

Capital Raising of up to ~\$6.6 million

ASX & Media Release

Highlights:

- Placement to raise up to approximately \$1.8 million
- Strong support for the Placement from existing shareholders and new investors
- 1 for 2 non-renounceable Entitlement Offer to raise up to approximately \$4.8 million
- Offer Price of \$0.01 represents a 20% discount to the 15 day VWAP
- Funds to be used for preparatory activities for the planned drilling program of up to two wells in Cuba in mid-2018 and for corporate costs and general working capital purposes

MELBOURNE, AUSTRALIA (15 August 2017)

Melbana Energy Limited (ASX: **MAY**) (**Melbana** or **Company**) is pleased to announce that it has accepted commitments to raise up to approximately \$1.8 million through a placement of approximately 178 million fully paid ordinary shares ("**Shares**") at \$0.01 per share ("**Offer Price**"), together with one (1) free attaching unlisted option ("**Attaching Option**") for every three (3) shares subscribed, to qualified institutional and sophisticated investors ("**Placement**").

In addition to the Placement and to enable all Melbana shareholders to participate, the Company intends to undertake a 1 for 2 pro-rata non-renounceable entitlement offer of Shares to raise up to approximately \$4.8 million (before costs) (**Entitlement Offer**). All directors have committed to take up their pro rata entitlements in the Entitlement Offer.

Proceeds from the Placement and the Entitlement Offer will be used primarily to allow the Company to undertake the necessary initial preparations for the planned Cuba drilling program in 2018 on the Company's 100% owned¹ onshore Block 9 PSC (but excluding drilling itself). The net proceeds will also be used for corporate costs and for general working capital purposes.

Hartleys Limited and Patersons Limited were Joint Lead Managers to the Placement and the Entitlement Offer, and Patersons Limited are partially underwriting the Entitlement Offer up to \$3,420,000 with sub-underwriting support from certain new and existing investors, including the Directors of Melbana who are sub-underwriting the Entitlement offer for \$1,040,000.

Placement

Pursuant to the Placement Melbana will issue up to approximately 178 million shares at \$0.01 per share to raise up to approximately \$1.8 million. Melbana will also issue one (1) free Attaching Option for every three

(3) new Shares issued pursuant to the Placement. The Attaching Options will be exercisable at 2.0 cents with an expiry date of 31 August 2018.

The Offer Price of \$0.01 per Share represents a ~20% discount to Melbana's volume weighted average price for the 15 days up to and including 10 August 2017.

The Placement will be completed in a single tranche pursuant to the Company's capacity under ASX Listing Rule 7.1 and 7.1A. The Placement is scheduled to settle on Tuesday, 22 August 2017 with new shares expected to be allotted and commence trading on ASX on Wednesday, 23 August 2017.

Entitlement Offer

Under the Entitlement Offer, Eligible Shareholders (as defined below) are entitled to subscribe for one (1) Share at the Offer Price of \$0.01 per Share for every two (2) Shares held at 7:00pm (Melbourne time) on Friday, 18 August 2017 (**Record Date**). Eligible shareholders will receive one (1) free Attaching Option for every three (3) Shares issued under the Entitlement Offer. Shares issued under the Entitlement Offer will rank equally with existing Shares.

Shareholders on the Record Date with a registered address in Australia, New Zealand, Singapore, Canada or the British Virgin Islands whom are eligible under all applicable securities laws to receive an offer under the Entitlement Offer will be eligible to participate in the Entitlement Offer (**Eligible Shareholders**).

The Entitlement Offer will be undertaken pursuant to a prospectus which will be sent to Eligible Shareholders on or around 22 August 2017 in accordance with the indicative timetable set out below. The Directors recommend Eligible Shareholders read the prospectus carefully before deciding whether to proceed.

The Entitlement Offer is non-renounceable and rights will not be traded on the ASX or otherwise transferable. Eligible Shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

Patersons Limited are partially underwriting the Entitlement Offer up to \$3,420,000 with sub-underwriting support from certain new and existing investors, including the Directors of Melbana who are sub-underwriting the Entitlement offer for \$1,040,000.

The Entitlement Offer will raise up to approximately \$4.8 million (before costs). Under the Entitlement Offer, Melbana will offer up to approximately 477 million Shares and 159 million Attaching Options to Eligible Shareholders.

Eligible Shareholders may also apply for additional Shares and Attaching Options in excess of their entitlement at the same issue price of \$0.01 per new Share (**Shortfall Facility**). The Company reserves the right to scale back applications for the Shortfall Facility in its absolute discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including but not limited to the size of an applicant's shareholding, the extent to which Eligible Shareholders have sold or bought additional Shares after the Record Date, the date an application was made and any requirements of the Corporations Act and Listing Rules. The Directors reserve the right to issue the Shares under the Shortfall Facility at their discretion. There is no guarantee regarding the number of Shares (if any) that will be available to Eligible Shareholders under the Entitlement Offer.

Any Shares and Attaching Options not taken up by Eligible Shareholders (including under the Shortfall Facility) may become available as shortfall (**Shortfall**). To the extent that the funds raised from Eligible Shareholders under the Offer, including the Shortfall Facility, is less than the Underwritten Amount, a portion of the Shortfall will may be dealt with in accordance with the Underwriting Agreement. The Directors reserve the right, subject to the requirements of the Listing Rules and the Corporations Act, and after the Underwriting Agreement, to place any Shortfall at their absolute discretion.

Use of Proceeds

Net proceeds from the Placement and Entitlement Offer will be used primarily to allow the Company to undertake the necessary initial preparations for the planned Cuba drilling program in 2018 on the Company's 100% owned¹ onshore Block 9 PSC (but excluding drilling itself). The net proceeds will also be used for corporate costs and for general working capital purposes.

Cuba block 9 PSC has exploration potential of ~12.5 billion barrels of oil-in-place with recoverable Prospective Resources of 637 million barrels (100% share, unrisks Best Estimate*). The two highest priority drill targets, Alameda-1 and Zapato, have combined exploration potential of 200 million barrels (100% share, unrisks Best Estimate*) with Alameda-1 alone presenting an opportunity to drill three objectives with combined exploration potential of over 2.5 billion barrels Oil-in-Place and 130 million barrels of recoverable (100% unrisks, Best Estimate basis*).

***Prospective Resources Cautionary Statement:** The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Indicative Timetable

The proposed timetable for the Entitlement Offer is as follows:

Event	Date
Announcement of commitments received under Placement and launch of the Entitlement Offer	Tuesday, 15 August 2017
Lodgement of Appendix 3B with ASX	Tuesday, 15 August 2017
Prospectus lodged at ASIC and ASX	Tuesday, 15 August 2017
Notice sent to Shareholders	Wednesday, 16 August 2017
Record Date to determine Entitlements	7.00pm Friday, 18 August 2017 EST
Prospectus (together with Entitlement and Acceptance Form) despatched to Shareholders	Tuesday, 22 August 2017
Entitlement Offer Opens	Tuesday, 22 August 2017
Entitlement Offer Closes (unless extended or withdrawn)	Wednesday, 6 September 2017
Notification to ASX of under subscriptions	Thursday, 7 September 2017
Issue date	Wednesday, 13 September 2017

The above timetable is indicative only and subject to change. The Company reserves the right to amend any or all of these events, dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws.

An Appendix 3B for the Shares and Attaching Options to be issued under the Entitlement Offer follows this announcement.

Melbana's CEO and Managing Director, Peter Stickland, commented on the Entitlement Offer:

"We are pleased to have received such strong support for Melbana and I would like to welcome our new shareholders and thank our existing shareholders that participated in the placement. We are also pleased to be offering our existing shareholders the chance to participate in the capital raising on the same terms as the placement by way of a non-renounceable rights issue.

The work Melbana has undertaken on our Cuba onshore Block 9 PSC during the past 18 months has demonstrated that it is a world class exploration opportunity with enormous exploration potential.

Given this potential, we are aiming to drill up to two wells in Cuba in mid-2018 with the current highest priority prospects, Alameda-1 and Zapata, collectively targeting over 200 million barrels of recoverable oil (100% unrisked, Best Estimate basis) which, on a success case, would be company making for Melbana.*

Importantly, there is a significant amount of preparatory work that needs to occur to get the Company into a position to drill in Cuba in 2018 and the funds raised from the placement and the entitlement offer will be primarily used for this purpose, as well as corporate costs and general working capital expenses.

Melbana is entering an exciting period as it moves towards drilling in 2018 in Cuba and we look forward to the support of our shareholders as we move into this new phase."

A handwritten signature in blue ink, appearing to read "Peter Stickland".

Peter Stickland

Managing Director & Chief Executive Officer

Contingent and Prospective Resources: The information in this presentation that relates to Contingent Resources and Prospective Resources for Melbana is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, the Managing Director and Chief Executive Officer of Melbana. Mr Stickland B.Sc (Hons) has over 25 years of relevant experience, is a member of the European Association of Geoscientists & Engineers and the Petroleum and Exploration Society of Australia, and consents to the publication of the resource assessments contained herein. The Contingent Resource and Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules. Conversion factors: 6 Bscf gas equals 1 MMboe; 1 bbl condensate equals 1 boe

*** See Prospective Resource Cautionary Statement on Page 3**

¹ Subject to a conditional back in right option held by Petro Australis Limited to obtain a direct 40% participating interest in the Block 9 PSC expiring on 2nd September.