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## **Off-market takeover bid by Melbana Energy Limited for Metgasco Limited – Second Supplementary Bidder's Statement**

MELBOURNE, AUSTRALIA (16 OCTOBER 2019)

In accordance with section 647(3) of the Corporations Act 2001 (Cth), we enclose a supplementary bidder's statement dated 16 October 2019, setting out amendments and supplementary information to the original bidder's statement dated (and lodged with ASIC) on 10 September 2019, and the first supplementary bidder's statement dated 3 October 2019.

Yours faithfully

A handwritten signature in black ink, appearing to read "Melanie Leydin".

**Melanie Leydin**  
Company Secretary, Melbana Energy Limited



## Supplementary Bidder's Statement

This document is a supplementary bidder's statement under section 643 of the Corporations Act (**Second Supplementary Bidder's Statement**). It is supplementary to the bidder's statement dated 10 September 2019 (**Original Bidder's Statement**) and the first supplementary bidder's statement dated 3 October 2019 (**First Supplementary Bidder's Statement**) and is issued by Melbana Energy Limited ABN 43 066 447 952, in relation to its off market takeover bid for all Metgasco Shares under Part 6.5 of the Corporations Act. This Second Supplementary Bidder's Statement supplements, and should be read together with the Original Bidder's Statement and First Supplementary Bidder's Statement. Unless the context requires otherwise, defined terms in the Original Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement. This Second Supplementary Bidder's Statement prevails to the extent of any inconsistency.

A copy of this Second Supplementary Bidder's Statement was lodged with ASIC on 16 October 2019. Neither ASIC nor any of its officers take any responsibility for the content of this Second Supplementary Bidder's Statement.

- **Offer Period extended until 1 November 2019.**
- **A key condition to Melbana Energy's takeover bid has been satisfied following the receipt of Melbana Energy shareholder approval.**
- **Melbana Energy's farm-in partners, TOTAL and Santos, are due to advise their intentions regarding the Beehive farm-in option by no later than Monday, 4 November 2019.**
- **Melbana Energy has received the necessary regulatory approvals and waivers rectifying any non-compliance in respect of the Block 9 PSC Cuban development project.**
- **Melbana Energy believes there are significant disclosure deficiencies in Metgasco's target's statement, including in respect of Metgasco's recently announced farm-in transactions.**
- **Melbana Energy waives the breaches of the Offer conditions arising from the disposal by Metgasco of 8 million shares in Byron Energy as announced on 18 September 2019.**
- **Metgasco Shareholders should accept the Offer without delay in order to participate in the potential benefits of holding shares in the Merged Group, including as a consequence of any farm-in into the Beehive prospect by TOTAL and/or Santos.**

### 1. Extension of Offer Period

Melbana Energy has varied its bid by extending the Offer Period so that the Offer will now close at 7.00pm (Sydney time) on 1 November 2019 (unless further extended or withdrawn).

### 2. Shareholder approval condition has been satisfied

As announced on 14 October 2019, the Condition to the Offer set out in paragraph 9.8.2 of the Bidder's Statement, requiring Melbana Energy shareholder approval for the purposes of Listing Rule 10.1 to approve the acquisition of the Metgasco Limited shares held by M&A Advisory and the issue of Melbana Energy shares to M&A Advisory under the takeover bid (**M&A Advisory Participation Condition**), has been satisfied.

### 3. Update on Melbana Energy's key projects

#### Beehive Prospect (WA-488-P)

As announced to ASX on 3 October 2019:

- TOTAL and Santos have requested and been granted a one month extension to the date by which each party must exercise the option they each hold to acquire a 40% interest in WA-488-P in return for agreeing to jointly fund the drilling of the Beehive-1 exploration well.
- TOTAL and Santos have confirmed that they have each completed their technical assessment of the Beehive prospect and the additional time requested is needed by the Parties to finalise their commercial analysis and seek internal approvals.

#### Block 9 PSC, Cuba – 100%

As announced to ASX on 3 October 2019, CUPET, the national oil company of Cuba, has informed Melbana Energy that it has received all necessary approvals to confirm amendments to the Block 9 Production Sharing Contract (PSC) requested by Melbana Energy. CUPET has also confirmed that all of Melbana Energy's other obligations under the Block 9 PSC are either waived for the current sub-period or are in full compliance. The amendments and waiver will be formally documented and signed by the parties shortly. Melbana Energy continues to pursue its farm-out process in respect of an interest in the Block 9 PSC. Subject to a successful outcome in respect of the farm-out process, Melbana Energy expects to be able to commence the required drilling programme in accordance with its obligations under the Block 9 PSC during the second half of 2020. Melbana Energy will undertake a rig selection process in respect of the required drilling programme at the appropriate time.

### 4. Response to Metgasco's target's statement

Melbana Energy has considered the content of Metgasco's target's statement dated 8 October 2019 (**Target's Statement**). Melbana Energy makes the following comments around certain statements by Metgasco in the Target's Statement.

- **Melbana Energy is in compliance with its obligations under the Block 9 PSC.** As noted above and previously to ASX, Melbana Energy is now in compliance with its obligations under the Block 9 PSC. The disclosure in the Target's Statement misleadingly implies there are continuing non-compliances.
- **The commercial status of the Beehive farm-in options held by TOTAL and Santos is clear.** The Target's Statement erroneously suggests the commercial status of the Beehive prospect is unclear. TOTAL and Santos each have until 4 November 2019 to advise Melbana Energy whether or not they intend to exercise their respective options to each acquire a 40% interest in WA-488-P. Each of the potential farm-in parties have undertaken significant due diligence in respect of the Beehive prospect and require the additional time to finalise their commercial analysis and seek internal approvals.
- **Melbana Energy has a strong track record of attracting quality partners to its projects.** The Target's Statement falsely claims that Melbana Energy has had limited success attracting partners to its projects. Melbana Energy has a strong history of successfully attracting partners to its projects of the calibre of Petrobras, eni, Origin Energy and most recently TOTAL and Santos.
- **Metgasco's claim of prudent financial investment doesn't stand up to scrutiny.** The Target's Statement claims Metgasco has exercised prudent financial management while at the same time spending over A\$10 million of shareholders' funds farming into the drilling of three wells without any commercial success.

- **Metgasco has failed to disclose the full extent of its work commitments.** The Target's Statement fails to provide accurate disclosure of Metgasco's current cash position and forward capital expenditure particularly in light of the A\$20.11 million in commitments it has over the next 4 years, as reported by Metgasco in its latest Annual Report. There is a lack of clarity in respect of the quantum and timing for Metgasco's financial commitments in respect of ATP2021 and ATP2020.
- **Melbana Energy believes the totality of Metgasco's short term work commitments are currently unfunded.** The Target's Statement describes Metgasco as 'a prudent financial investment' and that it is 'well-funded for its near term exploration activities'. However, Metgasco's undisclosed cash position, lack of clarity in respect of its financial commitments towards ATP2021 and ATP2020, and the potential obligation to spend up to A\$7 million to farm-in into the L14 production licence, raise serious questions about Metgasco's ability to fund its short-term commitments. In such circumstances, Melbana Energy has serious concerns regarding Metgasco's intended in-specie distribution of shares in Byron Energy Limited (ASX:BYE) (**Byron Energy**) given Metgasco's need for short-term funding.
- **Melbana Energy believes Metgasco's concern of the potential significant influence of Andrew Purcell is unwarranted.** Keybridge Capital Limited (ASX: KBC) (**Keybridge Capital**) is Metgasco's largest shareholder with a relevant interest of 20.1%. John Patton, Chairman of Keybridge Capital, sits on the board of directors of Metgasco as that company's nominated representative. On 14 October 2019, Keybridge Capital appointed Nicholas Bolton as its Managing Director. ASIC disqualified Mr Bolton from managing corporations for three years following his involvement in the failure of 13 companies, which disqualification ended in November 2018. Andrew Purcell's relevant interest in the Combined Group, as disclosed in section 5.5 of the Bidder's Statement, would be 10.7%; a significantly smaller holding than that which Keybridge Capital has in Metgasco.

## 5. Acceptance of the Offer

Metgasco Shareholders should refer to the Original Bidder's Statement, as supplemented by information contained within the First Supplementary Bidder's Statement and Second Supplementary Bidder's Statement, including information on the reasons to accept the Offer and the risks associated with not accepting the Offer.

If you have already accepted the Offer, you need not take any action. If you have not yet accepted the Offer, we encourage you to accept without delay. The Offer is due to close at 7.00pm (Sydney time) on 1 November 2019 (unless the offer period is extended).

## 6. Status of conditions

The independent board committee established by the Melbana Energy Board (**IBC**), comprised of Michael Sandy and Peter Stickland, has considered the impact on the Offer of the transactions announced by Metgasco on 18 September 2019, being:

- the disposal of 8 million shares in Byron Energy, realising approximately \$2.72 million; and
- the discharge of Metgasco's residual \$1.75 million debt to Byron Energy.

### (Relevant Transactions).

The IBC has resolved to waive the breaches of the Offer conditions arising out of or as a consequence of the Relevant Transactions (**Relevant Breaches**) such that it will not rely on the Relevant Breaches for the purposes of voiding any acceptances under the Offer.

None of the Conditions of the Offer, other than the M&A Advisory Participation Condition, have been fulfilled or waived as at the date of this Second Supplementary Bidder's Statement, other than the waivers advised above or to ASX by Melbana Energy in respect of previous breaches of the Conditions by Metgasco.

The Offer remains subject to a Condition that Melbana Energy acquires a relevant interest in at least 50.1% of the Metgasco Shares. As at the date of this Second Supplementary Statement, Melbana Energy has a relevant interest in Metgasco Shares of 20.42%.

Melbana Energy notes that the exercise of the option by Metgasco to farm-in into the L14 production licence, which is 100% owned by RCMA Australia Pty Ltd, will likely breach a number of the Conditions. Further breaches of the Conditions may occur following the in-specie distribution of the shares in Byron Energy held by Metgasco, should such distribution be approved by Metgasco Shareholders.

Any acceptance of the Offer, and any contract resulting from such acceptance, will be automatically void if at the end of the Offer Period any of the Conditions have not been fulfilled or waived.

## **7. Consents**

Melbana Energy has relied on the modification to section 636(3) of the Corporations Act set out in ASIC Class Order 13/521 "Takeover bids" to include in this Second Supplementary Bidder's Statement, without obtaining specific consents, statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX.

If you would like to receive a copy of those documents, or the relevant parts of the documents containing the statements (free of charge) during the bid period, please contact the offer information line on +61 1300 306 413 between 8.30am and 5.00pm (Sydney time) Monday to Friday.

## **8. Further information**

If you have any queries in relation to how to accept the Offer or any other matter relating to the takeover bid, please call the offer information line on +61 1300 306 413 between 8.30am and 5.00pm (Sydney time) Monday to Friday.

## **9. Authorisation**

This Second Supplementary Bidder's Statement has been approved by a unanimous resolution of the directors of Melbana Energy and is signed for and on behalf of Melbana Energy by:



Michael Sandy  
Director and Interim Chief Executive Officer