

## Cuba: Melbana retains 100% of Block 9

### Highlights:

- Petro Australis fails to achieve Cuban regulatory pre-qualification to enable timely application to regulatory authorities to acquire a 40% participating interest in Block 9
- Melbana terminates commercial arrangement with Petro Australis
- Melbana retains 100% of Block 9 PSC and proceeding with project as planned

MELBOURNE, AUSTRALIA (30 October 2017)

Melbana Energy Limited (ASX: **MAY**) (“**Melbana**”) advises that Petro Australis Limited (“**Petro Australis**”) has failed to achieve pre-qualification to enable a timely application to Cuban regulatory authorities for their acquisition of a 40% participating interest in the Block 9 Production Sharing Contract (“**Block 9 PSC**”). Cuban regulatory pre-qualification is normally an administrative process required for parties to demonstrate that they satisfy the financial and technical competency criteria specified in applicable Cuban legislation before they can acquire certain interests in Cuban hydrocarbon assets.

As a result, Melbana has terminated its commercial arrangements with Petro Australis such that Petro Australis’s no longer holds a right to acquire a 40% participating interest in the Block 9 PSC. Petro Australis has stated that it proposes to continue to seek Cuban Regulatory pre-qualification and, upon completion, take up a participating interest in Block 9. Melbana considers that the time for prequalification is passed and that Petro Australis’ entitlement to any interest in Block 9 has lapsed.

Melbana originally pursued Block 9 PSC in collaboration with Petro Australis under an agreement between the companies entered into in May 2012 whereby Petro Australis was granted a conditional right, which it had to exercise prior to 2 September 2017, to acquire a 40% participating interest in the Block 9 PSC (subject to regulatory approvals). On 25 August 2017 Petro Australis provided a notice to Melbana seeking to exercise that right. However, since entering into that agreement (including in the two months since it sought to exercise that right), Petro Australis has failed to obtain Cuban regulatory pre-qualification.

Melbana will continue the farmout process it has already commenced and Melbana’s plans to drill up to two wells on Block 9 in 2018 remain on track.

Melbana Energy’s MD and CEO Peter Stickland said:

*“Melbana now has an unfettered 100% participating interest in Block 9 PSC providing additional farmout flexibility. We will continue our farmout process with our data room remaining open and active. Our preparatory activities for drilling in 2018 also continue unabated with good progress being made in Cuba to advance our readiness to drill up to two wells in Block 9 commencing mid-2018.”*



Peter Stickland  
**Managing Director and Chief Executive Officer**

### Overview of Block 9 PSC, Onshore Cuba

Block 9 PSC (Block 9) covers 2,380km<sup>2</sup> onshore of the north coast of Cuba. It is in a proven hydrocarbon system with multiple producing fields within close proximity, including the Majaguillar and San Anton fields immediately adjacent to it and the multi-billion barrel Varadero oil field further west (see figure 1). Block 9 contains the Motembo field, the first oil field discovered in Cuba. Melbana is prequalified as an onshore and shallow water operator in Cuba and was awarded Block 9 on 3 September, 2015. Melbana’s established position in Cuba provides it with a strong early mover advantage.

Melbana’s ambition to drill up to two wells in Block 9 in Cuba is consistent with the Cuban national oil company’s announced strategy to accelerate oil exploration. Cuba’s reported current production is around 45,000 barrels per day of oil and 3 million cubic metres (approximately 100 million standard cubic feet) per day of gas with international operators reporting globally competitive operating costs in Cuba of ~US\$7/barrel. Most of the oil and gas produced is currently used for electricity generation, the demand for which is expected to rise.

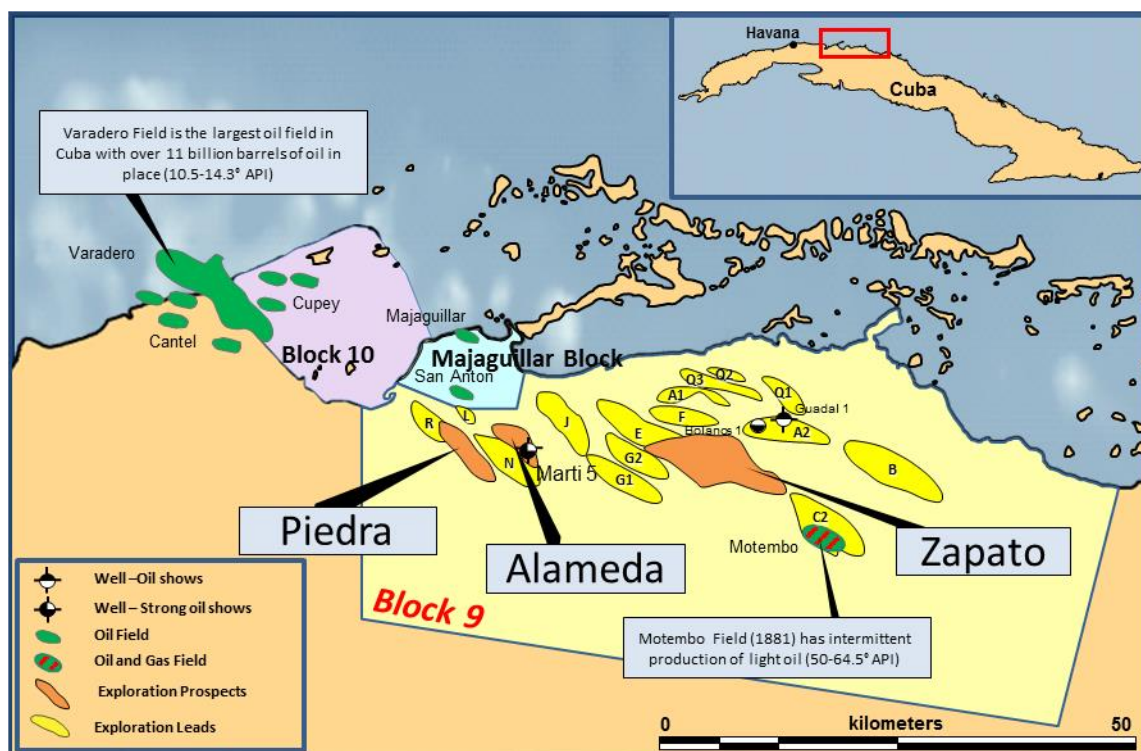


Figure 1. Block 9 PSC with high graded drilling targets