

Quarterly Activities Summary for Period Ended 30 September 2017

Highlights:

Capital Raising

- ~\$5.2 million capital raising (before costs)
- Funds raised enable preparatory activities for planned two well drilling program in Cuba anticipated for mid-2018

Cuba - Block 9 PSC

- 2018 drill program for up to two wells progressed during the quarter with initial site surveys of the Alameda-1 well location
- 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)*
- Farmout process for Block 9 PSC commenced

New Zealand - PEP51153

- Drilling of the high impact Pukatea prospect anticipated to commence January 2018 with rig secured and site upgrades completed

MELBOURNE, AUSTRALIA (31 October 2017)

Melbana Energy Limited (ASX: **MAY**) (“**Melbana**” or the “**Company**”) provides the following summary in relation to its activities during the quarter ended 30 September 2017.

Overview

During the September 2017 quarter Melbana completed a Share Placement and partially underwritten Entitlement Issue raising in aggregate ~\$5.2 million before costs. The funds raised will allow Melbana to continue to focus its activities on the world-class Cuban asset, Block 9 PSC (Block 9) which the Company estimates to have exploration potential of 12.5 billion barrels of Oil-in-Place with a Prospective (Recoverable) Resource of 637 million barrels (Best Estimate, 100% basis)*.

Melbana continues to progress planning for a drilling campaign in Block 9 and aims to drill up to two wells, Alameda-1 and Zapato-1, expected to commence mid-2018.

**Refer to Cautionary Statement in this report (page 5) relating to estimates of Prospective Resources.*

Drilling preparations for Pukatea-1 in New Zealand's onshore Taranaki Basin advanced considerably with the Joint Venture Operator completing site works ahead of the anticipated commencement of drilling in January 2018. 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.

The Company completed the reprocessing of 330km of 2D seismic data from WA-488-P in Western Australia's Bonaparte Gulf and is progressing farmout discussions. In relation to AC/P50 and AC/P51, Rouge Rock Pty Ltd exercised its options to acquire a 45% participating interest in each permit, which it had earned by undertaking 3D seismic data reprocessing indicatively valued at \$1.15 million. Following the completion of seismic reprocessing, work has begun on the reinterpretation of the permits prospectivity.

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

"We are pleased that the capital raising this Quarter has been very successful for Melbana, securing over \$5 million in new funds and introducing a number of new sophisticated and institutional investors to our share register. We are appreciative of the support of both new and existing shareholders.

We continue to progress towards drilling that is targeted to commence mid-2018 in our world-class exploration opportunity in Block 9, onshore Cuba. This quarter engineering, procurement and permitting processes were advanced to help prepare for drilling in Block 9.

In addition, we look forward to the drilling of our New Zealand, onshore exploration well, Pukatea-1, which is expected to commence early in the January 2018 quarter and has the potential to be of significant value for Melbana shareholders. We are also in active farm down negotiations for WA-488-P which, if successful, would result in one or more parties farming into the permit to fund future activities associated with the Beehive prospect.

Melbana looks forward to keeping the market informed as it progresses with Cuba, New Zealand and its other projects."

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

Contingent and Prospective Resources: The information in this presentation that relates to Contingent Resources and Prospective Resources for Melbana is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, the Managing Director and Chief Executive Officer of Melbana. Mr Stickland B.Sc (Hons) has over 25 years of relevant experience, is a member of the European Association of Geoscientists & Engineers and the Petroleum and Exploration Society of Australia, and consents to the publication of the resource assessments contained herein. The Contingent Resource and Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules. Conversion factors: 6 Bscf gas equals 1 MMboe; 1 bbl condensate equals 1 boe

Cuba

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.

During the quarter, Melbana commenced field work at Block 9, with local contractors undertaking initial site surveys of the area around the proposed Alameda-1 well location, the nearby supporting campsite and local access roads. The Company has initiated field work with experienced local Cuban contractors who are currently undertaking the engineering design for the surface facilities associated with the well and will also facilitate the permitting process, including environmental approvals required to begin exploration drilling targeted for mid-2018.



Melbana's Cuban Representative, Dr Tenreyro, marks the location of the proposed Alameda-1 well (left) and completed permanent marker for Alameda-1 topographic survey (right)

Petro Australis Limited ("**Petro Australis**") provided a notice to Melbana exercising its back-in right with respect to a 40% participating interest in the Block 9 Production Sharing Contract. However, subsequent to the end of the quarter Melbana terminated its commercial arrangements with Petro Australis Limited such that Petro Australis's no longer holds a right to acquire a 40% participating interest in the Block 9 PSC because Petro Australis Limited failed to achieve pre-qualification to enable a timely application to Cuban regulatory authorities. 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.

The Block 9 exploration period is split into four sub-periods with withdrawal options at the end of each sub-period. During the quarter Melbana received confirmation of regulatory approval to amend the Block 9 exploration work program, deferring the obligation to undertake a 200km 2D seismic survey in the second exploration sub-period starting November 2017 to the third exploration sub-period starting November 2019 and accelerating the obligation to drill an exploration well from the third sub-period to the second. The amendment was requested to better align the work program to Melbana’s goal of drilling up to two exploration wells in Block 9.

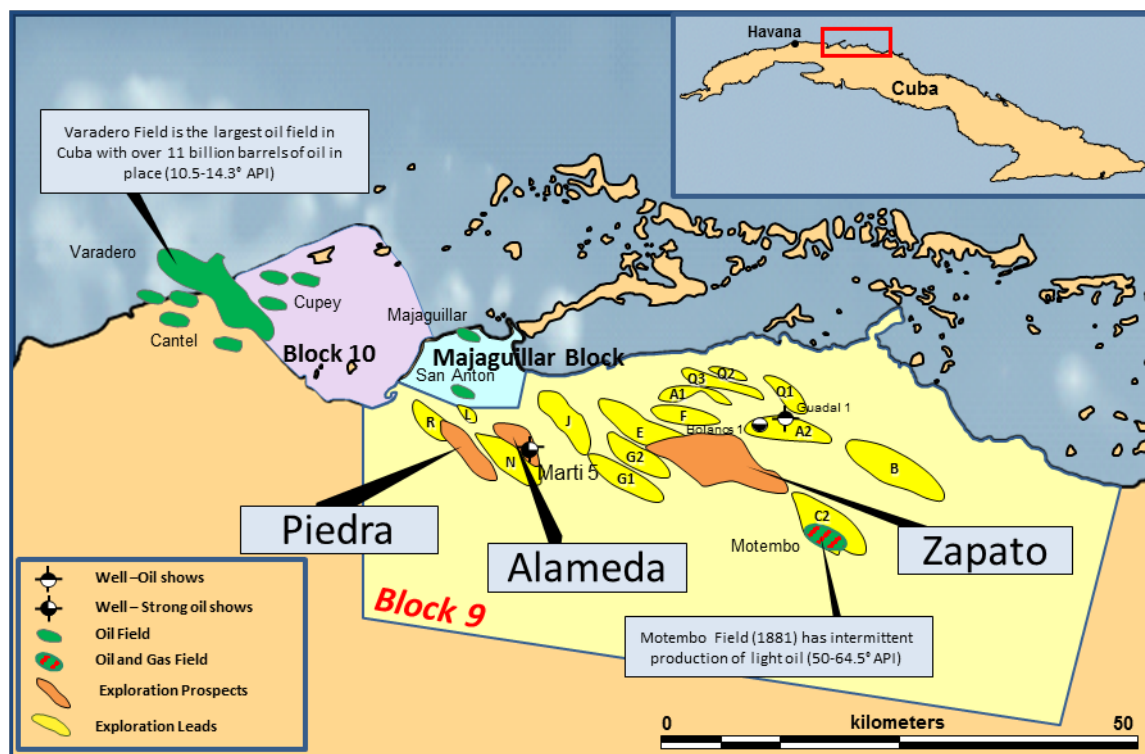


Figure 1. Block 9 with high graded drilling targets

Melbana has identified Block 9 as one of the world’s most exciting exploration plays with 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 prioritising so as to focus on the highest impact, lowest risk drill opportunities.

Alameda-1 – High Priority Exploration 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% unrisked, 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.

*Refer to Cautionary Statement in this report (page 5) relating to estimates of Prospective Resources.

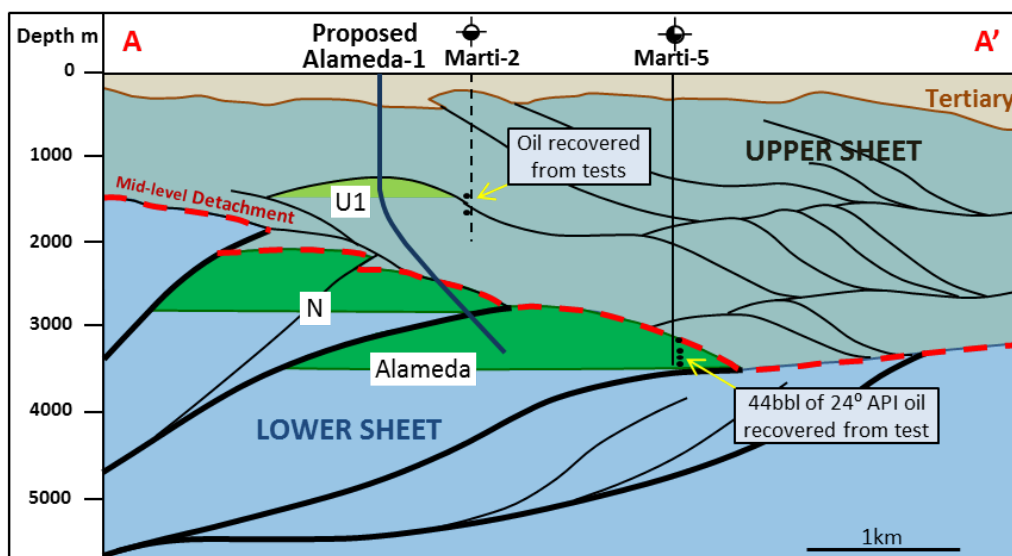


Figure 2. Schematic cross section for proposed Alameda-1 well

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

***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.

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

Melbana's focus is on detailed planning for a drilling campaign in Block 9. The Company's aim is to drill up to two wells in Block 9 commencing mid-2018. Based on a range of potential drill targets, a two well campaign would cost in the range of US\$10-30 million, and ongoing subsurface studies may yield further high quality, attractive drilling objectives. Melbana has commenced farmout activities for Block 9, with a data room opened in its Melbourne office.

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

- Continuing farmout activities
- Ongoing 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
- Detailed contractor evaluation and selection in preparation for field contract commitments

Indicative Activity Schedule

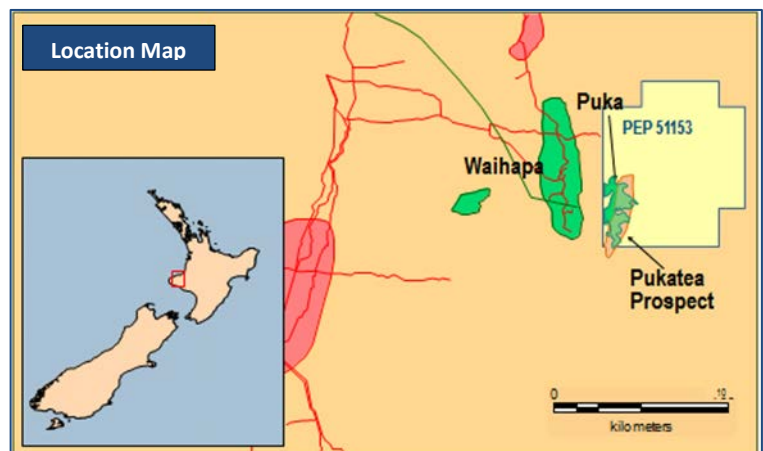
PSC	Block 9	2017				2018							
		Mar Qtr		Jun Qtr		Sep Qtr		Dec Qtr					
		J	F	M	A	M	J	J	A	S	O	N	D
Melbana Interest	100%												
Operator	Melbana												
Exploration Sub-Period						2							
Work program		Studies & Seismic Reprocessing				1 exploration well							
Activities (indicative)			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

New Zealand: Taranaki Basin

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

The PEP51153 Joint Venture (Melbana 30%, TAG Oil (TSX: TAO) 70% and Operator) has approved plans to drill Pukatea-1, with the Operator advising that drilling is currently planned to commence in January 2018. The Pukatea prospect is a high impact exploration opportunity, targeting the highly productive conventional Tikorangi Limestone reservoir.

During the quarter the PEP51153 Joint Venture completed site civil and construction works to upgrade the existing drill pad.



Melbana believes the regional setting provides solid indicators of Pukatea's potential prospectivity. The uplift in Prospective Resources 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 ~5,000bpd. The Pukatea prospect is located updip 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, ~5km from the Pukatea prospect location and according to latest publicly available data released by the operator, produces at approximately 1,000boepd.

Melbana believes oil and gas economics in the Taranaki Basin can be robust in the current price environment. TAG recently reported an independent expert valued their 2P Reserves in nearby fields at ~A\$20/barrel on an NPV10 basis*.

*TAG Oil media release 20 June 2017



Completed Pukatea drilling pad with existing Puka-1 and Puka-2 suspended wells protection zones visible

The minimum work program for PEP51153 is as follows:

Period	Work Commitment
No later than 23 February 2018	Drill one well to a location and depth agreed between the permit holder and the Chief Executive

PEP51153 currently expires on 23 September 2018.

Indicative Activity Schedule

Permit Melbana Interest Operator	PEP 51153 30% TAG Oil	2017				2018			
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	
		J F M	A M J	J A S	O N D	J F M	A M J	J A S	
Permit Year		9				10			
Work program		1 well							
Activities (indicative)									
Drilling preparations		[Yellow bar]							
Drill Well Pukatea-1				[Red bar]					
Testing (success case)						[Red bar]			

Australia

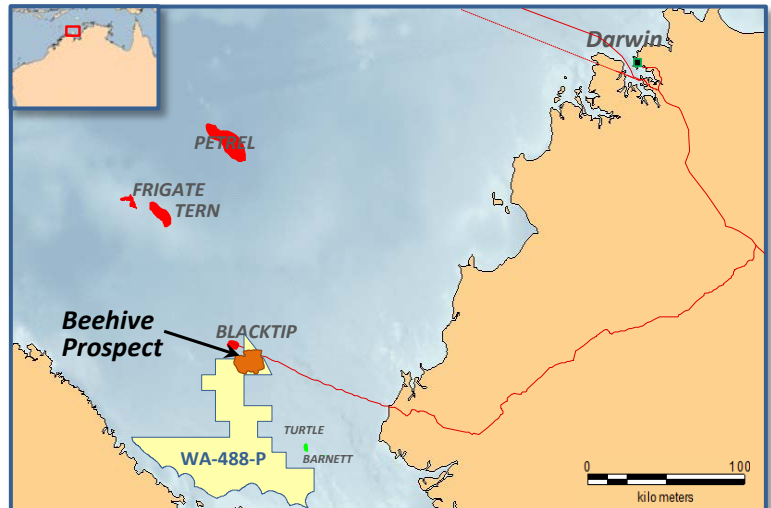
Bonaparte Gulf: Petrel sub-Basin: WA-488-P (Melbana 100%)

WA-488-P is located in the southern Bonaparte Gulf and covers an area of 4,105km². 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 reprocessing of 330km of 2D seismic data was completed. This will now be followed by a stratigraphic interpretation study and an analogue field study. Initial results of reprocessing activities were reviewed and are encouraging.

A formal farmout process continued during the quarter and discussions were progressed with potential farminees. The potential drilling of the Beehive prospect and any other material cost associated with field activity within WA-488-P is subject to a successful farmout.



Indicative Activity Schedule

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

* timing is indicative only and is subject to change

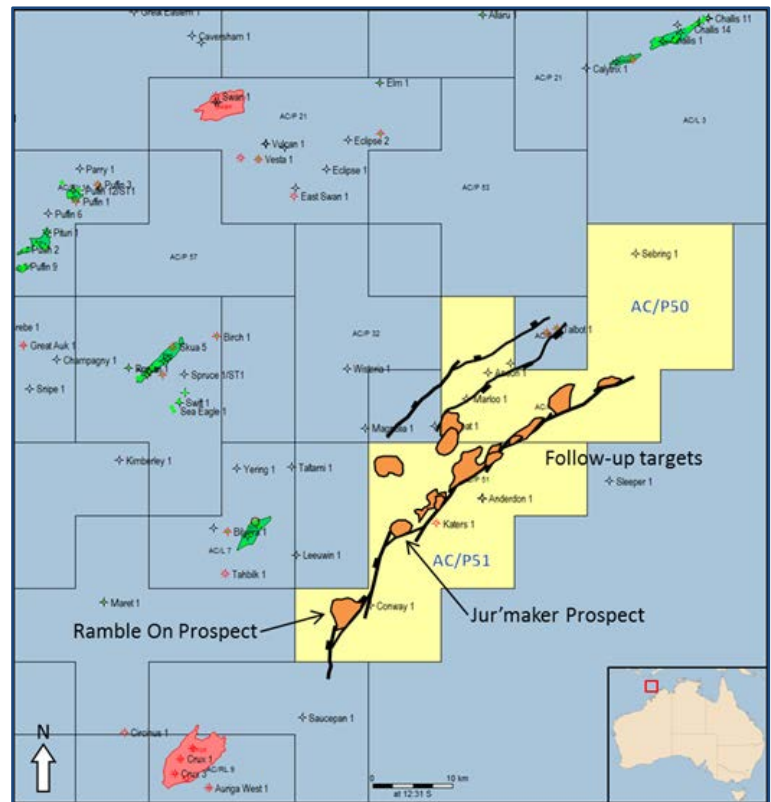
Ashmore Cartier Region, Timor Sea: Vulcan Sub-Basin

AC/P50 and AC/P51 (Melbana 55%*)

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 Auriga West-1 gas discovery near Crux gas/condensate field, resulting in renewed industry interest in the region.

During the quarter Rouge Rock Pty Ltd formally notified Melbana of the exercise of its options to acquire a forty five percent (45%) participating interest in the AC/P50 and AC/P51 exploration permits. The indicative value of the reprocessing work undertaken by Rouge Rock to earn the options was approximately \$1.15 million. The exercise of the options by Rouge Rock is a demonstration of the prospectivity in AC/P50 and AC/P51.

3D seismic reprocessing work was also completed during the September quarter, significantly improving the data quality.



The seismic reprocessing undertaken earlier in 2017 has resulted in significantly improved data quality. Interpretation of this improved, reprocessed data set is now underway.

*Both permits are subject to an option to acquire a 5% interest currently held by Far Cape Energy Pte Ltd ("Far Cape"). 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 permit.

Indicative Activity Schedule

Permit	AC/P50	2017				2018							
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr				
Melbana Interest	55%*	J	F	M	A	M	J	J	A	S	O	N	D
Operator	Melbana	J	F	M	A	M	J	J	A	S	O	N	D
Permit Year						3				4			
Work program		Repro				Studies				1 well**			
Activities													
Reprocessing		■											
Seismic Interpretation						■							
Partial sale process										■			

Permit	AC/P51	2017				2018							
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr				
Melbana Interest	55%*	J	F	M	A	M	J	J	A	S	O	N	D
Operator	Melbana	J	F	M	A	M	J	J	A	S	O	N	D
Permit Year						3				4			
Work program		Repro				Studies				1 well**			
Activities													
Reprocessing		■											
Seismic Interpretation						■							
Partial sale process										■			

*Subject to option granted for 5% participating interest for both permits

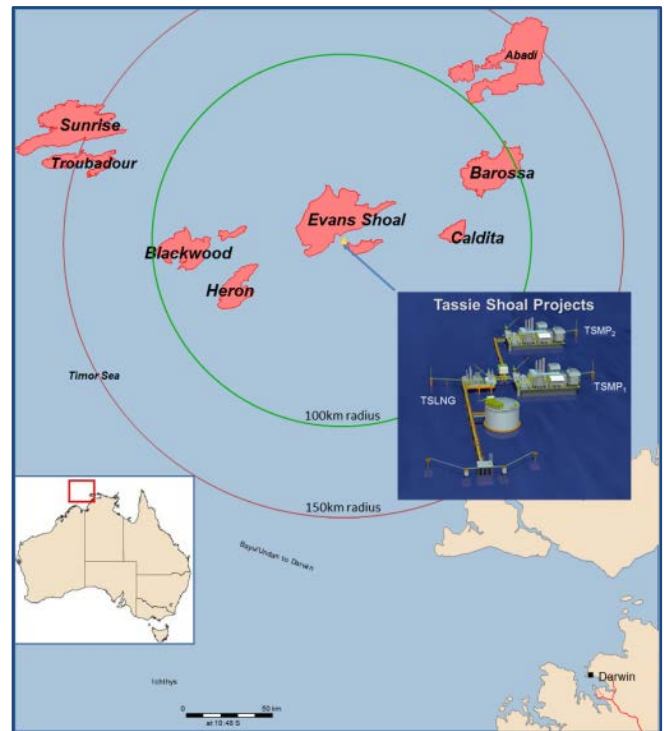
** Continuation into the 4th Permit Year is discretionary

Tassie Shoal Gas Processing Projects

(Melbana 100%)

The Tassie Shoal Projects encompass a single offshore LNG and two world scale offshore Methanol production facilities with Australian Federal Environmental approval to construct the production facilities offshore on Tassie Shoal, a unique shallow water site. The Tassie Shoal Projects were designed to process raw gas from surrounding discovered but undeveloped natural gas fields.

Industry participants are 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 commercialisation path for the significant, discovered but undeveloped resources in the region, for the benefit of all stakeholders.



During the quarter it was reported by ConocoPhillips that the Barossa gas field is proposed to be developed as feedstock to the Darwin LNG facility from 2023*. This leaves the Evans Shoal Gas field (~28% CO₂) without a publically stated development path. The Tassie Shoal LNG and/or Methanol Projects remain as potential development paths for stranded Evans Shoal gas.

*ConocoPhillips announcement 13 July 2017