

BY E-LODGEMENT

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, North Tower, Rialto
525 Collins Street
Melbourne VIC 3000
10 September 2019

Dear Sir/Madam

Off-market takeover bid by Melbana Energy Limited for Metgasco Limited


Bidder's statement

We refer to the off-market takeover bid by Melbana Energy Limited ACN 066 447 952 (**Melbana Energy**) for all of the ordinary shares in Metgasco Limited ACN 088 196 383 (**Metgasco**).

We attach, by way of service pursuant to item 5 of section 633(1) of the *Corporations Act 2001* (Cth), a copy of the Melbana Energy's bidder's statement in relation to Melbana Energy's off-market takeover bid for all of the ordinary shares in Metgasco Limited ACN 088 196 383 (**Metgasco**).

The bidder's statement was lodged with the Australian Securities & Investments Commission and Metgasco earlier today.

Yours faithfully,
Melbana Energy



Melanie Leydin
Company Secretary

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.



Bidder's Statement

Accept the Offer

by

Melbana Energy Limited

ABN 43 066 447 952

to purchase all of your ordinary shares in

Metgasco Limited

ABN 24 088 196 383

Melbana Energy Limited Offer Information Line

1300 306 413 (toll free for callers within Australia)

+61 1300 306 413 (for callers outside Australia)

The Offer closes at 7.00pm (Sydney time) on [●], unless extended

Important notices

Nature of this document

This Bidder's Statement is issued by Melbana Energy Limited ABN 43 066 447 952 (**Melbana Energy**) under Part 6.5 of the Corporations Act 2001 and sets out certain disclosures required by the Corporations Act together with the terms of the offer to acquire your Metgasco Ltd shares (**Offer**).

A copy of this Bidder's Statement was lodged with ASIC and provided to ASX on 10 September 2019. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Bidder's Statement or the merits of the offer.

Investment advice

In preparing this Bidder's Statement, Melbana Energy has not taken into account the individual objectives, financial situation or needs of individual Metgasco Shareholders. Accordingly, before deciding whether or not to accept the Offer, you may wish to consult with your financial, tax or other professional adviser.

Disclaimer as to forward looking statements

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. You should be aware that such statements are based on Melbana Energy's current predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which members of the Metgasco Group and Melbana Energy Group operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Melbana Energy, its related bodies corporate or any of the officers or employees of any of them, nor any persons named in this Bidder's Statement, with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

Implied value of the Offer

The implied value of the Offer will vary with the market price of Melbana Shares. Further information on the implied value of the Offer is contained in this Bidder's Statement.

Disclaimer as to Metgasco Ltd and Combined Group information

The information on Metgasco, Metgasco's securities and the Metgasco Group contained in this Bidder's Statement has been prepared by Melbana Energy using publicly available information. Further, the information in this Bidder's Statement concerning Metgasco and the assets and liabilities, financial position and performance, profits and losses and prospects of the Metgasco Group has not been independently verified by Melbana Energy. Accordingly, subject to the Corporations Act, Melbana Energy does not make any representation or warranty (express or implied) as to the accuracy or completeness of any such information.

The information on the Combined Group contained in this Bidder's Statement, to the extent that it incorporates or reflects information on Metgasco and the Metgasco Group, has also been prepared using publicly available information. Accordingly, such information is subject to the foregoing disclaimer.

Further information relating to Metgasco business may be included in Metgasco's Target Statement which Metgasco must provide to Metgasco Shareholders in response to this Bidder's Statement.

Foreign jurisdictions

Melbana Energy Shares will only be issued under the Offer to Metgasco Shareholders with a registered address in Australia and its external territories or New Zealand.

Foreign Shareholders will not be entitled to Melbana Energy Shares as part of the Offer Consideration. Instead, the Melbana Energy Shares to which they would otherwise be entitled will be issued to the Nominee and offered for sale, with the net proceeds of such sale provided to Foreign Shareholders (refer to section 9.14).

The distribution of this Bidder's Statement in jurisdictions outside Australia may be restricted by law, and persons who come into possession of it 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 Bidder's Statement does not constitute an offer (whether to sell or buy securities) in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been

taken to register or qualify Melbana Energy or to otherwise permit a public offering of Melbana Energy Shares outside Australia. Melbana Energy Shares have not been, and will not be, registered under the Securities Act 1933 of the United States of America (**Securities Act**) and may not be offered or sold in the United States (**U.S.**) or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable U.S. state securities laws.

None of the U.S. Securities Exchange Commission, any U.S. securities commission or any other U.S. regulatory authority has passed comment upon or endorsed the merits of the Offer or the accuracy, adequacy or completeness of this Bidder's Statement.

Warning statement for Metgasco Shareholders in New Zealand

This Bidder's Statement is not a New Zealand product disclosure statement or other similar offering or disclosure document under New Zealand law and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 or any other relevant New Zealand law. The offer of Melbana Energy Shares under the Offer is being made to existing Metgasco Shareholders with registered addresses in New Zealand in reliance upon an exemption from the relevant New Zealand securities regime, and, accordingly, this Bidder's Statement may not contain all the information that a product disclosure statement or other similar offering or disclosure document under New Zealand law is required to contain.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Bidder's Statement are subject to the effect of rounding. The actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from those set out in this Bidder's Statement. Any discrepancies between totals in tables or financial statements or in calculations graphs or charts are due to rounding.

Privacy

Melbana Energy has collected your information from the register of Metgasco Shareholders for the purpose of making the Offer and, if accepted, administering acceptances of the Offer in respect of your holding of Metgasco Shares. The Corporations Act requires the name and address of shareholders

to be held in a public register. Your information may be disclosed on a confidential basis to related bodies corporate and external service providers of Melbana Energy and may be required to be disclosed to regulators such as ASIC. The registered address of Melbana Energy is Level 3, 350 Collins Street, Melbourne, Victoria 3000, Australia.

Websites

References in this Bidder's Statement to Melbana Energy's website (<http://www.melbana.com/>) and to Metgasco's website (<http://www.metgasco.com.au/>) are for your reference only. Information contained in or otherwise accessible from those websites are not part of this Bidder's Statement.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 10, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

KEY DATES	
Date of this Bidder's Statement	10 September 2019
Date of Offer	[●] 2019
Offer closes (unless extended)	7.00pm (Sydney time) on [●] 2019

KEY CONTACTS	
Share registrar for the Offer	Link Market Services Limited Tower 4, 727 Collins Street Docklands, Victoria 3008 Australia
Melbana Energy Offer Information Line*	1300 306 413 (toll free for callers within Australia) +61 1300 306 413 (for callers outside Australia)

* Calls to these numbers may be recorded

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Letter to Metgasco Shareholders



10 September 2019

ABN 43 066 447 952

Level 3, 350 Collins Street
Melbourne 3000
Australia

T +61 3 8625 6000
E admin@melbana.com
melbana.com

Dear Metgasco Shareholder,

Offer for Your Metgasco Shares

On behalf of Melbana Energy Limited (**Bidder**), I am pleased to present you with this attractive offer to acquire all of your shares in Metgasco Ltd (**Metgasco**) (**Offer**).

The Offer of 4 Melbana Energy Shares for each Metgasco Share you hold¹ provides eligible Metgasco Shareholders with the opportunity to join existing Melbana Energy Shareholders in owning an exciting portfolio of world class and geographically diverse oil and gas exploration and development projects.

Implied value of the Offer

The Offer values Metgasco at approximately **\$16.4 million² or \$0.042 per Metgasco Share**, based on the closing price of Melbana Energy Shares at 12 July 2019 of \$0.0105, the last Trading Day immediately prior to 15 July 2019 (**Announcement Date**).

This Offer represents a **55.6% premium** to Metgasco's closing price on 12 July 2019³, being the Trading Day immediately prior to the Announcement Date.

By comparison, some other relevant comparisons for the Offer are:

- 20.0% premium to the closing price of Metgasco Shares on 6 September 2019, being the Last Practicable Trading Day;
- 23.5% premium to the 5 day Volume Weighted Average Price (**VWAP**) of Metgasco Shares up to 12 July 2019 (the last unaffected Trading Day prior to the Announcement Date);
- 3.3% discount to the 30 day VWAP of Metgasco Shares up to 12 July 2019 (the last unaffected Trading Day prior to the Announcement Date); and
- 5.0% discount to the 60 day VWAP of Metgasco Shares up to 12 July 2019 (the last unaffected Trading Day prior to the Announcement Date).

Strategic rationale

Melbana Energy has identified a number of key strategic and financial benefits arising from the successful acquisition of Metgasco, including:

¹ Foreign Shareholders who accept the Offer will not receive the Offer Consideration. Instead, the Melbana Energy Shares to which they would otherwise be entitled will be issued to and sold by the Nominee and the net proceeds paid to Foreign Shareholders in accordance with section 9.14.

² Based on 390,601,434 Metgasco Shares on issue.

³ Closing price of Metgasco Shares \$0.027.

- the Combined Group would benefit from the combination of the respective asset portfolios of Melbana Energy and Metgasco to create a larger oil and gas company, with a broader and more diverse shareholder base, better positioned to:
 - access capital markets for fundraising purposes;
 - attract major oil and gas companies as potential project development partners in respect of current or future development opportunities; and
 - withstand delays and unforeseen risks;
- the Combined Group will be able to leverage the experience of Melbana Energy's board and technical team to further explore and appraise Metgasco's assets; and
- synergies and cost savings resulting from the Combined Group which would primarily be sourced from the increase in operational efficiencies and the elimination of duplicated corporate, administrative and technical costs.

Why you should accept the Offer

We believe the Offer is attractive to Metgasco Shareholders for the following reasons:

- the Offer represents an attractive premium to recent trading levels of Metgasco Shares;
- you will benefit from an increased international presence by becoming a shareholder in Melbana Energy, an Australian ASX listed, independent oil and gas company with a portfolio of advanced exploration, appraisal and development opportunities in Australia and Cuba, whilst also retaining exposure to Metgasco's existing portfolio of projects;
- you will have the opportunity to benefit from the enhanced equity market presence, liquidity, synergies and funding capability of the Combined Group;
- the Offer reduces risks associated with remaining a Metgasco Shareholder;
- no superior proposal has emerged since the announcement of the Offer;
- the Metgasco Share price is likely to trade below the implied value of the Offer if the Offer is not successful and no alternative proposal emerges;
- Melbana Energy has already secured the support of M&A Advisory, an entity that holds a 19.6% interest in Metgasco;
- there are possible minority shareholder risks if you do not accept the Offer; and
- you will incur no stamp duty and generally will not incur brokerage on the issue of Melbana Energy Shares to you as part of the Offer Consideration.

Terms and conditions

The Offer is subject to a number of conditions, including Melbana Energy and its associates obtaining a relevant interest in 50.1% of the total number of Metgasco Shares on issue. Full terms and conditions of the Offer are contained in section 9 of this Bidder's Statement.

Next steps

I recommend that you read this Bidder's Statement in its entirety, including the risk factors set out in section 6.

I strongly encourage you to accept the Offer as soon as possible by following the instructions set out from page 69 of this Bidder's Statement and the enclosed Acceptance Form. The Offer is scheduled to close at 7.00pm (Sydney time) on [●] 2019, unless extended.

If you have any questions about this document or the Offer generally, please contact the Melbana Energy Offer Information Line on 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia), or consult with your professional adviser.

I look forward to your acceptance of the Offer and to welcoming you as a Melbana Energy shareholder.

Yours sincerely,

A handwritten signature in black ink, consisting of a series of fluid, connected strokes that form a stylized representation of the name "Michael Sandy".

Michael Sandy
Director and Interim Chief Executive Officer
Melbana Energy Limited

Overview of the Offer

Question	Answer	Section
What is the Offer?	This Bidder's Statement relates to the Offer by Melbana Energy to acquire all of the Metgasco Shares existing at the Register Date by way of an off-market takeover bid.	Section 9 contains the full terms and conditions of the Offer. Details of Metgasco's issued securities are set out in section 2.5.
Who is making the Offer?	The Offer is being made by Melbana Energy, an Australian ASX listed, independent oil and gas company with a portfolio of exploration, appraisal and development stage opportunities, including: <ul style="list-style-type: none"> ▪ Block 9 and the proposed Santa Cruz field in Cuba; and ▪ the Beehive Prospect in Australia, which Total SA and Santos have an option to drill, at their expense. 	For more information on the Melbana Energy Group, refer to section 1.
What will I receive if I accept the Offer?	If you accept the Offer, you will receive 4 Melbana Energy Shares for every 1 Metgasco Share that you hold, subject to the terms and conditions of the Offer. The value you will receive under the Offer will be influenced by the quoted price of Melbana Energy Shares. Using the closing price of Melbana Energy Shares on 12 July 2019 ⁴ (being the Trading Day immediately prior to the Announcement Date) the Offer implies a value of \$0.042 per Metgasco Share. Using the closing price of Melbana Energy Shares on the Last Practicable Trading Day ⁵ , the Offer implies a value of \$0.044 per Metgasco Share.	Section 9.1.2 contains further information on the nature and value of the Offer Consideration.
If I accept the Offer, when will I receive the Offer Consideration?	If you validly accept the Offer in accordance with the instructions in this Bidder's Statement and the Acceptance Form, you will be provided with the Offer Consideration due to you under the Offer on or before the earlier of: <ul style="list-style-type: none"> ▪ one month after the Offer is accepted or one month after all of the Conditions have been waived or fulfilled (whichever is the later); and ▪ 21 days after the end of the Offer Period. 	Refer to section 9.7 for full details of when the Offer Consideration will be provided.
Can I accept the Offer for part of my holding?	No, you may only accept the Offer in respect of all of Your Metgasco Shares.	Refer to section 9.4 for further information.
Will I incur any brokerage charges or stamp duty if I accept the Offer?	If you accept the Offer, you will not pay stamp duty on the issue of Melbana Energy Shares to you as the Offer Consideration. If Your Metgasco Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Melbana Energy, you will not incur any brokerage in connection with your acceptance of the Offer. If Your Metgasco Shares are in a CHESS Holding or you	See sections 7 (Tax considerations) and 9.10 (Costs and Stamp Duty) for further information. If you are a Foreign Shareholder, see the answer to " What if I am a Foreign Shareholder? "

⁴ \$0.0105 per Melbana Energy Share.

⁵ \$0.011 per Melbana Energy Share.

Question	Answer	Section
	hold Your Metgasco Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.	below.
When does the Offer close?	The Offer closes at 7.00pm (Sydney time) on [●], unless it is extended or withdrawn under the Corporations Act.	Refer to section 9.2 for full details in relation to the Offer Period.
What are the conditions of the Offer?	<p>The Offer is subject to certain conditions, which are set out in full in section 9.8. In summary, the key conditions to the Offer require that:</p> <ul style="list-style-type: none"> ▪ the Offer results in Melbana Energy having relevant interests in at least 50.1% of Metgasco Shares; ▪ Melbana receives shareholder approval for the purposes of ASX Listing Rule 10.1 in relation to the purchase of Metgasco shares from M&A Advisory; ▪ there is no material adverse change; ▪ there are no adverse regulatory actions which may be expected to restrain, impede or prohibit the Offer; ▪ there are no prescribed occurrences during the Offer period; ▪ there is no exercise of certain rights under certain agreements or arrangements; ▪ Metgasco conducts its business within certain prescribed limits; and ▪ Melbana Energy does not become aware that any announcement, documents or other public statement of Metgasco is inaccurate or misleading in any material way. 	For a full list of conditions, please refer to section 9.8.
Is there an independent valuation of the Offer?	<p>No, Melbana Energy has not commissioned an independent expert report in relation to the Offer.</p> <p>However, the Offer is subject to a Condition requiring Melbana Energy Shareholders approve the acquisition by Melbana Energy of all of the Metgasco Shares held by M&A Advisory under the Offer for the purposes of Listing Rule 10.1. In relation to that Shareholder approval, the Independent Directors have commissioned the preparation of an Independent Expert's Report, which has considered the value of Melbana Energy and Metgasco shares in relation to the Offer.</p> <p>The Independent Expert has compared the value of four Melbana Energy Shares (on a control basis) against the value of each Metgasco Share received (on a control basis). The Independent Expert has concluded that the value of the Metgasco Shares to be acquired from M&A Advisory were above the value range of the Melbana Energy shares to be provided for the Metgasco Shares in accordance with the below table.</p>	<p>For further detail in relation to the Independent Expert's Report, refer to section 8.6.</p> <p>While Melbana Energy Shareholders are encouraged to read the Independent Expert's Report in full, you should be aware that the Independent Expert's Report has been prepared for the purposes of Listing Rule 10.1 and for consideration by Melbana Energy Shareholders (and not specifically for the benefit of Metgasco Shareholders in making their assessment of whether or not to accept the Offer).</p>

Question	Answer	Section									
	<table border="1"> <thead> <tr> <th></th> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>Value of four Melbana Energy Shares offered as consideration</td> <td>0.040</td> <td>0.044</td> </tr> <tr> <td>Value of one Metgasco Share Acquired</td> <td>0.044</td> <td>0.055</td> </tr> </tbody> </table>		Low	High	Value of four Melbana Energy Shares offered as consideration	0.040	0.044	Value of one Metgasco Share Acquired	0.044	0.055	
	Low	High									
Value of four Melbana Energy Shares offered as consideration	0.040	0.044									
Value of one Metgasco Share Acquired	0.044	0.055									
What happens if the conditions of the Offer are not satisfied?	If the Offer closes with Conditions remaining unsatisfied or not waived, the Offer will lapse and acceptances will be void. This means that the Offer will not proceed and you will continue to hold Your Metgasco Shares.	Refer to section 9.9 for further information about the satisfaction (or waiver) of Conditions.									
How do I accept the Offer?	<p>You may only accept the Offer for all of Your Metgasco Shares.</p> <p>Issuer sponsored shareholders (your SRN starts with an "I")</p> <p>If Your Metgasco Shares are held on Metgasco's issuer sponsored subregister, you may accept the Offer by completing and signing the Acceptance Form enclosed with this Bidder's Statement and returning it, along with any other documents required to be returned with your Acceptance Form, to the address indicated on the form before the Offer closes.</p> <p>CHESSE sponsored shareholders (your HIN starts with an "X")</p> <p>If Your Metgasco Shares are in a CHESSE Holding, you may accept the Offer by either:</p> <ul style="list-style-type: none"> ▪ completing and signing the Acceptance Form enclosed with this Bidder's Statement and returning it to the address indicated on the form so that it is received in sufficient time for your Controlling Participant to effect acceptance before the Offer closes; or ▪ instructing your Controlling Participant (usually your broker) to accept the Offer on your behalf, before the Offer closes. <p>Participants</p> <p>If you are a Participant, acceptance of this Offer must be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the Offer closes.</p>	Full details on how to accept the Offer are set out in section 9.4.									
Can I withdraw my acceptance?	You can only withdraw your acceptance of the Offer in limited circumstances described in the Corporations Act.	For further information on when you can withdraw your acceptance, contact your financial or legal advisers.									
Can the Offer Period be extended?	Subject to the Corporations Act, the Offer Period may be extended at the election of Melbana Energy. It may also be automatically extended in other circumstances prescribed by the Corporations Act. Melbana Energy will announce any extension to the ASX.	Refer to section 9.2 for further information.									

Question	Answer	Section
What if I am a Foreign Shareholder?	If you are a Foreign Shareholder and you accept the Offer, you will not receive the share component of the Offer Consideration. Instead, the Melbana Energy Shares that would otherwise be issued to you will be issued to and sold by the Nominee and the net proceeds of sale (in Australian dollars and after deducting brokerage and other costs) will be remitted to you.	For more details, refer to sections 8.8 and 9.14.
What are the tax implications of accepting the Offer?	A general description of the taxation treatment for Metgasco Shareholders who accept the Offer is set out in section 7. Metgasco Shareholders should not rely on that description and should consult their taxation adviser for personalised advice before deciding whether or not to accept the Offer.	Refer to section 7 for further information.
Do the directors of Melbana Energy have any securities in or potential conflicts of interest in relation to Metgasco?	Andrew Purcell, a director of Melbana Energy, currently has voting power (together with his associates) of approximately 19.6% in Metgasco. He has undertaken to accept the Offer in the absence of a superior proposal and subject to the approval of Melbana Shareholders not associated with himself. Andrew Purcell has also entered into protocols with Melbana Energy to avoid conflicts of interest in relation to the Offer and the Melbana Energy Board formed an independent board committee (IBC) comprised of the Independent Directors only to manage all aspects of the Offer. Neither of the Independent Directors who have been appointed to the IBC managing the Offer, Peter Stickland and Michael Sandy, have any securities in or potential conflicts in relation to Metgasco.	Refer to section 8.12.2 for further information in relation to Andrew Purcell's interests in Metgasco and Melbana Energy.
Are there any risks in accepting the Offer?	In deciding whether or not to accept the Offer, you should carefully consider the risks associated with holding Melbana Energy Shares. The key potential risks may include: Permits and Tenure (Specific) Melbana Energy currently is currently not in full compliance with its obligations under the PSC it is party to in its Block 9 tenure in Cuba given the bank guarantee for the current sub-period's work commitments has not been replaced following its expiry on 31 December 2018 (and, for which, CUPET has previously provided a waiver until 30 April 2019). It also considers it unlikely that it could satisfy the remaining work commitment for the current exploration sub-period which is to drill one well before the period ends on 1 November 2019. It has therefore requested CUPET to extend the current sub-period by one year and to waive the requirement to provide a bank guarantee. CUPET has agreed to these requests and forwarded the proposed amendments to a higher competent authority whose approval is required for such changes. As of the date of this Bidder's Statement the consent of this higher competent authority has not been received. If this consent was not to be forthcoming and if the regulators declared Melbana Energy in default of their obligation to provide a bank guarantee and Melbana Energy were unable to cure this default in the time available, it is likely that Melbana Energy would forfeit its interest in Block 9. Should this occur, it is also unlikely that the regulators would grant Melbana Energy a contract for Santa Cruz.	Risks associated with holding Melbana Energy Shares are further set out in detail in section 6 of this Bidder's Statement.

Question	Answer	Section
	<p>Beehive prospect – non-exercise of option by Total and Santos</p> <p>Should neither Total nor Santos elect to fund the drilling of one exploration well in WA-488-P, Melbana Energy would once again have an unencumbered 100% interest in WA-488-P and the rights to the 3D seismic data acquired by Total and Santos at their expense in 2018. Melbana Energy would then seek to introduce a new partner to fund the drilling of the well. If a new partner cannot be found, it is unlikely that Melbana Energy could meet the commitment to drill the well by 21 December 2020 on its own. Were Melbana Energy to be unsuccessful in gaining regulatory approval to defer this commitment it is likely it would then lose title to WA-488-P.</p> <p>Funding Risk</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 the Combined Group 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 the Combined Group to retain its key assets and the value of the Combined Group's interest in these projects.</p> <p>Sanctions risk</p> <p>Melbana Energy has operations located in Cuba. The U.S. has maintained an embargo against Cuba, administered by the U.S. Department of Treasury. The laws and regulations establishing the embargo have been amended from time to time, most recently by the passage of the Cuban Liberty and Democratic Solidarity Act (the Helms-Burton Act). The embargo applies to almost all transactions involving Cuba or Cuban enterprises, and it bars from such transactions any U.S. persons unless such persons obtain specific licenses from the U.S. Department of Treasury authorizing their participation in the transactions.</p> <p>Melbana Energy is not a U.S. entity but the existence of the embargo can negatively impact some aspects of the business environment in Cuba. For example, the U.S. embargo could have the effect of limiting Melbana Energy's access to U.S. capital, U.S. financing, U.S. customers and U.S. suppliers. These negative impacts could become more severe in time and possibly even prevent Melbana Energy from continuing to operate in Cuba.</p> <p>Earlier this year the USA announced that it would no longer suspend Title III of the Helms-Burton Act, effective 2 May 2019, which authorises private lawsuits for damages against anyone who "traffics" in property confiscated, without compensation, by the Government of Cuba from persons who at the time were, or have since become, nationals of the U.S. Melbana Energy does not consider it likely that its interests in Cuba could be subject to a successful claim, let alone enforced were a claim to be successful, but the impact of the removal of the suspension of Title III is not yet fully understood.</p> <p>Joint ventures</p> <p>Melbana Energy routinely participates in joint venture</p>	

Question	Answer	Section
	<p>arrangements and the Combined Group may enter into further joint ventures. Although Melbana Energy has sought, and will seek, to protect its interests, future joint ventures necessarily involve special risks.</p> <p>The Combined Group 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 the Combined Group's projects.</p> <p>Schedule Risks</p> <p>The timing of the Combined Group's planned business activities is subject to potential change due to events beyond the control of Melbana Energy, such as weather, government actions or inaction, industrial action, funding availability, the availability of key equipment and the corporate actions of the Combined Group's joint venture partners. There may also be regulatory delays associated with the drilling activities required to test the Combined Group's projects.</p>	
<p>What happens if the share price of Melbana Energy or Metgasco fluctuates?</p>	<p>Melbana Energy is not obliged to make any adjustment to the Offer Consideration if the value of Melbana Energy Shares changes during the Offer Period. Accordingly, market fluctuations could favourably or adversely impact the implied value of the Offer at any particular time.</p>	<p>N/A</p>
<p>What if I have questions?</p>	<p>If you have any questions in relation to the Offer, including about how to accept it, please contact the Melbana Energy Offer Information Line on 1300 306 413 (toll free for callers within Australia) or +61 1300 306 413 (for callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.</p> <p>Please note that calls to the above numbers may be recorded. Enquiries in relation to the Offer will not be received on any other telephone numbers of Melbana Energy or its advisers. Metgasco Shareholders should also read the Target's Statement in full for further information about the Offer and before deciding whether or not to accept the Offer.</p>	<p>N/A</p>
<p>Important Notice</p>	<p>The information in this section is a summary only of the Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement. Before deciding whether to accept the Offer, you should read this Bidder's Statement in its entirety as well as the Target's Statement which Metgasco will shortly send to Metgasco Shareholders.</p>	<p>N/A</p>

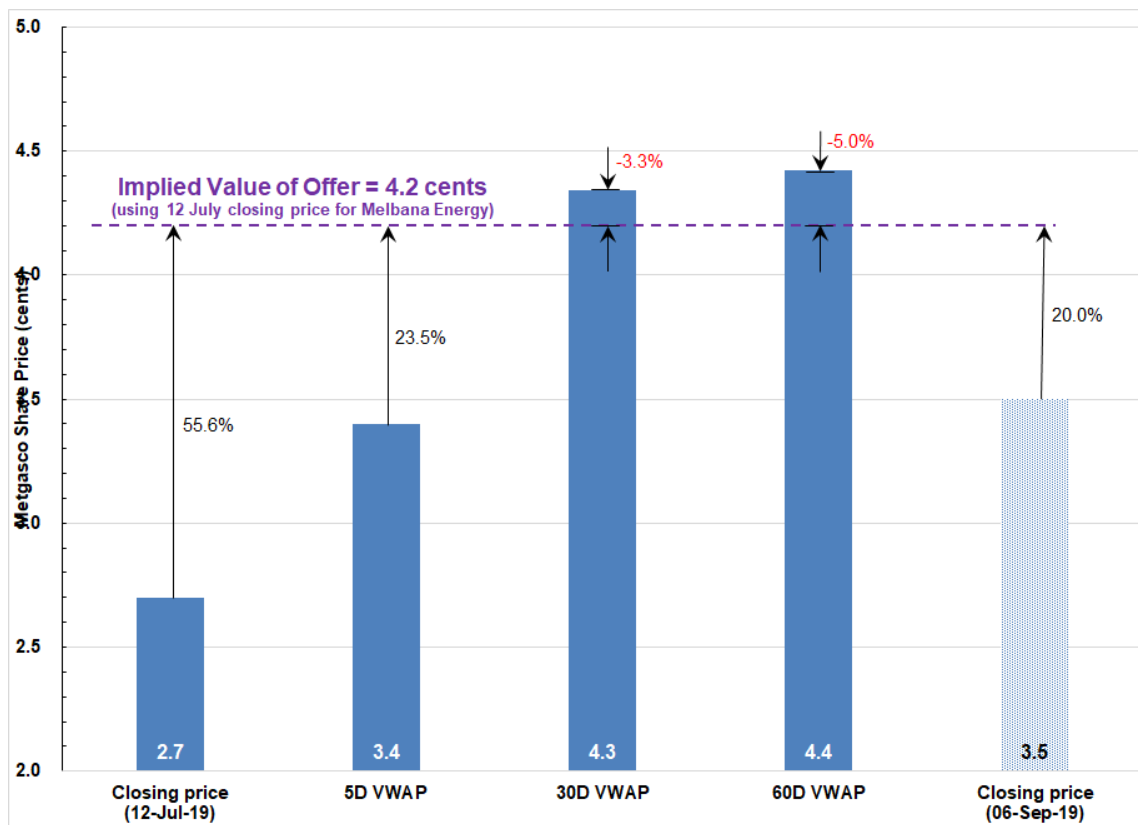
Why you should ACCEPT the Offer

1 The Offer represents an attractive premium to recent trading levels of Metgasco Shares

Under the Offer, Metgasco Shareholders are being given the opportunity to elect to receive 4 Melbana Energy Shares for each Metgasco Share they hold. The implied value of the Offer varies with the market value of Melbana Energy Shares.

The implied value of the Offer based on the closing price of Melbana Energy Shares on 12 July 2019 (being the trading day prior to the Announcement Date) is 4.2 cents per Metgasco Share, which represents a:

- 20.0% premium to the closing price of Metgasco Shares on the Last Practicable Trading Day;
- 55.6% premium to the closing price of Metgasco Shares of \$0.027 on 12 July 2019 (the Trading Day immediately prior to Melbana Energy's interest in Metgasco becoming public);
- 23.5% premium to the 5 day VWAP of Metgasco Shares of \$0.034 up to 12 July 2019;
- 3.3% discount to the 30 day VWAP of Metgasco Shares of \$0.043 up to 12 July 2019; and
- 5.0% discount to the 60 day VWAP of Metgasco Shares of \$0.044 up to 12 July 2019.



2 You will become a shareholder in Melbana Energy, an Australian ASX listed, independent oil and gas company with a portfolio of exploration, appraisal and development stage opportunities in Cuba and offshore northern Australia

- The Offer Consideration provides Metgasco Shareholders with the ability to retain exposure to Metgasco's assets while becoming part of a diversified Australian oil and gas explorer.
- The Offer provides you with an opportunity to participate in the benefits from a combination of Metgasco and Melbana Energy.

CUBA	
<p><u>Block 9</u> (Melbana Energy 100%)</p> <p>An onshore exploration block with previous discoveries and independently assessed to contain large volumes of prospective resources. International tender for rigs and services undertaken, all material regulatory and environmental permits already secured. Two exploration wells currently planned to be drilled in the second half of 2020 subject to completion of farm out process currently underway.</p>	<p><u>Santa Cruz</u> (Melbana Energy 100%)⁶</p> <p>An existing oil field that has reportedly produced at least 7.4 million barrels from 18 wells since its discovery in 2004. Melbana Energy has finalised a binding contract with CUPET that (subject to clarifying certain commercial issues and receiving final statutory approvals) would give Melbana Energy a long term opportunity to develop new oil production from the field area and therefore the potential for early revenue.</p>

AUSTRALIA	
<p><u>WA-488-P</u> (Melbana Energy 100%)⁷</p> <p>Potentially the largest undrilled oil prospect offshore Australia.</p> <p>French major Total and Australia's Santos funded and acquired a 3D seismic survey in 2018 and hold options to acquire an 80% interest by fully funding the drilling of an exploration well.</p> <p>Notification of intention to exercise options required by 2 October 2019.</p>	<p><u>Tassie Shoal</u> (Melbana Energy 100%)</p> <p>Melbana Energy has Federal & State Government Environmental approvals (valid to 2052) to build two world scale methanol plants and one LNG plant offshore northern Australia in a shallow water area known as the Tassie Shoal.</p> <p>The Tassie Shoal is surrounded by discovered and undeveloped gas, giving Melbana Energy the potential for value creation by utilising its concept and environmental approvals.</p>

3 You will have the opportunity to benefit from the enhanced equity market presence and funding capability of the Combined Group

By accepting the Offer, Metgasco Shareholders eligible to receive the Offer Consideration will have exposure to a company with a significantly larger market capitalisation and considerably more liquidity than Metgasco on a standalone basis (assuming the Offer becomes unconditional). In this respect, as at the Last Practicable Trading Day Melbana Energy had a market capitalisation of \$20.7 million compared to Metgasco's market capitalisation of \$13.7

⁶ Currently awaiting final regulatory approval.

⁷ Total and Santos may elect to acquire an 80% interest in WA-488-P in return for fully funding the drilling of an exploration well.

million. Further, the average daily trading value of Melbana Energy Shares over the 6 months to the Last Practicable Trading Day was \$33,973 compared to the average daily trading value of Metgasco Shares over the same period of \$5,770.

The Combined Group will have a significantly larger balance sheet than Metgasco on a standalone basis which will enhance its ability to attract partners and funding for its current and future growth opportunities.

4 The Offer reduces risks associated with remaining a Metgasco Shareholder

Melbana Energy believes the Offer provides compelling value for Metgasco Shareholders as well as providing a more diverse portfolio of advanced projects which reduces risks associated with continuing to be an investor in Metgasco alone.

If you accept the Offer and the Offer successfully completes, you will have exposure to the projects of the Combined Group and be invested in a company better resourced to realise the potential of the Combined Group's portfolio of projects and investments than either could be on a standalone basis.

In contrast, if you do not accept the Offer, you will remain exposed to the risks and uncertainties associated with being an investor in Metgasco, such as potentially dilutive capital raisings to meet Metgasco's committed expenditure obligations in respect of its current projects.

5 No superior proposal has emerged

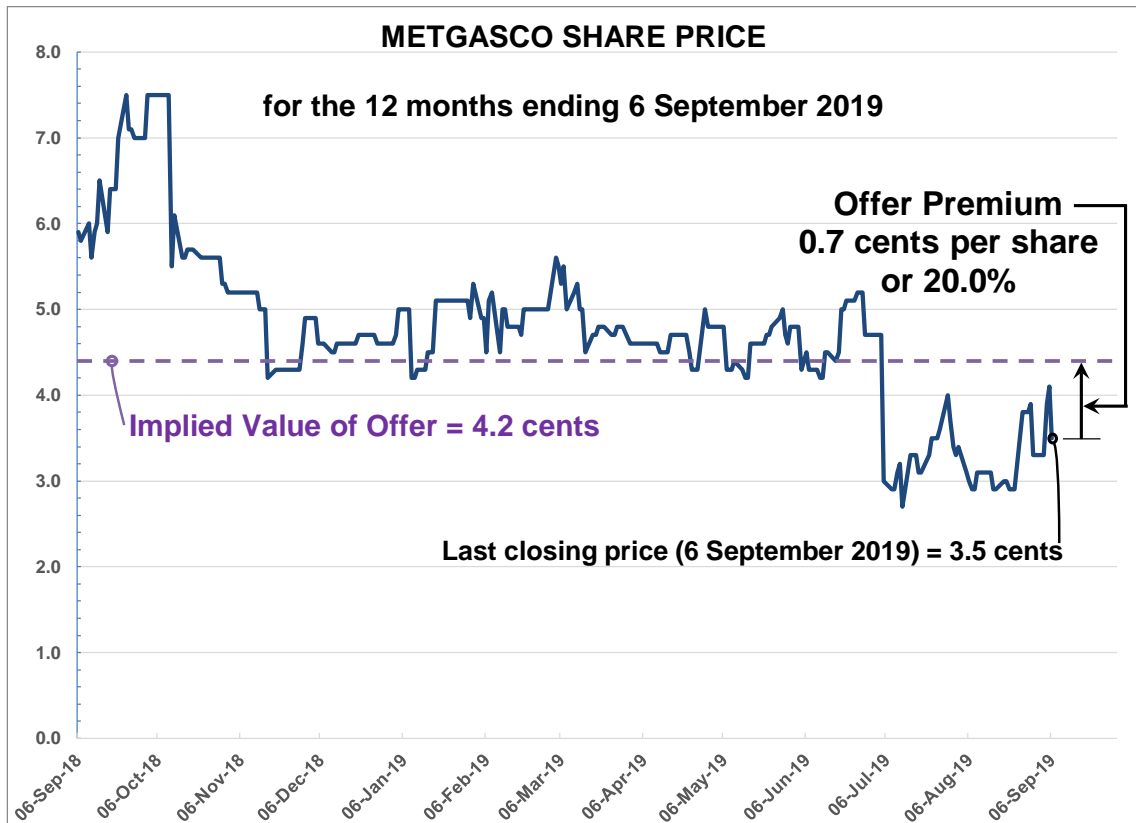
As at the date of this Bidder's Statement, Melbana is not aware of any alternative offer being put to Metgasco or Metgasco Shareholders or currently under consideration by the Metgasco Board.

6 The Metgasco Share price is likely to trade below the implied value of the Offer if the Offer is not successful and no alternative proposal emerges

Should the Offer not proceed and an equivalent or superior alternative proposal not emerge, it is likely that the Metgasco Share price will fall. In this event, Metgasco Shareholders will lose the opportunity to realise a premium for their Metgasco Shares of a kind that they would receive under the Offer, with there being no certainty as to whether such an opportunity will arise again.

The trading price of Metgasco Shares on the ASX in the 12 months up to and including the Last Practicable Trading Day compared to the Offer price⁸ is shown in the following graph.

⁸ Melbana Energy's Shares may vary so the Offer price shown on the chart could be higher or lower.



7 Melbana Energy has already secured the support of a key Metgasco Shareholder

M&A Advisory (a major Metgasco shareholder who is associated with Andrew Purcell, a director of Melbana Energy) has undertaken, by way of a pre-bid acceptance agreement, to accept the Offer in the absence of a superior proposal and subject to the approval of Melbana Shareholders not associated with M&A Advisory or Mr Purcell for the purposes of ASX Listing Rule 10.1.

Subject to Melbana Energy receiving an acceptance of the Offer from M&A Advisory, as described above, Melbana Energy only requires acceptances for a further 30.5% of the Metgasco Shares for the Offer's 50.1% minimum acceptance condition to be satisfied.

8 Possible minority shareholder risks if you do not accept the Offer

If you do not accept the Offer and Melbana Energy acquires control of Metgasco but does not reach the point where it could compulsorily acquire Your Metgasco Shares, you will become a minority shareholder in Metgasco with reduced influence in the running of the business.

Should this occur, Melbana Energy would control Metgasco and any decisions it makes might impact those Metgasco Shareholders that did not accept the Offer.

Melbana Energy's majority shareholding in Metgasco, in this scenario, may also adversely affect the liquidity of Metgasco Shares, thereby possibly making it more difficult for minority shareholders to sell their Metgasco Shares at an attractive price.

Please see section 4 of this Bidder's Statement for information on Melbana Energy's intentions regarding Metgasco, including in circumstances where it controls Metgasco but does not own 100% of the Metgasco Shares.

9 You will incur no stamp duty and generally will not incur brokerage on the issue of Melbana Energy Shares to you as part of the Offer Consideration

If you accept the Offer and the Offer becomes unconditional, you will pay no stamp duty on the issue of Melbana Energy Shares as the Offer Consideration.

If Your Metgasco Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Melbana Energy, you will not incur any brokerage charges. If Your Metgasco Shares are registered in a CHESS Holding, you should ask your Controlling Participant (usually your broker) whether you will be charged any transaction or service fees in connection with the Offer. If you are a Foreign Shareholder brokerage will be payable in respect of the Melbana Energy Shares sold by the Nominee (see section 7 for further information).

If you sell Your Metgasco Shares on ASX rather than under the Offer, you may incur brokerage charges (and, potentially, GST on those charges).

1 Information on the Melbana Energy Group

1.1 Introduction

Melbana Energy is an Australian ASX listed, independent oil and gas company that has a portfolio of exploration, appraisal, development and infrastructure opportunities in Cuba and Australia. Melbana Energy is headquartered in Melbourne with a representative office in Havana, Cuba.

1.2 Overview of projects

Melbana Energy's oil and gas exploration tenements comprise:

Permit	Location	Current Interest	After farm-out
WA-488-P (Beehive)	Australia	100%	20%
Block 9 Production Sharing Contract (PSC)	Cuba	100%	Subject to negotiation
Santa Cruz IOR PSC	Cuba	100% (awaiting final regulatory approval)	N/A

1.2.1 WA-488-P – Beehive prospect

WA-488-P is located in the Bonaparte Gulf between the producing Blacktip gas field and the undeveloped Turtle and Barnett oil discoveries and has an area of 4,074 km².

Melbana Energy has identified the Beehive prospect, located in ~40 metres water depth and initially defined by a tight grid of high quality 2D seismic data, as one of the largest undrilled hydrocarbon prospects in Australia. The Beehive prospect is interpreted to be a 180 km² isolated carbonate build-up of Carboniferous age with 400 metres of mapped vertical relief and a crest at 4,100 metres.

Total S.A. (**Total**) from France and Australia's Santos Limited (**Santos**) have fully funded a 3D seismic survey over the Beehive prospect (completed August 2018) and in return have earned an option to fully fund the Beehive-1 exploration well. If Total and/or Santos exercises its option, Melbana Energy would retain a 20% participating interest and be fully carried for the first well drilled in WA-488-P.

The processed data from the 3D seismic survey was accepted on 2 April 2019, giving Santos and Total until 2 October 2019 to notify Melbana Energy whether they intend to elect to drill the Beehive-1 well. Santos recently advised they had completed an initial well-concept-select workshop in which they identified a provisional well design and progressed the drafting of an Environmental Plan, which is targeted for completion in the third quarter of 2019. Rig selection activity is being considered by Santos as part of a broader rig contracting strategy.

1.2.2 Block 9 PSC

The Block 9 PSC covers 2,344km² onshore on the north coast of Cuba, 160 km east of Havana in a proven hydrocarbon system and along trend with the multi-billion barrel Varadero oil field.

Melbana Energy is prequalified as an onshore and shallow water operator in Cuba and was awarded a 100% participating interest in the Block 9 PSC on 2 September 2015.

Block 9 PSC has an 8.5 year exploration period divided into four sub periods. The work program for sub period 1 has been completed and comprised studies and seismic reprocessing. Sub-period 2, being the period November 2017 to November 2019, includes the drilling of one well.

At the end of each period, Melbana Energy has an option to withdraw. Shortly after entering each sub-period a bank guarantee is required for 50% of the approved firm budget for that sub-period. The bank guarantee for the second sub period is not currently in place. Melbana Energy has applied to have the current sub-period extended by one year to November 2020 and for a waiver of the requirement to post a bank guarantee for the extended sub-period. The applications need to be approved by a higher competent authority which is scheduled to meet in September 2019.

In late 2018, the Company entered into a farm out agreement with a Chinese company, Anhui Modestinner Energy Co., Ltd. (**AMEC**), a wholly owned and guaranteed subsidiary of Anhui Guangda Mining Investment Co. Ltd., that required them to (amongst other things) fully fund the drilling of the first three exploration wells in Block 9, provide any required bank guarantees and entirely fund all future activities and costs associated with Block 9 for the remainder of its 25 year term. Melbana Energy was to be left with a 12.5% interest in the profit oil and the right to recoup through the PSC approximately US\$3.5M in back costs in the event of development. Melbana Energy terminated this agreement in late April 2019 due to lack of progress by AMEC. Discussions with new potential farminees have commenced.

1.2.3 Santa Cruz IOR PSC

The Santa Cruz oil field is located approximately 50 km from Havana between Boca de Jaruco and Canasí oil fields and approximately 110 km west of Melbana Energy's existing Block 9. Santa Cruz is in the northern foldbelt of Cuba, which is responsible for the vast majority of Cuba's oil and gas production.

In December 2018 Melbana Energy finalised a long-term binding incremental oil recovery contract with Cuba's national oil company, CUPET. The work commitments are split into multiple phases, with an initial study period of desk-based technical work followed by an implementation phase. The initial study period phase of maximum of eight months is complete.

Melbana Energy may elect to proceed to the next implementation phase, which includes a minimum program of two side-track wells from existing well bores to new geological targets, once the PSC is formally ratified.

Whilst awaiting formal ratification, Melbana Energy and CUPET have identified some commercial issues with the previous agreement that need amending. Proposals for addressing these issues have been discussed and amendments to the previous binding agreement may be necessary, which, therefore, may impact the scope, timing and nature of the work commitments in the IOR PSC. Thus, the agreement is not yet signed or ratified.

1.2.4 Tassie Shoals

In addition to the above, Melbana Energy has Federal & State Government Environmental approvals (valid to 2052) to build two world scale methanol plants and one LNG plant offshore northern Australia in a shallow water area known as the Tassie Shoal.

The Tassie Shoal is surrounded by discovered and undeveloped gas fields, giving Melbana Energy the potential for value creation by utilising its concept and environmental approvals. However, Melbana Energy has no interests in any of the gas fields in question. There are no immediate plans to seek investment for or construct the plant as forward plans are subject to gas supply negotiations.

1.3 Resources estimate

As at 26 August 2019, Melbana Energy's Prospective Resources totalled approximately 844 MMboe.

Project Area	Best estimate prospective resources (MMboe; 100% share)
Block 9	456 ⁹
Beehive (WA-488-P)	388
Total resources	844

Notes:

- Barrels of oil equivalent (boe) are calculated on an industry standard 6:1 energy equivalence basis. The ratio does not reflect the relative commercial value of gas and oil-condensate.
- 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 are unrisks and have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

1.4 Directors of Melbana Energy

<p>Andrew G Purcell B Eng, MBA Chairman, Independent Non-Executive Director (appointed 30 July 2015)</p>	<p>Mr Purcell founded Lawndale Group (formerly Teknix Capital) whilst in Hong Kong about 15 years ago, a company specialising in the development and management of projects in emerging markets across the heavy engineering, petrochemical, resources and infrastructure sectors. Prior to this, Mr Purcell spent 12 years working in investment banking across the region for Macquarie Bank then Credit Suisse. Mr Purcell also has significant experience as a public company director, both in Australia and across Asia.</p> <p>Mr Purcell is also a Non-executive Director of AJ Lucas Group Limited (ASX: AJL).</p>
<p>Michael Sandy B.Sc. Hons (Geology), MAICD Currently serving as Interim Chief Executive Officer (appointed 22 July 2019) Independent Non-Executive Director (appointed 30 July 2015)</p>	<p>Michael Sandy is a geologist with 40 years' experience in the resources industry – mostly focused on oil and gas. In the early 1990s he was Technical Manager of Oil Search Limited based in Port Moresby. Michael was involved in establishing Novus Petroleum Ltd and preparing that company for its \$186m IPO in April 1995. Over 10 years, he held various senior management roles with Novus including manager of assets in Australia, Asia, the Middle East and the USA. He co-managed the defence effort in 2004 when Novus was taken over by Medco Energi.</p> <p>For the last 15 years, Mr Sandy has been the principal of energy consultancy company Sandy Associates Pty Ltd.</p> <p>Mr Sandy is currently a Non-executive Director and Chairman of MEC Resources (ASX:MMR) and was previously a director of Tap Oil Limited (ASX: TAP), Hot Rock Ltd (ASX: HRL), Caspian Oil and Gas Limited (ASX: CIG), Pan Pacific Petroleum NL (ASX:PPP) and Burleson Energy Limited (ASX: BUR).</p>

⁹ Block 9 PSC volumes are on a Net Entitlement Interest and represent approximately 67.5% of the total recoverable volumes based on the estimated contractor share under the Production Sharing Contract, in accordance with Petroleum Resource Management System guidelines for such contracts.

<p>Peter Stickland B.Sc. Hons (Geology), GDipAppFin (Finsia), GAICD</p> <p>Non-executive Director (appointed 12 January 2018)</p> <p>Previously, Managing Director (January 2015 – January 2018)</p>	<p>Peter Stickland has over 25 years global experience in oil and gas exploration. Mr Stickland was CEO and subsequently Managing Director Melbana from December 2014 until he resigned from his executive role in January 2018 and became a non-executive director. Previously, Mr Stickland was CEO and subsequently Managing Director of Tap Oil Limited (ASX: TAP) from 2008 until late 2010 during which time he oversaw the evolution of the company into a South East Asia/Australia focused E&P company. Prior to joining Tap Oil, Mr Stickland had a successful career with BHP Billiton including a range of technical and management roles.</p> <p>Mr Stickland is currently a Non-executive Director and Chairman of XCD Energy Limited (ASX: XCD) and a Non-executive Director and Chairman of Talon Petroleum Limited (ASX: TPD). Mr Stickland is also a life member of the Australian Petroleum Production and Exploration Association Limited (APPEA).</p>
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1.5 Melbana management and technical team

<p>Melanie Leydin B. Bus. (Accounting / Corporate Law)</p> <p>Chief Financial Officer & Company Secretary (appointed May 2018)</p>	<p>Melanie Leydin has over 25 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations. She is a chartered accountant, a member of the Institute of Chartered Accountants and a Registered Company Auditor.</p>
<p>Errol Johnstone, B.Sc. (Geology/Geophysics)</p> <p>Chief Geoscientist (appointed October 2010)</p>	<p>Errol Johnstone has over 30 years' experience in oil and gas exploration and appraising new ventures, basin analysis and new play generation (ExxonMobil). Structural geology expert, involved in several significant discoveries.</p>
<p>Dean Johnstone, B.Sc. (Geology/Geophysics)</p> <p>Senior Geoscientist (appointed October 2011)</p>	<p>Dean Johnstone has over 30 years' experience oil and gas exploration, development and production (ExxonMobil, Delhi Petroleum). Expert in field development/appraisal and mature field opportunity generation.</p>
<p>Dr Rafael Tenreyro, B.Sc. (Mining Eng.), M.Sc. (Geophysics), M.Sc. (Petroleum Geophysics), Ph.D. (Exploration Geophysics)</p> <p>Cuba Representative (appointed July 2016)</p>	<p>Dr Rafael Tenreyro has over 40 years' experience in the Cuban oil industry, involved in the discovery, evaluation and development of 14 oil fields. Formerly Exploration Director for CUPET (National Oil Company of Cuba).</p>

1.6 Independent board committee

Andrew Purcell is a director of Melbana and was a director of Metgasco until 16 April 2018. In addition, M&A Advisory (being a Metgasco shareholder associated with Andrew Purcell) currently has voting power of approximately 19.6% in Metgasco. Andrew Purcell has entered into protocols with Melbana Energy to avoid conflicts of interest in relation to the Offer.

Melbana Energy currently has a relevant interest in 19.6% of the Metgasco Shares on issue due to a pre-bid acceptance agreement with M&A Advisory. Under the agreement, M&A Advisory has undertaken to accept the Offer in the absence of a superior proposal and subject to the approval of Melbana Shareholders not associated with M&A Advisory or Mr Purcell.

Melbana Energy's two non-conflicted directors established an IBC in 2019 and are responsible for the Offer and all dealings with Metgasco. The IBC did not engage with Mr Purcell in respect

of any matter relating to the making of the Offer (including, for the avoidance of doubt, the offer price and defeating conditions) other than the pre-bid agreement mentioned above.

1.7 Melbana Energy Summary Historical Financial Information

1.7.1 Basis of preparation of historical financial information

The summary historical financial information is prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards and relates to Melbana Energy and its subsidiaries on a stand-alone basis and does not reflect any impact of the Offer. It is a summary only and has been extracted from the audited consolidated financial reports (including the notes therein) of Melbana Energy for the years ending 30 June 2018 and 30 June 2019 and does not contain all of the disclosures that are usually provided in an annual report in accordance with the Corporations Act. Copies of these annual reports are available at www.melbana.com and the ASX website.

Further financial information is available in Melbana Energy's audited financial reports for the periods ended 30 June 2018 and 30 June 2019. These reports set out Melbana Energy's significant accounting policies during these periods and are available on the ASX website and also at Melbana Energy's website at <http://www.melbana.com/site/investors/annual-reports>.

The past performance of Melbana Energy is not a guarantee of any future performance.

1.7.2 Consolidated statement of comprehensive income

	Audited 30 June 2019 \$'000	Audited 30 June 2018 \$'000
Other income	324	392
Interest income	49	20
Expenditure		
Legal settlement costs	-	(300)
Exploration expenditure written off/expensed	-	(3,691)
Administration costs	(2,484)	(2,353)
Net foreign exchange	-	-
Finance costs	(1,246)	(96)
Depreciation and amortisation expense	-	-
Loss Before Income Tax Expense	(3,357)	(6,028)
Income Tax Expense	-	(72)
Loss after Income Tax Expense	(3,357)	(6,100)
Other Comprehensive Income	(1)	1
Total Comprehensive Income for the Year	(3,358)	(6,099)

1.7.3 Consolidated statement of financial position

	Audited 30 June 2019 \$'000	Audited 30 June 2018 \$'000
Current Assets		
Cash and cash equivalents	3,363	3,047
Other receivables	107	63
Financial assets at amortised cost	-	3,073
Non-current assets held for sale	72	-
	3,542	6,183
Non Current Assets		
Plant and equipment	41	102
Exploration and evaluation expenditure	4,842	4,470
	4,883	4,572
Total Assets	8,425	10,755
Current Liabilities		
Trade and other payables	387	454
Borrowings	-	3,099
Provisions	185	453
	572	4,006
Non Current Liabilities		
Provisions	-	54
	-	54
Total Liabilities	572	4,060
Net Assets	7,853	6,695
Equity		
Issued capital	276,331	272,790
Reserves	1,459	495
Accumulated Losses	(269,937)	(266,590)
Total Equity	7,853	6,695

1.8 Material changes in the financial position of Melbana Energy

Since 30 June 2019, there have been no material changes in the financial position of Melbana Energy.

1.9 Melbana Energy's issued securities

As at the date of this Bidder's Statement, Melbana Energy's issued securities consist of:

- 1,878,090,864 fully paid ordinary shares;
- 4,000,000 options exercisable at \$0.065 on or before 3 November 2019;
- 64,814,823 options exercisable at \$0.030 on or before 27 March 2020;
- 80,000,000 options exercisable at \$0.022 on or before 4 August 2020;
- 11,250,000 options exercisable at \$0.032 on or before 27 September 2020;
- 20,000,000 options exercisable at \$0.018 on or before 23 November 2020; and
- 4,178,208 share performance rights, exercisable on or before 30 April 2021.

Each Melbana Energy option confers on its holder the right to subscribe for one Melbana Energy Share at the specified exercise price and subject to specified vesting conditions.

Each Melbana Energy performance right confers on its holder the right to acquire one Melbana Energy Share for a nil subscription price, subject to certain vesting conditions.

1.10 Substantial holders of Melbana Energy Shares

Name	Number of securities	Voting power
Cadence Asset Management Entities and Esselmont Pty Limited	129,284,101 ¹⁰	6.9%

1.11 Minimum bid price principle – Reliance on ASIC Instrument 2015/1068

For the purposes of the Offer, Melbana Energy may rely on the provisions of *ASIC Corporations (Minimum Bid Price) Instrument 2015/1068 (AI 2015/1068)*.

AI 2015/1068 provides relief from the requirement in section 621(4) of the Corporations Act and allows Melbana Energy to value Melbana Energy Shares to be provided as consideration under the Offer at any time nominated by Melbana Energy (**Valuation Date**) up to five Business Days before the date of the Offer. The valuation is determined by calculating the VWAP of the Melbana Energy Shares in the ordinary course of trading on ASX during two full days before the Valuation Date.

For the purposes of section 621(4A)(b) of the Corporations Act (as inserted by AI 2015/1068), Melbana Energy provides the following information:

Valuation of Melbana Energy Shares under section 621(4A)(a) of the Corporations Act	[\$●] per Melbana Energy Share
Valuation Date	[●] 2019
The trading days on which the valuation is based	[●] 2019 and [●] 2019

Based on this valuation, the value of the Offer Consideration for the purposes of section 621 of the Corporations Act, using the valuation methodology prescribed by AI 2015/1068 is therefore \$[●] per Metgasco Share.

This value equals or exceeds the maximum consideration that Melbana Energy or an associate of Melbana Energy provided, or agreed to provide, for a Metgasco Share under any purchase or agreement during the four months before the date of the Offer (refer to section 2.10 of this Bidder's Statement).

1.12 Recent trading in Melbana Energy Shares

The last recorded sale price of Melbana Energy Shares on ASX before the Announcement Date was \$0.0105.

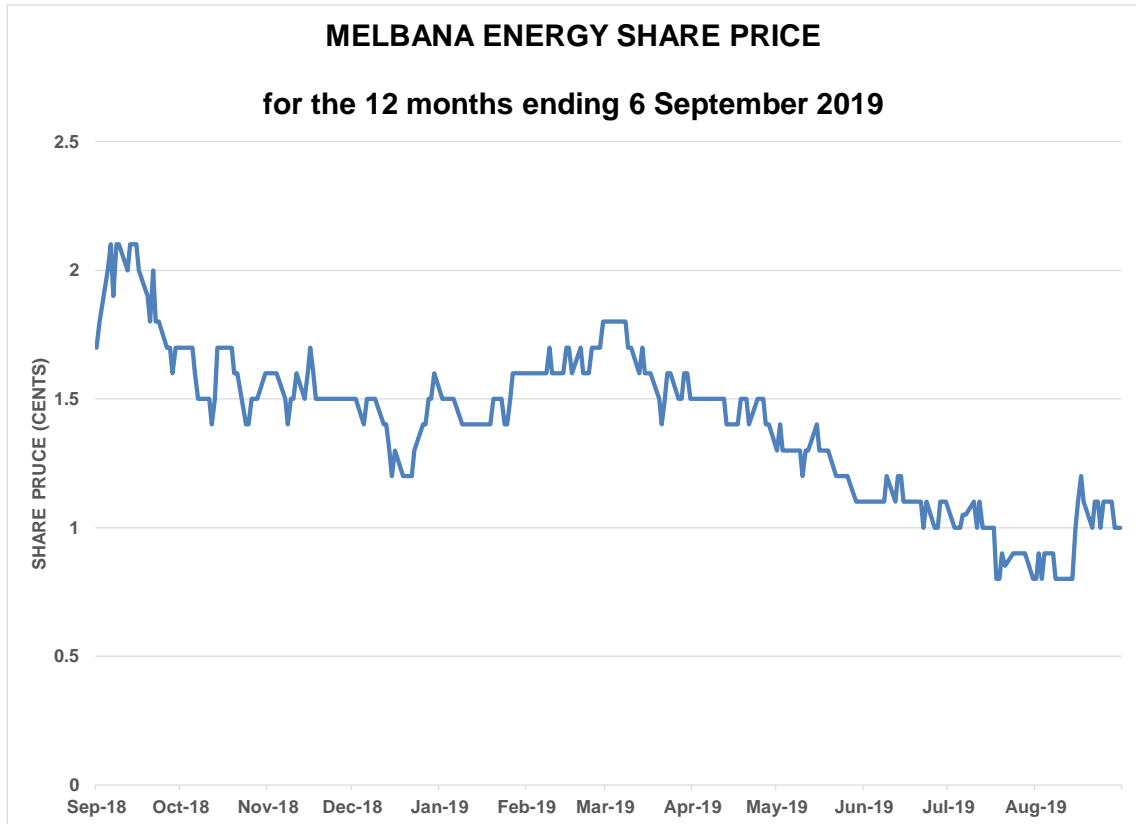
The last recorded sale price of Melbana Energy Shares on ASX before the Last Practicable Trading Day was \$0.011.

In the four months before the Last Practicable Trading Day:

- the highest recorded sale price of Melbana Energy Shares on the ASX was \$0.014 on 7 May 2019; and

¹⁰ As per Beneficial Shareholder analysis dated 28 June 2019

- the lowest recorded sale price of Melbana Energy Shares on the ASX was \$0.008 which last occurred on 19 August 2019.



Melbana Energy is not obliged to make any adjustment to the Offer Consideration if the value of Melbana Energy Shares changes during the Offer Period. Accordingly, market fluctuations could favourably or adversely impact the implied value of the Offer at any particular time.

1.13 Rights and liabilities attaching to Melbana Energy shares

The Melbana Energy Shares which will be issued as consideration under the Offer will be fully paid ordinary shares and will rank equally with existing Melbana Energy Shares and will have the same rights and liabilities attaching to them.

The rights and liabilities attaching to Melbana Energy Shares are governed by Melbana Energy's constitution, the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules. The main rights and liabilities attaching to those Melbana Energy Shares are summarised below. Full details of the rights and restrictions attaching to Melbana Energy Shares are set out in the constitution which is available for viewing at Melbana Energy's website.

<p>Meetings of shareholders</p>	<p>Each Melbana Energy shareholder is entitled to receive notice of general meetings of Melbana Energy.</p> <p>A general meeting may only be called:</p> <ul style="list-style-type: none"> by a directors' resolution; or as otherwise provided in the Corporations Act. <p>The directors may, by notice to the ASX, change the venue for, postpone or cancel a general meeting, if they consider that the meeting has become unnecessary, or the venue would be unreasonable or impractical or a change is necessary in the</p>
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	<p>interests of conducting the meeting efficiently, but:</p> <ul style="list-style-type: none"> ▪ a meeting which is not called by a directors' resolution; and ▪ a meeting which is called in accordance with a members' requisition under the Corporations Act; <p>may not be postponed or cancelled without the prior written consent of the persons who called or requisitioned the meeting.</p>
Voting rights	<p>At a general meeting:</p> <ul style="list-style-type: none"> ▪ on a show of hands, every member present has one vote; and ▪ on a poll, every member present has one vote for each share held as at the Record Time by the member entitling the member to vote, except for partly paid shares, each of which confers on a poll only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share. An amount paid in advance of a call is disregarded for this purpose. <p>If a person present at a general meeting represents personally or by proxy, attorney or Representative more than one member, on a show of hands the person is entitled to one vote only even though he or she represents more than one member.</p> <p>A poll may be demanded by a shareholder in accordance with the Corporations Act or by the chairperson.</p>
Dividends	<p>Subject to the Corporations Act, the constitution and the terms of issue, the directors may pay any interim and final dividends that, in their judgment, the financial position of the company justifies.</p> <p>The directors may rescind a decision to pay a dividend if they decide, before the payment date, that the company's financial position no longer justifies the payment. The payment of a dividend does not require confirmation at a general meeting.</p>
Winding up	<p>If Melbana Energy is wound up and the property of the company available for distribution among the members is more than sufficient to pay:</p> <ul style="list-style-type: none"> ▪ all the debts and liabilities of the company; and ▪ the costs, charges and expenses of the winding up, <p>the excess must be divided among the members in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares;</p> <p>If Melbana Energy is wound up, the liquidator may, with the sanction of a special resolution:</p> <ul style="list-style-type: none"> ▪ divide among the members the whole or any part of the company's property; and ▪ decide how the division is to be carried out as between the members or different classes of members.
Transfer of Melbana Energy shares	<p>Subject to the Constitution, the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, shares in Melbana Energy are freely transferable. Melbana Energy may decline to register a transfer where permitted by law, the ASX Listing Rules or the ASX Settlement Operating Rules.</p>
Alteration of capital	<p>Subject to the Corporations Act, the Melbana Energy directors may do anything required to give effect to any resolution altering the company's share capital.</p>
Variation of class rights	<p>The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:</p> <ul style="list-style-type: none"> ▪ with the written consent of the holders of 75% of the shares of the class; or ▪ by a special resolution passed at a separate meeting of the holders of shares of the class.

Unmarketable parcels	<p>Subject to the Corporations Act and the Listing Rules, the directors of Melbana Energy may sell Melbana Energy shares which constitute less than a marketable parcel by sending a written notice to a member who holds less than marketable parcel of shares which:</p> <ul style="list-style-type: none"> ▪ explains the effect of the notice; and ▪ advises the holder that he or she may choose to be exempt from the provisions of this rule. A form of election for that purpose must be sent with the notice. <p>Melbana Energy may:</p> <ul style="list-style-type: none"> ▪ sell the shares constituting less than a marketable parcel as soon as practicable at a price which the directors consider is the best price reasonably available for the shares when they are sold (provided the date is 6 weeks after the notice is sent); ▪ deal with the proceeds of sale under the Constitution; and ▪ receive any disclosure document, including a financial services guide, as agent for the member. <p>The costs and expenses of any sale of shares arising from a less than marketable parcel notice (including brokerage and stamp duty) are payable by the purchaser or by the company.</p>
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1.14 Melbana Energy's Share and option plans

The LTI Plan was adopted by the Melbana Energy Board on 13 September 2011. Under the LTI Plan, the Melbana Energy Board may invite Eligible Executives (being an employee of the Melbana Group, including a director employed in an executive capacity or any other person who is declared by the Melbana Energy Board to be eligible to receive a grant of LTI Securities under the LTI Plan) to participate in a grant of LTI Securities, which may comprise of performance rights and/or options. Offers will be made on the terms set out in the LTI Plan and on any additional terms as the Melbana Energy Board determines.

Options and/or performance rights granted under the LTI Plan will only vest, and in the case of options, become exercisable, where any performance condition and any other relevant conditions advised to the participant by the Melbana Energy Board have been satisfied.

On vesting of a performance right or following the exercise of an option (as the case may be), the Melbana Energy Board will allocate the number of shares in respect of which the performance right has vested, or the options have been exercised. Any shares issued under the LTI Plan will rank equally in all respects with other shares on issue at that time (except as regards any rights attaching to such shares by reference to a record date prior to the date of their issue).

In the event of a takeover, a scheme of arrangement, other reconstruction or amalgamation of Melbana Energy, a winding up of Melbana Energy or other event which is likely to result in a change of control of Melbana Energy, the Melbana Energy Board may, in its absolute discretion, determine that all or a specified number of a participant's unvested performance rights and/or options vest, having regard to all relevant circumstances, including whether performance is in line with any applicable performance condition over the period from the date of grant to the relevant event, and the portion of any applicable performance period or period of service that has expired at the date of the relevant event. Unless Melbana Energy Board determines otherwise, any vested options will be exercisable for a period specified by the Melbana Energy Board and will lapse if not exercised within the specified period.

In accordance with the terms of the LTI Plan, prior to the allocation of shares to a participant upon vesting of performance rights or exercise of options (as the case may be), the Melbana Energy Board may make any adjustments it considers appropriate to the terms of a

performance right and/or option granted to a participant in order to minimise or eliminate any material advantage or disadvantage to a participant resulting from a corporate action or capital reconstruction. Without limiting the foregoing, if:

- shares are issued pro rata to Melbana Energy's shareholders generally by way of a bonus issue (other than an issue in lieu of dividends or by way of a dividend reimbursement) involving capitalisation of reserves of distributable profits;
- shares are issued pro rata to Melbana Energy's shareholders generally by way of a rights issue; or
- any reorganisation (including consolidated, subdivision, reduction or return) of the issued capital of Melbana Energy is effected,

then the Melbana Energy Board may, in its discretion, adjust:

- the number of performance rights or options to which each participant is entitled;
- the number of shares to which each participant is entitled upon vesting of performance rights or exercise of options;
- any amount payable on vesting of the performance rights or exercise of options; or
- where appropriate, a combination of the above, in the manner determined by the Melbana Energy Board, having regard to the ASX Listing Rules and the general principle set out above. Where additional performance rights or options are granted to a participant, such performance rights or options will be subject to the same terms and conditions as the original performance rights or options granted to the participant (including any performance conditions) unless the Melbana Energy Board determines otherwise.

1.15 Dividend history

Melbana Energy has not previously and does not pay dividends.

1.16 Publicly available information about Melbana Energy

Melbana Energy is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Melbana Energy is subject to the Listing Rules, which require Melbana Energy to immediately disclose information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

In addition, Melbana Energy is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Melbana Energy may be obtained from, or inspected at, an ASIC office.

On request to Melbana Energy and free of charge, Metgasco Shareholders may obtain a copy of:

- the annual financial report of Melbana Energy for the year ended 30 June 2019 (being the annual financial report most recently lodged with ASIC by Melbana Energy before the date of this Bidder's Statement); and
- any continuous disclosure notice given to ASX by Melbana Energy after the lodgement with ASIC of the annual financial report of Melbana Energy referred to above and before the lodgement of this Bidder's Statement with ASIC.

A substantial amount of information about Melbana Energy is available in electronic form from www.melbana.com. A list of announcements made by Melbana Energy between 1 July 2019 and the Business Day prior to the date of this Bidder's Statement is included at Annexure A.

2 Information on Metgasco

2.1 Brief History

Metgasco is an Australian ASX listed energy company that has a portfolio of oil and gas interests in Australia and the United States. Metgasco is headquartered in Sydney. Metgasco's principal activities comprise oil and gas exploration, appraisal, development and investment in and development of associated energy infrastructure.

In the past it has explored for gas in three exploration licences in the Northern Rivers Region of NSW. However, in December 2015, Metgasco's shareholders voted to accept a \$25 million offer from the NSW Government to withdraw from its exploration licences in NSW and from litigation against the NSW Government.

2.2 Overview of projects

Metgasco's oil and gas exploration tenements comprise:

Permit	Location	Current Interest	After farm-out
ATP 2020P (Cooper-Eromanga Basin)	Australia	100%	N/A
ATP 2021 (Cooper-Eromanga Basin)	Australia	100%	25%
PRL 237 (Eromanga Basin)	Australia	20%	N/A
SM74	USA	30%	N/A

2.2.1 ATP 2020P

ATP 2020P is in the onshore Cooper-Eromanga Basin in Queensland and was first awarded on or about 29 May 2018. Metgasco is the current operator and 100% licence holder. Metgasco is currently seeking a farm out of the permit.

Metgasco has currently undertaken desk top studies of the permit area. Existing 2D seismic data is currently being reprocessed to determine if the lead can be upgraded to drillable status.

2.2.2 ATP 2021P

ATP 2021P is in the onshore Cooper-Eromanga Basin in Queensland and was first awarded on about 29 May 2018.

On 22 May 2019, Vintage Energy Ltd (**Vintage**) entered into a Heads of Agreement with Metgasco in ATP 2021. Vintage can earn 50% interest and operatorship by funding 65% of the first exploration well, up to a maximum gross cost of A\$5.3 million (with Vintage's share being up to A\$3.445 million). In addition, Vintage will contribute a further A\$527,800 which reflects 65% of the past licence back-costs/farm-out costs incurred by Metgasco to date. Vintage will also fund a full carry of A\$70,000 of 2D/3D seismic reprocessing. Final farm-out documentation was executed in July 2019.

On 29 August 2019, Metgasco further announced that Bridgeport (Cooper Basin) Pty Ltd (**Bridgeport**) had entered into a binding Farm-in Agreement with Metgasco in respect of ATP 2021. Under the terms of the Agreement, Bridgeport can earn a 25% interest (non-operated) in ATP 2021 by funding 32.5% of the first exploration well, up to a maximum gross cost of A\$5.3 million (with Bridgeport's share being up to A\$1.72 million). In addition, Bridgeport will fund 32.5% of Metgasco's share of future exploration costs up to a maximum of A\$812,000 gross (Bridgeport's share being up to A\$263,900).

The effect of each of the agreements with Vintage and Bridgeport is that Metgasco's costs are 100% free carried for the drilling of the Vali-1 exploration well and Metgasco will retain a 25% non-operated interest.

Metgasco has currently undertaken desk top studies of the permit area. Further sub-surface work is being completed on the shallow oil prospectivity of the permit.

2.2.3 PRL 237

PRL 237 is in the onshore Eromanga Basin in South Australia and was awarded on 19 January 2018.

On 25 September 2017, Metgasco announced that it had entered into agreement with Senex Energy Limited and Cooper Energy Limited by which, depending on the outcome of drilling and testing, Metgasco would farm-in to the Frey-1 Well Area within PEL93 in the South Australian Cooper Basin. The Frey-1 well has been plugged and abandoned. Metgasco has elected to continue its working interest in PRL 237, following the finalisation of the Frey-1 well in the Cooper Basin. Metgasco has carried its 30% earned interest in PRL 237. To the knowledge of Melbana Energy, no field work is currently planned.

2.2.4 South Marsh 74

The South Marsh 74 block (**SM 74**) is in the Gulf of Mexico, USA, and was renewed for 5 years on 1 July 2017. Pursuant to a farm-in agreement, Metgasco currently has a 30% interest in SM 74, with Byron Energy Limited (**Byron**) holding the remaining 70% and acting as operator. Metgasco farmed-in for a 30% working interest in the SM 74 block by funding 40% of the dry hole cost of the Initial Test Well (**SM 74 D-14**) to casing point. The estimated cost was approximately US\$11 million. Byron Energy Limited paid the remaining 60%.

The SM 74 D-14 well has been drilled and is in the process of being plugged and abandoned. In concluding its exposure to the SM 74 D-14 well, by agreeing to pay Byron \$1,750,000 by 30 September 2019 and agreeing to exercise its option to purchase 10 million shares in Byron. Metgasco now holds approximately 7.14% of the issued shares in Byron.

2.2.5 Perth Basin L14 Production Licence

On 9 September 2019, Metgasco announced that it had executed a binding farm-in agreement with RCMA Australia Pty Ltd (**RCMA**), a subsidiary of Jade Energy Holdings. Pursuant to the agreement, Metgasco has an option (exercisable by 15 November 2019) to fully fund the drilling of one exploration well in the L14 Licence area located in the northern onshore Perth Basin (in the area known as the "Western Flank", which does not include the Jingemina field) for a 60% equity interest in any discovery. Metgasco has a further option to drill a second exploration well on like for like terms, with the option exercisable between 1 April 2020 and 1 December 2020. Metgasco and RCMA have the right to secure additional farm-in partners in relation to the project.

2.3 Directors of Metgasco

As at the date of this Bidder's Statement the Metgasco Directors are:

- Philip Amery, Chairman and Non-Executive Director;
- John Patton, Non-Executive Director; and
- Rob Willink, Non-Executive Director;

2.4 Metgasco Summary Historical Financial Information

2.4.1 Basis of preparation of historical financial information

The summary historical financial information is prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards and relates to Metgasco on a stand-alone basis and does not reflect any impact of the Offer. It is a summary only and has been extracted from the audited consolidated financial reports (including the notes therein) of Metgasco for the years ending 30 June 2018 and 30 June 2019 and does not contain all of the disclosures that are usually provided in an annual report in accordance with the Corporations Act. Copies of these annual reports are available at www.metgasco.com.au and the ASX website.

Further financial information is available in Metgasco's audited financial reports for the periods ended 30 June 2018 and 30 June 2019. These reports set out Metgasco's significant accounting policies during these periods and are available on the ASX website and also Metgasco's website at <http://www.metgasco.com.au/annual-reports>.

2.4.2 Consolidated statement of comprehensive income

	Audited 30-Jun-19 \$'000	Audited 30-Jun-18 \$'000
Interest income	378	1,017
Other income	245	2,280
Expenditure		
Fair value movement derivative asset	(1,126)	-
Fair value movement on long term investment	(1,627)	-
Depreciation	(4)	(2)
Accounting, compliance, legal and professional fees	(128)	(210)
Impairment of capitalised exploration costs	(10,240)	(684)
Finance cost	(11)	(2)
Investors Relations	(131)	(216)
Consulting fees	(221)	(199)
Directors fees	(178)	(352)
Loss on fair value movement of exchange traded bonds	-	(62)
Employee costs	(369)	(221)
Rent and occupancy	(42)	(40)
Travel & accommodation	(54)	(56)
Other Administration expenses	(265)	(233)
Realised loss on sale of long-term investments	(450)	1
Net (Loss)/Profit Before Tax	(14,223)	1,021
Income Tax Expense	-	-
Other Comprehensive Income		
Gain on fair value of listed securities	-	10,801
Loss on fair value movement in traded bonds	2	-
Total Comprehensive (Loss)/Profit for the Period	(14,221)	11,822

2.4.3 Consolidated statement of financial position

	Audited 30-Jun-19 \$'000	Audited 30-Jun-18 \$'000
Current Assets		
Cash and cash equivalents	1,803	6,778
Short term investments	1,394	2,117
Trade and other receivables	122	145
Investment in listed securities	4,500	-
Convertible notes	-	3,936
	<u>7,819</u>	<u>12,976</u>
Non Current Assets		
Exploration and evaluation expenditure	1,298	535
Plant and equipment	6	9
Other receivables	24	24
Secured convertible note	-	976
Financial derivative asset	422	1,548
Listed securities	7,197	13,453
	<u>8,947</u>	<u>16,545</u>
Total Assets	<u>16,766</u>	<u>29,521</u>
Current Liabilities		
Trade and other payables	1,883	291
	<u>1,883</u>	<u>291</u>
Non Current Liabilities		
Provisions	22	15
	<u>22</u>	<u>15</u>
Total Liabilities	<u>1,905</u>	<u>306</u>
Net Assets	<u>14,861</u>	<u>29,215</u>
Equity		
Issued capital	111,100	111,233
Financial assets at FVOCI reserve	(60)	-
Available for sale reserve	-	10,801
Retained earnings	(96,179)	(92,819)
Total Equity	<u>14,861</u>	<u>29,215</u>

2.4.4 Consolidated statement of cash flows

	Audited 30-Jun-19 \$'000	Audited 30-Jun-18 \$'000
Cash flows from operating activities		
Payments to Suppliers (inclusive of GST)	(1,558)	(1,413)
Interest and Other income received	553	1,262
Finance costs paid	-	(2)
Net cash used in operating activities	<u>(1,005)</u>	<u>(153)</u>
Cash flows from investing activities		
Payment for Evaluation and exploration costs	(9,253)	(1,098)
Sale/(Purchase) of short/long term investments	2,405	(4,831)
Security bond received/(advanced)	11	-
Secured convertible note facility	3,000	3,000
Purchase of property, plant and equipment	-	(8)
Net cash used in investing activities	<u>(3,837)</u>	<u>(2,937)</u>
Cash flows from financing activities		
Share Buyback	(132)	(330)
Net cash from financing activities	<u>(132)</u>	<u>(330)</u>
Net increase/(decrease) in cash and cash equivalents	(4,975)	(3,419)
Cash and cash equivalents at the beginning of the financial year	6,778	10,197
Cash and cash equivalents at the end the financial year	<u>1,803</u>	<u>6,778</u>

2.5 Metgasco's issued securities

According to documents provided by Metgasco to ASX, as at the date of this Bidder's Statement, Metgasco's issued securities consist of 390,601,434 fully paid ordinary shares.

The Offer extends to Metgasco Shares that are issued during the Offer Period due to the conversion or exercise of securities existing as at the Register Date (refer to section 9.1 for more details).

2.6 Substantial holders of Metgasco Shares

Name	Number of securities	Voting power
Australian Style Group Pty Limited ¹¹	78,607,526	20.1%
Keybridge Capital Limited (ASX:KBC) ¹²	78,661,138	20.1%
Melbana Energy Limited (ASX:MAY) ¹³	76,516,908	19.6%

2.7 Recent trading in Metgasco Shares

The last recorded sale price of Metgasco Shares on ASX before the Announcement Date was \$0.027.

The last recorded sale price of Metgasco Shares on ASX before the Last Practicable Trading Day was \$0.035.

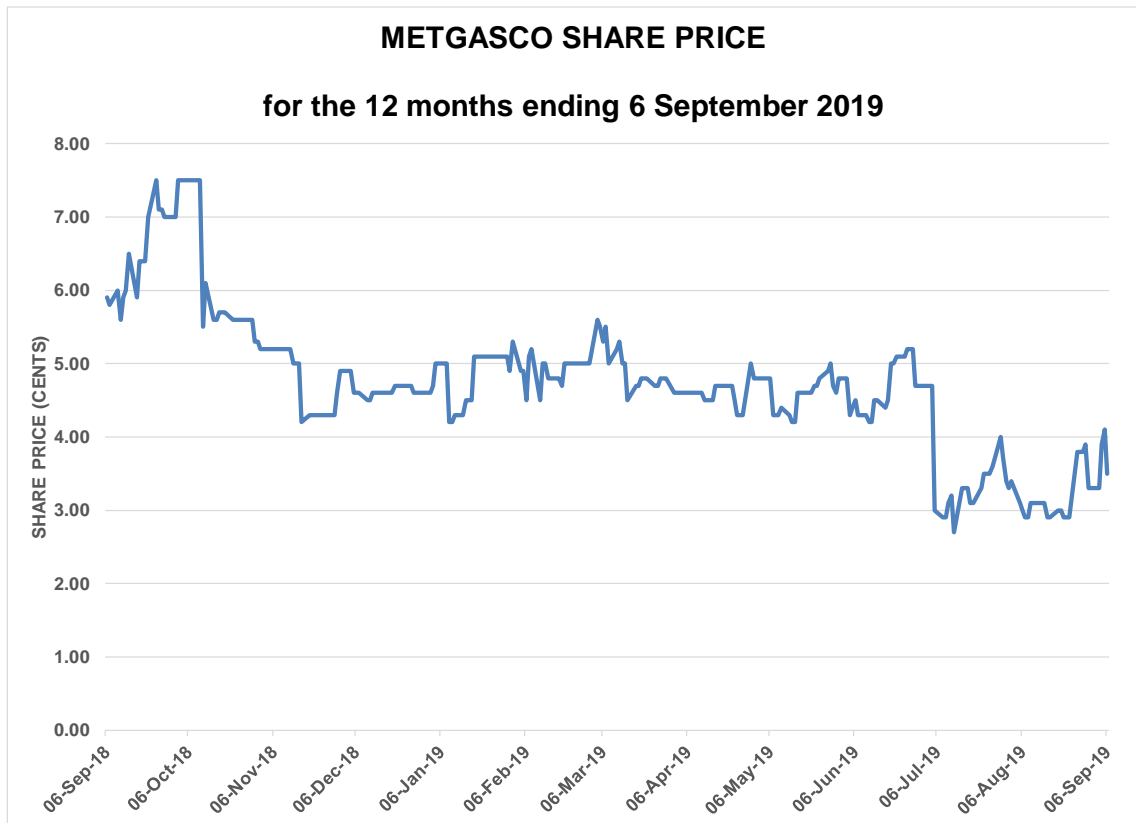
In the four months before the Valuation Date:

- the highest recorded sale price of Metgasco Shares on the ASX was \$0.052 on 27 June 2019; and
- the lowest recorded sale price of Metgasco Shares on the ASX was \$0.027 on 12 July 2019.

¹¹ Metgasco ASX announcement, 26 March 2019, Notice of initial substantial holder

¹² Metgasco ASX announcement, 25 July 2019, Notice of change in interests of substantial holder

¹³ Metgasco ASX announcement, 16 July 2019, Notice of initial substantial holder



2.8 Dividend history

Metgasco has not previously and does not pay dividends. Metgasco made a capital return of 2.5 cents per Metgasco Share in November 2016.

2.9 Interests in Metgasco's securities

As at the date of this Bidder's Statement and the date of the Offer, Melbana Energy's relevant interest in Metgasco is 19.6% due to a pre-bid acceptance agreement it has with M&A Advisory (being a Metgasco shareholder associated with Andrew Purcell, a director of Melbana).

2.10 Dealing in Metgasco Shares

Other than as expressly disclosed in this Bidder's Statement, neither Melbana Energy nor any associate of Melbana Energy has provided, or agreed to provide, consideration for Metgasco Shares under any purchase or agreement during the 4 months before the date of this Bidder's Statement other than as disclosed in this Bidder's Statement.

2.11 No pre Offer benefits

During the period of 4 months before the date of this Bidder's Statement and the period from the date of this Bidder's Statement to the date before the date of the Offer, neither Melbana Energy nor any associate of Melbana Energy gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Metgasco Shares,

and which is not offered to all holders of Metgasco Shares under the Offer.

2.12 No escalation agreements

Neither Melbana Energy nor any associate of Melbana Energy has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

2.13 Publicly available information about Metgasco

Metgasco is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Metgasco is subject to the Listing Rules, which require Metgasco to immediately disclose information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

In addition, Metgasco is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Melbana Energy may be obtained from, or inspected at, an ASIC office.

Further information about Metgasco is available in electronic form from www.metgasco.com.au

2.14 Disclaimer

The information on Metgasco has been prepared by Melbana Energy using publicly available information. The information has not been independently verified and Melbana Energy does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

The information on Metgasco in this Bidder's Statement should not be considered comprehensive.

Further information relating to Metgasco may be included in the Target's Statement which Metgasco must provide to Metgasco Shareholders in response to this Bidder's Statement.

3 Sources of consideration

3.1 Total consideration

The maximum number of Melbana Energy Shares which would be issued under the Offer is approximately 1,562,405,736 Melbana Energy Shares.

3.2 Sources of scrip consideration

Melbana Energy has agreed, subject to receiving the approval of its shareholders for the purpose of satisfying the Condition in section 9.8.2, on an irrevocable basis, to issue all Melbana Energy Shares necessary to satisfy Melbana Energy's obligations to provide the consideration under the Offer.

4 Melbana Energy's intentions in relation to Metgasco

4.1 Introduction

This section 4 sets out Melbana Energy's current intentions in relation to the following:

- the continuation of the business of Metgasco;
- any major changes to the business of Metgasco and any redeployment of the fixed assets of Metgasco;
- the compulsory acquisition of Metgasco Shares and the delisting of Metgasco; and
- the future employment of the present employees of Metgasco.

These intentions are based on the information concerning Metgasco, its business and the general business environment which is known to Melbana Energy at the time of preparation of this Bidder's Statement which is limited to publicly available information. As a result, Melbana Energy does not have knowledge of all of the material information, facts and circumstances that are necessary to assess the operational, commercial, taxation and financial implications of its current intentions. Accordingly, the statements set out in this section are statements of current intention only and may vary as new information becomes available to Melbana Energy or as circumstances change.

Final decisions regarding these matters will only be made by Melbana Energy in light of material information and circumstances at the relevant time.

Some of the intentions noted in this section 4 anticipate cost and revenue synergies to the Combined Group that are not currently available in isolation to Melbana Energy Shareholders or Metgasco Shareholders. The extent and timing of these benefits is currently uncertain and the ability of the Combined Group to capture these synergy benefits will depend on, amongst other things, the results of a general operational review and whether or not Melbana Energy is able to acquire 100% of Metgasco.

Combining two businesses, like Melbana Energy and Metgasco, carries integration risk. The Combined Group will seek to mitigate these risks, but not all risks can be eliminated.

4.2 Current intentions for Metgasco as a wholly owned controlled entity

This section 4.2 describes Melbana Energy's intentions if Melbana Energy and its associates acquire a relevant interest in 90% or more of the Metgasco Shares, with the result that Melbana Energy becomes entitled to proceed to compulsory acquisition of outstanding Metgasco Shares in accordance with Part 6A.1 of the Corporations Act.

4.2.1 Corporate matters

Melbana Energy intends to:

- proceed with compulsory acquisition of the outstanding Metgasco Shares in accordance with the provisions of Part 6A.1 of the Corporations Act;
- arrange for Metgasco to be removed from the official list of ASX;
- replace the members of the Metgasco Board (and the boards of Metgasco's subsidiaries) with its nominees. Replacement board members have not yet been identified by Melbana Energy and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement board members will be members of the Melbana Energy management team; and

- amend Metgasco's constitution to reflect Metgasco's status as a wholly owned subsidiary of Melbana Energy and seek to convert Metgasco from a public company to a proprietary company.

4.2.2 General operational review

Melbana Energy intends to conduct a broad based review of Metgasco's operations on both a strategic and financial level to:

- evaluate Metgasco's performance and prospects in each of its businesses; and
- develop an operating business plan for the Combined Group.

The precise scope of this review is not able to be determined at this stage as Melbana Energy has not had access to all of the information relevant to making this determination. However, in the course of this review Melbana Energy intends to focus on a number of specific areas including (but not limited to) the following:

- re-estimating the Metgasco resource estimates using the same estimation practices and assumptions used by Melbana Energy at its other projects to minimise the time of the Combined Group's technical team and consultants in maintaining these data;
- seek opportunities to consolidate duplicated functions, where economic;
- the possible closure of one of the offices of the Combined Group in order to realise the benefits of closer communication and fewer costs;
- integrating the Metgasco exploration database into Melbana Energy's systems with a view to reducing the number of software licences and IT support costs;
- examining the expenditure commitments of the Combined Group's exploration programmes to minimise capital deployment and numbers of personnel through scheduling improvements;
- reviewing the Byron Energy shareholding to determine whether it or direct investment in oil and gas projects might be more value accretive going forward;
- the opportunity for future joint ventures with Byron Energy;
- considering the cost of the current and any future contemplated drilling programmes with Vintage or Bridgeport to identify any duplication of effort;
- investigating how to minimise costs associated with the interest held in the Gulf of Mexico; and
- evaluating whether to exercise the option granted by RCMA to drill one or two exploration wells in exchange for an equity interest in any discovery in the L14 production licence area.

4.2.3 Impact on Employees

Melbana Energy intends to conduct a review of the employment requirements of the Combined Group as part of determining its proposed operating model. This will be done with input from management of both Melbana Energy and Metgasco. Where redundancies do occur across the Combined Group, severance and redundancy terms of all relevant employment contracts and industrial agreements or awards will be recognised and complied with by the Combined Group.

4.3 Intentions for Metgasco as a part owned controlled entity

This section 4.3 describes Melbana Energy's intentions if Metgasco becomes a controlled entity of Melbana Energy, but Melbana Energy is not entitled to proceed to compulsory acquisition of outstanding Metgasco Shares in accordance with Part 6A.1 of the Corporations Act.

4.3.1 Corporate matters

After the end of the Offer Period, Melbana Energy intends (subject to the Corporations Act and the constitution of Metgasco) to seek to replace some of the members of the Metgasco Board (and the boards of Metgasco's subsidiaries) as per section 4.2.1 above.

To the extent possible, through its nominees on the Metgasco Board, Melbana Energy will seek to implement the intentions detailed in section 4.2 where they are consistent with Metgasco being a controlled entity of (but not wholly owned by) Melbana Energy and are considered to be in the best interests of Metgasco.

Melbana Energy intends to continue acquiring Metgasco Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act following completion of the Offer.

Metgasco Shareholders should be aware that, in this circumstance, the liquidity of Metgasco Shares may be materially decreased.

It is possible that, even if Melbana Energy is not entitled to proceed to compulsory acquisition of outstanding Metgasco Shares under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act. If so, it intends to exercise those rights.

Melbana Energy will seek to procure the removal of Metgasco from the official list of ASX (subject to receiving legal and financial advice in light of the spread of Metgasco Shareholders and liquidity of Metgasco Shares following completion of the offer).

4.3.2 General operation review

After the end of the Offer Period, Melbana Energy intends to propose to the Metgasco Board, through its board nominees, that a broad based operational review be conducted on both a strategic and financial level in a similar matter to that described in section 4.2.2. Melbana Energy intends to participate in this review, subject to the approval of the Metgasco Board.

4.3.3 Dividends and funding

Subject to the Corporations Act, the Melbana Energy Board may pay any dividends it thinks appropriate out of Melbana Energy's profits and may fix the time of the payment. Historically, Melbana Energy has not paid dividends and intends to continue with that policy in relation to Metgasco.

Melbana Energy also intends, to the extent possible, to implement a centralised treasury function in order to optimise the funding arrangements of the Combined Group. This may involve the use of intercompany lending.

Metgasco's funding requirements will depend on numerous factors including their ability to generate income from their assets. They may require debt or equity financing. Additional equity financing, if available, may be dilutive to shareholders and at lower prices than the current market prices of each. Debt financing, if available, may involve restrictions on financing and operating activities. If Metgasco is unable to obtain additional financing as needed, they may be required to reduce the scope of their operations.

4.4 Intentions for Metgasco as a part owned non-controlled entity

This section 4.4 describes Melbana Energy's intentions if it has a relevant interest in less than 50% of Metgasco Shares.

In that circumstance, Melbana Energy may be in a position to influence but not necessarily determine the outcome of ordinary resolutions (in respect of which it is entitled to vote) and so, for example, it may not be in a position to control the composition of the Metgasco Board. This means that Melbana Energy's ability to undertake a general operation review may be limited and its ability to realise the proposed outcomes of that review may be similarly constrained.

4.4.1 Metgasco Board

Melbana Energy intends (subject to the formal requirements of the Corporations Act and of the Metgasco constitution) to seek representation on the Metgasco Board, commensurate with its shareholding in Metgasco.

4.4.2 Active minority Metgasco Shareholder

Melbana Energy intends to remain actively involved as a shareholder, including by way of influencing the strategic direction of the business of Metgasco, to the greatest extent that it is permitted by law.

4.4.3 Further acquisition of Metgasco Shares

Any future purchases of Metgasco Shares by Melbana Energy will depend upon the level of acceptances achieved under the Offer and all other relevant circumstances at the time. Melbana Energy reserves its rights to, but makes no commitment to, further acquisitions of Metgasco Shares following completion of the Offer in any manner permitted by the Corporations Act.

4.5 Limitations in giving effect to intentions

The ability of Melbana Energy to implement the intentions set out in this section 4 will be subject to the legal obligations of Metgasco directors to have regard to the interests of Metgasco and all Metgasco Shareholders, including the rights of all minority shareholders and the requirements of the Corporations Act and the Listing Rules relating to transactions between related parties, which may in certain circumstances require the approval of minority shareholders. The requirement to have regard to fiduciary duties and other legal obligations in the context of a partly owned company and the potential requirements for minority shareholder approval may prevent a particular objective from being achieved.

4.6 Other intentions

As at the date of this Bidder's Statement, subject to the matters described above in this section 4 and elsewhere in this Bidder's Statement and, in particular, the completion of the Strategic Review, it is the intention of Melbana Energy, that, on the basis of the facts and information concerning Metgasco its business and the general business environment that are known to Melbana Energy at the date of this Bidder's Statement:

- the business of Metgasco will be conducted in substantially the same manner as it is conducted at the date of this Bidder's Statement;
- no other major changes will be made to the business of Metgasco; and
- there will be no redeployment of the fixed assets of Metgasco.

5 Effect of the Offer on Melbana Energy and profile of the Combined Group

5.1 Introduction

This section 5 provides a description of the effect of the Offer on Melbana Energy and a profile of the Combined Group, assuming that Metgasco becomes a wholly-owned subsidiary of Melbana Energy. If Melbana Energy does not acquire at least 90% of the Metgasco Shares during the Offer Period and therefore does not become entitled to compulsorily acquire the remainder of the Metgasco Shares, some of the benefits that would otherwise accrue to Melbana Energy if Metgasco were to become a wholly-owned subsidiary of Melbana Energy may not be fully realised.

For further information in this regard, please see sections 4.2, 4.3 and 4.4 of this Bidder's Statement.

5.2 Synergies

As described in section 4.2.2 of this Bidder's Statement, in the event Melbana Energy is able to do so, Melbana Energy intends to conduct, or procure the undertaking by the Metgasco Board of a broad operational review of Metgasco's operations on both a strategic and financial level with a view to identifying synergies that will result in cost savings for the Combined Group and, where possible, integrating Metgasco's operations into Melbana Energy's operational and corporate structure.

5.3 Overview of the Combined Group

The Combined Group will provide Metgasco Shareholders with an interest in a larger and more geographically diversified company. The Combined Group will be an oil and gas exploration company with potential for material growth resulting in economic benefits which may not be available to Metgasco individually (including as a result of the development of Melbana Energy's Beehive prospect).

Melbana Energy has identified a number of key strategic and financial benefits arising from the merger of Melbana Energy and Metgasco, including:

- The creation of a more diverse and robust portfolio of opportunities to increase the value of the Combined Group's assets, which will principally comprise:
 - Metgasco's interest in Queensland exploration permits, ATP 2020 and ATP 2021.
 - Metgasco's 7.14% shareholding in Byron Energy;
 - Melbana Energy's interest in the Beehive prospect in northern Australia;
 - Melbana Energy's 100% interest in Block 9, in Cuba; and,
 - Melbana Energy's proposed Santa Cruz project in Cuba.
- In the current environment, in which access to capital for junior oil and gas companies is difficult, the Combined Group would benefit from the combination of the respective asset portfolios of Melbana Energy and Metgasco to create a larger oil and gas company, with a broader and more diverse shareholder base, better positioned to:
 - access capital markets for fundraising purposes;
 - attract major oil and gas companies as potential project development partners in respect of current or future development opportunities; and

- withstand delays and unforeseen risks.
- Leveraging the experience of Melbana Energy's board and technical team to further explore and appraise Metgasco's assets.
- Taking advantage of the synergies and cost saving resulting from the Combined Group which would primarily be sourced from the increase in operational efficiencies and the elimination of duplicated corporate, administrative and technical costs.

5.4 Pro forma historical consolidated statement of financial position for the Combined Group

5.4.1 Introduction and basis of preparation

Section 5.4.2 contains the unaudited pro forma historical consolidated statement of financial position for the Combined Group which has been prepared for illustrative purposes as if Melbana Energy had acquired all issued Metgasco Shares at 30 June 2019 (the **Combined Group Pro Forma Historical Statement of Financial Position**).

The Combined Group Pro Forma Historical Statement of Financial Position has been prepared in order to provide Metgasco Shareholders with an indication of the scale and size of the Combined Group and the impact on Melbana Energy of Melbana Energy successfully completing the Offer.

The Combined Group Pro Forma Historical Statement of Financial Position is unaudited and is based on a number of assumptions. Accordingly, the Combined Group Pro Forma Historical Statement of Financial Position is not intended to represent the consolidated financial position that would have actually resulted had the acquisition been completed at 30 June 2019, since it is not possible to produce this information from publicly available information. If the acquisition had occurred in the past, the Combined Group's financial position would likely have been different from that presented in the Combined Group Pro Forma Historical Statement of Financial Position.

The Combined Group Pro Forma Historical Statement of Financial Position is not represented as being indicative of the views of Melbana Energy or its related bodies corporate (or any of their respective officers or employees) on the Combined Group's future financial position or future financial performance. In particular, potential synergy benefits have not yet been determined, as the exact timing and amount of such benefits cannot be reliably estimated from publicly available information. Similarly, estimated restructuring and / or integration costs have also not yet been determined. Any such costs will be recorded as an expense in the consolidated income statements of Melbana Energy in the relevant periods following completion. No such impacts have been reflected in the Combined Group Pro Forma Historical Statement of Financial Position. Financial information relating to Metgasco has been sourced from its audited financial statements for the financial year ended 30 June 2019. Melbana Energy has relied on this information to prepare the Combined Group Pro Forma Historical Statement of Financial Position. Melbana Energy does not, except as required by law, make any representations or warranty, express or implied, as to the accuracy or completeness of this Metgasco financial information. Melbana Energy has had no access to the directors, management or staff of Metgasco and has had no access to working papers, accounting records or other documentation for the purposes of preparing this information. Therefore, it has not been possible to independently verify any of the financial information relating to Metgasco used in this Bidder's Statement for preparing the Forma Historical Statement of Financial Position.

The Combined Group Pro Forma Historical Statement of Financial Position presented in this section should also be read in conjunction with the risk factors set out in section 6, other

information contained in this Bidder's Statement and the accounting policies of Melbana Energy and Metgasco as disclosed in their most recent financial reports.

The Combined Group Pro Forma Historical Statement of Financial Position has, except as otherwise noted (see below), been prepared in accordance with the measurement and recognition principles prescribed in the Australian Accounting Standards (including the Australian Accounting Interpretations). The Combined Group Pro Forma Historical Statement of Financial Position is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporation Act.

The significant accounting policies used in the preparation of the Combined Group Pro Forma Historical Statement of Financial Position are consistent with Melbana Energy's accounting policies for the year ended 30 June 2019. The pro forma consolidated financial information has been prepared based on the acquisition accounting requirements set out in AASB 3 Business Combinations with the following exception.

The difference between the purchase consideration and net assets that will be acquired has been allocated to exploration and evaluation assets only. There has been no fair value accounting of the assets to be acquired and the liabilities that will be assumed. The Melbana Energy directors are not in a position at the date of this Bidder's Statement to determine the fair values of Metgasco assets or liabilities. This will be undertaken by the Melbana Energy directors following completion of the acquisition of Metgasco. Acquisition accounting may result in a lower or higher level of exploration and evaluation assets and a lower or higher level of accounting profits recognised in the event that other intangible assets are recognised which may require amortisation and/or fair value adjustments in respect of the valuation of acquired assets.

The non-controlling interest is recognised at its share of identifiable net assets excluding any goodwill using the partial goodwill method in accordance with AASB 3 Business Combination standards.

5.4.2 Unaudited pro forma historical statement of financial position of the Combined Group

Scenario 1 – Melbana Energy's acquisition of 100% of Metgasco Shares

Scenario 1 - MAY acquire 100% of the issued share capital	MAY Audited 30-Jun-19 \$'000	MEL Audited 30-Jun-19 \$'000	Merger Adjustments \$'000	Pro Forma Merged Group \$'000
CURRENT ASSETS	Note 1	Note 2	Note 3, 4 & 5	
Cash and cash equivalents	3,363	1,803	(525)	4,641
Other receivables	107	122	-	229
Short term investments	-	1,394	-	1,394
Investment in listed securities	-	4,500	-	4,500
Non-current assets held for sale	72	-	-	72
TOTAL CURRENT ASSETS	3,542	7,819	(525)	10,836
NON-CURRENT ASSETS				
Other receivables	-	24	-	24
Financial derivative asset	-	422	-	422
Listed securities	-	7,197	-	7,197
Property, plant, and equipment	41	6	-	47
Exploration and evaluation expenditure	4,842	1,298	154	6,294
TOTAL NON-CURRENT ASSETS	4,883	8,947	154	13,984
TOTAL ASSETS	8,425	16,766	(371)	24,820
CURRENT LIABILITIES				
Trade and other payables	387	1,883	-	2,270
Borrowings	-	-	-	-
Provisions	185	-	-	185
TOTAL CURRENT LIABILITIES	572	1,883	-	2,455
NON-CURRENT LIABILITIES				
Provisions	-	22	-	22
TOTAL NON-CURRENT LIABILITIES	-	22	-	22
TOTAL LIABILITIES	572	1,905	-	2,477
NET ASSETS	7,853	14,861	(371)	22,343
EQUITY				
Issued capital	276,331	111,100	(96,610)	290,821
Financial assets at FVOCI reserve	-	(60)	60	-
Foreign currency translation reserve	18	-	-	18
Share based payment reserve	1,441	-	-	1,441
Retained earnings	(269,937)	(96,179)	96,179	(269,937)
TOTAL EQUITY	7,853	14,861	(371)	22,343

Scenario 2 – Melbana Energy's acquisition of 50.1% of Metgasco Shares

Scenario 2 - MAY acquire 50.1% of the issued share capital	MAY Audited 30-Jun-19 \$'000	MEL Audited 30-Jun-19 \$'000	Merger Adjustments \$'000	Pro Forma Merged Group \$'000
CURRENT ASSETS	Note 1	Note 2	Note 3,4,5 & 6	
Cash and cash equivalents	3,363	1,803	(525)	4,641
Other receivables	107	122	-	229
Short term investments	-	1,394	-	1,394
Investment in listed securities	-	4,500	-	4,500
Non-current assets held for sale	72	-	-	72
TOTAL CURRENT ASSETS	3,542	7,819	(525)	10,836
NON-CURRENT ASSETS				
Other receivables	-	24	-	24
Financial derivative asset	-	422	-	422
Listed securities	-	7,197	-	7,197
Property, plant, and equipment	41	6	-	47
Exploration and evaluation expenditure	4,842	1,298	369	6,509
TOTAL NON-CURRENT ASSETS	4,883	8,947	369	14,199
TOTAL ASSETS	8,425	16,766	(156)	25,035
CURRENT LIABILITIES				
Trade and other payables	387	1,883	-	2,270
Borrowings	-	-	-	-
Provisions	185	-	-	185
TOTAL CURRENT LIABILITIES	572	1,883	-	2,455
NON-CURRENT LIABILITIES				
Provisions	-	22	-	22
TOTAL NON-CURRENT LIABILITIES	-	22	-	22
TOTAL LIABILITIES	572	1,905	-	2,477
NET ASSETS	7,853	14,861	(156)	22,558
EQUITY				
Issued capital	276,331	111,100	(103,841)	283,590
Financial assets at FVOCI reserve	-	(60)	60	-
Foreign currency translation reserve	18	-	-	18
Share based payment reserve	1,441	-	-	1,441
Retained earnings	(269,937)	(96,179)	96,179	(269,937)
Minority interest	-	-	7,445	7,445
TOTAL EQUITY	7,853	14,861	(156)	22,558

5.4.3 Notes to the unaudited Combined Group Pro Forma Historical Financial Information

The following adjustments and assumptions have been made in preparation of the above pro-forma unaudited Combined Group consolidated balance sheet:

- The audited financial statements of Melbana Energy at 30 June 2019.
- The audited financial statements of Metgasco at 30 June 2019.
- The issue of 1,562,405,736 new Melbana Energy shares at an implied value of \$0.0093 each, being the 30 day VWAP of Melbana Energy shares following the Notice of Intention to make a takeover bid announced on 15 July 2019.
- The difference between the purchase consideration and the estimated carrying value of Metgasco's net assets has been attributed in full to exploration and evaluation assets.
- An estimate of transaction costs Melbana Energy expects to incur as a result of the Offer (net of associated tax). The costs of the Offer have been estimated to be approximately \$525,000 inclusive of legal and professional costs which have been capitalised as part of the exploration and evaluation assets as per AASB3.2(b). Melbana Energy is not in a position to quantify the associated transaction costs for Metgasco that may be incurred as a result of the Offer.
- Scenario 2 assumes Melbana Energy acquires a 50.1% interest with a minority interest.

5.5 Effect on capital structure of Melbana Energy

There are a range of factors that may impact the number of Melbana Energy Shares that will be on issue following completion of the Offer, including the number of acceptances of the Offer, the number of Unlisted Securities exercised during the Offer Period (if any), the number of options converted into Metgasco Shares during the Offer Period (if any) and the number of Melbana Energy Shares otherwise issued by Melbana Energy during the Offer Period (if any).

Assuming that:

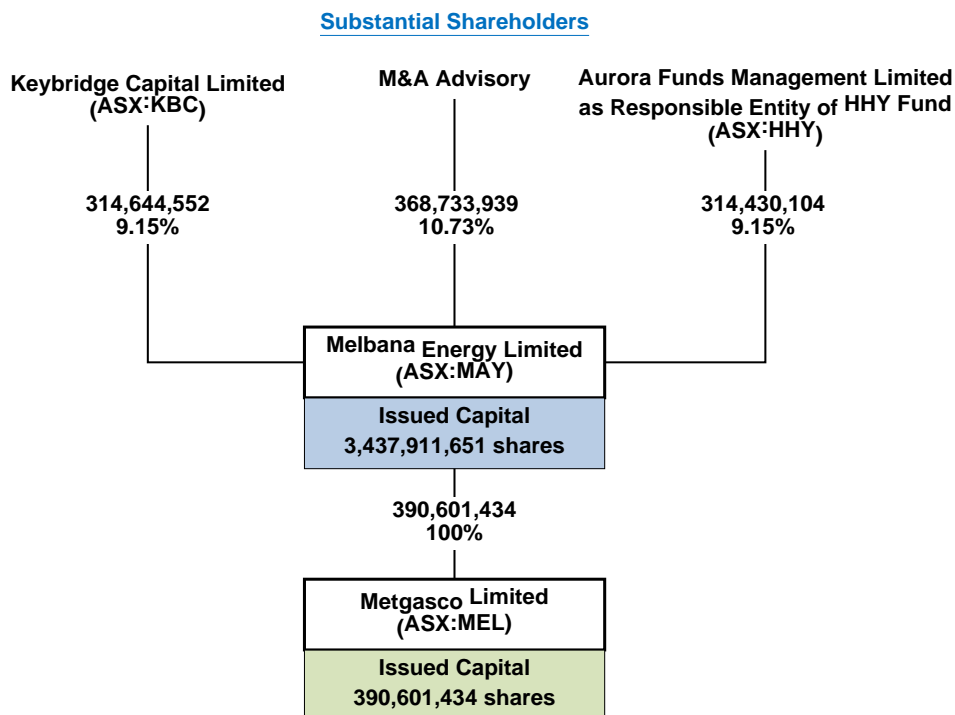
- the Offer is accepted in respect of all Metgasco Shares on issue as at the date of this Bidder's Statement;¹⁴
- no person who accepts the Offer is treated as a Foreign Shareholder for the purposes of the Offer; and
- no Melbana Energy Shares are issued prior to the Offer Consideration being provided to all Metgasco Shareholders who have accepted the Offer,¹⁵

approximately 1,562,405,736 new Melbana Energy Shares will be issued to Metgasco Shareholders under the Offer, resulting in the number of Melbana Energy Shares on issue increasing to 3,437,911,651. These new Melbana Energy Shares would represent approximately 45.4% of the total number of Melbana Energy Shares on issue at that time.

The above scenario is an example only and is not the only scenario that may eventuate.

The following diagram shows the change in the pro forma capital structure of the Combined Group using the assumptions stated in this section 5.5¹⁶

Pro Forma Combined Group capital structure (with substantial holdings based on last filed notices)



¹⁴ Based on 390,601,434 Metgasco Shares.

¹⁵ Based on 1,878,090,864 Melbana Energy Shares.

¹⁶ See the footnotes to Section 2.6 for the announcements that disclose their relevant interests.

M&A Advisory is associated with Andrew Purcell, a director of Melbana Energy, and as of the date of the Offer also holds 81,875,621 options to acquire shares in Melbana Energy in addition to the holdings shown in the figures above.

Additionally, the convertible securities currently on issue in respect of Melbana Energy Shares would continue in accordance with their terms (as set out in section 1.9).

5.6 Forecast information

Melbana Energy has given careful consideration as to whether forecast financial statements can and should be included in this Bidder's Statement in respect of Melbana Energy or the Combined Group. In particular, Melbana Energy has considered whether there is a reasonable basis for the preparation and disclosure in the Bidder's Statement of reliable and useful forecast financial statements in this regard. Melbana Energy has concluded that forecast financial statements for the Combined Group cannot be provided as it does not have a reasonable basis for such forecasts as required by applicable law and practice, and therefore the forecasts would not be meaningful or material to Metgasco's Shareholders. The considerations which have resulted in this conclusion include:

- In respect of both Melbana Energy and Metgasco, changes in variables which are beyond the control of Melbana Energy, such as general economic conditions, exchange rates and commodity prices, can have an impact on the reliability of any forecast produced. Each of these elements can have considerable volatility over time and would require presentation of a number of estimates representing hypothetical combinations of outcomes. Such combinations would be inherently unreliable and accordingly of little use or meaning to Metgasco Shareholders.
- Melbana Energy does not have access to reliable forecast financial statements in respect of Metgasco.
- Information is not available to definitively calculate potential fair value adjustments in relation to the assets of Metgasco following acquisition. Consequently depreciation, amortisation and tax expense cannot be calculated accurately and may be materially different when finalised.

6 Risk Factors

6.1 Introduction

If the Offer becomes or is declared unconditional, Metgasco Shareholders who accept the Offer (other than Foreign Shareholders) will receive Melbana Energy Shares as part of the Offer Consideration and become shareholders in Melbana Energy. The value of the Offer Consideration to these Metgasco Shareholders will depend, in part, on the value of Melbana Energy Shares.

It is therefore important for Metgasco Shareholders to be aware of risks and uncertainties which may affect the future operating and financial performance of the Combined Group and the value of Melbana Energy Shares. Some of these risks and uncertainties may be the same as, or similar to, those already faced by the Metgasco Group. Some of them will be new.

This section 6 outlines:

- specific risk factors that may affect Melbana Energy and the Combined Group (see section 6.2);
- risk factors that arise from the Offer (see section 6.3); and
- risk factors that relate to the general economy and securities market (see section 6.4).

The risks outlined in this section 6 are not necessarily exhaustive. Risks already faced by the Metgasco Group may not have been emphasised or mentioned at all if, in Melbana Energy's opinion, Metgasco Shareholders' exposure to these risks will not materially increase if they become shareholders in Melbana Energy. There may be other risks that prove to be material which are not disclosed in this Bidder's Statement because they are not known to Melbana Energy or were not considered to be material at the date of this Bidder's Statement.

Melbana Energy employs various techniques it deems prudent to safeguard against, reduce or deal with risks, including through the use of insurance, though not all risks can be mitigated in whole or part.

6.2 Specific risk factors that may affect Melbana Energy and the Combined Group

6.2.1 Block 9 PSC non-compliance

Melbana Energy is currently not in full compliance with its obligations under the Block 9 PSC in Cuba, given it has not replaced the bank guarantee for the current sub-period's work commitments which expired on 31 December 2018 (and, for which, CUPET has previously provided a waiver until 30 April 2019). Melbana Energy also considers it unlikely that it could satisfy the remaining work commitment for the current exploration sub-period which is to drill one well before the period ends on 1 November 2019. It has therefore requested CUPET to extend the current sub-period by one year and to waive the requirement to provide a bank guarantee. CUPET has agreed to these requests and forwarded the proposed amendments to a higher competent authority whose approval is required for such changes. As of the date of this Bidder's Statement the formal consent of the higher competent authority has not been received. If this consent was not to be forthcoming and if the regulators declared Melbana Energy in default of their obligation to provide a bank guarantee and Melbana Energy were unable to cure these defaults in the time available, it is likely that Melbana Energy would forfeit its interest in Block 9. Should this occur, it is also unlikely that the regulators would grant Melbana Energy a contract for Santa Cruz.

6.2.2 Beehive Prospect – non exercise of option by Total and Santos

In relation to the Beehive Prospect, both Total and Santos are due to notify Melbana Energy whether they will be exercising their option to fund the drilling of an exploration well in WA-488-P on or before 2 October 2019. Should neither Total nor Santos exercise this option, Melbana Energy would once again have an unencumbered 100% interest in WA-488-P and the rights to the 3D seismic data acquired by Total and Santos. Melbana Energy would then seek to introduce a new partner to fund the drilling of the well. If a new partner cannot be found, it is unlikely that Melbana Energy could meet the commitment to drill the well by 21 December 2020 on its own. Were Melbana Energy to be unsuccessful in gaining regulatory approval to defer this commitment it is likely it would then lose title to WA-488-P.

6.2.3 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 Energy'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 Energy. Melbana Energy may be required or elect to issue further equity securities and such equity securities may be issued on terms less favourable to Melbana Energy (or not issued at all) depending on the prevailing conditions in equity markets which may result in the dilution of the holdings of current Melbana Energy Shareholders. In the event that Melbana Energy is unable to secure funds 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 Energy to retain its key assets and the value of Melbana Energy's interest in these projects.

6.2.4 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 Melbana Energy's operations and its financial results should any of these hazards be encountered.

6.2.5 Exploration risk

Development of Melbana Energy'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 Energy'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 Energy'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 Energy, 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 Energy.

6.2.6 Development risk

Melbana Energy'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 Energy's investment in these projects. Development projects to which Melbana Energy 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.

6.2.7 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 Energy. 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 Energy's activities may be affected by numerous other factors beyond Melbana Energy's control. Mechanical failure of Melbana Energy's operating plant and equipment and general unanticipated operational or technical difficulties, may adversely affect Melbana Energy's operations.

6.2.8 Prospective resources

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

Production estimates are dependent on, among other things, the accuracy of Prospective Resources estimates, the accuracy of assumptions regarding the resource calculations and recovery rates. Prospective Resources estimates are based on limited sampling. The failure of Melbana Energy 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 projects uneconomic and may ultimately result in a restatement of such estimates. Moreover, short-term operating factors relating to projects, 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.

6.2.9 Commodity price risk

The current and future profitability of Melbana Energy'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 Energy's control, including but not limited to global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the U.S. 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 Energy, including its ability to finance the development of its projects.

6.2.10 Country risk

Melbana Energy currently operates in one foreign jurisdiction, Cuba, and may operate in others in the future. As a result, Melbana Energy 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 Energy.

6.2.11 Sanctions risk

Melbana Energy has operations located in Cuba. The U.S. has maintained an embargo against Cuba, administered by the U.S. Department of Treasury. The laws and regulations establishing the embargo have been amended from time to time, most recently by the passage of the Cuban Liberty and Democratic Solidarity Act (the Helms-Burton Act). The embargo applies to almost all transactions involving Cuba or Cuban enterprises, and it bars from such transactions any U.S. persons unless such persons obtain specific licenses from the U.S. Department of Treasury authorizing their participation in the transactions.

Melbana Energy is not a U.S. entity but the existence of the embargo can negatively impact some aspects of the business environment in Cuba. For example, the U.S. embargo could have the effect of limiting Melbana Energy's access to U.S. capital, U.S. financing, U.S. customers and U.S. suppliers. These negative impacts could become more severe in time and possibly even prevent Melbana Energy from continuing to operate in Cuba.

Earlier this year the USA announced that it would no longer suspend Title III of the Helms-Burton Act, effective 2 May 2019, which authorises private lawsuits for damages against anyone who "traffics" in property confiscated, without compensation, by the Government of Cuba from persons who at the time were, or have since become, nationals of the U.S. Melbana Energy does not consider it likely that its interests in Cuba could be subject to a successful claim, let alone enforced were a claim to be successful, but the impact of the removal of the suspension of Title III is not yet fully understood.

6.2.12 Joint ventures

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

- have economic or business interests or goals that are inconsistent with, or opposed to, those of Melbana Energy;
- exercise veto rights to block actions that Melbana Energy believes are in its or the joint venture's best interests;
- take action contrary to Melbana Energy's policies or objectives with respect to its investments; or
- 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 Melbana Energy's partners, Melbana Energy 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 Energy's reputation thereby harming Melbana Energy's other operations and access to new assets. While Melbana Energy 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 Energy's expectations. Melbana Energy 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 Energy's projects.

6.2.13 Schedule Risks

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

6.2.14 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 Energy 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 Energy will acquire any interest in additional operations that would yield Reserves or result in commercial petroleum operations.

6.2.15 Dependence on key personnel

Retaining qualified personnel is critical to Melbana Energy's success. Melbana Energy 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 Energy intends to review and consider retention and recruitment strategies in relation to key personnel. Despite this, one or more of Melbana Energy's key employees, consultants or directors could leave and this may adversely affect Melbana Energy's ability to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of Melbana Energy.

Melbana Energy's success also depends on its ability to identify, attract, accommodate, motivate and retain additional suitably qualified personnel. The Melbana Energy Board considers that 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 Energy's business activity grows, it may require additional personnel to meet its growing needs. If Melbana Energy is unable to access and retain the services of a sufficient

number of qualified personnel, this could be disruptive to Melbana Energy's development and may materially adversely affect its profitability, financial position and performance and prospects.

6.2.16 Environmental Risk

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

6.2.17 Health, safety and hazardous materials

Health and safety regulation affect Melbana Energy'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 Energy including legal claims and potential delays or stoppages.

6.2.18 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 Energy 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.

6.2.19 Uninsurable risks

Melbana Energy 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.

6.2.20 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 Energy 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.

6.2.21 Legal risks and Regulatory Risks

Permits and tenure

All licence permits and production sharing contracts in which Melbana Energy 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 Energy being successful in obtaining required statutory approvals for proposed activities and/or Melbana Energy 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 Energy as at the date of this Offer, but Melbana Energy 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 Energy.

Industrial action

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

Compensation

Melbana Energy may incur costs and liabilities resulting from claims for damages to property or injury to persons arising from Melbana Energy's operations. Melbana Energy must compensate employees for work-related injuries. If Melbana Energy 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 Energy's business, financial condition and results of operations could be adversely affected.

Contractual arrangements

Melbana Energy 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 Energy and there can be no assurance that it would be successful in enforcing any of its contractual rights through legal action.

Tax risk

Melbana Energy will be subject to taxation and other imposts in Australia and other jurisdictions in which Melbana Energy 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 Energy's business activities, thereby potentially impacting on Melbana Energy'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 Energy's operations or financial performance. Increased regulation of greenhouse gas emissions could adversely affect Melbana Energy's costs of operations. Regulatory change by governments in response to greenhouse gas emissions may represent increased costs to Melbana Energy impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of a carbon tax in any jurisdiction in which Melbana Energy 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 Energy's customers could also have an adverse effect on the cost of Melbana Energy's production.

6.3 Risk factors that arise from Offer

As described in section 9 of the Bidders Statement, the Offer is subject to a number of Conditions.

Subject to any statutory withdrawal rights that may be available, Metgasco shareholders who accept the Offer whilst it remains conditional will no longer be able to trade their Metgasco shares on the ASX or withdraw their acceptance of the Offer. Metgasco Shareholders should be aware that the market price of the Metgasco shares may exceed the implied price under the Offer during the Offer Period.

For those Metgasco Shareholders who accept the Offer and if Conditions remain unsatisfied at the end of the Offer Period and are not otherwise freed by Melbana Energy, there is no obligation on Melbana Energy to issue Melbana Energy Shares to you as consideration for Your Metgasco Shares. In those circumstances, any acceptances of the Offer will be void and you would then be free to deal with Your Metgasco Shares.

6.3.1 Limited withdrawal rights

As described in section 9.6.4, Metgasco Shareholders may only withdraw their acceptance of the Offer in limited circumstances. Otherwise, Metgasco Shareholders will be unable to withdraw their acceptances, even if the value of the Melbana Energy Shares to be issued to Metgasco Shareholders as consideration varies from the date of their acceptance.

6.3.2 Issue of Melbana Energy Shares as consideration

Metgasco Shareholders are being offered specific quantities of Melbana Energy Shares as consideration under the Offer. As a result, the value of the consideration will fluctuate depending upon the market value of Melbana Energy Shares at any given time. Further, some of the holders of Metgasco Shares that receive Melbana Energy Shares as consideration under the Offer may not intend to continue to hold those Melbana Energy Shares and may wish to sell them on ASX. There is a risk that if a significant number of holders of Metgasco Shares seek to dispose of their Melbana Energy Shares, this may adversely impact the price of Melbana Energy Shares.

Accordingly, the market value of the Melbana Energy Shares at the time you receive them may vary significantly from their market value on the date of your acceptance of the Offer. This may result in the value of the consideration to Metgasco Shareholders increasing as well as decreasing.

6.3.3 Rollover Relief

A condition of the Offer is that the level of acceptance must result in Melbana Energy obtaining a Relevant Interest in at least 50.1% of all Metgasco Shares. Melbana Energy reserves the right to waive the 50.1% minimum acceptance Condition.

If Melbana Energy does not acquire a Relevant Interest in at least 80% of Metgasco Shares, CGT rollover relief will not be available to Metgasco Shareholders. Refer to section 7 for further details.

6.3.4 Acquisition of Less than 50.1% of Metgasco Shares

It is possible that Melbana Energy could acquire a Relevant Interest of less than 50.1% of Metgasco Shares on issue under the Offer. The existence of a minority interest in Metgasco may have an impact on the operations of the Combined Group, although this impact will depend upon the ultimate level of Metgasco ownership acquired by Melbana Energy. However, a condition of the Offer is that the level of acceptance must result in Melbana Energy obtaining a Relevant Interest in at least 50.1% of all Metgasco Shares. Melbana Energy reserves the right to waive the 50.1% minimum acceptance Condition.

6.3.5 Duty and Government Charges

Duty and other government charges may be payable by Melbana Energy in connection with the offer. The amount of these duties and charges may be material.

6.4 Risk factors that related to the general economy and securities markets

6.4.1 Share market conditions

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

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

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

6.4.2 Changes in economic climate

Economic conditions, both domestic and global, may affect the performance of Melbana Energy. 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 Energy and its directors, may result in material adverse impacts on Melbana Energy's business, financial position and operating results.

6.4.3 Exchange rate risk

Some of Melbana Energy'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 Energy may also source equipment, supplies and services from various foreign countries. Melbana Energy is therefore subject to changes beyond its control due to fluctuations in currency exchange rates. Melbana Energy does not currently engage in active hedging to minimise exchange rate risk.

6.4.4 Risks associated with future growth initiatives

Historically, Melbana Energy has sought to grow both organically and through mergers and acquisitions. At any time, Melbana Energy may be evaluating one or more potential new investments. In addition, from time to time Melbana Energy 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 Energy.

6.4.5 Other risks

Additional risks and uncertainties not currently known to Melbana Energy may also have a material adverse effect on Melbana Energy'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 Energy.

7 Tax considerations

7.1 Disclaimer

The information contained in this tax summary is of a general nature only. It is not intended to be either legal or tax advice and will not address all of the tax issues that may be relevant to you if you dispose of Metgasco Shares. You should obtain independent tax advice relevant to your own particular facts and circumstances including the Australian taxation consequences of accepting the Offer.

You should also take into account the tax consequences that arise in your country of tax residence or any other country in which you may be liable for tax.

This is a general summary of the key Australian income tax, GST and stamp duty implications that may arise for you if you sell any Metgasco Shares to Melbana Energy under the Offer. This summary is based on the Australian tax laws and relevant administrative practices that are currently in force as at the date of this Bidder's Statement, which may change.

This taxation summary is limited in scope and is only relevant to you and Your Metgasco Shares if you are a permanent resident for Australian income tax purposes and hold those Metgasco Shares on capital account (broadly, for long-term investment purposes with no sale in contemplation). You should seek independent tax advice, if:

- you acquired or hold any Metgasco Shares in the course of carrying on a business or for the purpose of resale at a profit (for example, you are in the business of trading or investment or you are a bank or an insurance company) or you are subject to the taxation of financial arrangements provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in respect of any Metgasco Shares;
- you are an insurance company, bank, an investor who holds shares on a revenue account or carries on a business of dealing in securities, or a shareholder who acquired shares pursuant to an employee share plan; or
- you are exempt from Australian income tax.

7.2 Disposal of Metgasco Shares

7.2.1 Australian permanent resident Metgasco Shareholders

General

If you accept the Offer and Your Metgasco Shares are transferred to Melbana Energy, this will be a CGT event for Australian capital gains tax purposes. In this event, the disposal of those Metgasco Shares will have capital gains tax implications for you, subject to the potential application of the scrip for scrip roll-over rules discussed below.

Time of CGT event

The time of your CGT event will be one of the following times:

- if you accept the Offer, your disposal should take place on the date the Offer is accepted by you; or
- if you do not accept the Offer and Your Metgasco Shares are compulsorily acquired, your disposal should take place on the date Melbana Energy becomes the owner of those Metgasco Shares.

Capital gain or capital loss

Subject to the potential application of the scrip for scrip roll-over rules discussed below, you may make a capital gain or capital loss on the disposal of Your Metgasco Shares to Melbana Energy depending on the total consideration that you receive for the disposal of those Metgasco Shares and the CGT cost base or reduced cost base of those Metgasco Shares. You will have a capital gain from the disposal of Your Metgasco Shares if the Offer Consideration exceeds the cost base of those Metgasco Shares. You will have a capital loss if the Offer Consideration is less than the reduced cost base of Your Metgasco Shares.

For these purposes, the Melbana Energy Shares should be valued at their market value.

Generally, and subject to the comment in the paragraph below, the cost base or reduced cost base for Your Metgasco Shares for capital gains tax purposes will include, among other things, the amount paid to acquire those Metgasco Shares and any incidental costs.

If you make a capital gain from the disposal of Your Metgasco Shares, that capital gain will be combined with any other capital gains you have made for the income year, then the total will be applied against any current year or carried forward capital losses (before taking into account the CGT discount (discussed below)).

CGT discount

You may be entitled to CGT discount treatment to reduce the amount of the net capital gain included in your assessable income from disposal of Your Metgasco Shares. Where CGT discount treatment applies to you, the rate of CGT discount applicable is 50% (if you are an individual or hold your shares as a trustee) or 33⅓% (if you are a complying superannuation entity) of any net capital gain on Metgasco Shares which you held for more than 12 months (excluding the date of acquisition and the date of disposal) and which are not disposed of under an agreement entered into within 12 months of acquisition. Only the discounted amount of the capital gain remaining after the application of any current year or carried forward capital losses will be included in your assessable income for the income year. Any resulting net capital loss will be carried forward and may be applied against any future assessable capital gains (before taking into account the CGT discount, if applicable).

If you make a capital loss from the disposal of Your Metgasco Shares, that capital loss may only be offset against your assessable capital gains (before taking into account the CGT discount, if applicable). Any excess capital loss may be applied against your future assessable capital gains (before taking into account the CGT discount, if applicable).

The CGT discount will not apply to Metgasco Shareholders that are companies, and it also does not apply to Metgasco Shares that have been owned, or are deemed to be owned, for less than the relevant 12 month period.

Scrip for scrip roll-over relief

Scrip for scrip roll-over relief will be available if Melbana Energy acquires at least 80% of the Metgasco Shares through the Offer, including any Metgasco Shares already held. In this case, Australian resident Metgasco Shareholders who have a capital gain on their Metgasco Shares can choose to apply roll-over, meaning that any such capital gain may be disregarded.

In order to choose scrip for scrip roll-over relief, Metgasco Shareholders must make an election prior to lodging their income tax return for the income year in which the CGT event occurs. Melbana Energy will not make a choice under section 124-795(4) of the Income Tax Assessment Act 1997 to deny scrip for scrip roll-over relief.

Roll-over is not available if a capital loss arises on the exchange of the Metgasco Shares.

CGT on subsequent disposal of Melbana Energy Shares

A subsequent disposal of Melbana Energy Shares will generally result in Australian CGT implications as described above. These will differ depending upon whether or not, and the extent to which, scrip for scrip roll-over relief was claimed in relation to the disposal of Metgasco Shares pursuant to the Offer.

Where you choose scrip for scrip roll-over relief, your total cost base in Your Metgasco Shares should be allocated to your Melbana Energy Shares on a reasonable basis. You will be taken to have acquired your Melbana Energy Shares at the time you acquired Your Metgasco Shares.

Where scrip for scrip roll-over relief was not claimed or was not available in relation to the disposal of the Metgasco Shares, the cost base of the Melbana Energy Shares (spread equally over those Melbana Energy Shares) would include the market value of the Metgasco Shares disposed of under the Offer at the time the Offer is accepted.

Other amounts may be included in the cost base of the Melbana Energy Shares, such as any incidental costs to sell the Melbana Energy Shares.

A shareholder will be taken to have acquired the Melbana Energy Shares at the time the Metgasco Shares were originally acquired for CGT purposes.

7.2.2 Metgasco Shareholders not permanently resident in Australia for income tax purposes

If you are not resident in Australia for income tax purposes, you should generally not have to pay Australian income tax on any capital gain arising on the disposal of Your Metgasco Shares, unless both of the following requirements are satisfied:

- you and your associates owned at least 10% of Metgasco either at the time of that disposal or for at least 12 months during the 24 months before that disposal; and
- 50% or more of the value of Metgasco is represented by real property in Australia. Metgasco Shares would generally pass this test if the market value of Metgasco's direct and indirect interests in Australian land (including leases and mining rights) is more than the market value of other assets at the time of the CGT event.

If either element is absent, any capital gain realised on the disposal of Your Metgasco Shares should not be subject to income tax in Australia. If you are a former Australian resident who chose to defer any capital gains tax that would have arisen on ceasing to be an Australian resident, you should seek independent advice.

7.3 GST and stamp duty

No Australian stamp duty or GST is payable by you on the sale of Your Metgasco Shares to Melbana Energy pursuant to the Offer. You may be charged GST on incidental costs incurred in acquiring or disposing of Your Metgasco Shares. You may be entitled to input tax credits or reduced input tax credits for such costs but should seek independent professional advice in relation to your own particular circumstances.

8 Additional information

8.1 Pre-bid acceptance agreement

On 15 July 2019, Melbana Energy announced that M&A Advisory (being a Metgasco shareholder associated with Andrew Purcell, a director of Melbana Energy) had entered into a pre-bid support deed poll (**Pre-Bid Acceptance Deed**) in respect of its 76,516,908 Metgasco Shares (**Pre-Bid Shares**). Accordingly, Melbana Energy had a Relevant Interest in the Pre-Bid Shares equivalent to 19.6% of Metgasco on the Announcement Date.

Under the Pre-Bid Acceptance Deed, M&A Advisory has agreed to accept the Offer for the Pre-Bid Shares and must accept the Offer on the day that is 2 Business Days after Melbana Energy has received approval from its shareholders for the acquisition of Metgasco shares from, and the issue of Melbana Energy shares to M&A Advisory for the purposes of ASX Listing Rule 10.1, or such other date consented to in writing by Melbana Energy.

Under the terms of the Pre-Bid Acceptance Deed, M&A Advisory is not permitted to sell or dispose of its Pre-Bid Shares other than pursuant to an acceptance of the Offer or acquire further securities in Metgasco.

8.2 Date for determining holders of Metgasco Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

8.3 Conditions to the Offer

8.3.1 Status of Conditions

As at the date of this Bidder's Statement, Melbana Energy is not aware of any matter, fact or circumstance that would, or is likely to, result in the non-fulfilment of any of the Conditions other than as set out below.

Melbana Energy has convened an Extraordinary General Meeting for 14 October 2019 for the purposes of considering a resolution to approve M&A Advisory's participation in the Offer for the purposes of the Condition detailed in 9.8.2.

Melbana Energy also refers Metgasco Shareholders to its announcements to the ASX dated 23 July 2019 and 10 September 2019 regarding its responses to certain and purported breaches of the Conditions by Metgasco.

8.3.2 Effect of breach of Conditions

Under the terms of the Offers and the Corporations Act, all of the Conditions can be waived by Melbana Energy at any time before the end of the Offer Period. If an event occurs which prevents a Condition from being fulfilled, Melbana Energy does not intend to make a decision as to whether it will rely on such non-fulfilment or waive the Condition until the date for giving notice as to the status of Conditions for the Offers under section 630(3) of the Corporations Act. If Melbana Energy wishes to waive any Condition, then under section 650F of the Corporations Act that waiver must be announced to ASX. If any Condition is not fulfilled and Melbana Energy does not waive that Condition, any contracts arising from acceptance of the Offers will become void at the end of the Offer Period.

8.3.3 Effect of breach of Conditions

If there is a breach of any Condition and Melbana Energy decides to rely on that breach, all contracts formed by acceptance of the Offers will become void at the end of the Offer Period and all Metgasco Shares will be returned to Metgasco Shareholders at that time.

8.4 Consents

Each of the parties in the table below:

- has consented to being named in this Bidder's Statement in the form and context in which they are named;
- does not make, or purport to make, any statement in this Bidder's Statement; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Bidder's Statement.

Consenting party	Role
Patersons Securities	Corporate adviser to Melbana Energy
Link Market Services Limited	Share registrar for the Offer
Grant Thornton	Auditor to Melbana Energy

8.5 Information relating to Prospective Resources

The information in this Bidder's Statement that relates to Prospective Resources for Melbana Energy is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, a director of Melbana Energy. Mr Stickland B.Sc (Hons) has over 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 Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules.

8.6 Independent Expert's Report

8.6.1 Background

The Offer is subject to a number of Conditions, including Melbana Energy Shareholders approving the acquisition by Melbana Energy of all of the Metgasco Shares held by M&A Advisory under the Offer for the purposes of Listing Rule 10.1.

As summarised in Melbana Energy's notice of extraordinary general meeting (for the meeting convened for 14 October 2019), which was provided to ASX on 10 September 2019 (**EGM Notice**), Listing Rule 10.1 has the effect that Melbana Energy cannot acquire a substantial asset from, or dispose of a substantial asset to, a person in a position of influence with Melbana Energy without the approval of Melbana Energy Shareholders.

In accordance with Listing Rule 10.1, the Independent Directors have resolved to seek Melbana Energy Shareholder approval and, as required by the Listing Rule 10.10.2, commissioned the preparation of an independent expert's report, a copy of which is attached to the EGM Notice (**Independent Expert's Report**). The Independent Directors appointed PKF Melbourne Corporate Pty Ltd ACN 063 564 045 as the independent expert to prepare the Independent Expert's Report (**Independent Expert**).

8.6.2 Caution as to reliance on Independent Expert's Report

While Metgasco Shareholders are encouraged to read the Independent Expert's Report in full, which contains further detail which may be relevant to a Metgasco Shareholder in assessing the Offer, Metgasco Shareholders should:

- exercise caution when reviewing the Independent Expert's Report, and contact their legal, financial, tax or other professional advisers as appropriate; and

- be aware that the Independent Expert's Report has been prepared for the purposes of Listing Rule 10.1 and for consideration by Melbana Energy Shareholders (and not specifically for the benefit of Metgasco Shareholders in making their assessment of whether or not to accept the Offer).

8.6.3 Opinion of the Independent Expert

The Independent Expert's Report was prepared for Melbana Energy Shareholders and contained an opinion that the acquisition of Metgasco Shares by Melbana Energy from M&A Advisory (**Transaction**) is fair and reasonable to the non-associated Melbana Energy Shareholders.

The Independent Expert's Report was not intended for Metgasco Shareholders and was not an opinion prepared under Chapter 6 of the Corporations Act (as to the fairness and reasonableness of the Offer to Metgasco Shareholders).

Fairness

The Independent Expert has compared the value of four Melbana Energy Shares (on a control basis) against the value of each Metgasco Share received (on a control basis), as detailed in the table below. In assessing the value of Melbana Energy on a control basis, the Independent Expert determined that the most appropriate valuation methodologies were the net assets on a going concern basis and consideration of the share price, which is reflected below.

	Low	High
Value of four Melbana Energy Shares (on a control basis) offered as consideration	0.040	0.044
Value of one Metgasco Share acquired	0.044	0.055

The Independent Expert concluded that the value of the Metgasco Shares to be acquired from M&A Advisory were above the value range of the consideration (the Melbana Energy Shares) to be provided for the Metgasco Shares and was therefore fair to the non-associated shareholders.

Reasonableness

As the Independent Expert confirmed that the value of the consideration being given to M&A Advisory under the Offer was fair, it was therefore reasonable, in accordance with ASIC Regulatory Guide 111.

However, in considering whether the Transaction is reasonable, the Independent Expert considered further the key advantages and disadvantages of the Transaction. Notably, if the Resolution is approved, a key defeating condition of the Takeover Bid will be satisfied and if the Takeover Bid is successful, then Melbana Energy Shareholders may benefit from:

- the Combined Group combining their projects and financial resources to create a larger Australian oil and gas company that can accelerate unlocking the potential of each company's projects;
- the Combined Group sharing the fixed costs of running a listed public company across a larger asset base, therefore freeing up resources that could then be better applied towards making discoveries;
- the increased number of projects available to the Combined Group which may increase the probability of a successful outcome; and

- upcoming drilling opportunities which are expected to keep interest in the company high, and may lead to a well-supported share price, better trading volumes and a stronger position from which to attract and negotiate the best possible terms with potential partners.

If the Transaction is approved and the Offer is consequently successful, the key disadvantages of the Offer (for Melbana Energy Shareholders), as identified by the Independent Expert, include that:

- existing Shareholders' interests in Melbana Energy will be diluted; and,
- investment in an early stage oil and gas exploration company such as Metgasco is subject to a number of key dependencies and risks, including the possible need to raise additional equity funding to meet the work commitments associated with Metgasco's Queensland exploration permits if the Merged Group is unable to secure farm-in partners or raise funds from other sources.

8.7 ASIC relief

8.7.1 Extension of time for dispatch of Offer

By application dated 22 August 2019, Melbana Energy applied for technical relief from ASIC from the operation of section 631(1) of the Corporations Act by modification, allowing Melbana Energy an extension of time to dispatch its Offer (**Extension**).

In relation to the Offer, Melbana Energy has entered into the Pre-Bid Acceptance Deed with M&A Advisory. Melbana Energy was required to commission the Independent Expert's Report to provide to Melbana Energy Shareholders at an Extraordinary General Meeting convened for the purposes of approval of the acquisition of the Pre-Bid Shares from, and consequent issue of Melbana Energy Shares to M&A Advisory for the purposes of ASX Listing Rule 10.1.

Due to circumstances beyond Melbana Energy's control, the receipt of the Independent Expert's Report (and associated technical reports prepared by FMB Holdings Pty Ltd atf FMB Unit Trust trading as Fluid Energy Consultants) were delayed. Accordingly, Melbana Energy would not have a final version of the Independent Expert's Report (approved by ASX for the purposes of the Extraordinary General Meeting) available for inclusion in this Bidder's Statement were it required to adhere to the original two month period for making the Offer in accordance with section 631(1) of the Corporations Act.

Accordingly, the Extension was requested to:

- allow for the delays in the finalisation of the Independent Expert's Report;
- accommodate any extension by ASX of its 14 day review period; and
- potentially allow for the incorporation of both Melbana Energy and Metgasco's full year financial results.

The Extension was granted on 30 August 2019 and announced to ASX on 2 September 2019. The Extension allowed Melbana Energy a further 18 days to make the Offer, such that the Offer is required to be made before or on 3 October 2019.

8.7.2 Incorporation of documents and statements

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement. If, during the bid period, you would like to receive (free of charge) a copy of any of those documents, or the

relevant parts of the documents containing the statements, please contact the Melbana Energy Offer Information Line on 1300 306 413 (toll free for callers within Australia) and +61 1300 306 413 (for callers outside Australia).

As permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this Bidder's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

In addition, as permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this Bidder's Statement contains share price trading data supplied by Melbana Energy's financial adviser.

8.8 Foreign Shareholders

Foreign Shareholders who accept the Offer will not be entitled to receive the Offer Consideration.

A Metgasco Shareholder is a Foreign Shareholder if their address as shown in the register of members of Metgasco is in a jurisdiction other than Australia and its external territories or New Zealand. However, such a person will not be a Foreign Shareholder if Melbana Energy is satisfied that it is not legally or practically constrained from making the Offer to a Metgasco Shareholder in the relevant jurisdiction and to issue Melbana Energy Shares to such a shareholder on acceptance of the Offer, and that it is lawful for the shareholder to accept the Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything else in this Bidder's Statement, Melbana Energy is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The Melbana Energy Shares which would otherwise have been issued to Foreign Shareholders will instead be issued to a nominee approved by ASIC, who will sell these Melbana Energy Shares on the ASX. The net proceeds of the sale of such Melbana Energy Shares will then be remitted to the relevant Foreign Shareholders. Refer to section 9.14 of this Bidder's Statement for further details.

8.9 Social security and superannuation implications of the Offer

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

8.10 Disclosure of interests of certain persons

Other than as set out elsewhere in this Bidder's Statement, no:

- director or proposed director of Melbana Energy;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Melbana Energy's Statement;
- promoter of Melbana Energy; or
- underwriter to the issue of Melbana Energy Shares or financial services licensee named in this Bidder's Statement as being involved in the issue of Melbana Energy Shares,

(together, the **Interested Persons**) holds at the date of this Bidder's Statement, or held at any time during the last two years, any interest in:

- the formation or promotion of Melbana Energy;
- property acquired or proposed to be acquired by Melbana Energy in connection with its formation or promotion, or the offer of Melbana Energy Shares under the Offer; or
- the offer of Melbana Energy Shares under the Offer.

8.11 Disclosure of fees and benefits received by certain persons

Director	Annual fees
Andrew Purcell	\$100,000
Michael Sandy	\$75,000
Peter Stickland	\$75,000

Mr Stickland earns additional fees for serving, as required, as Melbana Energy's Technical Director. For the financial year ending 30 June 2019, these additional fees amounted to \$15,500.

Otherwise, the Directors earn no other fees and receive no other benefits. Effective 1 July 2019, the Directors' Annual fees were increased by 50% for the interim period that Melbana Energy is without a Chief Executive Officer.

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- to a director or proposed director of Melbana Energy to induce them to become, or to qualify as, a director of Melbana Energy;
- for services provided by an Interested Person in connection with the formation or promotion of Melbana Energy or the offer of Melbana Energy Shares under the Offer.

Patersons Securities has provided financial information to Melbana Energy in connection with the Offer and receives professional fees for these and other services.

Link Market Services is Melbana Energy's share registry and has been engaged by Melbana Energy to assist with certain aspects of the Offer, including facilitating the dispatch of this Bidder's Statement. Link Market Services is entitled to receive fees for these services as well as fees for its services as Melbana Energy's share registrar.

8.12 Disclosure of interests by directors

8.12.1 Interests in Melbana Energy Shares

As at the date of this Bidder's Statement, the directors of Melbana Energy have the following relevant interests in Melbana Energy securities:

Director	Melbana Energy Shares
Andrew Gerard Purcell	62,666,307 ordinary fully paid shares 80,000,000 options expiring 4 August 2020 1,875,621 options expiring 27 March 2020
Peter John Stickland	16,597,279 ordinary fully paid shares 3,000,000 options expiring 27 September 2020
Michael John Sandy	5,400,000 ordinary fully paid shares

8.12.2 Interests in Metgasco Shares

As at the date of this Bidder's Statement, no director of Melbana Energy or Bidder has a relevant interest in Metgasco securities except as follows:

Director	Metgasco Shares	% Issued Shares
Andrew Gerard Purcell	76,516,908	19.6

Mr Purcell currently has a relevant interest in these Metgasco Shares due to a pre-bid acceptance agreement with M&A Advisory (being a Metgasco shareholder associated with Andrew Purcell, a director of Melbana Energy). Under the agreement, M&A Advisory has undertaken to accept the Offer in the absence of a superior proposal and subject to the approval of Melbana Shareholders not associated with M&A Advisory or Mr Purcell.

8.13 Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

8.14 Material litigation

There are no material ongoing disputes or litigation known to Melbana Energy as at the date of this Offer, but Melbana Energy 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 Energy.

So far as the Board of Melbana Energy is aware, there is no current or threatened litigation, arbitration, administrative appeals, criminal or government prosecutions of a material nature in which any member of the Melbana Energy Group is directly or indirectly concerned.

8.15 Other material information

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- material to the making of a decision by a Metgasco Shareholder whether or not to accept the Offer; and
- known to Melbana Energy which has not previously been disclosed to Metgasco Shareholders.

9 The terms and conditions of the Offer

9.1 Offer

9.1.1 Offer is for Your Melbana Energy Ordinary Shares and all Rights attaching to them

Melbana Energy offers to acquire all of Your Metgasco Shares and all Rights attaching to them, on the terms and conditions set out in this section 9. By accepting the Offer, you undertake to transfer to Melbana Energy not only Your Metgasco Shares, but also all Rights attached to them.

9.1.2 Consideration

- Subject to section 9.7.3, the consideration under the Offer is 4 Melbana Energy Shares for each of Your Metgasco Shares, subject to rounding as described in section 9.1.3 and the treatment of Foreign Shareholders as described in section 9.14. You will receive the Offer Consideration in accordance with section 9.7. No interest is payable on the consideration for Your Metgasco Shares under the Offer.
- The Melbana Energy Shares to be issued are ordinary shares in Melbana Energy and will be credited as fully paid and have the rights summarised in section 1.13 of this Bidder's Statement.

9.1.3 Rounding

For the avoidance of doubt, your entitlement to Melbana Energy Shares under the Offer will be calculated by multiplying the number of Your Metgasco Shares by 4.

If this calculation results in an entitlement to a fraction of a Melbana Energy Share in addition to the number of whole Melbana Energy Shares to which you become entitled as a result of your acceptance of the Offer, any such fractional entitlement of:

- less than 0.5 will be rounded down to zero; or
- equal to or more than 0.5 will be rounded up to 1 Melbana Energy Share.

However if Melbana Energy reasonably believes that any parcel or parcels of Metgasco Shares has or have been created or manipulated to take advantage of rounding, then any fractional entitlement to a Melbana Energy Share arising in relation to that parcel, or those parcels, will be rounded down so that the entitlement to Melbana Energy Shares arising in relation to each parcel consists of the nearest whole number of Melbana Energy Shares only and the fractional entitlement will be disregarded.

9.1.4 Conditions to the Offer

Subject to section 9.9, the Offer and any contract that results from an acceptance of the Offer is subject to the Conditions set out in section 9.8.

9.1.5 Persons to whom Offer made

Melbana Energy is making an offer in the form of the Offer to:

- each person registered as the holder of Metgasco Shares in the register of members of Metgasco as at 7.00pm (Sydney time) on the Register Date;
- each person who during the Offer Period becomes registered, or entitled to be registered, as the holder of any Metgasco Shares on issue as at 7.00pm (Sydney time) on the Register Date; and
- each person who holds securities other than Metgasco Shares that are on issue at the Register Date and that come to be Metgasco Shares during the period from the Register

Date to the end of the Offer Period as a result of the conversion of, or exercise of rights conferred by, such securities.

9.1.6 Where someone else becomes entitled to some or all of Your Metgasco Shares

If at the time that the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of Your Metgasco Shares, then the Offer will be taken to have been withdrawn at that time and new offers on the same terms and conditions as the Offer will be taken to have been made:

- to that other person in respect of those Metgasco Shares; and
- to you in respect of the balance of Your Metgasco Shares, if any.

9.1.7 Variation and withdrawal

Melbana Energy may vary the Offer in accordance with the Corporations Act. Melbana Energy may only withdraw the Offer with the written consent of ASIC and subject to any conditions of that consent. If so, Melbana Energy will give notice of the withdrawal to ASX and Metgasco and will comply with any other conditions imposed by ASIC.

Any withdrawal of the Offer by Melbana Energy will be deemed to take effect from the date that ASIC gives its written consent to Melbana Energy withdrawing the Offer or, if the withdrawal is subject to conditions imposed by ASIC, from the date all of those conditions are satisfied.

9.1.8 Date of Offer

The Offer is dated [●] 2019.

9.1.9 Transfer

By accepting the Offer, you undertake to transfer to Melbana Energy not only Your Metgasco Shares to which the Offer relates, but also the rights attached to those Metgasco Shares.

9.2 Offer Period

9.2.1 When the Offer can be accepted

The Offer will remain open for acceptance during the period starting on the date of the Offer and ending at 7.00pm (Sydney time) on [●] 2019, unless:

- Melbana Energy extends the Offer Period in accordance with the Corporations Act or the Offer Period is automatically extended as described in section 9.2.3, in which case the Offer will remain open for acceptance until the end of the Offer Period as so extended; or
- the offer is withdrawn in accordance with the Corporations Act before the end of the Offer Period.

9.2.2 Melbana Energy's right to extend Offer Period

Melbana Energy reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.

9.2.3 Automatic extension of Offer Period

If, within the last 7 days of the Offer Period either the Offer is varied to improve the consideration offered or Melbana Energy's voting power in Metgasco increases to more than 50%, then the Offer Period will be automatically extended so that it ends 14 days after the relevant event.

9.3 Quotation of Melbana Energy Shares

The Melbana Energy Shares offered as Offer Consideration will be issued by Melbana Energy as fully paid ordinary shares and will rank equally with existing Melbana Energy Shares from the date of issue.

Melbana Energy has been admitted to the Official List of the ASX. Securities of the same class as those to be issued as consideration under the Offer have been granted official quotation by the ASX. Official quotation of securities by the ASX are not automatically granted on application.

9.4 Accepting the Offer

9.4.1 General

Subject to section 9.4.5, you may only accept the Offer for all of Your Metgasco Shares (and not for a lesser number). You may accept the Offer at any time during the Offer Period.

9.4.2 Metgasco Shares held in an Issuer Sponsored Holding

To accept the Offer in respect of Metgasco Shares held in an Issuer Sponsored Holding (you have a Securityholder Reference Number starting with the letter I), you must complete and sign the enclosed Acceptance Form in accordance with the instructions on the form, and return it (together with all documents required by the instructions on it or by these Offer Terms) so that it is received at the address shown on the Acceptance Form before the end of the Offer Period.

9.4.3 Metgasco Shares held in a CHESS Holding

To accept the Offer in respect of Metgasco Shares held in a CHESS Holding (you have a Holder Identification Number starting with the letter X), you must do one of the following:

- instruct your Controlling Participant to initiate acceptance of the Offer on your behalf in accordance with ASX Settlement Operating Rule 14.14 before the end of the Offer Period; or
- complete and sign the enclosed Acceptance Form in accordance with the instructions on the form, and return it (together with all documents required by those instructions or by these Offer Terms) so that it is received at the address shown on the Acceptance Form in sufficient time for Melbana Energy to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with ASX Settlement Operating Rule 14.14 before the end of the Offer Period.

If you are a Participant, to accept the Offer you must initiate acceptance of the Offer in accordance with ASX Settlement Operating Rule 14.14 before the end of the Offer Period.

9.4.4 Metgasco Shares in respect of which you are entitled to be registered as holder

To accept the Offer for Metgasco Shares which are not held in your name, but in respect of which you are entitled to be registered as holder, you must complete and sign the Acceptance Form in accordance with the terms of the Offer and the instructions on the form and return it (together with all documents required by those instructions or by these Offer Terms) so that it is received at the address shown on the Acceptance Form before the end of the Offer Period.

9.4.5 Metgasco Shares you hold as trustee or nominee

If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of Metgasco Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate offer on the same terms and conditions as the Offer had been made in relation to each of those parcels and in relation to any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that

procedure, you require additional copies of this Bidder's Statement or the Acceptance Form, please call the Offer Information Line on 1300 306 413 from within Australia (toll-free) or +61 1300 306 413 from outside Australia (charges apply) between 8.30am and 5.30 pm (Sydney time) Monday to Friday.

9.4.6 Using the Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the terms and conditions of the Offer. If you use the Acceptance Form to accept the Offer you must follow the instructions on it. A reply paid envelope, which is valid if sent from within Australia, is enclosed for your use. The postage and transmission of the Acceptance Form and other documents is at your own risk.

9.4.7 Acceptance Form not received in time

If your Acceptance Form is not received at the address shown on the Acceptance Form before the end of the Offer Period or, in the case of an Acceptance Form used to accept this Offer in respect of Metgasco Shares in a CHESS Holding, in sufficient time to permit Melbana Energy to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf in accordance with ASX Settlement Operating Rule 14.14 before the end of the Offer Period, then, subject to section 9.5.3, your acceptance will not be valid.

9.5 Validity of acceptances

9.5.1 General

Subject to this section 9.5, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 9.4.

9.5.2 Melbana Energy's right to determine questions of validity

Melbana Energy will determine, in its sole discretion, all questions as to eligibility to accept the Offer, the form of documents used to accept the Offer and the time of receipt of any acceptance of the Offer. Melbana Energy is not required to communicate with you before or after making such a determination. The determination of Melbana Energy will be final and binding on all parties.

9.5.3 Melbana Energy's discretion to deem acceptance valid

Notwithstanding anything in section 9.4, Melbana Energy may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Metgasco Shares, even if a requirement for acceptance set out in these Offer Terms has not been complied with. However, provision of the consideration due under the Offer may be delayed until any such non-compliance has been resolved or waived by Melbana Energy and any other documents required to transfer Your Metgasco Shares to Melbana Energy have been received by Melbana Energy.

9.5.4 Where acceptance valid only in respect of some of Your Metgasco Shares

If you have satisfied the requirements for acceptance in respect of only some of Your Metgasco Shares, Melbana Energy may, in its sole discretion, take the Offer to have been accepted in respect of those Metgasco Shares but not the balance of Your Metgasco Shares.

9.6 Consequences of accepting the Offer

9.6.1 Agreement to transfer all Your Metgasco Shares

By signing and returning the Acceptance Form or instructing your Controlling Participant to initiate acceptance of the Offer under the ASX Settlement Operating Rules in accordance with section 9.4:

- subject to section 9.4.5, you accept the Offer in respect of all of Your Metgasco Shares (even if the number of Metgasco Shares specified on the Acceptance Form differs from the total number of Your Metgasco Shares);
- subject to the Conditions being fulfilled or waived, you agree to transfer to Melbana Energy all of Your Metgasco Shares and all Rights attaching to them, and to execute all documents and take all other steps that Melbana Energy may consider necessary or desirable in order to transfer to Melbana Energy those Metgasco Shares and those Rights;
- you represent and warrant to Melbana Energy as a fundamental condition of the contract resulting from your acceptance of the Offer that Your Metgasco Shares are, at the time that you accept the Offer, and will be, at the date they are transferred to Melbana Energy, free from all Encumbrances and restrictions on transfer of any kind, and that you have full power and capacity to accept the Offer and to sell and transfer to Melbana Energy the legal and beneficial ownership of Your Metgasco Shares and all Rights attaching to them; and
- you irrevocably authorise and direct Metgasco to pay to Melbana Energy, or to account to Melbana Energy for, all Rights in respect of Your Metgasco Shares, subject to Melbana Energy accounting to you for any such Rights received by Melbana Energy if the Offer is withdrawn or any contract resulting from your acceptance of the Offer is rescinded under section 9.9.1 or void under section 9.9.5.

9.6.2 Power of attorney

By signing and returning the Acceptance Form or instructing your Controlling Participant to initiate acceptance of the Offer under the ASX Settlement Operating Rules in accordance with section 9.4:

- you irrevocably appoint Melbana Energy and each of its directors and secretaries severally as your true and lawful attorney, with effect from the time at which all of the Conditions have been fulfilled or waived, with power to exercise the powers and rights which you could lawfully exercise as the registered holder of Your Metgasco Shares, including without limitation:
 - all powers and rights to requisition, convene, attend and vote (in person, by corporate representative or by proxy) at any general meeting or court-convened meeting of Metgasco Shareholders; and
 - all powers and rights to request Metgasco to register Your Metgasco Shares in the name of Melbana Energy or its nominee and to notify Metgasco that your address in the records of Metgasco for all purposes, including the dispatch of notices of meeting, annual reports, dividends and distributions, should be altered to an address nominated by Melbana Energy;
- you acknowledge and agree that the attorney may exercise these powers in the interests of Melbana Energy as the intended registered holder of Your Metgasco Shares and that this appointment, being given for valuable consideration to secure the interest acquired in Your Metgasco Shares, is irrevocable and terminates only upon registration of a transfer to Melbana Energy of Your Metgasco Shares; and
- with effect from the time at which all of the Conditions have been fulfilled or waived, you agree not to exercise any of the powers or rights conferred on Melbana Energy and each of its directors and secretaries under this section 9.6.2.

9.6.3 Additional matters

By signing and returning the Acceptance Form or instructing your Controlling Participant to initiate acceptance of the Offer under the ASX Settlement Operating Rules in accordance with section 9.4:

- you irrevocably authorise Melbana Energy and any of its officers or agents to complete the Acceptance Form by inserting any details in respect of Your Metgasco Shares that have been omitted from it, and to rectify any other errors in or omissions from it, including altering the number of Metgasco Shares stated to be held by you if that number is otherwise than as set out in the Acceptance Form, in order to make the Acceptance Form an effective acceptance of the Offer;
- if any of Your Metgasco Shares are held in a CHESS Holding and you have signed an Acceptance Form for them, you irrevocably authorise Melbana Energy and any of its officers or agents:
 - to instruct your Controlling Participant to initiate acceptance of the Offer in respect of those Metgasco Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules if you have not already done so; and
 - to give any other instructions in relation to Your Metgasco Shares to your Controlling Participant as may be necessary to make the Acceptance Form an effective acceptance of the Offer or to transfer Your Metgasco Shares to Melbana Energy; and
 - at any time after all of the Conditions have been fulfilled or waived, to cause a message to be transmitted in accordance with ASX Settlement Operating Rule 14.17.1 to transfer Your Metgasco Shares to Melbana Energy's Takeover Transferee Holding, even if Melbana Energy has not yet provided the consideration due to you under the Offer;
- you represent and warrant to Melbana Energy that, unless you have given notice under section 653B(3) of the Corporations Act, Your Metgasco Shares do not consist of separate parcels of Metgasco Shares;
- you agree to indemnify Melbana Energy and each of its officers and agents in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or your Securityholder Reference Number or in consequence of the transfer of Your Metgasco Shares to Melbana Energy being registered by Metgasco without production of your Holder Identification Number or your Securityholder Reference Number; and
- you agree to take all other steps that Melbana Energy may require to give effect to the provisions of this section 9.6 including, if requested by Melbana Energy, executing a written form of proxy to the same effect as those provisions and which complies with all requirements of Melbana Energy's constitution.

9.6.4 Revocation or withdrawal of acceptance

Once you have accepted the Offer in accordance with section 9.4 you will be unable to revoke your acceptance and you will be unable to withdraw Your Metgasco Shares from the Offer or otherwise dispose of Your Metgasco Shares except in the following circumstances:

- if by the end of the Offer Period any Condition has not been fulfilled or waived and Melbana Energy has not declared the Offer and any contract resulting from your acceptance of it to be free from that Condition in accordance with section 9.9.4, the Offer

will automatically terminate, all contracts resulting from acceptance of the Offer will be void and Your Metgasco Shares will be released to you; or

- if the Offer Period is extended for more than one month, the obligations of Melbana Energy to pay the consideration under the Offer are postponed for more than one month and at the time that the Offer Period is extended the Offer is still subject to one or more of the Conditions, you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act (in which case Melbana Energy is required under the Corporations Act to notify you of your rights to withdraw your acceptance).

9.7 Provision of Consideration

9.7.1 Time for provision

Subject to this section 9.7 and the Corporations Act, if you accept the Offer and all of the Conditions are fulfilled or waived, Melbana Energy will provide you the consideration for Your Metgasco Shares under the Offer on or before the earlier of:

- the day that is one month after the date of your acceptance or, if at the time of your acceptance the Offer is subject to any Condition, one month after the Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

9.7.2 Delay in providing additional documents

If the Acceptance Form requires additional documents to be provided with your acceptance, or Melbana Energy subsequently requests such additional documents in order to give effect to your acceptance:

- if those documents are given to Melbana Energy with your acceptance, Melbana Energy will pay you the consideration for Your Metgasco Shares in accordance with section 9.7.1;
- if Melbana Energy receives those documents after your acceptance and before the end of the Offer Period and while the Offer is still subject to one or more Conditions, Melbana Energy will pay you the consideration for Your Metgasco Shares by the earlier of:
 - one month after the Offer becomes unconditional; and
 - 21 days after the end of the Offer Period;
- if Melbana Energy receives those documents after your acceptance and before the end of the Offer Period, and at a time when the Offer is not subject to any Conditions, Melbana Energy will pay you the consideration for Your Metgasco Shares by the earlier of:
 - one month after Melbana Energy receives those documents; and
 - 21 days after the end of the Offer Period; and
- if Melbana Energy receives those documents after the end of the Offer Period, Melbana Energy will pay you the consideration for Your Metgasco Shares:
 - within 21 days after Melbana Energy receives those documents; or
 - if the takeover contract is still subject to a Condition set out in section 9.8, within 21 days after that Condition is satisfied.

9.7.3 Deductions in respect of Rights

If you accept the Offer, Melbana Energy is entitled to all Rights in respect of Your Metgasco Shares. Melbana Energy may require you to provide all documents necessary to vest title to those Rights in Melbana Energy or otherwise to give Melbana Energy the benefit or value of those Rights. If you do not give those documents to Melbana Energy, or if you have received the benefit of those Rights, Melbana Energy will deduct from the consideration otherwise due to you under the Offer the amount, or the value as reasonably assessed by Melbana Energy, of those Rights.

9.7.4 Method of payment

Payment of any cash amount to which you are entitled will be made by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of Metgasco Shareholders with addresses outside Australia, by airmail) to your address shown on the Acceptance Form or the last address that you notified to Melbana Energy. Payment will be deemed to have been made at the time the cheque is delivered to Australia Post for delivery or placed in an Australia Post postal box.

9.7.5 Melbana Energy Share allotment

The obligation of Melbana Energy to issue and allot any Melbana Energy Shares to which you are entitled will be satisfied by Melbana Energy:

- entering your name on the register of members of Melbana Energy; and
- dispatching or procuring the dispatch to you by pre-paid post to your address recorded in the Metgasco register of members at 7.00pm (Sydney time) on the Register Date, an uncertified holding statement in your name. If Your Metgasco Shares are held in joint name, an uncertified holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in Metgasco's register of members at 7.00pm (Sydney time) on the Register Date.

9.7.6 Authorisations and clearances

If, at the time you accept the Offer, any authority or clearance of any Government Agency is required for you to receive the consideration under the Offer or you are resident in or a resident of a place to which, or you are a person to whom:

- the *Banking (Foreign Exchange) Regulations 1959* (Cth);
- the *Charter of the United Nations Act 1945* (Cth) or any regulations thereunder;
- any regulations made under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth); or
- any other law of Australia that would make it unlawful for Melbana Energy to provide consideration for Your Metgasco Shares,

applies, then your acceptance of the Offer will not create or transfer to you any right to receive the consideration specified in the Offer unless and until all requisite authorities or clearances have been obtained by Melbana Energy.

9.7.7 Withholdings

If any amount is required under any Australian law or by any Government Agency to be withheld from any consideration otherwise payable to you under this Offer and paid to a Government Agency, or retained by Melbana Energy out of any consideration otherwise payable to you under this Offer, the payment or retention by Melbana Energy of that amount will constitute full discharge of Melbana Energy's obligation to pay that amount of consideration to you.

9.8 Conditions to the Offer

Subject to section 9.9, the Offer and any contract that results from your acceptance of the Offer, is subject to the following conditions.

9.8.1 Minimum acceptance

At or before the end of the Offer Period, Melbana Energy has a Relevant Interest in the number of Metgasco Shares that represents at least 50.1% of the aggregate of all Metgasco Shares on issue.

9.8.2 M&A Advisory participation

Before the end of the Offer Period, Melbana Energy having received the approval of Melbana Energy Shareholders for the purposes of Listing Rule 10.1 for the acquisition of the Metgasco Shares held by M&A Advisory and the issue of Melbana Energy Shares to M&A Advisory under the Offer.

9.8.3 No material adverse change

No event or change in circumstances occurs, and no event or change in circumstances that occurred before the Announcement Date but was not apparent from publicly available information before that time becomes publicly known, that individually or when aggregated with all other such events or changes has had, or could reasonably be expected to have any of the following effects:

- a diminution of the consolidated net assets of Metgasco Group by \$1,000,000 or more;
- any material rights under any contract in respect of a Key Metgasco Project being suspended, revoked, invalidated, varied, terminated, released or otherwise coming to an end;
- a material restraint on or hindrance to the development, timely completion, feasibility, operation, or profitability of the Key Metgasco Projects;
- the incurring of any obligations, liabilities, accounting impairment, costs or expenses (whether contingent or otherwise) where the quantum (whether individually or when aggregated) exceeds \$500,000;
- any person announcing, commencing or threatening any proceedings against any member of the Metgasco Group (whether in aggregate or for any single proceeding) which may result in a judgment against the member of Metgasco Group of \$500,000 or more (individually or in aggregate); or
- a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of Metgasco Group taken as a whole.

9.8.4 No regulatory action

During the Offer Period:

- there is not in effect any preliminary or final decision, order or ruling issued by any Government Agency,
- no application is made to any Government Agency (other than by Melbana Energy or any associate of Melbana Energy); and
- no action or investigation is announced, commenced or threatened by any Government Agency in connection with the Offer,

which could reasonably be expected to:

- restrain, impede or prohibit or otherwise have a material adverse effect on the making of the acquisition by Melbana Energy of Metgasco Shares or any other transaction contemplated by the Bidder's statement (including implementation of Melbana Energy's intentions expressed in the Bidder's statement); or
- require Melbana Energy to divest any Metgasco Shares or any member of the Melbana Energy Group or Metgasco Group to divest any material asset,

other than an application to or a determination by ASIC, ASX or the Takeovers Panel in the exercise of the powers and discretions conferred by the Corporations Act.

9.8.5 No prescribed occurrences during the Offer Period

During the Offer Period, none of the following events occurs:

- Metgasco converts all or any of its shares into a larger or smaller number of shares;
- any member of the Metgasco Group resolves to reduce its share capital in any way;
- any member of the Metgasco Group enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- any member of the Metgasco Group issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- any member of the Metgasco Group issues or agrees to issue, convertible notes;
- any member of the Metgasco Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- any member of the Metgasco Group charges or agrees to grant a security interest (as defined in section 51A of the Corporations Act) in the whole, or a substantial part, of its business or property;
- any member of the Metgasco Group resolves to be wound up;
- a liquidator or provisional liquidator of any member of the Metgasco Group is appointed;
- a court makes an order for the winding up of any member of the Metgasco Group;
- an administrator of any member of the Metgasco Group is appointed under section 436A, 436B or 436C of the Corporations Act;
- any member of the Metgasco Group executes a deed of company arrangement; or
- a receiver, or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of any member of the Metgasco Group.

9.8.6 No exercise of rights under certain agreements or arrangements

If between the Announcement Date and the end of the Offer Period any person:

- is entitled to exercise, or will as a result of the Offer, the acquisition of Metgasco Shares by Melbana Energy or the removal of Metgasco from the official list of ASX if the Offer is successful become entitled to exercise; or
- purports to exercise, states an intention to exercise (whether or not that intention is stated to be a final decision), or asserts the ability to exercise,

any right under any provision of any agreement or other arrangement to which any member of the Metgasco Group is a party or to which any member of the Metgasco Group or any of its assets or businesses may be subject, which results in, or could result in:

- any moneys borrowed by any member of the Metgasco Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date provided for in such agreement or arrangement;
- any such agreement or arrangement that imposes or may impose obligations or liabilities on any party of more than \$500,000 per annum or more than \$500,000 in total or that is otherwise material to the business of the Metgasco Group being terminated or modified or not renewed or the performance of any obligations under any such agreement or arrangement being accelerated; or
- any assets of any member of the Metgasco Group, including any interest of any member of the Metgasco Group in any body corporate, trust, joint venture or other entity, being sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions, or any contractual arrangements relating to any such asset or interest, being terminated or modified,

that person gives the relevant member of the Metgasco Group and Melbana Energy in writing a binding, irrevocable and unconditional release or waiver of that right.

9.8.7 Conduct of business

Between the Announcement Date and the end of the Offer Period, no member of Metgasco Group:

- announces, declares, determines to pay, makes or pays any dividend or other distribution (whether in cash or in specie);
- incurs capital expenditure exceeding \$500,000 or, except in the ordinary course of trading, transfers or otherwise disposes of or creates any Encumbrance in respect of, assets having a value exceeding \$500,000;
- acquires or disposes of any shares or other securities in any body corporate or any units in any trust, or substantially all of the assets of any business except where the aggregate consideration paid or received by all members of Metgasco Group for all such acquisitions or disposals does not exceed \$500,000 or enters into, or terminates any participation in, any partnership, joint venture or similar commitment;
- borrows an amount which when combined with all other amounts borrowed since the Announcement Date exceeds \$500,000 or enters into any swap, option, futures contract, forward commitment or other derivative transaction;
- enters into, waives any material rights under, varies or terminates any contract, commitment or arrangement which may require annual expenditure by the relevant member of Metgasco Group in excess of \$500,000 or is otherwise of material importance to the business of Metgasco Group;
- any entity within the Metgasco Group enters into, amends, or agrees to enter into or amend any contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act), or an associate of that related party, of Metgasco;
- pays or agrees to pay the costs and expenses of all advisers to Metgasco Group in connection with the Offer where such costs and expenses exceed \$500,000;

- increases the remuneration of, makes any bonus payment, retention payment or termination payment to, or otherwise changes the terms and conditions of employment of:
 - any Metgasco Director; or
 - any employee of any member of Metgasco Group whose total annual employment cost exceeds \$100,000;
- issues any performance rights convertible into Metgasco Shares;
- changes its constitution or passes any resolution of shareholders or any class of shareholders;
- commences, compromises or settles any litigation or similar proceedings for an amount exceeding \$500,000; or
- agrees, conditionally or otherwise, to do any of the things referred to in the sections above, or announces or represents to any person that any of those things will be done,

unless the doing of that thing was specifically disclosed in any ASX announcement made by Metgasco before the Announcement Date.

9.8.8 No inaccurate public information

Melbana Energy does not become aware, during the period between the Announcement Date and the end of the Offer Period (each inclusive), that:

- any announcement made by Metgasco to ASX;
- any document lodged by or on behalf of Metgasco with ASIC; or
- any other public statement made by or on behalf of Metgasco,

is inaccurate or misleading in any material way, including by omission.

9.9 Operation of the Conditions

9.9.1 Conditions are conditions subsequent

Each of the Conditions in section 9.8 is a condition subsequent. The fact that any such Condition is not fulfilled or waived does not prevent a contract to sell Your Metgasco Shares coming into effect when you accept the Offer but any breach or non-fulfilment will entitle Melbana Energy, by notice in writing to you at any time before the Condition is fulfilled or waived, to rescind any such contract as if it had not been formed.

9.9.2 Conditions are separate

Each Condition in section 9.8 constitutes, and is to be construed as, a separate, several and distinct Condition. No Condition will be taken to limit the meaning or effect of any other Condition.

9.9.3 Benefit of Conditions

Subject to the Corporations Act, Melbana Energy alone is entitled to the benefit of the Conditions and any breach or non-fulfilment of any of the Conditions may only be relied upon by Melbana Energy. Melbana Energy may at any time and from time to time waive (generally, or in respect of a particular event) the breach or non-fulfilment of any such Condition or any part of such Condition.

9.9.4 Melbana Energy's rights to waive Conditions

Subject to the Corporations Act, Melbana Energy may free the Offer and any contract resulting from your acceptance of the Offer from all or any of the Conditions in section 9.8 by giving

written notice to Metgasco and ASX in accordance with section 650F of the Corporations Act. Any such notice must be given not less than 7 days before the end of the Offer Period.

9.9.5 Conditions not fulfilled or waived

Your acceptance of this Offer, and any contract resulting from your acceptance of this Offer, will be automatically void if at the end of the Offer Period any of the Conditions have not been fulfilled or waived. If this occurs, Melbana Energy will return to you, at your address shown in the Acceptance Form, your Acceptance Form together with all documents provided by you with the Acceptance Form. The return of those documents is at your risk.

9.9.6 Notice of the status of Conditions

The date for giving the notice as to the status of the Conditions required by section 630(1) of the Corporations Act is [●] 2019 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

9.9.7 Statutory condition

In accordance with section 625(3) of the Corporations Act, this Offer and any contract that results from your acceptance of it is subject to the further condition that:

- an application is made to the ASX within 7 days of the start of the Offer Period for admission to official quotation by the ASX of the Melbana Energy Shares to be issued under the Offer; and
- permission for admission to official quotation by the ASX of the Melbana Energy Shares to be issued under the Offer is granted no later than 7 days after the end of the Offer Period.

This condition is not a defeating condition for the purposes of the Corporations Act and is not of the same nature as the Conditions set out in section 9.8. The Offer cannot be freed of this condition and subsequently no statements made by Melbana Energy can be taken to waive this condition. If this condition is not fulfilled, any contract resulting from your acceptance of the Offer will be automatically void.

9.10 Costs and stamp duty

Melbana Energy will pay all costs and expenses of the preparation and distribution of this Bidder's Statement and any Australian stamp duty payable on the transfer of any Metgasco Shares to Melbana Energy under the Offer.

9.11 Brokerage

If Your Metgasco Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Melbana Energy, you will not incur any brokerage on acceptance of the Offer. If Your Metgasco Shares are registered in a CHESS Holding or you hold Your Metgasco Shares through a bank, custodian or other nominee, you should ask your Controlling Participant, or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.

9.12 Notices and communications

Subject to the Corporations Act, a notice or other communication given by Melbana Energy to you in connection with this Offer will be deemed to be duly given if it is in writing and is delivered or sent by ordinary mail (or in the case of an address outside Australia, by airmail) to you at your address as recorded on the register of members of Metgasco or the address shown on the Acceptance Form.

9.13 Foreign laws

The Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept the Offer.

9.14 Foreign Shareholders

- If you are a Metgasco Shareholder whose address in the register members of Metgasco is a place outside of Australia and its external territories or New Zealand, you will be considered a Foreign Shareholder. Foreign Shareholders are not entitled to receive Melbana Energy Shares as part of the Offer Consideration.
- Instead, Melbana Energy will:
 - arrange for the issue to a Nominee of the number of Melbana Energy Shares to which you and all other Foreign Shareholders would have been entitled but for this section 9.14. Melbana Energy may issue these shares to the Nominee in batches;
 - cause the Melbana Energy Shares to be issued for sale by the Nominee on the ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
 - cause the Nominee to pay to you the amount ascertained in accordance with the formula, being your pro rata share of the proceeds from the Melbana Energy Shares sold in the relevant sale tranche, less brokerage and sales expenses:

$P \times SS / TS$

Where:

P is the amount which is received by the Nominee upon the sale of the Melbana Energy Shares in the relevant tranche under this section 9.14 less brokerage and sales expenses;

SS is the number of Melbana Energy Shares which would, but for this section 9.14, have been provided to you as consideration under the Offer; and

TS is the total number of Melbana Energy Shares issued to the Nominee in the relevant tranche under this section 9.14.

- Neither Melbana Energy nor the Nominee gives any undertaking, representation or warranty or assurance as to the price that will be achieved for the sale of Melbana Energy Shares described in this section 9.14.
- You will receive your share of the proceeds of the sale of the Melbana Energy Shares by the Nominee in Australian currency.
- Payment will be made by cheque posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address provided on your Acceptance Form within the period required by the Corporations Act.
- Under no circumstances will interest be paid on your share of the proceeds of the sale of Melbana Energy Shares by the Nominee, regardless of any delay in remitting these proceeds to you.
- The Nominee may sell the Melbana Energy Shares in such manner, at such price or prices and on such terms as the Nominee determines. The Nominee will sell the Melbana

Energy Shares on the ASX as soon as practicable and has the sole and complete discretion with regards to the number of tranches in which to sell the Melbana Energy Shares that are issued to them.

9.15 Governing law

This Offer and any contract resulting from your acceptance of this Offer are governed by the laws in force in Victoria.

10 Definitions and interpretation

10.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
\$ or A\$	Australian dollars, the currency of the Commonwealth of Australia.
Acceptance Form	the acceptance form enclosed with this Bidder's Statement.
AI 2015/1068	ASIC Corporations (Minimum Bid Price) Instrument 2015/1068.
Announcement Date	the date on which the Offer was announced by Melbana Energy, being 15 July 2019.
ASIC	the Australian Securities and Investments Commission.
ASX Settlement	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.
ASX Settlement Operating Rules	the operating rules of the ASX Settlement which govern the administration of the Clearing House Electronic Sub-register System.
ASX	ASX Limited ABN 98 008 624 691.
Bidder's Statement	this document, being the statement of Melbana Energy under Part 6.5 Division 2 of the Corporations Act relating to the Offer.
Business Day	means a day on which banks are open for business in Melbourne, excluding a Saturday, Sunday or public holiday.
CEO	Chief Executive Officer
CGT	capital gains tax.
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act.
CHESS Holding	a number of Metgasco Shares which are registered on the Metgasco share register being a register administered by the ASX Settlement and which records uncertificated holdings of shares.
Combined Group	Melbana Energy, following the successful acquisition of a relevant interest in all or a majority of the Metgasco Shares.
Conditions	the conditions to the Offer as set out in section 9.8.

Term	Meaning
Controlling Participant	in relation to Your Metgasco Shares, has the same meaning as in the ASX Settlement Operating Rules.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Cupet	Unión Cuba-Petróleo, the Cuban national oil company.
EGM	has the meaning given in section Error! Reference source not found. of 'Why you should ACCEPT the Offer'.
Encumbrance	any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim or any other security arrangement or any other arrangement having the same effect.
Extension	has the meaning given in section 8.6.
Foreign Shareholder	a Metgasco Shareholder whose address as shown in the register of members of Metgasco is in a jurisdiction other than Australia and its external territories or New Zealand, unless Melbana Energy otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a Metgasco Shareholder in the relevant jurisdiction and to issue Metgasco Shares to such a Metgasco Shareholder on acceptance of the Offer, and that it is not unlawful for such a Metgasco Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.
Government Agency	means a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local in Australia, including (without limitation) any self-regulatory organisation established under a statute or otherwise discharging substantially public or regulatory functions, and in particular, ASX and ASIC.
GST	goods and services tax.
Holder Identification Number or HIN	has the same meaning as in the ASX Settlement Operating Rules.
IBC	Independent Board Committee.
Independent Directors	the members of the IBC, being Michael Sandy and Peter Stickland
Independent Expert	has the meaning given in section 8.6.1.
Independent Expert's Report	has the meaning given in section 8.6.1.
Interested Person	has the meaning given in section 8.10 of this Bidder's Statement.
IOR	Improved Oil Recovery

Term	Meaning
Issuer Sponsored Holdings	a holding of Metgasco Shares on Metgasco's issuer sponsored subregister.
Key Metgasco Projects	the explorations projects in respect of the South Marsh Island Block 74 and the ATP 2020 and ATP 2021 permits.
Last Practicable Trading Day	6 September 2019, being the last practicable Trading Day prior to the date of this Bidder's Statement.
Listing Rules	the official listing rules of ASX, as amended and waived by ASX from time to time.
LNG	Liquid natural gas
LTI Plan	Long Term Incentive Plan, adopted by the Melbana Energy Board on 13 September 2011.
Melbana Energy	Melbana Energy Limited ACN 066 447 952.
Melbana Energy Board	means the board of directors of Melbana Energy.
Melbana Energy Group	Melbana Energy and its subsidiaries (as defined in the Corporations Act).
Melbana Energy Shares	fully paid ordinary shares in the capital of Melbana Energy.
Melbana Energy Shareholder	means any holder of Melbana Energy Shares.
Metgasco	Metgasco Ltd Limited ACN 088 196 383.
Metgasco Board	the board of directors of Metgasco.
Metgasco Group	Metgasco and its subsidiaries (as defined in the Corporations Act).
Metgasco Shareholder	a holder of Metgasco Shares as at the Register Date.
Metgasco Shares	fully paid ordinary shares in the capital of Metgasco.
Nominee	means a sale nominee approved by ASIC.
Offer	the offer for Metgasco Shares under the terms and conditions contained in section 9 of this Bidder's Statement.
Offer Consideration	the consideration which Metgasco Shareholders will receive if the Offer becomes or is declared unconditional.

Term	Meaning
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 9 of this Bidder's Statement.
Participant	an entity admitted to participate in the Clearing House Electronic Sub-register system under Rule 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules.
Pre-Bid Acceptance Deed	has the meaning given in section 8.1.
Pre-Bid Shares	has the meaning given in section 8.1.
PSC	Production Sharing Contract, an agreement with a Government that allows for a company to bear all exploration risks then production and development costs if a discovery is made and, in return, receive a stipulated share of the production resulting from this effort.
Register Date	the date set by Melbana Energy under section 633(2) of the Corporations Act.
Rights	all accreditations, rights or benefits of whatever kind attaching or arising from Metgasco Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends or other distributions and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Metgasco or any of its subsidiaries).
SRN	has the same meaning as in the ASX Settlement Operating Rules.
Takeover Transferee Holding	has the same meaning as in the ASX Settlement Operating Rules.
Target's Statement	the target's statement to be prepared by Metgasco in relation to the Offer.
Trading Day	a day on which banks are normally opened for business and ASX Trade is open for trading in both Sydney and Melbourne.
Transaction	has the meaning given in section Error! Reference source not found. of 'Why you should ACCEPT the Offer'.
Valuation Date	[●] 2019.
VWAP	volume weighted average price.
Your Metgasco Shares	subject to section 9.4.5 of this Bidder's Statement, the Metgasco Shares (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Metgasco at the Register Date, or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

10.2 Definitions

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise requires:

- words and phrases have the same meaning (if any) given to them in the Corporations Act;
- words importing a gender include any gender;
- words importing the singular include the plural and vice versa;
- an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a section, attachment and schedule is a reference to a section of and an attachment and schedule to this Bidder's Statement as relevant;
- a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- headings and bold type are for convenience only and do not affect the interpretation of this Bidder's Statement;
- a reference to time is a reference to time in Melbourne, Australia;
- a reference to writing includes facsimile transmissions; and
- a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

11 Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution passed by the directors of Melbana Energy.

date 10 September 2019 _____

Signed for and on behalf of
Melbana Energy Limited
by

sign here ►

A handwritten signature in black ink, consisting of several fluid, connected strokes, positioned above a horizontal line.

Director

print name _____

Annexure A – Announcements from 1 July 2019

Date	Headline
10/09/2019	Notice of Extraordinary General Meeting
10/09/2019	Waiver of Breaches of Offer Conditions
4/09/2019	Melbana Presentation for SEAAOC Conference
2/09/2019	ASIC Grants Extension of Time to Dispatch Bidders Statement
30/08/2019	Appendix 4G and Corporate Governance Statement
30/08/2019	2019 Annual Report to Shareholders
30/07/2019	Quarterly Activities Summary & 5B to 30 June 2019
25/07/2019	Binding intention to make a takeover bid for Metgasco
25/07/2019	Section 708A Cleansing Notice and Appendix 3B
23/07/2019	Response to MEL announcement on the South Marsh 74 Project
22/07/2019	Cuba Update
22/07/2019	CEO Departure
16/07/2019	Becoming a substantial holder for MEL
15/07/2019	MEL: Notice of Intention of Off-Market Takeover Received
15/07/2019	Conditional intention to make a takeover bid for Metgasco