



Melita Resources January 2018 shareholder update

We hope the New year finds all well. It has been some time since we have updated on progress. We are pleased to report that we were able to drill a total of 9 wells starting in the early fall of 2017. We continued to find reasonable service rates and the synergy from drilling a multi-well program helped keep our costs down.

On average, our spearfish drills all completed approx. 900,000. In comparison, when we originally started we were in the neighborhood of 1.4 million. This is somewhat of a testament to what the industry has gone through and how it has come out of the downturn much leaner and competitive. This program we drilled 5 spearfish wells. Overall results were quite reasonable with obtaining our best to date spearfish well. We sold approximately 3000 cubes in 3 months off this well which essentially has paid out. In addition, we were able to purchase a 50% stake in the mines and minerals in this well. This was a very economical purchase and has added significantly to the bottom line.

We also drilled 4 mission canyon carbonate wells with overall reasonable results. Three of these wells we were able to tie into our battery and disposal system which adds to economics. We continue to see value in the low capex non fracked wells.

Our year end production was approx. 800bbls a day, this is a new company record. Contributing to the overall production was a new style of work over for revitalizing wells. We used a combination of acid and wax solvents under pressure which was on average at a cost of about 20,000. These have in most cases increased production on the older wells by anywhere from 3 to 6 fold, resulting in very quick payouts on these work overs.

We are currently working on year end results and in the coming months will be providing our 2017 financials. At present with the significant increase in oil prices we are selling approx. 1.5 million gross per month which will pay down any costs associated with our drilling quite quickly. We have identified many additional drill targets for 2018 and are monitoring results of our strategic advisor process and wells.

We have also started to see some recent M & A activity pick up with a recent transaction at very good metrics. We have been actively trying to build value for a potential exit. To build on this we have engaged National Bank Energy Division as a strategic advisor. We are currently exploring value adds and working with their engineers and geologists to uncover value as well as prepare for the possibility of sales process. At this point we are working to get our Reserve metrics in line with our production and cashflow valuation.

Kind Regards,

Greg Barrows