

Quarterly Activities Summary - Period Ended 31 December 2022

HIGHLIGHTS

Cuba - Block 9 PSC (Melbana 30% participating interest and Operator)

- **Exploration Well Zapato-1ST**

- Total depth reached at Zapato-1ST exploration well. Target formation not reached.
- Well suspended to allow time to incorporate well results into geological models

- **2023 Work Program**

- Preparations commenced for a two well appraisal well program designed to assess the oil quality and reservoir characteristics of the three formations containing moveable hydrocarbons encountered whilst drilling Alameda-1
- Planning, permitting and procurement proceeding on schedule
- No change to key operations personnel and contractors anticipated for 2023 program

Corporate

- Key personnel additions and changes
- \$39.1 million cash available at the end of the quarter

SYDNEY, AUSTRALIA (23 January 2023)

Melbana Energy Limited (ASX: MAY) (**Melbana** or the **Company**) provides the following summary in relation to its activities during the quarter ended 31 December 2022.

CUBA

Block 9 PSC (Melbana 30%, Operator)

Zapato-1 Exploration Well

Early in the reporting period the Zapato-1 exploration well had reached a depth of approximately 2,700 mMD¹. The top of the target formation was originally prognosed to be encountered at approximately 2,650 mMD. When it wasn't encountered by this depth (and given the different lithology encountered whilst drilling) a revised estimate for the depth at which it might be located was calculated to be about 2,800 mMD. Drilling ahead then continued slowly in the ophiolites, reaching 2,880 mMD a couple of weeks later. Using the information gathered on the logging run of the previous section of the well, a revised estimate was produced for the velocity of the sequence resulting in a new calculation of the

¹ metres, measured depth

base of the ophiolite sequence being perhaps at about 3,000 mMD. By late October the well reached 3,152 mMD, the planned total depth for this well, without having exited the ophiolites. Although there were encouraging signs that a lithology change may soon be reached, given the time that had been spent drilling this well and the fact it had reached the planned total depth the decision was made to call total depth for Zapato-1. The well was subsequently suspended and a review of the subsurface interpretation, incorporating the newly obtained data, commenced.

The Zapato structure remains a target of interest given the evidence for a significant accumulation of hydrocarbons to exist there. The folded nature of the formations typical in Cuba also means that if this play type can be confirmed there is the potential to find other such accumulations in adjacent structures within Block 9, as indicated by the interpretation shown in Figure 1.

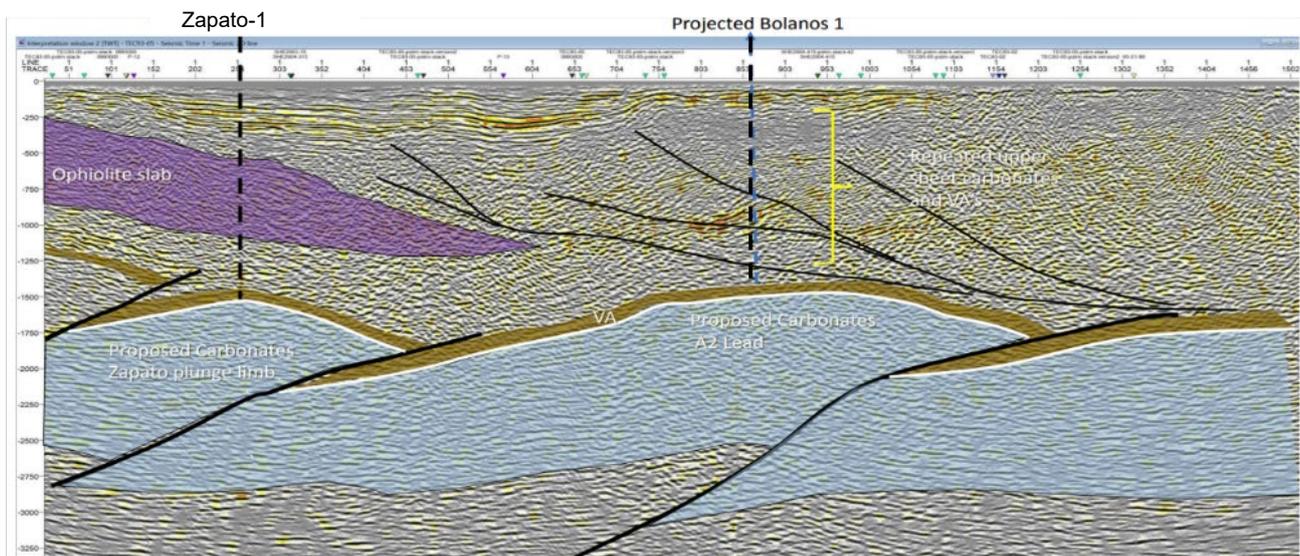


Figure 1 – Potential for additional “Zapato” type plays in Block 9

Forward Work Program

The 2023 work program for Block 9 includes the drilling of two appraisal wells to test the oil quality and reservoir performance of the three oil bearing formations encountered whilst drilling Alameda-1 (called Amistad, Alameda and Marti – as shown in Figure 2).

Melbana (Operator) and its partner in Block 9, Sonangol, approved the 2023 work program and budget during the reporting period and operational planning for the commencement of drilling operations for the first appraisal well were progressed. The necessary permits for the first well were well advanced with final permits required for the commencement of drilling operations on track to be received well ahead of the projected spud date of the well.

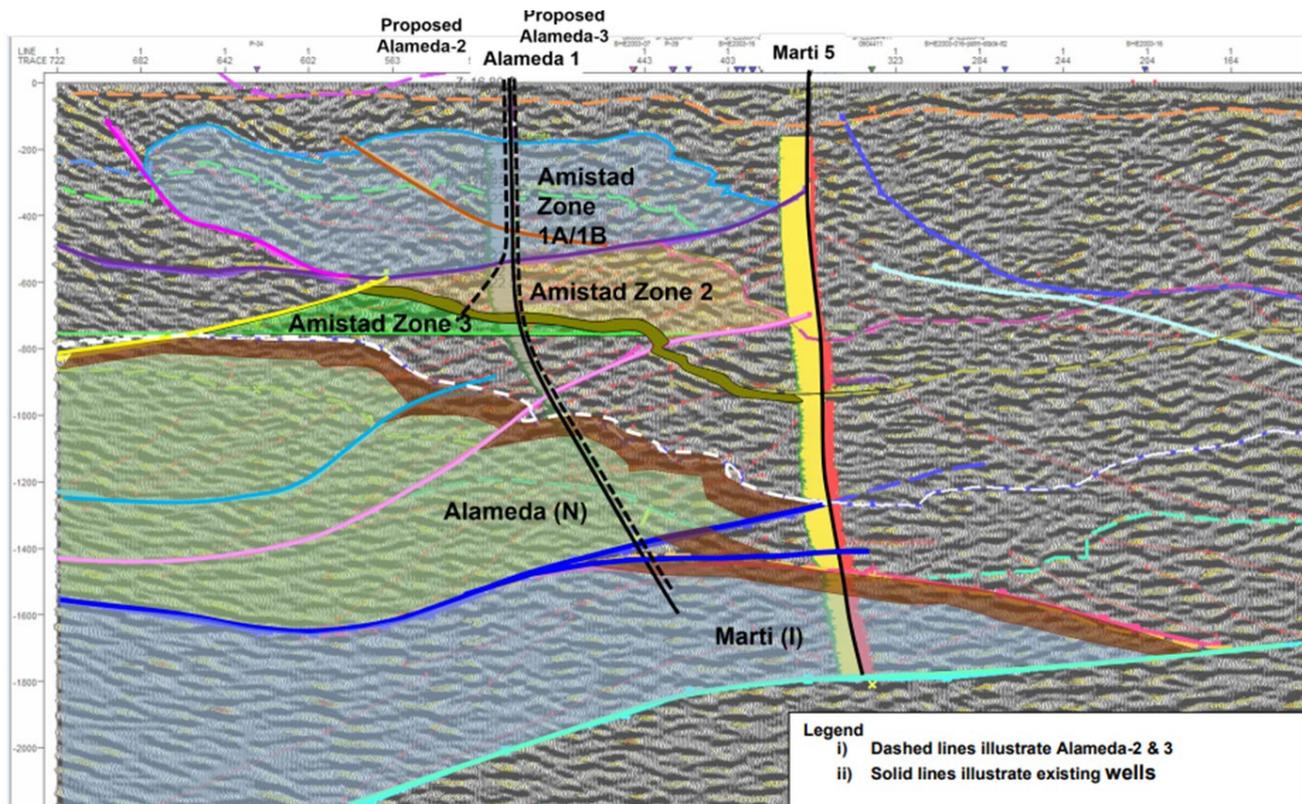


Figure 2 - Post-drill subsurface interpretation and proposed appraisal wells for 2023

Field works conducted during the reporting period first focussed on the demobilisation of the rig and camp from the Zapato-1 pad then conducting remedial works to render the location tidy and safe. Civil works were then commenced at the Alameda-1 pad to prepare for a return to operations there in 2023. Road and pad remained in good condition so these works largely focussed on constructing additional areas around the pad for the accommodation of oil storage and testing equipment and tanker truck access thereto for the upcoming testing program.

Also commenced during the reporting period were maintenance and recertification works of key equipment required for the upcoming appraisal well program and an inspection and count of casing and other inventory.

Objectives of the Two Appraisal Wells

Alameda-1 demonstrated a working hydrocarbon system at multiple depths and at different pressures. To fully evaluate these many different reservoirs properly, it is necessary to drill two separate wells to both test each of these reservoirs whilst also retaining the flexibility to allow simultaneous production from more than one reservoir.

The first appraisal well (Alameda-2), therefore, will evaluate the hydrocarbons encountered in the Amistad units of the Upper Sheet (see Figure 2) and the second appraisal well (Alameda-3) will evaluate the lower two reservoirs (Alameda and Marti).

Arrangements have been made to leave any of these reservoirs on production if the results of the appraisal program are supportive of doing so.

Health and Safety

The Company's on-site COVID-19 management protocols continue to be effective resulting in no significant interruption to operations.

AUSTRALIA

Melbana's technical team continued work on the Company's Australian assets including:

- AC/P70; and
- WA 544-P and NT-P87

The location of these permits are shown in Figure 3 and Figure 4 on the next page.

During the reporting period, the holder of WA-488-P submitted an application for a suspension and extension of this licence. The licence currently has a primary term commitment of one exploration well by August 2023. Melbana has no financial exposure to the cost of drilling this well but it does have an economic interest in any production that may be generated from within this licence area should this exploration well discover commercial accumulations of hydrocarbons².

Also during the reporting period, the holder of AC/P50 submitted an application to surrender this licence. Melbana has an entitlement to any future farmout or sale of this licence³.

CORPORATE

During the quarter, Mr. Uno Makotsvana joined the Company, assuming the role of Chief Financial Officer replacing Mr. Theo Renard whose resignation became effective shortly after the end of the current reporting period. Ms. Cate Friedlander also joined the Company during the quarter, assuming the roles of General Counsel and Company Secretary.

Payments to related parties and their associates, totalling \$197 thousand as outlined in Section 6 of the accompanying Appendix 5B, related to payment of directors' fees.

The Company had total cash on hand of \$39.1 million as at 31 December 2022.

For and on Behalf of the Board of Directors:

Mr Andrew Purcell
Executive Chairman

Ends -

For further information please contact

Mr Uno Makotsvana
Chief Financial Officer
+61 2 8323 6600

² See ASX announcement dated 23 April 2021

³ See ASX announcement dated 7 May 2021

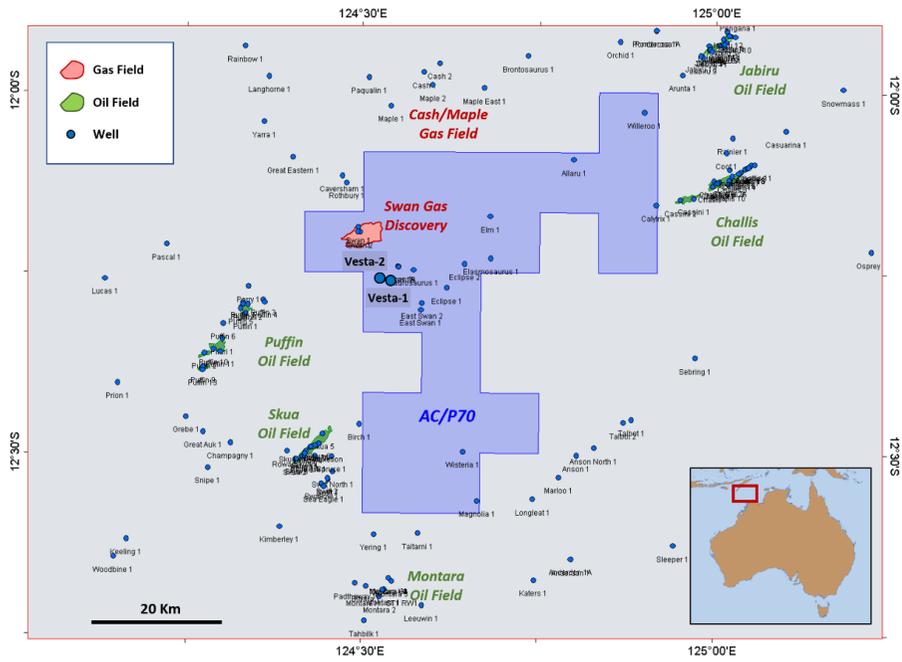


Figure 3 – AC/P70

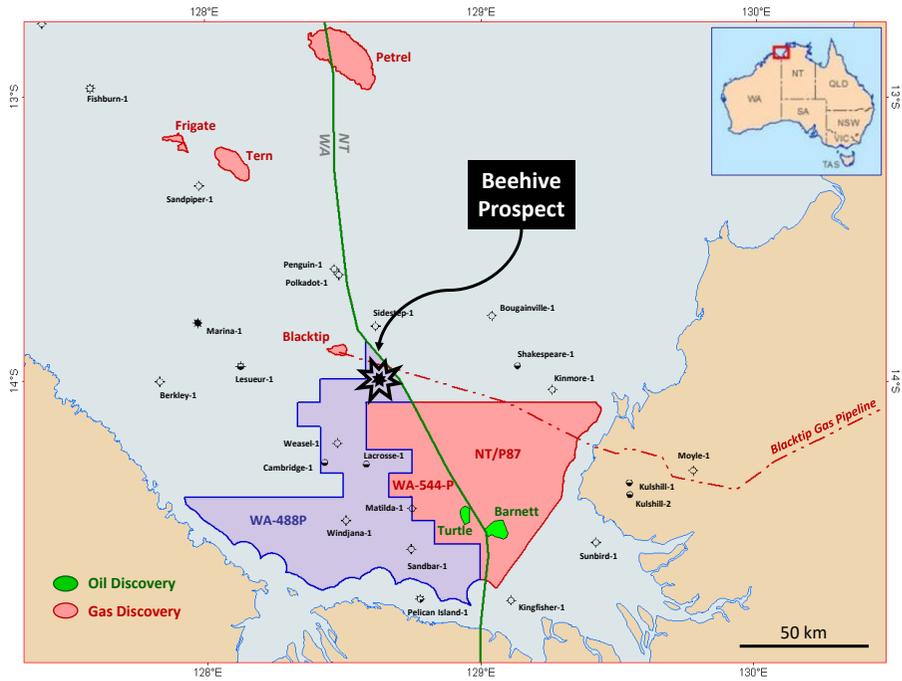


Figure 4 – WA-544-P and NT/P87
(WA-488-P has been divested, with Melbana retaining a contingent interest)

APPENDIX – TENEMENTS

INTERESTS HELD AT THE END OF THE QUARTER

| TYPE | LOCATION | OWNER | INTEREST |
|-----------------------|-----------|---|--|
| PSC Block 9 | Cuba | Melbana Energy Limited | 30% |
| PSC Santa Cruz | Cuba | Melbana Energy Limited | 100% ⁵ |
| PEL WA-544-P | Australia | MEO International Pty Limited | 100% |
| PEL NT/P87 | Australia | MEO International Pty Limited | 100% |
| PEL WA-488-P | Australia | EOG Resources Australia Block WA-488 Pty Limited | Cash, contingent on certain elections being made with respect to the PEL, and payments, contingent on exploration success ⁶ |
| PEL AC/P50 | Australia | Santos Offshore Pty Limited, SapuraOMV Upstream (Western Australia) Pty Limited | Royalty, contingent on exploration success ⁷ |
| PEL AC/P51 | Australia | Vulcan Exploration Pty Limited, Rouge Rock Pty Limited | Cash, contingent on option exercise, then Royalty, contingent on exploration success ⁸ |
| PEL AC/P70 | Australia | Melbana Energy Limited | 100% |

⁵ Award subject to receiving all regulatory approvals, some of which are outstanding

⁶ See ASX announcement dated 24 November 2021

⁷ See ASX announcement dated 7 May 2021

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

MELBANA ENERGY LIMITED

ABN

43 066 447 952

Quarter ended ("current quarter")

31st December 2022

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | 19 |
| Payments for | | |
| (a) exploration & evaluation | - | - |
| (b) development | - | - |
| 1.2 (c) production | - | - |
| (d) staff costs* | (446) | (831) |
| (e) administration and corporate costs | (334) | (869) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | (282) | (411) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from/(used in) operating activities | (1,062) | (2,092) |
| <i>*Some staff costs are reallocated in exploration & evaluation</i> | | |
| 2. Cash flow from investing activities | | |
| Payment to acquire or for: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| 2.1 (c) property, plant and equipment | - | - |
| (d) exploration & evaluation | (4,176) | (21,845) |
| (e) investments | - | - |
| (f) other non-current assets | - | - |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 2.2 Proceeds from disposal of: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | (76) |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (Contributions from JV Partner) | - | 12,749 |
| 2.6 Net cash from/(used in) investing activities | (4,176) | (9,172) |
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 Proceeds from issue of convertible debt securities | - | - |
| 3.3 Proceeds from exercise of options | (94) | 15,808 |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | - | - |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) | - | (42) |
| 3.10 Net cash from/(used in) financing activities | (94) | 15,766 |
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 45,526 | 35,569 |
| 4.2 Net cash from/(used in) operating activities (item 1.9 above) | (1,062) | (2,092) |
| 4.3 Net cash from/(used in) investing activities (item 2.6 above) | (4,176) | (9,172) |
| 4.4 Net cash from/(used in) financing activities (item 3.10 above) | (94) | 15,766 |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 4.5 Effect of movement in exchange rates on cash held | (1,099) | (976) |
| 4.6 Cash and cash equivalents at end of period | 39,095 | 39,095 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Bank balances | 39,095 | 45,526 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 39,095 | 45,526 |

| 6. Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|--|----------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 197 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments</i> | |
| <i>Director fees, salaries & superannuation expenses.</i> | |

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|---|
| <i>Note: the item 'facility' includes all forms of financing arrangements available to the entity.</i> | | |
| <i>Add notes as necessary for an understanding of the sources of finance available to the entity</i> | | |
| 7.1 Loan facilities | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |
| 7.5 Unused financing facilities available at quarter end | | - |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |
| N/A | | |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| 8. Estimated cash available for future operating activities | | \$A'000 |
|--|--|-------------|
| 8.1 | Net cash from/(used in) operating activities (Item 1.9) | (1,062) |
| 8.2 | (Payments for exploration & evaluation classified as investing activities) (item 2.1 (d)) | (4,176) |
| 8.3 | Total relevant outgoings (item 8.1 + item 8.2) | (5,238) |
| 8.4 | Cash and cash equivalents at quarter end (item 4.6) | 39,095 |
| 8.5 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 | Total available funding (item 8.4 + item 8.5) | 39,095 |
| 8.7 | Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 7.46 |
| <i>Note: if the entity has reported positive relevant outgoings (i.e. a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7</i> | | |
| 8.8 | If Item 8.7 is less than 2 quarters, please provide answers to the following questions: | |
| 8.8.1 | Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| | Answer: | |
| 8.8.2 | Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| | Answer: | |
| 8.8.3 | Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? | |
| | Answer: | |
| <i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered</i> | | |

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement does give a true and fair view of the matters disclosed.

Date: 23-01-23

Authorised by: The Board of Melbana Energy Limited

Notes

- The quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the *[name of board committee - e.g. Audit and Risk Committee]*". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors, you can wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.