

15 August 2017

Dear Option holder,

NON-RENOUNCEABLE ENTITLEMENT OFFER

On 15 August 2017, Melbana Energy Limited (ACN 066 447 952) (**Company** or **Melbana**) announced that the Company would be conducting a pro-rata non-renounceable entitlement offer of up to approximately 476,621,943 fully paid ordinary shares in the capital of the Company (**New Shares**) on the basis of 1 New Share for every 2 Melbana fully paid ordinary shares (**Shares**) held at 7:00pm AEST on the record date, which under the indicative timetable is 18 August 2017 (**Record Date**) at an issue price of A\$0.01 per New Share and up to approximately 158,873,981 unquoted options (**Options**) on the basis of 1 free attaching Option for every 3 New Shares issued, with each Option having an exercise price of \$0.02 and expiring on 31 August 2018 to raise up to approximately \$4.3 million (after costs) (**Entitlement Offer**).

The proceeds from the Entitlement Offer (after costs) will be applied towards:

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

The Entitlement Offer is partially underwritten by Patersons Securities Limited as to \$3.42 million.

The Entitlement Offer is made pursuant to a prospectus lodged with the Australian Securities and Investments Commission (**ASIC**) on 15 August 2017 (**Prospectus**) and released to the Australian Securities Exchange (**ASX**) on the same date.

The Prospectus is available on the Company's website at <http://www.melbana.com> or on the ASX website (company announcements section, ASX code: MAY) at www.asx.com.au.

Under the terms of the options you currently hold, there is no entitlement to participate in the Entitlement Offer unless you exercise your options and are entered onto the register as a shareholder on or before 7:00pm AEST on the Record Date with a registered address in Australia, New Zealand, the British Virgin Islands, Singapore or Canada and are eligible under all applicable securities laws to receive an offer under the Entitlement Offer. Therefore, an option holder who is resident **outside** of Australia, New Zealand, British Virgin Islands, Singapore and Canada or who is not eligible under all applicable securities laws to receive an offer under the Entitlement Offer will not be able to participate in the Entitlement Offer upon exercise of their options.

To exercise your options (provided they have reached their vesting date and any vesting conditions are satisfied by the Record Date) and thereby be eligible to participate in the Entitlement Offer (in respect of the Shares allotted upon exercise of your options), you will need to deliver to the registered office of the Company the following:

- 1 a written notice of exercise of the options specifying the number of options to be exercised (**Option Exercise Notice**); and
- 2 payment of the exercise price for those options by way of cash, bank cheque or telegraphic or other electronic means of transfer of cleared funds made payable to the Company.

Option Exercise Notices and cleared funds must be received by no later than 5:00pm AEST on the Record Date.

Before deciding whether to exercise all or any of your options, you should consider the terms of the Entitlement Offer carefully and if in doubt, consult with a professional financial adviser. If you do not wish to participate in the Entitlement Offer, then you do not need to take any action.

Should you have any queries, please contact the Company Secretary on +61 3 8625 6000.

Yours faithfully

A handwritten signature in black ink, appearing to read "C Naylor", with a horizontal line underneath.

Colin Naylor
Company Secretary

Melbana Energy Limited