

Melbana Energy Limited

ABN 43 066 447 952

Half-year Financial Report - 31 December 2021

Melbana Energy Limited
Corporate directory
31 December 2021

Stock exchange listing	Melbana Energy Limited securities are listed on the Australian Securities Exchange (ASX code: MAY)
Website	www.melbana.com
Directors	Andrew Purcell (Executive Chairman) Michael Sandy (Non-Executive Director) Peter Stickland (Non-Executive Technical Director)
Company secretary	Theo Renard
Registered office & Principal place of business	Level 15, 9 Hunter Street Sydney NSW 2000 Australia Telephone: +61 (2) 8323 6600
Share register	Link Market Services Limited Level 1, 333 Collins Street Melbourne, VIC 3000 Australia Telephone: +61 (3) 9615 9800
Auditor	MNSA Pty Ltd Level 1, 283 George Street Sydney NSW 2000

Melbana Energy Limited
Directors' report
31 December 2021

The Directors present their report, together with the financial statements, on 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 half-year ended 31 December 2021.

Directors

The following persons were Directors of Melbana Energy Limited during the whole of the financial half-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 Technical Director)

Principal activities

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

Dividends

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

Review of operations

The income for the Consolidated Entity after providing for income tax amounted to \$9,492,839 (31 December 2020: loss of \$136,488).

CUBA

Block 9 (Melbana 30%, Operator)

During the current reporting period, Melbana reached the following milestones in relation to its Cuban Block 9 drilling program:

- Drilling of the Alameda-1 exploration well, the first of two exploration wells to be drilled within the Block 9 contract area, commenced in September 2021.
- Oil shows were reported over a 670 metre interval to about 1,130 metres, which the Company announced in October 2021 to contain at least 48 net metres of potential oil and gas pay.

Subsequent to the end of the reporting period, in February 2022 the Company reported the existence of strong oil shows accompanied by elevated gas readings over an interval of 500 metres measured depth (mMD)/450 metres true vertical depth (mTVD) to about 3,590 mMD/3,420 mTVD in the N structure. Later that month the Company announced it estimated there to be about 100 mMD/88 mTVD of net hydrocarbon pay in this interval.

Also subsequent to the end of the reporting period, the Company announced on 3 March 2022 and again on 9 March 2022 that strong oil and gas shows had been encountered in the I Structure – the first primary target of the first exploration well.

AUSTRALIA

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

During the reporting period the National Offshore Petroleum Titles Administrator (NOPTA) approved a 20 month suspension of the permit conditions in respect of the permit year 3 minimum work commitments to 21 August 2023 (with a corresponding 20 month extension of the permit term). The sale of the permit to EOG Resources Australia Block WA-488 Pty. Limited (EOG Australia) was subsequently completed in November 2021, with the Company receiving a cash payment of USD7.5 million in consideration. The Company will receive additional cash payments totalling USD5.0 million, subject to EOG Australia making certain future elections regarding the permit, royalty payments of USD10.0 million per 25 million barrels of oil equivalent that may be sold and delivered from the permit area in future.

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

During the reporting period, the Company began reprocessing 2D and 3D marine data within its permit areas WA-544-P and NT/P87. Upon completion, these works will be submitted to NOPTA for credit against the primary term minimum work requirements for each of these permit areas.

AC/P70 (Melbana 100%)

Subsequent to the end of the reporting period, the Company was awarded a new petroleum exploration permit offshore northern Australia on a 100% basis, following an application the Company made under the Australian Government's 2020 Offshore Petroleum Exploration Acreage Release. The permit, designated as AC/P70, is located in the Territory of Ashmore and Cartier Islands and has been awarded for an initial 6-year period.

Corporate

The Company continues to explore new business opportunities in order to maintain a quality portfolio of exploration opportunities that have the potential of creating value for shareholders.

Significant changes in the state of affairs

On 30 July 2021, the Company announced its ambition to raise a gross amount of up to \$7,128,773 by way of a pro-rata non-renounceable entitlements offer (Offer) at \$0.02 per share. The Offer was fully underwritten by Canaccord Genuity (Australia) Limited, who also acted as the Lead manager. The majority of the proceeds hoped to be raised from the Offer were to meet the Company's share of costs of the two exploration well drilling program in Cuba. The Offer closed successfully on 3 September 2021 with the Company issuing a total of 356,438,678 shares and 546,658,017 options on 10 September 2021 in accordance with the terms of the Offer.

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 WA488-P. Receipt of this approval satisfied a Condition Precedent of the Company's sale of WA-488-P to EOG Australia.

During the period, the Company also divested its holdings in Metgasco Limited (ASX: MEL) and Byron Energy Limited (ASX: BYE) on market for cash consideration. And on 13 September 2021 exploration drilling commenced in Block 9 PSC onshore Cuba. Encouraging oil shows have been reported with drilling of the first exploration well in this two well program, Alameda-1, continuing as at the date of this report towards the prospect's primary objectives.

On 10 September 2021, the Company completed capital raising with a renounceable rights issue, which was a pro-rata entitlement issue of two shares for every thirteen shares held at an issue price of \$0.02 per share and raised approximately \$7.1m with one free attaching New Option for every two shares subscribed for and issued. 356,438,678 shares were issued in total and the entitlement offer was fully underwritten.

Other than as noted above, there were no other significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Melbana Energy Limited
Directors' report
31 December 2020

Matters subsequent to the end of the financial half-year

Subsequent to the reporting period, 465,828 ordinary shares have been issued as a result of conversion of options.

As announced to the ASX on 2 February 2022, the Company reported the existence of strong oil shows accompanied by elevated gas readings over an interval of 500 metres measured depth (mMD)/450 metres true vertical depth (mTVD) to about 3,590 mMD/3,420 mTVD in the N structure. Later that month the Company announced it estimated there to be about 100 mMD/88 mTVD of net hydrocarbon pay in this interval.

As announced to the ASX on 3 March 2022 and again on 9 March 2022, strong oil and gas shows had been encountered in the I Structure – the first primary target of the first exploration well

No other matter or circumstance has arisen since 31 December 2021 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.

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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Andrew Purcell
Executive Chairman

11 March 2022
Sydney



**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 lead auditor for the review of the financial report of Melbana Energy Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro

Director

Sydney

Dated this 11th of March 2022

Melbana Energy Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 December 2021 \$	31 December 2020 \$
Other income	4	11,026,821	423,124
Interest income		299	127
Expenses			
Exploration expenditure written off/expensed		-	(7,371)
Administration costs	5	(1,508,973)	(548,617)
Finance costs		(25,308)	(3,751)
Profit/ (loss) before income tax expense		9,492,839	(136,488)
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Melbana Energy Limited		9,492,839	(136,488)
Other comprehensive loss			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain/loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		-	(8,356)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(8,214)	-
Other comprehensive gain /(loss) for the half-year, net of tax		(8,214)	(8,356)
Total comprehensive income/(loss) for the half-year attributable to the owners of Melbana Energy Limited		<u>9,484,625</u>	<u>(144,844)</u>
		Cents	Cents
Basic earnings per share	14	0.37	(0.01)
Diluted earnings per share	14	0.37	(0.01)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Melbana Energy Limited
Consolidated statement of financial position
As at 31 December 2021

		Consolidated	
	Note	31 December 2021 \$	June 2021 \$
Assets			
Current assets			
Cash and cash equivalents		19,916,511	10,683,656
Other receivables		3,302,864	167,047
Financial assets at amortised cost		51,852	51,852
Total current assets		<u>23,271,227</u>	<u>10,902,555</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	6	-	3,478,789
Deposits		12,590	12,590
Plant and equipment		-	31,637
Exploration and evaluation	7	<u>5,605,166</u>	<u>1,176,994</u>
Total non-current assets		<u>5,617,756</u>	<u>4,700,010</u>
Total assets		<u>28,888,983</u>	<u>15,602,565</u>
Liabilities			
Current liabilities			
Trade and other payables		3,963,433	735,946
Provisions		171,350	159,366
Advances from farm-out arrangement	8	<u>1,582,884</u>	<u>7,617,634</u>
Total current liabilities		<u>5,717,667</u>	<u>8,512,946</u>
Non-current liabilities			
Provisions		<u>222</u>	<u>39</u>
Total non-current liabilities		<u>222</u>	<u>39</u>
Total liabilities		<u>5,717,889</u>	<u>8,512,985</u>
Net assets		<u>23,171,094</u>	<u>7,089,580</u>
Equity			
Issued capital	9	286,899,664	280,302,775
Reserves	10	(243,700)	(1,353,836)
Accumulated losses		<u>(263,484,870)</u>	<u>(271,859,359)</u>
Total equity		<u>23,171,094</u>	<u>7,089,580</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Melbana Energy Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital \$	Share based payments reserve \$	Foreign currency reserve \$	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 half-year	-	-	-	(136,488)	(136,488)
Other comprehensive income for the half-year, net of tax	-	-	(8,356)	-	(8,356)
Total comprehensive loss for the half-year	-	-	(8,356)	(136,488)	(144,844)
Share options lapsed	-	(1,380,293)	-	1,380,293	-
Balance at 31 December 2020	280,302,775	-	(768,327)	(270,833,210)	8,701,238

Consolidated	Issued capital \$	Share based payments reserve \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	280,302,775	-	(1,353,836)	(271,859,359)	7,089,580
Profit after income tax expense for the half-year	-	-	-	9,492,839	9,492,839
Total comprehensive gain for the half-year	-	-	-	9,492,839	9,492,839
Contributions to equity, net of transaction costs	6,596,889	-	-	-	6,596,889
Transfer of reserves to accumulated losses	-	-	1,118,350	(1,118,350)	-
Foreign currency translation	-	-	(8,214)	-	(8,214)
Balance at 31 December 2021	286,899,664	-	(243,700)	(263,484,870)	23,171,094

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Melbana Energy Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021

	Consolidated	Consolidated
Note	31 December 2021	31 December 2020
	\$	\$
Cash flows from operating activities		
Receipts from sale permit and other income	-	-
Payments to suppliers and employees (inclusive of GST)	(1,083,268)	(624,878)
Interest received	-	128
Government Grants -COVID-19	-	35,472
Interest paid	(59)	(5,466)
	<u>(1,083,327)</u>	<u>(594,744)</u>
Net cash from / (used in) operating activities		
Cash flows from investing activities		
Investments in term deposits	-	(23,647)
Proceeds from sale of permit	10,391,856	-
Payments for investments	-	(67,706)
Payment for plant & equipment	(2,568)	-
Payments for exploration and evaluation	7 (21,876,561)	(531,712)
Proceeds from disposal of investments	3,478,789	10,814
Advances from farm-out arrangement	11,858,193	6,594,943
	<u>3,849,709</u>	<u>5,982,692</u>
Net cash (used in) / from investing activities		
Cash flows from financing activities		
Repayment of lease liabilities	-	(46,478)
Proceeds from share issue	6,667,295	-
Transaction costs share issue	(10,399)	-
	<u>6,656,896</u>	<u>(46,478)</u>
Net cash from / (used in) financing activities		
Net increase in cash and cash equivalents	9,423,278	5,341,470
Cash and cash equivalents at the beginning of the financial half-year	10,683,656	1,780,645
Effects of exchange rate changes on cash and cash equivalents	(190,423)	(248,950)
	<u>19,916,511</u>	<u>6,873,165</u>
Cash and cash equivalents at the end of the financial half-year		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Melbana Energy Limited
Notes to the consolidated financial statements
31 December 2021

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 half-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, whose shares are publicly traded on the Australian Securities Exchange.

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 11 March 2022.

Note 2. Significant accounting policies

These condensed interim financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These condensed interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

The financial report has 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 31 December 2021, the consolidated entity:

- had, for the financial half-year ending on that date, a profit after tax of \$9,492,839 (2020: loss of \$136,488);
- had, for the financial half-year ending on that date, net cash outflows from operating activities of \$1,083,327 (2020: cash outflows of \$594,744);
- had cash and cash equivalents on hand of \$19,916,511 (30 June 2021: \$10,683,656); and
- had a net working capital position of \$17,553,560 (30 June 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. The cash reserves as at 31 December 2021 are expected to be sufficient to meet the Consolidated Entity's planned exploration commitments and activities for the 12 months from the date of this report. To meet any additional funding requirements the Consolidated Entity will rely on taking appropriate steps, including:

- Meeting its additional obligations by either farm-out or partial sale of the Consolidated Entity's exploration interests;
- Raising capital by one of a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding share options, and/or further issue of shares to the public;
- In some circumstances, subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; or
- Other avenues that may be available to the Consolidated Entity.

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Note 2. Significant accounting policies (continued)

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Should the Consolidated Entity be unable to obtain the funding as described above, there is a material uncertainty as to whether the Consolidated Entity will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. No adjustments have been made relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern, particularly the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Having carefully assessed the potential uncertainties relating to the Consolidated Entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the Consolidated Entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

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

The Board of Directors receive regular consolidated cash flow information as well as Consolidated Statement of Financial Position and Statement of Comprehensive Income information that are 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 7.

Note 4. Other income

	Consolidated	
	31 December	31 December
	2021	2019
	\$	\$
Net foreign exchange gain	-	(272,542)
Shares received in-specie distribution	-	660,194
COVID-19-related government grants	-	35,472
Interest	299	-
Gain on disposal	634,667	-
Receipt of sale proceeds from sale of permit	10,391,855	-
Other income	<u>11,026,821</u>	<u>423,124</u>

Other income

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

Melbana Energy Limited
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Note 5. Administration costs

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
Consultants' fees and expenses	362,915	51,625
Employee benefits expense	557,776	462,823
Less allocation of Director remuneration capitalised to exploration and evaluation assets	-	(227,005)
Administration and other expenses	147,791	19,806
Accounting and audit costs	60,743	94,103
Securities exchange, share registry and reporting costs	97,465	43,783
Investor relations and corporate promotion costs	35,394	33,634
Travel costs	2,105	4,539
Foreign exchange losses	160,777	-
Lease and outgoing expenses	49,035	31,276
Depreciation and amortisation expense	34,972	9,199
Depreciation of right-of-use assets	-	24,834
	<u>1,508,973</u>	<u>548,617</u>

Note 6. Financial assets at fair value through other comprehensive income

	Consolidated	
	31 December 2021	June 2021
	\$	\$
Current assets		
Investment in listed companies Ordinary shares	-	<u>3,478,789</u>

Reconciliation

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

Opening fair value	3,478,789	3,149,272
Additions	-	899,969
Disposals	(3,478,789)	(212,073)
Revaluation increments / decrements	-	(358,379)
Closing fair value	<u>-</u>	<u>3,478,789</u>

In February 2020, the Company acquired 27.81% issued shares in Metgasco Limited (ASX: MEL). The takeover offer to MEL shareholders, was a scrip for scrip offer under which the Company issued 434,582,340 ordinary shares as non-cash consideration for the acquisition, to all the shareholders of MEL who accepted the offer. The implied value of the offer consideration was \$0.009 cents per share which were issued on 1 in February 2020. In April 2020, the Company sold 50,000 Metgasco Limited shares for a consideration of \$1,998 in an off-market transaction. During the half-year, the Company divested its remaining holdings in Metgasco Limited and Byron Energy Limited.

The transaction was initially assessed under AASB 128 Investments in Associates and Joint Ventures as the Company holds more than 20 per cent of the voting rights. However, due to lack of significant influence, the Company irrevocably elected to recognise this investment at fair value through other comprehensive income (OCI) under AASB 9 Financial Instruments. Under this recognition principle, only dividend income (if any) is recognised in the profit or loss with all other gains and losses recognised in OCI and there is no reclassification on derecognition.

Melbana Energy Limited
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Note 7. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2021	June 2021
	\$	\$
Exploration and evaluation	<u>5,605,166</u>	<u>1,176,994</u>

Reconciliations

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

Consolidated	NT/P87 \$	AC – P70 \$	WA-544-P \$	Block 9 Cuba - at cost \$	Total \$
Balance at 1 July 2021	18,698	-	17,002	1,141,294	1,176,994
Expenditure during the half-year	<u>127,562</u>	<u>48,487</u>	<u>79,044</u>	<u>4,173,079</u>	<u>4,428,172</u>
Balance at 31 December 2021	<u>146,260</u>	<u>48,487</u>	<u>96,046</u>	<u>5,314,373</u>	<u>5,605,166</u>

The Consolidated entity received past cost reimbursements of AUD 5,390,679 (USD 3,833,258) as part of Farm-in Agreement announced on 27 May 2020.

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 31 December 2021 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 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 half- 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 8. Current liabilities - Advances from farm-out arrangement

	Consolidated	
	31 December 2021	June 2021
	\$	\$
Advances from farm-out arrangement	<u>1,582,884</u>	<u>7,617,634</u>

Project funding from joint operations partner are funds called from Sonangol by Melbana Energy Limited as the operator for the Block 9 drilling program as per the FIA which was executed in May 2020. Refer to note 30 to the 30 June 2021 annual financial statements and Directors' report for further information on the arrangement.

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Note 9. Equity - issued capital

	Consolidated			
	31 December 2021	30 June 2021	31 December 2021	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>2,673,309,552</u>	<u>2,316,851,413</u>	<u>286,899,664</u>	<u>280,302,775</u>

Equity – Contributed

	Note	31 December 2021 A\$	30 June 2021 A\$
<u>Issued and Paid-Up Capital</u>			
Fully paid ordinary shares	9(a)	<u>286,899,664</u>	<u>280,302,775</u>
Total Issued Capital		<u>286,899,664</u>	<u>280,302,775</u>

(a) Ordinary shares	Note	31 December 2021		30 June 2021	
		No.	A\$	No.	A\$
At the beginning of reporting period		2,316,851,413	280,302,775	2,316,851,413	280,302,775
Transaction costs relating to share issues		-	(532,566)	-	-
Shares issued during period	9(b)	356,438,678	7,128,774	-	-
Conversion of options (shares issued during the period)	9(b)	19,461	681	-	-
Transaction costs relating to exercise of options		-	-	-	-
At reporting date		<u>2,673,309,552</u>	<u>286,899,664</u>	<u>2,316,851,413</u>	<u>280,302,775</u>

(b) Shares issued

31 December 2021 details	Number of shares	Issue price A\$	Total A\$
Shares - Renounceable Rights Offer Sept 2021	356,438,678	0.02	7,128,774
Exercise of options (shares issued during the period)	16,296	0.035	570
Exercise of options (shares issued during the period)	3,165	0.035	111
	<u>356,458,139</u>		<u>7,129,455</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Consolidated entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Consolidated entity 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 buy-back

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

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Note 10. Equity - reserves

	31 December 2021	30 June 2021
	\$	\$
(a) Reserves		
Financial assets at fair value through other comprehensive income reserve	-	(1,118,350)
Foreign currency translation reserve	(243,700)	(235,486)
Share-based payments reserve	-	-
	(243,700)	(1,353,836)
Movements in Financial assets at fair value through other comprehensive income reserve		
Opening balance	(1,118,350)	(759,971)
Gain on disposal of financial assets at fair value through other comprehensive income reserve	-	-
Gain or loss on revaluations of financial assets at fair value through other comprehensive income	-	(358,379)
Transfer of reserves to accumulated losses	1,118,350	-
Ending balance	-	(1,118,350)
Movements in foreign currency translation reserve were as follows:		
Opening balance	(235,486)	-
Currency translation differences arising during the half-year	(8,214)	(235,486)
Ending balance	(243,700)	(235,486)
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Opening balance	(271,859,359)	(272,077,015)
Profit/ (loss) for the half-year	9,492,839	(1,398,123)
Lapse of performance rights	-	1,380,293
Transfer of reserves to accumulated losses	(1,118,350)	235,486
Ending balance	(263,484,870)	(271,859,359)

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.

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.

Note 11. Equity - dividends

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

Note 12. Commitments and contingent liabilities

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 of approximately \$6.2 million includes 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. 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.

Cuba Block 9 (Melbana 30% interest)

In September 2015, Melbana executed the Cuba Block 9 Production Sharing Contract (PSC) with the Cuban national oil company *Unión Cuba-Petróleo* (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.

In October 2020, CUPET approved an adjustment to the Block 9 PSC exploration subperiods such that the third (current) exploration sub-period now ends in November 2023 with one exploration well to be drilled before that date. The second well (designated Zapato-1) of the current two well exploration program currently underway will satisfy this commitment and is currently expected to be completed before July 2022.

Melbana is required to meet 15% of the cost of this two well exploration program with the balance owing forecast to be about US\$2 million. Melbana has in addition allowed US\$2.1 million for its share of testing and post well studies to the end of the next fiscal year.

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

During the reporting period Melbana completed the divestment of its permit WA-488-P to EOG Resources Australia Block WA-488 Pty. Limited (EOG Resources). In consideration, Melbana received an upfront cash payment of USD7.5 million and is entitled to receive future cash and royalty payments contingent on certain elections EOG Resources may make with respect to the permit and EOG Resources producing and selling hydrocarbons from the permit area. The permit requires EOG Australia to drill an exploration well by August 2023). Melbana has no funding commitment, contingent or otherwise, to the cost of this exploration well.

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

Permits WA-544-P and NT/P87 are located in the Joseph Bonaparte Gulf offshore northern Australia (immediately adjacent to WA-488-P) and were granted to a wholly owned subsidiary of Melbana on 24 November 2020 for an initial period of six years. The primary term of these permits ends on 23 November 2023, with minimum work programs consisting of reprocessing 2D and 3D seismic and related desktop studies, the estimated cost of which was \$1,300,000. It is estimated that there is \$300,000 remaining of this amount still to be expended in the next fiscal year.

AC/P70 (Melbana 100% interest)

Permit AC/P70, located in the Territory of Ashmore and Cartier Islands, was granted to Melbana Energy on 15 February 2022 for an initial period of six years. The primary term of this permit ends on 14 February 2025, with a minimum work program consisting of reprocessing 2D and 3D seismic, related desktop studies and the drilling of one exploration well. The estimated cost of these works was \$25,250,000. It is estimated that \$250,000 of this amount will be expended in the next fiscal year.

Melbana Energy Limited
Notes to the consolidated financial statements
31 December 2020

Note 12. Commitments and contingent liabilities (continued)

Summary

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. Additional amounts have been allowed for Melbana's share of preliminary testing of the oil discovered to date and post well studies and planning which together are estimated to total USD4.1 million to the end of next fiscal year.

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 \$550,000.

A payment of USD225,000 related to the sale of permit WA-488-P is due to a third party once EOG Australia completes the drilling of an exploration well (due by August 2023). Future additional payments up to a maximum payment of USD750,000 would be owed to this third party related to any future contingent cash and royalty payments Melbana may receive.

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

Note 13. Events after the reporting period

Subsequent to the reporting period, 465,828 ordinary shares have been issued as a result of conversion of options.

As announced to the ASX on 2nd of February 2022, the Company reported the existence of strong oil shows accompanied by elevated gas readings over an interval of 500 metres measured depth (mMD)/450 metres true vertical depth (mTVD) to about 3,590 mMD/3,420 mTVD in the N structure. Later that month the Company announced it estimated there to be about 100 mMD/88 mTVD of net hydrocarbon pay in this interval.

As announced to the ASX on 3 March 2022 and again on 9 March 2022, strong oil and gas shows had been encountered in the I Structure – the first primary target of the first exploration well.

No other matter or circumstance has arisen since 31 December 2021 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.

Note 14. Earnings per share

	Consolidated	
	31 December	31 December
	2021	2020
	\$	\$
Profit / (loss) after income tax attributable to the owners of Melbana Energy Limited	<u>9,492,839</u>	<u>(136,488)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,535,761,195</u>	<u>2,316,851,413</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,535,761,195</u>	<u>2,316,851,413</u>
	Cents	Cents
Basic earnings per share	0.37	(0.01)
Diluted earnings per share	0.37	(0.01)

Melbana Energy Limited
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made in accordance with section 303(5)(a) of *the Corporations Act 2001*.

On behalf of the Directors



Andrew Purcell
Executive Chairman

11 March 2022
Sydney



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

Conclusion

We have reviewed the half-year financial report of Melbana Energy Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Melbana Energy Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Melbana Energy Limited financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of Melbana Energy Limited 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 Melbana Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of Melbana Energy Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

MNSA Pty Ltd

MNSA Pty Ltd



Mark Schiliro

Director

Sydney

Dated this 11th of March 2022



MNSA