

MELBANA ENERGY LIMITED
ACN 066 447 952

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of two (2) Shares for every thirteen (13) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.02 per Share to raise up to \$7,128,773 (based on the number of Shares on issue as at the date of this Prospectus) together with one (1) free attaching New Option for every two (2) Shares subscribed for and issued (**Offer**).

The Offer is fully underwritten and lead managed by Canaccord Genuity (Australia) Limited (AFSL 234666) (**Underwriter**). Please refer to Section 8.4 for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

CONTENTS

1.	CORPORATE DIRECTORY	1
2.	TIMETABLE	2
3.	IMPORTANT NOTES	3
4.	DETAILS OF THE OFFER	5
5.	PURPOSE AND EFFECT OF THE OFFER	12
6.	RIGHTS AND LIABILITIES ATTACHING TO SECURITIES	16
7.	RISK FACTORS	20
8.	ADDITIONAL INFORMATION	32
9.	DIRECTORS' AUTHORISATION	46
10.	GLOSSARY	47

1. CORPORATE DIRECTORY

Directors

Andrew Purcell
Executive Chairman

Peter Stickland
Non-Executive Director

Michael Sandy
Non-Executive Director

Chief Financial Officer & Company Secretary

Theo Renard

ASX Code

MAY

Registered Office

Level 15, 9 Hunter Street
SYDNEY NSW 2000

Telephone: +61 2 8323 6600
Facsimile: +61 3 8080 1748

Email: admin@melbana.com
Website: www.melbana.com

Underwriter and Lead Manager

Canaccord Genuity (Australia)
Limited
(AFSL 234 666)
Level 23, Exchange Tower
2 The Esplanade
PERTH WA 6000

Share Registry*

Link Market Services Limited
Level 1
333 Collins Street
MELBOURNE VIC 3000

Telephone:
+61 3 9615 9800

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

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

2. TIMETABLE

Action	Date
Announcement of the Offer and lodgement of Appendix 3B with ASX	30 July 2021
Lodgement of Prospectus with the ASIC and ASX	4 August 2021
Ex date	9 August 2021
Record Date for determining Entitlements	5.00pm (AEST) on 10 August 2021
Prospectus sent out to Eligible Shareholders and Opening Date of the Offer	13 August 2021
Last day to extend the Closing Date of the Offer	31 August 2021
Closing Date*	5.00pm (AEST) on 3 September 2021
Securities quoted on a deferred settlement basis from market open	6 September 2021
Announcement of results of the Offer	7 September 2021
Issue date, Securities entered into Shareholders' security holdings and lodgement of Appendix 2A with ASX	10 September 2021
Quotation of Shares issued under the Offer	13 September 2021

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 4 August 2021 and was lodged with the ASIC on that date. The ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

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

3.1 Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation, or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Securities under this Prospectus.

3.2 Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

3.3 Forward-looking statements

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

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

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

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

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

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7.

3.4 Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of two (2) Shares for every thirteen (13) Shares held by Shareholders registered at the Record Date at an issue price of \$0.02 per Share, together with one (1) free attaching New Option (exercisable at \$0.035 each on or before 12 months from the date of issue) for every two (2) Shares subscribed for and issued. Fractional entitlements will be rounded down to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 356,438,678 Shares and 178,219,339 New Options will be issued pursuant to this Offer to raise up to \$7,128,773.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6.1 for further information regarding the rights and liabilities attaching to the Shares.

Except for the Shares on issue as at the date of this Prospectus, the Company has no other classes of security on issue.

All of the New Options offered under this Prospectus will be issued on the terms and conditions set out in Section 6.2. The Company will apply for quotation of the New Options. All Shares issued on conversion of the New Options will rank equally with the Shares on issue at the date of this Prospectus.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1.

The Directors intend to take up their respective Entitlement in whole, subject to sufficient funds being available before the Closing Date.

4.2 Option Offer to Lead Manager and Sub-underwriters

This Prospectus also includes the offer of 12,000,000 New Options to the Lead Manager (or its nominees) in consideration for services provided in relation to the Offer (**Lead Manager Options**) and the offer of 356,438,678 New Options to the sub-underwriters of the Offer in consideration for sub-underwriting the Offer (**SU Commitment Options**). The Lead Manager Options and SU Commitment Options will be issued on the terms and conditions set out in Section 6.2.

Only the Lead Manager (or its nominees) and the sub-underwriters of the Offer may accept the offer of the Lead Manager Options and SU Commitment Options. A personalised Application Form will be issued to the Lead Manager (or its nominees) and the sub-underwriters of the Offer together with a copy of this Prospectus.

4.3 Minimum subscription

There is no minimum subscription to the Offer.

4.4 What Eligible Shareholders may do

The number of Shares to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) **take up all** of their Entitlement (refer to Section 4.5);
- (b) **take up all** of their Entitlement and **apply for Shares under the Shortfall Offer** (Section 4.6);
- (c) **take up a proportion** of their Entitlement and **allow the balance to lapse** (refer to Section 4.7);
- (d) **allow all or part** of their Entitlement to **lapse** (refer to Section 4.8).

One (1) New Option will be issued for every two (2) Shares subscribed for and issued under the Offer. Please read the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form carefully.

4.5 Taking up all of your Entitlement

Should you wish to accept all of your Entitlement, then an application for Shares must be made by completing and returning the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "**Not Negotiable**" and made payable to "**Melbana Energy Limited — Entitlement Issue Account**" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

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

If you wish to pay via BPAY® you must follow the personalised instructions on your Entitlement and Acceptance Form. You do not need to return a completed Entitlement and Acceptance Form but are taken to have made the declarations in the Entitlement and Acceptance Form and the representations set out below in Section 4.12.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 5:00 pm (AEST) on the Closing Date. The Company shall not be responsible for any postal or delivery delays or delay in the receipt of a BPAY® payment.

Any Application Monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any Application Monies received or refunded.

4.6 Taking up all of your Entitlement and applying for Shares under the Shortfall Offer

Should you wish to accept all of your Entitlement and apply for Shares under the Shortfall Offer, then an application for Shares must be made by completing the appropriate sections of the Entitlement and Acceptance Form which accompanies this Prospectus and returning the form accompanied by a cheque for the full amount payable or by completing a BPAY® payment, in accordance with the instructions referred to in Section 4.5 and on the Entitlement and Acceptance Form.

4.7 Taking up a proportion of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in Section 4.5 for such Shares. If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up that part of your Entitlement.

4.8 Allow all or part of your Entitlement to lapse

If you do not wish to accept any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

4.9 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application Monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the application may not be varied or withdrawn except as required by law.

4.10 Underwriting and Lead Manager

The Offer is fully underwritten by the Underwriter on the conditions set out in Section 8.4. The Underwriter has also been appointed as Lead Manager to the Offer. Please refer to Section 8.4 for details of the terms of the Underwriting Agreement.

4.11 Effect on control of the Company

As at the date of this Prospectus, the Underwriter does not hold any Securities in the Company and accordingly, the Underwriter has no present voting power in the Company.

Shareholders should be aware that the extent to which Shares are issued pursuant to the Underwriting Agreement could result in the Underwriter increasing its voting power in the Company. The Underwriter is not a related party of the Company for the purpose of the Corporations Act.

The Underwriting Agreement allows the Underwriter to enter into sub-underwriting agreements to pass on some or all of its obligations to subscribe for the Shortfall under the Underwriting Agreement. The Underwriter has confirmed to the Company that it has entered into a number of sub-underwriting agreements up to the full underwritten amount. The Underwriter has confirmed that as at the date of this Prospectus, no individual sub-underwriter:

- (a) has a total sub-underwriting commitment exceeding \$800,000 of the underwritten amount;
- (b) is a substantial Shareholder of the Company (other than Terrace Management Pty Ltd – refer to Section 5.5 for further details); or
- (c) is a related party of the Company.

In the event that there is a Shortfall, these sub-underwriting arrangements will have the effect of decreasing the number of Shares to be subscribed for by the Underwriter to nil, given these sub-underwriting commitments in aggregate cover the full underwritten amount (i.e. the full amount to be raised under the Offer). For illustrative purposes, the Underwriter's present relevant interest and changes under several scenarios are set out in the table below:

Event	Shares held by Underwriter	Voting power of Underwriter (%)¹
Date of Prospectus	Nil	0.00%
Completion of the Offer		
Fully subscribed by Eligible Shareholders	Nil	0.00%
75% subscribed by Eligible Shareholders	89,109,669	3.33%
50% subscribed by Eligible Shareholders	178,219,339	6.66%
25% subscribed by Eligible Shareholders	267,329,008	10.00%
0% subscribed by Eligible Shareholders	356,438,678	13.33%

Notes:

1. The voting power calculated does not account for any Lead Manager Options to be issued to the Underwriter under this Prospectus, which may be subsequently exercised and converted to Shares.

The above example scenarios show the potential effect of the underwriting of the Offer by the Underwriter. However, it is unlikely that no Eligible Shareholders will subscribe for their Entitlement under the Offer and as set out above, as the Underwriter has confirmed it has entered into sub-underwriting agreements in respect of the full amount to be raised under the Offer, the Underwriter's voting power is unlikely to change. In addition, the above example scenarios do not take into account any Shortfall that may be subsequently placed to Eligible Shareholders or third parties which would reduce the control impact.

The underwriting obligation and therefore potential voting power of the Underwriter will reduce by a corresponding amount to the extent of the Entitlements under the Offer taken up by Eligible Shareholders and Shortfall taken

up by sub-underwriters or placed to Eligible Shareholders and third parties. As set out in Section 4.1 above. The Directors intend to take up their respective Entitlement in whole, subject to sufficient funds being available before the Closing Date.

It is a term of the Underwriting Agreement that the Underwriter must ensure that no sub-underwriter (together with their associates) acquires a relevant interest in more than 19.99% of the issued share capital of the Company.

4.12 Dilution

In addition to the potential control impacts set out in Section 4.11, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 13.33% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders (assuming no Options have been exercised) is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	5,000,000	0.21%	769,230	5,000,000	0.19%
Shareholder 2	10,000,000	0.43%	1,538,461	10,000,000	0.37%
Shareholder 3	20,000,000	0.86%	3,076,923	20,000,000	0.75%
Shareholder 4	40,000,000	1.73%	6,153,846	40,000,000	1.49%
Shareholder 5	80,000,000	3.45%	12,307,692	80,000,000	2.99%

Notes:

1. Assumes full subscription.
2. Based on an issued share capital of 2,316,851,412 Shares as at the date of this Prospectus.
3. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer and/or sub-underwriting arrangements.

4.13 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer. The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer will be \$0.02, being the price at which Shares have been offered under the Offer.

Eligible Shareholders may apply for Shortfall Securities under the Shortfall Offer, subject to such Shareholders taking up their full Entitlement, by completing the appropriate section on their Entitlement and Acceptance Form or by making payment for such Shortfall Securities in accordance with Section 4.4 by no later than 5:00 pm (AEST) on the Closing Date.

The final allocation of the Shortfall will be at the discretion of the Underwriter and the Board who will ensure that the allocation of Shortfall Securities will be undertaken in a manner so as not to exacerbate a potential unacceptable control effect.

The Company notes that no Securities will be issued to an Applicant under the Offer or via the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act.

4.14 ASX listing

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out at Section 2. If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Securities and will repay all Application Monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities offered for subscription under this Prospectus.

4.15 Issue

Securities issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at Section 2.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis and in accordance with the Underwriting Agreement. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at Section 2 and for Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

4.16 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Securities the subject of this Prospectus or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia and New Zealand.

New Zealand

The Securities are not being offered to the public within New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the offer of these Securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

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

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.17 Enquiries

Any questions concerning the Offer should be directed to Theo Renard, Chief Financial Officer and Company Secretary, on +61 2 8323 6600.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$7,128,773. The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Exploration drilling, Block 9, Cuba	6,026,162	84.5%
2.	Business Development Initiatives	250,000	3.5%
3.	Expenses of the Offer ¹	633,814	8.9%
4.	Working capital ²	218,797	3.1%
	Total	7,128,773	100%

Notes:

1. Refer to Section 8.8 for further details relating to the estimated expenses of the Offer.
2. Expected to comprise of corporate expenses, overheads and general working capital.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives. The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted, will be to:

- (a) increase the cash reserves by \$6,494,959 (after deducting the estimated expenses of the Offer set out in Section 8.8) immediately after completion of the Offer;
- (b) increase the number of Shares on issue from 2,316,851,412 as at the date of this Prospectus to 2,673,290,090 Shares following completion of the Offer; and
- (c) increase the number of Options on issue from nil as at the date of this Prospectus to 546,658,017 Options (including the 12,000,000 Lead Manager Options to be issued to the Underwriter and the 356,438,678 SU Commitment Options to be issued to the sub-underwriters of the Offer) following completion of the Offer.

5.3 Pro-forma balance sheet

The auditor reviewed balance sheet as at 31 December 2020 and the unaudited pro-forma balance sheet as at 31 December 2020 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted and includes the expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Auditor Reviewed	Pro-forma
	31 December 2020	31 December 2020
ASSETS		
Current Assets		
Cash and cash equivalents	6,873,165	13,368,124
Other receivables	60,631	60,631
Financial assets at amortised cost	51,852	51,852
Total current assets	6,985,648	13,480,607
Non-current assets		
Financial assets at fair value through other comprehensive income	3,828,812	3,828,812
Plant and equipment	19,283	19,283
Right of use	76,162	76,162
Exploration and evaluation	413,626	413,626
Total non-current assets	4,337,883	4,337,883
TOTAL ASSETS	11,323,531	17,818,490
LIABILITIES		
Current liabilities		
Trade and other payables	508,999	508,999
Lease liabilities	67,434	67,434
Provisions	134,754	134,754
Advances from farm-out arrangement	1,893,222	1,893,222
Total current liabilities	2,604,409	2,604,409

	Auditor Reviewed	Pro-forma
	31 December 2020	31 December 2020
Non-current liabilities		
Lease liabilities	17,884	17,884
Total non-current liabilities	17,884	17,884
TOTAL LIABILITIES	2,622,293	2,622,293
NET ASSETS	8,701,238	15,196,197
EQUITY		
Issued capital	280,302,775	287,431,548
Costs of issue- share capital deduction		(633,814)
Reserves	(768,327)	(768,327)
Accumulated losses	(270,833,210)	(270,833,210)
TOTAL EQUITY	8,701,238	15,196,197

5.4 Effect on capital structure

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

Shares

	Number
Shares currently on issue	2,316,851,412
Shares offered pursuant to the Offer ¹	356,438,678
Total Shares on issue after completion of the Offer	2,673,290,090

Notes:

- This number may vary due to rounding of Entitlements.

Options

	Number
Options currently on issue	nil
New Options offered pursuant to the Offer ¹ Quoted exercisable at \$0.035 on or before the date that is twelve (12) months from issue	178,219,339
Lead Manager Options to be issued to the Underwriter ² Quoted exercisable at \$0.035 on or before the date that is twelve (12) months from issue	12,000,000

	Number
SU Commitment Options to be issued to the sub-underwriters ² of the Offer Quoted exercisable at \$0.035 on or before the date that is twelve (12) months from issue	356,438,678
Total Options on issue after completion of the Offer	546,658,017

Notes:

1. This number may vary due to rounding of Entitlements.
2. The Company has agreed to issue the Underwriter 12,000,000 Lead Manager Options as part consideration for acting as Lead Manager to the Offer. Please refer to Section 8.4 for further details in relation to the issue of the Lead Manager Options.
3. The Company has agreed to issue the sub-underwriters of the Offer with 356,438,678 SU Commitment Options as a fee for sub-underwriting the Offer. Please refer to Section 8.4 for further details in relation to the issue of the Lead Manager Options.
4. The Company has also agreed to issue Andrew Purcell, Director, 31,812,050 performance rights in the Company, subject to Shareholder approval and as announced on ASX on 1 April 2021.

The capital structure on a fully diluted basis as at the date of this Prospectus would be 2,316,851,412 Shares and on completion of the Offer (assuming all Entitlements are accepted) would be 3,219,948,107 Shares.

5.5 Details of substantial holders

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
M&A Advisory Pty Ltd ACN 605 252 506	219,758,759	9.49
Terrace Management Pty Ltd	120,890,963	5.22

Note:

1. M&A Advisory Pty Ltd is an entity controlled by Andrew Purcell.
2. Terrace Management Pty Ltd has agreed to sub-underwrite the Offer up to a maximum amount of \$350,000, being an amount of 17,500,000 Shares. Assuming Terrace Management Pty Ltd subscribes for its full Entitlement of 18,598,610 Shares under the Offer and is issued 17,500,000 Shares under such sub-underwriting, its relevant interest in Shares will increase to 5.87%.

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

6.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share held, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amounts paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they believe to be justified subject to the requirements of the

Corporations Act. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, grant Shareholders or a class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares on the terms determined by the Board.

(d) **Winding-up**

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

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of Constitution**

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

6.2 Terms of the New Options to be issued under the Offer, the Lead Manager Options and the SU Commitment Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i) below, the amount payable upon exercise of each Option will be \$0.035 per Option (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AEST) on the date that is twelve (12) months from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 5 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus

prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for Official Quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph (g)(ii) above for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

7. RISK FACTORS

7.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) **Coronavirus (COVID-19)**

The outbreak of the coronavirus (**COVID-19**) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

The COVID-19 pandemic may also give rise to issues, delays or restrictions in manufacturing and delivery of oil field materials and the Company's ability to undertake its operations. In addition, the effects of COVID-19 on the Company's Share price and global financial markets generally may also affect the Company's ability to raise equity or debt or require the Company to issue capital at a discount, which may in turn cause dilution to Shareholders.

The Directors are actively monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to the impact of COVID-19 on the Company's business and the industry in which the Company operates general and will advise Shareholders of any potential or actual adverse impact on the Company and its operations. If any of these impacts appear material prior to close of the Offer, the Company will notify investors under a supplementary prospectus.

(b) **Going concern risk**

The Company's half-year report for the half-year ended 31 December 2020 (**Half-Year Report**) includes a note on the financial condition of the Company and the existence of a material uncertainty

about the Company's ability to continue as a going concern as set out below:

"As at 31 December 2020, the consolidated entity:

- (i) had, for the financial half-year ending on that date, incurred a net loss after tax of \$136,488 (2019: \$1,418,518);
- (ii) had, for the financial year ending on that date, net cash out flows from operating activities of \$594,744 (2019: \$1,472,839);
- (iii) had cash and cash equivalents on hand of \$6,873,165 (30 June 2020: \$1,752,263); and
- (iv) had a net working capital position of \$4,381,239 (30 June 2020: \$367,256).

The Consolidated Entity is involved in the exploration and evaluation of oil and gas tenements. Further expenditure will be required on these tenements to ascertain whether they contain economically recoverable reserves. The cash reserves as at 31 December 2020 are expected to be sufficient to meet the Consolidated Entity's planned exploration commitments and activities for the 12 months from the date of this report. To meet any additional funding requirements the Consolidated Entity will rely on taking appropriate steps, including:

- (i) Meeting its additional obligations by either farm-out or partial sale of the Consolidated Entity's exploration interests;
- (ii) Raising capital by one of a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding share options, and/or further issue of shares to the public;
- (iii) In some circumstances, subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; or
- (iv) Other avenues that may be available to the Consolidated Entity."

Notwithstanding the above, the Directors stated in the Half-Year Report that:

"Having carefully assessed the potential uncertainties relating to the Consolidated Entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the Consolidated Entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis."

Shareholders should be aware that there can be no assurances that the forecasted trading performance will be achieved or that additional funding, if required, will be obtained and that the Company will succeed in its future operations. If the Company cannot successfully implement its growth plan or raise additional capital, its liquidity, financial condition and business prospects will be materially and adversely affected such that the Company may not be able to continue as a going concern.

(c) **Potential for significant dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted the number of Shares in the Company will increase from 2,316,851,412 currently on issue to 2,673,290,090. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to this Prospectus being lodged of \$0.022 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

(d) **Funding Risk**

The oil and gas industry is a capital-intensive industry with regulator mandated minimum work program obligations and financial support for those. There can be no assurances that Melbana's planned business activities will in fact be met without future borrowings or further capital raisings, and whether or not such funding will be available and on terms favourable to Melbana. Melbana may be required or elect to issue further equity securities and such equity securities may be issued on terms less favourable to the Company (or not issued at all) depending on the prevailing conditions in equity markets which may result in the dilution of the holdings of current Shareholders. In the event that Melbana is unable to secure farm-in partners or raise funds as required, from its shareholders or other sources, it may not be able to take the planned or required actions to execute its plans for its key assets either in part or at all. This may affect the ability of Melbana to retain its key assets and the value of Melbana's interest in these projects. In the event that Melbana is unable to raise sufficient funds to support its minimum business activities, it has a risk of not being a going concern. It is possible that a material uncertainty related to going concern may be disclosed in Melbana's audited financial report for the year ended 30 June 2021. The Company may require additional equity funding to support its operations in the short to medium term.

(e) **Operating Risks**

Drilling risk

Drilling operations are high-risk and subject to hazards often encountered in exploration, development and production drilling programs. These include unexpected geological formations, infrastructure failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the Melbana's operations and its financial results should any of these hazards be encountered.

Exploration risk

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

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

Development risk

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

Production risk

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

Ongoing production and commissioning of staged expansions to production may not proceed to plan, with potential for delay in the timing of targeted production and/or a failure to achieve the level of targeted production. In certain circumstances, these potential delays or difficulties may necessitate additional funding requirements which could lead to additional equity and / or debt requirements for Melbana. In addition to potential delays, there is a risk that capital and/or operating costs will be higher than expected or there will be other unexpected changes in variables upon which expansion and commissioning decisions were made. These potential scope changes and/or cost overruns may also lead to additional funding requirements. Melbana's activities may be affected by numerous other factors beyond Melbana's control. Mechanical failure of Melbana's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect Melbana's operations.

Reserves and resources

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

Production estimates are dependent on, among other things, the accuracy of Reserves, Contingent Resources and Prospective Resources estimates, the accuracy of assumptions regarding the resource calculations and recovery rates. Reserves, Contingent Resources and Prospective Resources estimates are based on limited sampling. The failure of Melbana to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, access to capital, profitability, results of operations, financial condition and prospects. Commodity price fluctuations, as well as increased production costs or reduced recovery rates, may render Reserves uneconomic and may ultimately result in a restatement of such Reserves.

Moreover, short-term operating factors relating to Reserves, such as the need for sequential development of resource bodies and the processing of new or different resource types may cause an operation to be unprofitable in any particular accounting period.

Commodity price risk

The current and future profitability of Melbana's operations is directly related to the market price of commodities, in particular oil. Commodity prices may substantially impact on the economics of projects and, hence, on exploration and development programs.

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

Country risk

Melbana's main operations currently are in Cuba. As a result, Melbana is exposed to the political, economic, environmental and other risks and uncertainties associated with operating there. These risks and uncertainties 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 and civil unrest and changes in diplomatic relations. These risks and uncertainties may be unpredictable, are beyond the control of the Company and could adversely affect the value of the assets or future financial performance of Melbana.

Cuba is currently subject to sanctions imposed by the United States and while they remain in place, access to equipment and personnel of United States origin in support of operations in Cuba is restricted. These sanctions also make access to project financing, international banking and insurance markets more difficult and may also impact Melbana's ability to sell and transport abroad any oil discovered there.

Environmental risks may include hurricanes and tropical storms which are common to the Caribbean. Whilst the Company maintains strict environmental, health and safety protocols, there can be no guarantee against severe property damage and disturbances to operations.

Economic risks may include fluctuations in official or convertible currency exchange rates and high rates of inflation. Operations may be affected in varying degrees by Cuban government regulations with respect to currency conversion, production, project approval and execution, price controls, import and export controls, income taxes or reinvestment credits, expropriation of property, environmental legislation, land use, water use and oil rig safety.

The Company cannot guarantee that the Cuban Government will remain stable or supporting of the oil and gas industry and the Company's current ownership structure. Similarly, although the Cuban Government's position has remained unchanged for the last two decades, there can be no assurances that allowing foreign investment and profit repatriation and oil trade will continue. In addition, the Company is in a production sharing contract with Unión Cuba - Petróleo, a state entity incorporated under the laws of the Republic of Cuba. There is a risk that performance of the contract by the Cuban entity may not be performed in a timely manner, or their obligations satisfied at all.

Joint operations

Melbana is party to a joint operation arrangement and may enter into further joint operations. Although Melbana has sought, and will seek, to protect its interests, existing and future joint operations necessarily involve special risks. Whether or not Melbana holds majority interests or maintains operational control in its joint ventures, its partners may:

- (i) have economic or business interests or goals that are inconsistent with, or opposed to, those of Melbana;
- (ii) exercise veto rights to block actions that Melbana believes are in its or the joint operation's best interests;

- (iii) take action contrary to Melbana 's policies or objectives with respect to its investments; or
- (iv) be unable or unwilling to fulfil their obligations under the joint venture or other agreements, such as contributing capital to exploration, expansion or maintenance projects.

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

Schedule Risks

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

Competition and substitution

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

Environmental Risk

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

Health, safety and hazardous materials

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

Insurance

Insurance against all risks associated with oil and gas and exploration and development is not always available and if available the associated costs may be high. Although Melbana seeks to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, insurance may not be available or adequate to cover all the potential risks associated with its business or its operations and their associated potential liabilities.

Uninsurable risks

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

Wars, terrorism, and natural disasters

Events may occur within or outside Australia that could adversely impact the market for oil and gas, the operations of Melbana or any of its suppliers, service providers and customers, including war, acts of terrorism, civil disturbance, political intervention and natural activities such as earthquakes, floods, fire and poor weather.

7.3 Legal and regulatory risks

(a) Permits and tenure

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

(b) Disputes and litigation

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

could adversely affect the value of the assets or future financial performance of Melbana.

(c) **Industrial action**

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

(d) **Compensation**

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

(e) **Contractual arrangements**

Melbana has entered into various contracts and agreements which are important to the future of its business. Any failure by counterparties to perform under those contracts and agreements may have a material adverse effect on Melbana and there can be no assurance that it would be successful in enforcing any of its contractual rights through legal action. As announced on ASX on 23 April 2021, the Company has entered into a conditional sale and purchase agreement (**SPA**) to sell its WA-488-P permit to EOG Resources, Inc. In the event the conditions precedent to the SPA are not satisfied or the SPA is otherwise terminated, the Company will not receive the proceeds of sale for the permit which could have an adverse effect on the financial position of the Company.

(f) **Tax risk**

The Company will be subject to taxation and other imposts in Australia and other jurisdictions in which Melbana has activities and investment interests. Future changes in taxation laws in those countries, including changes in the interpretation or application of existing laws by the courts or applicable revenue authorities in those jurisdictions may affect the taxation treatment of Melbana's business activities, thereby potentially impacting on the Company's financial condition. In addition to the normal level of income tax imposed on companies in all industries, companies in the petroleum sector are usually required to pay government royalties and indirect taxes and other levies. The profitability of companies in this industry can be adversely affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

(g) **Climate change**

The potential impact from climate change, both physical and as a result of new related legislation and regulation, may have an adverse impact on Melbana's operations or financial performance. Increased regulation

of greenhouse gas emissions could adversely affect Melbana's costs of operations. Regulatory change by governments in response to greenhouse gas emissions may represent increased costs to Melbana impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of a carbon tax in any jurisdiction in which Melbana operates is likely to raise energy costs and costs of production over the next decade. Regulation of greenhouse gas emissions in the jurisdictions of Melbana's customers could also have an adverse effect on the cost of Melbana's production as may increasing lack of support from the investment community for exploration, development and production of hydrocarbons.

7.4 General risks

(a) Reliance on key personnel

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace.

In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business. While each of these executives is party to an employment contract, the executives may resign at any time and under the terms of the employment contracts each executive is permitted to terminate the contract in certain circumstances.

(b) Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(c) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (i) introduction of tax reform or other new legislation;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

In addition, the extent of the effects of COVID-19 is at this stage uncertain and continuing to evolve. The COVID-19 pandemic is having, and is expected to continue to have, a significant influence on the volatility of equity markets generally and may continue to impact and influence the value of the Company's quoted securities.

(d) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(e) **Force majeure**

The Company, now or in the future, may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(f) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.]

(g) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

7.5 Speculative investment

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

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

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

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

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

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

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

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

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
 - (i) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (ii) the annual financial report most recently lodged by the Company with the ASIC;

- (iii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iv) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
28-Jul-2020	Quarterly Activities Summary & 5B to 30 June 2020
31-Jul-2020	Change in substantial holding for MEL
11-Aug-2020	Change of Director's Interest Notice
17-Aug-2020	Completion of Conditions Precedent for Cuba Block 9 Farmout
24 -Aug-2020	Beehive Prospective Resources Upgrade
27-Aug-2020	2020 Annual Report to Shareholders
27-Aug-2020	Appendix 4G and Corporate Governance Statement
9-Sep-2020	Stockhead TV Interview
21-Sep-2020	Change in substantial holding for MEL
24-Sep-2020	Block 9 Commencement of Drilling Preparations
28-Sep-2020	Lapse of Unlisted Options
16-Oct-2020	Notice of Annual General Meeting/Proxy Form
22-Oct-2020	Cuba Funding Received
28-Oct-2020	Block 9 Cuba Operations Update
30-Oct-2020	Quarterly Activities Summary & 5B to 30 September 2020
16-Nov-2020	CEO Showcase Event
19-Nov-2020	AGM Presentation
19-Nov-2020	Results of Annual General Meeting
19-Nov-2020	Constitution
24-Nov-2020	Lapse of Unlisted Options
25-Nov-2020	FNN Online Investor Interview
26-Nov-2020	Award of New Exploration Permits next to Beehive Prospect
4-Jan-2021	Receipt of Byron Energy shares

Date	Description of Announcement
29-Jan-2021	Quarterly Activities Summary & 5B to 31 December 2021
8-Feb-2021	Block 9 Cuba Operations Update
12-Mar-2021	Half Year Financial Report 31 December 2020
18-Mar-2021	Cuba, Block 9 – Appointment of drilling contractor
1-Apr-2021	Executive Chairman – Key Terms of Employment
23-Apr-2021	Sale of Beehive Prospect
28-Apr-2021	Block 9, Cuba – Operations Update
30-Apr-2021	Change of Company Address
30-Apr-2021	Quarterly Activities Summary & 5B to 31 March 2021
7-May-2021	Funds received from sale of permits
28-May-2021	Sale of Shares by Executive Chairman
2-Jul-2021	Becoming a substantial holder
6-Jul-2021	Appointment of Chief Financial Officer and Company Secretary
13-Jul-2021	Block 9, Cuba Operations Update
21-Jul-2021	Ceasing to be a substantial holder
23-Jul-2021	Notice of change of interests of substantial holder for MEL
27-Jul-2021	Quarterly Activities Summary & 5B to 30 June 2021
28-Jul-2021	Trading Halt
30-Jul-2021	Non-Renounceable Issue
30-Jul-2021	Proposed issue of securities - MAY
30-Jul-2021	Proposed issue of securities - MAY
30-Jul-2021	Change in substantial holding for MEL
2-Aug-2021	Ceasing to be a substantial holder for MEL

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.melbana.com.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the twelve months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

	Price	Date
Highest	\$0.032	19 February 2021
Lowest	\$0.007	5 August 2020
Last	\$0.022	3 August 2021

8.4 Underwriting Agreement

By an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter has agreed to fully underwrite the Offer on the conditions set out below. The Company has agreed to pay the Underwriter a capital raising fee of 6% of the total gross amount raised under the Offer plus a corporate advisory fee of \$75,000.

The Company has also agreed to issue 12,000,000 Lead Manager Options to the Underwriter (or its nominees) in consideration for services provided in relation to the Offer. These Options will be issued on the terms and conditions set out in Section 6.2.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement (without cost or liability to it) if:

(a) **Indices fall**

Either of the All Ordinaries Index or the S&P/ASX Small Ordinaries Index as published by ASX is at any time after the date of the Underwriting Agreement, at a level that is 10% or more below its respective level as at the close of business on the business day prior to the date of the Underwriting Agreement.

(b) **Share Price**

The volume weighted average market price of the Shares on ASX calculated over five consecutive trading days on which trades are recorded is lower than the issue price (\$0.02).

(c) **No Official Quotation**

Official Quotation has not been applied for in respect of all the Shares the subject of the Offer within 2 business days after the Closing Date (or such other date as agreed by the parties) or, having been applied for, is subsequently withdrawn, withheld or qualified.

(d) **Supplementary Prospectus**

- (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
- (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter.

(e) **Non-compliance with disclosure requirements**

It transpires that the Prospectus does not contain all the information required by the Corporations Act.

(f) **Misleading Prospectus**

It transpires that there is a statement in the Prospectus that is misleading or deceptive in a material respect or likely to mislead or deceive to a material respect, or that there is an omission from the Prospectus of a material respect or if any statement in the Prospectus becomes misleading or deceptive in a material respect or likely to mislead or deceive in a material respect or if the issue of the Prospectus is or becomes misleading or deceptive in a material respect or likely to mislead or deceive in a material respect.

(g) **Restriction on allotment**

The Company is prevented from allotting the Securities the subject of the Offer within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority.

(h) **Withdrawal of consent to Prospectus**

Any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;

(i) **ASIC application**

An application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the date that is 2 business days after the Closing Date (or such other date as agreed by the parties) has arrived, and that application has not been dismissed or withdrawn.

(j) **Takeovers Panel**

The Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Part 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel.

(k) **Hostilities**

There is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Japan, Russia, the United Kingdom, the United States of America, France, North Korea, the People's Republic of China, Israel or any member of the European Union.

(l) **Authorisation**

Any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter (acting reasonably).

(m) **Indictable offence**

A director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence.

(n) **Termination Events**

Subject always to the material adverse effect limitation set out in paragraph (o) below, any of the following events occurs:

(i) **Default**

Default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking which is not remedied by the Company within 5 business days of notification by the Underwriter.

(ii) **Incorrect or untrue representation**

Any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect in a material respect.

(iii) **Contravention of constitution or Act**

A contravention by the Company or any of its subsidiaries of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX.

(iv) **Adverse change**

An event occurs which gives rise to a material adverse effect (as specified under the Underwriting Agreement) after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any of its subsidiaries including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time.

(v) **Error in Due Diligence Results**

It transpires that any of the due diligence results (undertaken in respect of the Offer) or any part of the verification material was false, misleading or deceptive in a material respect or that there was a material omission from them.

- (vi) **Significant change**
- A "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor.
- (vii) **Public statements**
- Without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the issue of the Securities the subject of the Offer or the Prospectus except where such statement is required by law or the ASX Listing Rules.
- (viii) **Misleading information**
- Any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the issue of the Securities the subject of the Offer or the affairs of the Company or any of its subsidiaries is or becomes misleading or deceptive or likely to mislead or deceive.
- (ix) **Official Quotation qualified**
- The Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation".
- (x) **Change in Act or policy**
- There is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy.
- (xi) **Prescribed Occurrence**
- A prescribed occurrence (as specified in the Underwriting Agreement) relating to the issued capital or business or property of the Company or any of its subsidiaries occurs or the Company or any of its subsidiaries becoming subject of an insolvency event.
- (xii) **Suspension of debt payments**
- The Company suspends payment of its debts generally.
- (xiii) **Event of Insolvency**
- An event of insolvency occurs in respect of the Company or any of its subsidiaries.
- (xiv) **Judgment against a Relevant Company**
- A judgment in an amount exceeding \$50,000 is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 7 days.

(xv) **Litigation**

Material litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced against the Company or any of its subsidiaries, other than any claims disclosed to the Underwriter in writing prior to the date of the Underwriting Agreement or foreshadowed in the Prospectus.

(xvi) **Board and senior management composition**

There is a change in the composition of the Board or a change in the senior management of the Company before the date on which the last of the Securities the subject of the Offer are allotted in accordance with the Prospectus without the prior written consent of the Underwriter (acting reasonably).

(xvii) **Change in shareholdings**

There is a material change in the major or controlling shareholdings of the Company or any of its subsidiaries or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any of its subsidiaries.

(xviii) **Timetable**

There is a delay in any specified date in the agreed timetable under the Underwriting Agreement which is greater than 3 business days, without the written consent of the Underwriter (such consent not to be unreasonably withheld or delayed).

(xix) **Force Majeure**

A force majeure event (as specified under the Underwriting Agreement) affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs.

(xx) **Certain resolutions passed**

The Company or any of its subsidiaries passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter.

(xxi) **Capital Structure**

The Company or any of its subsidiaries alters its capital structure in any manner not contemplated by the Prospectus except in respect of the exercise of options on issue at the date of the Underwriting Agreement.

(xxii) **Investigation**

Any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any of its subsidiaries.

(xxiii) **Market Conditions**

A suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

(o) **Material adverse effect**

The Underwriter may not exercise its rights under paragraph (n) above unless, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of a termination event has or is likely to have, or two or more termination events together have or are likely to have:

- (i) a material adverse effect (on the offer or subsequent market for the Shares, the assets or performance of the Company, the Underwriter's obligations, or the tax position of the Company and its subsidiaries); or
- (ii) could give rise to a liability of the Underwriter under the Corporations Act or otherwise.

The Underwriting Agreement contains indemnities, representations and warranties and undertakings by the Company to Canaccord and other terms and conditions considered standard for an agreement of this nature.

The Company is also party to a mandate with the Underwriter pursuant to which the Underwriter has agreed to act as Lead Manager to the Offer. Pursuant to such mandate, the Company has agreed that, in the event that during the period of 12 months starting on the earlier of the completion of the Offer and the termination of the engagement by the Company, the Company undertakes any equity or hybrid capital raising (**Subsequent Offer**), the Company agrees to offer the Underwriter the first right of refusal to act as sole and exclusive lead manager and bookrunner to the Subsequent Offer and will pay the Lead Manager a fee to be agreed between the Company and the Lead Manager (such agreement not to be unreasonably withheld).

8.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

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

and 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:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement	\$
Andrew Purcell ¹	219,758,759	Nil	33,809,039	676,180
Peter Stickland	16,597,279	Nil	2,553,427	51,068
Michael Sandy	6,400,000	Nil	984,615	19,692

Notes:

- Mr Purcell's relevant interest is held through M&A Advisory Pty Ltd ACN 605 252 506. Mr. Purcell is also entitled to receive 31,812,050 performance rights, subject to receiving shareholder approval.
- The Directors intend to take up their respective Entitlement in whole, subject to sufficient funds being available before the Closing Date.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	Remuneration for the year ended 30 June 2020	Remuneration for the year ended 30 June 2021	Proposed remuneration for year ending 30 June 2022
Andrew Purcell	\$202,603	\$501,001	\$360,000
Peter Stickland	\$112,500	\$118,749	\$75,000

Director	Remuneration for the year ended 30 June 2020	Remuneration for the year ended 30 June 2021	Proposed remuneration for year ending 30 June 2022
Michael Sandy	\$112,500	\$109,375	\$75,000

Notes:

1. Mr Purcell was appointed as Executive Chairman on 21 February 2020 and prior to that held the role of Non-Executive Chairman. The amounts shown in the table above for the financial year ended 30 June 2020 reflect his remuneration during his tenure in both of those roles. His remuneration for the year ended 30 June 2021 is comprised of his salary and a cash payment pursuant to the short term incentive (STI) component of his package. For the year ended 30 June 2022, Mr Purcell may also receive awards of cash and shares under the STI and Long Term Incentive components of his package, subject to satisfying certain conditions, in addition to the proposed remuneration shown.
2. Directors' remuneration for the year ended 30 June 2021 includes amounts paid in the period that were accrued in the prior period. Directors on occasion agree to defer receipt of their entitlement depending on Melbana's cash management requirements.
3. Mr Stickland also serves as Melbana's Technical Director, for which he is sometimes paid an additional fee for work undertaken in addition to his director's duties.

8.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (i) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Canaccord Genuity (Australia) Limited will be paid the fees set out in Section 8.4 to act as Underwriter and Lead Manager to the Offer. Further details in relation to the Underwriting Agreement are summarised in Section 8.4. During the 24 months preceding lodgement of this Prospectus with the ASIC, Canaccord Genuity (Australia) Limited has been paid \$17,600 in fees by the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$20,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not been paid any fees for legal services provided to the Company.

8.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Canaccord Genuity (Australia) Limited has given its written consent to being named as Underwriter and Lead Manager to the Offer in this Prospectus, in the form and context in which it is named. Canaccord Genuity (Australia) Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC. Canaccord Genuity (Australia) Limited (including its related entities) does not have a relevant interest in any Securities in the Company.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.8 Expenses of the Offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$633,814 (excluding GST) and are expected to be applied towards the items set out in the table below:

Item	Full Subscription \$
ASIC fees	3,206
ASX fees	47,607
Lead Manager and Underwriter fees	502,726

Item	Full Subscription \$
Legal fees	20,000
Accounting fees	3,000
Printing, distribution, registry, miscellaneous	57,275
Total	633,814

8.9 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 2 8323 6600 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.melbana.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.12 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

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

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

Andrew Purcell
Executive Chairman
For and on behalf of
MELBANA ENERGY LIMITED

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

AEST means Australian Eastern Standard Time

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Securities pursuant to the Shortfall Offer as the context requires.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

Application Monies means money paid by Applicants to subscribe for Securities under this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out in Section 2 (unless extended).

Company or **Melbana** means Melbana Energy Limited ACN 066 447 952.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a Shareholder of the Company as at the Record Date other than an Ineligible Shareholder.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Ineligible Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

Lead Manager or **Underwriter** means Canaccord Genuity (Australia) Limited (ABN 19 075 071 466) (AFSL 234666).

Lead Manager Option means an Option issued to the Lead Manager on the terms set out in Section 6.2.

New Option means an Option issued on the terms set out in Section 6.2.

Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Section means a section of this Prospectus.

Securities means Shares and/or New Options offered pursuant to this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.16.

Shortfall Securities means those Securities issued pursuant to the Shortfall.

SU Commitment Options means an Option issued to a sub-underwriter of the offer on the terms set out in Section 6.2.

Underwriting Agreement means the underwriting agreement between the Underwriter and the Company summarised at Section 8.4.