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Quarterly Activities Summary - Period Ended 30 September 2020

Cuba - Block 9 PSC

- Regulatory approval for entry of Melbana's joint venture partner into the Block 9 Production Sharing Contract formally received, thus satisfying the last remaining Condition Precedent of the Farm-In Agreement
- Melbana has a 30% participating interest (15% working interest) in Block 9 PSC and is operator for the two well drilling program
- Survey of first well site commenced. Contractors mobilising to commence field works
- Tenders for the supply of tubulars and other long lead items completed and approved
- Payments totalling $2.4 million received towards repayment of Past Costs (balance of ~$5 million owing received subsequent to quarter end)

Australia – WA-488-P (Beehive) – 100%

- Farm-out process continues. Interested parties conducting due diligence
- Prospective Resource 416 million barrels of oil equivalent (Best Estimate)[1], an increase of 7% following new volumetric analysis using 3D seismic

Corporate

- Cash balance of $2.513 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.

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MELBOURNE, AUSTRALIA (30 Oct 2020)

Melbana Energy Limited (ASX: MAY) ("**Melbana**" or the "**Company**") provides the following summary in relation to its activities during the quarter ended 30 September 2020.

Cuba - Block 9 (Melbana 30%, Operator)

During the quarter ending 30 September 2020, Melbana reached the following milestones in relation to its Cuban Block 9 drilling program:

- Formal regulatory approval received for the entry of Sonangol into the Block 9 Production Sharing Contract. As a result, all Conditions Precedent of the Farm-In Agreement[1] were satisfied and Sonangol received a 70% participating interest (85% working interest) of the costs of the 2 well drilling program (Melbana as operator)

- International tenders for services and materials completed, award recommendations made to joint venture partners

- Contracts entered into for recording baseline environmental conditions, establishment of survey points, execution of civil works and provision of camp facilities for the construction of the well pads and related infrastructure

- Preparatory works for the construction of the well pad for Alameda-1 commenced

- Melbana received payments of $2.4 million towards its Past Costs of ~$5.0 million during the quarter with the balance being received after the quarter's end

Drilling of Alameda-1 is expected to commence in mid Q1 2021 but remains dependent on long lead items being deliver on schedule and the continued relaxation of COVID-19 management practices currently in place in Cuba.



Figure 1 - Area of Alameda 1 drilling site

Existing Melbana personnel in Cuba, supplemented by experienced local personnel seconded from the proposed drilling contractor, have been engaged to supervise these works and to

[1] See ASX announcement dated 27 May 2020

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assist with their being conducted as efficiently as possible. It is expected senior members of the project management team will start to arrive in country towards the end of 2020.

The targets of the first well, Alameda-1, have a total Prospective Resource of 141 million barrels of oil (Best Estimate)[1]. Zapato-1, the second well, has a Prospective Resource of 95 million barrels of oil (Best Estimate)[1]. These estimates have been independently assessed.

Australia - WA-488-P (Beehive Prospect, Melbana 100%)

The Company reviewed its volumetric analysis of the Beehive Prospect based on the results of a comprehensive assessment of the Beehive 3D seismic data acquired that strongly validated the presence of hydrocarbons within the Beehive prospect. This resulted in an announced[2] 7% increase of Best Estimate Prospective Resource to 416 million barrels of oil equivalent (BOE) compared to the assessment conducted in 2018 by independent reserves expert McDaniel & Associates based on the pre-existing 2D seismic data.

The Company continues to engage closely with a number of interested parties who are now conducting their own analysis using the materials provided in the data room and raw data from the 3D seismic acquired, with guidance and support of Melbana's technical team.

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

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 participated in the share placement and share purchase plan undertaken by Metgasco Limited (ASX: MEL) at 2.5 cents per share, investing approximately $175,000 to acquire about 7 million shares (plus one attaching option for every three shares acquired at a strike of 5 cents per share, subject to their issue being approved by Metgasco's shareholders in general meeting). Melbana's holding in Metgasco was 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.

Following the quarter's end, travel restrictions to and within Cuba have eased considerably.

Melbana ended the quarter with a cash balance of A$2.513 million.

Payments to related parties and their associates, as outlined in Section 6 of the accompanying Appendix 5B, relates to director fees paid for the quarter.

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[2] See ASX announcement dated 24 August 2020

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For and on Behalf of the Board of Directors:

Mr Andrew Purcell

Executive Chairman

Ends -

For further information please contact

Ms Melanie Leydin

Company Secretary

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Appendix 5B

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

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Name of entity

MELBANA ENERGY LIMITED

ABN	Quarter ended ("current quarter")
43 066 447 952	30 SEPTEMBER 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(17)	(17)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs*	(145)	(145)
	(e) administration and corporate costs	(196)	(196)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (PAYG subsidy)	28	28
1.9	**Net cash from / (used in) operating activities**	**(331)**	**(331)**

**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	(140)	(140)
	(e) investments	(418)	(418)
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	2	2
	(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)	1,607	1,607
2.6	**Net cash from / (used in) investing activities**	**1,051**	**1,051**

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 (Principle element of lease payments)	(10)	(10)
3.10	**Net cash from / (used in) financing activities**	**(10)**	**(10)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,781	1,781
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(331)	(331)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,051	1,051

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	(10)
4.5	Effect of movement in exchange rates on cash held	22	22
4.6	**Cash and cash equivalents at end of period**	**2,513**	**2,513**

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	2,513	1,781
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)**	**2,513**	**1,781**

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	111
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
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)	(331)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(140)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(471)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,513
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	2,513
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	5.34

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.

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

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.

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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: 30 October 2020

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.

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