

16 August 2017

Dear Security holder

### **NON-RENOUNCEABLE ENTITLEMENT OFFER**

We write to you as a holder of Melbana Energy Limited (ACN 066 447 952) (**Company** or **Melbana**) fully paid ordinary shares (**Shares**) as at today's date with a registered address outside of Australia, New Zealand, British Virgin Islands, Singapore and Canada (**Excluded Shareholders**).

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

This letter is to inform you about the Entitlement Offer, and to explain why you will not be able to subscribe for New Shares or Options under the Entitlement Offer. This letter is not an offer to issue entitlements or New Shares or Options to you, nor an invitation for you to apply for entitlements or New Shares or Options. You are not required to do anything in response to this letter.

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

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

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

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

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

The Entitlement Offer will be made to all registered shareholders on the Record Date and who reside in Australia, New Zealand, British Virgin Islands, Singapore and Canada and who are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Melbana has determined pursuant to ASX Listing Rule 7.7.1 that it would be unreasonable on this occasion to extend the Entitlement Offer to Excluded Shareholders, having regard to the number and value of securities held by Excluded Shareholders and the costs of complying with the legal and regulatory requirements which would apply to an offer of securities to Excluded Shareholders in various jurisdictions. Accordingly, in compliance with ASX Listing Rule 7.7.7(b), the Company wishes to advise you that it will not be extending the Entitlement Offer to you.

Thank you for your ongoing support of the Company, if you have any questions in relation to the above, please do not hesitate to contact the Company Secretary on +61 3 8625 6000.

Yours faithfully

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

Colin Naylor  
Company Secretary  
**Melbana Energy Limited**