

Quarterly Activities Summary for Period Ended 31 March 2017

Highlights:

Cuba

- 50% upgrade to Block 9 PSC exploration potential reaffirms Block 9 as one of the world's most exciting exploration plays
- Contains exploration potential for approximately 12.5 billion barrels of Oil-in-Place with a Prospective (Recoverable) Resource of 637 million barrels (Best Estimate, 100% basis)*
- Ambition is to accelerate the drilling of two wells in Block 9 PSC during the first half of 2018
- Priority drill targets, Alameda-1 and Zapato, identified
- Alameda-1 presents an opportunity to drill three objectives with combined exploration potential of 2.5 billion barrels Oil-in-Place and 130 million barrels of recoverable oil (Best Estimate, 100% basis)*

New Zealand – PEP51153

- Drilling of the high impact Pukatea-1 prospect anticipated in Oct/Nov 2017 with long lead items ordered
- Pukatea is a low cost (net \$2.8 million to Melbana including testing), commercially robust, mature drilling opportunity
- Pukatea Prospective Resources Best Estimate of 12.4 million barrels of oil equivalent (100% share) with a 19% Chance of Success
- Success at Pukatea-1 would be transformative for Melbana

Corporate

- Ends quarter with strong cash position of \$3.6 million and no debt

MELBOURNE, AUSTRALIA (26th April, 2017)

Melbana Energy Limited (ASX: **MAY**) (“**Melbana**” or the “**Company**”) provides the following summary in relation to its activities during the quarter ended 31 March 2017.

Overview

The March quarter has been a significant period for Melbana and its Cuban asset, Block 9. The company updated its 2016 prospectivity assessment resulted in a 50% upgrade to the exploration potential and in doing so believes Block 9 to be one of the world's most exciting exploration plays with upgraded estimates of 12.5 billion barrels of Oil-in-Place with a Prospective (Recoverable) Resource of 637 million barrels (Best Estimate, 100% basis)*.

**Refer to Cautionary Statement in this report (Page 4) relating to estimates of prospective resources*

The assessment also identified 19 individual leads and prospects. In particular, the Alameda-1 prospect presents an opportunity to drill three objectives with combined exploration potential of over 2.5 billion barrels Oil-in-Place and 130 million barrels of recoverable oil on a 100% unrisked, best estimate basis*.

Melbana is now focusing on detailed planning for a drilling campaign in Block 9 PSC and has an ambition to accelerate the drilling of two wells in Block 9 PSC during the first half of 2018.

Melbana took a step closer to the drilling of its Pukatea-1 prospect in New Zealand's onshore Taranaki Basin with the Joint Venture approving drilling plans and ordering long lead equipment with the operator expecting to commence drilling in October/November 2017. The Company believes the Pukatea prospect is a high impact exploration opportunity, targeting a highly productive conventional reservoir. It is proximal to existing infrastructure and has a number of low cost alternative development paths.

Work also continued on the company's Australian projects, including commencing reprocessing of 330km of 2D seismic data from WA-488-P in Western Australia's Bonaparte Gulf where farmout discussions are progressing. Reprocessing of 3D seismic data from AC/P50 and AC/P51 in the Ashmore Cartier region of the Timor Sea was also reaching its final stages during the March quarter with reinterpretation of the prospectivity expected over the next 3-6 months.

Commenting on the Quarter's activities Melbana Energy's CEO and MD Peter Stickland said:

"The work undertaken by the Company over the last quarter has gone a long way to demonstrate the rich portfolio of prospects available to us, such as Alameda in Cuba and Pukatea in New Zealand, which both have the potential to be company-making for Melbana. With a strong cash position as at 31 March 2017 of \$3.6 million we look forward to progressing towards drilling activity in New Zealand and Cuba and keeping the market updated as we progress."

A handwritten signature in blue ink, appearing to read "Peter Stickland".

Peter Stickland
Managing Director and Chief Executive Officer

Attachments: Activity Summaries by Project Area

**Refer to Cautionary Statement in this report (Page 4) relating to estimates of prospective resources*

Cuba

The Block 9 exploration period is split into four sub-periods with withdrawal options at the end of each sub-period. As an early mover into Cuba, Melbana is now one of the few western companies (and the only ASX listed company) with a footprint in the expanding Cuban hydrocarbon sector. The geology of the block has analogies to petroleum systems in which Melbana’s technical personnel have significant experience, and Melbana sees substantial potential in Cuba overall and Block 9 in particular. Melbana is working closely with the Cuban national oil company, CUPET, to explore and develop Cuba’s oil and gas resources.

During the quarter Melbana confirmed Block 9 as one of the world’s most exciting exploration plays. Melbana has estimated that Block 9 contains exploration potential for approximately 12.5 billion barrels of Oil-in-Place with a Prospective (Recoverable) Resource of 637 million barrels (Best Estimate, 100% basis)* of potentially high quality oil. The prospectivity assessment also identified 19 individual prospects and leads which the Company has been prioritizing so as to focus on the highest impact, lowest risk drill opportunities. The most recent increase in the assessed exploration potential is due to the identification of the U1 lead, a shallow structure with a Prospective (Recoverable) Resource of 25 million barrels (Best Estimate, 100% basis)* that could be targeted as a secondary objective as part of drilling the Alameda prospect.

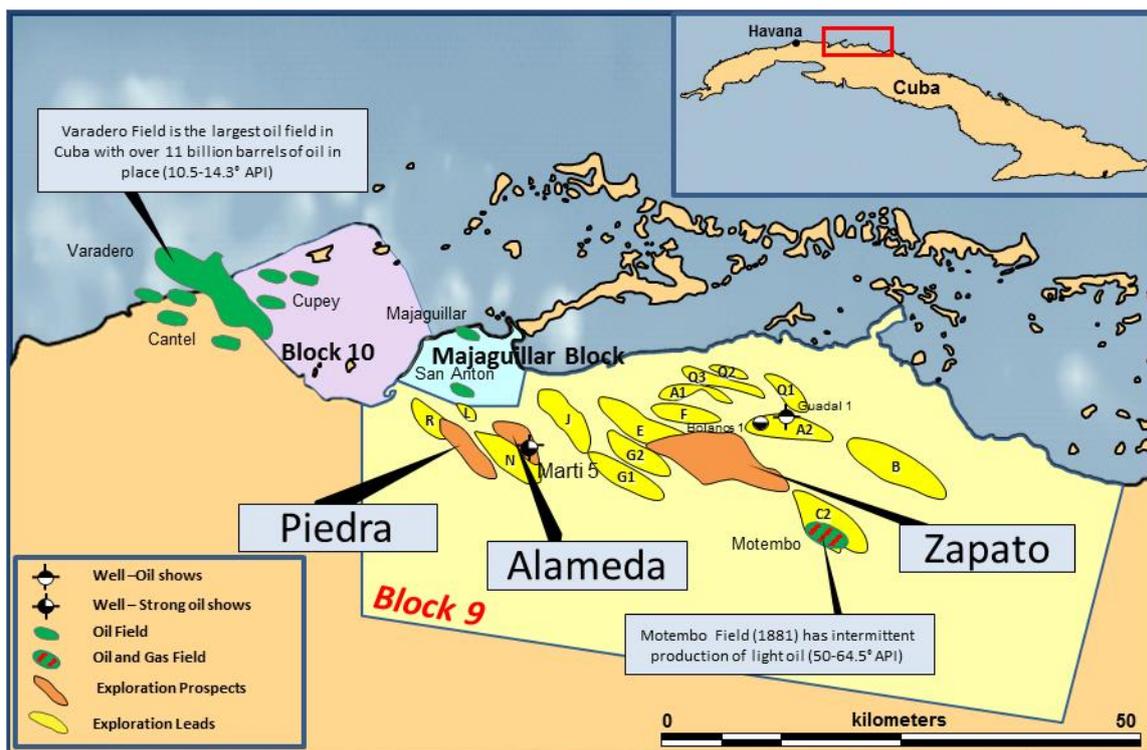


Figure 1. Block 9 with high graded drilling targets

**Refer to Cautionary Statement in this report (Page 4) relating to estimates of prospective resources*

Alameda 1 – High Priority Exploration Drill Opportunity

The highest ranked exploration drilling opportunity is the proposed Alameda-1 well which will test a combined exploration potential of over 2.5 billion barrels Oil-in-Place and 130 million barrels of recoverable oil on a 100% unrisks, best estimate basis and over 400 million recoverable barrels aggregate high side potential (Table 1 and Table 2). This exploration well has been designed as a mildly deviated well, with a total measured depth of 4,000m (Figure 2) to enable the well to penetrate three independent exploration objectives; the primary Alameda objective as well as the shallower N and U1 objectives.

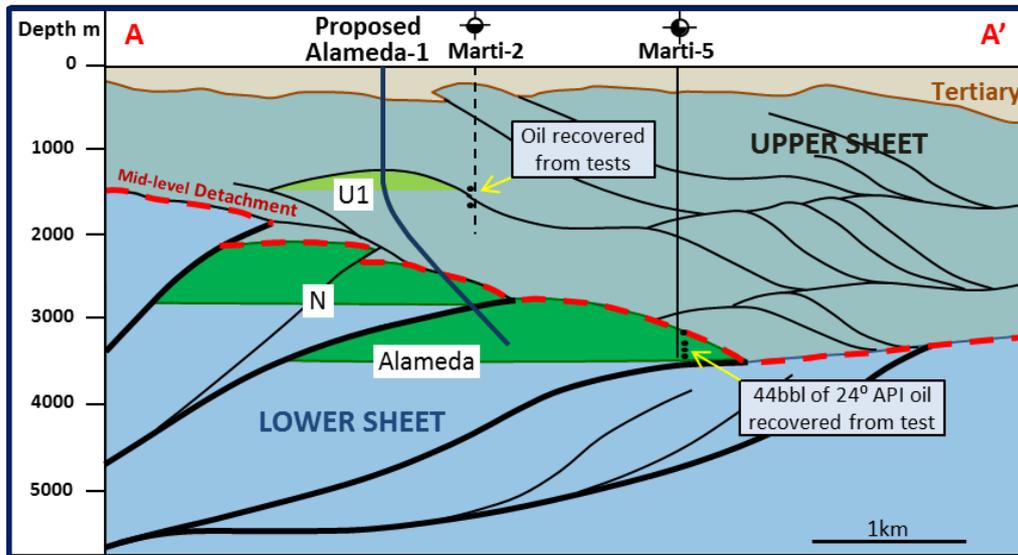


Figure 2. Schematic cross section for proposed Alameda-1 well

The U1 objective is a structure indicated on seismic as being updip of the tested oil recoveries in the Marti-2 well. While characterised as an exploration well, the chance of success at Alameda-1 benefits from two old wells, Marti-2 and Marti-5, both of which recovered oil from the objectives targeted in Alameda-1. Alameda-1 would take approximately 80 days to drill based on historical information.

| Objective | Chance of Success | Oil in Place (MMstb) | | | |
|-----------|-------------------|----------------------|-------|-------|-------|
| | | % | Low | Best | High |
| U1 | 17% | 40 | 503 | 1,851 | 759 |
| N | 22% | 75 | 818 | 2,580 | 1,114 |
| Alameda | 32% | 62 | 1,293 | 4,278 | 1,829 |

Table 1: Exploration Oil in Place estimates for objectives of proposed Alameda-1 well

| Objective | Chance of Success | Recoverable Prospective Resource (MMstb) | | | |
|-----------|-------------------|--|-----|------|------|
| | | % | Low | Best | High |
| U1 | 17% | 2 | 25 | 93 | 38 |
| N | 22% | 4 | 41 | 129 | 56 |
| Alameda | 32% | 3 | 65 | 214 | 91 |

Table 2: Exploration Prospective Recoverable Resource estimates for objectives of proposed Alameda-1 well

***Prospective Resources Cautionary Statement:** The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Melbana’s focus to date has been to undertake the preliminary work needed to progress the assessment of the potential of Block 9. These works have refined the Company’s understanding of the subsurface prospectivity, thereby allowing preliminary drilling engineering and well design studies to be completed and costed. The extent and nature of in-country logistical support for an onshore drilling campaign in Cuba has also been examined along with the time-frames for operational permitting. Melbana has therefore concluded that the appropriate equipment, experienced personnel and support services necessary to safely and effectively undertake a drilling program can be expected to be available in Cuba.

As such, Melbana is now focusing on detailed planning for a drilling campaign in Block 9. The Company’s ambition is to accelerate the drilling of two wells in Block 9 during the first half of 2018. Based on current potential drill targets, a two well campaign would cost in the range of US\$20-30 million however ongoing subsurface studies may yield further high quality, attractive drilling objectives. Melbana has commenced farm-out activities for Block 9.

The key focus for the Company during the coming months will be:

- Undertaking a detailed analysis of the current high priority drilling targets;
- Preparation of detailed well design and drilling plans
- Seeking Cuban regulatory approvals required for drilling in 2018;
- Identification of long lead procurement and contracting actions for planned drill program; and
- Detailed contractor evaluation and selection in preparation for field contract commitments.

Indicative Activity Schedule

| PSC Melbana Interest Operator | Block 9 100%* Melbana | 2016 | | | | 2017 | | | | 2018 | | | |
|---------------------------------------|-----------------------------|--------------------------------|---------|---------|---------|---------|---------|---------|---------|--------------------------|---------|---------|---------|
| | | Mar Qtr | Jun Qtr | Sep Qtr | Dec Qtr | Mar Qtr | Jun Qtr | Sep Qtr | Dec Qtr | Mar Qtr | Jun Qtr | Sep Qtr | Dec Qtr |
| | | J | F | M | A | M | J | J | A | S | O | N | D |
| Exploration Sub-Period | | 1 | | | | | | | | 2 | | | |
| Work program | | Studies & Seismic Reprocessing | | | | | | | | 2D seismic acquisition** | | | |
| Activities (indicative) | | | | | | | | | | | | | |
| Data Gathering & Reprocessing | | ■ | | | | | | | | | | | |
| Resource assessment (lower sheet) | | ■ | | | | | | | | | | | |
| Resource assessment (other plays) | | | | | | ■ | | | | | | | |
| Mature drilling program | | | | | | ■ | | | | | | | |
| Detailed Drilling planning | | | | | | ■ | | | | | | | |
| Potential seismic acquisition | | | | | | | | | | ■ | | | |
| Potential drilling (timing uncertain) | | | | | | | | | | ■ | | | |

* Subject to a conditional 40% option to be exercised no later than September 2017 held by Petro Australis Limited

**work program for subperiod 2 unless otherwise amended

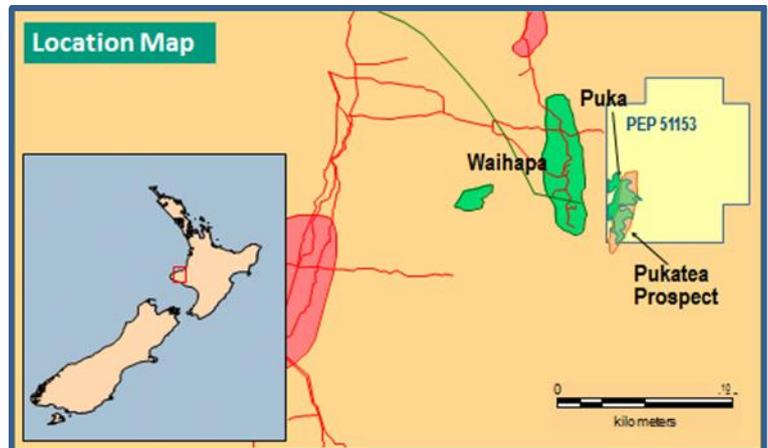
New Zealand: Taranaki Basin

PEP51153 (Melbana 30%, TAG 70% & Operator)

The PEP51153 Joint Venture (Melbana 30%, Tag Oil 70% and operator) has approved plans to drill Pukatea-1, with drilling expected to commence October/ November 2017. The Pukatea prospect is a high impact exploration opportunity, targeting the highly productive conventional Tikorangi Limestone reservoir.

During the quarter PEP51153 Joint Venture ordered the required long lead equipment to support the drilling of Pukatea-1. In addition a gravity survey was acquired consistent with the current work program commitment.

Melbana believes the regional setting provides solid indicators of Pukatea’s potential prospectivity. The uplift in prospective resources assessment is based on the operator’s analysis of Pukatea and the adjacent Waihapa field (~3km from Pukatea), which is an important analogue having produced in excess of 23MMboe with initial well rates of ~5,000 barrels per day. The Pukatea prospect is located up dip and above the lowest known oil in the Waihapa field. The Douglas well drilled in 2012 at the edge of the Pukatea prospect encountered oil shows and 145m of reservoir interval, implying over 350m of updip potential at the Pukatea location. Furthermore, PEP51153 also contains the shallower Puka oil accumulation, which was discovered in 2012 and has previously produced from two wells under extended production test at 100bpd, but is currently shut-in.



Prospective Resource Summary for Pukatea is set out in the table below:

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

*** Prospective Resources Cautionary Statement:** *The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

**** COS** means “Chance of Success”

The Pukatea prospect is proximal to existing infrastructure and has a number of low cost alternative development paths. The Pukatea-1 well is planned to be drilled from the existing Puka production pad where three wells have previously been drilled. TAG operates the nearby Cheal production complex, approximately 5km from the Pukatea prospect location and according to latest publicly available data released by the operator, produces at approximately 1,000 barrels of oil equivalent (BOE) per day.

Melbana believes oil and gas economics in the Taranaki basin can be robust in the current price environment. TAG Oil (TSX: TAO) reported in its latest financial reports netbacks on its production for the three months ended 31 December of C\$23.86 per BOE .

The minimum work program for PEP51153 is as follows:

| Period | Work Commitment |
|--------------------------------|--|
| No later than 23 March 2017 | Acquire, process and interpret a minimum of 28.5km of gravity data across the permit |
| No later than 23 February 2018 | Drill one well to a location and depth agreed between the permit holder and the Chief Executive; OR Surrender the permit |

PEP51153 expires on 23 September 2018.

Indicative Activity Schedule

| Permit Melbana Interest Operator | PEP 51153 30% Tag Oil | 2016 | | | | 2017 | | | | | | | | | | | | | | | | | | | |
|--|-----------------------------|----------------|---|---------|---|---------|---|---------|---|---------|---|---------|---|---------|---|---------|---|----|---|---|---|---|---|---|---|
| | | Mar Qtr | | Jun Qtr | | Sep Qtr | | Dec Qtr | | Mar Qtr | | Jun Qtr | | Sep Qtr | | Dec Qtr | | | | | | | | | |
| | | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D |
| Permit Year | | 8 | | | | | | | | 9 | | | | | | | | 10 | | | | | | | |
| Work program | | Gravity Survey | | | | | | | | | | 1 well | | | | | | | | | | | | | |
| Activities (indicative) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Acquire gravity survey | | | | | | | | | | | | ■ | | | | | | | | | | | | | |
| Drill Well Pukatea-1 | | | | | | | | | | | | | | | | | | | | | | ■ | | | |

Australia

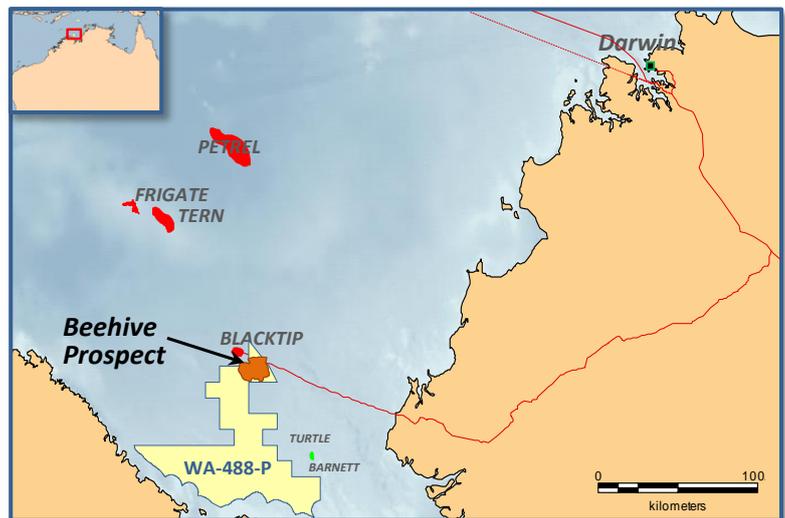
Bonaparte Gulf: Petrel sub-Basin: WA-488-P (Melbana 100%)

WA-488-P is located in the southern Bonaparte Gulf and covers an area of 4,105 km². The permit was awarded to Melbana in May 2012 as part of the acreage Gazettal Round.

Leveraging the 2011 Ungani-1 oil discovery in Carboniferous aged reservoirs in the nearby Canning Basin, Melbana has identified the giant Beehive prospect, a new play type within the Bonaparte basin.

During the quarter work commenced on the project to reprocess a further 330km of 2D seismic data which will be followed by a stratigraphic interpretation study and an analogue field study.

A formal farm out process continued during the quarter and discussions were progressed with potential farminees. The potential drilling of the Beehive prospect within WA-488-P is subject to a successful farm-out.



Indicative Activity Schedule

| Permit Melbana Interest Operator | WA-488-P 100% Melbana | 2016 | | | | 2017 | | | | 2018 | | | | | | | | | |
|--|-----------------------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---|---|--------|---|---|---|---|---|
| | | Sep Qtr | Dec Qtr | Mar Qtr | Jun Qtr | Sep Qtr | Dec Qtr | Mar Qtr | Jun Qtr | Sep Qtr | Dec Qtr | | | | | | | | |
| | | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D |
| Permit Year | | 3 | | | | | | | | | | | | | | | | | |
| Work program | | Seismic Repro & Inversion | | | | | | | | | | | | 1 well | | | | | |
| Activities | | | | | | | | | | | | | | | | | | | |
| Reprocess 2D seismic & Inversion | | [Blue bar from Sep 2016 to Mar 2017] | | | | | | | | | | | | | | | | | |
| Partial sale process | | [Blue bar from Sep 2016 to Mar 2017] | | | | | | | | | | | | | | | | | |
| Reprocess 2D seismic & studies | | [Orange bar from Dec 2016 to Jun 2018] | | | | | | | | | | | | | | | | | |
| Potential drilling of Beehive-1* | | [Red bar from Sep 2018 to Dec 2018] | | | | | | | | | | | | | | | | | |

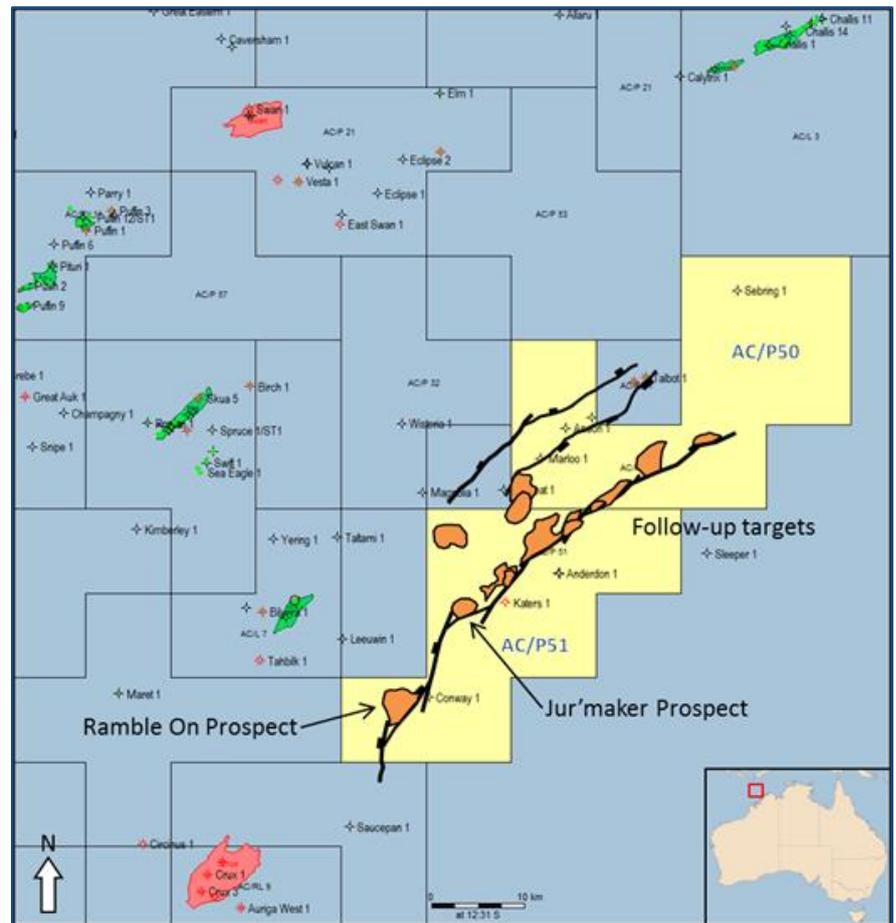
* timing is indicative only and is subject to change

Ashmore Cartier Region, Timor Sea: Vulcan Sub-Basin

AC/P50 and AC/P51 (Melbana 100%*)

AC/P51 contains the Ramble On prospect, a new play type that has proven analogues in other Basins. This prospect is on trend with the recently reported West-1 (Auriga) discovery near Crux gas/condensate field, resulting in renewed industry interest in the region.

Previously, Melbana had announced that it had executed an agreement with Rouge Rock which granted Rouge Rock an option to acquire a 45% interest in the AC/P50 and AC/P51 Exploration Permits (“Permits”). In exchange for the grant of the option, Rouge Rock will undertake and fund the remaining primary statutory work program for each permit consisting of seismic reprocessing and other technical activities (“Reprocessing Work”).



Subject to completing the Reprocessing Work, Rouge Rock may exercise its option by providing notice to Melbana prior to 18th May, 2018, at which point it will acquire a 45% interest in the Permits.

During the quarter the 3D seismic Reprocessing Work proceeded consistent with the required timeline, with initial reprocessing products being delivered to Melbana.

Both permits are also subject to an option to acquire a 5% interest in each permit currently held by Far Cape Energy Pte Ltd (“Far Cape”). Far Cape is the successor to Red Rock Pte Ltd which was granted this option in 2010 at the time Melbana acquired AC/P50 and AC/P51. Under this option agreement, Melbana will carry Far Cape’s participating interest in the first well should Melbana elect to drill a well in either of the permits.

Indicative Activity Schedule

| Permit | AC/P50 | 2017 | | | | | | | | | | | | 2018 | | | | | | | | | | | |
|------------------------|---------|--------------|---|---|---------|---|---|---------|---|---|---------|---|---|---------|---|---|---------|---|---|---------|---|---|---------|---|---|
| | | Jun Qtr | | | Sep Qtr | | | Dec Qtr | | | Mar Qtr | | | Jun Qtr | | | Sep Qtr | | | Dec Qtr | | | Mar Qtr | | |
| | | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M |
| Melbana Interest | 100%* | | | | | | | | | | | | | | | | | | | | | | | | |
| Operator | Melbana | | | | | | | | | | | | | | | | | | | | | | | | |
| Permit Year | | 2 | | | | | | 3 | | | | | | | | | | | | | | | | | |
| Work program | | Reprocessing | | | | | | Studies | | | | | | | | | | | | | | | | | |
| Activities | | | | | | | | | | | | | | | | | | | | | | | | | |
| Seismic Interpretation | | ■ | | | | | | | | | | | | | | | | | | | | | | | |
| Partial sale process | | ■ | | | | | | | | | | | | | | | | | | | | | | | |
| Reprocessing | | | | | ■ | | | ■ | | | | | | | | | | | | | | | | | |
| Seismic Interpretation | | | | | | | | | | | ■ | | | | | | | | | | | | | | |
| Partial sale process | | | | | | | | | | | ■ | | | | | | | | | | | | | | |

| Permit | AC/P51 | 2017 | | | | | | | | | | | | 2018 | | | | | | | | | | | |
|------------------------|---------|--------------|---|---|---------|---|---|---------|---|---|---------|---|---|---------|---|---|---------|---|---|---------|---|---|---------|---|---|
| | | Jun Qtr | | | Sep Qtr | | | Dec Qtr | | | Mar Qtr | | | Jun Qtr | | | Sep Qtr | | | Dec Qtr | | | Mar Qtr | | |
| | | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M |
| Melbana Interest | 100%* | | | | | | | | | | | | | | | | | | | | | | | | |
| Operator | Melbana | | | | | | | | | | | | | | | | | | | | | | | | |
| Permit Year | | 2 | | | | | | 3 | | | | | | | | | | | | | | | | | |
| Work program | | Reprocessing | | | | | | Studies | | | | | | | | | | | | | | | | | |
| Activities | | | | | | | | | | | | | | | | | | | | | | | | | |
| Seismic Interpretation | | ■ | | | | | | | | | | | | | | | | | | | | | | | |
| Partial sale process | | ■ | | | | | | | | | | | | | | | | | | | | | | | |
| Reprocessing | | | | | ■ | | | ■ | | | | | | | | | | | | | | | | | |
| Seismic Interpretation | | | | | | | | | | | ■ | | | | | | | | | | | | | | |
| Partial sale process | | | | | | | | | | | ■ | | | | | | | | | | | | | | |

*Subject to option granted for 50% (in total) participating interest for both permits

Tassie Shoal Gas Processing Projects

(Melbana 100%)

Industry is expected to seek opportunities to collaborate to secure lowest cost and efficient resource development in Australia, especially as titleholders with stranded discoveries are under resource tenure pressure. The unique concept of the Tassie Shoal Projects represents an opportunity for collaboration with Melbana to develop a commercialization path for the significant, discovered but undeveloped resources in the region, for the benefit of all stakeholders.

