities. The Consolidated Entity may also enter into derivative financial instruments, principally forward currency contracts. The purpose is to manage the currency risks arising from the Consolidated Entity's operations. Speculative trading in derivatives is not permitted. There are no derivatives outstanding at 30 June 2022 (2021: \$nil).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the consolidated financial statements.

Market risk

Foreign currency risk

Generally, the Consolidated Entity's main exposure to exchange rate risk relates primarily to trade payables and cash denominated in EUR, arising in relation to its activities in Cuba. Where a payable is significant, EUR may be purchased on incurring the liability or commitment.

The Consolidated Entity's exposure to unhedged financial assets and liabilities at balance date is as follows:

| | 30-June-22 | 30-June-21 |
|----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| USD Financial assets | | |
| Cash on hand at bank | 6,430,067 | 27,386 |
| USD Financial liabilities | | |
| Payables | 55,512 | 2,751 |
| EUR Financial assets | | |
| Cash on hand at bank | 4,617,185 | 10,013,959 |

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

EUR Financial liabilities

| | | |
|----------|-----------|---------|
| Payables | 6,103,635 | 211,542 |
|----------|-----------|---------|

CAD Financial liabilities

| | | |
|----------|-----------|---------|
| Payables | 3,222,218 | 324,730 |
|----------|-----------|---------|

The Consolidated Entity had net assets denominated in foreign currencies as at 30 June 2022 of \$3,382,096 (2021: \$9,502,502). Based on this exposure, had the Australian dollar strengthened by 10% / weakened by 10% (2021: strengthened by 10% and weakened by 10%) against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the year would have been \$307,463 higher and \$375,788 lower (2021: \$863,864 higher / \$1,055,833 lower) and equity would have been \$307,463 lower / \$375,788 higher (2021: \$863,864 lower / \$1,055,833 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate at each reporting date.

An analysis of the exchange rate sensitivity by foreign currency is as follows:

| 30-Jun-22 | <u>AUD strengthened</u> | | | <u>AUD weakened</u> | | |
|--------------------------------------|-------------------------|-----------------------------|------------------|---------------------|-----------------------------|------------------|
| | Change | Effect on profit before tax | Effect on equity | Change | Effect on profit before tax | Effect on equity |
| USD net financial assets/liabilities | 10% | (840,503) | 840,503 | 10% | 1,027,282 | (1,027,282) |
| EUR net financial assets/liabilities | 10% | 203,843 | (203,843) | 10% | (249,141) | 249,141 |
| CAD net financial assets/liabilities | 10% | 329,197 | (329,197) | 10% | (402,352) | 402,352 |
| Cash on hand at bank | | (307,463) | 307,463 | | 375,789 | (375,789) |

| 30-Jun-21 | <u>AUD strengthened</u> | | | <u>AUD weakened</u> | | |
|--------------------------------------|-------------------------|-----------------------------|------------------|---------------------|-----------------------------|--------------------|
| | Change | Effect on profit before tax | Effect on equity | Change | Effect on profit before tax | Effect on equity |
| USD net financial assets/liabilities | 10% | (2,256) | 2,256 | 10% | 2,257 | (2,257) |
| EUR net financial assets/liabilities | 10% | (891,129) | 891,129 | 10% | 1,089,157 | (1,089,157) |
| CAD net financial assets/liabilities | 10% | 29,521 | (29,521) | 10% | (36,081) | 36,081 |
| Cash on hand at bank | | (863,864) | 863,864 | | 1,055,333 | (1,055,333) |

Interest rate risk

The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to the Consolidated Entity's cash and cash equivalents with a floating interest rate. Short term deposits are made for varying periods depending on the immediate cash requirements of the Consolidated Entity and earn interest at the respective short term deposit rates.

Taking into account the current cash balance and prevailing interest rates, a +/- 1.0% movement from the year-end Australian interest rates will not have a material impact on the profit or loss and cash balances of the Consolidated Entity.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Credit risk

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Consolidated Entity trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the results being that the Consolidated Entity's exposure to bad debts is not significant.

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents and trade and other receivables. The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. No collateral is held as security. Exposure at balance date is the carrying value as disclosed in each applicable note.

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| | Average interest rate | 1 year or less | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Remaining contractual maturities |
|------------------------------|------------------------------|-----------------------|------------------------------|------------------------------|---------------------|---|
| 30-Jun-22 | % | \$ | \$ | \$ | \$ | \$ |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade/other payables | | 12,903,444 | | | | 12,903,444 |
| Total non-derivatives | | 12,903,444 | | | | 12,903,444 |

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

| | Average interest rate | 1 year or less | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Remaining contractual maturities |
|------------------------------|--------------------------------------|---------------------------|--------------------------------------|--------------------------------------|-------------------------|---|
| 30-Jun-21 | | \$ | \$ | \$ | \$ | \$ |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade/other payables | | 735,946 | | | | 735,946 |
| Total non-derivatives | | 735,946 | | | | 735,946 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. Where appropriate, the fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 21. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Consolidated Entity is set out below:

| | 30-June-22 | 30-June-21 |
|------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Short-term employee benefits | 1,194,875 | 729,127 |
| Post-employment benefits | - | - |
| Long-term benefits | - | - |
| Termination benefits | - | - |
| | 1,194,875 | 729,127 |

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by MNSA, the auditor of the Company:

| | 30-June-22 | 30-June-21 |
|---|-------------------|-------------------|
| | \$ | \$ |
| <i>Audit services</i> | | |
| Audit or review of the financial statements | 35,000 | 30,139 |
| | 35,000 | 30,139 |

Note 23. Commitments

Guarantee

The Consolidated Entity has provided guarantees of \$23,467 (2021: \$23,467) at 30 June 2022 for occupancy of premises supported by a deposit.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Exploration Commitments

In order to maintain rights of tenure to petroleum exploration tenements, the Consolidated Entity has minimum exploration requirements to fulfil. These requirements are not provided for in the financial statements. If the Consolidated Entity decides to relinquish certain tenements and/or does not meet these obligations, assets recognised in the Statement of financial position may require review in order to determine the appropriateness of carrying values. The commitments for exploration expenditure in Australia of approximately \$1,000,000 include the minimum expenditure requirements that the Consolidated Entity is required to meet in order to retain its present permit interests over the next fiscal year. These obligations may be subject to renegotiation, may be farmed out or may be relinquished. The Company expects that the Zapato-1 exploration well it is currently drilling in Cuba should satisfy the final remaining exploration commitment for Block 9 PSC in the next fiscal year.

For Australian exploration permits in the jurisdiction of the Commonwealth of Australia, the first three-years of a work program are referred to as the primary term. The work program is guaranteed and cannot be reduced. Later years (4, 5 and 6) are referred to as the secondary term and the work program for each year becomes guaranteed upon entry to that year. Whilst failure to complete a guaranteed work program does not result in a financial penalty, it is grounds for cancellation of the permit. Further, the default may be considered by the Regulator in relation to future interactions with the defaulting party for a period of 5 years.

WA-544-P and NT/P87 (Melbana 100%)

In November 2020 the Company was awarded petroleum exploration permits as a result of applications it had made under the Australian Government's 2019 Offshore Petroleum Exploration Acreage Release. These permits, designated as WA-544-P and NT/P87, were awarded for an initial period of six years each with work commitments consisting of reprocessing and various studies in their primary terms (years 1 to 3). The Company may withdraw from the permits prior to entering their secondary terms, which contain more material expenditure commitments.

These permits lie adjacent to WA-488-P and allow the Company to build on the knowledge it has gained in that permit area to pursue other leads in this expanded area. 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

AC/P70 (Melbana 100%)

On 16 February 2022, the Company announced that it had been granted petroleum exploration permit AC/P70, located in the Territory of Ashmore and Cartier Islands, for an initial period of six years. Melbana made this application for this permit under the Australian Government's 2020 Offshore Petroleum Exploration Acreage Release.

During the first three years of the licence period, the Company must undertake the following activities:

- Licence, reprocess and interpret available seismic survey data
- Drill an exploration well

Cuba Block 9 (Melbana 30%)

In September 2015, Melbana executed the Block 9 Production Sharing Contract (PSC) with the national oil company of Cuba, *Cuba Petróleo Union* (CUPET). The exploration period of the Block 9 PSC is split into four sub-periods with withdrawal options at the end of each sub-period.

On 23 December 2019, the Consolidated Entity signed a binding heads of agreement (HOA) with Sonangol E.P. (Sonangol) for it to acquire a 70% Participating Interest in the Block 9 PSC in Cuba. As part of the HOA, on 25 May 2020, the Consolidated Entity entered into a Farm-in Agreement (FIA) with Sonangol. The FIA details the commercial arrangement and responsibilities for the drilling of two exploration wells in Block 9. On 17 August 2020, the Company announced that formal Cuban regulatory approvals had been received for Sonangol to acquire a 70% interest in Block 9 PSC.

Drilling of the first of two exploration wells in Block 9 commenced in September 2021 with the Alameda-1 well, with the Company as operator. This exploration well encountered three significant and geologically independent

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

structures containing moveable hydrocarbons that independent expert McDaniel & Associates have estimated contain 6.4 billion barrels of oil in place with a Prospective Resource of 362 million barrels of oil (both volumes expressed on a 100% share, unrisksed mean estimate basis)¹. The second exploration well, Zapato-1, commenced drilling in May 2022. As at the date of this report it has reached a depth of 2,354 metres measured depth and is drilling ahead to the target formation, which the pre-drill prognosis estimated may commence at about 2,650 metres measured depth.

For the current exploration subperiod of Block 9, the remaining committed activity is the drilling of one exploration well which the Company believes should be satisfied by the drilling of the Zapato-1 well currently in progress.

There are no material commitments or contingencies other than as set out in this note.

Note 24. Related party transactions

Parent entity

Melbana Energy Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in Note 21 and the remuneration report included in the Directors' report.

Transactions with related parties

None.

The following transactions occurred with related parties:

| | 30-June-22 | 30-June-21 |
|-----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Payments for consulting services* | 32,375 | 40,625 |
| | 32,375 | 40,625 |

* Payments for consulting services represent the payments made to Springhead Petroleum Pty Ltd, an entity associated with Mr Peter Stickland and Sandy Associates, an entity associated with Mr Michael Sandy, both directors of the Company.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans from or loans to related parties at the current and previous reporting date.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

| | 30-June-22 | 30-June-21 |
|----------------------------|-------------------|-------------------|
| | \$ | \$ |
| <i>Current receivables</i> | | |
| Receivables from director | 0 | 0 |
| | <u>0</u> | <u>0</u> |

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | 30-June-22 | 30-June-21 |
|----------------------------|--------------------|-------------------|
| | \$ | \$ |
| Loss after income tax | (6,717,952) | (573,642) |
| Total comprehensive income | <u>(6,717,952)</u> | <u>(573,642)</u> |

Statement of financial position

| | 30-June-22 | 30-June-21 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Total current assets | 21,076,442 | 5,506,876 |
| Total assets | <u>34,637,322</u> | <u>10,365,883</u> |
| Total current liabilities | 4,524,076 | 2,154,646 |
| Total liabilities | <u>4,524,298</u> | <u>2,154,685</u> |
| Equity | | |
| Issued capital | 303,177,819 | 277,130,250 |
| Share-based payment reserve | 1,453,859 | - |
| Financial assets at fair value through other comprehensive income reserve | - | (1,118,350) |
| Accumulated losses | (274,518,654) | (267,800,702) |
| Total equity | <u>30,113,024</u> | <u>8,211,198</u> |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Contingent liabilities

As at 30 June 2022 the parent entity has a contingent liability of US\$225,000 to a third party related to the sale of permit WA-488-P should EOG Australia complete the drilling of an exploration well (currently due by August 2023) in that permit area. Future additional payments would be owed to this third party related to any future contingent cash and royalty payments the Consolidated Entity may receive.

As at 30 June 2021 the parent entity had no contingent liabilities.

Capital commitments

Refer Note 23 to the financial statements for the details of the exploration commitments. The parent entity had no other capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| | Principal place of business / Country of incorporation | Ownership interest | |
|--|---|--------------------|-----------------|
| | | 30-June-22 % | 30-June-21 % |
| Methanol Australia Pty Ltd | Australia | 100 | 100 |
| LNG Australia Pty Ltd | Australia | 100 | 100 |
| MEO International Pty Ltd | Australia | 100 | 100 |
| Finniss Offshore Exploration Pty Ltd | Australia | 100 | 100 |
| Melbana Operations Pty Ltd (Australia) Pty Ltd | Australia | 100 | 100 |
| Melbana Energy AC/P70 Pty Ltd | Australia | 100 | - |

Note 27. Interest in farm-out arrangements

| Name | Principal place of business / Country of incorporation |
|-------------|---|
| Block 9 PSC | Cuba |

On 25 May 2020 the Consolidated Entity entered into a Farm-in Agreement (FIA) with Sonangol Pesquisa E Produção S.A (Sonangol). Under the terms of the FIA, Sonangol agreed to fund 85% of the cost of two exploration wells in Block 9 in return for receiving a 70% interest. On 17 August 2020, the Company announced that formal Cuban regulatory approvals had been received for Sonangol to acquire this 70% interest and drilling operations commenced in September 2021 and are ongoing at the date of this report.

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Group Commitments and contingent liabilities

For the current sub-period of Block 9, the remaining committed activity is the drilling of one well, 15% of the cost of which is to be met by Melbana. It is expected that the current drilling of the Zapato-1 exploration well should satisfy this commitment. Additional amounts have been allowed for Melbana's share of appraisal of the oil encountered to date and post well studies and planning which together are estimated to total US\$13.0 million to the end of next fiscal year. These are budgeted amounts and not commitments.

The expected expenditure towards meeting primary term commitments for permits WA-544-P, NT/P87 and AC/P70 up to the end of the next fiscal year is forecast to be \$1,000,000.

Note 28. Events after the reporting period

On 8 July 2022, independent expert McDaniel & Associates estimated the Alameda (previously, N) reservoir to contain 2.3 billion barrels of oil in place for a Prospective Resource of 148 million barrels¹.

On 1 August 2022, independent expert McDaniel & Associates estimated the Marti (previously, I) reservoir to contain 1.5 billion barrels of oil in place for a Prospective Resource of 95 million barrels¹.

All of the volumes quoted above are on a 100% share unrisksed mean estimate basis.

As of the reporting date, the Company has received approximately \$15.9 million from exercise of listed options (ASX: MAYO) and issued 452,983,946 fully paid ordinary shares.

No other matters or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the result of those operations, or the consolidated entity's state of affairs in future financial years.

Note 29. Reconciliation of loss after income tax to net cash used in operating activities

| | 30-June-22 | 30-June-21 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Profit/(Loss) after income tax expense for the year | 6,332,812 | (1,398,123) |
| Adjustments for: | | |
| Non-cash items | - | 52,602 |
| Non-operating activity income | (10,391,856) | - |
| Depreciation and amortisation | 121,641 | 20,488 |
| Share-based payments | 636,241 | - |
| Foreign exchange differences | 747,260 | 460,520 |
| <i>Change in operating assets and liabilities</i> | | |
| (Increase)/decrease in other receivables | (77,786) | (49,641) |
| (Increase)/decrease in prepayments | 88,851 | - |
| Increase/(decrease) in operating trade and other payables | 411,127 | 91,979 |
| Increase/(decrease) in provisions | 12,167 | (1,178,186) |
| Net cash used in operating activities | (2,119,543) | (2,000,361) |

Melbana Energy Limited
Notes to the consolidated financial statements
30 June 2022

Note 30. Earnings per share

| | 30-June-22 | 30-June-21 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Profit/(loss) after income tax attributable to the owners of Melbana Energy Limited | <u>6,332,812</u> | <u>(1,398,123)</u> |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>2,660,397,536</u> | <u>2,316,851,413</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>3,054,070,678</u> | <u>2,316,851,413</u> |
| | Cents | Cents |
| Basic earnings per share | 0.24 | (0.06) |
| Diluted earnings per share | 0.21 | (0.06) |

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes, and the Remuneration report contained in the accompanying Directors' report, comply with the Corporations Act 2001, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Andrew Purcell
 Executive Chairman

9 September 2022



**INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF
MELBANA ENERGY LIMITED AND CONTROLLED ENTITIES
ABN 43 066 447 952**

Report on the Financial Report

Opinion

We have audited the financial report of Melbana Energy Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The financial report also complies with the International Financial Reporting Standards as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2022. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|--|---|
| <p><i>Farm-out arrangement- Cuba Block 9</i></p> <p>During the period, the group has incurred \$ 48,239,178 exploration for and evaluation on mineral resources as part of its farm-out arrangement with Sonangol. Under this agreement, Melbana funds 15% with a 30% ownership.</p> <p>Of the total expenditure, Melbana funded and capitalised \$ 7,235,877 during the current period by its 15% share of the agreement. In addition, Melbana incurred capitalised cost of \$869,492.</p> <p>As at 30 June 2022, \$3,648,597 was receivable from Sonangol.</p> | <p>During our audit, we analysed agreements in respect to this transaction, assessed internal reporting and substantiated transactions on a sample basis. We questioned management on treatment and challenged their assessment. Our audit included performing the following:</p> <ul style="list-style-type: none"> assessed accounting treatment of significant transactions; reviewed disclosures within the financial report; reviewed mathematical accuracy of calculations. reviewed farm-out reporting and communication between Melbana and Sonangol. completed substantive tests of detail on expenditure incurred during the period. |
| <p><i>Cash and Cash Equivalents</i></p> <p>Cash and cash equivalents totalling \$35,570,347 is a significant balance to the group.</p> <p>We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to the materiality in context to the financial statements as a whole, they are considered to be an area of risk in our overall audit strategy.</p> | <p>We have evaluated disclosure and assessed controls implemented by management during the process of our audit. This included:</p> <ul style="list-style-type: none"> documenting and assessing the processes and controls in place to record cash transactions; testing and sampling payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and confirm all cash holdings to independent third-party confirmations. |

Key Audit Matters (continued)

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|--|---|
| <p><i>Exploration and evaluation assets</i></p> <p>As at 30 June 2022, the carrying value of exploration and evaluation assets was \$10,709,762.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"> • Reviewing managements reconciliation of capitalised exploration and evaluation expenditure and ensuring it agrees to the general ledger; • Assessing the impact of farm-out agreements including recovery of prior exploration expenditure in relation to Cuba Block 9; • Evaluating costs capitalised during the period and testing on a sample basis; • Enquiring of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration areas; • Determining whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; • Assessing management judgement in impairment assessment; and • Reviewing the appropriateness of the related disclosures within the financial statements. |

There were no restrictions on our reporting of Key Audit Matters.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Melbana Energy Limited for the year ended 30 June 2022 complies with s 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA PTY LTD

MNSA Pty Ltd



Mark Schiliro

Director

Sydney

Dated this 9th September 2022

Melbana Energy Limited
30 June 2022

Shareholder Information

The shareholder information set out below was applicable as at the reporting date.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

| Range | Securities | % | No. of holders | % |
|----------------------|----------------------|---------------|----------------|---------------|
| 100,001 and Over | 2,990,178,173 | 93.65 | 2,682 | 25.25 |
| 10,001 to 100,000 | 185,687,694 | 5.82 | 4,604 | 43.34 |
| 5,001 to 10,000 | 12,463,061 | 0.39 | 1,590 | 14.97 |
| 1,001 to 5,000 | 4,620,878 | 0.14 | 1,291 | 12.15 |
| 1 to 1,000 | 120,809 | 0.00 | 455 | 4.28 |
| Total | 3,193,070,615 | 100.00 | 10,622 | 100.00 |
| Unmarketable Parcels | 7,257,332 | 0.23 | 2,187 | 20.59 |

Analysis of number of option security holders by size of holding:

| Range | Securities | % | No. of holders | % |
|----------------------|--------------------|---------------|----------------|---------------|
| 100,001 and Over | 177,075,405 | 96.40 | 184 | 34.07 |
| 10,001 to 100,000 | 6,003,086 | 3.27 | 152 | 28.15 |
| 5,001 to 10,000 | 338,393 | 0.18 | 45 | 8.33 |
| 1,001 to 5,000 | 239,521 | 0.13 | 87 | 16.11 |
| 1 to 1,000 | 32,951 | 0.02 | 72 | 13.33 |
| Total | 183,689,356 | 100.00 | 540 | 100.00 |
| Unmarketable Parcels | 759,422 | 0.41 | 217 | 40.19 |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

| Rank | Name | 07 Sep 2022 | %IC |
|------|--|--------------------|--------------|
| 1 | M&A ADVISORY PTY LTD | 199,758,759 | 6.26 |
| 2 | TWINKLE CAPITAL PTY LTD | 102,000,000 | 3.19 |
| 3 | TERRACE MANAGEMENT PTY LTD | 80,999,913 | 2.54 |
| 4 | M&A ADVISORY PTY LTD | 42,562,050 | 1.33 |
| 5 | BNP PARIBAS NOMS PTY LTD | 37,853,917 | 1.19 |
| 6 | MR JASON MEINHARDT | 35,813,888 | 1.12 |
| 7 | MR MATTHEW DEAN MARSHALL | 34,952,824 | 1.09 |
| 8 | MF MEDICAL PTY LTD | 32,295,820 | 1.01 |
| 9 | TETS PTY LTD | 30,000,000 | 0.94 |
| 10 | FIVE ELEMENTS DESIGN PTY LTD | 29,000,000 | 0.91 |
| 11 | CITICORP NOMINEES PTY LIMITED | 28,929,919 | 0.91 |
| 12 | MR JOHN OLDANI | 28,111,111 | 0.88 |
| 13 | MS HONG NHUNG NGUYEN | 25,806,133 | 0.81 |
| 14 | BNP PARIBAS NOMINEES PTY LTD | 25,333,451 | 0.79 |
| 15 | MR DAVID COGHILL | 24,208,548 | 0.76 |
| 16 | MISS ANITA TSANG & MR BRADLEY GARTH WRIGHT | 22,928,947 | 0.72 |
| 17 | MR JONATHAN GORDON & MRS DANIELLE GORDON | 22,500,000 | 0.70 |
| 18 | MR WARREN ROY BLOCK & MRS PING YIT BLOCK | 22,000,000 | 0.69 |
| 19 | DR KONG JUNG AU YONG | 20,935,142 | 0.66 |
| 20 | MR MICHAEL CULLING | 20,649,196 | 0.65 |
| | Total | 866,639,618 | 27.14 |

Melbana Energy Limited
30 June 2022

The names of the twenty largest holders of quoted option securities are listed below:

| Rank | Name | 07 Sep 2022 | %IC |
|------|---------------------------------------|-------------------|--------------|
| 1 | ANT NICHOLSON PTY LTD | 10,500,091 | 5.72 |
| 2 | MF MEDICAL PTY LTD | 10,158,138 | 5.53 |
| 3 | AXSIM FUNDS MANAGEMENT PTY LTD | 8,200,000 | 4.46 |
| 4 | GEORDIE BAY HOLDINGS PTY LTD | 7,000,000 | 3.81 |
| 5 | LOKTOR HOLDINGS PTY LTD | 6,000,000 | 3.27 |
| 6 | MR DAVID RU ZHANG LIN | 4,934,894 | 2.69 |
| 7 | MR TIMOTHY FRANCIS CLIVE MCDONNELL | 4,723,532 | 2.57 |
| 8 | MR ANDREW EDWIN YOUNG | 4,374,289 | 2.38 |
| 9 | WHAIRO CAPITAL PTY LTD | 4,000,000 | 2.18 |
| 10 | MR GREGORY WILLIAM BURFORD | 3,900,000 | 2.12 |
| 11 | STEMA OCEANIC PTY LTD | 3,899,716 | 2.12 |
| 12 | CRAZY DINGO PTY LTD | 3,387,712 | 1.84 |
| 13 | PAUPS PTY LTD | 3,300,000 | 1.80 |
| 14 | KRSPRY PTY LTD | 3,100,000 | 1.69 |
| 15 | JSMINDUSTRIES SUPER PTY LTD | 2,500,000 | 1.36 |
| 16 | MR JON NORMAN COATES | 2,499,587 | 1.36 |
| 17 | ORCA CAPITAL GMBH | 2,400,000 | 1.31 |
| 18 | STARCHOICE PTY LTD | 2,375,636 | 1.29 |
| 19 | GASHUNTER PTY LTD | 2,250,000 | 1.22 |
| 20 | BNP PARIBAS NOMINEES PTY LTD BARCLAYS | 2,187,616 | 1.19 |
| | Total | 91,691,211 | 49.92 |

Substantial holders

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company:

| | Ordinary shares | |
|---------------------------|-----------------|--------------------------|
| | Number held | % of total shares issued |
| M&A Advisory Pty Limited* | 243,436,931 | 8.24% |

* Holder has notified the Company that it manages the relevant shares and therefore has a relevant interest in those shares under section 608(1)(b) or (c) of the *Corporations Act 2001*.

Director Nomination

The Company will hold its Annual General Meeting of shareholders on 22 November 2022. The Company also advises that in accordance with ASX Listing Rule 14.5 and the Company's constitution the Closing Date for receipt of nominations for the position of Director is 12 September 2022. Any nominations must be received in writing no later than 5.00pm (Sydney time) on this date at the Company's Registered Office.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Melbana Energy Limited
30 June 2022

Options and performance rights

Options and performance rights do not carry voting rights.

There are no other classes of equity securities.

Current on-market buy-back

There is no current on-market buy-back.