

Melbana Energy Limited and Controlled Entities

ABN 43 066 447 952

Half-year Financial Report - 31 December 2022

For personal use only

Melbana Energy Limited And Controlled Entities
Corporate directory
31 December 2022

| | |
|---|---|
| Stock exchange listing | Melbana Energy Limited securities are listed on the Australian Securities Exchange (ASX code: MAY) |
| Website | www.melbana.com |
| Directors | Andrew Purcell (Executive Chairman) Michael Sandy (Non-Executive Director) Peter Stickland (Non-Executive Director) |
| Company secretary | Cate Friedlander |
| Registered office & Principal Place of Business | The Commons Mezzanine Level 388 George Street Sydney NSW 2000 Australia |
| Telephone: | +61 (2) 8323 6600 |
| Share register | Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Australia |
| Telephone: | +61 1300 554 474 |
| Auditor | MNSA Pty Ltd Level 1, 283 George Street Sydney NSW 2000 |
| Telephone: | +61 2 9299 0901 |

Melbana Energy Limited And Controlled Entities
Directors' Report
31 December 2022

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Melbana Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2022.

Directors

The following persons were Directors of Melbana Energy Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Purcell (Executive Chairman)
 Michael Sandy (Non-Executive Director)
 Peter Stickland (Non-Executive Director)

Principal activities

The principal activities of the Consolidated Entity during the year were oil and gas exploration in Cuba and Australia together with development concepts for the Tassie Shoal Methanol and LNG Project in Australia.

Dividends

There were no dividends paid or declared during the current or previous financial half-year.

Review of operations

The income for the Consolidated Entity after providing for income tax amounted to \$403,754 (31 December 2021: profit of \$9,492,839).

International Operations

Block 9 (Melbana 30%) – onshore Cuba

During the reporting period the Company completed its initial two well exploration drilling program in Cuba. The first well, Alameda-1, encountered moveable hydrocarbons accompanied by considerable formation pressure in what are thought to be three geologically independent sections. In July 2022, the Company's independent resources and reserves certifier reported the following estimates for the second section, called Alameda (previously N):

| Gross (100%) | | | | |
|---|-----------------|------------------|-------------|------------------|
| Unrisked Oil Originally In Place (MMbbl) | | | | |
| Zone | Low (1U) | Best (2U) | Mean | High (3U) |
| Alameda (N) | 818 | 1,872 | 2,330 | 4,409 |

| Gross (100%) | | | | |
|---|-----------------|------------------|-------------|------------------|
| Unrisked Prospective Resources (MMbbl)¹ | | | | |
| Zone | Low (1U) | Best (2U) | Mean | High (3U) |
| Alameda (N) | 34 | 109 | 148 | 297 |

Melbana Energy Limited And Controlled Entities
Directors' Report
31 December 2022

In August 2022, the certifier reported the following estimates for the third and deepest section, called Marti (previously I):

| Zone | Gross (100%) Unrisked Oil Originally In Place (MMbbl) | | | |
|--------------------|--|-----------|-------|-----------|
| | Low (1U) | Best (2U) | Mean | High (3U) |
| Marti (I) – Unit 1 | 392 | 913 | 1,141 | 2,146 |
| Marti (I) – Unit 2 | 136 | 317 | 394 | 741 |

| Zone | Gross (100%) Unrisked Prospective Resources (MMbbl) ¹ | | | |
|--------------------|---|-----------|------|-----------|
| | Low (1U) | Best (2U) | Mean | High (3U) |
| Marti (I) – Unit 1 | 16 | 52 | 71 | 147 |
| Marti (I) – Unit 2 | 5 | 18 | 24 | 50 |

Total depth on the second well, Zapato-1, was called in October 2022 once the planned total depth of 3,150 metres measured depth had been reached. The well failed to exit the ophiolitic section that was prognosed to lay on top of the target carbonate section. The well was suspended whilst the data gathered whilst drilling the well is analysed. A decision about the future of this well is yet to be made.

The forward work program for Block 9 is to drill two appraisal wells, Alameda-2 and Alameda-3. These wells are to be drilled off the existing Alameda pad. The objectives of the appraisal well program is to better understand the oil quality and reservoir performance characteristics of the three productive sections encountered by Alameda-1.

During the reporting period, permitting and procurement for the drilling of these appraisal wells was progressed. Remedial civil works were also completed on the Alameda pad and access roads in preparation for the resumption of drilling activities there.

Australian Operations

WA-488-P (Melbana contingent cash and royalty interest) – Bonaparte Basin offshore Western Australia

The Company sold its interest in permit WA-488-P in November 2021 to EOG Resources Australia Block WA-488 Pty Ltd (EOG Australia) for an upfront cash consideration and remains entitled to further payments from EOG Australia totalling USD5.0 million (subject to them making certain future elections with regards to the permit) and a royalty of US\$10.0 million for each 25 million barrels of oil equivalent in the event oil is produced from the permit area should the exploration well be a commercial success.

Drilling of a well on the Beehive Prospect is planned for 2023, subject to rig availability and approval of the environmental program which EOG Australia has submitted to the regulator. In November 2022 EOG Australia applied for a suspension and extension of WA-488-P and this was approved after the reporting period in February 2023. The current permit year, with a work commitment of one exploration well, has therefore now been extended to August 2024.

The Company has no exposure to any future costs associated with this permit, including to the cost of drilling the exploration well.

WA-544-P and NT/P87 (Melbana 100%) – Bonaparte Basin offshore Western Australia/Northern Territory

The Company continued with its reprocessing of the 2D and 3D marine seismic data within these permit areas. Upon completion, these works will be submitted to NOPTA for credit against the primary term minimum work requirements for each of these permit areas and an interpretation study of these newly reprocessed datasets was

Melbana Energy Limited And Controlled Entities
Directors' Report
31 December 2022

commenced during the reporting period.

AC/P50, AC/P51 (Melbana contingent cash and royalty interest) – Vulcan Sub Basin offshore Western Australia

The Company sold its 55% interest in these permits to joint venture partner Rouge Rock Pty Ltd (Rouge Rock) in 2018 with the Company retaining an interest in any future farmout or sale of the permits. Rouge Rock subsequently sold AC/P50 to subsidiaries of Australia's Santos and Malaysia's SapuraOMV (Purchasers) and granted the Purchasers an option to acquire AC/P51. Melbana received an upfront cash payment for the sale of AC/P50.

In November 2022 it was noted that the Purchasers applied to surrender AC/P50. This application was granted subsequent to the reporting period in February 2023.

The Purchasers continue to hold the right to acquire AC/P51 which, if exercised, would entitle the Company to receive similar cash consideration and contingent royalties. It was noted that Rouge Rock applied for a suspension and extension of AC/P51 in September 2022, which was approved in December 2022.

The Company has no exposure to any future costs associated with this permit.

AC/P70 (Melbana 100%) – Ashmore & Cartier Islands, Australia

This permit 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 to 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 – often by overturning conventional thinking.

During the reporting period the Company's technical team continued to work on the geological and technical analysis of this permit.

Tassie Shoals (100%) – offshore northern Australia

Melbana has Australian Government environmental approvals to construct, install and operate two stand-alone world scale 1.75 Mtpa methanol plants - collectively referred to as the Tassie Shoal Methanol Project - and a single 3 Mtpa LNG plant - known as the Tassie Shoal LNG Project - on Tassie Shoal, an area of shallow water in the Australian waters of the Timor Sea approximately 275 km north-west of Darwin, Northern Territory. These Environmental Approvals are valid until 2052. These projects uniquely provide a development option for discovered but undeveloped gas resources in the region.

During the reporting period the Company engaged with several parties interested in better understanding the opportunity presented by these approvals.

Corporate

The Company added several new personnel during the reporting period. These included Dr. Duncan Lockhart, who was appointed as Exploration Manager, Mr. Uno Makotsvana, who was appointed as Chief Financial Officer and Ms. Cate Friedlander, who joined as General Counsel and Corporate Secretary.

Significant changes in the state of affairs

On 10 September 2022, the Company's listed options (ASX: MAYO) expired with the share price well above the exercise price of \$0.035. Approximately 99% of the options were exercised delivering a total of \$18.9 million in funding to the Company.

Matters subsequent to the end of the financial half-year

On 20 February 2023 the Company established a Small Holding Share Sale Facility for holders whose shareholdings on the 17 February 2023 had a market value of less than \$500. The closing date for the Facility is 6 April 2023 and approximately 6.99 million shares are impacted.

On 24 February 2023, the Company announced that it had granted 53,883,778 Performance Rights to four of its key management personnel (KMP). The Performance Rights are split into two tranches.

**Melbana Energy Limited And Controlled Entities
Directors' Report
31 December 2022**

The first tranche of 31,289,197 Performance Rights requires the Company's share price to close at or above \$0.12 per share for 20 consecutive trading days anytime within eighteen months following award. The second tranche of 22,594,581 Performance Rights requires the Company's share price to close at or above \$0.192 per share for 20 consecutive trading days anytime within thirty-six months following award. Should either or both of these conditions be satisfied and the KMP are still employed by the Company at the end of the relevant period then the Performance Rights would convert to shares and vest.

The Independent Directors of the Company also resolved to ask shareholders to approve the grant of 23,301,292 Performance Rights to the Executive Chairman, also split into two tranches of 13,530,579 and 9,770,713 Performance Rights and with the same vesting conditions as for the KMP above, at the next general meeting.

On 3 March 2023 the Company was included in the S&P Dow Jones March 2023 quarterly rebalance of the S&P/ASX Indices. The company will be included in the All Ordinaries Index effective prior to the Open on March 20 2023.

No other matter or circumstance has arisen since 31 December 2022 other than stated above that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of the Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Andrew Purcell
Executive Chairman

Sydney, 9 March 2023

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 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.



**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MELBANA ENERGY LIMITED AND CONTROLLED ENTITIES
ABN: 43 066 447 952**

In accordance with Section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Melbana Energy Limited.

As the auditor for the review of the financial report of Melbana Energy Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro

Director

Sydney

Dated this 9th of March 2023

MNSA

For personal use only

Melbana Energy Limited And Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

| | | Consolidated | |
|---|-------------|-------------------------|-------------------------|
| | Note | 31 December 2022 | 31 December 2021 |
| | | \$ | \$ |
| Revenue | | | |
| Other income | 4 | 2,594,906 | 11,026,821 |
| Interest income | | 16 | 299 |
| Expenses | | | |
| Administration costs | 5 | (2,034,412) | (1,508,973) |
| Finance costs | | <u>(156,756)</u> | <u>(25,308)</u> |
| Profit before income tax expense | | 403,754 | 9,492,839 |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Profit after income tax expense for the half-year attributable to the owners of Melbana Energy Limited | | 403,754 | 9,492,839 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>1,394,410</u> | <u>(8,214)</u> |
| Other comprehensive gain /(loss) for the half-year, net of tax | | <u>1,818,896</u> | <u>(8,214)</u> |
| Total comprehensive income/(loss) for the half-year attributable to the owners of Melbana Energy Limited | | <u><u>1,798,164</u></u> | <u><u>9,484,625</u></u> |
| | | Cents | Cents |
| Basic earnings per share | 12 | 0.01 | 0.37 |
| Diluted earnings per share | 12 | 0.01 | 0.37 |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Melbana Energy Limited And Controlled Entities
Consolidated statement of financial position
As at 31 December 2022

| | Note | Consolidated 31 December 2022 \$ | Consolidated 30 June 2022 \$ |
|--------------------------------------|------|---|---------------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 39,094,999 | 35,720,347 |
| Other receivables | | 2,802,388 | 155,982 |
| Receivable from farm-out arrangement | | 9,936,318 | 3,648,597 |
| Total current assets | | 51,833,705 | 39,524,926 |
| Non-current assets | | | |
| Deposits | | 90,804 | 12,590 |
| Right of Use Asset | | 213,877 | - |
| Exploration and evaluation | 6 | 15,029,530 | 10,709,762 |
| Total non-current assets | | 15,334,211 | 10,722,352 |
| Total assets | | 67,167,916 | 50,247,278 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 11,827,962 | 12,903,444 |
| Lease Liability | | 169,414 | - |
| Provisions | | 293,570 | 171,350 |
| Total current liabilities | | 12,290,946 | 13,074,794 |
| Non-current liabilities | | | |
| Provisions | | - | 222 |
| Lease liability | | 44,464 | - |
| Total non-current liabilities | | 44,464 | 222 |
| Total liabilities | | 12,335,410 | 13,075,016 |
| Net assets | | 54,832,506 | 37,172,262 |
| Equity | | | |
| Issued capital | 7 | 320,473,026 | 303,177,819 |
| Reserves | 8 | 579,891 | 639,340 |
| Accumulated losses | | (266,220,411) | (266,644,897) |
| Total equity | | 54,832,506 | 37,172,262 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Melbana Energy Limited And Controlled Entities
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

| | Issued capital | Share based payments reserve | Foreign currency reserve | Accumulated losses | Total equity |
|---|--------------------|------------------------------|--------------------------|----------------------|-------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 280,302,775 | - | (1,353,836) | (271,859,359) | 7,089,580 |
| Profit after income tax expense for the half-year | - | - | - | 9,492,839 | 9,492,839 |
| | - | - | - | 9,492,839 | 9,492,839 |
| Contributions to equity, net of transaction costs | 6,596,889 | - | - | - | 6,596,889 |
| Transfer of reserves to accumulated losses | - | - | 1,118,350 | (1,118,350) | - |
| Foreign currency translation | - | - | (8,214) | - | (8,214) |
| Balance at 31 December 2021 | 286,899,664 | - | (243,700) | (263,484,870) | 23,171,094 |

| | Issued capital | Share based payments reserve | Foreign currency reserve | Accumulated losses | Total equity |
|---|--------------------|------------------------------|--------------------------|----------------------|-------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2022 | 303,177,819 | 1,453,859 | (814,519) | (266,644,897) | 37,172,262 |
| Profit after income tax expense for the half-year | - | - | - | 403,754 | 403,754 |
| | - | - | - | 403,754 | 403,754 |
| Share Options exercised | 17,295,207 | (1,433,127) | - | - | 15,862,080 |
| Share Options expired | - | (20,732) | - | 20,732 | - |
| Foreign currency translation | - | - | 1,394,410 | - | 1,394,410 |
| Balance at 31 December 2022 | 320,473,026 | - | 579,891 | (266,220,411) | 54,832,506 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Melbana Energy Limited And Controlled Entities
Consolidated statement of cash flows
For the half-year ended 31 December 2022

| Note | Consolidated | |
|---|--------------------------|--------------------------|
| | 31 December 2022 | 31 December 2021 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from sale permit and other income | 18,670 | - |
| Payments to suppliers and employees (inclusive of GST) | (2,101,941) | (1,083,268) |
| Interest received | 18 | - |
| Interest paid | | (59) |
| Net (used in) operating activities | <u>(2,083,255)</u> | <u>(1,083,327)</u> |
| Cash flows from investing activities | | |
| Investments in term deposits | - | - |
| Proceeds from sale of permit | - | 10,391,856 |
| Payments for loans to other entities | (75,553) | - |
| Payment for plant & equipment | - | (2,568) |
| Payments for exploration and evaluation | (21,835,921) | (21,876,561) |
| Proceeds from disposal of investments | - | 3,478,789 |
| Advances from farm-out arrangement | 12,748,931 | 11,858,193 |
| Net cash (used in) / from investing activities | <u>(9,162,543)</u> | <u>3,849,709</u> |
| Cash flows from financing activities | | |
| Repayment of lease liabilities | (18,094) | - |
| Proceeds from share issue | - | 6,667,295 |
| Transaction costs share issue | - | (10,399) |
| Proceeds from exercise of options | 15,808,175 | - |
| Other | (41,922) | - |
| Net cash from financing activities | <u>15,748,159</u> | <u>6,656,896</u> |
| Net increase in cash and cash equivalents | 4,502,361 | 9,423,278 |
| Cash and cash equivalents at the beginning of the financial half-year | 35,720,347 | 10,683,656 |
| Effects of exchange rate changes on cash and cash equivalents | <u>(1,127,709)</u> | <u>(190,423)</u> |
| Cash and cash equivalents at the end of the financial half-year | <u><u>39,094,999</u></u> | <u><u>19,916,511</u></u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Melbana Energy Limited And Controlled Entities

Notes to the consolidated financial statements 31 December 2022

Note 1. General information

The financial statements cover Melbana Energy Limited as a consolidated entity consisting of Melbana Energy Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Melbana Energy Limited's functional and presentation currency.

Melbana Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 March 2023.

Note 2. Significant accounting policies

These condensed interim financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These condensed interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 31 December 2022, the consolidated entity:

- had, for the financial half-year ending on that date a profit after tax of \$403,754 (2021: profit after tax of \$9,492,839);
- had, for the financial half-year ending on that date, net cash outflows from operating activities of \$2,083,255 (2021: \$1,083,327);
- had cash and cash equivalents on hand of \$39,094,999 (30 June 2022 \$35,720,347); and
- had a net working capital position of \$39,542,759 (30 June 2022: \$26,450,132).

The Consolidated Entity is involved in the exploration and evaluation of oil and gas tenements. Further expenditure will be required on these tenements to ascertain whether they contain economically recoverable reserves. The cash reserves as at 31 December 2022 are expected to be sufficient to meet the Consolidated Entity's planned exploration commitments and activities for the 12 months from the date of this report. To meet any additional funding requirements the Consolidated Entity will rely on taking appropriate steps, including:

- Meeting its additional obligations by either farm-out or partial sale of the Consolidated Entity's exploration interests;
- Raising capital by one of a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding share options, and/or further issue of shares to the public;
- In some circumstances, subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; or
- Other avenues that may be available to the Consolidated Entity.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 2. Significant accounting policies (continued)

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Should the Consolidated Entity be unable to obtain the funding as described above, there is a material uncertainty as to whether the Consolidated Entity will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. No adjustments have been made relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern, particularly the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Having carefully assessed the potential uncertainties relating to the Consolidated Entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the Consolidated Entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

The Consolidated Entity operates in the petroleum exploration industry within Australia and Cuba.

The Board of Directors receive regular consolidated cash flow information as well as Consolidated Statement of Financial Position and Statement of Comprehensive Income information that are prepared in accordance with Australian Accounting Standards.

The Board does not currently receive segmented Statement of Financial Position and Statement of Comprehensive Income information. The Board manages exploration activities of each permit area through review and approval of budgets, joint venture cash calls and other operational information. Information regarding exploration expenditure capitalised for each area is contained in Note 6.

Note 4. Other income

| | Consolidated | |
|--|-------------------------|-------------------------|
| | 31 December 2022 | 31 December 2021 |
| | \$ | \$ |
| Fees charged as operator | 2,594,906 | - |
| Interest | - | 299 |
| Gain on disposal | - | 634,667 |
| Receipt of sale proceeds from sale of permit | - | 10,391,855 |
| | <hr/> | <hr/> |
| Other income | <u>2,594,906</u> | <u>11,026,821</u> |

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 5. Administration costs

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2022 | 31 December 2021 |
| | \$ | \$ |
| Consultants' fees and expenses | 600,742 | 362,915 |
| Employee benefits expense | 701,910 | 557,776 |
| Administration and other expenses | 125,453 | 147,791 |
| Accounting and audit costs | 127,158 | 60,743 |
| Securities exchange, share registry and reporting costs | 115,957 | 97,465 |
| Investor relations and corporate promotion costs | 35,155 | 35,394 |
| Travel costs | 55,947 | 2,105 |
| Foreign exchange losses | 181,465 | 160,777 |
| Lease and outgoing expenses | 58,132 | 49,035 |
| Depreciation and amortisation expense | 14,399 | 34,972 |
| Depreciation of right-of-use assets | 18,094 | - |
| | <u>2,034,412</u> | <u>1,508,973</u> |

Note 6. Non-current assets - exploration and evaluation

| | Consolidated | |
|----------------------------|-------------------------|-------------------|
| | 31 December 2022 | June 2022 |
| | \$ | \$ |
| Exploration and evaluation | <u>15,029,530</u> | <u>10,709,762</u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | NT/P87 \$ | AC/P70 \$ | WA-544-P \$ | Block 9 Cuba \$ | Total \$ |
|----------------------------------|----------------|------------------|----------------|--------------------|-------------------|
| Balance at 1 July 2022 | 338,282 | 971,332 | 153,485 | 9,246,663 | 10,709,762 |
| Expenditure during the half-year | <u>42,253</u> | <u>79,533</u> | <u>46,625</u> | <u>4,151,357</u> | <u>4,319,768</u> |
| Balance at 31 December 2022 | <u>380,535</u> | <u>1,050,865</u> | <u>200,110</u> | <u>13,398,019</u> | <u>15,029,530</u> |

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 31 December 2022 exploration activities in each area of interest, where costs are carried forward, have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed.

A review of the consolidated entity's exploration licenses was undertaken during the half-year and based on the review management identified no impairment indicators on Block 9. Further information on operating activities and development are included in the Directors' report.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 7. Equity - issued capital

| | Consolidated | | | |
|------------------------------|----------------------|----------------------|--------------------|--------------------|
| | 31 December 2022 | 30 June 2022 | 31 December 2022 | 30 June 2022 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>3,370,204,104</u> | <u>2,917,001,836</u> | <u>320,473,026</u> | <u>303,177,819</u> |

Equity – Contributed

| Note | 31 December 2022 A\$ | 30 June 2022 A\$ |
|-----------------------------------|---------------------------|---------------------------|
| <u>Issued and Paid-Up Capital</u> | | |
| Fully paid ordinary shares | <u>320,473,026</u> | <u>303,177,819</u> |
| Total Issued Capital | <u>320,473,026</u> | <u>303,177,819</u> |

| (a) Ordinary shares | Note | 31 December 2022 | | 30 June 2022 | |
|---|------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | | No. | A\$ | No. | A\$ |
| At the beginning of reporting period | | 2,917,001,836 | 303,177,819 | 2,673,309,552 | 286,899,664 |
| Conversion of options (shares issued during the period) | | 453,202,268 | 17,295,207 | 243,692,284 | 16,278,155 |
| At reporting date | | <u>3,370,204,104</u> | <u>320,473,026</u> | <u>2,917,001,836</u> | <u>303,177,819</u> |

As at the reporting date there were no share options on issue. All outstanding options expired on the 10th of September 2022.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Consolidated entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Consolidated entity does not have a limited amount of recognised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

The Company initiated a Small Holding Share Sale Facility for holders whose shareholdings have a market value of less than \$500 as at the 17th of February 2023. The closing date of the facility is the 6th of April 2023 and approximately 6.99 million shares are impacted.

Note 8. Equity - reserves

Share based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. Commitments and contingent liabilities

Exploration Commitments

In order to maintain rights of tenure to petroleum exploration tenements, the Consolidated Entity has minimum exploration requirements to fulfil. These requirements are not provided for in the financial statements. If the Consolidated Entity decides to relinquish certain tenements and/or does not meet these obligations, assets recognised in the Statement of financial position may require review in order to determine the appropriateness of carrying values. The commitments for exploration expenditure of approximately \$22.4 million includes the minimum expenditure requirements that the Consolidated Entity is required to meet in order to retain its present permit interests over the next fiscal year. These obligations may be subject to renegotiation, may be farmed out or may be relinquished. For Australian exploration permits in the jurisdiction of the Commonwealth of Australia, the first three-years of a work program are referred to as the primary term. The work program is guaranteed and cannot be reduced. Later years (4, 5 and 6) are referred to as the secondary term and the work program for each year becomes guaranteed upon entry to that year. Whilst failure to complete a guaranteed work program does not result in a financial penalty, it is grounds for cancellation of the permit. Further, the default may be considered by the Regulator in relation to future interactions with the defaulting party for a period of 5 years.

Block 9 (Melbana 30% interest) – onshore Cuba

In September 2015, Melbana executed the Cuba Block 9 Production Sharing Contract (PSC) with the Cuban national oil company *Unión Cuba-Petróleo* (CUPET). In May 2020, Melbana farmed out 70% of its interest in Block 9 PSC to Sonangol, the national oil company of Angola. The joint operation partners subsequently completed an initial two well exploration drilling program during the reporting period. This satisfied the work commitment for the current exploration sub period ending November 2023.

The 2023 work program consists of the drilling of two appraisal wells. Melbana is required to meet 30% of the cost of this program and is forecasting its share to cost US\$4.6 million for the Alameda-2 well and US\$9.0 million for the Alameda-3 well over the next twelve month period.

WA-544-P and NT/P87 (Melbana 100% interest) – Joseph Bonaparte Gulf offshore Western Australia/Northern Territory

Permits WA-544-P and NT/P87 are located in the Joseph Bonaparte Gulf offshore northern Australia (immediately adjacent to WA-488-P) and were granted to a wholly owned subsidiary of Melbana on 24 November 2020 for an initial period of six years. The primary term of these permits ends on 23 November 2023, with minimum work programs consisting of reprocessing 2D and 3D seismic and related desktop studies, the estimated cost of which was \$1,300,000. It is estimated that there is \$145,000 remaining of this amount still to be expended in the next fiscal year.

AC/P70 (Melbana 100% interest) – Ashmore & Cartier Islands, Australia

Permit AC/P70, located in the Territory of Ashmore and Cartier Islands, was granted to Melbana on 15 February 2022 for an initial period of six years. The primary term of this permit ends on 14 February 2025, with a minimum work program consisting of reprocessing 2D and 3D seismic, related desktop studies and the drilling of one exploration well. The estimated cost of these works was \$30,000,000. It is estimated that \$500,000 of this amount will be expended in the next fiscal year.

Summary

For the current sub-period of Block 9, the remaining committed activity is the drilling of two appraisal wells, 30% of the cost of which is to be met by Melbana. Over the next twelve months a total of US\$13.6 million is expected to be required for the purpose of evaluating the quality of oil that has been discovered.

The expected expenditure towards meeting primary term commitments for permits WA-544-P, NT/P87 and AC/P70 up to the end of the next fiscal year is forecast to be \$645,000.

There are no other material commitments or contingencies other than as set out in this note.

Melbana Energy Limited And Controlled Entities
Notes to the consolidated financial statements
31 December 2022

Note 11. Events after the reporting period

On 20 February 2023 the Company established a Small Holding Share Sale Facility for holders whose shareholdings on the 17 February 2023 had a market value of less than \$500. The closing date for the Facility is the 6 April 2023 and approximately 6.99 million shares are impacted.

On 24 February 2023, the Company announced that it had granted 53,883,778 Performance Rights to four of its key management personnel (KMP). The Performance Rights are split into two tranches.

The first tranche of 31,289,197 Performance Rights requires the Company's share price to close at or above \$0.12 per share for 20 consecutive trading days anytime within eighteen months following award. The second tranche of 22,594,581 Performance Rights requires the Company's share price to close at or above \$0.192 per share for 20 consecutive trading days anytime within thirty-six months following award. Should either or both of these conditions be satisfied and the KMP are still employed by the Company at the end of the relevant period then the Performance Rights would convert to shares and vest.

The Independent Directors of the Company also resolved to ask shareholders to approve the grant of 23,301,292 Performance Rights to the Executive Chairman, also split into two tranches of 13,530,579 and 9,770,713 Performance Rights and with the same vesting conditions as for the KMP above, at the next general meeting.

On 3 March 2023 the Company was included in the S&P Dow Jones March 2023 Quarterly rebalance of the S&P/ASX Indices. The company will be included in the All Ordinaries Index effective prior to the Open on 20 March 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 12. Earnings per share

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2022 | 31 December 2021 |
| | \$ | \$ |
| Profit / (loss) after income tax attributable to the owners of Melbana Energy Limited | <u>403,754</u> | <u>9,492,839</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>3,219,928,601</u> | <u>2,535,761,195</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>3,219,928,601</u> | <u>2,535,761,195</u> |
| | Cents | Cents |
| Basic earnings per share | 0.01 | 0.37 |
| Diluted earnings per share | 0.01 | 0.37 |

Melbana Energy Limited And Controlled Entities
Directors' declaration 31 December 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made in accordance with section 303(5)(a) of the *Corporations Act 2001 (Cth)*.

On behalf of the Directors



Andrew Purcell
Executive Chairman

Sydney, 9 March 2023



**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
MELBANA ENERGY LIMITED AND CONTROLLED ENTITIES
ABN 43 066 447 952**

Conclusion

We have reviewed the half-year financial report of Melbana Energy Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Melbana Energy Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Melbana Energy Limited financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of Melbana Energy Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of Melbana Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of Melbana Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

For personal use only



Auditor's Responsibility for the Review of the Financial Report

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro

Director

Sydney

Dated this 9th of March 2023

MNSA

For personal use only