

## Despatch of Offer Entitlement documents

### ASX Release

MELBOURNE, AUSTRALIA (22 August 2017)

Melbana Energy Limited (ASX: **MAY**) (**Melbana** or **Company**) is pleased to advise that the Prospectus booklet and Acceptance Form have been despatched to Eligible Shareholders today.

Entitlement Offer Acceptances commenced today with the Offer period remaining open until 5.00pm Wednesday 6 September 2017\*.

A copy of the Prospectus is attached to this release and Shareholders can view all of Melbana's announcements relating to the Entitlement Offer on the ASX website ([www.asx.com.au](http://www.asx.com.au)) and Melbana's website ([www.melbana.com](http://www.melbana.com)).

### For more information, please contact:

Mr Colin Naylor  
Chief Financial Officer & Company Secretary  
P: +61(3) 8625 6000

\*The Company reserves the right to amend any dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws.



ABN 43 066 447 952

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# Melbana Energy Limited

ACN 066 447 952

## Prospectus

For a non-renounceable entitlement offer to Eligible Shareholders of up to approximately 476,621,943 Shares at an issue price of \$0.01 per Share on the basis of 1 Share for every 2 Shares held on the Record Date and up to approximately 158,873,981 unquoted Options on the basis of 1 free attaching Option for every 3 Shares issued with each Option having an exercise price of \$0.02 and expiring on 31 August 2018 to raise up to approximately \$4.8 million before costs.

Hartleys Limited and Patersons Securities Limited are the joint lead managers to the Offer.

The Offer is partially underwritten up to \$3,420,000 by Patersons Securities Limited.

**This Offer closes at 5.00pm EST on Wednesday, 6 September 2017. Valid acceptances must be received before that date.**

### **IMPORTANT NOTICE**

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents, or are in doubt as to the course you should follow, you should consult your stockbroker, financial or other professional adviser.

The Shares and Options offered by this Prospectus should be considered speculative.

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## Important notes

This Prospectus is dated Tuesday, 15 August 2017 and was lodged with the ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares or Options will be issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. Shares and Options issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

The Company will apply to ASX for Official Quotation of the Shares offered pursuant to this Prospectus within 7 days after the date of this Prospectus. The Options offered pursuant to this Prospectus will not be quoted on ASX.

Eligible Shareholders should read this Prospectus in its entirety and seek professional advice where necessary. The Shares and Options the subject of this Prospectus should be considered speculative.

Applications for Shares and Options by Eligible Shareholders will only be accepted where they comply with the instructions on the Entitlement and Acceptance Form accompanying this Prospectus as described in section 1.7.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers to whom investors may consult.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or invitation.

Neither this document nor the Shares and Options the subject of the Offer have been, nor will be, registered under the United States Securities Act of 1933, as amended or under the securities legislation of any state of the United States of America, or any applicable securities laws of a country of jurisdiction outside of Australia and New Zealand. Accordingly, subject to certain exceptions, the Shares and Options the subject of the Offer may not, directly or indirectly, be offered or sold within a country or jurisdiction outside of Australia and New Zealand or to or for the account or benefit of any national resident or citizen of, or any person located in a country or jurisdiction outside of Australia and New Zealand.

### **New Zealand notice**

The Shares and Options being offered pursuant to this Prospectus are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

### **Singapore Notice**

This document and any other materials relating to the Shares and Options have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares and Options, may not be issued, circulated or distributed, nor may the Shares and Options be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this

document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares and Options being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares and Options. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

#### **British Virgin Islands Notice**

The Shares and Options may not be offered in the British Virgin Islands unless the Company or any person offering the Shares and Options on its behalf is licensed to carry on business in the British Virgin Islands. The Company is not licensed to carry on business in the British Virgin Islands. The Shares and Options may be offered to British Virgin Islands business companies from outside the British Virgin Islands without restriction.

#### **Canada (British Columbia, Ontario and Quebec provinces) Notice**

This document constitutes an offering of Shares and Options only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such Shares and Options. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Shares and Options or the offering of Shares and Options and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Shares and Options or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares and Options in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the Shares and Options outside Canada and, as a result,

Canadian purchasers should seek legal advice prior to any resale of the Shares and Options.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Shares and Options purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Shares and Options during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has

a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the Shares and Options with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the Shares and Options as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the Shares and Options were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations: Prospective purchasers of the Shares and Options should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares and Options as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada: Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares and Options (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

## **Privacy**

The Company collects personal information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the personal information in the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, ASIC and other regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

The Company will not disclose the personal information of Applicants to entities outside Australia.

The Company's privacy policy contains information about how an Applicant may access and correct the personal information the Company holds about them.

## **Key definitions**

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion. Please refer to section 7 for a list of defined terms.

## **Key risks**

For a summary of the key risks associated with further investment in the Company, please refer to the Investment Overview. A more detailed description of the key risks is set out in section 4.

## Corporate Directory

<b>Directors</b>	Andrew Purcell Non-Executive Chairman	<b>Lawyers</b>	Gilbert + Tobin L16 Tower 2 123 St George's Terrace PERTH WA 6000 Telephone: +61 8 9413 8400 Facsimile: +61 8 9413 8444
	Peter Stickland Managing Director and CEO		
	Michael Sandy Non-Executive Director		
<b>Company Secretary</b>	Colin Naylor	<b>Auditors</b>	Ernst & Young 8 Exhibition Street Melbourne VIC 3000
<b>Registered and principal office</b>	Level 15, 500 Collins Street MELBOURNE VIC 3000 www.melbana.com admin@melbana.com  Tel: +61 3 8625 6000 Fax: +61 3 9614 0660	<b>Share Registry*</b>	Link Market Services Limited Tower 4/727 Collins Street Melbourne VIC 3008 Tel: 1300 135 403
<b>Lead Manager</b>	Hartleys Limited Level 6, 141 St Georges Terrace Perth WA 6000	<b>ASX Code</b>	MAY
<b>Lead Manager/Underwriter</b>	Patersons Securities Limited Level 48, 264 George Street Sydney NSW 2000		

\*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

## Important dates\*

Event	Date*
Announcement of Offer	Tuesday, 15 August 2017
Lodgement of Appendix 3B with ASX	Tuesday, 15 August 2017
Prospectus lodged at ASIC and ASX	Tuesday, 15 August 2017
Notice sent to Shareholders	Wednesday, 16 August 2017
Record Date to determine Entitlements	7.00pm Friday, 18 August 2017 EST
Prospectus (together with Entitlement and Acceptance Form) despatched to Shareholders	Tuesday, 22 August 2017
Opening Date	Tuesday, 22 August 2017
Closing Date**	Wednesday, 6 September 2017
Notification to ASX of under subscriptions	Monday, 11 September 2017
Issue date	Wednesday, 13 September 2017

\* These dates are indicative only. Melbana reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Melbana reserves the right to extend the closing date for the Offer, to accept late applications under the Offer (either generally or in particular cases) and to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the allotment date of Shares and Options. The commencement of quotation of the Shares is subject to confirmation from ASX.

*Melbana also reserves the right not to proceed with the Offer in whole or in part at any time prior to allotment and issue of the Shares and Options. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants. Cooling off rights do not apply to an investment in Shares or Options. You cannot withdraw your application once it has been accepted. Eligible Shareholders wishing to participate in the Offer are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Offer opens.*

*\*\* The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date.*



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## Chairman's letter

Dear Shareholder,

### Melbana Energy Limited – Pro-Rata Non-Renounceable Entitlement Offer

On behalf of the Board of Melbana, I am pleased to invite you to participate in a 1 for 2 pro-rata non-renounceable entitlement Offer of Shares at an offer price of \$0.01 per Share (**Offer Price**) to raise up to approximately \$4.8 million (before expenses) (**Offer**). For every 3 Shares issued under the Offer, Eligible Shareholders will also receive 1 free attaching unquoted option over Shares with an exercise price of \$0.02 and expiring on 31 August 2018 (**Options**).

The terms of this Offer provide an opportunity for existing Melbana shareholders to invest in the Company on the same terms as the recently announced Share Placement offered to institutional and sophisticated investors through which the Company has received commitments to raise up to \$1,787,332 (before costs). All Directors have committed to take up their pro-rata entitlements under the Offer.

Melbana's onshore Cuba Block 9 PSC is a world-class oil exploration opportunity and the Company is aiming to drill up to two wells in Block 9 in mid-2018, for which preparatory work has already commenced. The two highest priority drill targets are Alameda-1 and Zapato-1 with Alameda-1 alone having exploration potential of over 2.5 billion barrels of oil-in-place and 130 million barrels of recoverable oil (100% unrisks, best estimate). (**Prospective Resources Cautionary Statement:** 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. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.)

The Company's portfolio includes a number of other high potential projects in Australia and New Zealand. Melbana's increasing focus on Cuba is leading the Company to consider all alternatives for its permits in Australia and New Zealand, including considering opportunities to reduce its funding requirements while maintaining exposure to a successful result in the highly prospective Pukatea-1 well in New Zealand.

While the Company intends to undertake a farm out process to potentially assist funding the drilling phase, the Offer is primarily being undertaken to enable the Company to conduct the necessary preparation to enable it to drill in Cuba in 2018. An entitlement Offer has been selected to provide Melbana shareholders with the opportunity to participate in supporting the funding of this Cuba-related activity and retain exposure to the Company's portfolio of oil and gas projects.

The proceeds, after costs, from the Offer will be applied towards:

- Cuba drilling preparation related activities (but excluding drilling itself) including permitting, procurement, short term guarantees and long lead items; and
- corporate costs and for general working capital purposes.

### Offer Overview

Under the Offer, Eligible Shareholders are entitled to subscribe for 1 Share at the Offer Price for every 2 Shares held at 7:00pm (Melbourne time) on the Record Date of Friday, 18 August 2017 (**Entitlement**). Eligible Shareholders will also receive 1 free attaching Option for every 3 Shares issued under the Offer. Up to approximately 477 million Shares and 159 million Options may be issued under the Offer. Shares will rank equally with existing Shares in all respects from date of quotation. The Options issued under the Offer will not be quoted on ASX.

The Offer Price of \$0.01 per Share represents a 20.1% discount to the 15 day volume weighted average price of Shares of \$.0125 per share as at 10 August 2017.

Eligible Shareholders, may also apply for additional Shares and Options in excess of their Entitlement\* at the same issue price of \$0.01 per Share (**Shortfall Facility**). Applications for Shares and Options under the Shortfall Facility will be satisfied out of any Entitlements for which applications have not been received from Eligible Shareholders before the closing date of the Entitlement Offer. The Company reserves the right to scale back applications for the Shortfall Facility in its absolute discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including but not limited to the size of an applicant's shareholding, the extent to which Eligible Shareholders have sold or bought additional shares after the Record Date, the date an application was made and any requirements of the Corporations Act and Listing Rules. Eligible Shareholders are therefore encouraged to submit their applications early. The Directors reserve the right to issue the Shares and Options under the Shortfall Facility at their discretion.

The Offer is partially underwritten up to \$3,420,000 by Patersons Securities Limited. Please see sections 1.6 and 5.4 for the details of the Underwriter and Underwriting Agreement.

The exact amount of funds raised is dependent on the participation rate of Eligible Shareholders in the Offer and Shortfall Facility, the operation of the Underwriting Agreement and ultimately the Directors' ability to place any remaining Shortfall.

### **How to Apply?**

The Offer to which this Prospectus relates closes at 5.00pm (Melbourne time) on Wednesday, 6 September 2017 (unless extended).

Accompanying this Prospectus is your personalised entitlement and acceptance form (**Entitlement and Acceptance Form**). It details your Entitlement and is to be completed in accordance with the instructions provided on the form and the instructions in this Prospectus under "Brief Instructions for Eligible Shareholders". You may also apply for further Shares and Options under the Shortfall Facility using the Entitlement and Acceptance Form.

To participate, you must ensure that you have completed your application by paying application monies (**Application Monies**) by BPAY® or by lodging your completed Entitlement and Acceptance Form with your Application Monies paid by cheque or bank draft, so that they are received by the Melbana Share registry (Share Registry) before 5:00pm (Melbourne time) on Wednesday, 6 September 2017.

If you do not wish to take up any of your Entitlement, you do not have to take any action. The Offer is non-renounceable so Entitlements will not be tradeable.

### **Further information**

Further details of the Entitlement Offer, as well as the risks associated with investing in the Entitlement Offer are set out in this Prospectus (including the "Risk Factors" section) which you should read carefully and in its entirety.

On behalf of Melbana, I invite you to consider this investment opportunity and thank you for your continued support.

Yours faithfully



Andrew Purcell

Chairman

\*There is no guarantee regarding the number of Shares and Options (if any) that will be available to Eligible Shareholders under the Shortfall Facility, in addition to their Entitlement under the Offer.

## Brief instructions for Eligible Shareholders

The number of Shares and Options to which you are entitled to apply for under the Offer is shown in the Entitlement and Acceptance Form. You may participate in the Offer as follows:

<p><b>If you wish to accept your Entitlement in full:</b></p> <ul style="list-style-type: none"> <li>• pay the amount indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated; or</li> <li>• complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form,</li> </ul> <p>in each case payment is to be received no later than 5.00pm (EST) on the Closing Date.</p> <p>Please refer to section 1.7 for further details on applying for Shares and Options.</p>	<p><b>If you only wish to accept part of your Entitlement:</b></p> <ul style="list-style-type: none"> <li>• pay a lesser amount than indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated; or</li> <li>• complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form,</li> </ul> <p>in each case payment is to be received no later than 5.00pm (EST) on the Closing Date</p> <p>Please refer to section 1.7 for further details on applying for Shares and Options.</p>
<p><b>Applying for additional Shares and Options</b></p> <p>You may apply for additional Shares and Options pursuant to the Shortfall Facility as follows:</p> <ul style="list-style-type: none"> <li>• complete the relevant section of your Entitlement and Acceptance Form and return it together with a single cheque for the appropriate application monies for both your Entitlement and the additional Shares and Options you wish to apply for; or</li> <li>• pay the appropriate application monies for both your Entitlement and the Additional Shares and Options you wish to apply for via BPAY® using the BPAY® code and personalised reference number indicated,</li> </ul> <p>in each case payment is to be received no later than 5.00pm (EST) on the Closing Date.</p> <p>Please refer to section 1.7 of this Prospectus for further details on applying for additional Shares and Options.</p>	<p><b>If you do not wish to accept all or part of your Entitlement,</b> you are not obliged to do anything. If Eligible Shareholders do not take up their Entitlement, their existing interest in the Company will be diluted. Please refer to sections 2.4 and 4.2.</p>

## Investment overview

This section provides a summary of information that is key to a decision to invest in Shares and Options. This is a summary only. Potential investors should read this entire Prospectus carefully.

If you are unclear in relation to any aspect of the Offer, or if you are uncertain whether Shares and Options are a suitable investment for you, you should consult your financial or other professional adviser.

Question	Response	Where to find more information
Why is the Company conducting the Offer?	<p>Block 9 PSC in Cuba is a world class oil exploration opportunity. There is exploration potential of approximately 12.5 billion barrels of oil-in-place with recoverable Prospective Resources of 637 million barrels (100% share, unrisks best estimate).</p> <p>Melbana is aiming to drill up to two wells in Block 9 commencing mid-2018, for which preparatory work has already commenced.</p> <p>The two highest priority drill targets are Alameda-1 and Zapato-1 with Alameda-1 alone having exploration potential of over 2.5 billion barrels of oil-in-place and 130 million barrels of recoverable oil (100% unrisks, best estimate).</p> <p>The Offer is to provide funding to meet preparatory expenditure necessary to position Melbana to be able to drill in Cuba in 2018.</p>	Section 3
What is being offered and at what price?	<p>The Company is offering to issue Shares and Options to Eligible Shareholders by a pro-rata non-renounceable entitlement offer.</p> <p>Under the Offer, Eligible Shareholders may subscribe for 1 Share for every 2 Shares held on the Record Date, at a price of \$0.01 per Share. For every 3 Shares issued under the Offer, Eligible Shareholders will also receive 1 free attaching unquoted Option with an exercise price of \$0.02 and expiring on 31 August 2018.</p> <p>The Offer price of \$0.01 per Share is a 20.1% discount to the volume weighted average price of Shares as traded on ASX on the 15 days prior to the Company entering into a trading halt ahead of announcing the Offer on 15 August 2017.</p>	Section 1.1
How many new securities will be issued?	The maximum number of Shares and Options that will be issued under the Offer (if the Offer is fully subscribed) is approximately 476,621,943 Shares and approximately 158,873,981 Options.	Section 2.3
What is the amount that will be raised	The Company is seeking to raise up to approximately \$4.8 million (before expenses). The Offer is partially underwritten	Section 1.2

Question	Response	Where to find more information
and the use of funds under the Offer?	<p>up to \$3,420,000.</p> <p>Funds raised under the Offer, after costs, will be applied towards:</p> <ul style="list-style-type: none"> <li>• Cuba drilling preparation related activities (but excluding drilling itself) including permitting, procurement, short term guarantees and long lead items; and</li> <li>• corporate costs and for general working capital purposes.</li> </ul>	
Who is eligible to participate in the Offer?	<p>The Offer is made to Eligible Shareholders only. An Eligible Shareholder is a Shareholder with a registered address in Australia, New Zealand, Singapore, Canada and the British Virgin Islands on the Record Date and who are eligible under all applicable securities laws to receive an offer under the Offer.</p> <p>If you are not an Eligible Shareholder, you are not able to participate in the Offer.</p>	Section 1.11
What are the alternatives for Eligible Shareholders?	<p>The Offer is non-renounceable so as an Eligible Shareholder, you may:</p> <ul style="list-style-type: none"> <li>• take up all of your Entitlements;</li> <li>• take up part of your Entitlements;</li> <li>• if you have taken up all of your Entitlements, apply for additional Shares and Options by way of the Shortfall Facility; or</li> <li>• allow all of your Entitlements to lapse.</li> </ul>	Section 1.7
Can I apply for Shares and Options in excess of my Entitlement?	<p>Yes. Eligible Shareholders who subscribe for their Entitlement in full may apply for additional Shares and Options by way of the Shortfall Facility.</p> <p>The Company reserves the right to scale back applications for the Shortfall Facility in its absolute discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including but not limited to the size of an applicant's shareholding, the extent to which Eligible Shareholders have sold or bought additional shares after the Record Date, the date an application was made and any requirements of the Corporations Act and Listing Rules.</p> <p>Any Shares and Options not taken up by Eligible Shareholders (including under the Shortfall Facility) may become available as Shortfall, a portion of which may be dealt with in accordance with the Underwriting Agreement. See further</p>	Section 1.8

Question	Response	Where to find more information
	<p>details at Section 1.6.</p>	
<p>Is the Offer underwritten?</p>	<p>The Offer is partially underwritten up to \$3,420,000 by the Underwriter.</p> <p>The Underwriter is not a related party and has no current relevant interest in Shares or Options.</p> <p>To the extent that the funds raised from Eligible Shareholders under the Offer, including the Shortfall Facility, is less than the Underwritten Amount, the Underwriter must apply for the Shortfall Shares and Shortfall Options up to the Underwritten Amount as set out above and in accordance with the terms of the Underwriting Agreement.</p> <p>Company Directors have sub-underwritten up to \$1,040,000 either in a Director's personal capacity or through a Director's controlled entity.</p> <p>Each sub-underwriter will not, by its sub-underwriting, increase its relevant interest in Shares to 20% or more.</p> <p>Allocation of any Shortfall to sub-underwriters will be on a pro-rata basis.</p> <p>Other than the Director participation noted at section 1.6, the sub underwriters are not related parties of the Company and will not be substantial shareholders of the Company on completion of the Offer. Due to the sub-underwriting arrangements, the Underwriter will not be a substantial shareholder of the Company on completion of the Offer.</p> <p>See sections 1.6 and 5.4 for further details of the Underwriter and Underwriting Agreement.</p>	<p>Sections 1.6 and 5.4</p>
<p>Shortfall Allocation</p>	<p>After allocation of the Entitlements taken up by Eligible Shareholders under the Offer (including under the Shortfall Facility) a portion of the Shortfall may be dealt with in accordance with the Underwriting Agreement, to the extent that the funds raised from Eligible Shareholders under the Offer, including the Shortfall Facility, is less than the Underwritten Amount. As noted, above, pursuant to the sub-underwriting arrangements, such Shortfall Shares and Shortfall Options will consequently be taken up by the sub-underwriters.</p> <p>After operation of the Underwriting Agreement, the Directors reserve the right to place any remaining Shortfall under the Offer in their absolute discretion, subject to the operation of the Listing Rules and requirements of the Corporations Act.</p> <p>Any participation by Directors in Shortfall will be subject to shareholder approval (except where a Director is participating</p>	<p>Section 1.8</p>

Question	Response	Where to find more information
	<p>in the Shortfall as a sub-underwriter to the Offer).</p> <p>Any issue of Shortfall Shares and Shortfall Options will not reduce the Company's placement capacity under Listing Rule 7.1/7.1A.</p>	
<p>What is being issued under the Share Placement?</p>	<p>As announced by the Company on 15 August 2017, the Company has agreed to issue up to 178,733,229 Shares and 59,577,743 Options by way of the Share Placement. The Options under the Share Placement will be on the same terms as those Options issued under the Offer, except that the Options issued under the Share Placement will be restricted from transfer to those persons who would require a prospectus.</p>	<p>Section 5.7</p>
<p>What are the investment highlights of the Company?</p>	<p><b>Cuba</b></p> <ul style="list-style-type: none"> <li>• Melbana is the only ASX listed company with Cuban energy industry exposure;</li> <li>• Block 9 has exploration potential of ~12.5 billion barrels of oil-in-place &amp; Prospective Resources of ~637 million barrels (unrisked Best Estimate, 100% share)*;</li> <li>• The two highest priority drill targets are Alameda-1 and Zapato-1 with Alameda-1 alone having exploration potential of over 2.5 billion barrels of oil-in-place and 130 million barrels of recoverable oil (100% unrisked, best estimate basis*); and</li> <li>• A farm out process has commenced and a data room is now open.</li> </ul> <p><b>NZ</b></p> <ul style="list-style-type: none"> <li>• The high impact Pukatea-1 prospect is expected to commence drilling mid-January 2018 (<b>Pukatea</b>);</li> <li>• Pukatea has a best estimate prospective resource of 12.4 million boe* (unrisked, 100% share); and</li> <li>• Melbana is considering opportunities to reduce its funding requirements while maintaining exposure to a successful result in the highly prospective Pukatea-1 well.</li> </ul> <p><b>Australia</b></p> <ul style="list-style-type: none"> <li>• Beehive prospect located in WA-488-P is potentially the largest undrilled target in Australia; and</li> <li>• Farm down negotiations are underway which, if successful, would result in one or more parties farming</li> </ul>	<p>Section 3</p>



Question	Response	Where to find more information
	<p>into WA-488-P to fund future field activities.</p> <p><i>*See Prospective Resources Cautionary Statement in the Chairman's Letter.</i></p>	
<p>What are the key risks of further investment in the Company?</p>	<p>Potential investors should be aware that subscribing for Shares and Options in the Company involves a number of risks. A summary of some of the more significant risks which affect an investment in the Company are:</p> <p><i>Potential for significant dilution</i></p> <p>Shareholders should note that if they do not participate in the Offer, and assuming the Share Placement completes, their holdings are likely to be diluted by approximately 30% as a result of the Offer (based on their holdings after completion of the Share Placement). Please refer to section 2.4 of this Prospectus for examples of how the potential dilutionary effect of the Offer may impact Shareholders.</p> <p><i>Options Risk</i></p> <p>There is no guarantee that the price of Melbana Shares will trade above the Exercise Price of the Options proposed to be issued under the Offer at any time during the Exercise Period. As these Options will not be quoted on the ASX, there may not be a liquid market for trading in the Options.</p> <p><i>Underwriting Risk</i></p> <p>If the Underwriter terminates its obligations under the Underwriting Agreement, the Company may not raise the Underwritten Amount under the Offer, and may need to find alternative financing to meet its funding requirements. There is no guarantee that alternative funding could be sourced, either at all or on satisfactory terms and conditions. Termination by the Underwriter of its obligations under the Underwriting Agreement could materially adversely affect the Company's business, cash flow and financial position.</p> <p><i>Funding Risk</i></p> <p>The oil and gas industry is a capital intensive industry with regulator mandated minimum work program obligations and financial support for those. In the event that Melbana is unable to secure farm in partners or raise funds as required, from its shareholders or other sources, it may not be able to take the planned or required actions to execute its plans for its key assets either in part or at all. This may affect the ability of Melbana to retain its key assets and the value of Melbana's interest in these projects. In the event that Melbana is unable to raise sufficient funds to support its minimum business activities, it has a risk of not being a going concern. It is possible that a material uncertainty related to going concern may be disclosed in Melbana's audited financial report for the</p>	<p>Section 4</p>

Question	Response	Where to find more information
	<p>year ended 30 June 2017.</p> <p><i>Exploration risk</i></p> <p>Development of the Melbana's petroleum exploration properties is contingent upon securing funding and obtaining satisfactory exploration results. Petroleum exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. There is no assurance that commercial quantities of petroleum will be discovered on Melbana's exploration properties.</p> <p><i>Reserves and resources</i></p> <p>Estimates of Reserves, and Contingent Resources and Prospective Resources are not precise and no assurance can be given that Reserves, Contingent Resources and Prospective Resource estimates will be recovered during production.</p> <p><i>Commodity price risk</i></p> <p>The current and future profitability of Melbana's operations is directly related to the market price of commodities, in particular oil. Decreases in commodity prices could adversely affect Melbana, including its ability to finance the development of its projects.</p> <p><i>Country risk</i></p> <p>Melbana operates in foreign jurisdictions including Cuba and New Zealand. As a result, Melbana is exposed to the political, economic and other risks and uncertainties associated with operating in such countries. These risks and uncertainties may be different for each country and include changing political conditions, changes in regulations and taxation policies, renegotiation or cancellation of existing permits and contracts, currency exchange rates, restrictions on foreign exchange and currency controls, inflation, labour unrest and changes in diplomatic relations. These risks and uncertainties may be unpredictable and could adversely affect the value of the assets or future financial performance of Melbana.</p> <p><i>Joint ventures</i></p> <p>Melbana participates in several joint venture arrangements and may enter into further joint ventures. Although Melbana has sought, and will seek, to protect its interests, existing and future joint ventures necessarily involve special risks.</p> <p>Melbana does not have the power to control its joint venture partners and counterparties with regard to their rights to exercise options, back in rights or farm-ins over Melbana's</p>	

Question	Response	Where to find more information
	<p>projects.</p> <p><i>Schedule Risks</i></p> <p>The timing of Melbana’s planned business activities are subject to potential change due to events beyond the control of Melbana, such as weather, government actions or inaction, industrial action, the availability of key equipment, and the actions of Melbana’s joint venture partners. There may also be regulatory delays in Cuba and/or New Zealand associated with the drilling activities required to test Melbana’s projects.</p> <p><i>Permits and tenure</i></p> <p>All licences permits and production sharing contracts in which Melbana has interests are subject to renewal conditions which will be at the discretion of relevant ministries in each country. The maintenance of licences and permits, obtaining renewals, or getting licences and permits granted, often depends on Melbana being successful in obtaining required statutory approvals for proposed activities and/or Melbana satisfying the various financial obligations associated with the ongoing maintenance of such licences and permits, amongst other obligations.</p> <p>These risks, together with the other risk outlines in section 4 and other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares and Options in the future. Accordingly, an investment in the Company should be considered speculative. Investors should consider consulting their financial or other professional adviser before deciding whether to apply for Shares and Options pursuant to this Prospectus.</p>	
<p>What is the effect on control of the Company?</p>	<p>The effect on the control of the Company will depend on the take-up of Entitlements by Eligible Shareholders.</p> <p>Other than the Director participation noted at section 1.6, due to the sub-underwriting arrangements, neither the Underwriter nor any of the sub-underwriters will be substantial shareholders of the Company on completion of the Offer.</p> <p>Assuming the Share Placement completes, and Leni Gas Cuba Limited, a substantial holder of the Company took up its full Entitlement and no other Shares were issued under the Offer and presuming Leni Gas Cuba Limited exercises all Options issued to it under the Offer, Leni Gas Cuba Limited would have a maximum voting power of 12.9% on an undiluted basis.</p>	<p>Sections 2.5 and 2.6</p>

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## 1 Details of the Offer

### 1.1 Offer

This Prospectus invites Eligible Shareholders to participate in a pro-rata non-renounceable entitlement offer of up to approximately 476,621,943 Shares on the basis of 1 Share for every 2 Shares held at 7:00pm (EST) on the Record Date at an issue price of \$0.01 per Share and up to approximately 158,873,981 Options on the basis of 1 free attaching Option for every 3 Shares issued, with each Option having an exercise price of \$0.02 and expiring on 31 August 2018 for the purpose of raising up to approximately \$4.8 million (before expenses).

As at the date of this Prospectus, the Company has 953,243,886 Shares on issue. All of the Shares offered under this Prospectus will rank equally with the Shares on issue as at the date of this Prospectus. Please refer to section 5.6 for further information regarding the rights and liabilities attaching to the Shares.

The Company also has Performance Rights and Options on issue, further details of which are located at section 2.3.

Please refer to section 5.7 for further information regarding the terms and conditions of the Options offered under this Prospectus.

If the Share Placement completes, a further 178,733,229 Shares and 59,577,743 Options will be issued after the date of this Prospectus.

### 1.2 Purpose of the Offer and use of funds

The purpose of the Offer is to raise up to approximately \$4.8 million (before costs). The Offer is partially underwritten to \$3,420,000. It is anticipated that the funds raised from the Offer, assuming full subscription, will be indicatively applied as follows:

Description	Amount raised <sup>2</sup>	
	(\$) <sup>1</sup>	%
Cuba drilling preparation related activities (but excluding drilling itself) including permitting, procurement, short term guarantees and long lead items.	3,600,000	75
Corporate costs and for general working capital purposes.	800,000	17
Costs of the Offer	400,000	8
<b>TOTAL</b>	<b>4,800,000<sup>2</sup></b>	<b>100</b>

#### Notes:

1. Rounded to the nearest \$100,000.
2. Before expenses of the Offer. Please refer to section 5.13 for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus assuming full subscription. It is anticipated that these funds will be applied over the next six to nine months.

In the event that the only subscriptions received are as per the Underwriting Agreement the funds raised from the Offer will be indicatively applied as follows

Description	Amount raised	
	(\$)	%
Cuba drilling preparation related activities (but excluding drilling itself) including permitting, procurement, short term guarantees and long lead items.	2,500,000	74
Corporate costs and for general working capital purposes.	500,000	15
Costs of the Offer	400,000	11
<b>TOTAL</b>	<b>3,400,000</b>	<b>100</b>

**Notes:**

1. Rounded to the nearest \$100,000.
2. Before expenses of the Offer. Please refer to section 5.13 for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus assuming subscription via the Underwriting Agreement only.

The above proposed use of funds and their relative priority is subject to ongoing review and evaluation by the Company. As with any budget, the actual use of funds raised under the Offer may change depending on the outcome of the programs as they proceed. The Board reserves the rights to alter the way in which funds are applied on this basis.

The Company's current cash resources and additional capital proposed to be raised by the Offer are expected to be sufficient to meet the Company's current stated activities.

### 1.3 Minimum subscription

There is no minimum subscription in respect of the Offer.

### 1.4 No trading of Entitlements

Entitlements to Shares and Options pursuant to the Offer are non-renounceable and accordingly Eligible Shareholders may not dispose of or trade any part of their Entitlement.

### 1.5 Opening and closing dates

The Offer will open for receipt of acceptances at Tuesday, 22 August 2017 and will close at 5.00pm EST on Wednesday, 6 September 2017, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 3 Business Days prior to the Closing Date.

### 1.6 Underwriting

The Offer is partially underwritten up to \$3,420,000 by the Underwriter. The Underwriter is not a related party and has no current relevant interest in Shares or Options.

Any Share and Options not taken up by Eligible Shareholders may become available as Shortfall and to the extent that the funds raised from Eligible Shareholders under the Offer, including the Shortfall Facility, is less than the Underwritten Amount a portion of the Shortfall may be dealt with in Accordance with the Underwriting Agreement.

To the extent that the funds raised from Eligible Shareholders under the Offer, including the Shortfall Facility, is less than the Underwritten Amount, the Underwriter must apply for the Shortfall Shares and Shortfall Options up to the Underwritten Amount and in

accordance with the terms of the Underwriting Agreement. The Underwriting Agreement is subject to standard terms and conditions which are summarised in section 5.4. All valid applications for Shares and Options pursuant to this Prospectus received by the Company, from all sources, including under the Shortfall Facility, will be deemed to have been accepted in full by the Company and will go in relief of the obligations of the Underwriter under the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee as per section 1.8 as consideration for the Underwriter's underwriting obligation in accordance with the Underwriting Agreement (**Underwriting Fee**).

Mr Peter Stickland (Director of the Company) has entered into an agreement with the Underwriter to sub-underwrite the Offer up to \$20,000. Mr Andrew Purcell (Non-Executive Director, Chairman), through his controlled entity M&A Advisory Pty Limited, has entered into an agreement with the Underwriter to sub-underwrite the Offer to \$1,000,000. Mr Michael Sandy (Non-Executive Director), through his controlled entity Sandy Associates Pty Limited, has entered into an agreement with the Underwriter to sub-underwrite the offer to \$20,000.

The Underwriter will pay a sub-underwriting fee to all sub-underwriters equal to 1.25 % of the amount sub-underwritten by them, resulting in Mr Stickland (in his personal capacity), and Messrs Purcell and Sandy (through their controlled entities) being paid a fee of \$250, \$12,500 and \$250 respectively.

In addition to Mr Stickland, and the entities controlled by Messrs Purcell and Sandy, the Underwriter has also entered into sub-underwriting arrangements with various investors to subscribe for 238,000,000 Shares and 79,333,333 Options. Each sub-underwriter will not, by its sub-underwriting, increase its relevant interest in Shares to 20% or more. Mr Andrew Purcell will become a substantial shareholder (with voting power in the Company of 7% (on an undiluted basis)) if he takes up his full Entitlement and his full portion of sub-underwriting is allocated from any Shortfall, and assuming the Share Placement completes and no other Shareholders take up their Entitlements under the Offer.

Sub-underwriting fees will be satisfied by Underwriter through its Underwriting Fee.

The sub-underwriters may be allocated Shares and Options which become available as Shortfall and will be dealt with in accordance with the Underwriting Agreement.

Allocation of any Shortfall to sub-underwriters will be on a pro-rata basis.

Save as noted above, the sub-underwriters are not related parties of the Company and will not be substantial shareholders of the Company on completion of the Offer. Due to the sub-underwriting arrangements, the Underwriter will not be a substantial shareholder of the Company on completion of the Offer.

Please refer to section 2.5 for a description of the potential impact of the Offer on control of the Company and to section 5.4 for a summary of the material terms and conditions of the Underwriting Agreement.

## **1.7 Entitlements and acceptance**

The number of Shares and Options to which you are entitled (**Entitlement**) is shown in the Entitlement and Acceptance Form.

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus.

You may participate in the Offer as follows:

- (a) If you wish to accept your Entitlement in full:
  - (i) pay the amount indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (EST) on the Closing Date; or
  - (ii) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form.
- (b) If you only wish to accept part of your Entitlement:
  - (i) pay a lesser amount than indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (EST) on the Closing Date; or
  - (ii) fill in the number of Shares and Options you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate Application Monies (at \$0.01 per Share).
- (c) If you wish to apply for additional Shares and Options under the Shortfall Facility:
  - (i) complete the relevant section of your Entitlement and Acceptance Form and return it together with a single cheque for the appropriate application monies for both your Entitlement and the additional Shares and Options you wish to apply for; or
  - (ii) pay the appropriate application monies for both your Entitlement and the additional Shares and Options you wish to apply for via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (EST) on the Closing Date.
- (d) If you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques or bank drafts must be drawn on an Australian branch of a financial institution and made payable in Australian currency to “Melbana Energy Limited” and crossed “**Not Negotiable**”.

Your completed Entitlement and Acceptance Form and cheque must be:

**Mailed to**  
Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001  
Australia

and received by no later than **5:00pm (EST) on the Closing Date**.

If you choose to pay via BPAY® you are not required to submit your Entitlement and Acceptance Form. Your BPAY® payment will not be accepted after 5:00pm (EST) on the Closing Date and no Shares or Options will be issued to you in respect of a late application.

If you have multiple holdings you will have multiple BPAY® reference numbers. To ensure you receive your Shares and Options in respect of that holding, you must use the specific biller code and the customer reference number shown on each personalised Application Form when paying for any Shares and Options that you wish to apply for in respect of that holding.

**PLEASE NOTE THAT IF YOU INADVERTENTLY USE THE SAME CUSTOMER REFERENCE NUMBER FOR MORE THAN ONE OF YOUR APPLICATIONS, YOU WILL BE DEEMED TO HAVE APPLIED FOR THE ENTITLEMENT TO WHICH THAT CUSTOMER REFERENCE NUMBER APPLIES AND ANY EXCESS AMOUNT WILL BE DEEMED TO BE AN APPLICATION FOR ADDITIONAL SHARES AND OPTIONS UNDER THE SHORTFALL FACILITY.**

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY®. It is your responsibility to check that the amount you wish to pay via BPAY® does not exceed your limit.

The Offer to Shareholders is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

#### ***Non-acceptance of Entitlement***

If you do not wish to take up any part of your Entitlement under the Offer, you are not required to take any action.

If Eligible Shareholders do not take up their entitlement, their existing interest in the Company will be diluted. Please refer to sections 2.4 and 4.2 for further details.

#### ***Taxation Implications***

Shareholders should obtain independent advice on the taxation implications arising out of their participation in the Offer.

#### ***Further queries***

If you have any queries regarding your Entitlement, please contact the Company Secretary by telephone on +61 3 8625 6000 or your stockbroker, financial or other professional adviser.

**PLEASE NOTE IF YOU DO NOT ACCEPT YOUR ENTITLEMENT IN FULL IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT ABOVE, ANY PART OF AN ENTITLEMENT NOT ACCEPTED IN FULL WILL FORM PART OF THE SHORTFALL FACILITY AND/OR SHORTFALL.**

### **1.8 Shortfall Facility and Shortfall Placement**

#### ***Shortfall Facility***

Eligible Shareholders may also apply for additional Shares and Options in excess of their Entitlement at the same Offer Price of \$0.01 per Share under the Shortfall Facility.

Shares and Options issued under the Shortfall Facility will be drawn from Shares and Options that relate to Entitlements which have not been taken up under the Offer.



There is no guarantee regarding the number of Shares and Options (if any) that will be available to Shareholders under the Shortfall Facility, in addition to their Entitlement under the Offer. This will depend on how many Entitlements are taken up. If all are taken up under the Offer then there will be no Shares and Options under the Shortfall Facility available.

The Company reserves the right to scale back applications for the Shortfall Facility in its absolute discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including the size of an applicant's shareholding, the extent to which eligible shareholders have sold or bought additional shares after the Record Date, the date an application was made and any requirements of the Corporations Act and Listing Rules. Eligible Shareholders are therefore encouraged to submit their applications early.

### *Shortfall*

Any Shares and Options not taken up by Eligible Shareholders (including under the Shortfall Facility) may become available as Shortfall. To the extent that the funds raised from Eligible Shareholders under the Offer, including the Shortfall Facility, is less than the Underwritten Amount, a portion of the Shortfall may be dealt with in accordance with the Underwriting Agreement.

The offer of any Shortfall is a separate offer made pursuant to this Prospectus (**Shortfall Placement**).

The Directors reserve the right, subject to the requirements of the Listing Rules and the Corporations Act, and after the Underwriting Agreement, to place any Shortfall at their absolute discretion. Shares and Options offered pursuant to the Shortfall Placement will be issued at the same issue price as the Shares offered to Eligible Shareholders under the Offer (and Shares and Options under the Shortfall Placement must be issued within 3 months after the closing date of the Offer).

The Offer is partially underwritten up to \$3,420,000. Please refer to sections 1.6 and for details of the Underwriter and Underwriting Agreement.

Any participation by Directors in Shortfall will be subject to shareholder approval, except where a Director is participating in the Shortfall as a sub-underwriter to the Offer.

### *Joint Lead Manager Arrangements*

Hartleys Limited and Patersons Securities Limited have agreed to act as joint lead managers to the Offer.

Hartleys Limited will be paid a fee of 2.5% (plus GST) of the amount raised under the Offer (including the Shortfall Facility) and a fee of 6% (plus GST) of the amount raised under any subsequent Shortfall Placement to clients of Hartleys Limited (reduced to 1% (plus GST) for any Shortfall Placement to parties that are Melbana substantial shareholders or not introduced by Hartleys Limited, and no fee is payable for any Shortfall Placement to the Board, Company management and their associates who have participated directly (with the exception of institutions, and AFSL holders)). Melbana has also conditionally agreed to issue Options to Hartleys Limited as noted in section 2.3 of this Prospectus.

Patersons Securities Limited will be paid 6% (plus GST) on any Shortfall Placement and Underwriting, which fee reduces to 4.5% (plus GST) in relation to funds raised from any party not introduced by Patersons Securities Limited who have participated directly (including Melbana Directors) but excludes institutions, AFSL holders and any Patersons

Securities Limited clients. Patersons Securities Limited will not receive a fee on funds raised through the take up of Entitlements by Eligible Shareholders (including funds raised under the Shortfall Facility).

## 1.9 Allotment of Shares and Options

The Shares and Options are expected to be allotted by no later than Wednesday, 13 September 2017. Until issue and allotment of the Shares and Options under this Prospectus, the Application Monies will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on Application Monies will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the Shares and Options takes place.

## 1.10 ASX listing

Application for Official Quotation of the Shares allotted pursuant to this Prospectus will be made within 7 days of the date of this Prospectus. The Options allotted pursuant to this Prospectus will not be quoted on ASX.

If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus within three months after the date of this Prospectus (or such period as varied by ASIC), the Company will not allot any Shares and will repay all application monies for the Shares within the time period prescribed under the Corporations Act, without interest.

A decision by ASX to grant Official Quotation of the Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Shares now offered for subscription.

## 1.11 Overseas investors

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Shareholders outside of Australia, New Zealand, Singapore, Canada and the British Virgin Islands (**Excluded Shareholders**) having regard to:

- (a) the number of Shareholders outside of Australia, New Zealand, Singapore, Canada and the British Virgin Islands;
- (b) the number and value of the securities to be offered to Shareholders outside of Australia, New Zealand, Singapore, Canada and the British Virgin Islands; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to, and does not, make offers under the Prospectus to Shareholders outside of Australia New Zealand, Singapore, Canada and the British Virgin Islands.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the *Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016*.

Members of the public in New Zealand, Singapore, Canada and the British Virgin Islands who are not existing Shareholders on the Record Date are not entitled to apply for any Shares.

All Entitlements that would have been offered to Excluded Shareholders will be allowed to lapse and will form part of the Shortfall Facility and/or Shortfall.

A Shareholder with a registered address in Australia, New Zealand, Singapore, Canada and the British Virgin Islands on the Record Date and who are eligible under all applicable securities laws to receive the Offer is eligible to apply for their Entitlements under the Offer (**Eligible Shareholder**).

### **1.12 Market prices of Shares on ASX**

The highest and lowest closing market sale prices of Shares on ASX during the three (3) months immediately preceding the date of this Prospectus and the respective dates of those sales were \$0.02 on 25 May 2017 and \$0.011 on 10 August 2017.

The latest available market sale price of Shares on ASX at the close of trading on 10 August 2017 (being the trading day prior to the date of this Prospectus) was \$0.011.

### **1.13 Forward-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and such other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and the Directors.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. Some of these risk factors are set out in section 4.

## 2 Effect of the Offer on the Company

### 2.1 Effect of the Offer

The principal effects of the Offer on the financial position of the Company, assuming all Entitlements are accepted are as follows:

- (a) the Company will issue up to 476,621,943 Shares and the total number of Shares on issue will increase to 1,608,599,058 (including Placement Shares);
- (b) the Company will issue up to 158,873,981 Options and the total number of Options will increase to 231,701,724 (including Options issued as part of the Share Placement); and
- (c) the cash reserves of the Company will increase by approximately \$4.3 million (proceeds of the Offer less the expenses of the Offer) immediately after completion of the Offer.

### 2.2 Condensed Statement of Financial Position

Set out as follows is the Condensed Statement of Financial Position of the consolidated entity as at 31 December 2016 which has been extracted from the reviewed 31 December 2016 Half Year Financial Report, together with the pro-forma Condensed Statement of Financial Position of the consolidated entity as at 31 December 2016 adjusted for the following:

- the issue of 476,621,943 Shares and 158,873,981 Options pursuant to this Prospectus to raise \$4,766,219;
- the estimated expenses of the Offer of approximately \$428,400;
- assuming the Share Placement completes with net proceeds of \$1,622,300; and
- material working capital movements since 31 December 2016 as outlined in March and June 2017 ASX quarterly cash flow reports.

In the event that Melbana is unable to secure farmin partners or raise funding, as required, from its shareholders or other sources, it may not be able to take the required actions to execute its plans for its key assets either in part or at all. This may affect the ability of Melbana to retain its projects and the value of Melbana's interest in these projects and its viability as a going concern.

Pro-Forma Condensed Statement of Financial Position	Actual 31 December 2016 A\$	Share Placement and Working Capital movements A\$	Net Proceeds (full subscription) A\$	Net Proceeds (underwriting arrangement) A\$	Pro-forma 31 December 2016 (full subscription) A\$	Pro-forma 31 December 2016 (underwriting arrangement) A\$
Cash and cash equivalents	4,418,186	(190,875)	4,337,819	3,028,000	8,565,130	7,255,311
Trade and other receivables	44,485	-	-	-	44,485	44,485
Property, plant and equipment	84,364	-	-	-	84,364	84,364
Exploration and evaluation	2,723,472	1,166,528	-	-	3,890,000	3,890,000
<b>Total assets</b>	<b>7,270,507</b>	<b>975,653</b>	<b>4,337,819</b>	<b>3,028,000</b>	<b>12,583,979</b>	<b>11,274,160</b>

Trade and other payables	120,273	-	-		120,273	120,273
Current provisions	202,653	-	-		202,653	202,653
Non-current provisions	191,166	-	-		191,166	191,166
<b>Total liabilities</b>	<b>514,092</b>	<b>-</b>	<b>-</b>		<b>514,092</b>	<b>514,092</b>
<b>Net assets/ total equity</b>	<b>6,756,415</b>	<b>975,653</b>	<b>4,337,819</b>	<b>3,028,000</b>	<b>12,069,887</b>	<b>10,760,068</b>

## Notes to the pro-forma Condensed Statement of Financial Position

The 31 December 2016 Half Year Financial Report has been used as a basis for the preparation of the pro-forma Condensed Statement of Financial Position. The 31 December 2016 Half Year Financial Statements were subject to review by Ernst & Young in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

The pro-forma Condensed Statement of Financial Position has been prepared by the Company and is presented in an abbreviated form insofar as it does not comply with all the disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In the event that Melbana is unable to secure farmin partners or raise funding, as required, from its shareholders or other sources, it may not be able to take the required actions to execute its plans for its key assets either in part or at all. This may affect the ability of Melbana to retain its projects and the value of Melbana's interest in these projects and its viability as a going concern.

The pro-forma Condensed Statement of Financial Position:

- 1 includes \$4,337,819 million comprising gross proceeds raised pursuant to the Offer of \$4,766,219 less estimated Offer costs of \$428,400;
- 2 assumes the Share Placement completes with net proceeds of \$1,622,300; and
- 3 includes material working capital movements since 31 December 2016 as outlined in March and June 2017 ASX quarterly cash flow reports.

### 2.3 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted is set out below.

#### Shares

	Number
Shares currently on issue	953,243,886
Shares to be issued pursuant to the Offer	476,621,943
*Shares to be issued pursuant to the Share Placement	178,733,229
<b>Shares on issue after completion of the Offer</b>	<b>1,608,599,058</b>

\*Assumes Share Placement completes

No Shares on issue are subject to escrow restrictions, either voluntary or ASX imposed.

## Options

Exercise Price	Expiry Date	Number
<i>Quoted Options</i>		
-	-	-
<i>Unquoted Options<sup>1</sup></i>		
\$0.065	3 November 2019	4,000,000
\$0.032	27 September 2020	9,250,000 <sup>2</sup>
*Options to be issued pursuant to the Share Placement		59,577,743
Options to be issued pursuant to the Offer		158,873,981
<b>Options on issue after completion of the Offer</b>		<b>231,701,724</b>

1. *These Options do not carry an Entitlement to participate in the Entitlement Offer.*
2. *50% of these Options vest and become exercisable for employees of the Company after 12 months' continuous service ending on 27 March 2018 and 50% of the Options vest after 24 months' continuous service ending on 27 March 2019. If the performance conditions are met, employees have until 27 September 2020 to exercise the Options.*

*\* Assumes Share Placement completes. Options issued under the Share Placement will not be transferable.*

## Performance Rights

Number	Vesting Date	Vesting Conditions
5,333,333	30 November 2016	The Performance Rights have vested. The Performance Rights expire 29 November 2018. There is no exercise price payable on exercise of the Performance Rights. Each Performance Right entitles to holder to one Share on exercise.
20,940,032	31 January 2017	The Performance Rights have vested. The Performance Rights expire 31 January 2019. There is no exercise price payable on exercise of the Performance Rights. Each Performance Right entitles the holder to one Share on exercise.

Melbana also has:

- (a) proposed to issue Peter Stickland, Managing Director and Chief Executive Officer of the Company, 3,000,000 Options, subject to shareholder approval; and
- (b) agreed to issue Hartleys Limited (or its nominee) unlisted options over fully paid ordinary shares (each with an exercise price of \$0.018 and expiring 3 years from the date of issue) (**Hartleys Options**) as consideration for capital raising services. The exact number of Hartleys Options to be issued will depend on the amount of equity capital raised by Melbana in the four month period from 7 August 2017 (**Hartleys Period**). Melbana will be obliged to issue 4,000,000 Hartleys Options

pro-rata for every \$1 million raised by Melbana through the issue of equity securities during the Hartleys Period up to a maximum of 20,000,000 Hartleys Options. The issue of the Hartleys Options will be subject to shareholder approval.

## 2.4 Potential dilutionary impact of Offer

Assuming that no existing Options or vested Performance Rights are exercised prior to the Record Date, the maximum number of Shares which will be issued pursuant to the Offer is 476,621,943. This equates to 30% of all the issued Shares in the Company following completion of the Offer, presuming the Share Placement is completed.

If all Eligible Shareholders take up their Entitlements under the Offer, each Eligible Shareholder's percentage interest in the total issued shares of the Company will remain the same and will not be diluted.

However, Shareholders should note that if they do not participate in the Offer, their holdings will be diluted (as compared to their holdings and number of Shares on issue as at the date of the Prospectus).

The table below shows the dilutionary impact the Offer will have on a Shareholder if the Shareholder does not take up his or her Entitlement, assuming the Offer is otherwise fully subscribed, and the Share Placement is completed.

Holding as at Record Date	% at Record Date*	Entitlement under the Offer	Holding if Offer not taken up	% post completion of the Offer*
10,000,000	0.88	5,000,000	10,000,000	0.62
5,000,000	0.44	2,500,000	5,000,000	0.31
1,500,000	0.13	750,000	1,500,000	0.09
400,000	0.04	200,000	400,000	0.02

\*rounded to the nearest one hundredth of a percentage point

Assuming all Options the subject of the Offer and the Share Placement are exercised (and assuming no existing Options are exercised), the maximum number of Shares that would be issued is 218,451,724 Shares.

## 2.5 Potential impact of Offer on control of the Company

If all Eligible Shareholders take up their Entitlements, the Offer is not expected to have a material effect on the control of the Company.

As at the date of this Prospectus, the Underwriter does not have a relevant interest in any Shares.

The extent to which Shares are issued pursuant to the Underwriting Agreement may increase the Underwriter's voting power in the Company.

The Company understands that the Underwriter has engaged a number of sub-underwriters to the Offer, none of whom (after allocating the Shortfall to various third parties) will be entitled to acquire a relevant interest in greater than 20% of the Shares on completion of the Offer. None of the sub-underwriters with the exception of Messrs Stickland, Purcell and Sandy are related parties of the Company.

The Offer is therefore not expected to have any significant impact on the control of the Company.

Should the sub-underwriters to the Offer default in their obligations, the Underwriter would be required to subscribe for the Shortfall Shares itself in accordance with the terms of the Underwriting Agreement. Should this occur, it could have an impact on the control of the Company. In light of this, the Company is providing the additional disclosure below.

If no Eligible Shareholders subscribe for Shares under the Offer and the sub-underwriters to the Offer default in their obligations and all Shares offered pursuant to this Prospectus are issued to the Underwriter up to the Underwritten Amount in accordance with the terms and conditions of the Underwriting Agreement, it will increase the Underwriter's voting power in the Company to up to 23.20%.

The Underwriter is not a related party of the Company for the purposes of the Corporations Act. The Underwriter's present relevant interest and changes under several scenarios are set out in the table below.

Event	Shares	Voting power %
Date of Prospectus	0	0
Offer is fully subscribed (no Shortfall)	0	0
75% subscribed (25% Shortfall)	0	0
50% subscribed (50% Shortfall)	103,689,029	7.03
25% subscribed (75% Shortfall)	222,844,514	15.12
0% subscribed (100% Shortfall)	342,000,000	23.20

The number of Shares held by the Underwriter and its relevant interest in Shares in the table above show the potential effect of the underwriting on the Offer. However, it is unlikely that no Eligible Shareholders, other than the Underwriter, will take up their Entitlements under the Offer. The underwriting obligation and therefore relevant interest in Shares of the Underwriter will reduce by a corresponding amount for the amount of Entitlements taken up by other Eligible Shareholders.

The Underwriter has informed the Company that its intention is to never have voting power in the Company above 20%.

## 2.6 Substantial Shareholders

Based on substantial shareholder notices lodged with ASX, the Company has the substantial shareholder with the relevant interest set out in the table below.

The table below also sets out the approximate maximum number of Shares and approximate voting power of the substantial shareholder if that substantial shareholder was the only shareholder to take up its Entitlement and no other Shares were issued under the Offer (including to any other substantial shareholder), presuming the substantial holder exercised all Options issued to it under the Offer, and the Share Placement completed.



Substantial Shareholder	Approximate relevant interest as at the date of the Prospectus	Approximate voting power as at the date of the Prospectus	Approximate maximum relevant interest after the Offer if that substantial shareholder was the only Shareholder to take up its Entitlement and no other Shares were issued under the Offer (on an undiluted basis)	Approximate maximum voting power after the Entitlement Offer and Share Placement if that substantial shareholder was the only Shareholder to take up its Entitlement and no other Shares were issued under the Offer (on an undiluted basis)
Leni Gas Cuba Limited	92,656,197	9.72%	138,984,296	12.9%

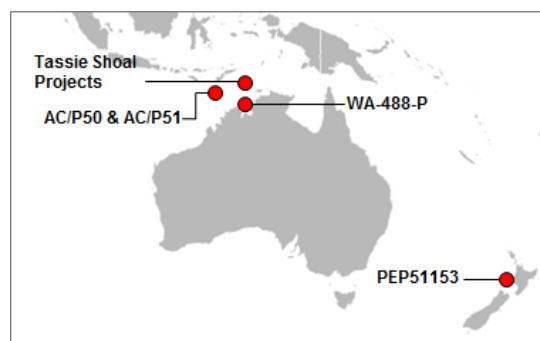
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## 3 Company overview

### 3.1 The Company

Melbana is an ASX-listed oil and gas exploration company with a unique portfolio of onshore and offshore exploration and infrastructure assets located in Cuba, New Zealand and Australia.

### 3.2 Project Summary



#### **Cuba** (See section 3.3. for details)

- Block 9 has exploration potential of ~12.5 billion barrels of oil-in-place with recoverable Prospective Resources of 637 million barrels (100% share, unrisks Best Estimate)\*
- High graded Alameda-1 prospect presents an opportunity to drill three objectives with combined exploration potential of over 2.5 billion barrels Oil-in-Place and 130 million barrels of recoverable (100% unrisks, Best Estimate)\*
- Melbana is aiming to drill up to 2 wells commencing in mid-2018 or which preparatory work has already commenced
- Farmout process underway
- Multiple high impact exploration drill targets have been identified

#### **New Zealand** (see section 3.4 for details)

- Operator advises high impact Pukatea-1 anticipated to commence drilling mid-January 2018 on PEP51153 (Melbana 30% share)
- PEP51153 has a Prospective Resource of 12.4 million boe (unrisks Best Estimate, 100% share)\*, reservoir capable of rates up to 5,000 barrels per day
- Melbana is considering opportunities to reduce its funding requirements while maintaining exposure to a successful result in the highly prospective Pukatea-1 well

#### **Australia** (see section 3.5 for details)

- Beehive prospect located in WA-488-P is potentially the largest undrilled conventional target in Australia
- Negotiations underway which, if successful, would result in one or more parties farming into WA-488-P to fund future activities

\*See Prospective Resources Cautionary Statement in the Chairman's Letter.

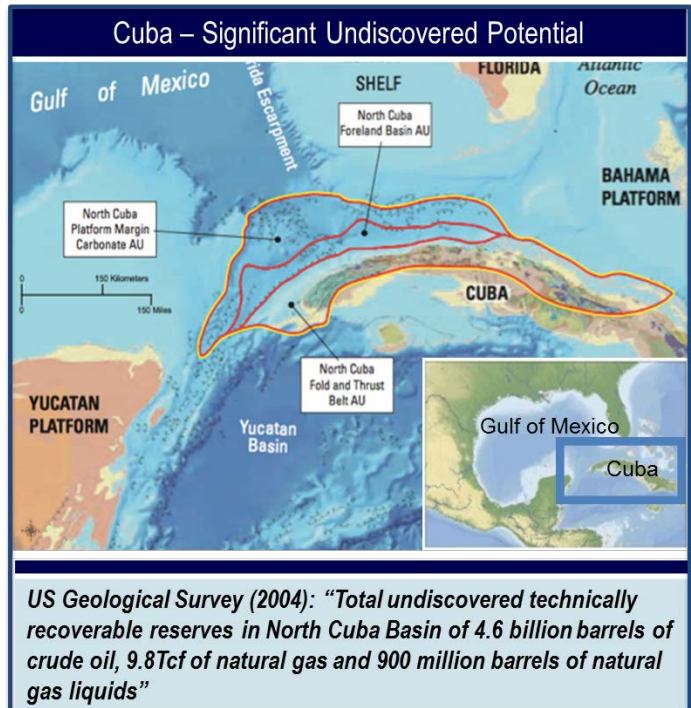
- Tassie Shoal Projects, comprising methanol and LNG development concepts, are a unique infrastructure development path for stranded regional gas

### 3.3 Cuba

#### *Cuba prospectivity and market*

Cuba represents an under-explored south-eastern margin of the Gulf of Mexico, which is one of the world's great petroleum mega provinces. There has been limited application of modern exploration techniques in Cuba due to a US embargo lasting for greater than 50 years.

Cuba currently produces approximately 45,000 barrels of oil and 3 million cubic metres of gas per day and has a strong focus on growing this production. Cuba imports approximately 50% of its oil (mostly from Venezuela).



#### *Block 9 – An overview*

Melbana has a 100%<sup>1</sup> interest in Block 9 PSC, covering an area of 2,380km<sup>2</sup> (588,000 acres) onshore in Cuba. Block 9 was awarded to the Company in 2015 for a 25 year term and has been assessed by Melbana to have multi-billion barrel potential.

The Block 9 PSC has an 8.5 year exploration period divided into 4 sub periods. The minimum work program for sub-period 1 (Sept 2015 to Nov 2017) comprises studies and seismic reprocessing, which has been largely completed. Sub-period 2 (Nov 2017 to Nov 2019) will comprise the drilling of one well. Melbana has an option to withdraw at the



<sup>1</sup> Subject to a conditional option held by Petro Australis to back in for 40%, expiring 2 Sept 2017. See ASX release dated 3 Sept 2015



end of each sub-period. Shortly after entering each sub-period a bank guarantee is required for 50% of the approved firm budget for that sub-period. The firm budget has not yet been proposed for the 2<sup>nd</sup> sub-period but is anticipated to reflect the minimum work program of one well. Melbana is investigating a number of methods to support this bank guarantee, including cash backing with shareholder funds. The bank guarantee is released once the minimum work program has been satisfied.

The Company is targeting the drilling of up to two wells, commencing in mid-2018 with a minimum cost of US\$5 million. A Cuban civil engineering consultancy firm has been engaged and a survey of well sites has commenced.

A farmout process is underway, with a data room having opened in the Company's Melbourne Office.

As announced by the Company on 3 September 2015, Petro Australis Limited (**Petro**) has a conditional back in right option to obtain a direct 40% participating interest in the Block 9 PSC with the back in right expiring on 2 September, 2017. In the event that Petro satisfies the necessary Cuban regulatory pre-qualification criteria and exercises the back in right, Melbana would retain a 60% participating interest in Block 9 PSC and its ambitions and use of funds would remain unchanged.

#### *Block 9 prospectivity*

Block 9 has been lightly explored but contains natural oil seeps and has several small discoveries. Block 9 is along trend from the Varadero oil field which has more than 11 billion barrels of oil in place. Melbana considers there is potential for Varadero type structures in Block 9. Block 9 is adjacent to TSX-listed Sherritt International's producing area. Sherritt International's producing area produces approximately 14,500 barrels per day at an operating cost of approximately US\$7/bbl in Q2 2017.<sup>2</sup>

#### *Resource Assessment*

Block 9 has an exploration potential of over 12.5 billion barrels of oil-in-place and Prospective Resources of 637 million barrels (unrisked Best Estimate, 100% basis). 19 individual leads have been identified in conventional plays, with depths between 2,000 and 4,000 metres.



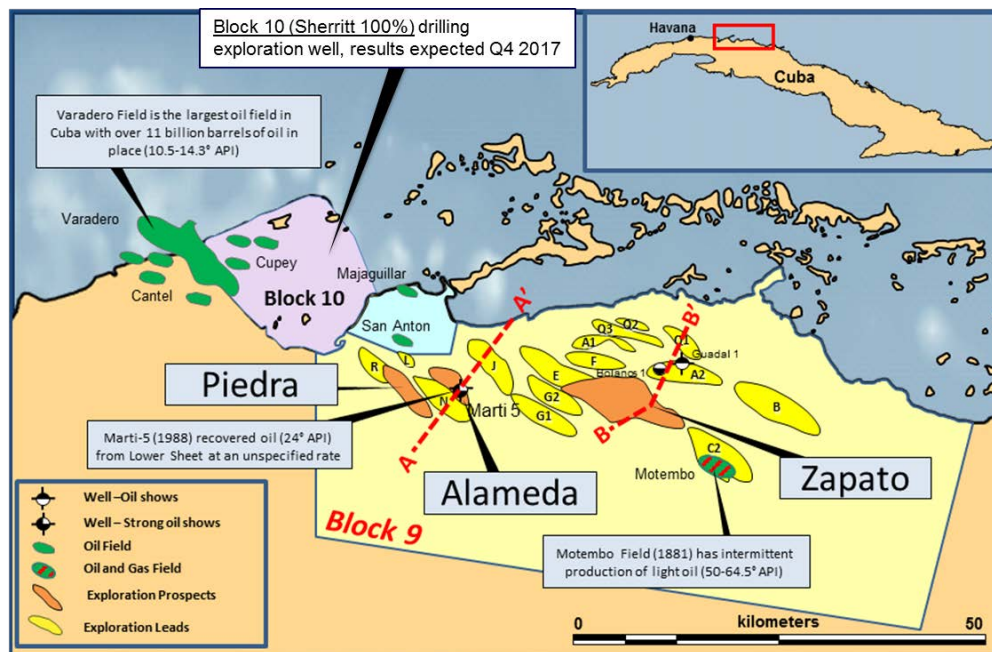
<sup>2</sup> Sherritt International Corporation Second Quarter 2017 Report

Block 9 Exploration Potential	Low	Best	High	Mean
	MMstb	MMstb	MMstb	MMstb
Oil-in-Place (unrisked, 100%)	1,181	12,746	44,151	18,518
Prospective Resources (recoverable, unrisked, 100%)	59	637	2,208	926

**Prospective Resources Cautionary Statement** - 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. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The high potential multi-target Alameda prospect has been identified close to historical oil recoveries. Recoverable volumes have been conservatively estimated using the historical 5% recovery factor for nearby Cuban fields. The higher quality light crude oil potential in Block 9 is demonstrated by historical oil recoveries and ongoing assessment may add further potential.

Melbana has identified additional secondary objectives in the Upper Sheet and Shallow Tertiary plays. Priority drill targets have been identified including the Alameda Prospect, Zapato and Piedra.

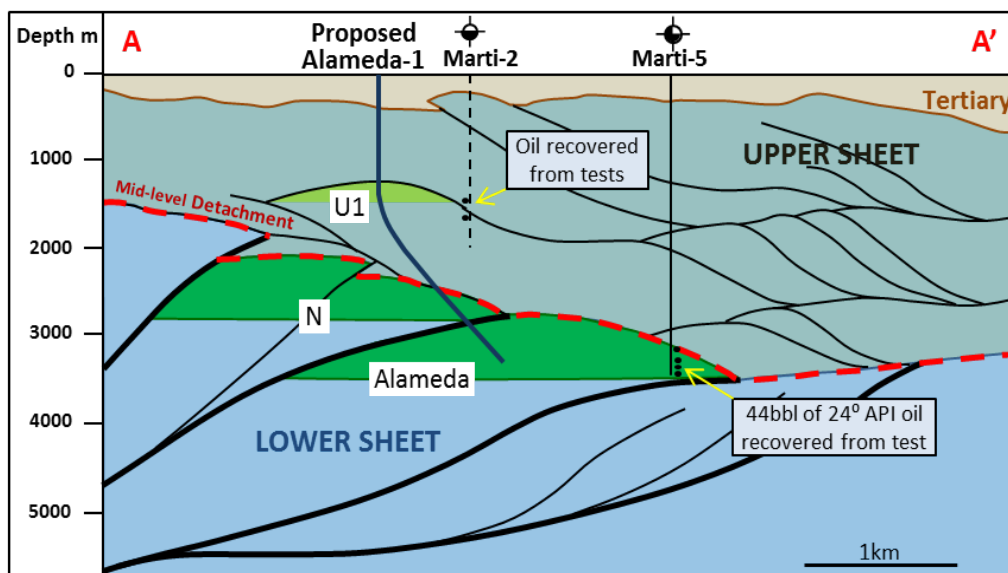


### Alameda Prospect

The Alameda Prospect represents a multi-target exploration drilling opportunity close to historic oil recoveries. The primary objective is in a depth range from 3,000 to 3,700 metres. Alameda-1 is being targeted up dip of known oil at two levels. Marti-5 (drilled in 1988) recovered lighter oil (24°API) and had oil shows over a 850 metre gross interval from the Alameda objective. The Alameda Prospect has a 32% chance of success at the primary objective and contains two shallower secondary objectives.

There is a combined exploration potential of over 2.5 billion barrels Oil-in-Place and 130 million barrels of recoverable oil on a 100% unrisks, best estimate basis.

The Company is currently designing a well to test Alameda with potential for drilling the well in mid-2018 and has estimated 80 days for drilling of the well from commencement of drilling.



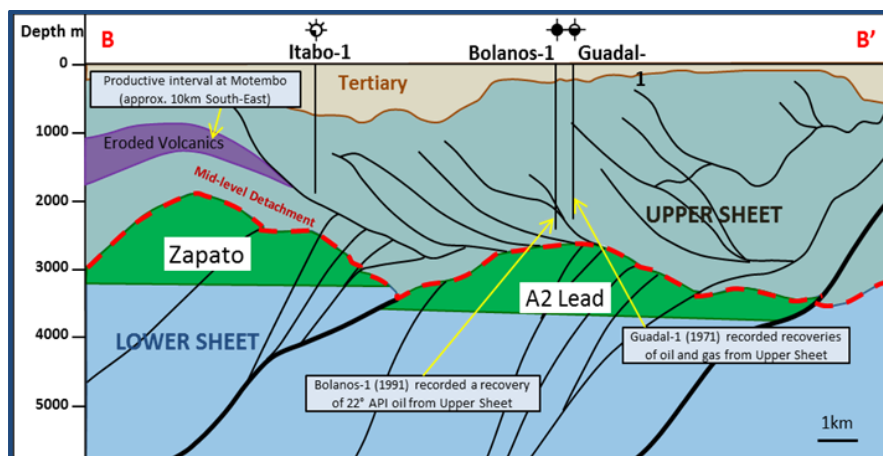
#### Alameda Recoverable Prospective Resources (MMstb)

Objective	Chance of success	Low	Best	High	Mean
U1	17%	2	25	93	38
N	22%	4	41	129	56
Alameda	32%	3	65	214	91

**Prospective Resources Cautionary Statement** - 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. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

#### Zapato Prospect

The Zapato Prospect has multiple structures with a hundred million barrel exploration potential. The Zapato Prospect is a large structure targeting a fractured carbonate objective and is close to the shallower Motembo oil field which historically produced high quality light crude. The proximity to the Motembo oilfield demonstrates a working oil system.



### Zapato Prospective Resource (100%, MMstb)

	Chance of success	Low	Best	High	Mean
Zapato	25%	5	71	297	118
A2 Lead	21%	9	69	213	93

**Prospective Resources Cautionary Statement** - 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. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The Zapato Prospect contains a structural crest at approximately 2,000 metres with nearly 1,000 metres of vertical relief. A2 Lead is a large structure supported by two nearby shallow wells that recovered oil from the upper sheet above the deeper A2 lower sheet target. Results at the Zapato Prospect are independent to those of Alameda-1.

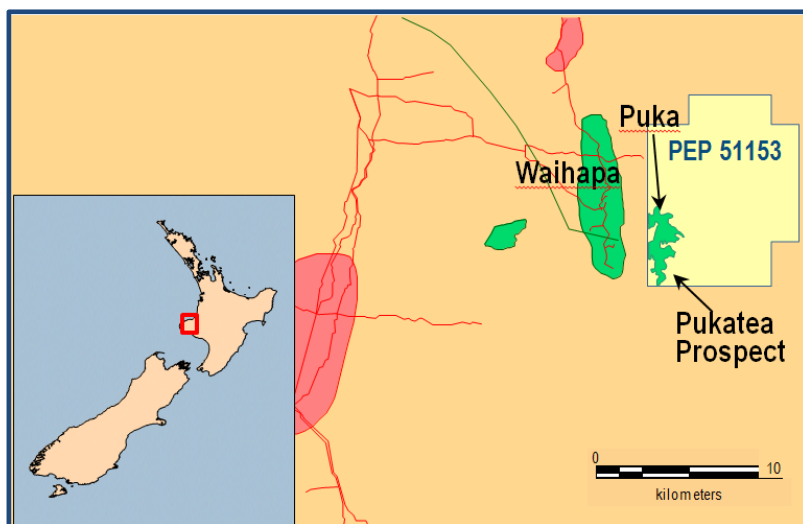
Preliminary drilling design is being undertaken for potential drilling in mid-2018.

### 3.4 New Zealand

#### *PEP51153 overview*

Melbana has a 30% interest in PEP51153, which is operated by TAG Oil Ltd (“TAG” 70%). PEP51153 is located onshore in New Zealand, less than 10km east of TAG’s producing Cheal field. An independent expert values TAG’s 2P reserves in nearby fields at approximately A\$20/barrel<sup>3</sup> on a NPV10 basis.

PEP51153 has Prospective Resources of 12.4 (Best estimate) to 40 million barrels (High estimates, both 100% share). PEP51153 is close to existing infrastructure, with multiple low cost alternative development paths for any discoveries.



Melbana is considering opportunities to reduce funds directed towards New Zealand while retaining exposure to a successful result in the highly prospective Pukatea-1 well.

#### *Pukatea-1*

PEP51153 contains the high impact Pukatea oil prospect with Prospective Resources estimated to range from 1.3 to 40 million barrels (Low-High estimates, 100% share). Pukatea-1 targets a highly productive conventional reservoir in the Tikorangi Limestone directly below the Puka oil pool. The production capability from the Tikorangi Limestone was proven at the adjacent Waihapa oil field with individual initial rates up to 5,000 barrels/day and production in excess of 23 MMstb of oil to date.



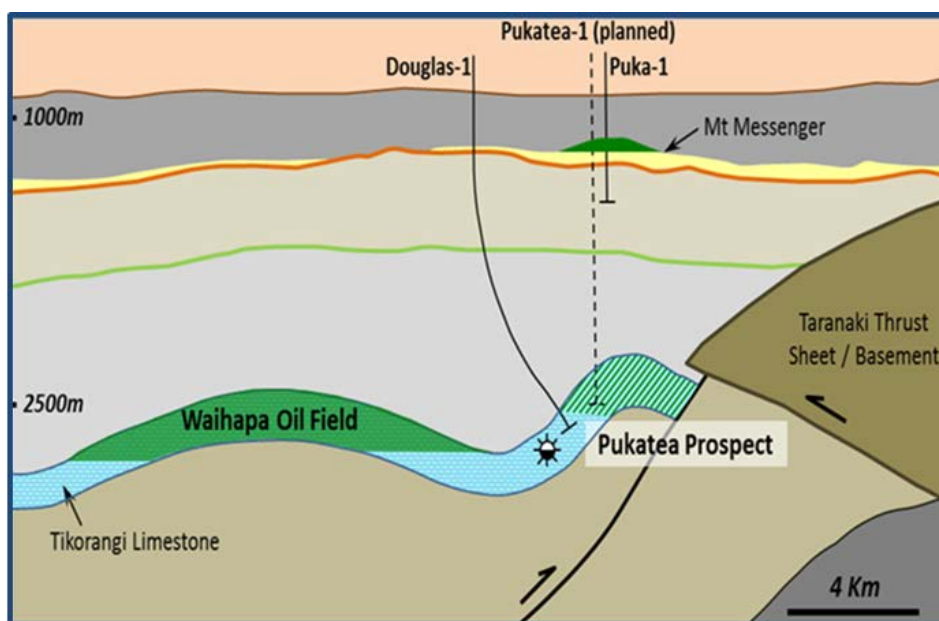
<sup>3</sup> TAG Oil media release of 20 June 2017



A good reservoir and oil shows were demonstrated by 2012 Douglas-1 well which was drilled down-dip at the edge of the Pukatea prospect, with more than 350m of up-dip potential.

The Pukatea prospect offers near term production if successful.

Melbana's share of the dry hole cost of the well is estimated at approximately A\$2.4 million (excluding potential testing). Civil works have commenced and a drilling rig has been secured. An exploration well is currently required to be drilled prior to 23 February 2018, with the Operator advising that drilling is anticipated to commence in mid-January 2018. It is anticipated that it will take approximately 30 days to reach the objective.

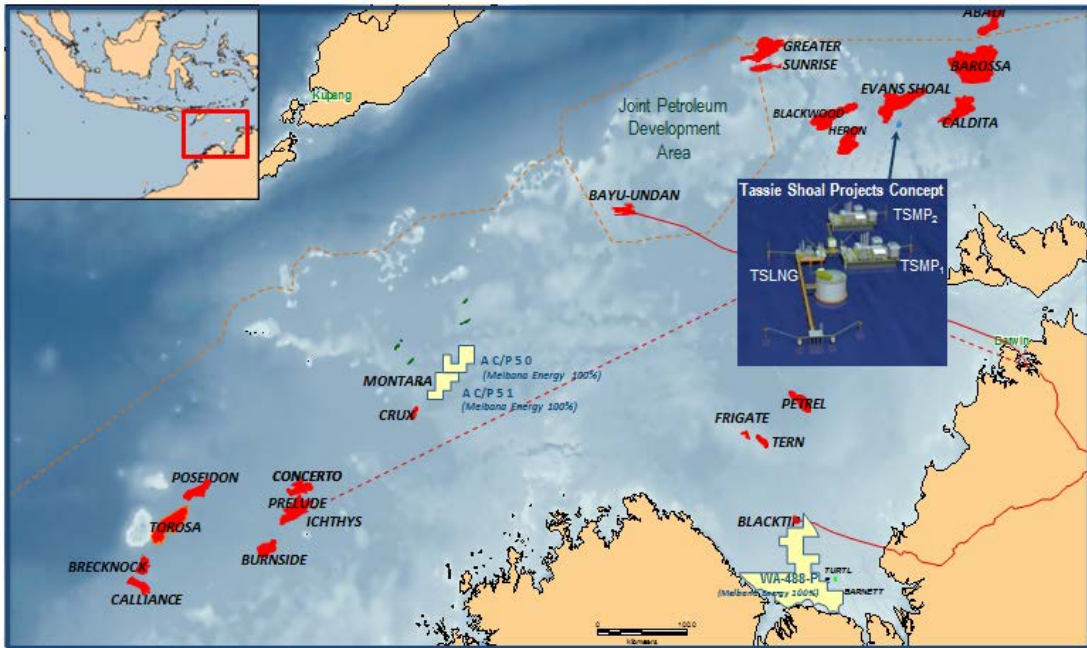


### Prospective Resources (MMboe, 100%)

	Chance of success	Low	Best	Mean	High
Pukatea	19%	1.3	12.4	17.1	40

**Prospective Resources Cautionary Statement** - 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. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

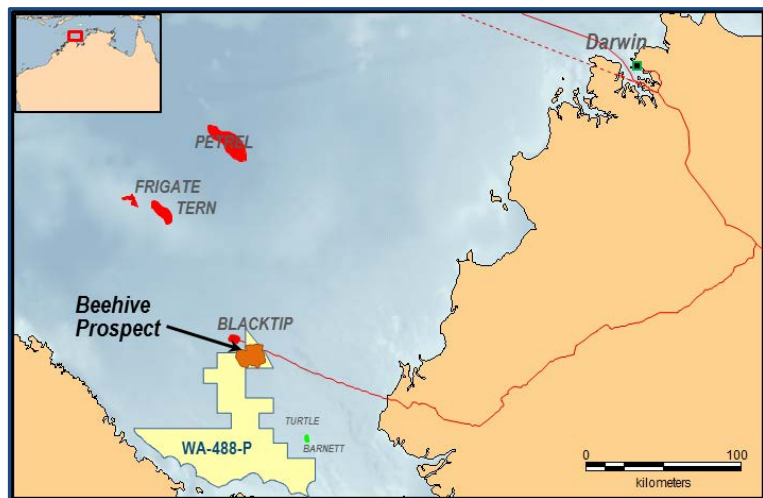
### 3.5 Other Assets



#### Australia – WA-488-P & the Beehive Prospect

The Beehive Prospect is a significant, multi billion barrel oil prospect located on WA-488-P with Prospective Resources estimated to range from 97 to 2,033 million barrels (Low-High estimates). It is potentially the largest undrilled oil prospect offshore Australia.

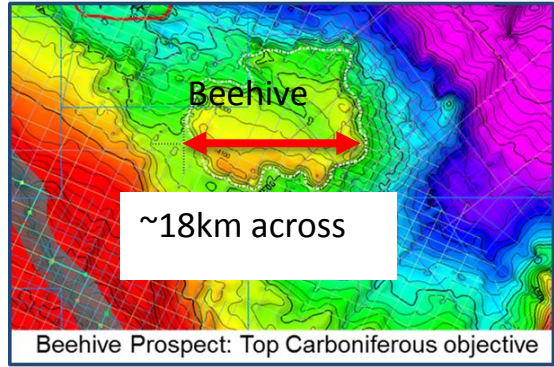
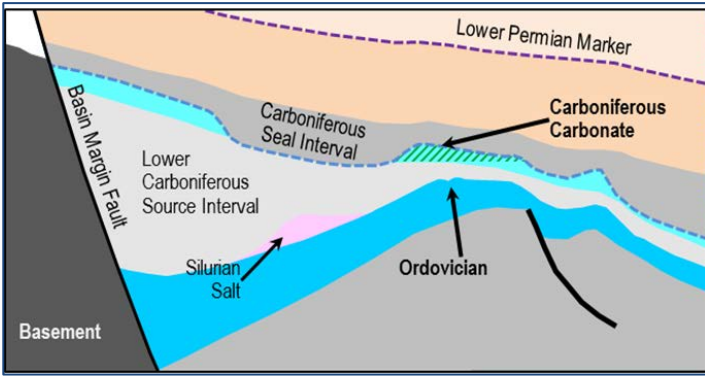
The Beehive Prospect is located in shallow water (approximately 40 metres) which is suitable for a lower cost jack-up drilling rig. It is developable by FPSO or a pipeline.



The prospect reservoir is an isolated carbonate platform of Carboniferous age at a target depth of 4,000 – 4,500m. The carbonate platform is an enormous feature, spanning 18km across (approximately the same as from the Melbourne CBD to the Airport), has mapped closure of approximately 140km<sup>2</sup> and vertical relief of approximately 400 metres.

Recent 2D seismic broadband reprocessing and seismic inversion has substantially enhanced the characterisation of the Beehive Prospect and this 2D seismic reprocessing is being expanded across the rest of the Beehive Prospect.

Farm down negotiations are underway which, if successful, would result in one or more parties farming into WA-488-P to fund future field activities. If the farm down is successful, there is potential to drill Beehive in late 2018/2019.



**Prospective Resources (MMboe, 100%)**

Beehive	Chance of success	Low	Best	Mean	High
Carboniferous objective	16%	97	558	940	2033

**Prospective Resources Cautionary Statement** - 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. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

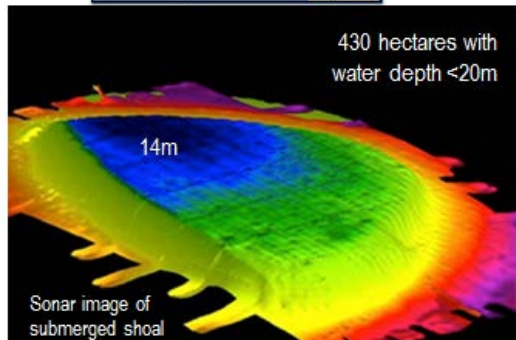
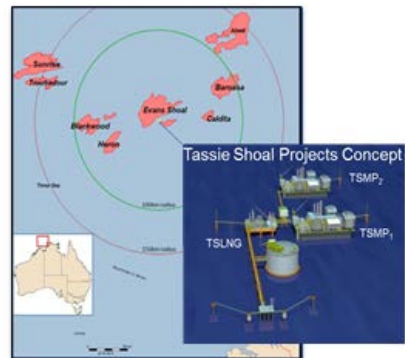
*Australia – Tassie Shoal Projects (Melbana 100%)*

Melbana has a 100% interest in the Tassie Shoal Projects which comprise two methanol and one LNG production facility. The Tassie Shoal Projects are located in shallow water and have innovative low cost development paths for regional stranded gas.

The region has substantial undeveloped high CO<sub>2</sub> gas that needs a low cost development solution. Methanol manufacturing uses gas with high CO<sub>2</sub> (up to 30%) as feedstock for a value added product.

Offshore construction and installation of the Tassie Shoal Methanol Plants (TSMP) and Tassie Shoal LNG (TSLNG) would dramatically reduce capital costs compared to alternatives.

Melbana has developed the concepts for constructing Methanol and LNG plants at Tassie Shoal, with long-dated Federal & State Government Environmental approvals (valid to



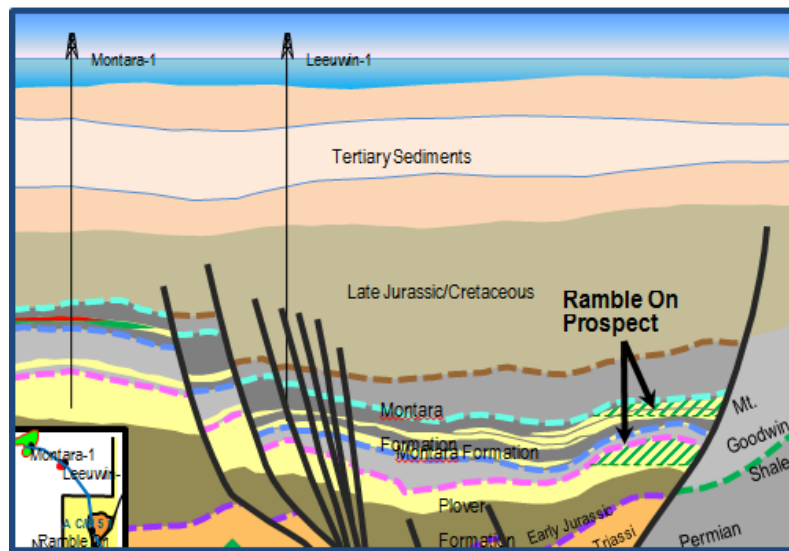
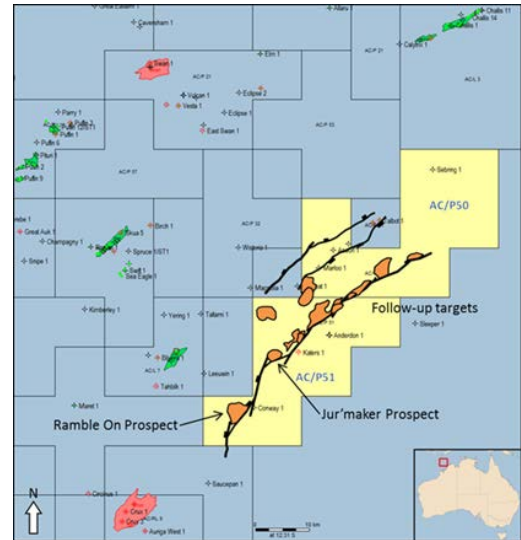
2052) obtained. Melbana has undertaken pre-FEED engineering studies and has established relationships with key technology providers. The Tassie Shoal Projects has a low holding cost with significant potential value.

*AC/P50 & AC/P51 (Melbana 55%<sup>4</sup>): Multiple oil targets*

3D seismic reprocessing has been completed, for which Melbana was free carried. Material oil prospects, Ramble On and Jur'maker, have been identified in a proven petroleum system from modern 3D seismic data and are located in a shallow water area suitable for a lower cost jack-up drilling rig. The potential is highlighted by the Auriga West-1 well which reported to find hydrocarbons in 2015 in a similar play type.

Rouge Rock Pty Ltd has exercised an option to farm in for 45% interest in both permits.

Near term activities include updating prospectivity on reprocessed seismic data, seeking to farm out late in 2017/18 and potential future drilling if farmout is successful.



<sup>4</sup> Subject to option by Far Cape Pte Ltd for a 5% carried participating interest in first well in either permit

**Prospective Resources (100%)\*\***

Ramble On	Chance of success	Low	Best	Mean	High
Oil Scenario (MMstb)	9%	8	39	56	130
Gas Scenario (Bscf)	2%	29	162	461	1,136
<b>Total (MMboe)</b>	<b>11%</b>	<b>8</b>	<b>38</b>	<b>63</b>	<b>150</b>

**Prospective Resources Cautionary Statement** - 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. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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## 4 Risk factors

### 4.1 Introduction

This section identifies the areas the Directors regard as the major risks associated with an investment in the Company. Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Intending investors should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for Shares and Options.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the business of the Company. The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

### 4.2 Risks specific to the Offer

#### ***Potential for significant dilution***

Upon completion of the Offer and Share Placement, assuming all Entitlements are accepted and no existing Performance Rights or Options are exercised prior to the Record Date and that the Share Placement completes, the number of Shares in the Company will increase from 1,131,977,115 (assuming the Share Placement completes) to 1,608,599,058. This increase equates to approximately 30% of all the issued Shares in the Company following completion of the Offer.

This means that each Share will represent a significantly lower proportion of the ownership of the Company. It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer and the Directors do not make any representation to such matters.

The last trading price of Shares on ASX prior to the Prospectus being lodged of \$0.011 is not a reliable indicator as to the potential trading price of Shares following completion of the Offer.

Shareholders should note that if they do not participate in the Offer, and assuming the Share Placement completes, their holdings are likely to be diluted by approximately 30% as a result of the Offer (based on their holdings after completion of the Share Placement). Please refer to section 2.4 of this Prospectus for examples of how the potential dilutionary effect of the Offer may impact Shareholders.

Assuming all Options the subject of the Offer and the Share Placement are exercised (and assuming no existing Options are exercised), the maximum number of Shares that would be issued on exercise of these Options is 218,451,724 Shares.

#### ***Options Risk***

There is no guarantee that the price of Shares will trade above the Exercise Price of the Options proposed to be issued under the Offer at any time during the Exercise Period. As these Options will not be quoted on the ASX, there may not be a liquid market for trading in the Options.

### ***Underwriting Risk***

The Company has entered into the Underwriting Agreement with the Underwriter, who have agreed to partially underwrite the Offer up to the amount detailed in section 5.4 of this Prospectus. The Underwriter could terminate its obligations under the Underwriting Agreement if any of the termination events detailed in section 5.4 of this Prospectus occurs.

If the Underwriter terminates its obligations under the Underwriting Agreement, the Company may not raise the Underwritten Amount under the Offer, and the Company may need to find alternative financing to meet its funding requirements. There is no guarantee that alternative funding could be sourced, either at all or on satisfactory terms and conditions. Termination by the Underwriter of its obligations under the Underwriting Agreement could materially adversely affect the Company's business, cash flow and financial position.

### **Share Placement Risk**

As at the date of this Prospectus, the Share Placement has not completed. If the placees under the Share Placement default on their obligations to provide settlement funds in respect of their confirmations under the Share Placement, the Company may not receive the full settlement funds expected to be received under the Share Placement. As such, there is no guarantee the full amount of the subscription funds under Share Placement will be received by the Company in line with the settlement date of the Share Placement, or at all. This may have a materially adversely effect the Company's business, cash flow and financial position

## **4.3 Risks specific to the Company**

### **Funding Risk**

The oil and gas industry is a capital intensive industry with regulator mandated minimum work program obligations and financial support for those. There can be no assurances that Melbana's planned business activities will in fact be met without future borrowings or further capital raisings, and whether or not such funding will be available and on terms favourable to Melbana. Melbana may be required or elect to issue further equity securities and such equity securities may be issued on terms less favourable to the Company (or not issued at all) depending on the prevailing conditions in equity markets which may result in the dilution of the holdings of current Shareholders. In the event that Melbana is unable to secure farm in partners or raise funds as required, from its shareholders or other sources, it may not be able to take the planned or required actions to execute its plans for its key assets either in part or at all. This may affect the ability of Melbana to retain its key assets and the value of Melbana's interest in these projects. In the event that Melbana is unable to raise sufficient funds to support its minimum business activities, it has a risk of not being a going concern. It is possible that a material uncertainty related to going concern may be disclosed in Melbana's audited financial report for the year ended 30 June 2017. The Company may require additional equity funding to support its operations in the short to medium term.

### **Operating Risks**

#### *Drilling risk*

Drilling operations are high-risk and subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, infrastructure failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production

throughput. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the Melbana's operations and its financial results should any of these hazards be encountered.

#### *Exploration risk*

Development of the Melbana's petroleum exploration properties is contingent upon securing funding and obtaining satisfactory exploration results. Petroleum exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when Melbana's properties are in the exploration phase as opposed to the development phase. There is no assurance that commercial quantities of petroleum will be discovered on Melbana's exploration properties. There is also no assurance that, even if commercial quantities of petroleum are discovered, a particular property will be brought into commercial production.

The discovery of resources is dependent upon a number of factors including the technical skill of the exploration personnel involved. The commercial viability of a particular resource, once discovered, is also dependent upon many factors, some of which include particular attributes of the resource. Drilling of oil and gas wells involves a high degree of risk, especially the risk of a dry hole or of a well that is not sufficiently productive to provide economic return of the capital expended to drill the well. No assurances can be given that if resources are discovered by Melbana, it will be able to commercialise any such resources as intended. In the event a commercial resource is discovered, depending on the type of operation involved, several years may elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of Melbana.

#### *Development risk*

Melbana's development projects may be delayed or be unsuccessful for many reasons, including unanticipated financial, operational or political events, the failure to receive government approvals, whether a final investment decision is reached, cost overruns, decline in petroleum prices or demand, equipment and labour shortages, technical concerns including with respect to Reserves and deliverability difficulties, increases in operational cost structures, contractual issues with securing sales contracts for petroleum products or with engineering procurement and construction contracts, community or industrial actions, changes in construction costs, design requirements and delays in construction or other circumstances which may result in the delay, suspension or termination of the development projects. In addition, the ability of counterparties of the relevant sales contracts to meet their commitments under such arrangements may impact on Melbana's investment in these projects. Development projects to which Melbana is or may become involved are subject to the abovementioned risks (and the other risks outlined in this document), and may adversely affect the commerciality and economics of project development.

#### *Production risk*

The business of petroleum exploration and development is subject to a variety of risks and hazards. Such occurrences may delay production, increase production costs or result in damage to and destruction of petroleum properties or production facilities, personal injury, environmental damage and legal liability.

Ongoing production and commissioning of staged expansions to production may not proceed to plan, with potential for delay in the timing of targeted production and/or a failure to achieve the level of targeted production. In certain circumstances, these



potential delays or difficulties may necessitate additional funding requirements which could lead to additional equity and / or debt requirements for Melbana. In addition to potential delays, there is a risk that capital and/or operating costs will be higher than expected or there will be other unexpected changes in variables upon which expansion and commissioning decisions were made. These potential scope changes and/or cost overruns may also lead to additional funding requirements. Melbana's activities may be affected by numerous other factors beyond Melbana's control. Mechanical failure of Melbana's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect Melbana's operations.

#### *Reserves and resources*

Estimates of Reserves, and Contingent Resources and Prospective Resources are not precise and no assurance can be given that Reserves, Contingent Resources and Prospective Resource estimates will be recovered during production.

Production estimates are dependent on, among other things, the accuracy of Reserves, Contingent Resources and Prospective Resources estimates, the accuracy of assumptions regarding the resource calculations and recovery rates. Reserves, Contingent Resources and Prospective Resources estimates are based on limited sampling. The failure of Melbana to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, access to capital, profitability, results of operations, financial condition and prospects. Commodity price fluctuations, as well as increased production costs or reduced recovery rates, may render Reserves uneconomic and may ultimately result in a restatement of such Reserves. Moreover, short-term operating factors relating to Reserves, such as the need for sequential development of resource bodies and the processing of new or different resource types may cause an operation to be unprofitable in any particular accounting period.

#### *Commodity price risk*

The current and future profitability of Melbana's operations is directly related to the market price of commodities, in particular oil. Commodity prices may substantially impact on the economics of projects and, hence, on exploration and development programs. Commodities and other resource prices fluctuate widely and are affected by numerous factors beyond Melbana's control, including but not limited to global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the US dollar to other currencies, interest rates, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, forward selling by producers, central bank sales and purchases, production and cost levels in major producing regions, global or regional. The aggregate effect of these factors on commodity prices is impossible to predict. Decreases in commodity prices could adversely affect Melbana, including its ability to finance the development of its projects.

#### *Country risk*

Melbana operates in foreign jurisdictions including Cuba and New Zealand. As a result, Melbana is exposed to the political, economic and other risks and uncertainties associated with operating in such countries. These risks and uncertainties may be different for each country and include changing political conditions, changes in regulations and taxation policies, renegotiation or cancellation of existing permits and contracts, currency exchange rates, restrictions on foreign exchange and currency controls, inflation, labour unrest and changes in diplomatic relations. These risks and uncertainties may be unpredictable and could adversely affect the value of the assets or future financial performance of Melbana.

### *Joint ventures*

Melbana participates in several joint venture arrangements and may enter into further joint ventures. Although Melbana has sought, and will seek, to protect its interests, existing and future joint ventures necessarily involve special risks. Whether or not Melbana holds majority interests or maintains operational control in its joint ventures, its partners may:

- (a) have economic or business interests or goals that are inconsistent with, or opposed to, those of Melbana;
- (b) exercise veto rights to block actions that Melbana believes are in its or the joint venture's best interests;
- (c) take action contrary to Melbana's policies or objectives with respect to its investments; or
- (d) be unable or unwilling to fulfil their obligations under the joint venture or other agreements, such as contributing capital to expansion or maintenance projects.

Where projects and operations are controlled and managed by the Melbana's partners, Melbana may provide expertise and advice but it has limited control with respect to compliance with its standards and objectives. Improper management or ineffective policies, procedures or controls could adversely affect the value of related non-managed projects and operations and, by association, damage Melbana's reputation thereby harming Melbana's other operations and access to new assets. While Melbana may seek contractual indemnities from any such partner, no assurance can be given that such indemnities would provide sufficient coverage in the event that a particular project did not meet Melbana's expectations. Melbana does not have the power to control its joint venture partners and counterparties with regard to their rights to exercise options, back in rights or farm-ins over Melbana's projects.

As announced by the Company on 3 September 2015, Petro Australis Limited (**Petro**) has a conditional back in right option to obtain a direct 40% participating interest in the Block 9 PSC with the back in right expiring on 2 September, 2017. In the event that Petro satisfies the necessary Cuban regulatory pre-qualification criteria and exercise the back in right, Melbana would retain a 60% participating interest in Block 9 PSC.

### *Schedule Risks*

The timing of Melbana's planned business activities are subject to potential change due to events beyond the control of Melbana, such as weather, government actions or inaction, industrial action, the availability of key equipment, and the actions of Melbana's joint venture partners. There may also be regulatory delays in Cuba and/or New Zealand associated with the drilling activities required to test Melbana's projects.

### *Competition and substitution*

Significant and increasing competition exists for petroleum acquisition opportunities throughout the world. As a result of this competition, some of which is with large, established petroleum companies with substantial capabilities and greater financial and technical resources, Melbana may be unable to acquire rights to exploit additional attractive petroleum properties on terms it considers acceptable. Accordingly, there can be no assurance that Melbana will acquire any interest in additional operations that would yield Reserves or result in commercial petroleum operations.

### *Dependence on key personnel*

Retaining qualified personnel is critical to Melbana's success. Melbana may face risks from the loss of key personnel, as it may be difficult to secure and retain candidates with appropriate experience and expertise. Melbana intends to review and consider retention and recruitment strategies in relation to key personnel. Despite this, one or more of Melbana's key employees could leave their employment and this may adversely affect Melbana's ability to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of Melbana.

Melbana's success also depends on its ability to identify, attract, accommodate, motivate and retain additional suitably qualified personnel. The number of persons skilled in the acquisition, exploration, development and operation of petroleum properties is limited and competition for such persons is high. As Melbana's business activity grows, it may require additional personnel to meet its growing needs. If Melbana is unable to access and retain the services of a sufficient number of qualified personnel, this could be disruptive to Melbana's development and may materially adversely affect its profitability, financial position and performance and prospects.

#### *Environmental Risk*

Oil and gas exploration, development and production can be hazardous to the environment. If it is responsible for environmental damage, Melbana may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations. Melbana is subject to relevant environmental laws and regulations in connection with its operations, and intends to conduct its activities in an environmentally responsible manner. However, Melbana could be subject to liability due to risks inherent in its activities, such as accidental spills, leakages or other unforeseen circumstances.

#### *Health, safety and hazardous materials*

Health and safety regulation affects Melbana's activities. Oil and gas exploration, development and production are potentially hazardous activities. If any injuries or accidents occur, this could have adverse financial implications for Melbana including legal claims and potential delays or stoppages.

#### *Insurance*

Insurance against all risks associated with oil and gas and exploration and development is not always available and if available the associated costs may be high. Melbana currently has insurance in place which it believes is appropriate to its needs, having regard to what is available on economic terms in the insurance market. However, there is no guarantee that such insurance will be sufficient in all circumstances.

#### *Uninsurable risks*

Melbana may become subject to liability for accidents, pollution and other hazards against which it cannot insure, or which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a material adverse effect on its financial condition and results of operations.

#### *Wars, terrorism, and natural disasters*

Events may occur within or outside Australia that could adversely impact the market for oil and gas, the operations of Melbana or any of its suppliers, service providers and

customers, including war, acts of terrorism, civil disturbance, political intervention and natural activities such as earthquakes, floods, fire and poor weather.

### ***Legal risks and Regulatory Risks***

#### *Permits and tenure*

All licences permits and production sharing contracts in which Melbana has interests are subject to renewal conditions which will be at the discretion of relevant ministries in each country. The maintenance of licences and permits, obtaining renewals, or getting licences and permits granted, often depends on Melbana being successful in obtaining required statutory approvals for proposed activities and/or Melbana satisfying the various financial obligations associated with the ongoing maintenance of such licences and permits, amongst other obligations. There is no assurance that such approvals will be granted as a matter of course and there is no assurance that new conditions will not be imposed in connection with such grant or renewal.

#### *Disputes and litigation*

There are no material ongoing disputes or litigation known to Melbana as at the date of this Entitlement Offer, but the Company may be involved in disputes and possible litigation in the course of its future operations. There is a risk that any material or costly dispute or litigation in the future could adversely affect the value of the assets or future financial performance of Melbana.

#### *Industrial action*

Melbana is reliant on skilled and productive employees and contractors to maintain its development and exploration activities. The Company has taken deliberate steps to be thorough in selecting individuals with such characteristics to be its employees. However, any industrial action by Melbana's employees or its contractors' employees has the potential to disrupt development and exploration activities and may adversely affect the Company's financial performance or financial position.

#### *Compensation*

Melbana may incur costs and liabilities resulting from claims for damages to property or injury to persons arising from Melbana's operations. Melbana must compensate employees for work-related injuries. If the Melbana does not make adequate provisions or is otherwise not adequately insured for its workers' compensation liabilities and is pursued for such sanctions, costs and liabilities, Melbana's business, financial condition and results of operations could be adversely affected.

#### *Contractual arrangements*

Melbana has entered into various contracts and agreements which are important to the future of its business. Any failure by counterparties to perform under those contracts and agreements may have a material adverse effect on Melbana and there can be no assurance that it would be successful in enforcing any of its contractual rights through legal action.

#### *Tax risk*

The Company will be subject to taxation and other imposts in Australia and other jurisdictions in which Melbana has activities and investment interests. Future changes in taxation laws in those countries, including changes in the interpretation or application of existing laws by the courts or applicable revenue authorities in those jurisdictions may

affect the taxation treatment of Melbana's business activities, thereby potentially impacting on the Company's financial condition. In addition to the normal level of income tax imposed on companies in all industries, companies in the petroleum sector are usually required to pay government royalties and indirect taxes and other levies. The profitability of companies in this industry can be adversely affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

#### *Climate change*

The potential impact from climate change, both physical and as a result of new related legislation and regulation, may have an adverse impact on Melbana's operations or financial performance. Increased regulation of greenhouse gas emissions could adversely affect Melbana's costs of operations. Regulatory change by governments in response to greenhouse gas emissions may represent increased costs to Melbana impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of a carbon tax in any jurisdiction in which Melbana operates is likely to raise energy costs and costs of production over the next decade. Regulation of greenhouse gas emissions in the jurisdictions of Melbana's customers could also have an adverse effect on the cost of Melbana's production.

### **General Risks**

#### *Share market conditions*

There are general risks associated with any equity market investments. The trading price of shares in Melbana may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for Melbana Shares declining. Generally applicable factors which may affect the market price of shares include:

- (a) general movements in Australian and international stock markets;
- (b) investor sentiment;
- (c) Australian and international economic conditions and outlook;
- (d) changes in interest rates and the rate of inflation;
- (e) changes in government regulation and policies;
- (f) material announcements in respect of an entity's business or operations; and
- (g) geo-political instability, including international hostilities and acts of terrorism.

No assurances can be given as to the price that the shares of Melbana will trade.

#### *Changes in economic climate*

Economic conditions, both domestic and global, may affect the performance of the Melbana. Adverse changes in macroeconomic conditions, including global and country-specific growth rates, the cost and availability of credit, the rate of inflation, interest rates, exchange rates, government policy and regulations, general consumption and consumer spending, input costs, employment rates and industrial disruptions, among others, are variables which while generally outside the control of Melbana and its directors, may result in material adverse impacts on Melbana's business, financial position and operating results.

#### *Exchange rate risk*

Some of Melbana's assets are located in foreign jurisdictions, with cash flows denominated in foreign currencies. Some of these currencies may be subject to exchange controls and may operate in relatively inefficient markets. Melbana may also source equipment, supplies and services from various foreign countries. Melbana is therefore subject to changes beyond its control due to fluctuations in currency exchange rates. Melbana does not currently engage in active hedging to minimise exchange rate risk.

#### *Risks associated with future growth initiatives*

Historically, Melbana has sought to grow both organically and through mergers and acquisitions. At any time, Melbana may be evaluating one or more potential new investments. In addition, from time to time Melbana may be presented with the potential to increase or decrease its investment in existing assets pursuant to the pre-emptive rights or change of control provisions in respect of the joint ventures to which they are parties. In addition, new investments may not necessarily take the form of investment in further oil and gas assets, but rather may involve diversification into complementary activities or potentially new areas of operation.

There are always risks that the benefits, synergies or efficiencies expected from such investments or growth opportunities may take longer than expected to be achieved or may not be achieved to the extent intended. Any investments pursued could, for a variety of reasons, have a material adverse effect on the value of Melbana.

#### **Other risks**

Additional risks and uncertainties not currently known to Melbana may also have a material adverse effect on Melbana's business and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Melbana.

#### **4.4 Speculative nature of investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares and Options offered under this Prospectus.

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## 5 Additional information

### 5.1 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

The Board has adopted a policy on compliance with the Listing Rules which sets out the obligations of the Directors, officers and employees to ensure the Company satisfies the continuous disclosure obligations imposed by the Listing Rules and the Corporations Act. The policy provides information as to what a person should do when they become aware of information which could have material effect on the Company's securities and the consequences of non-compliance.

### 5.2 Legal framework of this Prospectus

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure (**ED**) securities and the securities are in a class of securities that were quoted ED securities at all times in the 12 months before the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms, a transaction specific prospectus is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the requirements of ASX as applicable to disclosing entities from time to time, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 3 months before the issue of this Prospectus.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

### 5.3 Information available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the application period under this Prospectus:

- (a) the Annual Financial Report for the Company for the year ending 30 June 2016; and
- (b) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Financial Report of the Company for the period ending 30 June 2016 and before the issue of this Prospectus:

Date	Description of Announcement
29 September 2016	MEO Australia – 2016 Corporate Governance Statement
29 September 2016	Appendix 4G – MEO Australia Limited – 2016
29 September 2016	2016 Notice of Meeting & Proxy Form
5 October 2016	MEO Securities as at 5 <sup>th</sup> October 2016
18 October 2016	U.S continues to ease restrictions on Cuba
27 October 2016	2016 Annual Report with Replacement Page 62
27 October 2016	Quarterly activities summary for period ended 30 September 2016
27 October 2016	Quarterly cash flow summary for period ended 30 September 2016
3 November 2016	MEO Annual General Meeting Presentation 2016
3 November 2016	Results of Annual General Meeting 2016
3 November 2016	Company relaunch as Melbana Energy approved by Shareholders
7 November 2016	Melbana Energy to commence trading under new ASX ticker MAY
8 November 2016	Melbana Energy commences trading under new ASX ticker MAY
14 November 2016	Appendix 3Y - Michael Sandy
14 November 2016	Appendix 3B – New Issue Announcement
23 November 2016	Cuba Block 9 Update
28 November 2016	Melbana Energy – WA-488-P Work Program Variation
2 December 2016	Melbana Energy Limited Securities as at 2 December 2016
6 December 2016	Cuba Block 9 Update
14 December 2016	High Impact Pukatea Prospect expected to be drilled in 2017
20 January 2017	Change in substantial holding
30 January 2017	Quarterly cash flow summary for the period ending 31 Dec 2016
30 January 2017	Quarterly Activities summary to 31 Dec 2016
1 February 2017	50% Upgrade to Exploration Potential in Cuba Acreage
1 February 2017	Melbana Corporate Presentation Feb 2017
1 March 2017	High Impact Pukatea Prospect – Drilling Preparation Update
9 March 2017	Half Year Financial Report 31 December 2016
22 March 2017	Cuba Update



Date	Description of Announcement
28 March 2017	Share Options Granted to Melbana Employees
28 March 2017	Appendix 3B – new issue announcement
29 March 2017	Melbana Corporate Presentation March 2017
6 April 2017	Melbana Energy Geosciences Conference Presentation 2017
26 April 2017	Quarterly Cash Flow summary for the period ending 31 March 2017
26 April 2017	Quarterly Activities Summary to 31 March 2017
5 June 2017	Cuba Block 9 PSC Drilling Update
6 June 2017	Melbana Energy Corporate Presentation June 2017
28 June 2017	New Zealand Update – Drilling Preparations Continue
7 July 2017	Change in substantial holding
18 July 2017	Melbana Energy Corporate Presentation July 2017
19 July 2017	Cuba Block 9 Variation Paves Way to Accelerate Drilling
27 July 2017	Farm-in Option Exercised for Offshore Australian Permits
31 July 2017	New Zealand Update
31 July 2017	Quarterly Activities Summary to 30 June 2017
31 July 2017	Quarterly Cash Flow Summary for the period ending 30 June 2017
8 August 2017	Melbana Energy Investor Update
10 August 2017	Change in substantial holding
11 August 2017	Trading Halt

#### 5.4 Underwriting Agreement

Pursuant to an Underwriting Agreement dated 14 August 2017 between the Company and Patersons Securities Limited (**Underwriter**), the Underwriter has agreed to partially underwrite up to 342,000,000 Shares and 114,000,000 Options.

After allocation of the Entitlements taken up by Eligible Shareholders under the Offer (including under the Shortfall Facility) a portion of the Shortfall may be dealt with in accordance with the Underwriting Agreement to the extent that the funds raised from Eligible Shareholders under the Offer, including the Shortfall Facility, is less than the number of Shares and Options underwritten.

The Underwriter has agreed to ensure that neither it nor any other person obtaining a relevant interest will obtain a relevant interest, with its associates, in 20% or more of the Shares as a result of the Offer, Shortfall or any underwriting or sub-underwriting arrangements.

The key terms of the Underwriting Agreement are set out below:

##### **Fees**

The Company will pay the Underwriter 6% (plus GST) on any underwriting, which fee reduces to 4.5% (plus GST) in relation to funds raised from any party on an agreed list not introduced by Patersons Securities Limited (including Melbana Directors but excluding institutions, AFSL holders and any Patersons Securities Limited clients).

In addition, the Company must pay, indemnify and keep indemnified the Underwriter for all costs incurred by the Underwriter in connection with the Offer including reasonable costs of advertising, printing and distributing the Prospectus or any supplementary prospectus, reasonable legal fees and disbursements and the reasonable costs of travel and accommodation, marketing and communication costs.

### ***Condition Precedents***

The obligation for the Underwriter to underwrite the Offer is subject to a number of condition precedents under the Underwriting Agreement. As at the date this Prospectus was sent to Shareholders all condition precedents have been satisfied.

### ***Moratorium***

For a period of 1 month from the date of the Underwriting Agreement (**Moratorium Period**), except with the consent of the Underwriter (such consent not to be unreasonably withheld) the Company must ensure that other than disclosed in the Prospectus or any supplementary prospectus, neither it nor its subsidiaries will do any of the following:

- (a) reduce its capital or otherwise alter its capital structure other than as disclosed in this Prospectus or any supplementary prospectus;
- (b) amend its constitution or any other constituent document (other than as required by the ASX to comply with the Listing Rules, or as required by the Corporations Act);
- (c) pass or take any steps to pass a resolution under section 260A of the Corporations Act;
- (d) dispose or agree to dispose of the whole or a substantial part of its business or property; or
- (e) charge or agree to charge the whole or a substantial part of its business or property other than as contemplated by this Prospectus or any supplementary prospectus.

The Company must also ensure that during the Moratorium Period it does not propose or activate any share buyback scheme or issue or agree to issue any securities, except as disclosed in the Prospectus or any supplementary prospectus, pursuant to the exercise of options or performance rights existing at the date of the Prospectus or any supplementary prospectus or with the prior written consent of the Underwriter (not to be unreasonably withheld).

Further, the Company agrees to use best endeavours to ensure that during the Moratorium Period no current or proposed Director of the Company or its subsidiaries will dispose of any securities held by them as at the date of this Prospectus or any supplementary prospectus.

### ***Warranties***

The Company has given warranties and covenants to the Underwriter which are usual in an agreement of this nature.

### ***Termination***

The Underwriter may terminate the Underwriting Agreement and its obligation thereunder at any time without cost or liability to the Underwriter upon the occurrence of any one or more of the following termination events:

- (a) **(Indices fall)**: any of the All Ordinaries Index or the Standard and Poors / ASX 200 Index as published by ASX is at any time after the date of the Underwriting Agreement 15% or more below its respective level as at the close of business on the business day prior to the date of the Underwriting Agreement;
- (b) **(Share Price)**: the Shares of the Company finish trading on the ASX under the ASX code of "MAY" at 15% below the Offer Price for 7 consecutive days with a minimum aggregate volume of 1% of the Company's issued capital. No underwriting fees are payable if terminated in this context;
- (c) **(Prospectus)**: the Company does not lodge the Prospectus within 2 days of the Lodgement Date or the Offer is withdrawn by the Company;
- (d) **(Copies of Prospectus or supplementary prospectus)** the Company fails to comply with clause 4.1(d) of the Underwriting Agreement and such failure is not remedied within 2 days;
- (e) **(No Official Quotation)**: Official Quotation has not been granted by the Shortfall Notice Deadline Date or, having been granted, is subsequently withdrawn, withheld or qualified;
- (f) **(Supplementary prospectus)**:
  - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in event "Significant Change" (as outlined below in (n)(vi)), forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require;
  - (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter;
- (g) **(Non-compliance with disclosure requirements)**: it transpires that this Prospectus and any supplementary prospectus does not contain all the material information required by the Corporations Act;
- (h) **(Misleading Prospectus or supplementary prospectus)**: it transpires that there is a material statement in this Prospectus or supplementary prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is a material omission from this Prospectus or supplementary prospectus or if any material statement in this Prospectus or supplementary prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus or supplementary prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (i) **(Restriction on allotment)**: the Company is prevented from allotting the Shares and Options the subject of the Offer within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (j) **(Withdrawal of consent to Prospectus and any supplementary prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in this Prospectus or supplementary prospectus or

to be named in this Prospectus or supplementary prospectus, withdraws that consent and their consent is required in order for this Prospectus or supplementary prospectus not to be materially misleading or deceptive;

- (k) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act;
- (l) **(Hostilities)**: subject to the Material Adverse Effect clause (clause 13.2 of the Underwriting Agreement), there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, the United Kingdom, the United States of America, or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (m) **(Authorisation)** other than as disclosed during due diligence or this Prospectus or any supplementary prospectus any authorisation which is material to anything referred to in this Prospectus or supplementary prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (n) **(Indictable offence)**: a director or senior manager of the Company or its subsidiary is charged with an indictable offence;
- (o) **(Termination Events)**: any of the following event(s) occur(s), providing that any such event(s) would have a Materially Adverse Effect (as defined in the Underwriting Agreement and explained further below):
  - (i) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
  - (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
  - (iii) **(Contravention of constitution or Act)**: a contravention by the Company or its subsidiaries of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
  - (iv) **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or its subsidiaries including, without limitation, if any forecast in the Prospectus or supplementary prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
  - (v) **(Error in Due Diligence Results)**: it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
  - (vi) **(Significant change)**: a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;

- (vii) **(Public statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the issue of Shares or Options under this Prospectus or the Prospectus itself or any supplementary prospectus;
- (viii) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the issue of Shares or Options under this Prospectus or any supplementary prospectus or the affairs of the Company or its subsidiaries is or becomes misleading or deceptive or likely to mislead or deceive;
- (ix) **(Official Quotation qualified)**: the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation";
- (x) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (xi) **(Prescribed Occurrence)**: a Prescribed Occurrence occurs;
- (xii) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
- (xiii) **(Event of Insolvency)**: an Event of Insolvency occurs in respect of the Company or its subsidiaries;
- (xiv) **(Judgment against the Company or its subsidiaries)**: a judgment in an amount exceeding \$25,000 is obtained against the Company or its subsidiaries and is not set aside or satisfied within 7 days;
- (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or its subsidiaries, other than any claims foreshadowed in this Prospectus or any supplementary prospectus;
- (xvi) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company or its subsidiaries before Completion without the prior written consent of the Underwriter;
- (xvii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of the Company or its subsidiaries or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or its subsidiaries;
- (xviii) **(Timetable)**: there is a delay in any specified date in the timetable which is greater than 7 business days;
- (xix) **(Force Majeure)**: a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;

- (xx) (**Certain resolutions passed**): the Company or its subsidiaries passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxi) (**Capital Structure**): the Company or its subsidiaries alters its capital structure in any manner not contemplated by this Prospectus or any supplementary prospectus;
- (xxii) (**Investigation**): any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or its subsidiaries; or
- (xxiii) (**Market Conditions**): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The following terms used in this section 5.4 in respect to the Underwriting Agreement are defined in the Underwriting Agreement substantially as follows:

"**Completion**" means the date on which allotment of the last of the Shares and Options the subject of the Offer occurs in accordance with the Prospectus or supplementary prospectus.

"**Controller**" means any person described in section 9 of the Corporations Act.

"**Event of Insolvency**" means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, Controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
  - (i) appointing a person referred to in paragraphs (a) or (b);
  - (ii) winding up a corporation; or
  - (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable Act to be, insolvent or unable to pay its debts; or

- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

**"Material Adverse Effect"** means:

- (a) a material adverse effect on the outcome of the Offer or on the subsequent market for the Shares the subject of the Offer (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in the Shares the subject of the Offer); or
- (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries either individually or taken as a whole; or
- (c) the Underwriter's obligations under the Underwriting Agreement becoming materially more onerous than those which exist at the date of the Underwriting Agreement; or
- (d) a material adverse effect on the tax position of either the Company and its subsidiaries either individually or taken as a whole or an Australian resident shareholder in the Company.

**"Moratorium Period"** means the period of one (1) month from the date of the Underwriting Agreement.

**"Prescribed Occurrence"** means:

- (a) the Company or a subsidiary of it converting all or any of its shares into a larger or smaller number of shares;
- (b) the Company or a subsidiary of it resolving to reduce its share capital in any way;
- (c) the Company or a subsidiary of it:
  - (i) entering into a buy-back agreement or;
  - (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act;
- (d) the Company or a subsidiary of it making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option, other than an issue or agreement to issue in accordance with the Offer or the terms of the Underwriting Agreement;
- (e) the Company or a subsidiary of it issuing, or agreeing to issue, convertible notes;
- (f) the Company or a subsidiary of it disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) the Company or a subsidiary of it charging, agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) the Company or a subsidiary of it resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator to the Company or a subsidiary of it;

- (j) the making of an order by a court for the winding up of the Company or a subsidiary of it;
- (k) an administrator of the Company or a subsidiary of it, being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) the Company or a subsidiary of it executing a deed of company arrangement; or
- (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of the Company or a subsidiary of it.

“**Shortfall Notice Deadline Date**” means the date by which the Company must give the Underwriter written notice of the Shortfall Shares and Shortfall Options accompanied by a certificate.

## 5.5 Corporate Governance

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent that they are applicable to the Company, the Board has adopted the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has disclosed the reasons for the departure in its Corporate Governance Statement for the financial year ended 30 June 2016. This can be found in the Annual Financial Report for the Company for the financial year ended 30 June 2016.

A summary of the Company's corporate governance policies and procedures is available on the Company's website at 30 June 2017.

## 5.6 Rights attaching to Shares

The Shares to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company.

Full details of the rights attaching to the Company's Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office.

The following is a summary of the principal rights which attach to the Company's Shares:

### (a) Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her, and a proportionate vote for every Share, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairman of the meeting, by any five Shareholders entitled to vote on the particular resolution present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the Shares of all those Shareholders having the right to vote on the resolution.



(b) Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or a written transfer in any other usual form or in any other form approved by the Directors.

The Directors of the Company may refuse to register any transfer of Shares, (other than a market transfer) where the Company is permitted or required to do so by the Listing Rules or the ASX Settlement Operating Rules or the transfer is not in registrable form. The Company must not prevent, delay or interfere with the registration of a proper market transfer in a manner which is contrary to the provisions of any of the Listing Rules or the ASX Settlement Operating Rules.

(c) Meetings and notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution of the Company, the Corporations Act or the Listing Rules.

(d) Liquidation rights

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) Shareholder liability

As the shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days' written notice, specifying the intention to propose the resolution as a special resolution must be given.

(g) ASX Listing Rules

If the Company is admitted to the Official List, then despite anything in the Constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## 5.7 The terms and conditions of the Options are:

- (a) Each Option entitles the holder to subscribe for one Share in the Company upon the payment of \$0.02 (**Exercise Price**).
- (b) The Options will expire on 31 August 2018.
- (c) The Options are transferable.
- (d) The Company will not apply for the Options to be quoted on ASX.
- (e) There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
- (f) Option Holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 3 business days before books closing date to exercise the Options.
- (g) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the rights of the Option Holders will be changed to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation, but in all other respects the terms of exercise will remain unchanged.
- (h) The Options shall be exercisable at any time before the Expiry Date (**Exercise Period**) by the delivery to the registered office of the Company of a notice in writing (**Notice**) stating the intention of the Option Holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by the Option Holder.
- (i) The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
- (j) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary Shares of the Company in all respects.
- (k) If there is a bonus share issue (**Bonus Issue**) to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.
- (l) If there is a pro rata issue (other than a bonus issue) to the holders of Shares during the currency of, and prior to the exercise of any Options, the Exercise Price of an Option will be reduced according to the formula provided for in the Listing Rules (whether or not the Company is listed on ASX at the time).

- (m) The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

## 5.8 Litigation

As at the date of this Prospectus, save as noted above, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

## 5.9 Interests of Directors

- (a) Directors' holdings

At the date of this Prospectus the relevant interest of each of the Directors in the securities of the Company are as follows:

Director	Number of Shares		Number of Performance Rights	
	Direct	Indirect	Direct	Indirect
Mr Michael Sandy	-	1,716,667 <sup>1</sup>	-	-
Mr Peter Stickland	-	5,870,367 <sup>2</sup>	5,333,333 <sup>3</sup>	-
Mr Andrew Purcell	-	2,388,198 <sup>4</sup>	-	-

**Notes:**

- 1 1,716,667 Shares held by Cresta Vista Pty Ltd as Trustee for the Sandyburns Superannuation Fund.
- 2 5,870,367 Shares held by Mrs Susan Jane Stickland. Mrs Susan Jane Stickland is the spouse of Mr Peter Stickland.
- 3 5,333,333 Performance Rights were issued to Mr Peter John Stickland under the Company's Long Term Incentive Plan. The Performance Rights vested, and became exercisable on 30 November 2016 and will expire on 29 November 2018. There is no price payable on exercising the Performance Rights.
- 4 2,388,198 Shares held by Mrs Amanda Jane Purcell. Mrs Amanda Jane Purcell is the spouse of Mr Andrew Purcell.

It is the current intention each of the Directors, to subscribe for all of their Entitlements offered under this Prospectus. All Directors may or may not purchase additional Shares prior to the Record Date.

As announced by the Company on 28 March 2017, the Board has agreed to issue Mr Peter Stickland, Managing Director and Chief Executive Officer of the Company, 3,000,000 Options, each with an exercise price of \$0.032 and expiring on 27 September 2020, subject to shareholder approval.

Any participation by Directors in Shortfall will be subject to shareholder approval (except where a Director is participating in the Shortfall as a sub-underwriter).

- (b) Remuneration of Directors

The Constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting (which is currently \$500,000 per annum).

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Details of remuneration provided to Directors and their associated entities during the financial years ended 30 June 2016 and 30 June 2017 and the current financial year 1 July 2017 to 31 August 2017 are as follows:

Director	Financial Year End	Fees/ Salaries (including leave entitlements (\$))	Superannuation (\$)	Other non-monetary remuneration (\$)²	Total (\$)
Mr Andrew Purcell²	2018¹	16,667	-	-	16,667
	2017	81,250	-	-	81,250
	2016	41,941	-	-	41,941
Mr Michael Sandy²	2018¹	12,500	-	-	12,500
	2017	56,250	-	-	56,250
	2016	33,582	-	-	33,582
Mr Peter Strickland	2018¹	59,984	6,682	-	66,666
	2017	351,339	19,616	33,333³	404,288
	2016	340,420	30,000	46,667³	417,087
Mr Stephen Hopley⁴	2018¹	-	-	-	-
	2017	-	-	-	-
	2016	18,392	1,747	-	20,139
Mr Gregory Short⁵	2018	-	-	-	-
	2017	-	-	-	-
	2016	29,807	2,832	-	32,639

**Notes:**

- 1 Amounts for 2018 include remuneration paid and payable for the period from 1 July 2017 to 31 August 2017.
- 2 Messrs Andrew Gerard Purcell and Michael John Sandy were appointed as directors of the Company on 30 July 2015.
- 3 \$33,333 and \$46,667 attributable to Performance Rights issued to Mr Peter John Stickland under the Company's Long Term Incentive Plan.
- 4 Mr Stephen Wade Hopley retired as non-executive director on 25 November 2015.
- 5 Mr Gregory Allen Short resigned as Chairman and non-executive director on 25 November 2015.
- 6 The total non-executive remuneration for the FY16 financial year was \$128,301.
- 7 FY2017 and July to August 2017 remuneration is unaudited.

(c) Non-Executive Director Arrangements

Mr Andrew Purcell and Mr Michael Sandy are engaged as Non-Executive Directors with Melbana via consulting contracts with entities associated with them respectively (**Consulting Contracts**). The Consulting Contracts nominate the commencement date of their appointment and that either party may terminate the contract by written notice. Payments to these Directors are governed by Board resolution from the shareholder approved non-executive Director remuneration pool.

(d) Director Sub-underwriting

Mr Peter Stickland (Director of the Company) has entered into an agreement with the Underwriter to sub-underwrite the Offer up to \$20,000. Mr Andrew Purcell (Non-Executive Director, Chairman) has, through his controlled entity M&A

Advisory Pty Limited, entered into an agreement with the Underwriter to sub-underwrite the Offer to \$1,000,000. Mr Michael Sandy (Non-Executive Director) has, through his controlled entity Sandy Associates Pty Ltd, entered into an agreement with the Underwriter to sub-underwrite the offer to \$20,000.

The Underwriter will pay to Mr Stickland, and to Messrs Purcell and Sandy through their controlled entities, a sub-underwriting fee equal to 1.25% of their respective sub-underwritten amounts.

(e) Directors' interests

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (i) the formation or promotion of the Company;
- (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (iii) the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

The Company has paid insurance premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of a Director.

## 5.10 Interests of named persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Patersons Securities Limited is a joint lead manager and Underwriter to the Offer. Patersons Securities Limited will be paid 6% (plus GST) on any Shortfall Placement and Underwriting, which fee reduces to 4.5% (plus GST) in relation to funds raised from any

party on an agreed list not introduced by Patersons Securities Limited who have participated directly (including Melbana Directors but excluding institutions, AFSL holders and any Patersons Securities Limited clients). Patersons Securities Limited will not receive a fee on funds raised through the take up of Entitlements by Eligible Shareholders (including funds raised under the Shortfall Facility). Patersons Securities Limited provided other professional services to the Company (or its wholly owned subsidiaries) during the last two years for which the Company has paid fees totalling approximately \$50,000 (plus GST). Patersons Securities Limited and its related entities do not hold any Shares or Options beneficially as at the date of this Prospectus.

Hartleys Limited is a joint lead manager to the Offer. Hartleys Limited will be paid a fee of 2.5% (plus GST) of the amount raised under the Offer (including the Shortfall Facility) and a fee of 6% (plus GST) of the amount raised under any subsequent Shortfall Placement to clients of Hartleys Limited (reduced to 1% (plus GST) for any Shortfall Placement to parties that are Melbana substantial shareholders or not introduced by Hartleys Limited, and no fee is payable for any Shortfall Placement to the Board, Company management and their associates who have participated directly (with the exception of institutions, and AFSL holders). Melbana has also conditionally agreed to issue Options to Hartleys Limited as noted in section 2.3 of this Prospectus. Hartley's Limited has provided other professional services to the Company (or its wholly owned subsidiaries) during the last two years for which the Company has paid fees totalling approximately \$229,000 (plus GST).

Gilbert + Tobin has acted as solicitors to the Company in relation to the Offer. The Company will pay approximately \$25,000 (plus GST) to Gilbert + Tobin for these services. Gilbert + Tobin has provided other professional services to the Company (or its wholly owned subsidiaries) during the last two years for which the Company has paid fees totalling approximately \$87,318 (plus GST).

Ernst & Young are the auditors to the Company. They have provided audit services to the Company during the last two years for which the Company has paid \$70,000 (plus GST) for the financial year ended 30 June 2016 and \$74,000 (plus GST) for the financial year ended 30 June 2015. Fees totalling \$20,000 (plus GST) were paid for the review for the half-year financial report ending 31 December 2016.

## **5.11 Consents**

Each of the other parties referred to in this section 5.11:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this section; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (a) Patersons Securities Limited, as Underwriter to the Offer;

- (b) Mr Peter Stickland, M&A Advisory Pty Limited and Sandy Associates Pty Limited as sub-underwriters to the Offer;
- (c) Patersons Securities Limited and Hartleys Limited, as the Joint Lead Managers to the Offer;
- (d) Gilbert + Tobin as solicitors to the Company in relation to the Offer; and
- (e) Ernst & Young as auditors of the Company.

Ernst & Young consents to being named as auditor of the Company in the form and context in which it is named. Ernst & Young had not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Link Market Services Limited has had no involvement in the preparation of any part of the Prospectus other than being named as the Company's share registry. Link Market Services has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of the Prospectus.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

#### 5.12 Contingent Resources, Prospective Resources and Exploration Targets

The information in this prospectus that relates to Contingent Resources, Prospective Resources and Exploration Targets for Melbana Energy is based on, and fairly represents, information and supporting documentation compiled by Mr Peter Stickland, the Managing Director and Chief Executive Officer of Melbana. Mr Stickland B.Sc (Hons) has over 25 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 Contingent Resource, Prospective Resource and Exploration Target estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules.

#### 5.13 Expenses of the Offer

The estimated expenses of the Offer are as follows:

Expense	\$	\$
	<b>Full Subscription</b>	<b>Underwritten Amount only</b>
ASIC fees	2,400	2,400
ASX fees	14,000	11,500
Underwriter fees	142,800	142,800
Joint Lead Managers' fees	166,000	132,300
Legal expenses	25,000	25,000
Printing and other expenses	50,000	50,000

Share registry fees	28,200	28,200
<b>Total</b>	<b>\$428,400</b>	<b>\$392,200</b>



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## 6 Directors' authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated: 15 August 2017

Peter Stickland

**Managing Director & Chief Executive Officer**  
For and on behalf of  
**Melbana Energy Limited**

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## 7 Defined terms

<b>A\$ and \$</b>	Australian dollars, unless otherwise stated
<b>AFSL</b>	Australian financial services licence
<b>Applicant</b>	a person who submits an Entitlement and Acceptance Form
<b>Application Form</b>	an Entitlement and Acceptance Form, as the context requires
<b>Application Monies</b>	has the meaning given to it in the Chairman's letter
<b>ASX Settlement</b>	ASX Settlement Pty Ltd (ABN 49 008 504 532)
<b>ASX Settlement Operating Rules</b>	the operating rules of the settlement facility provided by ASX Settlement as amended from time to time
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires
<b>Board</b>	the board of Directors
<b>Bonus Issue</b>	has the meaning given to it in section 5.7
<b>Bonus Share</b>	has the meaning given to it in section 5.7
<b>Business Day</b>	has the meaning given to it in the Listing Rules
<b>boe</b>	barrels of oil equivalent
<b>Closing Date</b>	6 September 2017 (unless extended or withdrawn)
<b>Constitution</b>	the constitution of the Company as at the date of this Prospectus
<b>Contingent Resources</b>	has the meaning given to it in the Listing Rules
<b>Directors</b>	the directors of the Company as at the date of this Prospectus
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Corporations Regulations</b>	Corporations Regulations 2001 (Cth)
<b>Eligible Shareholder</b>	a Shareholder whose details appear on the Register as at the Record Date, who is not an Excluded Shareholder and is eligible under all applicable securities laws to receive the Offer
<b>Entitlement</b>	the entitlement of an Eligible Shareholder to apply for Shares and Options pursuant to the Offer
<b>Entitlement and Acceptance Form</b>	the entitlement and acceptance form either attached to or accompanying this Prospectus
<b>EST</b>	Australian Eastern Standard Time
<b>Exercise Period</b>	has the meaning given to it in section 5.7
<b>Exercise Price</b>	has the meaning given to it in section 5.7
<b>Excluded Shareholder</b>	a Shareholder who does not reside in Australia, New Zealand, Singapore, Canada or the British Virgin Islands or is not eligible under all applicable securities laws to subscribe under the Offer.
<b>Exploration Targets</b>	has the meaning given to that term in the Listing Rules.
<b>Hartleys Options</b>	has the meaning given to it in section 2.3(b)
<b>Hartleys Period</b>	has the meaning given to it in section 2.3(b)

<b>Listing Rules</b>	the Listing Rules of ASX
<b>Melbana or the Company</b>	Melbana Energy Limited (ACN 066 447 952)
<b>MMboe</b>	1 million boe using conversion factors: 6 billion standard cubic feet ( <b>Bscf</b> ) of gas equals 1 MMboe and 1 barrel of condensate equals 1 boe
<b>MMstb</b>	1 million stock tank barrels of oil
<b>Notice</b>	has the meaning given to it in section 5.7
<b>Offer</b>	the non-renounceable entitlement offer of Shares and Options pursuant to this Prospectus
<b>Offer Price</b>	\$0.01 per Share
<b>Official List</b>	the Official List of the ASX
<b>Official Quotation</b>	the grant by ASX of "Official Quotation" (as that term is defined and used in the Listing Rules) of the Shares under the Offer when allotted which if conditional may only be conditional on the allotment of those Shares.
<b>Option</b>	an option to acquire a Share
<b>Option Holder</b>	a holder of an Option
<b>Performance Rights</b>	a right to acquire a share subject to the satisfaction of specified performance conditions during the performance period
<b>Reserve</b>	has the meaning given to 'petroleum reserves' in the Listing Rules
<b>Petro</b>	Petro Australis Limited
<b>Placement Shares</b>	Shares agreed to be issued under the Share Placement
<b>Prospective Resources</b>	has the meaning given to it in the Listing Rules
<b>Prospectus</b>	this prospectus
<b>Record Date</b>	7.00pm (Melbourne time) Friday, 18 August 2017
<b>Register</b>	the register of Shareholders
<b>Share</b>	an ordinary fully paid share in the capital of the Company
<b>Shareholder</b>	the registered holder of a Share
<b>Share Placement</b>	the placement of Shares and Options announced by the Company on 15 August 2017
<b>Shortfall</b>	the Shares and Options offered by this Prospectus not accepted by Eligible Shareholders
<b>Shortfall Facility</b>	has the meaning given to it in the Chairman's letter
<b>Shortfall Placement</b>	the offer of the Shortfall on the terms and conditions set out in Section 1.8
<b>Shortfall Options</b>	the Options offered by this Prospectus, not accepted by Eligible Shareholders
<b>Shortfall Shares</b>	the Shares offered by this Prospectus, not accepted by Eligible Shareholders
<b>Underwriter</b>	Patersons Securities Limited
<b>Underwriting Agreement</b>	means the underwriting agreement entered into by the Company and Patersons Securities Limited dated 14 August 2017

<b>Underwritten Amount</b>	\$3,420,000
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ABN 43 066 447 952

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 135 403
From outside Australia: +61 1300 135 403
ASX Code: MAY
Website: www.linkmarketservices.com.au

SRN/HIN:

Entitlement Number:

Number of Eligible Shares and Options held as at the Record Date, 7:00pm (AEST) on 18 August 2017:

Entitlement to New Shares and Options (on a 1 New Share for 2 basis):

Amount payable on full acceptance at A\$0.01 per Share:

Offer Closes 5:00pm (Melbourne time)\*: 6 September 2017

\*Unless otherwise extended or withdrawn

ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 1 New Share for every 2 Existing Shares that you hold on the Record Date, at an Offer Price of A\$0.01 per New Share. For every 3 New Shares issued under the Offer, you will also receive 1 free attaching unquoted option over Shares with an exercise price of \$0.02 and expiring on 31 August 2018 (Options). You may also apply for additional New Shares and Options in excess of your Entitlement at the same issue price of \$0.01 per Share. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Offer is being made under the Prospectus dated 15 August 2017. The Prospectus contains information about investing in the New Shares and Options. Before applying for New Shares and Options, you should carefully read the Prospectus. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling Melbana Energy Limited on 1300 135 403 (within Australia) or +61 1300 135 403 (from outside Australia).

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares and Options, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®. Payment must be received via BPAY® before 5:00pm (Melbourne time) on 6 September 2017\*. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of New Shares and Options subject of your application payment.

OPTION 2: PAYING BY CHEQUE OR BANK DRAFT

If paying by cheque or bank draft, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (Melbourne time) on 6 September 2017\*.



Biller Code: 615781

Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

® Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.



ABN 43 066 447 952

Please detach and enclose with payment



SRN/HIN:

Entitlement Number:

A Number of New Shares accepted (being not more than your Entitlement shown above)

Input field for A

B Number of additional New Shares

Input field for B

C Total number of New Shares accepted (add Boxes A and B)

Input field for C

D PLEASE INSERT CHEQUE OR BANK DRAFT DETAILS – Cheques or bank drafts must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Melbana Energy Limited" and crossed "Not Negotiable".

Form for cheque details: Drawer, Cheque Number, BSB Number, Account Number, Amount of Cheque (A\$)

E CONTACT DETAILS – Telephone Number

Input field for Telephone Number

Telephone Number – After Hours

Input field for Telephone Number - After Hours

Contact Name

Input field for Contact Name

# MELBANA ENERGY LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia, New Zealand, British Virgin Islands, Singapore and Canada. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire New Shares and Options in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

## ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Shares and Options acquired by you and agree to be bound by the Constitution of Melbana Energy Limited.

## HOW TO APPLY FOR NEW SHARES AND OPTIONS

### 1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: [www.bpay.com.au](http://www.bpay.com.au)

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.01.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares and Options that you wish to apply for in respect of that holding.

### 2. IF PAYING BY CHEQUE OR BANK DRAFT

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

#### A. Acceptance of New Shares and Options

Enter into section A the number of New Shares and Options you wish to apply for. The number of New Shares and Options must be equal to or less than your Entitlement, which is set out overleaf.

#### B. Application for Additional New Shares and Options

You can apply for more New Shares and Options than your Entitlement. Please enter the number of **additional** New Shares and Options above your Entitlement for which you wish to apply into Box B. Your Application for additional New Shares and Options may not be successful (wholly or partially). The decision of Melbana Energy Limited on the number of New Shares and Options to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

#### C. Total Number of New Shares and Options Subscribed for

To calculate total number of New Shares and Options subscribed for, add Box A and Box B and enter this in Box C.

#### D. Cheque or bank draft details

Enter your cheque or bank draft details in section D. Cheques or bank drafts must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Melbana Energy Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque for the incorrect amount, Melbana Energy Limited may treat you as applying for as many New Shares and Options and Additional New Shares and Options as your cheque or bank draft will pay for.

#### E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares and Options, if necessary.

### 3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Shares and Options may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

#### Mailing Address

Melbana Energy Limited  
C/- Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001

#### Hand Delivery

Melbana Energy Limited  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138 *(Please do not use this address for mailing purposes)*

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (Melbourne time) on 6 September 2017 (unless otherwise extended or withdrawn). Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Melbana Energy Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

If you require further information on how to complete this Entitlement and Acceptance Form, please contact Melbana Energy on 1300 135 403 (within Australia) or +61 1300 135 403 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.