

Quarterly Activities Summary – Period Ended 31 December 2020

Cuba - Block 9 PSC

- Construction of well pad for Alameda-1 more than half completed.
- Drilling contract with preferred supplier amended to accommodate additional operational requirements. Contracts for supply of long lead items (tubulars, well casings etc.) approved and ready for award. Amended project timeline being prepared, spud date now Q2 2021.
- All partner and regulatory approvals received for two well work program and budget. Permitting and land access agreements for first well complete. Cuban work visas for key expatriate project management personnel received.
- First well (Alameda-1) to take about 75 days. Three targets with a combined Prospective Resource of 143 MMBBLS (Best Estimate)¹ to be tested, each of which have previously recovered hydrocarbons and the best of which independently assessed to have a 32% chance of success.
- Second well (Zapato-1) to immediately follow Alameda-1 and take about 55 days. Single target near to the shallower Motembo oil field (which has historically produced a high-quality light oil). Prospective Resource 95 MMBBLS (Best Estimate)¹.
- Increased incidence of COVID-19 infections in Cuba. No increased impact on operations.

Australia – WA-488-P (Beehive), WA-544-P, NT/P87

- Awarded two additional petroleum exploration permits, designated as WA-544-P and NT/P87, offshore northern Australia on a 100% basis, adjacent to WA-488-P.
- Farm-out process continues. Several interested parties conducting due diligence.

Corporate

- Cash balance of \$6.873 million at end of quarter.

¹ Prospective Resources Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. All quoted volumes have been taken from Independent Expert McDaniel & Associates Competent Persons Report, released to ASX on 7 August 2018, as adjusted by Melbana for area relinquishment. Melbana is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

MELBOURNE, AUSTRALIA (29 Jan 2021)

Melbana Energy Limited (ASX: MAY) (“Melbana” or the “Company”) provides the following summary in relation to its activities during the quarter ended 31 December 2020.

Cuba - Block 9 (Melbana 30%, Operator)

During the quarter ending 31 December 2020, Melbana reached the following milestones in relation to its Cuban Block 9 drilling program:

- Civil works for well pad constructions, roads and other related facilities in preparation for the commencement of drilling of the Alameda-1 well are now more than half completed and projected to be completed off the critical path. The contractors performing these works under Melbana’s supervision have been instructed to spend some time improving the roads of the local community, in fulfilment of undertakings that were made as part of the land access agreements.



Figure 1 – Construction of access roads and well pad for Alameda-1 is now more than 50% complete

- The Company elected to enhance the near finalised drilling contract to accommodate possible changes to the operational environment that may result from the COVID-19 pandemic. The work plan is now more robust in the face of possible travel or border restrictions that may occur during the drilling program.
- Award of the contracts for the long lead items (tubulars, well pads, liners etc.) were withheld to align with the completion of this upgraded contract and work plan. Tenders from the main preferred suppliers have been refreshed and are in good standing for execution at the Company’s election.

- The work program and budget for the two well drilling program has received all partner and regulatory approvals. Timing and amount of proposed cash calls in support of the projected expenditure profile for the drilling of these two wells has similarly received all necessary approvals.
- Land access agreement for the second well, Zapato-1, has been received. Civil works will commence there immediately following the completion of works at Alameda-1.
- Senior members of Melbana’s project management team are expected to start arriving in Cuba before the end of Q1 2021 to supplement the Company’s local staff and contractors who have been managing operations to date. Cuban work visas have been received for relevant personnel.
- All airports in Cuba opened but with the caveat that all incoming travellers must present a negative COVID-19 PCR test taken less than 72hrs before arrival. There has been an increase in the number of people testing positive for COVID-19 in Cuba in recent months, possibly in part due to the increased arrivals in the country due to the tourists and expatriate Cubans arriving for the holiday season. This has not materially impacted preparations for the commencement of drilling operations. Field operations are maintaining a high level of discipline in following procedures to minimise the occurrence or spread of any infection.

Australia - WA-488-P (Beehive Prospect), WA-544-P, NT/P87 (Melbana 100%)

The Company announced¹ that it has been awarded two additional petroleum exploration permits offshore northern Australia on a 100% basis. Application was made for these permit areas under the Australian Government’s 2019 Offshore Petroleum Exploration Acreage Release.

The location of the permits, designated as WA-544-P and NT/P87, are adjacent to Melbana’s existing WA-488-P permit area that contains the giant Beehive Prospect and have been awarded for an initial 6-year period.

It is a condition of WA-488-P to drill an exploration well before the end of this year. A data room has been established to facilitate investigations by parties that have expressed interest in this opportunity and the additional running room afforded by the additional adjacent blocks recently awarded to Melbana. Several parties are advanced in their assessment of this opportunity and it is hoped these discussions may result in an opportunity to test this exciting prospect.

The Beehive prospect is a Carboniferous age carbonate build up with 400 metres of mapped

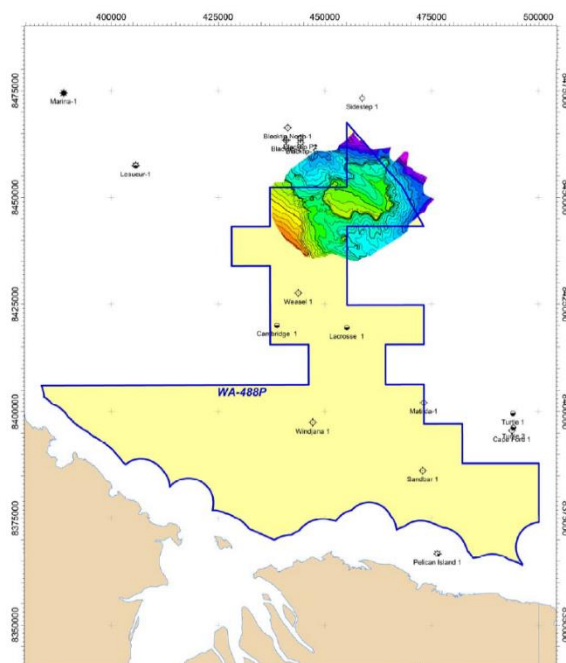


Figure 2 - Location of Beehive Prospect

¹ ASX announcement of 26 November 2020

vertical relief. It is located close to existing infrastructure and may be drilled by a jack up rig given it lies in only 40 metres of water. It has been independently assessed to contain a Prospective Resource of 400 million BOE (Best Estimate) and 1.6 billion BOE (High Estimate).

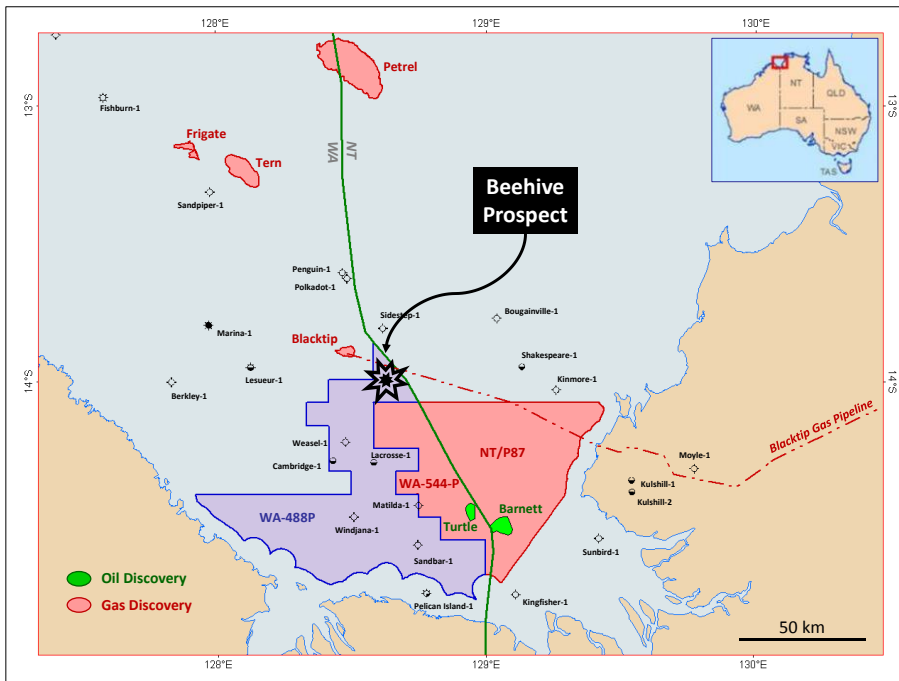


Figure 3 – Location of newly awarded permit areas relative to WA-488-P

Beehive is analogous to the giant Tengiz Field in the Caspian Sea, also a Carboniferous age carbonate build up. The Tengiz Field has estimated recoverable reserves of between six and nine billion barrels of oil.

Corporate

During the quarter the Company received 4,001,174² shares in Byron Energy Limited (ASX: BYE), pursuant to the in-specie distribution conducted by Metgasco Limited (ASX: MEL). Melbana’s holding in Metgasco was unchanged at 20.0% at the end of the quarter.

The Company continues to explore new business opportunities. Gaining exposure to projects with production or appraised discoveries is considered desirable by the board, subject to their acquisition being possible within Melbana’s existing cash resources and complementary to Melbana’s areas of technical and operational expertise.

Melbana ended the quarter with a cash balance of \$6.873 million.

Payments of \$183 thousand to related parties and their associates, as outlined in Section 6 of the accompanying Appendix 5B, relates to payment of directors’ fees.

For and on Behalf of the Board of Directors:

Mr Andrew Purcell
Executive Chairman

For further information please contact

Ms Melanie Leydin
Company Secretary
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Ends -

² ASX announcement dated 4 January 2021, as amended for actual number of shares received.

APPENDIX – INTERESTS IN TENEMENTS

TYPE	LOCATION	OWNER	INTEREST
PSC Block 9	Cuba	Melbana Energy Limited	30%
PSC Santa Cruz	Cuba	Melbana Energy Limited	100% ³
PEL WA-488-P	Australia	Finniss Offshore Exploration Pty Limited	100%
PEL WA-544-P	Australia	MEO International Pty Limited	100%
PEL NT/P87	Australia	MEO International Pty Limited	100%
PEL AC/P50	Australia	Melbana Energy Limited	Contingent ⁴
PEL AC/P51	Australia	Melbana Energy Limited	Contingent ⁴

 Awarded during the quarter

³ Award subject to receiving all regulatory approvals, some of which are outstanding

⁴ See ASX announcement dated 22 August 2018

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")

31 DECEMBER 2020

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	-	-
1.2 Payments for		
(a) exploration & evaluation	(49)	(66)
(b) development	-	-
(c) production	-	-
(d) staff costs*	(286)	(431)
(e) administration and corporate costs	(141)	(337)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (PAYG subsidy)	7	35
1.9 Net cash from / (used in) operating activities	(473)	(804)

*Some staff costs are reallocated in exploration & evaluation.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(183)	(323)
(e) investments	(23)	(441)
(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 the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	359	361
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Reimbursement of Block 9 back costs)	4,988	6,595
2.6	Net cash from / (used in) investing activities	5,141	6,192

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	-	-
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 (Principal element of lease payments)	(36)	(46)
3.10	Net cash from / (used in) financing activities	(36)	(46)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,513	1,781
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(473)	(804)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5,141	6,192

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
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(36)	(46)
4.5	Effect of movement in exchange rates on cash held	(272)	(250)
4.6	Cash and cash equivalents at end of period	6,873	6,873

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	6,873	2,513
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)	6,873	2,513

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	183
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>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(473)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(183)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(656)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,873
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,873
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	10.48
<i>Note: if the entity has reported positive relevant outgoings (ie 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: N/A	
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: N/A	
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: N/A	
<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

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

Date: 29 January 2021

Authorised by: The Board of Melbana Energy Limited

Notes

1. This 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.
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 standards apply 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 – eg 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 and you 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.