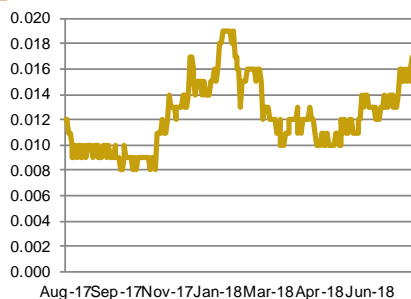


# Melbana Energy (MAY AU)

07 August 2018

**Stock Data**

Share Price:	A\$0.017
Market Cap (M):	A\$16.7m
EV (M):	A\$13.4m
Liquidity (30 day ave)	2.1m

**Price Chart**

**52 Week Range**

A\$0.008	A\$0.017
A\$0.020	

**Company Summary**

Melbana Energy is an Oil & Gas exploration company with licences in Australia, Cuba and New Zealand.

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## Prospective resource upgrade in Cuba

### Event

Melbana Energy (“Melbana” or “the Company”) has announced that McDaniel & Associates (“McDaniel”) has completed a resource assessment for Block 9 in Cuba and the Beehive prospect in Australia.

For Block 9 (Melbana 100% WI), estimates of P50 prospective resources have increased by 13% to 718mmbbl, with oil in place estimates upgraded by 24% to 15,700mmbbl. For the Company’s primary Alameda and Zapato prospects, mid-case prospective resources have increased by 17% to 236mmbbl, with the GPoS largely unchanged.

Prospect	GPoS	P90	P50	P10
<b>2017 management estimates</b>				
Alameda	17-32%	9	131	658
Zapato	25%	5	71	297
Other		45	435	1,253
<b>Total</b>		<b>59</b>	<b>637</b>	<b>2,208</b>

### 2018 McDaniel & Associates

Alameda	15-32%	67	141	279
Zapato	23%	38	95	214
Other		200	482	1,060
<b>Total</b>		<b>305</b>	<b>718</b>	<b>1,553</b>

For the Beehive prospect (Melbana 100% WI, subject to Total and Santos options to acquire 80%), mid-case prospective resources have been reduced to 388mmbbl, with the chance of success improved from 16% to 20%.

Beehive	GPoS	P90	P50	P10
Management estimate	16%	97	558	2,033
McDaniel estimate	20%	91	388	1,645

### Comment

We believe this is a positive announcement from Melbana, providing independent validation of the material exploration potential in both Australia and Cuba.

While there may be some disappointment that the prospective resource estimate for the Beehive prospect has declined, geological risks have improved and the upside case is still in excess of a billion barrels. Acquisition of 3D seismic data over the structure recently commenced ahead of a

potential well being drilled in 2019/20. If Total and Santos exercise their option to farm-in for an 80% interest, Melbana will be fully carried for the cost of all activities until completion of the first well, which we believe would be a significant positive.

In Cuba, which is the primary focus for the Company going forward, the resource statement is particularly encouraging as McDaniel has significant Cuban experience through certifying reserves for TSX listed Sherritt International. The results from the report broadly confirm the Company's prior estimate of the mid-case prospective resources and the geological risks, whilst tightening the resource range. In our opinion this analysis improves the likelihood of an economic discovery.

Technical work de-risking the primary Alameda and Zapato prospects, ahead of a possible two well drilling campaign in 2019, is ongoing. The Company is currently engaged in a farm-out process to fund this programme, which we believe has huge upside potential and could be one of the stand-out exploration programmes globally.

## Research Disclosures

### William Arnstein

Will is a CFA charterholder and has more than 10 years' experience as a sell-side equity research analyst having previously worked at Dresdner Kleinwort, Jefferies International and finnCap. In his last role, he co-founded the Oil & Gas franchise at finnCap and later became Head of Oil & Gas, where he also coordinated corporate finance and corporate broking in addition to his responsibilities as a Research Director. During his career, Will has worked closely with many international E&P companies, both listed and private, evaluating assets across the globe and has developed particular expertise in petroleum economics and asset valuation. In 2010, Will was awarded No.1 stock picker for the European energy sector in the FT/Starmine Awards.

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<b>Trading Sell</b>	Recommendation implies that the analysts' expected total return over the short term compared against the target price is negative.
<b>Sell</b>	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

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Research disclosure as of 07 August 2018

Company Name	Disclosure
Melbana Energy (MAY AU)	1,2,8

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