

20 August 2021

The Manager
Market Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Supplementary Prospectus for Non-Renounceable Entitlement Offer

Please find a supplementary prospectus to the prospectus released to the market on 4 August 2021.

Please note the information in this supplementary prospectus is in addition to the information in the original prospectus and does not replace any information in the original prospectus.

Authority

This announcement has been authorised for release by the Board of Melbana Energy Limited.

Enquiries

Any enquiries regarding the Entitlement Offer should be directed to:

Theo Renard
Company Secretary
+61 2 83 23 66 00

This release does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer or sale would be illegal. This release may not be distributed or released in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the securities referred to in this release in any jurisdiction outside Australia. In particular, the new shares and options to be offered in the Entitlement Offer have not been, and none of them will be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the new shares and options may not be offered, directly or indirectly, to, any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

MELBANA ENERGY LIMITED
ACN 066 447 952
SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 4 August 2021 (**Prospectus**) issued by Melbana Energy Limited (ACN 066 447 952) (**Company**). This Supplementary Prospectus is dated 20 August 2021 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Prospectus in hard copy or as an electronic copy and may be accessed on the Company's website at <https://www.melbana.com/site/investors/investors-centre>. This is an important document and should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay.

1. BACKGROUND

The Prospectus contained an offer of 356,438,678 New Options to the sub-underwriters of the Offer in consideration for sub-underwriting the Offer (**SU Commitment Options**). By this Supplementary Prospectus, the Company makes the amendments to the Prospectus set out in Section 2 by including additional disclosures in relation to the SU Commitment Options. The amendments to the Prospectus outlined in Section 2 below should be read in conjunction with the Prospectus.

2. AMENDMENTS TO THE PROSPECTUS

2.1 Option Offer to Lead Manager and Sub-underwriters

The disclosure set out below is inserted at the end of Section 4.2 of the Prospectus:

*The Company engaged Panthea Capital (**Panthea**) to value the SU Commitment Options. The SU Commitment Options were valued at \$0.0013 each based on the following assumptions:*

Value	Notes
0.022	Share price on ASX at valuation date
0.035	Exercise Price
1.000	Remaining option period, in years
0.41%	5 yr C'wealth Bond at valuation Date per RBA
50.00%	Volatility

Value	Notes
0.0013	Price per Option
5.9714%	Option Price as % of Share Price
3.7535%	Option Price as % of EP

Based on this valuation, the total theoretical cost of the issue of the 356,438,678 SU Commitment Options is \$463,370.28. Panthea's methodology in assuming a 50% volatility rate in the above valuation included the following factors:

- (a) *it was not considered market practice to consider historical volatility in determining implied volatility as past volatility was not considered an indicator of future volatility;*
- (b) *it was considered that implied volatility was determined by market consensus and given that there were no 'market makers' for valuing options of companies such as the Company which had a relatively small market capitalisation, that it was appropriate to use a volatility rate which had previously been used for valuing options of another resources company;*
- (c) *it was noted that the assumed volatility rate was at the high end of the range of actual annual volatilities that the Shares had been trading as at the first week of August 2021 and that historical volatility had been declining over the last quarter; and*
- (d) *given the market price of the Shares, it was considered that the price of the SU Commitment Options is extremely sensitive to volatility with a 10% move in volatility assumptions (from the assumed 50% volatility) resulting in a 50% change in price.*

The Company agreed to issue the SU Commitment Options following arm's length negotiations with the Underwriter. The Company considered the following in deciding to issue the SU Commitment Options:

- (a) *it was a term of the underwriting offer from the Underwriter;*
- (b) *the short (12 month) term of the SU Commitment Options;*
- (c) *the exercise price of the SU Commitment Options represents a premium of 175% to the Offer price;*
- (d) *the grant of the SU Commitment Options has no immediate cash impact for the Company and will have no long term impact on the capital structure of the Company unless they are exercised; and*
- (e) *any exercise of the SU Commitment Options would result in additional funds being raised by the Company upon which no further fees or commissions are payable.*

2.2 Consents

The Company confirms that the advisors that gave their written consent to being named in the Prospectus (refer to Section 8.7) have not withdrawn that consent prior to the lodgement of this Supplementary Prospectus with the ASIC.

In addition, the following disclosure is added at the end of Section 8.7 of the Prospectus:

Panthea has given its written consent to being named as the third-party valuers of the SU Commitment Options to the Company in this Prospectus. Panthea has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

3. DIRECTORS' AUTHORISATION

This Supplementary 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 Supplementary Prospectus with the ASIC.



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