

## APPRAISAL PROGRAM FOR BLOCK 9, CUBA

### Highlights

- Two appraisal wells to be drilled in Block 9 PSC (Melbana 30% and operator)
- Purpose is to assess oil qualities and reservoir characteristics of the three independent formations containing moveable hydrocarbons encountered drilling Alameda-1
- These three reservoirs have been independently assessed to contain:
  - 6.4 billion barrels of oil in place
  - 362 million barrels of Prospective Resource (gross unrisks mean estimate basis)<sup>1</sup>
- Permits for three additional pad locations are also being pursued to provide different step out options for additional wells
- Principal contractors and the project team to remain largely unchanged
- Melbana fully funded for its share of costs of this appraisal program

### SYDNEY, AUSTRALIA (15 November 2022)

Melbana Energy Limited (ASX: MAY) (**Melbana**) is pleased to report that an initial two well appraisal program in Block 9 PSC (Melbana 30%) is to be drilled starting in Q1 2023.

**Melbana Energy's Executive Chairman, Andrew Purcell, commented:** *"Preparations are well underway to drill two appraisal wells off the same pad where we drilled our first well. We'll be testing all three of the reservoirs where we previously encountered strong oil shows whilst drilling Alameda-1 and we're preparing for production tests to be run for extended periods, should they be warranted. We're looking forward to commencing this exciting work in the new year and to hopefully beginning the next chapter of our journey in Cuba as an oil producer."*

<sup>1</sup> 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 dated 8 March 2022, 4 July 2022 and 28 July 2022. 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.

The drilling of the Alameda-1 exploration well in 2021/2022 resulted in our gaining a deeper understanding of the subsurface geology in Block 9 as well as valuable experience in drilling these types of formations in Cuba. We encountered significant gross intervals of moveable hydrocarbons in each of the three reservoirs we encountered, but they were often under higher pressure than we were expecting. Whilst generally a good thing, as it can be a predictor of good reservoir performance, the exploration well we designed had its contingencies thoroughly tested and as a result we were unable to collect clean samples of the oil that flowed at us or conduct tests to determine the performance characteristics of these reservoirs.

The wells we have designed for the appraisal program beginning in the new year can handle the drilling conditions we now know we will encounter, plus our drilling team and their contractors have gained a lot of experience from the two wells they have drilled together in Cuba.

Planning for the appraisal program also contemplates that the wells may be put on extended production tests. In that case, production will be held in tanks on site then trucked as necessary to the nearest oil battery some 50 kilometres away (as is currently the practice for other producing fields nearby).

Melbana will provide more information on this appraisal program, for which it is fully funded, at next week's Annual General Meeting of shareholders.

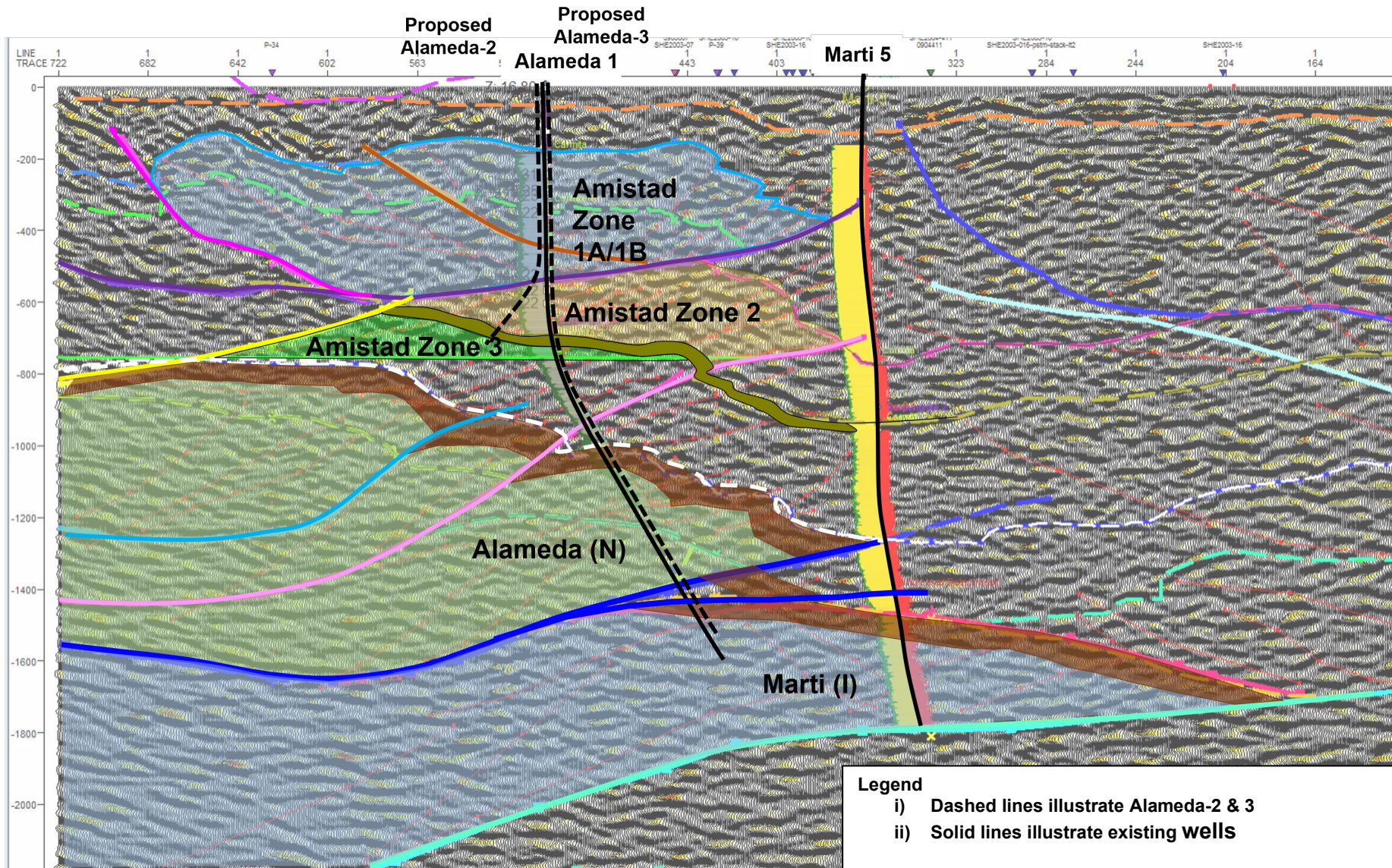
**For and on Behalf of the Board of Directors:**

Mr Andrew Purcell  
Executive Chairman

Ends -

**For further information please contact**

Mr Theo Renard  
Company Secretary  
+61 2 83 23 66 00



personal use only

## WEBINAR Q&A

The following are the replies given by Melbana to the questions tabled ahead of today's webinar to be held today at 9:00 AM - 10:00 AM AWST.

To join, please register at <https://register.gotowebinar.com/register/8607791087788784395>

### Forward Program

- 1. What is the prescribed work program for Block 9? Is Melbana ahead or behind? Has Melbana's work program for 2023 been approved?**

*All work commitments for the current exploration subperiod. The next exploration subperiod begins in November 2023 but entering that subperiod and assuming those work commitments is voluntary.*

*The 2023 work program includes the drilling of two appraisal wells off the Alameda pad.*

- 2. Is there a schedule that can be shared indicating the activities and milestones before Alameda is in production? When will we start the appraisal wells at Alameda and how long will that take ?**

*This question will be answered in more detail at next week's AGM.*

- 3. Does Melbana expect to remain the operator of the forward drilling program on block nine?**

*Yes*

- 4. What input does Sonangol have into the design and drilling of each well or the work program in general?**

*The well designs are all approved by the joint operating committee, comprised of Sonangol and Melbana (as Operator). Operational review meetings are held regularly.*

*The work program is defined in the PSC by the regulator, but subject to change based on the Operator's reasonable requests that may be presented from time to time.*

### Field Development

- 5. Can you discuss time frames for converting a drilling/appraisal program on Block 9 to production if the latter is economically viable?**

*See today's ASX release. Extended flow tests can be conducted and logistical considerations have been allowed for in trucking production to a nearby oil battery.*

- 6. How far along is the planning/FEED for a new pipeline to transport oil to the receiving facility?**

*Any oil produced will initially be trucked to the nearest oil battery. Once extended productions rates are known it will inform which and how many step out production wells to be drilled and what additional infrastructure may be needed.*

**7. How will this be funded?**

*Trucking forms part of the operational expenditure associated with production. Investment in infrastructure would preferably be financed by the Cuban government, perhaps in combination with debt and prepayment agreements with purchasers wishing to receive the offtake.*

**Drilling**

**8. The drilling operations at Alameda and Zapato were characterised by very low rates of penetration, many trips and sidetracks, and an inability to get to TD in Alameda. Will a rig of adequate power be brought into Cuba for the appraisal drilling at Alameda?**

*The top drive capacity of the rig was not the limiting factor in the drilling of either Alameda or Zapato. The lessons learned from the drilling of these first two wells in Cuba have imparted valuable experience to Melbana's operations team. Moreover, they are unlikely to reoccur during the appraisal drilling program given we will be drilling into the same formations from the same pad armed with this prior experience.*

**9. Was the drilling operation a lump sum? What was the additional cost for the delay (158 days against 55 days planned) at Zapato?**

*The drilling operations were not conducted on a lump sum basis. The recently concluded two well program ran more than 50% over the original budget, which was met 85% by Sonangol and 15% by Melbana.*

**10. Is there any recourse on the drilling contractors for the overrun?**

*No*

**11. Has a new drilling contractor been identified and what is their track record of running successful operations?**

*The 2023 appraisal program is planning to use the same rig given for the upcoming appraisal program, but certain contingencies are being factored in as part of prudent operational practice.*

**12. Is the availability of diesel an issue in Cuba? Does this have the potential to impact our drilling operations?**

*Availability of fuel is an issue in Cuba from time to time, but our operations have received regular and timely delivery of what we require for drilling operations.*

**Zapato**

**13. What was the decision process in calling total depth at Zapato? Was any flow observed or is this a dry hole?**

*Total depth was called at the originally planned depth of 3150mMD. At that depth there were signs of a possible change in lithology but as we still hadn't reached the carbonates that we believe exist below the volcanics the decision was made to suspend the well for the time being so that efforts could be redirected to appraising the oil encountered whilst drilling at Alameda-1.*

For personal use only

### Alameda-1, 2 & 3

- 14. Have long lead items (casing, tubing, wellheads) been procured for the upcoming Alameda wells?**

*The majority of the required inventory for the first well has been procured and is in our stores in Cuba. Additional items still need to be procured for the second well.*

- 15. Do we have the right technical people to be successful at Alameda?**

*We have a first class technical team with many years of experience behind them. They now have the added experience of drilling two wells in Cuba. The technical and operational challenges they overcame drilling these first two wells, supplemented by this experience they and our contractors have now gained in country, put us in a very strong position going into this appraisal program.*

- 16. Will the Alameda-1 well be re-entered?**

*No, that is not the current plan.*

- 17. Has a solution been engineered to allow further work and flow testing of the Alameda or Marti sections? And if so, when?**

*Yes. Appraisal of these two reservoirs is planned to occur immediately following completion of the first appraisal well.*

### Production

- 18. Have discussions commenced with CUPET or others on offtakes of oil from Alameda to their refineries?**

*Production planning, logistics and storage considerations form part of the forward appraisal program.*

- 19. Has there been any contact with the Cuban Hydrocarbon regulator on either pipeline export or trucking of the oil to local refineries?**

*The former is premature but has been discussed in principle, yes. The latter forms part of the forward appraisal program.*

- 20. What are the key issues to determining if the 6.4 billion barrels of OIP in discrete reservoirs will be suitable for economic production? What are the appraisal processes involved?**

*Flow rate, reservoir performance and oil quality are the main determinants.*

## Corporate

**1. Will MAY sell Cuba Operations noting takeover provisions changing at AGM?**

*The takeover provisions tabled for the AGM are just prudent protections for shareholders, in your directors' opinion. This resolution has been regularly tabled in prior years since the Corporations Act requires companies to refresh it every three years.*

**2. Is the Company likely to explore another capital raise any time soon?**

*No. The company has sufficient cash for the upcoming appraisal program.*

**3. Does the Company intend to consolidate its share capital?**

*No. This has been considered but deemed undesirable at this time.*

For personal use only