



Melbana Energy Limited

ABN 43 066 447 952

Annual Report – 30 June 2021

Directors	Andrew Purcell (Executive Chairman) Michael Sandy (Non-Executive Director) Peter Stickland (Non-Executive Director)
Company secretary	Theo Renard
Notice of annual general meeting	The Company will hold its annual general meeting of shareholders on 26 November 2021
Registered office	Level 15, 9 Hunter Street Sydney, NSW 2000 Australia Telephone +61 (0)2 8323 6600
Principal place of business	Level 15, 9 Hunter Street Sydney, NSW 2000 Australia Telephone +61 (0)2 8323 6600
Share register	Link Market Services Limited Tower 4, 727 Collins Street Melbourne, Victoria 3000 Australia Telephone +61 0(3) 9067 2005
Auditor	MNSA Pty Ltd Level 1, 283 George Street Sydney, NSW 2000 Australia
Stock exchange listing	The securities of Melbana Energy Limited are listed on the Australian Securities Exchange (ASX code: MAY)
Website	www.melbana.com
Corporate Governance Statement	Corporate governance statements are available at the Company's website. Please refer to http://www.melbana.com/site/About-Us/corporate-governance

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 year ended 30 June 2021.

Directors

The following persons were Directors of Melbana Energy Limited during the whole of the financial 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.

Dividends

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

Review of operations

INTERNATIONAL OPERATIONS

Cuba - Block 9 (Melbana 30%)¹

The Company is the operator of a two well drilling exploration program in the Block 9 Production Sharing Contract (Block 9 PSC) area onshore Cuba. Its partner in Block 9 PSC is Sonangol EP (Sonangol), the National Oil Company of Angola which acquired a 70% interest in return for funding 85% of the cost of two exploration wells and repaying Melbana's past costs.

In July 2020, the Company received its first payment from Sonangol towards the repayment of the Company's past costs in Block 9 PSC, in accordance with the Farm-In Agreement (FIA) entered into between the parties. The conditions precedent of the FIA were satisfied in full in August 2020 and preparations for drilling commenced the following month (including civil works at the proposed drill sites, contract negotiations with contractors and tenders for various inventory required for the drilling program).

In February 2021 contracts had been signed for the manufacture and supply of the steel pipe required to drill the two exploration wells. Negotiation for the supply of other required inventory neared their conclusion. Site preparations continued to progress and the Company's key project management personnel were at this stage advanced in their preparations to mobilise to Cuba. About this time COVID-19 management protocols were implemented by the Cuban authorities, but the Company managed to adapt to these changes without materially affecting the proposed schedule for the commencement of drilling operations. Effective 1 January 2021, Cuba eliminated the Cuban Convertible Peso leaving the Cuban Peso as the only official currency of Cuba. This change impacted a number of contracts the Company was party to but the necessary amendments were made in a timely fashion without materially affecting operations.

In March 2021 the Company entered into a contract with a subsidiary of Sherritt International Corporation (TSX: S), a company with decades of oil and gas exploration and production experience in Cuba, for the provision of drilling and related services.

In April 2021 the well pad for the first exploration well, Alameda-1, was completed and a contractor appointed to build the well pad for the second exploration well, Zapato-1. Drilling permits and land access agreement continued to proceed satisfactorily in parallel, as did preparations by the drilling contractor for the commencement of drilling operations. Contracts continued to be awarded at this time for the manufacture and supply of necessary inventory and equipment required by the drilling program and, despite increasing logistical challenges resulting from the COVID-19 pandemic, the Company felt it was able to predict a drilling commencement date with sufficient accuracy to advance negotiations with other service and equipment providers as well as hire the necessary personnel needed.

¹ Sonangol received Cuban regulatory approval for their 70% interest in Block 9 on 14 August 2020.

The Company's Drilling Manager, along with several other senior members of the project management team, were instructed to relocate to Cuba at this time.

Drilling of the first of the two wells commenced following the end of the reporting period.

Cuba is subject to various sanctions imposed on it unilaterally by the United States of America (US). Although these sanctions are intended to only apply to US citizens and corporations, their indirect scope is effectively larger thereby requiring the Company to allow for their impact on operations in Cuba. During the reporting period the US held Presidential elections, resulting in a change of administration. The Company has not experienced any material difference in the position of the US towards Cuba as a result of this change and continues to manage its affairs accordingly.

The two well exploration program the Company has planned for Block 9 is testing four separate targets with a combined Prospective Resource of 236 million barrels of oil (Best Estimate, 100% basis)².

Cuba - Santa Cruz (Melbana 100%, subject to receiving final regulatory approvals)

No material progress was made towards the receipt of final regulatory approval for the binding contract Melbana has entered into for the Santa Cruz oil field during the reporting period.

The Santa Cruz oil field has produced at least 7.4 million barrels from 18 wells since its discovery in 2004.

AUSTRALIAN OPERATIONS

WA-488-P (Melbana 100%)³

Melbana was awarded 100% interest in WA-488-P, located in the Bonaparte Basin, in May 2013. The permit is located between the producing Blacktip gas field and the undeveloped Turtle and Barnett oil fields and contains the giant Beehive prospect. Beehive was upgraded following the onshore 2011 Ungani-1 oil discovery in the adjacent Canning Basin and represents a new play type in the Bonaparte Basin.

Beehive is considered prospective for oil at the upper Carboniferous aged carbonate target and is considered analogous to the giant Tengiz oil field in the Caspian Sea. An independent assessment by McDaniel & Associates in 2018 has assessed the Beehive prospect as having a Prospective Resource of 388 million barrels of oil equivalent (Best Estimate, 100% basis)².

In August 2020, the Company increased the Best Estimate Prospective Resource of the Beehive Prospect to 416 million barrels of oil equivalent based on the results of a comprehensive assessment of the Beehive 3D seismic data acquired across the prospect.

In April 2021, the Company entered into a formal purchase and sale agreement (PSA) to sell WA-488-P to a subsidiary of EOG Resources Australia Block WA-488 Pty Ltd (EOG Australia) for an agreed consideration of an upfront payment of USD7.5 million, a further payment of USD5.0 million (subject to EOG Australia making certain future elections with regards to the permit) and production linked payments of USD10 million for each 25 million barrels of oil equivalent produced, in the event of a commercial discovery. EOG Australia would acquire a 100% interest in WA-488-P and become liable for the payment of the consideration to the Company only upon satisfaction of certain conditions precedent specified in the PSA. These include receiving various regulatory approvals for a transaction of this type and receipt of approval to suspend and extend the permit obligations to allow additional time to drill the exploration well. The suspension and extension approval was received in August 2021, thereby satisfying this condition precedent of the PSA.

² This estimate should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 15

³ The Company has entered into an agreement to sell WA-488-P, subject to satisfaction of certain Conditions Precedent. See ASX release dated 23 April 2021.

WA-544-P and NT/P87 (Melbana 100%)

In November 2020 the Company was awarded petroleum exploration permits as a result of applications it had made under the Australian Government's 2019 Offshore Petroleum Exploration Acreage Release. These permits, designated as WA-544-P and NT/P87, were awarded for an initial period of six years each with work commitments consisting of reprocessing and various studies in their primary terms (years 1 to 3). The Company may withdraw from the permits prior to entering their secondary terms, which contain more material expenditure commitments.

These permits lie adjacent to WA-488-P and allow the Company to build on the knowledge it has gained in that permit area to pursue other leads in this expanded area.

Tassie Shoals (100%)

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 (TSMP) - and a single 3 Mtpa LNG plant - known as the Tassie Shoal LNG Project (TSLNG) - 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.

Progress for these projects is dependent on securing access to proximate gas supply on suitable commercially terms. No material progress was made in this regard during the reporting period but ongoing and increased activity in the energy sector in offshore northern Australia is closely monitored by the Company to identify possible opportunities to progress the development of this project.

Results for the year

The net loss after tax of the Consolidated Entity for the financial year was \$1,398,123 (2020: net loss after tax of \$2,157,906). The loss for the year was mainly due to administration costs of \$2,472,101 (2020: \$2,228,545). Overall loss for the year decreased by \$759,783 compared to the 2020 financial year.

During the year, the Consolidated Entity incurred net operating cash outflows of \$2,000,361 (2020: outflows of \$2,133,832), net investing cash inflows of \$11,598,463 (2020: inflows of \$498,027) and net financing cash outflows of \$125,997 (2020: outflows of \$24,199).

The successful drilling and commercialisation of any oil and gas discoveries in Cuban and Australian exploration permits and/or the development/sale of the Consolidated Entity's methanol and LNG Projects could ultimately lead to the establishment of a profitable business or result in a profit to the Company if an asset sale occurs. While the Consolidated Entity is in the exploration/appraisal stage of drilling for hydrocarbons in its offshore Australian exploration permit and overseas acreage and in the project development phase for its other offshore Australian interests, funding will be provided by equity capital raised from the issue of new shares and/or farm out or joint development arrangements with other companies.

Review of financial position

The net assets decreased by \$1,756,502 to \$7,089,580 at 30 June 2021 (30 June 2020: \$8,846,082). During the year, the Consolidated Entity incurred \$1,315,080 (2020: \$410,169) on exploration, mainly in relation to Block 9 in Cuba. The main determinants of the Consolidated Entity's financial condition were:

- loss after tax of \$1,398,123 (2020: \$2,157,906);
- increase in share capital amounting to \$nil (2020: \$3,972,110).

The working capital position as at 30 June 2021 of the Consolidated Entity results in an excess of current assets over current liabilities of \$2,389,609 (30 June 2020: \$367,256). The cash balances, including term deposits, as at 30 June 2021 were \$10,683,656 (2020: \$1,752,263).

Corporate

The Consolidated Entity's future prospects are centred on its ability to secure quality exploration, development and producing opportunities and seeking to maximise the value to shareholders of its current portfolio, identifying and securing additional value-accretive projects, and/or undertaking a corporate transaction.

Adequacy of funding will remain a key focus for the Consolidated Entity for the immediate future. The Consolidated Entity may look to raise additional funding either through farm-in/sale and/or capital injection to advance its projects. In the event that the Consolidated Entity cannot meet its share of work program commitments, permits may need to be surrendered.

Significant changes in the state of affairs

On 17 August 2020 the Company received formal approval from the Cuban regulator for Sonangol EP to be registered as having a 70% interest in the Block 9 PSC, thus reducing the Company's interest to 30%. This was in accordance with the terms of the FIA between the Company and Sonangol EP and its receipt satisfied the final condition precedent of that agreement.

On 4 January 2021 the Company received 3,998,274 shares in Byron Energy Limited (ASX: BYE) pursuant to an in-specie distribution conducted by Metgasco Limited (ASX: MEL), an entity in which the Company had a substantial interest.

On 7 May 2021 the Company received \$396,713 from Rouge Rock Pty Ltd in accordance with its right to trailing consideration as a result of that entity's sale of petroleum exploration permit AC/P50. The Company is also entitled to a share of any future royalty Rouge Rock may receive for production that may occur from this permit area during a defined time period. The Company is also entitled to receive similar future cash payments and contingent royalties in future should the option that Rouge Rock granted over AC/P51 be exercised.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year, on 30 July 2021 the Company announced its ambition to raise a gross amount of up to \$7,128,773 by way of a pro-rata non-renounceable entitlements offer (Offer) at \$0.02 per share. The Offer was fully underwritten by Canaccord Genuity (Australia) Limited, who also acted as the Lead manager. The majority of the proceeds hoped to be raised from the Offer were to meet the Company's share of costs of the two exploration well drilling program in Cuba. The Offer closed successfully on 3 September 2021 with the Company issuing a total of 356,438,678 shares and 546,658,017 options on 10 September 2021 in accordance with the terms of the Offer.

Subsequent to the end of the financial year, on 16 August 2021 the Company appointed MNSA Pty Ltd (MNSA) as its auditor, following receipt of ASIC's consent to Grant Thornton's resignation. The change in auditor was considered desirable by the Company given the relocation of its head office from Melbourne to Sydney earlier in the year.

Subsequent to the end of the financial year, on 20 August 2021 the Company received the approval of the National Offshore Petroleum Titles Administrator for a 20 month suspension of the permit conditions in respect of the Permit Year 3 work program (with a corresponding 20 month extension of the permit term) for its exploration permit WA-488-P. Receipt of this approval satisfied a Condition Precedent of the Company's sale of WA-488-P to EOG Australia.

Subsequent to the end of the financial year, the Company divested its holdings in Metgasco Limited (ASX: MEL) and Byron Energy Limited (ASX: BYE) on market for cash consideration.

Subsequent to the end of the financial year, on 13 September 2021 exploration drilling commenced in Block 9 PSC onshore Cuba. Encouraging oil shows have been reported with drilling of the first exploration well in this two well program, Alameda-1, continuing as at the date of this report towards the prospect's primary objectives.

No other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations

The Consolidated Entity will continue to pursue its interests in:

- Block 9 PSC in Cuba in partnership with Sonangol. Exploration drilling operations at the first well are proceeding, following which the rig will be relocated to the second well for it to be drilled immediately thereafter.
- WA-488-P in the Joseph Bonaparte Gulf in northern Australia.
- Its other permit areas and licences.

Health Safety and Environmental regulation

The Consolidated Entity holds participating interests in a number of oil and gas areas. The various authorities granting such tenements require the licence holder to comply with the terms of the grant of the licence and all directions given to it under those terms of the licence.

Your Board of Directors believe that all workplace injuries are avoidable. Policies and procedures are in place to ensure employees and contractors conduct all activities in a safe manner. Melbana has adopted an environmental, health and safety policy and conducts its operations in accordance with the Australian Petroleum Production & Exploration Association (APPEA) Code of Practice.

There have been no known breaches of the tenement conditions and there have been zero incidents, zero lost time injuries and zero spills within the Company's out operations during the year ended 30 June 2021.

Information on Directors

Name:	Andrew Purcell
Title:	Executive Chairman
Qualifications:	B Eng; MBA
Experience and expertise:	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.
Other current directorships:	AJ Lucas Group Limited (ASX: AJL)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee
Interests in securities:	220,258,759 fully paid ordinary shares 250,000 listed options expiring 10 September 2022

Name:	Peter Stickland
Title:	Non-Executive Director
Qualifications:	BSc, Hons (Geology), GDipAppFin (Finsia), GAICD
Experience and expertise:	Peter Stickland has over 30 years' global experience in oil and gas exploration. Mr Stickland was CEO and subsequently Managing Director of the Company 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).

Other current directorships: None
Former directorships (last 3 years): Talon Petroleum Limited (ASX: TPD)
XCD Energy Limited (ASX: XCD)
Special responsibilities: Chairman of Reserves Committee, member of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee
Interests in securities: 19,150,706 fully paid ordinary shares
1,276,713 listed options expiring 10 September 2022

Name: Michael Sandy
Title: Non-Executive Director (served as Interim CEO from 22 July 2019 until 20 February 2020)

Qualifications: BSC Hons (Geology), MAICD
Experience and expertise: 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.

Other current directorships: None
Former directorships (last 3 years): MEC Resources Limited (Chairman) (ASX: MMR)
Special responsibilities: Chairman of the Audit and Risk Committee, Chairman of the Remuneration and Nomination Committee and a member of Reserves Committee
Interests in securities: 7,384,615 fully paid ordinary shares
492,301 listed options expiring 10 September 2022

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Theo Renard, CASA, MAICD, ACG (CS), Bcompt Hons, BCompt – appointed 6 July 2021
Theo Renard is a Chartered Accountant and has over 21 years' experience in credit and relationship banking in the fields of commercial and investment banking throughout South Africa, Asia and Australia. He is an experienced Chief Financial Officer and Company Secretary within retail, manufacturing, processing and resources industries in Australia, Africa, Asia and the Subcontinent. He is an experienced director, having served on boards of overseas listed companies as director and was Chairman of a conveyor manufacturer, and is currently a director of an ASX listed company.

Meetings of Directors

The number of meetings of the Company's Board of Directors (Board) and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board		Reserves Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Andrew Purcell	7	7	-	-	2	2
Michael Sandy	7	7	2	2	2	2
Peter Stickland	7	7	2	2	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

The Company held one Remuneration and Nomination Committee meetings during the 2021 financial year which was attended by Michael Sandy and Peter Stickland to consider the remuneration terms to be offered to the Executive Chairman.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practices for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Consolidated Entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Consolidated Entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

The performance of the Consolidated Entity depends upon the quality of its directors and executives. To prosper, the Consolidated Entity must attract, motivate and retain highly skilled directors and executives.

To this end, the Consolidated Entity embodies the following principles in its remuneration framework:

- Offer competitive remuneration benchmarked against the external market to attract high calibre executives;
- Where appropriate, provide executive rewards linked to shareholder value; and
- Encourage non-executive directors to hold shares in the Company.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee receives independent market data when undertaking this annual review process.

The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Remuneration and Nomination Committee did not use the services of a remuneration consultant during the year.

The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market.

The Chairman is not present at any discussions relating to the determination of his own remuneration.

Generally non-executive directors do not receive share options or other incentives. However, from time to time, the Board may grant share options subject to specified criteria being met.

The Board has determined that non-executive directors will be entitled to charge the Consolidated Entity at a rate of \$1,200 per day, unless that non-executive director is serving in the capacity of Technical Director in which case the rate would be \$2,000 per day. These rates apply for any work performed in excess of 5 days per calendar month and subject to receiving the prior approval of the Executive Chairman.

The Constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The most recent determination was at the Annual General Meeting held on 18 November 2010, where the shareholders approved a maximum annual aggregate remuneration of \$500,000. The combined payment to all non-executive directors does not exceed this aggregate amount.

Executive remuneration

The Consolidated Entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- Fixed remuneration
- Variable remuneration consisting of Short Term Incentive (STI) and Long Term Incentive (LTI).

The combination of these comprises the executive's total remuneration. The mix between fixed and variable remuneration is established for the executive by the Remuneration and Nomination Committee.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive. Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee and, where

appropriate, external advice on policies and practices. As noted above, the Remuneration and Nomination Committee has access to external advice independent of management.

The STI program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (KPI) being achieved. KPIs include share price performance, safe execution of the Company's projects, business development and organisational management.

The LTI comprised of options and/or performance rights awarded to executives and vest conditional upon the recipient meeting service objectives and share price hurdles.

Consolidated Entity performance and link to remuneration

Remuneration for certain executives granted options or performance rights is linked to the performance of the Consolidated Entity, as an improvement in the Company's share price will correspondingly increase the benefits to the executive. This will align the interests of the executive and the shareholders. Refer to the section "Additional information" below for details of the earnings and share price movements for the last five years.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Consolidated Entity are set out in the following tables.

Directors:

- Andrew Purcell - Executive Chairman
- Michael Sandy - Non-Executive Director
- Peter Stickland - Non-Executive Technical Director

Executives:

- Robert Zammit – Chief Executive Officer (until 19 July 2019)

	Short-term benefits		Post employ-ment benefits	Long term benefits	Share-based	Termination benefit	Total
	Salary and fees	Cash bonus	Super-annuation	Long service leave	Equity-settled		
30-Jun-21	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Michael Sandy	109,375	-	-	-	-	-	109,375
Peter Stickland	118,750	-	-	-	-	-	118,750
<i>Executive Directors:</i>							
Andrew Purcell	391,277	109,725	-	-	-	-	501,002
	<u>619,402</u>	<u>109,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>729,127</u>

30-Jun-20	Short-term benefits		Post employ-ment benefits	Long term benefits	Share-based	Termination benefit	Total
	Salary and fees	Cash bonus	Super-annuation	Long service leave	Equity-settled		
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:*</i>							
Andrew Purcell**	95,548	-	-	-	-	-	95,548
Michael Sandy	45,616	-	-	-	-	-	45,616
Peter Stickland	112,500	-	-	-	-	-	112,500
<i>Executive Directors:</i>							
Andrew Purcell**	107,055	-	-	-	-	-	107,055
Michael Sandy	66,884	-	-	-	-	-	66,884
<i>Other Key Management Personnel:</i>							
Robert Zammit***	51,442	-	6,962	13,530	-	89,999	161,933
	<u>479,045</u>	<u>-</u>	<u>6,962</u>	<u>13,530</u>	<u>-</u>	<u>89,999</u>	<u>589,536</u>

* On 1 April 2020, the board approved to reduce directors fee payments by 50% with the remainder of the entitlements accrued until further notice.

** Mr Purcell was appointed as Executive Chairman on 21 February 2020 and prior to that held the role of Non-Executive Chairman. The disclosures above reflect his remuneration during his tenure as Non-Executive Director and Executive Director, respectively.

*** Mr Zammit resigned from the Company on 19 July 2019. Mr Sandy was appointed as Interim CEO on 22 July 2019 and remained in that role until 20 February 2020. The disclosures above reflect his remuneration during his tenure as Non-Executive Director and Executive Director, respectively.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
<i>Non-Executive Directors:</i>						
Andrew Purcell	-	100%	-	-	-	-
Michael Sandy	100%	100%	-	-	-	-
Peter Stickland	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Andrew Purcell	78.1%	100%	21.9%	-	-	-
<i>Key Management:</i>						
Robert Zammit	-	100%	-	-	-	-

Service agreements

Name:	Andrew Purcell
Title:	Executive Chairman
Agreement commenced:	1 April 2021
Term of agreement:	No fixed term
Details:	Mr Purcell's fixed remuneration is \$360,000 per annum (inclusive of statutory superannuation).

The STI will be up to 50% of the Annual Salary and paid in cash or shares or both at the discretion of the Board in consultation with the executive.

The LTI will issue once every three years equating to a total value of \$450,000.

The executive can terminate the agreement with 3 months' notice. The Company can terminate the agreement with 3 months' notice, or payment in lieu thereof.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2021 (2020: Nil).

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

Performance rights

There were no performance rights over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2021 are summarised below:

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Loss after income tax	(1,398,123)	(2,157,906)	(3,357,696)	(6,100,290)	(2,121,000)

The factors that are considered to affect total shareholder return are summarised below:

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Share price at financial year end	0.02	0.01	0.01	0.01	0.02
Basic earnings (cents per share)	(0.06)	(0.11)	(0.18)	(0.41)	(0.26)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Exercise of performance rights / options	Additions	Disposals / Other	Balance at the end of the year
Ordinary shares	368,733,939	-	-	(148,975,180)	219,758,759
Andrew Purcell	5,400,000	-	-	-	5,400,000
Michael Sandy	16,597,279	-	-	-	16,597,279
Peter Stickland	390,731,218	-	-	(148,975,180)	241,756,038

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Options granted pursuant to placement	Options granted for other services	Expired / Others	Balance at the end of the year
Ordinary shares	80,000,000	-	-	(80,000,000)	-
Andrew Purcell	3,000,000	-	-	(3,000,000)	-
Peter Stickland	83,000,000	-	-	(83,000,000)	-

This concludes the remuneration report, which has been audited.

Shares under performance rights

There were no unissued ordinary shares of Melbana Energy Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Melbana Energy Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers or Auditors

The Group has in place a contract insuring the directors, the company secretary and all executive officers of the Group and any related body corporate, against a liability incurred by a director, company secretary or executive officers to the extent permitted by the Corporations Act 2001.

The Group has indemnified the directors, the company secretary and all executive officers of the Group for costs incurred, in their capacity as officers of the Group, for which they may be held personally liable, except where there is a lack of good faith.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to the auditors of the Group or any related entities against a liability incurred by the auditors.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former directors of MNSA

There are no officers of the Company who are former directors of MNSA.

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.

Auditor

MNSA continues in office in accordance with section 327 of the Corporations Act 2001.

Notes regarding Contingent and Prospective resource estimates

1. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
2. The information that relates to Prospective Resources for Melbana is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, a director of Melbana Energy. Mr Stickland B.Sc (Hons) has over 30 years of relevant experience, is a member of the European Association of Geoscientists & Engineers and the Petroleum and Exploration Society of Australia, and consents to the publication of the resource assessments contained herein. The Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules.
3. Total Liquids = oil + condensate
4. 6 Bcf gas equals 1 MMboe; 1 MMbbl condensate equals 1 MMboe
5. Melbana's share can be derived by pro-rating the resource ranges by its percentage equity

This report is made in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Andrew Purcell".

Andrew Purcell
Executive Chairman

29 October 2021



**MELBANA ENERGY LIMITED
AND CONTROLLED ENTITIES
ABN 43 066 447 952**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF MELBANA ENERGY LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been no contraventions of:

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

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 29th of October 2021

Melbana Energy Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021



	Note	30-Jun-21 \$	30-Jun-20 \$
Other income	5	1,103,359	70,655
Interest income		131	10,349
Expenses			
Administration coss	6	(2,472,101)	(2,228,545)
Finance costs	7	(29,512)	(10,365)
Loss before income tax expense		<u>(1,398,123)</u>	<u>(2,157,906)</u>
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Melbana Energy Limited		(1,398,123)	(2,157,906)
Other comprehensive incomes			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax	11	(358,379)	(759,971)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	-
Other comprehensive income for the year, net of tax		<u>(358,379)</u>	<u>(759,971)</u>
Total comprehensive income for the year attributable to the owners of Melbana Energy Limited		<u>(1,756,502)</u>	<u>(2,917,877)</u>
		Cents	Cents
Basic earnings per share	33	(0.06)	(0.11)
Diltued earnings per share	33	(0.06)	(0.11)

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

Melbana Energy Limited
Consolidated statement of financial position
As at 30 June 2021



	Note	30-Jun-21 \$	30-Jun-20 \$
Assets			
Current assets			
Cash and cash equivalents	9	10,683,656	1,752,263
Other receivables	10	167,047	87,487
Other financial assets	13	51,852	28,385
Total current assets		<u>10,902,555</u>	<u>1,868,135</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	11	3,478,789	3,149,272
Plant and equipment	14	31,637	28,482
Right-of-use assets	12	-	100,996
Deposits		12,590	-
Exploration and evaluation	15	1,176,994	5,252,593
Total non-current assets		<u>4,700,010</u>	<u>8,531,343</u>
Total assets		<u>15,602,565</u>	<u>10,399,478</u>
Liabilities			
Current liabilities			
Trade and other payables	16	735,946	623,727
Lease liabilities	17	-	63,846
Provisions	18	159,366	124,347
Advances from farm-out arrangement	19	7,617,634	688,959
Total current liabilities		<u>8,512,946</u>	<u>1,500,879</u>
Non-current liabilities			
Lease liabilities	17	-	52,517
Provisions	18	39	-
Total non-current liabilities		<u>39</u>	<u>52,517</u>
Total liabilities		<u>8,512,985</u>	<u>1,553,396</u>
Net assets		<u>7,089,580</u>	<u>8,846,082</u>
Equity			
Issued capital	20	280,302,775	280,302,775
Reserves	21	(1,353,836)	620,322
Accumulated losses		<u>(271,859,359)</u>	<u>(272,077,015)</u>
Total equity		<u>7,089,580</u>	<u>8,846,082</u>

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

Melbana Energy Limited
Consolidated statement of changes in equity
For the year ended 30 June 2021



	Issued capital	Share based payment reserve	Other reserves	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2019	276,330,665	1,441,162	18,123	(269,937,232)	7,852,718
Loss after income tax expense for the year	-	-	-	(2,157,906)	(2,157,906)
Other comprehensive income for the year, net of tax	-	-	(759,971)	-	(759,971)
Total comprehensive income for the year	-	-	(759,971)	(2,157,906)	(2,917,877)
Transactions with owners in their capacity as owners:					
Shares issued (note 20)	3,911,241	-	-	-	3,911,241
Exercise of performance rights (note 20)	60,869	(60,869)	-	-	-
Transfer of FCTR to accumulated losses	-	-	(18,123)	18,123	-
Balance at 30 June 2020	<u>280,302,775</u>	<u>1,380,293</u>	<u>(759,971)</u>	<u>(272,077,015)</u>	<u>8,846,082</u>

	Issued capital	Share based payment reserve	Other reserves	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2020	280,302,775	1,380,293	(759,971)	(272,077,015)	8,846,082
Options lapsed (note 21)	-	-	-	-	-
Loss after income tax expense for the year	-	-	-	(1,398,123)	(1,398,123)
Other comprehensive income for the year, net of tax	-	-	(358,379)	-	(358,379)
Total comprehensive income for the year	-	-	(358,379)	(1,398,123)	(1,756,502)
Options lapsed (note 21)	-	(1,380,293)	-	1,380,293	-
Transfer of FCTR to accumulated losses	-	-	(235,486)	235,486	-
Balance at 30 June 2021	<u>280,302,775</u>	<u>-</u>	<u>(1,353,836)</u>	<u>(271,859,359)</u>	<u>7,089,580</u>

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

Melbana Energy Limited
Consolidated statement of cash flows
For the year ended 30 June 2021



	Note	30-Jun-21 \$	30-Jun-20 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,849,064)	(2,156,531)
Exploration and Evaluation		(179,603)	-
Interest received		-	10,349
Interest paid		(7,166)	(8,868)
COVID-19-related government grants		35,472	21,218
Net cash used in operating activities	32	<u>(2,000,361)</u>	<u>(2,133,832)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(12,355)	-
Payments for exploration and evaluation	15	(7,540,358)	(234,565)
Payments for investments		(441,458)	-
Proceeds from sale of exploration interest		361,419	-
Proceeds from farm-out arrangement		19,231,215	688,959
Proceeds from security deposits for bank guarantee		-	43,633
Net cash from investing activities		<u>11,598,463</u>	<u>498,027</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Repayment of borrowings		-	-
Share issue transaction costs		-	-
Payment of principal element of lease liabilities		(125,997)	(24,199)
Net cash used in financing activities		<u>(125,997)</u>	<u>(24,199)</u>
Net increase / (decrease) in cash and cash equivalents		9,472,105	(1,660,004)
Cash and cash equivalents at the beginning of the financial year		1,752,263	3,363,168
Effects of exchange rate changes on cash and cash equivalents		(540,712)	49,099
Cash and cash equivalents at the end of the financial year	9	<u>10,683,656</u>	<u>1,752,263</u>

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

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 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. Its registered office and principal place of business are disclosed on the Corporate Summary accompanying these financial statements.

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 29 October 2021. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 16 Leases

The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities. Please refer to note 17 to the financial statements for further information regarding adoption of AASB 16.

Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused

tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Consolidated Entity has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the Consolidated Entity operates, a local tax authority may seek to open a company's books as far back as inception of the Consolidated Entity. Where it is probable, the Consolidated Entity has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the Consolidated Entity has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty). There has been no impact from the adoption of Interpretation 23 in this reporting period.

Other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted have not had a significant impact on the Consolidated Entity's financial results or position.

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 30 June 2021, the Consolidated Entity:

- had, for the financial year ending on that date, incurred a net loss after tax of \$1,398,123 (2020: \$2,157,906);
- had, for the financial year ending on that date, net cash inflows from operating and investing activities of \$9,598,102 (2020: net outflows of \$1,635,805);
- had cash and cash equivalents of \$10,683,656 (2020: \$1,752,263); and
- had a net working capital position of \$2,389,609 (2020: \$367,256).

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 30 June 2021 may not 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 its 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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is a significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Company has taken precautionary measures by temporarily closing the Company's office and having arranged the employees to work remotely, as well as minimising non-critical activities and curtailing travel. At the date of this report, the impact of these measures is not expected to significantly impact the completion of the current work being undertaken. However, as the circumstances continue to evolve, there may be

disruptions to the future work timelines if employees, consultants or their respective families are personally impacted by COVID-19 or if travel and other operational restrictions are not lifted.

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. In the event these steps do not provide sufficient funds to meet the Consolidated Entity's exploration commitments, the interest in some or all of the Consolidated Entity's tenements may be affected. 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 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Melbana Energy Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Melbana Energy Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Specifically, the Consolidated Entity controls an investee if and only if the Consolidated Entity has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Consolidated Entity has less than a majority of the voting or similar rights of an investee, the Consolidated Entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Consolidated Entity's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The Consolidated Entity's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. Each entity in the Consolidated Entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the consolidated report are taken to profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Consolidated Entity recognises revenue as follows:

Other income

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

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government Grants

Government grants are recognised in the financial statements at expected values or actual cash received when there is a reasonable assurance that the Consolidated Entity will comply with the requirements and that the grant will be received.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the consolidated statement of comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Financial Instruments

(i) Trade Receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

The Consolidated Entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in (ii) below.

(ii) Allowance for expected credit loss

The Consolidated Entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(iii) Trade and other payables

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(iv) Loans and borrowings

Loans and borrowings are recognised initially at fair value, being the consideration received, less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Any gains or losses arising from non-substantial modifications are recognised immediately in the statement of profit and loss and the financial liability continues to amortise using the original effective interest rate. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to assets, and obligations for the liabilities of the joint arrangement. Joint control is the contractual agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Consolidated Entity accounts for its share of the joint operation assets, and liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint operation's output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Consolidated Entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Subsequent measurement of financial assets at fair value through other comprehensive income

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Consolidated Entity benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Consolidated Entity elected to classify irrevocably its listed equity investment under this category.

Impairment of financial assets

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income (only debt instruments, not equity instruments). The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income (only debt instruments, not equity instruments), the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives which range from 3 to 15 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the consolidated statement of comprehensive income in the period the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is written down to its recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Consolidated Entity expects to

obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated Entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Exploration and evaluation assets

Exploration and evaluation expenditure is carried at cost. If indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Exploration and evaluation costs are accumulated separately for each current area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Impairment of exploration and evaluation costs

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits/(losses) and net assets will be varied in the period in which this determination is made.

Farm-outs

- The Consolidated Entity will not record any expenditure made by the farm-in partner on its behalf;
- The Consolidated Entity will not recognise a gain or loss on the farm-out arrangement but rather will redesignate any costs previously capitalised in relation to the whole interest as relating to the partial interest retained; and
- Any cash consideration to be received will be credited against costs previously capitalised in relation to the whole interest with any excess to be accounted for by the Consolidated Entity as gain on disposal.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are recognised in provisions in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Melbana Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period

ended 30 June 2021. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Consolidated Entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Consolidated Entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Consolidated Entity's financial statements.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration and evaluation costs

Exploration and evaluation costs are accumulated separately for each area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure.

In the judgement of the Directors, at 30 June 2021 exploration activities in Cuba Block 9 has 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 Cuba Block 9 is 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. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant

uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Consolidated Entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Consolidated Entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

No significant influence over entities where more than 20% voting rights held

Management have determined that the Consolidated Entity does not have significant influence over Metgasco Limited, even though it holds 27.81% of the issued capital of this entity. Currently the Company does not have a board representation in Metgasco Limited. The Company's request for a board representation was not successful as confirmed by the Metgasco Limited shareholders' meeting on 23 June 2020. Other than publicly available information, the Company does not have access to other information on Metgasco Limited. In addition, there are no arrangements exist for transactions, resource, and knowledge transfers between the Company and Metgasco Limited. The Company divested its interest in Metgasco Limited subsequent to the end of the financial year.

Note 4. Operating segments

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

The Board of Directors currently receive regular consolidated cash flow information as well as Consolidated Statement of Financial Position and Statement of Comprehensive Income information that is 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 15.

Note 5. Other income

	30-Jun-21	30-Jun-20
	\$	\$
Net foreign exchange gain	-	49,099
COVID-19-related government grants	35,472	21,556
Grant income	10,537	-
Income tax refund	443	-
Receipt of in specie shares	660,194	-
Receipt of sale proceeds from sale of permit	<u>396,713</u>	<u>-</u>
Other income	<u><u>1,103,359</u></u>	<u><u>70,655</u></u>

Other income

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

COVID-19-related government grants

COVID-19-related government grants represent the cash flow boost payments received from Federal Government in response to ongoing novel coronavirus (COVID-19) pandemic. Government grants are recognised in the financial statements at expected values or actual cash received when there is a reasonable assurance that the Consolidated Entity will comply with the requirements and that the grant will be received.

Note 6. Administration costs

	30-Jun-21	30-Jun-20
	\$	\$
Consultants fees and expenses	277,973	48,622
Employee benefits expense excluding superannuation and share-based payments	1,005,162	937,642
Defined contribution superannuation expense	32,282	34,286
Administration and other expenses	133,929	226,172
Audit, tax and other compliance related costs	181,298	60,771
Securities exchange, share registry and reporting costs	92,689	95,247
Operating lease and outgoing expenses	103,389	3,602
Investor relations and corporate promotion costs	74,672	27,000
Travel costs	10,622	109,908
Depreciation expense - plant & equipment	20,488	12,283
Depreciation expense - right-of-use assets	-	49,667
Tenement application and other related expenses	76,901	49,496
Foreign exchange losses	462,696	-
Transaction costs paid for acquisition of an investment	-	575,564
Less: Allocation to exploration activities	-	(1,715)
Other income	<u>2,472,101</u>	<u>2,228,545</u>

Note 7. Finance costs

	30-Jun-21	30-Jun-20
	\$	\$
Bank fees	29,501	-
Interest expenses	11	10,365
Other income	<u>29,512</u>	<u>10,365</u>

Interest expenses for the year ended 30 June 2021 represent the interest expense in relation to office space lease accounted under AASB 16 Leases.

Note 8. Income tax expense

	30-Jun-21 \$	30-Jun-20 \$
<i>Numerical reconciliation of income tax expense and tax at statutory rate</i>		
Loss before income tax expense	<u>(1,398,123)</u>	<u>(2,157,906)</u>
Tax at the statutory tax rate of 26% (2020: 27.5%)	(363,512)	(593,424)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable non-exempt income	-	5,928
Other non-deductible expenditure	-	284
	<u>(363,512)</u>	<u>(587,212)</u>
Current year tax losses not recognised	<u>363,512</u>	<u>587,212</u>
Interest tax expense	<u>-</u>	<u>-</u>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	<u>192,551,120</u>	<u>191,152,997</u>
Potential tax benefit @ 26% (2020: 27.5%)	<u>50,063,291</u>	<u>52,567,074</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 9. Cash and cash equivalents

	30-Jun-21 \$	30-Jun-20 \$
<i>Current assets</i>		
Cash and cash equivalents	<u>10,683,656</u>	<u>1,752,263</u>

Note 10. Other receivables

	30-Jun-21 \$	30-Jun-20 \$
<i>Current assets</i>		
Other receivables	2,000	4,820
Prepayments	<u>115,406</u>	<u>65,160</u>
Receivables	<u>117,406</u>	<u>69,980</u>
GST receivable	<u>49,641</u>	<u>17,507</u>
	<u>167,047</u>	<u>87,487</u>

Note 11. Financial assets at fair value through other comprehensive income

	30-Jun-21	30-Jun-20
	\$	\$
<i>Current assets</i>		
Investment in listed companies	<u>3,478,789</u>	<u>3,149,272</u>

Currents assets

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	3,149,272	
Additions	899,969	3,911,241
Disposals	(212,073)	(1,998)
Revaluation increments / decrements	<u>(358,379)</u>	<u>(759,971)</u>
Closing fair value	<u>3,478,789</u>	<u>3,149,272</u>

On 5 February 2020, the Company acquired 27.81% issued shares in Metgasco Limited (ASX: MEL). The takeover offer to MEL shareholders, was a scrip for scrip offer under which the Company issued 434,582,340 ordinary shares as non-cash consideration for the acquisition, to all the shareholders of MEL who accepted the offer. The implied value of the offer consideration was \$0.009 cents per share. Shares were issued on 14 February 2020. On 4 April 2020, the Company sold 50,000 Metgasco Limited shares for a consideration of \$1,998 in an off-market transaction. Subsequent to the end of the financial year, the Company divested its holdings in Metgasco Limited and Byron Energy Limited.

The transaction was initially assessed under AASB 128 Investments in Associates and Joint Ventures as the Company holds more than 20 per cent of the voting rights. However, due to lack of significant influence, the Company irrevocably elected to recognise this investment at fair value through other comprehensive income under AASB 9 Financial Instruments. Under this, only dividend income (if any) is recognised in the profit or loss with all other gains and losses recognised in OCI and there is no reclassification on derecognition.

Investments in MEL held by the Consolidated Entity at fair value are valued in accordance with AASB 13 Fair Value Measurement, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 30 June 2021.

Note 12. Right-of-use assets

	30-Jun-21	30-Jun-20
	\$	\$
<i>Non-current assets</i>		
Office space - right-of-use	-	150,663
Less: Accumulated depreciation	<u>-</u>	<u>(49,667)</u>
	<u>-</u>	<u>100,996</u>

Refer note 17 for further information on the Consolidated Entity's leasing arrangements.

Note 13. Other financial assets

	30-Jun-21	30-Jun-20
	\$	\$
<i>Current assets</i>		
Term deposits	<u>51,852</u>	<u>28,385</u>

Security deposits represent a term deposit of \$23,467 and a term deposit of \$28,385 (2020: \$28,385) lodged as security for the short term lease and rental.

Note 14. Plant and equipment

	30-Jun-21	30-Jun-20
	\$	\$
<i>Non-current assets</i>		
Office equipment - at cost	274,650	251,007
Less: Accumulated depreciation	<u>(243,013)</u>	<u>(222,525)</u>
	<u>31,637</u>	<u>28,482</u>

Reconciliations

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

	Office equipment
	\$
Balance at 1 July 2019	40,765
Depreciation expense	<u>(12,283)</u>
Balance at 30 June 2020	28,482
Additions	23,643
Depreciation expense	<u>(20,488)</u>
Balance at 30 June 2021	<u>31,637</u>

Note 15. Exploration and evaluation

	Consolidated	
	30-Jun-21	30-Jun-20
	\$	\$
<i>Non-current assets</i>		
Exploration and evaluation Block 9 Cuba - at cost	<u>1,176,994</u>	<u>5,252,593</u>

Reconciliations

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

	Block 9 Cuba	NT/P87	WA-544-P	Total
	\$	\$	\$	\$
Balance at 1 July 2019	4,842,424			4,842,424
Expenditure during the year	410,169	-	-	410,169
Balance at 30 June 2020	5,252,593	-	-	5,252,593
Additions	1,279,380	18,698	17,002	1,315,080
Disposals	(5,390,679)	-	-	(5,390,679)
Balance at 30 June 2021	1,141,294	18,698	17,002	1,176,994

The Consolidated entity received past cost reimbursements of \$5,390,679 (USD3,933,258) as part of Farm-in Agreement announced on 27 May 2020.

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 30 June 2021 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 financial 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.

Note 16. Trade and other payables

	30-Jun-21	30-Jun-20
	\$	\$
<i>Current liabilities</i>		
Accounts payable	684,794	378,250
Other payable	51,152	245,477
	<u>735,946</u>	<u>623,727</u>

Refer to note 23 for further information.

Note 17. Lease liabilities

The Consolidated Entity has lease arrangement for office space. Rental contracts are typically made for fixed periods of 12 to 36 months, but may have an extension option. This note provides information for leases where the Consolidated Entity is a lessee.

Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets and lease liabilities

The Consolidated Entity has adopted AASB 16 Leases (AASB 16) on 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 July 2019.

On adoption of AASB 16, the Consolidated Entity recognised lease assets (known as "right-of-use") and liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These assets and liabilities were measured at the present value of the remaining lease payments, discounted using the Consolidated Entity's incremental borrowing rate as of 1 July 2019. In applying AASB 16 for the first time, the Consolidated Entity has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Consolidated Entity has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Consolidated Entity relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Please refer to note 12 to the financial statements for the details of right-of use asset balances at 30 June 2021. The consolidated statement of final position shows the following amounts relating to lease liabilities:

	30-Jun-21	30-Jun-20
	\$	\$
<i>Current liabilities</i>		
Lease liability	-	63,846
<i>Non-current liabilities</i>		
Lease liability	-	52,517
	-	116,363

Refer to note 23 for further information on financial instruments.

The Consolidated Entity currently leases in a building that is under compulsory acquisition.

On adoption of AASB 16, the Consolidated Entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.5%.

Note 18. Provisions

	30-Jun-21 \$	30-Jun-20 \$
<i>Current liabilities</i>		
Annual leave	103,016	74,163
Long service leave	56,350	50,184
	<u>159,366</u>	<u>124,347</u>
<i>Non-current liabilities</i>		
Long service leave	39	-
	<u>39</u>	<u>-</u>
	<u>159,405</u>	<u>124,347</u>

Note 19. Advances from farm-out arrangement

	30-Jun-21 \$	30-Jun-20 \$
<i>Current liabilities</i>		
Advances from farm-out arrangement	<u>7,617,634</u>	<u>6,888,959</u>

Project funding from joint operations partner are funds called from Sonangol by Melbana Energy Limited as the operator for the Block 9 drilling program as per the FIA which was executed on 25 May 2020. Refer to note 30 to the financial statements and Directors' report for further information on the arrangement.

Note 20. Issued capital

Movements in ordinary share capital

	30-Jun-21 #	30-Jun-20 #	30-Jun-21 \$	30-Jun-20 \$
Ordinary shares - fully paid	<u>2,316,851,413</u>	<u>2,316,851,413</u>	<u>280,302,775</u>	<u>280,302,775</u>
Details	Date	Shares	Issue Price	\$
Balance	30-Jun-19	1,875,505,915		276,330,665
Share issue upon exercise of performance rights	25-Jul-19	2,584,949	\$0.009	23,265
Share issue upon exercise of performance rights	14-Oct-19	4,178,209	\$0.009	37,604
Share issued for acquisition of investments	14-Feb-20	434,582,340	\$0.009	3,911,241
Balance	30-Jun-20	<u>2,316,851,413</u>		<u>280,302,775</u>
Shares issued 2021		-		-
Balance	30-Jun-21	<u>2,316,851,413</u>		<u>280,302,775</u>

Ordinary shares

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

Incremental costs directly attributable to the issue of new shares or options, including transactional costs and fees payable to relevant service providers, are shown in equity as a deduction, net of tax, from the proceeds.

Share buy-back

There is no current on-market share buy-back.

Shares under options

As at 30 June 2021 there are no shares under options issued.

Capital risk management

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Consolidated Entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Consolidated Entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2020 Annual Report.

Note 21. Reserves

	30-Jun-21	30-Jun-20
	\$	\$
Share-based payments reserve	-	1,380,293
Foreign Currency Translation	(235,486)	
Financial assets at fair value through other comprehensive income reserve	<u>(1,118,350)</u>	<u>(759,971)</u>
	<u>(1,353,836)</u>	<u>620,322</u>

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.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations

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.

Information relating to the Consolidated Entity's details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 31 to the financial statements.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Financial assets at fair value through other comprehensiv e income reserve \$	Share based payment reserve \$	Foreign currency reserve \$	Total \$
Balance at 1 July 2019	-	1,441,162	18,123	1,459,285
Revaluation decrements	(759,971)	-	-	(759,971)
Foreign currency translation transferred to accumulated losses	-	-	(18,123)	(18,123)
Exercise of performance rights	-	(60,869)	-	(60,869)
Balance at 30 June 2020	(759,971)	1,380,293	-	620,322
Revaluation increments	(358,379)	-	-	(358,379)
Foreign Currency Translation	-	-	-	-
Foreign Currency Translation Reserve	-	-	(235,486)	(235,486)
Lapse of performance rights	-	(1,380,293)	-	(1,380,293)
Balance at 30 June 2021	<u>(1,118,350)</u>	<u>-</u>	<u>(235,486)</u>	<u>(1,353,836)</u>

Note 22. Dividends

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

Note 23. Financial instruments

Financial risk management objectives

The Consolidated Entity's principal financial instruments comprise cash and short term deposits, the main purpose of which is to finance the Consolidated Entity's operations. The Consolidated Entity has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations and, as at 30 June 2021. The main risks arising from the Consolidated Entity's financial instruments are credit risk, interest rate risk, exchange rate risk and liquidity risk. The Board of Directors has reviewed each of those risks and has determined that, overall, they are not significant in terms of the Consolidated Entity's current activities. The Consolidated Entity may also enter into derivative financial instruments, principally forward currency contracts. The purpose is to manage the currency risks arising from the Consolidated Entity's operations. Speculative trading in derivatives is not permitted. There are no derivatives outstanding at 30 June 2021 (2020: \$nil).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the consolidated financial statements.

Market risk

Foreign currency risk

Generally, the Consolidated Entity's main exposure to exchange rate risk relates primarily to trade payables and cash denominated in EUR, arising in relation to its activities in Cuba. Where a payable is significant, EUR may be purchased on incurring the liability or commitment.

The Consolidated Entity's exposure to unhedged financial assets and liabilities at balance date is as follows:

	30-Jun-21	30-Jun-20
	\$	\$
USD financial assets		
Cash on hand at bank	<u>27,386</u>	<u>727,078</u>
USD financial liabilities		
Cash on hand at bank	<u>2,751</u>	<u>8,762</u>
EUR financial assets		
Cash on hand at bank	<u>10,013,959</u>	<u>802</u>
EUR financial liabilities		
Cash on hand at bank	<u>211,542</u>	<u>182,881</u>
CAD financial liabilities		
Cash on hand at bank	<u>324,730</u>	<u>-</u>

The Consolidated Entity had net assets denominated in foreign currencies as at 30 June 2021 of \$9,502,502 (2020: of \$536,237). Based on this exposure, had the Australian dollar strengthened by 10% / weakened by 10% (2020: strengthened by 10% and weakened by 10%) against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the year would have been \$863,864 higher and \$1,055,833 lower (2020: \$59,582 lower / \$48,748 higher) and equity would have been \$863,864 lower / \$1,055,833 higher (2020: \$48,748 lower / \$59,582 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate at each reporting date.

An analysis of the exchange rate sensitivity by foreign currency is as follows:

	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
30-Jun-21						
USD net financial assets/liabilities	10%	(2,256)	2,256	10%	2,757	(2,757)
EUR net financial assets/liabilities	10%	(891,129)	891,129	10%	1,089,157	(1,089,157)
CAD net financial assets/liabilities	10%	29,521	(29,521)	10%	(36,081)	36,081
Cash on hand at bank		<u>(863,864)</u>	<u>863,864</u>		<u>1,055,833</u>	<u>(1,055,833)</u>

	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
30-Jun-20						
USD net financial assets/liabilities	10%	(65,301)	65,301	10%	79,813	(79,813)
EUR net financial assets/liabilities	10%	16,553	(16,553)	10%	(20,231)	20,231
Cash on hand at bank		<u>(48,748)</u>	<u>48,748</u>		<u>59,582</u>	<u>(59,582)</u>

Price risk

The Consolidated Entity's exposure to equity investment price risk arises from investments held by the Consolidated Entity and classified in the statement of financial position as at fair value through other comprehensive income (FVOCI) (Note 11). This investment is publicly traded on the ASX. Had the equity share price improved by 50% / weakened by 50% with all other variables held constant, the Consolidated Entity's other comprehensive income for the year and equity balance at year-end would have been \$1,739,394 higher / \$1,739,394 lower. The percentage change is considered reasonable based on the overall movement of the equity share price of the investment over the last 12 months.

Interest rate risk

The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to the Consolidated Entity's cash and cash equivalents with a floating interest rate. Short term deposits are made for varying periods depending on the immediate cash requirements of the Consolidated Entity, and earn interest at the respective short term deposit rates.

Taking into account the current cash balance and prevailing interest rates, a +/- 1.0% movement from the year-end Australian interest rates will not have a material impact on the profit or loss and cash balances of the Consolidated Entity.

Credit risk

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Consolidated Entity trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the results being that the Consolidated Entity's exposure to bad debts is not significant.

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents and trade and other receivables. The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. No collateral is held as security. Exposure at balance date is the carrying value as disclosed in each applicable note.

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$

Non-derivatives

Non-interest bearing

Trade and other payables	735,946	-	-	-	735,946
Total non-derivatives	<u>735,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>735,946</u>

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$	\$

Non-derivatives

Non-interest bearing

Trade and other payables	-	623,727	-	-	-	623,727
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Interest bearing - variable

Lease liability	7.50%	63,846	52,517	-	-	116,363
Total non-derivatives		<u>687,573</u>	<u>52,517</u>	<u>-</u>	<u>-</u>	<u>740,090</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. Where appropriate, the fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 24. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Consolidated Entity is set out below:

	30-Jun-21	30-Jun-20
	\$	\$
Short-term employee benefits	729,127	479,045
Post-employment benefits	-	6,962
Long-term benefits	-	13,530
Termination benefits	-	89,999
	<u>729,127</u>	<u>589,536</u>

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by MNSA (2020 Grant Thornton Audit Pty Ltd), the auditor of the Company:

	30-Jun-21	30-Jun-20
	\$	\$
<i>Audit services - MNSA Pty Ltd (2020 Grant Thornton Audit Pty Ltd)</i>		
Audit or review of the financial statements	32,625	39,500
Preparation of the tax return Grant Thornton Pty Ltd	10,154	17,420
Due diligence Grant Thornton Pty Ltd	-	4,000
	<u>10,154</u>	<u>21,420</u>
	<u>42,779</u>	<u>60,920</u>

Note 26. Commitments

Guarantee

The Consolidated Entity has provided guarantees of \$23,467 (2020: \$28,385) at 30 June 2021 for occupancy of premises.

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 \$7,500,000 include 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.

WA-488-P (Melbana 100%)⁴

In 2013, Melbana was awarded WA-488-P for a six year period with a minimum commitment being the three year primary term ending 21 May 2017.

Permit Year 1 work program (ending 21 May 2014) was 400km 2D seismic Work program completed.

Permit Year 2 work program (ending 21 September 2018) was to undertake 330km of 2D seismic broadband reprocessing and additional studies including a stratigraphic interpretation study and an analogue field study. On August 2018, Melbana announced that the Regulator had approved its application

⁴ The Company has entered into an agreement to sell WA-488-P, subject to satisfaction of certain Conditions Precedent. See ASX release dated 23 April 2021.

for the crediting of the 2018 Beehive 3D Seismic Survey against meeting the Permit Year 4 work commitment to acquire a new 400km² 3D seismic survey.

Subsequent to the end of the reporting period, the Consolidated Entity's application for a suspension of the work program conditions in respect of Permit Year 3 (and a corresponding suspension of the permit term) was granted by the National Offshore Petroleum Titles Administrator. The Consolidated Entity now has until 21 December 2023 to drill an exploration well in WA-488-P and the permit term will end of 21 May 2025. The approval of these changes to the permit satisfied a Condition Precedent of the sale of the permit, as announced to ASX on 23 April 2021.

Cuba Block 9 (Melbana 30% interest)

In September 2015, Melbana executed the Cuba Block 9 Production Sharing Contract (PSC) with the national oil company Cuba Petróleo Union (CUPET). The exploration period of the Block 9 PSC is split into four sub-periods with withdrawal options at the end of each sub-period.

In September 2016, the Company announced that CUPET approved an adjustment to the Block 9 PSC exploration sub-periods such that the first exploration sub-period, which commenced in September 2015 (for an 18 month period) was extended by eight months to November 2017 with a corresponding reduction in the term of future sub-periods. The work program in the first sub-period consisting of evaluating existing exploration data in the block and reprocessing selected 2D seismic data was unchanged and completed in October 2017.

In May 2017, CUPET approved a further amendment to the Block 9 PSC exploration work program, deferring the obligation to undertake a 200km 2D seismic survey in the second exploration sub-period starting November 2017 to the third sub-period starting November 2019 and accelerating the obligation to drill an exploration well from the third sub-period to the second sub-period. On 11 August 2017 Melbana announced it had provided official notice to the Cuban regulatory authority of its decision to enter Block 9 second exploration sub-period.

In May 2019, the Company applied to CUPET to extend the second exploration sub-period by one year to November 2020 and also to extend the waiver of the requirement to provide a financial guarantee for 50% of the work commitments for this sub-period. The extension was granted in October 2019. As explained in Note 30 to the financial statements, the Company entered into an agreement with Sonangol with respect to Block 9 during the year.

As at 30 June 2021, Melbana, as Operator, is advanced in its planning to drill two wells in Block 9. At the date of this report, significant progress has been made on drilling operations.

Subsequent to the end of the reporting period, drilling operations in Block 9 commenced on 13 September 2021.

Summary

For the current sub-period of Block 9, the remaining committed activity is the drilling of two wells.

For the current permit year of WA-488-P, the remaining committed activity is the drilling of one well.

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

Note 27. Related party transactions

Parent entity

Melbana Energy Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the Directors' report.

Transactions with related parties

None.

The following transactions occurred with related parties:

	30-Jun-21	30-Jun-20
	\$	\$
Payment for goods and services:		
Payment for consulting services*	40,625	-

- * Payments for consulting services represent the payments made to Springhead Petroleum Pty Ltd, an entity associated with Mr Peter Stickland and Sandy Associates, an entity associated with Mr Michael Sandy.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans from or loans to related parties at the current and previous reporting date.

	30-Jun-21	30-Jun-20
	\$	\$
Current receivables:		
Receivables from director	-	1,998

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 28. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	30-Jun-21	30-Jun-20
	\$	\$
Loss after income tax	(573,642)	(2,156,864)
Total comprehensive income	<u>(573,642)</u>	<u>(2,156,864)</u>

Statement of financial position

	Parent	
	30-Jun-21	30-Jun-20
	\$	\$
Total current assets	<u>5,506,876</u>	<u>1,868,131</u>
Total assets	<u>10,365,883</u>	<u>10,399,478</u>
Total current liabilities	<u>2,154,646</u>	<u>1,500,879</u>
Total liabilities	<u>2,154,685</u>	<u>1,553,396</u>
Equity		
Issued capital	277,130,250	277,130,250
Share-based payments reserve	-	1,380,293
Financial assets at fair value through other comprehensive income reserve	(1,118,350)	(759,971)
Accumulated losses	<u>(267,800,702)</u>	<u>(268,904,490)</u>
Total equity	<u>8,211,198</u>	<u>8,846,082</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments

Refer note 26 to the financial statements for the details of the exploration commitments. The parent entity had no other capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30-Jun-21 %	30-Jun-20 %
Methanol Australia Pty Ltd	Australia	100%	100%
LNG Australia Pty Ltd	Australia	100%	100%
MEO International Pty Ltd	Australia	100%	100%
Finniss Offshore Exploration Pty Ltd	Australia	100%	100%
MEO New Zealand Pty Limited	New Zealand	0%	100%
Melbana Operations Pty Ltd (Australia) Pty Ltd	Australia	100%	-

Note 30. Interests in farm-out arrangements

Name	Principal place of business / Country of incorporation
Block 9 PSC	Cuba

On 23 December 2019, the Consolidated Entity signed a binding heads of agreement (HOA) with Sonangol E.P. (Sonangol) for it to acquire a 70% Participating Interest in the Block 9 PSC in Cuba. As part of the HOA, on 25 May 2020, the Consolidated Entity entered into a Farm-in Agreement (FIA) with Sonangol. The FIA details the commercial arrangement and responsibilities for the drilling of two exploration wells in Block 9. On 17 August 2020, the Company announced that formal Cuban regulatory approvals had been received for Sonangol to acquire a 70% interest in Block 9 PSC.

Farm-outs in the exploration and evaluation phase

The Consolidated Entity does not record any expenditure made by the farmee on its accounts. It does not recognise any gains or losses on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee credited against the cost previously capitalised in relation to the whole interest with any excess accounted by the farmor as a gain on disposal.

Note 31. Events after the reporting period

Subsequent to the end of the financial year, on 30 July 2021 the Company announced its ambition to raise a gross amount of up to \$7,128,773 by way of a pro-rata non-renounceable entitlements offer (Offer) at \$0.02 per share. The Offer was fully underwritten by Canaccord Genuity (Australia) Limited, who also acted as the Lead manager. The majority of the proceeds hoped to be raised from the Offer were to meet the Company's share of costs of the two exploration well drilling program in Cuba. The Offer closed successfully on 3 September 2021 with the Company issuing a total of 356,438,678 shares and 546,658,017 options on 10 September 2021 in accordance with the terms of the Offer.

Subsequent to the end of the financial year, on 16 August 2021 the Company appointed MNSA as its auditor, following receipt of ASIC's consent to Grant Thornton's resignation. The change in auditor was considered desirable by the Company given the relocation of its head office from Melbourne to Sydney earlier in the year.

Subsequent to the end of the financial year, on 20 August 2021 the Company received the approval of the National Offshore Petroleum Titles Administrator for a 20 month suspension of the permit conditions in respect of the Permit Year 3 work program (with a corresponding 20 month extension of the permit term) for its exploration permit WA-488-P. Receipt of this approval satisfied a Condition Precedent of the Company's sale of WA-488-P to EOG Australia.

Subsequent to the end of the financial year, the Company divested its holdings in Metgasco Limited (ASX: MEL) and Byron Energy Limited (ASX: BYE) on market for cash consideration.

Subsequent to the end of the financial year, on 13 September 2021 exploration drilling commenced in Block 9 PSC onshore Cuba. Encouraging oil shows have been reported with drilling of the first exploration well in this two well program, Alameda-1, continuing as at the date of this report towards the prospect's primary objectives.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the result of those operations, or the consolidated entity's state of affairs in future financial years.

Note 32. Reconciliation of loss after income tax to net cash used in operating activities

	30-Jun-21	30-Jun-20
	\$	\$
Loss after income tax expense for the year	(1,345,521)	(2,157,906)
Adjustments for:		
Depreciation and amortisation	20,488	61,950
Net loss on disposal of property, plant and equipment	-	-
Share-based payments	-	-
Foreign exchange differences	460,520	(49,099)
Share based payment on finance cost	-	-
Change in operating assets and liabilities:		
Increase in other receivables	(49,641)	(1,063)
Decrease in prepayments	-	22,588
Increase/(decrease) in trade and other payables	91,979	50,440
Increase/(decrease) in provisions	<u>(1,178,186)</u>	<u>(60,742)</u>
Net cash used in operating activities	<u>(2,000,361)</u>	<u>(2,133,832)</u>

Note 33. Earnings per share

	30-Jun-21	30-Jun-20
	\$	\$
Loss after income tax attributable to the owners of Melbana Energy Limited	<u>(1,398,123)</u>	<u>(2,157,906)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,316,851,413</u>	<u>2,044,014,360</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,316,851,413</u>	<u>2,044,014,360</u>
	Cents	Cents
Basic earnings per share	(0.06)	(0.11)
Diluted earnings per share	(0.06)	(0.11)

For financial year ended 30 June 2020 outstanding options and performance rights totalling to 108,500,000 and were anti-dilutive and are therefore excluded from the calculation of diluted earnings per share.

Melbana Energy Limited
30 June 2021

Director's Declaration

In the Directors' opinion:

- the attached financial statements and notes, and the Remuneration report contained in the accompanying Directors' report, comply with the Corporations Act 2001, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Andrew Purcell
Executive Chairman

29 October 2021



**MELBANA ENERGY LIMITED
and Controlled Entities
ABN 43 066 447 952**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MELBANA ENERGY LIMITED AND CONTROLLED ENTITIES**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Melbana Energy Limited (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are independent of the Group in accordance with 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 (the Code) that are relevant to our audit of the 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How Our Audit Addressed the Key Audit Matter

Farm-out arrangement

On 23rd of December 2019, the Group announced that it had signed a binding HOA with Sonangol, for that entity to acquire 70% participating interest in the onshore Cuba Block 9.

This agreement required Sonangol to fund 85% of all costs associated with the completion of the drilling of the Group's two highest-ranked and high impact targets. In addition, Sonangol would pay \$5,390,679 to cover exploration expenditure to date on Block 9.

As a result of this agreement, \$19,231,215 has been received from Sonangol. Of the amount received, \$5,390,679 has been allocated as the recovery of exploration costs capitalised. \$6,222,902 has funded current period exploration expenses with the balance of \$7,617,634 received as an advance.

During our audit, we analysed agreements in respect to this transaction, assessed internal reporting and substantiated transactions on a sample basis. We questioned management on treatment and challenged their assessment. Our audit included performing the following:

- assessed accounting treatment of significant transactions;
- reviewed disclosures within the financial report;
- analysed supporting schedules for consistency with supporting documents; and
- reviewed mathematical accuracy of calculations.

Cash and Cash Equivalents

Cash and cash equivalents totalling \$10,683,656 is a significant balance to the group.

We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to the materiality in context to the financial statements as a whole, they are considered to be an area of risk in our overall audit strategy.

Of cash held at 30 June 2021, \$7,617,634 is advances in respect to the farm-out agreement

We have evaluated disclosure and assessed controls implemented by management during the process of our audit. This included:

- documenting and assessing the processes and controls in place to record cash transactions;
- testing and sampling payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and
- confirm all cash holdings to independent third-party confirmations.

Key Audit Matter (continued)

Exploration and evaluation assets

As at 30 June 2021, the carrying value of exploration and evaluation assets was \$1,176,994.

In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.

The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.

This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.

As part of the farm-out agreement, \$5,390,679 of capitalised exploration expenditure has been reimbursed in respect to Cuba Block 9.

How Our Audit Addressed the Key Audit Matter

Our procedures included:

- Reviewing managements reconciliation of capitalised exploration and evaluation expenditure and ensuring it agrees to the general ledger;
- Assessing the impact of farm-out agreements including recovery of prior exploration expenditure in relation to Cuba Block 9;
- Evaluating capitalised costs capitalised during the period and testing on a sample basis;
- Enquiring of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration areas;
- Determining whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;
- Assessing management judgement in impairment assessment; and
- Reviewing the appropriateness of the related disclosures within the financial statements.

Other Information

The directors of Melbana Energy Limited are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included from pages 9 to 14 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Melbana Energy Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Melbana Energy Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA Pty Ltd
MNSA Pty Ltd



Mark Schiliro
Director

Sydney
Dated this 29th of October 2021



MNSA

Shareholder Information

The shareholder information set out below was applicable as at 22 October 2021.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

Range	Securities	%	No. of holders	%
100,001 and Over	2,542,925,480	95.12	1,938	26.72
10,001 to 100,000	119,152,433	4.46	2,916	40.21
5,001 to 10,000	7,660,759	0.29	966	13.32
1,001 to 5,000	3,452,086	0.13	1,002	13.82
1 to 1,000	118,793	0.00	430	5.93
Total	2,673,309,551	100.00	7,252	100.00
Unmarketable Parcels	20,890,525	0.78	3,075	42.40

Analysis of number of option security holders by size of holding:

Range	Securities	%	No. of holders	%
100,001 and Over	531,327,704	97.20	345	31.48
10,001 to 100,000	13,853,632	2.53	349	31.84
5,001 to 10,000	929,248	0.17	124	11.31
1,001 to 5,000	476,172	0.09	176	16.06
1 to 1,000	51,614	0.01	102	9.31
Total	546,638,370	100.00	1,096	100.00
Unmarketable Parcels	9,040,273	1.65	672	61.31

Shareholder Information (continued)

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Rank	Name	22 Oct 2021	%IC
1	M&A ADVISORY PTY LTD	209,758,759	7.85
2	TERRACE MANAGEMENT PTY LTD	120,890,963	4.52
3	TWINKLE CAPITAL PTY LTD	109,500,000	4.10
4	MR JASON MEINHARDT	35,688,888	1.34
5	MR MATTHEW DEAN MARSHALL	34,933,110	1.31
6	EQUITY TRUSTEES LIMITED	34,500,000	1.29
7	MR JONATHAN GORDON & MRS DANIELLE GORDON	30,050,000	1.12
8	TETS PTY LTD	30,000,000	1.12
9	FIVE ELEMENTS DESIGN PTY LTD	29,000,000	1.08
10	MR JOHN OLDANI	27,611,111	1.03
11	MS HONG NHUNG NGUYEN	25,806,133	0.97
12	BNP PARIBAS NOMINEES PTY LTD	24,656,173	0.92
13	NORTH WEST SIX PTY LTD	24,405,873	0.91
14	CITICORP NOMINEES PTY LIMITED	23,819,958	0.89
15	MISS ANITA TSANG & MR BRADLEY GARTH WRIGHT	21,703,947	0.81
16	MRS CATHY ANN BENDER	20,622,531	0.77
17	MF MEDICAL PTY LTD	19,735,000	0.74
18	MRS SUSAN JANE STICKLAND	19,150,706	0.72
19	MR DAVID COGHILL	18,514,900	0.69
20	ANDREW DUNCAN MURDOCH	17,066,538	0.64
	Total	877,414,590	32.82
	Balance of register	1,795,894,961	67.18
	Grand total	2,673,309,551	100.00

Shareholder Information (continued)

The names of the twenty largest holders of quoted option securities are listed below:

Rank	Name	22 Oct 2021	%IC
1	CS THIRD NOMINEES PTY LIMITED	56,231,509	10.29
2	BRICK LANE CAPITAL MANAGEMENT LIMITED	35,020,613	6.41
3	TERRACE MANAGEMENT PTY LTD	21,012,024	3.84
4	TETS PTY LTD	15,000,000	2.74
5	BERENES NOMINEES PTY LTD	13,651,374	2.50
6	CG NOMINEES (AUSTRALIA) PTY LTD	12,000,000	2.20
7	CHETAN ENTERPRISES PTY LTD	11,802,748	2.16
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	11,057,692	2.02
9	EVERGEM PTY LTD	10,400,000	1.90
10	TAN AND VUONG FAMILY SUPER PTY LTD	8,638,023	1.58
11	EMICHROME PTY LTD	8,162,325	1.49
12	MR JONATHAN GORDON & MRS DANIELLE GORDON	7,500,000	1.37
13	MR ANDREW EDWIN YOUNG	7,400,000	1.35
14	MR KENNETH PAUL TERRY	7,111,222	1.30
15	MILES MEUS PTY LTD	7,069,230	1.29
16	MRS MARGARET KOPCHEFF & MR ANDREW REID HALDANE	7,000,000	1.28
17	MR TERRENCE PETER WILLIAMSON & MS JONINE MAREE JANCEY	6,753,865	1.24
18	MR DAVID JOHN O'CONNELL	6,375,000	1.17
19	FINROW LIMITED	6,003,436	1.10
20	MR MARCO TRITAPEPE	6,000,000	1.10
	Total	264,189,061	48.33
	Balance of register	282,449,309	51.67
	Grand total	546,638,370	100.00

Substantial holders

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company:

	Ordinary shares	
	Number held	% of total shares issued
M&A Advisory Pty Ltd*	220,258,759	8.24%

* Holder has notified the Company that it manages the relevant shares and therefore has a relevant interest in those shares under section 608(1)(b) or (c) of the Corporations Act

Director Nomination

The Company will hold its Annual General Meeting of shareholders on 26 November 2021. The Company also advises that in accordance with ASX Listing Rule 14.5 and the Company's constitution the Closing Date for receipt of nominations for the position of Director was 7 October 2021. Any nominations must be received in writing no later than 5.00pm (Sydney time) on this date at the Company's Registered Office.

Voting rights

The voting rights attached to ordinary shares are set out below:

Shareholder Information (continued)

Ordinary shares

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.

Options and performance rights

Options and performance rights do not carry voting rights.

There are no other classes of equity securities.

Current on-market buy-back

There is no current on-market buy-back.