

ASX: MAY

Equity Research

5th June 2023

SPECULATIVE BUY

Share Price \$0.081
Valuation \$0.210

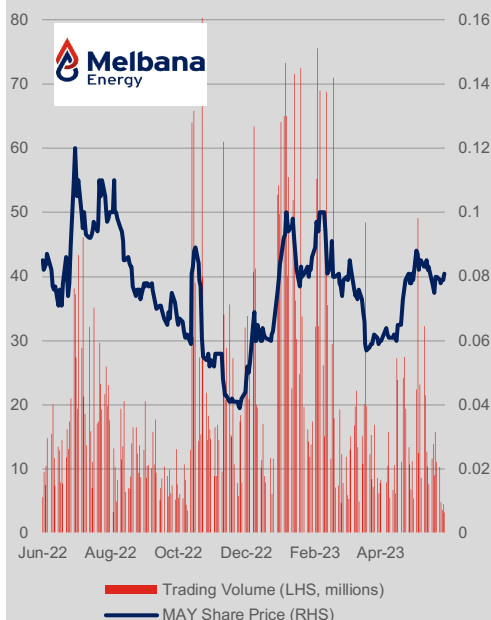
52-Week Range \$0.039 - \$0.130
MAY Shares Outstanding 3,370
Performance Rights:
Price above 12¢ for 20 consecutive days 31.3m
Price above 19.2¢ for 20 consecutive days 22.6m
Price above 12¢ for 20 consecutive days 13.5m
Price above 19.2¢ for 20 consecutive days 9.8m
Market Capitalisation \$273.0m
Cash (31 Mar 2023) \$37.5m
Debt (31 Mar 2023) Nil
Enterprise Value \$235.5m

Board & Management:

Andrew G Purcell Executive Chairman
Michael Sandy Non-Executive Director
Peter Stickland Non-Executive Director
Uno Makotsvana CFO
Cate Friedlander Company Secretary

Major Shareholders (as at 26 Jan 2023):

Ant Nicholson Pty Ltd 5.72%
MF Medial Pty Ltd 5.53%
Axsim Funds Managment 4.46%
Geordie Bay Holdings Pty Ltd 3.82%
Loktor Holdings Pty Ltd 3.27%



Melbana is an Australian ASX listed, independent oil and gas company that has a focussed portfolio of high impact exploration, appraisal and development stage opportunities in Cuba and the Bonaparte Gulf and Territory of Ashmore and Cartier Island regions in Australia.

Melbana aims to create a world class E&P company by using the skills of our people to identify and successfully develop attractive oil and gas exploration and project development opportunities.

Melbana Energy Limited

Initiation: A lot ahead – But Cuba drilling steals the show

We initiate coverage of Melbana Energy Limited (ASX: MAY) with a Speculative Buy rating and positive outlook for the future. MAY has been stalwart in its dedication to Cuba, entering negotiations in 2013 with Block 9 PSC awarded in September 2015.

Cuba is open for business and in need of more production. Currently the country, primarily through its national oil company, CUPET, produces approximately 36,000 barrels of oil per day and ~32 billion cubic feet of gas. Oil production meets just 24% of the domestic consumption, with the balance satisfied by imports.

Upcoming drilling of Amistad, Alameda and Marti Reservoir in Block 9 Cuba: As a direct follow-up of the successful Alameda-1 well MAY is in preparations for two appraisal wells; Alameda-2 & Alameda-3, which are expected to start drilling in June 2023. Alameda-2 will evaluate the hydrocarbons encountered in the Amistad units of the Upper Sheet with Alameda-3 to evaluate the lower two reservoirs (Alameda and Marti). **Melbana's drilling contractor, a subsidiary of Sherritt International has decades of experience in Cuba** drilling and producing hundreds of oil and gas wells over the past 25 years.

Block 9 had multiple other producing fields within close proximity and the Motembo field, a working oil system that produced a high-quality light crude (up to 64.5° API oil). The volumes of the Amistad structure have been independently estimated as 1.9 billion barrels of Oil in Place (OIP) and 88 million barrels of Prospective Resource (un-risked gross best estimate). Total volumes, with reservoirs Marti and Alamada, come to 6.4 billion OIP and 362 mmbbl of Prospective Resource.

CUBA Block 9 PSC Project Valuation: using various Brent prices & Risk Weights.

| NPV US\$/bbl | Risk Weight | | | | |
|--------------|-------------|-------|-------|-------|--------|
| | 10% | 15% | 20% | 25% | 30% |
| US\$10/bbl | 123.2 | 184.8 | 246.5 | 308.1 | 369.7 |
| US\$15/bbl | 184.8 | 277.3 | 369.7 | 462.1 | 554.5 |
| US\$20/bbl | 246.5 | 369.7 | 492.9 | 616.2 | 739.4 |
| US\$25/bbl | 308.1 | 462.1 | 616.2 | 770.2 | 924.2 |
| US\$30/bbl | 369.7 | 554.5 | 739.4 | 924.2 | 1109.1 |

If the wells are successful: To fully evaluate the different reservoirs properly, it is necessary to drill two separate wells to both test each whilst also retaining the flexibility to allow simultaneous production from more than one reservoir. Melbana has designed the drilling program to leave any of these reservoirs on production if the results of the appraisal program are supportive. Following a successful appraisal an oil field would be able to be developed quickly and cheaply due to the proximity of Block 9 to existing oil field infrastructure.

Fantastic farm out partner and deal: Farm out to Sonangol underpinned first 2 well drilling program. In December 2019, Melbana entered into a binding Heads of Agreement ("HOA") with Sonangol, the National Oil Company of Angola & Africa's second largest oil producer – for that entity to acquire a 70% interest in Block 9 in return it for funding 85% of the cost of two exploration wells and repaying Melbana's past costs. The HOA was replaced with a more detailed Farm-in Agreement in May 2020. The participating interests in Block 9 PSC are Melbana 30% and Sonangol 70%. For the first two exploration wells (now completed), Sonangol paid Melbana a promote (as well as back costs) that made Melbana's working interest 15% for those two wells only.

News flow: the key catalysts in the short and medium term is the run up to drilling and upcoming results from the wells. Some news with regards to Australia can be expected too given its trailing interest in the results of a well to be drilled in WA-488-P and the prospectivity of its other acreage positions.

MAY valuation: our sum of the parts valuation considers a 25% (or 75% risk discount) of the Cuba PSC 9 NPV estimated using an oil NPV price of US\$25/bbl with a valuation of A\$616.2 million or \$0.18 per share. Factoring the other acreage and volumes held by MAY we assume a 90%-95% risk discount and an oil NPV price of US\$10/bbl. Our total sum of parts valuation of MAY comes to \$711.7 Million or \$0.21 per share.

TABLE OF CONTENTS

| | |
|--|-----------|
| 1. MAY Valuation | 3 |
| MAY Sum of the Parts Valuation..... | 4 |
| Cuba – Open for business & in need of more production | 4 |
| Commodity Outlook..... | 5 |
| 2. MAY Strategy..... | 6 |
| 3. Farm in agreement 27 May 2020 | 6 |
| 4. Reserves and Resources | 6 |
| 5. Cuba – Block 9 PSC | 7 |
| Joint Venture with Sonangol – National Oil Company of Angola | 8 |
| Drilling Program | 8 |
| Objectives of Upcoming Appraisal Wells | 8 |
| Prospectivity Assessment of Block 9 | 9 |
| Zapato-1 Exploration Well..... | 9 |
| 6. Cuba – Santa Cruz | 11 |
| Process Going Forward | 12 |
| Multiple Phase IOR | 12 |
| 7. Australia – Bonaparte Gulf..... | 13 |
| Turtle & Barnett..... | 13 |
| Beehive | 14 |
| 8. Australia – Vulcan Sub-Basin Exploration | 14 |
| Ashmore and Cartier Islands AC/P70 | 14 |
| 9. Australia – Tassie Shoal Projects..... | 17 |
| Tassie Shoal Methanol Project | 17 |
| Tassie Shoal LNG Project..... | 19 |
| 10. Directors & Management Team | 20 |
| Andrew Purcell, Executive Chairman..... | 20 |
| Michael Sandy, Non-Executive Director..... | 20 |
| Peter Stickland, Non-Executive Director | 20 |
| Dr. Duncan Lockhart, Exploration Manager | 20 |
| Uno Makotsvana, CFO..... | 20 |
| Cate Friedlander, Company Secretary..... | 20 |
| Dr. Chris McKeown, Chief Commercial Officer | 21 |
| 11. Corporate | 21 |
| 12. Investment Risks..... | 21 |

All currencies are in Australian dollars unless otherwise specified.

1. MAY Valuation

Based on the reported volumes and the excellent drilling results reported so far, we estimated a “back of the envelope” range of volumes and value to the Melbana assets our sum of the parts valuation comes to \$711.7m or A\$0.21/share.

Block 9 comprises most of MAY's valuation and considering the quality of the project, the results so far and the likely short path to production of oil should the upcoming drilling program be successful, we have put together a financial valuation with following key assumptions:

Initial date of production:

The upcoming appraisal program has been designed so that should the reservoir in the first appraisal well be commercially viable it can be brought on for immediate production.

To occur soon after the completion of the well being around three months after spud and, depending on variables such as length of flow tests etc.

Number of wells:

The structures are considered very large so if the reservoirs are deemed commercially viable, we anticipate that MAY will be keen to accelerate production by drilling further wells.

Operating costs per bbl:

Whilst there is no exact information on what MAY's operating costs will be, we refer to Sherritt (who has operated in Cuba for three decades) previously reported that its cost of exploration, lift and production was ~US\$10/barrel when it was still operating its PSCs (~2017/18).

Capex spend

If appraisal results are positive, we anticipate that MAY will endeavour to fund field development/production through offtake, reserve-based lending, organically generated cash flow etc. rather than seek to raise more equity from shareholders.

Tax/PSC system:

8-year tax holiday for first 8 years (now largely irrelevant given award was for 25 years in late 2015) with a corporate and corporate tax rate of 15%. The PSC terms remain confidential but are viewed as favourable compared to many other jurisdictions on the split and costs may be recovered as a priority from initial production.

Table 1.1 summarises Block 9 PSC project valuation using different product pricing.

Table 1.1 – BLOCK 9 Project Valuation (A\$m)

| NPV US\$/bbl | Chance of Success | | | | |
|--------------|-------------------|-------|-------|-------|---------|
| | 10% | 15% | 20% | 25% | 30% |
| US\$10/bbl | 123.2 | 184.8 | 246.5 | 308.1 | 369.7 |
| US\$15/bbl | 184.8 | 277.3 | 369.7 | 462.1 | 554.5 |
| US\$20/bbl | 246.5 | 369.7 | 492.9 | 616.2 | 739.4 |
| US\$25/bbl | 308.1 | 462.1 | 616.2 | 770.2 | 924.2 |
| US\$30/bbl | 369.7 | 554.5 | 739.4 | 924.2 | 1,109.1 |

Source: Evolution Capital estimates

Considering the current market capitalisation in the order of A\$273 million and a current cash balance estimated in excess of A\$35 million, the funding of the current drilling program should not be an issue.

MAY Sum of the Parts Valuation

Table 1.2 summarises the sum of the parts valuation for MAY.

Table 1.2 – MAY Sum of the Parts Valuation

| Asset | Value Range | Preferred | Per Share |
|------------------------------|------------------|-----------------|----------------|
| Block 9 PSC (30% interest) | A\$123m-\$1,109m | | |
| 25% risked at US\$20/bbl NPV | | \$616.2 | \$0.183 |
| Santa Cruz | | \$38.5 | \$0.011 |
| PEL WA-488-P | | \$24.0 | \$0.007 |
| PEL AC/P51 | | - | - |
| PEL AC/P70 | | - | - |
| PEL WA-544-P / PEL NT/P87 | | - | - |
| Tassie Shoals | | - | - |
| Cash (31 March 2022) | | \$37.5 | \$0.011 |
| Debt (31 March 2022) | | - | - |
| Corporate and Overheads | | (\$4.5) | (\$0.001) |
| Total | | \$711.7m | \$0.211 |

Source: Evolution Capital estimates

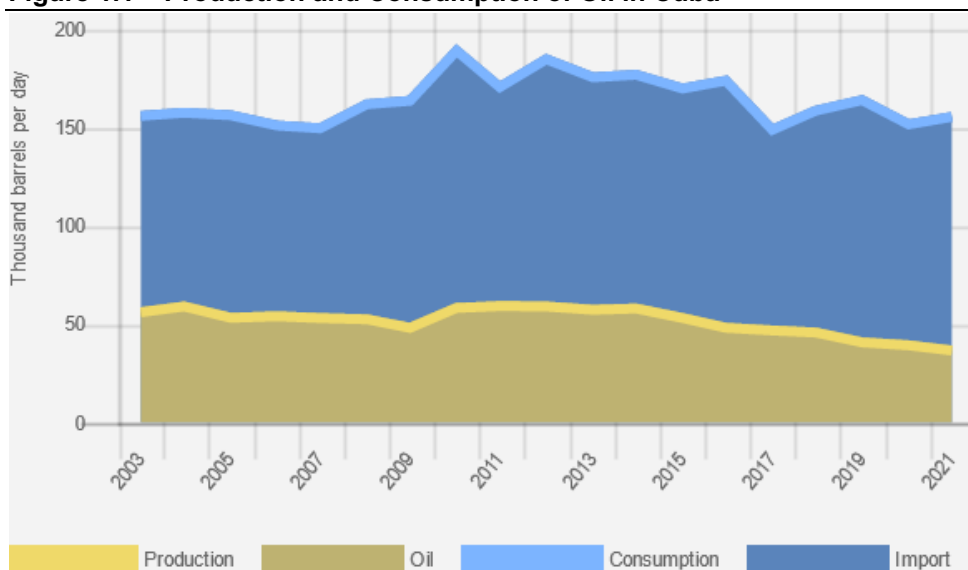
Cuba – Open for business & in need of more production

In 2014 the Cuban Government passed the Foreign Investment Act to encourage new investment in Cuba, including setting a corporate tax rate between 15% and 22.5% with a corporate tax holiday for the first eight years. There are multiple modern land drilling rigs currently operating in Cuba. Block 9 consists largely of low-lying farmland and there are sealed roads that connect Block 9 to Havana.

Cuba imports the majority of their energy needs, but domestic oil and gas potential could help mitigate their reliance on imports. Cuba has entered into many agreements with various countries to help with exploration and drilling efforts.

Cuba currently produces approximately 36,000 barrels of oil per day and ~32 billion cubic feet of gas. Oil production meets just 24% of the domestic consumption, with the balance satisfied by imports. The majority of the oil industry is currently operated by the national oil company, CUPET. The Canadian company, Sherritt International, has been producing oil in Cuba for over 25 years.

Figure 1.1 – Production and Consumption of Oil in Cuba



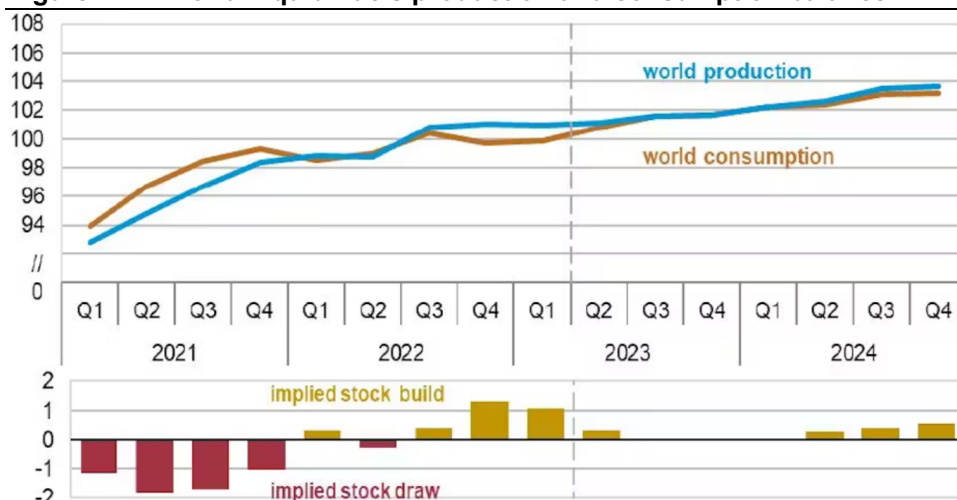
Source: U.S. Energy Information Administration (Dec 2022)

Commodity Outlook

In its May issue Short-Term Energy Outlook (STEO), the US Energy Information Administration (EIA) forecasts the Brent crude oil spot price to average \$74/bbl in 2024, \$7/bbl lower than forecast in last month's STEO.

Brent crude oil spot prices fell to close at \$73/bbl in May from an average of \$85/bbl in April. In early April, OPEC and partner countries (OPEC+) announced production cuts of 1.2 mmbbl/d through end-2023, and crude oil prices rose on expectations of tighter oil supplies. However, continued concerns about weaker global economic conditions, risks to the global banking sector, and persistent inflation outweighed the initial rise in oil prices, sending oil prices lower.

Figure 1.2 – World Liquid Fuels production and consumption balance



Source: U.S. Energy Information Administration (Dec 2022)

Global liquid fuels consumption in EIA's forecast increased by 1.6 million b/d in 2023 and by 1.7 million b/d in 2024, and most expected liquid fuels demand growth is in non-OECD Asia, led by China and India. EIA expects this demand growth will bring the global oil market into balance between third-quarter 2023 and first-quarter 2024 and push the Brent price from current levels to \$75-80/bbl.

Beginning in second-quarter 2024, EIA expects consistent global oil inventory builds over the rest of the forecast period as global oil production outpaces global oil demand, putting downward pressure on crude oil prices. EIA forecasts global oil inventories will grow by 300,000 b/d in 2024.

EIA forecasts that global liquid fuels production will increase by 1.5 million b/d in 2023 compared with 2022, mainly due to growth in non-OPEC producers. Excluding Russian production, EIA expects non-OPEC liquid fuels production to increase by 2.2 million b/d in 2023 and by another 1.1 million b/d in 2024.

As highlighted in Table 1.3, the outlook for Brent is generally down with forecasts falling to below US\$53/bbl. As highlighted above, we anticipate that, due to very low operating costs and proximity to processing infrastructure, even at low oil prices MAY will generate significant revenue.

Table 1.3 – Brent crude oil price forecasts

| US\$/bbl | 2023 | 2024 | 2025 | 2026 |
|--------------|------|------|------|------|
| ING | 90 | 89 | 75 | |
| EIA | 79 | 74 | | |
| ANZ Research | 90 | 105 | | |
| Fitch | 85 | 75 | 65 | 53 |

Source: Evolution Capital estimates

2. MAY Strategy

Melbana's strategy is to advance operations at Block 9 PSC.

Currently Melbana's focus is to advance the appraisal drilling program in Block 9 PSC. Should the wells be successful we anticipate that MAY will shift focus to the prompt development and production of oil from the block.

Whilst the company's priority has been advancing the drilling of Block 9 PSC, Melbana continues to pursue opportunities in offshore Australia to explore and commercialise its permits.

3. Farm in agreement 27 May 2020

On 27 May 2020 Melbana announced a Farm-in Agreement for Block 9 PSC in Cuba with Sonangol, the National Oil Company of Angola and Africa's 2nd largest oil producer at circa 2 million barrels of oil per day.

At the time the sole remaining outstanding condition was the receipt of Cuban regulatory approvals (which was finalised and announced on 17th August 2020).

The terms of the agreement between Melbana and Sonangol provided for:

1. Sonangol funding 85% of all costs associated with the drilling of Melbana's two highest ranked and high impact targets (Alameda-1 and Zapato-1);
2. Sonangol receiving a 70% participating interest in Block 9 PSC;
3. Melbana retaining a 30% participating interest in Block 9 PSC;
4. Sonangol paying approximately \$5 million to Melbana to cover its expenditure on Block 9 to date; and
5. Melbana remaining operator for the two well drilling program.

For the first two exploration wells (now completed), Sonangol paid Melbana a promote (as well as back costs) that made the company's working interest 15% for those two wells only. Furthermore, Sonangol has stated that it does not wish to become operator of the permit which we see as an endorsement of MAY's operational pedigree in the country.

Table 3.1 – Schedule of Promote and Back cost payments received from Sonagol

| Date | Jun Q 2020 | Sep Q 2020 | Dec Q 2020 | Mar Q 2021 | Jun Q 2021 | Sep Q 2021 | Dec Q 2021 | Mar Q 2022 | Jun Q 2022 | Sep Q 2022 | Dec Q 2022 | Mar Q 2023 |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Payment A\$'000 | 689 | 1,607 | 4,988 | 10,312 | 2,324 | 9,546 | 2,313 | 4,759 | 11,998 | 12,749 | | 8,503 |

Source: Melbana Energy Ltd

4. Reserves and Resources

Table 4.1 highlights MAY's 2U volumes. As demonstrated, MAY has a significant resource position, not only in Cuba but also an interest in its offshore permits in Australia.

It is important to note in the table below that MAY is entitled to contingent deferred consideration payments of US\$5.0 million and contingent royalty payments of US\$10.0 million for each 25 million barrels of oil equivalent produced from the WA-488-P permit area (Beehive Prospect).

In August 2022, Melbana announced a new independent assessment of the reservoirs encountered by the Alameda-1 exploration well. This assessment estimated the total resource for the three structures encountered whilst drilling the Alameda-1 well (Amistad, Alameda and Marti) at:

- 6.4 billion barrels of OOIP and
- 362 million barrels of Prospective Resource.

The volumes of the Amistad reservoir consisting of Amistad Unit 1A/B, Amistad Unit 2 and Amistad Unit 3 have been independently estimated as 1.9 billion barrels of Oil in Place and 88 million barrels of Prospective Resource (unrisked gross best estimate).

The volumes of the Marti reservoir have been independently estimated as 1.2 billion barrels of Oil in Place and 70 million barrels of Prospective Resource (unrisked gross best estimate).

The volumes of the Alameda reservoir have been independently estimated as 1.8 billion barrels of Oil in Place and 109 million barrels of Prospective Resource (unrisked gross best estimate).

Table 4.1 – Melbana Asset Volumes

| 2U | Amistad (3 Units) | Marti | Alameda | Santa Cruz | Beehive* | TOTAL |
|------------------------------|----------------------|-------------|-------------|---------------|----------|----------------|
| Gas Prospective (BCF) | | | | | 2,186 | 2,186 |
| Converted Gas to Oil (mmbbl) | | | | | 389,348 | 389,348 |
| Condensate (mmbbl) | | | | | 38 | 38 |
| Oil in place (mmbbl) | 1939 | 1231 | 1872 | | | 5,042 |
| Prospective Resource (mmbbl) | 88 | 70 | 109 | | 416 | 683 |
| Recoverable oil (mmbbl) | | | | 100 | | 100 |

Source: Melbana Energy Ltd

Bold numbers are (Mean Estimates)

*MAY is entitled to Beehive Royalty payments of US\$10.0 million for each 25 million barrels of oil equivalent produced.

We view the Block 9 PSC volumes as considerably derisked. Interestingly Melbana had independently certified Prospective Resource before its first drilling campaign and post the drilling still have a (admittedly much larger) Prospective Resource despite having discovered and recovered hydrocarbons to surface. This is a quirk of the applicable standard which presumably needs a different category between Prospective and Contingent resources to reflect this derisking that has taken place.

We anticipate that with the upcoming drilling program and upon conducting a flow test, these volumes will move to contingent resources and reserves, quickly.

5. Cuba – Block 9 PSC

The Block 9 Production Sharing Contract (Block 9 PSC), covers 2,344km² onshore on the north coast of Cuba, 140 km east of Havana in a proven hydrocarbon system and along trend with the multi-billion barrel Varadero oil field.

Figure 5.1 – Block 9 PSC, Onshore Cuba



Source: Melbana Energy Ltd.

Block 9 location map showing adjacent fields

Block 9 has multiple other producing fields within close proximity and the Motembo field, a working oil system that produced a high-quality light crude (up to 64.5° API oil) within Block 9. Melbana Energy is prequalified as an onshore and shallow water operator in Cuba and was awarded a 100% interest in Block 9 in September 2015. Melbana's established position in Cuba provides it a strong early mover advantage.

Joint Venture with Sonangol – National Oil Company of Angola

In December 2019, Melbana entered into a binding Heads of Agreement (“HOA”) with Sonangol – Africa’s second largest oil producer – for that entity to acquire a 70% interest in Block 9 in return it for funding 85% of the cost of two exploration wells and repaying Melbana’s past costs. The HOA was replaced with a more detailed Farm-in Agreement in May 2020 (discussed in more detail above).

Drilling Program

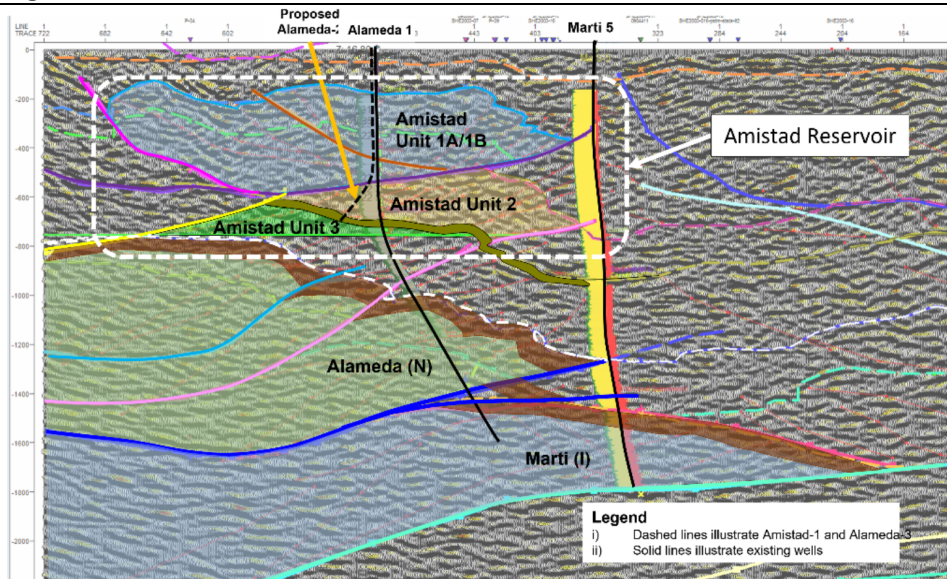
To date, Melbana, as Operator, has drilled two onshore wells; Alameda-1 & Zapato-1. Alameda-1 discovered oil in the Amistad, Marti and Alameda reservoirs; all of which are the target of the next two well drilling program while the Zapato well did not reach target formation.

Objectives of Upcoming 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 for Melbana 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 5.2 below) 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.

Figure 5.2 – Alameda-2 will test the three units of the Amistad Formation



Source: Melbana Energy Ltd.

More specifically, Alameda-2’s objectives are to:

- recover oil to surface from each of the three units of the Amistad reservoir;
- evaluate the quality of the recovered oil;
- assess the production characteristics of the reservoirs;
- take cores to determine petrophysical properties; and,
- take wireline logs (which might increase reported net oil and gas pay from the current estimate of 48 metres by successfully logging the ~290 metres of gross pay excluded previously due to poor hole conditions).

Prospectivity Assessment of Block 9

Melbana's technical personnel have significant global experience in analogous geology and petroleum systems to Cuba. Their technical assessment has identified the following three play types in Block 9:

1. Marti Sheet Play (approximately 2,000 – 3,500 metres depth);
2. Alameda Sheet Play (approximately 800 - 3,000 metres depth); and
3. Amistad Tertiary Play (approximately 400 - 1,200 metres depth).

A key aspect of Melbana's technical review of Block 9 is the development of Melbana's new integrated seismic interpretation methodology. This methodology is a new predictive structural/stratigraphic geoscientific approach resulting in a subsurface model that can be applied broadly across a wide range of complex settings, including Block 9. New knowledge acquired through the Block 9 research has been instrumental in Melbana building a more comprehensive integrated seismic interpretation methodology.

Technical development includes, but is not limited to, preparation of relevant data sets and integration of seismic interpretation based on a) stress and driving forces on plate tectonic and kinematic models, b) outcrop and well data, c) biostratigraphy, d) gravity e) magnetic and f) velocity data.

The Marti Sheet Play, which is a conventional fractured carbonate reservoir, similar to existing producing fields in Cuba, is located at depths typically between 2,000 and 3,500 metres. In offsetting Cuban fields, these reservoirs can be highly productive, with reported initial well rates of up to 4,000 barrels of oil per day.

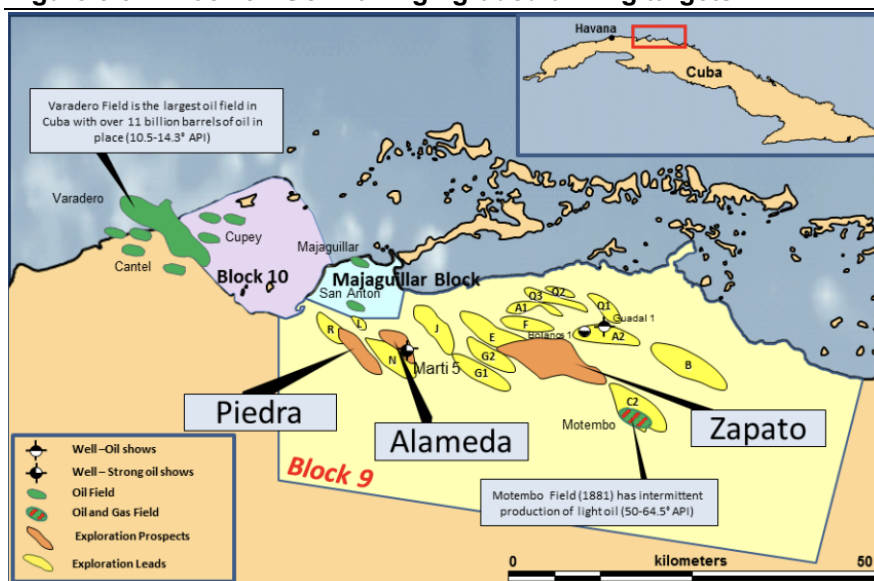
Oil recoveries to date suggest that the Marti Sheet Play has potential for higher quality crude oil than that produced from adjacent fields. It has demonstrated prospectivity in the western and central areas of Block 9 and is likely to be prospective in the east of Block 9, where an absence of seismic data limits the assessment.

Melbana's technical assessment has identified a total of 23 structural prospects and leads.

The recoverable volumes have been conservatively estimated using the historical recovery factor for nearby Cuban fields.

Due to the large volume of potential Oil-In-Place, the use of modern enhanced oil recovery techniques combined with the potential for lighter crude in the targeted structures offers the further potential for a substantial increase in oil recovery.

Figure 5.3 – Block 9 PSC with high graded drilling targets



Source: Melbana Energy Ltd.

Zapato-1 Exploration Well

The Zapato-1 well location was in the central portion of Block 9 and was designed to test a Marti Sheet closure in close proximity to the shallower Motembo oil field, which has historically produced a high-quality light oil. The Zapato feature is a robust structure that

had a predrill prognosed crest at approximately 2,000 metres with nearly 1,000 metres of vertical relief.

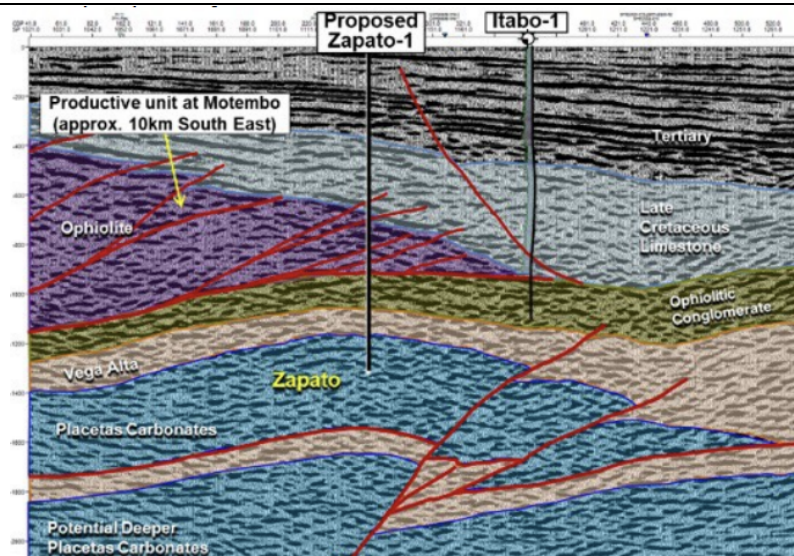
Spudded on 21 May 2022, the Zapato-1 exploration well was originally prognosed to take about 55 days to reach its primary objective at 2,650 mMD, targeting a single formation near the shallower Motembo oil field (which historically produced a high-quality light oil). The planned total depth is 3,150 mMD.

Free oil was observed on the shakers while still drilling in the ophiolite overburden before the drill bit became stuck at around 1,698 mMD.

Once the drill string had been severed and recovered, a cement plug was set with the top at 1,252.5 metres and a side-track well was commenced to drill ahead to the prognosed main carbonate target below the ophiolite. This resulted was a loss of approximately 40 drilling days.

Drilling was then further hampered by some minor mechanical issues, which was not surprising given the difficult drilling conditions. A few days were also lost due to precautions taken ahead of Hurricane Ian making landfall in Cuba and an electrical fault caused by a passing storm. The ophiolite overburden that was encountered some 300 metres higher than prognosed and was proven to be thicker than expected.

Figure 5.4 – Schematic cross section through Zapato Prospect

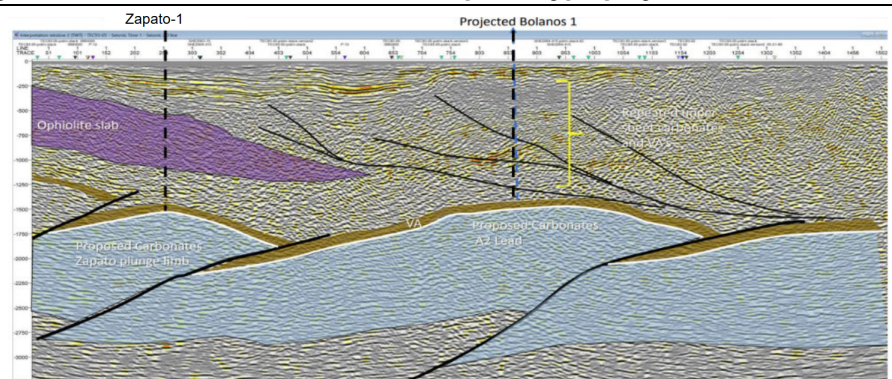


Source: Melbana Energy Ltd

During the December 2022 Quarter total depth was reached at Zapato-1 ST exploration well with the target formation not reached. The well suspended to allow time to incorporate well results into Melbana's geological models.

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 5.5.

Figure 5.5 – Potential for additional “Zapato” type plays in Block 9

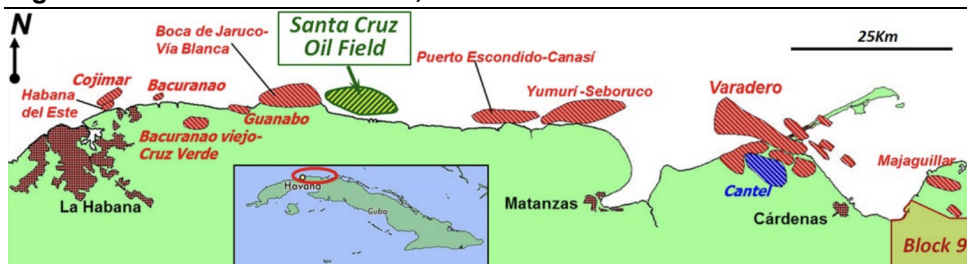


Source: Melbana Energy Ltd

6. Cuba – Santa Cruz

The Santa Cruz oil field is located approximately 45 km from Havana between Boca de Jaruco and Canasí oil fields and approximately 150 km west of Melbana's existing Block 9. Santa Cruz is in the northern foldbelt of Cuba – the trend that is responsible for the vast majority of Cuba's oil and gas production. In December 2018 Melbana finalised a long term binding incremental oil recovery contract with Cuba's national oil company, CUPET. The contract is subject to standard Cuban regulatory approvals.

Figure 6.1 – Santa Cruz Oil Field, Offshore Cuba

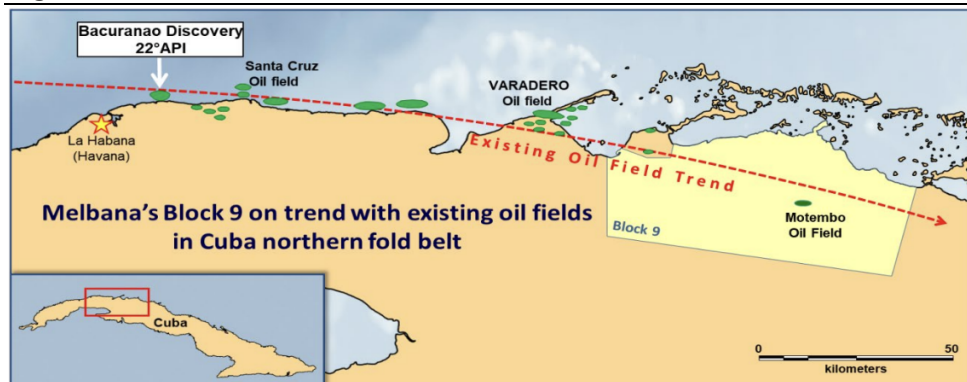


Source: Melbana Energy Ltd.
Santa Cruz location map showing adjacent fields

In close proximity to the Santa Cruz oil field, CUPET reported to Cuban media a significant potential discovery of lighter than typical crude oil in an exploration well drilled on the Bacuranao prospect in the northern part of the western region of the island.

The discovery was made late in 2017 and has been undergoing long term testing. CUPET representatives reported that the oil produced from the field has a density of 22° API, which is the highest quality oil discovered in the area and is encouraging for oil exploration activities in the area. The Bacuranao discovery is in the northern fold belt trend that continues into Melbana's Block 9 and is in close proximity to the Santa Cruz oil field.

Figure 6.2 – Santa Cruz and Block 9 oil field trend



Source: Melbana Energy Ltd.

Located immediately offshore northern Cuba:

- Recent significant lighter oil discovery at Bacuranao, in nearby area along trend;
- 3D seismic survey acquired in 2003 defined Santa Cruz as a 20km² structure;
- Santa Cruz discovery well drilled in 2004 with land based rig as a deviated well out to the offshore structure. Took <3 months to drill;
- Tested at 1,250 barrels per day;
- Oil quality varies from 10° API to 22° API, typical of most Cuban oil production;
- Early estimates of up to 100 million barrels of recoverable oil;
- Appraisal drilling confirmed a field area of >20km²;
- Appraisal drilling indicated a significant oil column of 250 metres;
- Commerciality declaration approved in 2006;
- Produced >1 million barrels in first year;
- Field production in 2012 was approximately 1,600 barrels/day; and
- By 2013 Santa Cruz had produced 7.4 million barrels from 18 wells.

Figure 6.3 – Santa Cruz Oil Field Facilities, Offshore Cuba



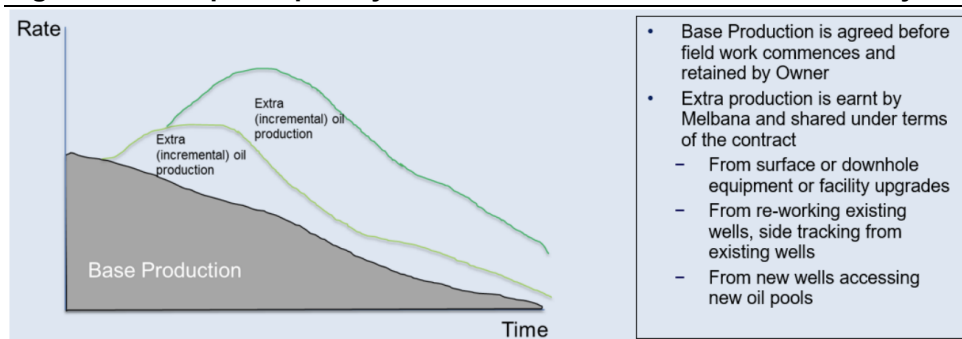
Source: Melbana Energy Ltd.
Map view of Santa Cruz oil field facilities

Process Going Forward

Melbana completed its initial assessment, yielding a number of promising opportunities to enhance production from the designated area and has finalised a binding contract with CUPET, which is subject to standard Cuban regulatory approvals. This provides Melbana with a long term right to share in any enhanced production from the Santa Cruz oil field.

Under an IOR contract, additional production above an agreed base production rate is shared as depicted figuratively below in Figure 6.4. In general, the commercial terms are consistent with exploration PSC terms, such as those that apply to Melbana's Block 9 PSC, with provisions for cost recovery and sharing of profit oil.

Figure 6.4 – Graphical portrayal of Santa Cruz Incremental Oil Recovery



Source: Melbana Energy Ltd.

Multiple Phase IOR

The Santa Cruz IOR PSC is split into multiple phases, with an initial study period of desk-based technical work followed by an implementation phase. The initial study period phase will last a maximum of 8 months at which point Melbana may elect to proceed to the next implementation phase, which includes a minimum program of two side-track wells from existing well bores to new geological targets. To accelerate opportunities to enhance oil production as soon as possible, Melbana has engaged a Canadian consultant with extensive Cuban IOR experience to identify possible debottlenecking opportunities.

As part of its evaluation during the initial study period, Melbana will undertake systematic investigative studies as part of the development of Melbana's new integrated seismic interpretation methodology. This methodology aims to develop a new predictive structural/stratigraphic geoscientific approach resulting in a subsurface model that can be applied broadly across a wide range of complex settings, including Santa Cruz. New knowledge acquired through the Santa Cruz investigative studies will enable Melbana to build a more comprehensive integrated seismic interpretation methodology.

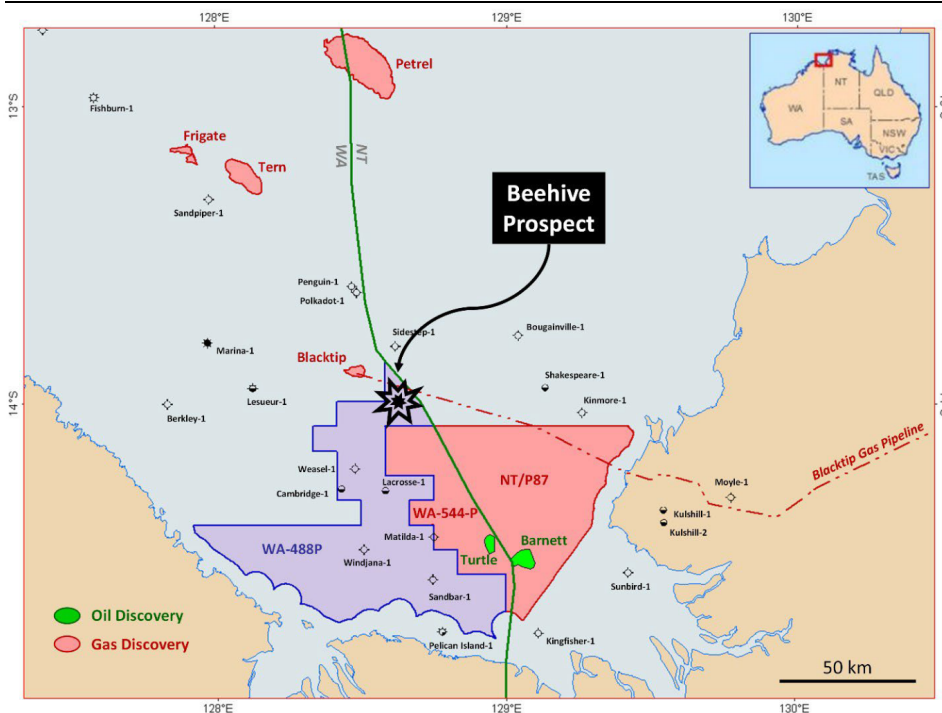
7. Australia – Bonaparte Gulf

Existing Permits plus Contingent Cash and Royalty Payments

Melbana's interests in the Joseph Bonaparte Gulf, a shallow water area offshore northern Australia about 300 km southwest of Darwin, comprise a combination of:

a 100% interest in two contiguous permits (NT/P87 and WA-544-P); and
contingent cash and royalty interests in the adjacent permit WA-488-P

Figure 7.1 Australia – Bonaparte Gulf licences



Source: Melbana Energy Ltd.

Turtle & Barnett

Melbana has a 100% interest in two contiguous permits WA-544-P and NT/P87, covering an area of almost 4,000km² in the Petrel sub-basin – a shallow water area of the Timor Sea south-west of Darwin off the northern coast of Australia.

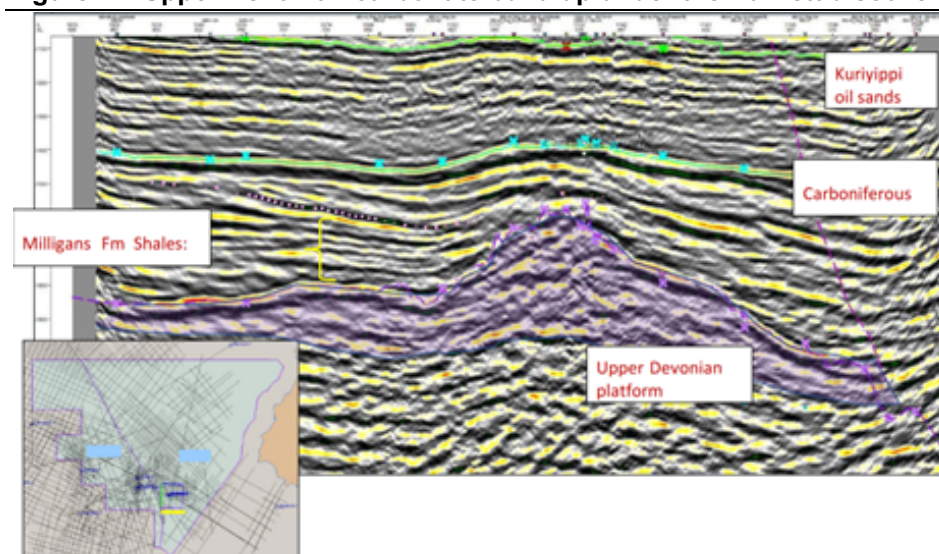
These two permits, awarded to Melbana in November 2020, contain the undeveloped Turtle and Barnett oil discoveries and are adjacent to Melbana's recently sold permit WA-488-P. The initial three-year term will look to leverage learnings from the Beehive project by reprocessing available 2D and 3D seismic data to determine whether the above discoveries can be upgraded and if the potential for deeper carbonate plays exist.

Melbana has commenced geoscientific studies using data acquired across the permit area and has identified significant deeper prospectivity below these reservoirs on existing seismic data.

Several large undrilled isolated carbonate platforms of probably Devonian age have been mapped at two stratigraphic levels under the Turtle and Barnett features (see Figure 7.2). One feature, the potentially Devonian aged Hudson isolated platform has an areal closure of 152 km² and a calculated mean prospective resource of 395 mmbbl. As with the Beehive prospect in the adjacent WA-488-P, the play consists of an isolated carbonate build-up sealed by evaporites analogous with the Tengiz Field in Kazakhstan.

The initial work programme in the primary 3-year term for both permits include seismic reprocessing of existing vintage 2D and 3D seismic datasets and subsequent interpretation to characterise the potential of these leads.

Figure 7.2 Upper Devonian carbonate build up under the Barnett discover



Source: Melbana Energy Ltd.

Beehive

WA-488-P contains the giant Beehive prospect with its Prospective Resource of up to 1.4 billion barrels of oil. Beehive is in a shallow water (about 40 metres) offshore location and is one of the largest undrilled hydrocarbon prospects in Australia. It is a 180km² isolated carbonate build up of Carboniferous age with 400 metres of mapped vertical relief and a crest at 4,100m. Beehive is analogous to the giant Tengiz field in the Caspian basin which is also a Carboniferous isolated carbonate build-up.

Beehive is located near to ENI's producing Blacktip gas field and is covered by a high-quality 3D seismic survey acquired in 2018.

In November 2021, Melbana completed the sale of WA-488-P to a subsidiary of EOG Resources, Inc. for an upfront consideration of US\$7.5 million. EOG Resources is planning to drill an exploration well in the Beehive prospect in mid to late 2023. Melbana is entitled to receive additional cash payments of US\$5.0 million, subject to EOG Resources making certain future elections with regards to this permit area, and royalty payments of US\$10.0 million for each 25 million barrels of oil equivalent that may be discovered and produced from this permit area.

8. Australia – Vulcan Sub-Basin Exploration

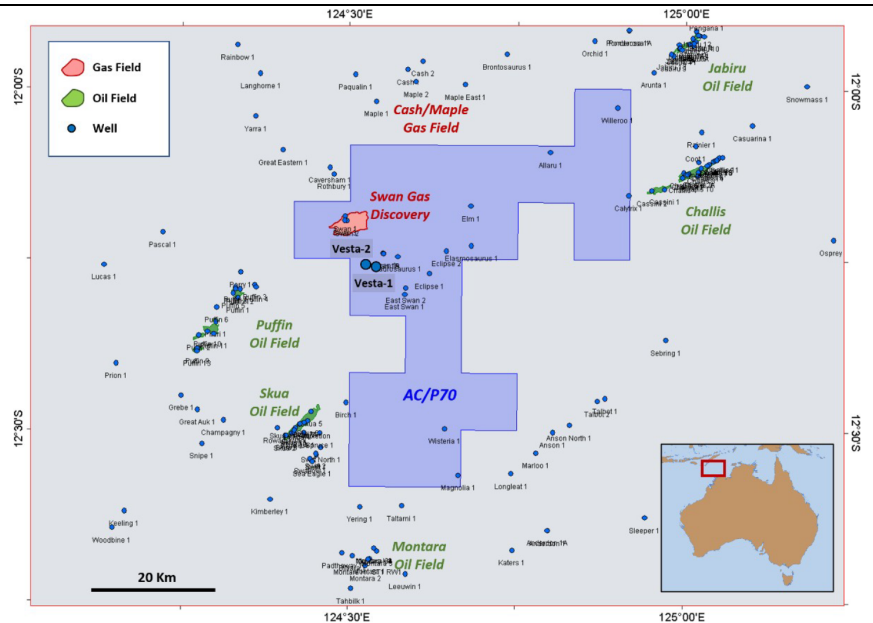
Ashmore and Cartier Islands AC/P70

Melbana has a 100% interest in petroleum exploration permit AC/P70, located in the Territory of Ashmore and Cartier Islands.

AC/P70 contains the undeveloped Vesta-1 oil discovery drilled in 2005. The Vesta-2 appraisal well drilled in 2007 identified a gas cap. This complex field is an attractive opportunity for a junior explorer like Melbana with the technical capability and track record of identifying new play types and attracting large, well-funded, partners to test its exploration theses.

The permit was awarded to Melbana in February 2022 for an initial six-year term, the first half of which will be spent interpreting reprocessed seismic data then seeking a partner to drill an exploration well in this very prospective area. A two-year suspension and extension has been recently awarded for this permit extending the period of the primary term to 2030.

Figure 8.1 Ashmore and Cartier Islands AC/P70



Source: Melbana Energy Ltd.

Australia – Vulcan Sub-basin

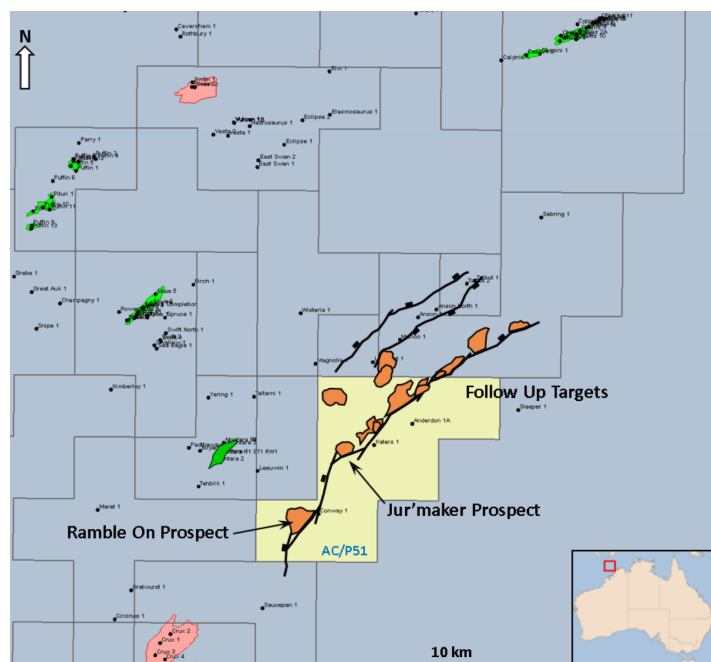
AC/P51

The AC/P51 exploration permit is located offshore North-West Australia in the Vulcan Sub-basin adjacent to a number of oil and gas discoveries.

Melbana sold its 55% interest in the permit to joint venture partner Rouge Rock Pty Ltd on 22 August 2018. The terms of the divestment gave Melbana an interest in any future farmout or sale of the permit. In May 2021, it was announced that subsidiaries of Australia's Santos and Malaysia's SapuraOMV (Purchasers) had acquired an option to purchase permit AC/P50. Should the Purchasers exercise this option, Melbana would receive a share of the exercise price and retain its entitlement to a 10% share of any future royalty Rouge Rock would receive for production that may occur from this permit area during a defined period.

Melbana is not responsible for any costs of the permit from the date of divestment.

Figure 8.2 AC/P51 Permit location and Prospects



Source: Melbana Energy Ltd.

Prospectivity

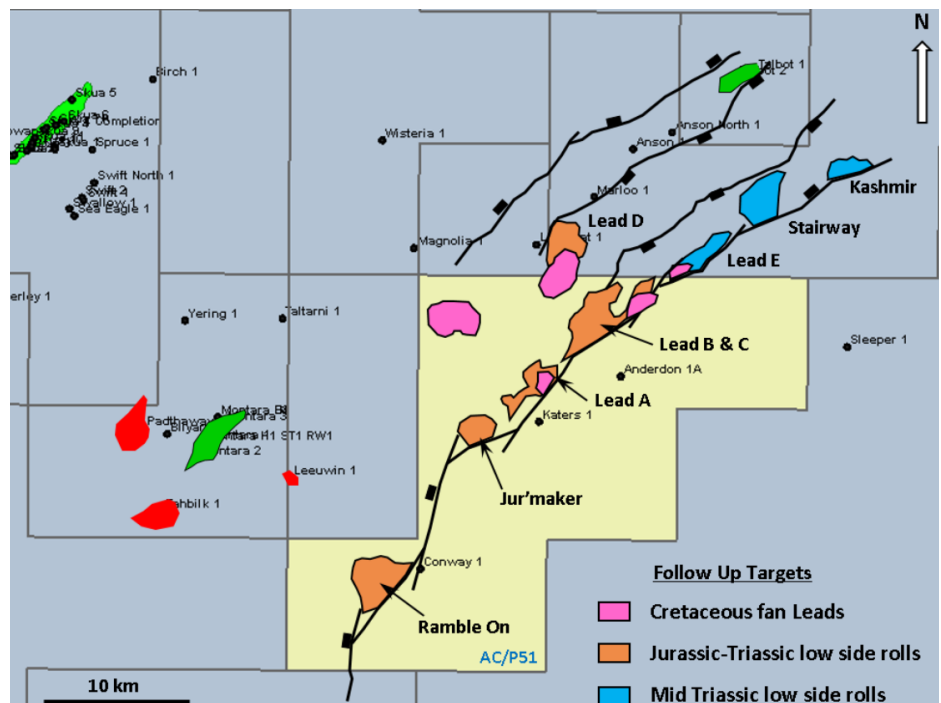
AC/P51 is located on the Western margin of the Vulcan sub-basin, where the Late Jurassic, oil prone source rock presence is demonstrated and related oil discoveries have been made nearby at the Montara and Talbot oil fields.

The 3D seismic data acquisition and reprocessing undertaken by Melbana led to a sufficient improvement in seismic data quality such that the true structural form of the key Plover and Montara reservoir units can now be defined.

A series of 3-way low side fault traps have been identified. The highest graded prospect is Ramble On, located at the southwest end of the trend in a water depth of 68m. Ramble On is ideally located for hydrocarbon charge immediately adjacent to Late Jurassic source-prone intervals. The prospect is a very robust structure with ~500m of vertical relief and the crest of the feature is approximately 2800mSS at the Montara/Plover Fm objective.

Follow up potential to Ramble On has been identified in a series of six additional prospects and leads to the north-east in AC/P51, and in other play types identified in the permits.

Figure 8.3 Follow up targets



Source: Melbana Energy Ltd

The Jur'maker prospect is along trend from Ramble On and incorporates the same lowside fault play elements involving Jurassic objectives. Jur'maker would be a natural follow up well in the event of success at Ramble On

Additional lowside fault closures involving Triassic reservoirs exist in the adjacent AC/P50 permit.

9. Australia – Tassie Shoal Projects

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.

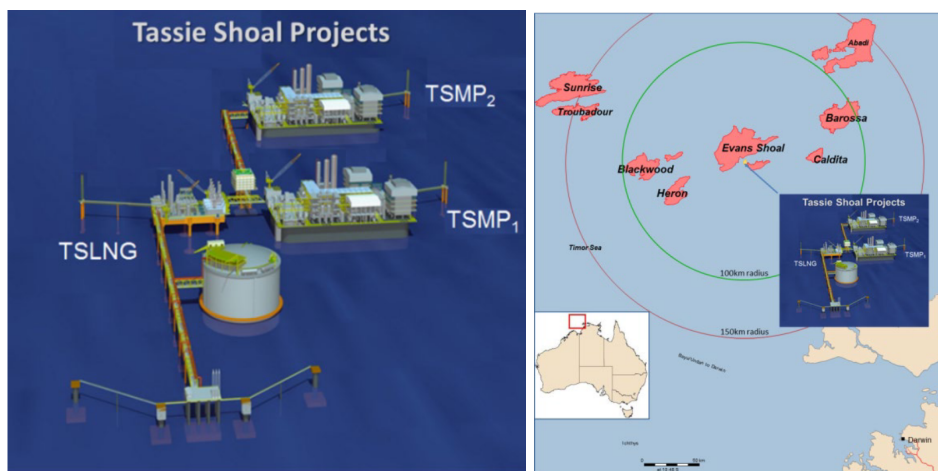
The Tassie Shoal site is located adjacent to many discovered but undeveloped high CO₂ gas resources in the region. For each TSMP, feedgas of ~200 million standard cubic feet per day (mmscfd) is required, depending upon CO₂ content, to enable the production of 5000 tonnes per day (1.75 million tonnes per annum) of high-quality methanol.

Methanol is a chemical building block with numerous industrial applications as well as being increasingly used in energy related applications, such as a direct fuel or as an additive to gasoline to produce a high-octane, efficient fuel with lower emissions than conventional gasoline. Methanol gasoline blends have widespread use in China and other countries and is also emerging as a clean fuel for the shipping industry, providing the opportunity for the industry to meet increasingly stringent environmental requirements.

The Tassie Shoal LNG Project (TSLNG) offers a commercialisation path to LNG for any of the remote gas resources in the region and is a direct low cost alternative to Floating LNG (FLNG) or onshore facilities. The key areas for cost savings are having the facility located close to the source of the gas and having a structure that is fixed to the shallow seabed, avoiding long pipelines and complexities associated with a floating unstable vessel. The design basis is that liquids would be removed from the raw gas at the field location and dry gas piped to Tassie Shoal for processing into LNG.

Tassie Shoal Methanol Project

Figure 9.1 Tassie Shoal Project and location



Source: Melbana Energy Ltd.

Project Overview

The Tassie Shoal Methanol Project is two offshore methanol production plants that are designed to produce methanol from high CO₂ feedstock gas. The locating of the plants on Tassie Shoal followed an exhaustive assessment of the lowest cost and most environmentally acceptable location to site the plants in close proximity to the abundant discovered but undeveloped high CO₂ gas resources.

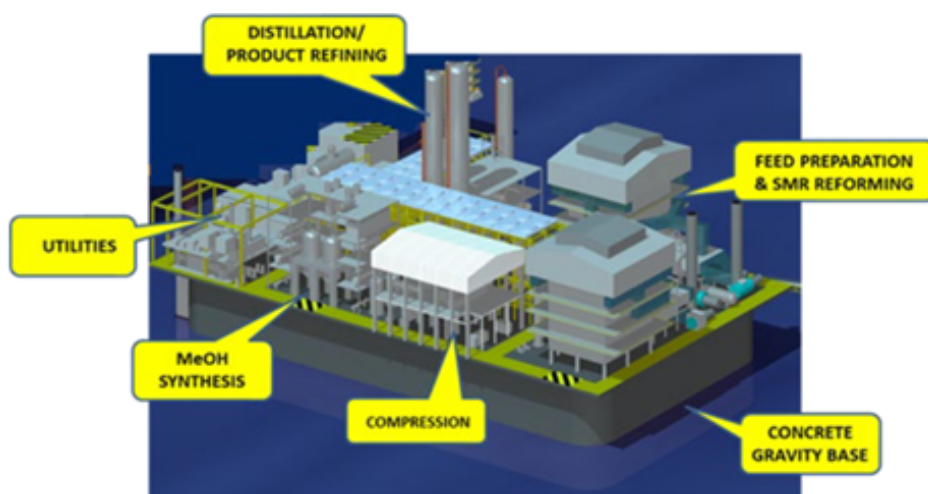
By designing for high CO₂ in the feedgas stream, TSMP avoids the need for expensive CO₂ separation, transportation and geo-sequestration costs in alternative LNG or domestic sales gas development scenarios.

TSMP design marries proven technologies, with a base concrete gravity structure and with topsides processing based on Davy Process Technology Steam Methane Reforming (SMR) technology. For each individual TSMP, feedgas of ~200 million standard cubic feet per day (Mscfd) is required, depending upon CO₂ content, to enable the production of 5000 tonnes of methanol per day or 1.75 million tonnes of methanol per annum. Tassie Shoal site is located adjacent to many undeveloped high CO₂ gas resources in the region.

Key Project Details

- Tassie Shoal site water depth: ~14m;
- Plant Capacity (each): 1.75MTA;
- Single Module Construction;
- Platform: Concrete Gravity Structure;
- Technology: Davy Process Technology;
- Offloading: Single Point Mooring;
- Gas feed assumption: 10-30% CO₂;
- Storage: 20 days production within CGS;
- Fabrication Location: South East Asia; and
- CO₂ is utilised in the methanol production process.

Figure 9.2 Tassie Shoal Project Facility



Source: Melbana Energy Ltd.

Designed by the World's Leading Experts

The TSMP has been designed in conjunction with leading industry experts including Davy Process Technology (topsides), Arup (substructure) and WorleyParsons (utilities and integration).

Environmental Approvals in Place

Melbana has secured long term Federal Government Environmental Approvals until 2052 for two methanol plants to be located on Tassie Shoal. TSMP project was assessed by the Federal Government under the Environment Protection and Biodiversity Conservation Act 1999 and Environmental Approval was granted in 2002.

Competitive Advantage – single module construction

TSMP design embeds a number of key competitive advantages when compared to onshore or floating development alternatives:

Major Project Facilitation Status

The project has previously been granted Major Project Facilitation (MPF) status by the Federal Government Department of Infrastructure and Transport.

Regional Undeveloped High CO₂ Resources

Evans Shoal (NT/RL7) ~28% CO₂

The Evans Shoal gas discovery lies directly adjacent to NT/P68 and only 10 km from Tassie Shoal. An appraisal well was successfully drilled in late 2013. Eni have indicated they believe the raw gas in place is 8Tcf. Barossa (NT/RL5) ~19% CO₂ Recent successful appraisal results with high CO₂; ongoing appraisal planned. Caldita (NT/RL6) ~13% CO₂

The last well drilled in the permit in 2007 tested 13% CO₂ gas.

Tassie Shoal LNG Project

Project Overview

The Tassie Shoal LNG Project (TSLNG) is an offshore LNG facility fixed to the sea floor on a shallow water site called Tassie Shoal. TSLNG offers a commercialisation path to LNG for any of the remote gas resources in the region. The design basis is that liquids would be removed from the raw gas at the field location and dry gas piped to TSLNG for processing into LNG.

Designed by the World's Leading Experts Pre-FEED design has been completed and the project costed by the world's leading designers WorleyParsons, Arup with input from APCI.

- Water Depth: ~15m;
- Capacity: 3.0MTA, expandable to 4.0MTA;
- Single module construction;
- Processing platform: Jack-up steel structure;
- Self installing platform: 100m x 50m;
- APCI Dual Mixed Refrigerant technology;
- Gas feed assumption: <3% CO₂;
- Process Cooling: Closed loop fresh water with indirect seawater heat exchange;
- Storage: 170,000m³ conventional secondary containment tank on concrete GBS caisson;
- LM6000 Aero-derivative gas turbine drivers;
- Electric drives;
- Conventional Jetty; and
- Fabrication Location: South East Asia.

Environmental Approvals

Melbana has secured Federal Government Environmental Approvals for an LNG plant to be located at Tassie Shoal. TSLNG Project was assessed by the Federal Government under the Environment Protection and Biodiversity Conservation Act 1999 and Environmental Approval was granted in 2004. Approvals are valid until 2052.

Regional Undeveloped Resources

Evans Shoal (NT/RL7)

The Evans Shoal gas discovery lies directly adjacent to NT/P68 and only 10 km from Tassie Shoal. An appraisal well was successfully drilled in late 2013. Eni have indicated they believe the raw gas in place is 8Tcf. Petrel, Tern & Frigate (NT/RL1, WA-27-R, WA-40-R) Santos and Origin Energy confirmed their proposed FLNG project was not commercially viable and all development options will be considered. Greater Sunrise (NT/RL2, NT/RL4, JPDA 03-19, JPDA 03-20)

Woodside and their joint venturers have proposed a 4MTA Floating LNG option for the gas resource located at Greater Sunrise. The Timor-Leste authorities have indicated the development concept is unacceptable.

Barossa (NT/RL5) - Appraisal of this resource is continuing.

Caldita (NT/RL6) - The last well drilled in the permit in 2007 tested 13% CO₂ gas.

10. Directors & Management Team

Andrew Purcell, Executive Chairman

Andrew Purcell founded the Lawndale Group (formerly Teknix Capital) in Hong Kong over 15 years ago, a company specialising in the development and management of projects in emerging markets across heavy engineering, petrochemical, resources and infrastructure sectors. Prior to this, Mr Purcell spent 12 years working in investment banking across the region for Macquarie Bank and then for Credit Suisse. Mr Purcell also has significant experience as a public company director, both in Australia and across Asia.

Michael Sandy, Non-Executive Director

Michael Sandy is a geologist with over 40 years' experience in the resources industry – mostly focused on oil and gas. In the early 1990s he was Technical Manager of Oil Search Limited, based in Port Moresby, PNG. Mr. Sandy was involved in establishing Novus Petroleum Ltd and preparing that company for its \$186m IPO in April 1995. Over 10 years, he held various senior management roles with Novus including manager of assets in Australia, Asia, the Middle East and the USA and was involved in numerous acquisitions and divestments. He co-managed the defence effort in 2004 when Novus was taken over by Medco Energi. Subsequently, Mr Sandy has been the principal of energy consultancy company Sandy Associates P/L, has set up and taken companies to IPO and has built extensive experience on the boards of listed and unlisted companies, including Tap Oil, Burleson Energy and Hot Rock.

Peter Stickland, Non-Executive Director

Peter Stickland has over 30 years' global experience in oil and gas exploration. Mr Stickland was CEO and subsequently Managing Director of the Company from 2014 until January 2018 and then became a non-executive director. Previously, Mr Stickland was CEO and subsequently Managing Director of Tap Oil Limited (ASX: TAP) from 2008 until late 2010 during which time he oversaw the evolution of the company into a South-East Asia/Australia focused E&P company. Prior to joining Tap Oil, Mr Stickland had a successful career with BHP Billiton including a range of technical and management roles. Mr Stickland is also a life member of the Australian Petroleum Production and Exploration Association Limited (APPEA).

Dr. Duncan Lockhart, Exploration Manager

Duncan Lockhart has held a wide array of senior roles within the oil and gas industry, both within Australia and internationally. Recent experience has been with Central Petroleum (as General Manager Exploration), Senex (as Manager Regional Studies) and Drillsearch (as Executive General Manager – Exploration) where he identified high value opportunities, provided technical assessments and successfully implemented regional strategic initiatives. Duncan's professional experience encompasses 31 years with companies such as BHP Petroleum, Woodside, OMV, Galp Energia and Origin. Coupled with his experience, Duncan holds several qualifications including a Bachelor Applied Science – applied Geology (QUT), Bachelor Science (Honours) – Geology (University of QLD) and a PhD (QUT).

Uno Makotsvana, CFO

Uno Makotsvana has over 25 years of experience across resources, infrastructure and government services sectors specialising in commercial management and strategy, corporate finance, funding and investor relations. Uno commenced his career at Deloitte, progressing into senior roles in the professional services space before transitioning into a commercial finance role in a large ASX listed company. Uno previously served as CFO in public, public unlisted and private companies including Capital Limited, a UK Listed mining services company - a role he held for three and a half years from 2012. He has held other senior leadership roles with both Australian and International organisations. Uno has a Bachelor of Accounting from the University of South Africa, a Graduate Diploma in Business Administration from the Alliance Manchester Business School (UK) and is a Chartered Accountant (Australia and New Zealand).

Cate Friedlander, Company Secretary

Cate Friedlander is a well-known member of the Australian corporate legal community, with extensive experience in the upstream resources and energy sectors across Australasia, South-East Asia, Middle East and the US. This includes a number of years living and working in Asia.

Cate has worked for significant listed and unlisted entities in the sector – Novus Petroleum (General Counsel and Company Secretary), Anzon Australia, Esso Australia and BP and more recently has consulted to Pilot Energy, Bridgeport Energy, Beach Energy.

Cate's experience extends to both asset/industry and corporate related work (M&A, IPO's, contractual, corporate governance and risk and advisory). Her asset and industry related experience is extensive – covering oil, gas and LNG sale agreements, FEED and construction of production infrastructure, exploration and development joint venture related dealings, drilling and governmental negotiations.

In addition to her corporate experience, Cate has previously worked in private practice with top tier firms, across a variety of commercial and resource matters.

Cate also holds a Graduate Diploma in Applied Corporate Governance from, and is an Associate Member of, the Governance Institute of Australia.

Dr. Chris McKeown, Chief Commercial Officer

Chris joins Melbana after working for over a decade with New Zealand Oil & Gas where he was most recently focused on delivering M&A deal flow, running farmin / farmout / deal review and new country entry processes and managing government and community relationships.

Over his tenure, his team participated in multiple M&A process in multiple countries which delivered over AU\$1billion in deals to the wider NZOG group over the last five years.

Chris has enjoyed a 26-year long career as an executive and has worked in projects in Europe, the Middle East, the Gulf of Mexico, SE Asia, New Zealand and Australia.

Chris has extensive connections with government agencies, service providers, banks and investors and brings a passion and values-driven approach to strategic leadership and staff development.

11. Corporate

On 20 February 2023, the Company announced a Small Parcel Share Sale Facility (Sale Facility) that enabled eligible holders of small parcels of Melbana's ordinary shares (valued at less than \$500) to sell their shareholding without incurring brokerage or handling costs. At the closing market price of \$0.081 on the Record Date, that equated to shareholdings of 6,170 shares or less (Small Holdings). The Company offered this Sale Facility to over 2,100 of the Company's approximately 10,000 shareholders. The purpose of the Sale Facility was to substantially reduce the Company's administrative cost of managing these Small Holdings. The Sale Facility closed subsequent to the end of the reporting period, with the final number of impacted shares totalling 5.9 million. These have now been placed and the Company has removed 1,824 shareholders from its register.

Payments to related parties and their associates, totalling \$194 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 \$37.5 million as at 31 March 2023 with no debt.

12. Investment Risks

MAY is exposed to a number of risks including:

- **Material Business Risks:** The international scope of Melbana's operations, the nature of the oil and gas industry and external economic factors mean that a range of factors may impact results. Material macro-economic risks that could impact the Company's results and performance include oil and gas commodity prices, exchange rates and global factors affecting capital markets and the availability of financing.
- **Technical Risk:** Oil and Gas exploration and production is speculative by nature and therefore carries a degree of risk associated with the discovery of hydrocarbons in commercial quantities. Exploration activity may be adversely influenced by a number of different factors including, amongst other things, new subsurface geological and geophysical data, drilling results including the presence, prevalence and composition of hydrocarbons, force majeure circumstances, drilling cost overruns for unforeseen subsurface operating conditions or unplanned events or equipment difficulties, changes to resource estimates, lack of availability of drill rigs, seismic vessels and other integral exploration equipment and services.
- **Operational Risk:** Successful production operations are still subject to a range of risks and uncertainties. These risks and uncertainties in part relate to the estimated quantities of petroleum that may potentially be recovered. They also relate to the costs involved of asset development and subsequent production, which are subject to a range of qualifications, assumptions and limitations. They also relate to the timing of project development and subsequent production, which is subject to a range of factors many of which are not within Melbana's control.
- **Government and Regulator Risk:** Melbana's rights, obligations and commercial arrangements through all stages of the oil and gas lifecycle (exploration, development, production) in international oil and gas permits are commonly defined in agreements entered into with the relevant country's Government as well as in the Country's petroleum, tax and emission related legislation and other laws. These agreements and laws are at risk of amendment by a Government which accordingly could materially impact on Melbana's rights and commercial arrangements adversely. Furthermore, due to the evolving nature of exploration work programs (as new technical data becomes available) and due to the fluctuating availability of petroleum equipment and services, Melbana may seek to negotiate variations to permit agreements in particular in relation to the duration of the exploration phase in the permit and the work program commitments.
- **Environmental Risks:** Oil and gas operations have inherent risks and liabilities associated with ensuring operations are carried out in a manner that is responsible to the environment. Although Melbana operates within the prevailing environmental laws and regulations, such laws and regulations are continually changing and as such, Melbana could be subject to changing obligations or unanticipated environmental incidents that, as a result, could impact costs, provisions and other facets of Melbana's operations.
- **Resource Risk:** all resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Commodity Price Risk:** the revenues Melbana will derive mainly through the sale of oil and gas exposing the potential income to hydrocarbon price risk. The price of oil and gas fluctuate and are affected by many factors beyond the control of Melbana. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate Risk:** The revenue Melbana derives from the sale of hydrocarbons exposes the potential income to exchange rate risk. International prices of oil and gas as well most of the costs base are denominated in United States or Cuban Peso, whereas the financial reporting currency of Melbana is the Australian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the USD, CAD, and the AUD and the CUP as determined by international markets.
- **Management and Labour Risk:** an experienced and skilled management team is essential to the successful development and operation of hydrocarbon projects.

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